George C. Wallace Community College

FINANCIAL STATEMENTS

September 30, 2022

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George C. Wallace Community College
College Officials
As of September 30, 2022

<u>Chancellor of Alabama Community College System</u>

Jimmy Baker

<u>President</u>

Dr. Linda C. Young

<u>Dean of Business Affairs</u>

Marc Nicholas

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of George C. Wallace Community College (the "College"), a component unit of the State of Alabama, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the George C. Wallace Community College's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College, as of September 30, 2022, and George C. Wallace Community College Foundation, as of December 31, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of George C. Wallace Community College Foundation, a discretely presented component unit, which represents 100 percent of the total assets and total net assets of the component unit as of December 31, 2021, and the respective changes in financial position thereof for the year then ended. Those financial statements, which were prepared in accordance with the Financial Reporting Standards of the Financial Accounting Standards Board (FASB), were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for George C. Wallace Community College Foundation, is based solely on the report of the other auditors.

Basis for Opinions

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

Emphasis of Matter

Reporting Entity

As discussed in Note 1, the financial statements of the College are intended to present the financial position, and the changes in financial position of only that portion of the governmental activities that are attributable to the transactions of the College. They do not purport to and do not present fairly the financial position of the State of Alabama as of September 30, 2022, and the changes in its financial position for the year ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2022, the College adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Prior Period Adjustments

As discussed in Note 7 to the financial statements, the College had certain prior period adjustments, which results in an effect of $210,221 on the September 30, 2021 net position. Our opinions are not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks.

Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 – 11, schedules of the employer's proportionate share of the net pension liability and OPEB and schedules of employer's contributions, on pages 46 – 51, 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 opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2023, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

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

CARR, RIGGS & INGRAM, LLC

Enterprise, Alabama
January 17, 2023

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

The College received an unmodified opinion upon examination of the 2020-2021 fiscal records by the State of Alabama Examiners of Public Accounts. Presented in this document are the financial statements for fiscal year 2021-2022. There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows.

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

Statement of Net Position

The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the College as of the end of the fiscal year. The Statement of Net Position is a point in time financial statement. The purpose of the Statement of Net Position is to present to the readers of the financial statements a fair presentation of the fiscal condition of George C. Wallace Community College. The Statement of Net Position presents end-of-year data concerning Assets (current and noncurrent), Deferred Outflows of Resources, Liabilities (current and noncurrent), Deferred Inflows of Resources, and Net Position (assets minus liabilities).

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

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

Statement of Net Position

As of September 30,	**2022**	2021 (Restated)
Assets		
Current assets	**42,414,426**	39,181,031
Capital assets, net	**38,084,292**	39,287,622
Noncurrent assets	**110,227**	123,556
Total Assets	**80,608,945**	78,592,209
Deferred Outflows of Resources	**10,768,903**	12,554,491
Liabilities		
Current liabilities	**5,901,467**	5,448,767
Noncurrent liabilities	**39,113,288**	50,517,785
Total Liabilities	**45,014,755**	55,966,552
Deferred Inflows of Resources	**17,166,477**	10,114,462
Net Position		
Invested in capital assets, net of debt	**32,211,915**	32,829,622
Restricted	**1,524,981**	974,766
Unrestricted (deficit)	**(4,540,280)**	(8,738,702)
Total Net Position	**29,196,616**	25,065,686

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

For fiscal year 2021-2022, the College's net position totaled $29,196,616. This figure is comprised of net investment in capital assets, restricted net position, and unrestricted net position. Net position continues to be impacted by the implementation of GASB 68 to account for the College's imputed portion of unfunded pension liability of the Teachers' Retirement System. This year, that imputed liability decreased by $8,143,000 bringing the total to $23,561,000. Net position was also impacted by the continued implementation of GASB 75 to account for the College's imputed portion of unfunded OPEB liability. This year, that liability totaled $9,638,432.

Statement of Revenues, Expenses and Changes in Net Position

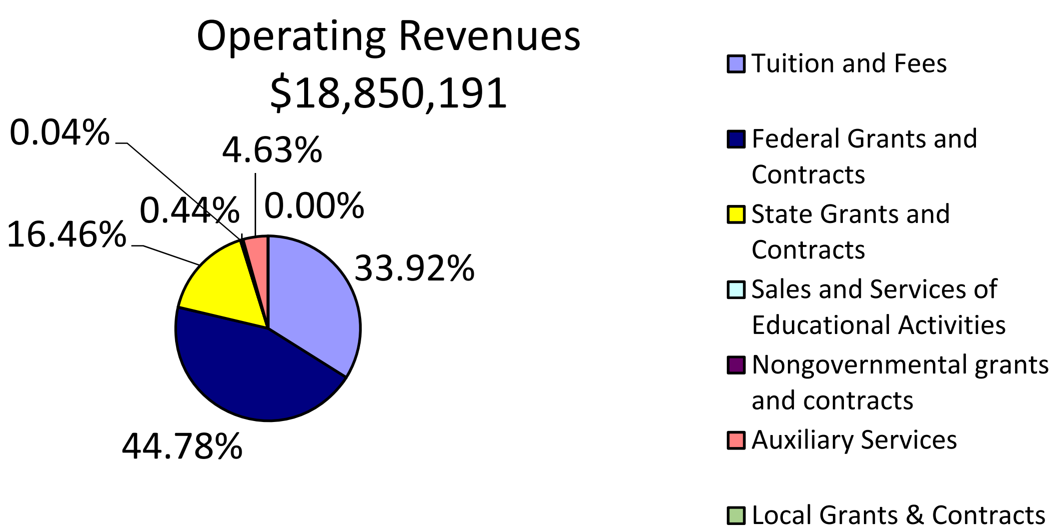
Changes in total net position, as presented on the Statement of Net Position, are based on the activity shown in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present the operating and nonoperating revenues received by the College, the operating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

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

Statement of Revenues, Expenses and Changes in Net Position

For the years ended September 30,	**2022**	2021
Operating revenues	**18,850,191**	12,399,914
Operating expenses	**50,409,699**	49,736,839
Operating loss	**(31,559,508)**	(37,336,925)
Nonoperating revenues and expenses	**35,480,218**	38,023,696
Increase in net position	**3,920,710**	686,771
Net position at beginning of year	**25,065,685**	24,296,414
Restatements	**210,221**	82,500
Net position at end of year	**29,196,616**	25,065,685

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



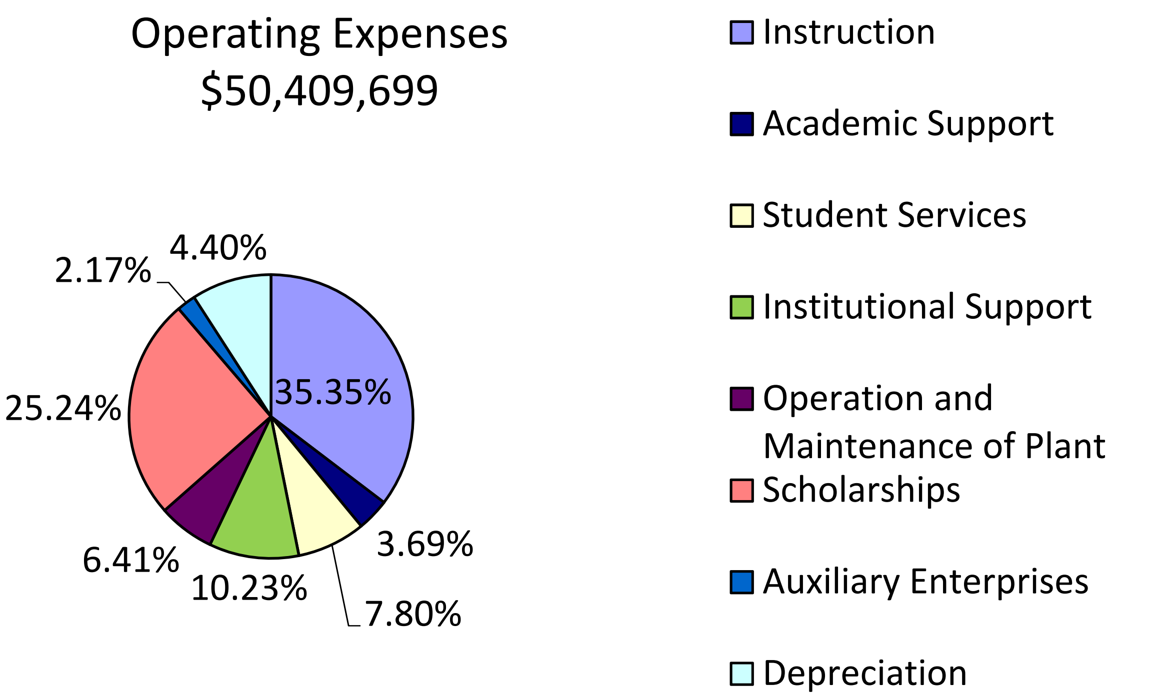
Tuition and Fees represent the second largest revenue source followed by federal and state grants and contracts. The College tuition rate increased to $135 per credit hour for fall semester 2022, so there was an increase $2 per credit hour increase over the previous fall semester. The sum of all other types of revenue represents about 21% of the total operating revenue.

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

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

Within the nonoperating revenues, the College received contributions totaling $19,623,323 for state appropriations, $15,918,052 in Pell Grant Revenues, interest income of $77,918, endowment income of $6,704, and other nonoperating income of $131,987. Noncash gifts/revenue totaled $3,300.

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



As reflected in the previous chart, operating expenses are divided into functional areas defined by the Alabama Community College System Fiscal Procedures. Instructional expenses represent the largest single functional area expense. Institutional Support, Student Services, Scholarships, Operation and Maintenance of Plant, and Academic Support, represent, in declining order, the next largest group of functional area expenses. Depreciation represents approximately four percent and Auxiliary Enterprises represents approximately three percent of the total college operating expenses. Of the $3,920,710 gain experienced this fiscal year, $3,580,902 was related to the increase in federal grants and contracts.

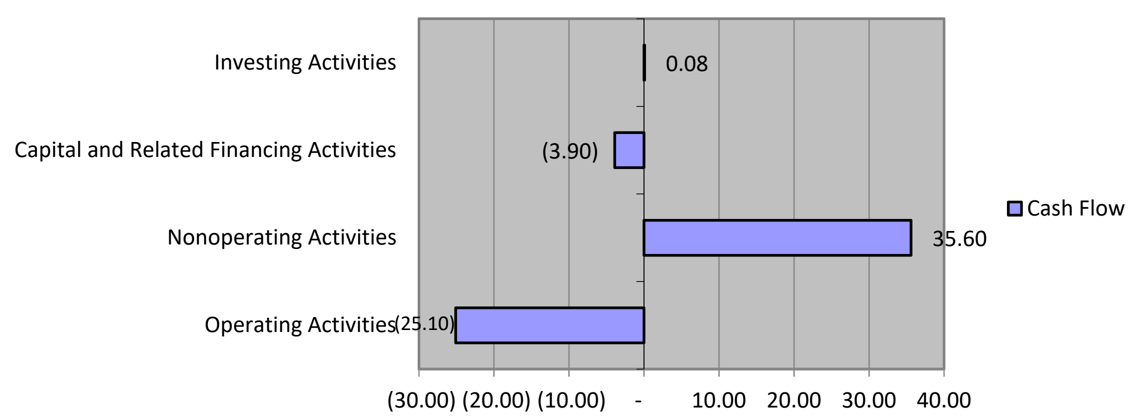
Statement of Cash Flows

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

Statement of Cash Flows

For the years ended September 30,	**2022**	2021
Cash provided (used) by:		
Operating activities	**(25,085,057)**	(33,398,428)
Nonoperating activities	**35,591,209**	38,060,772
Capital and related financing activities	**(3,917,308)**	(5,066,847)
Investing Activities	**82,835**	90,540
Net change in cash	**6,671,679**	(313,963)
Cash, beginning of year	**27,025,661**	27,339,624
Cash, end of year	**33,697,340**	27,025,661

The following chart visually depicts the cash flow figures used to generate the net change in cash for the year 2021-2022.



Economic Outlook

The economic forecast for the 2020-2021 fiscal year predicts slow economic growth and a low unemployment rate. The College's fall 2021 credit hour production remained almost flat compared to fall 2020. Alabama's unemployment rate for September, 2020 was 2.7% indicating that jobs are plentiful. Traditionally, a low unemployment rate leads to lower enrollment numbers. State funding to the College remained relatively the same for 2021-2022 as for fiscal year 2020-2021. There is anticipated growth in the Special Education Trust Fund but due to the Rolling Reserve Act, no additional funding will come to the College until the percentage of growth is greater than the 15 year average. The increase will go into the Rainy Day fund and the Capital Outlay fund for the state. The recognition of the PEEHIP unfunded liability and the OPEB liability will continue to be a threat to the College's reserves. It is anticipated to reduce the fund balance by $35 million. In areas that are under the College's control, the financial position remains strong. The College will continue to monitor revenues and expenses and make adjustments where necessary.

George C. Wallace Community College
Statement of Net Position

	Primary Government September 30, 2022	George C. Wallace Community College Foundation December 31, 2021
Assets		
Current assets		
Cash and cash equivalents	$ 33,697,340	$ 154,241
Short-term investments	3,147,850	10,216,430
Accounts receivable, net	5,198,960	-
Pledges receivable	-	9,612
Inventories	369,156	-
Other current assets	1,120	-
Total current assets	42,414,426	10,380,283
Noncurrent assets		
Endowment investments	110,227	-
Capital assets, not being depreciated	3,118,647	-
Capital assets, net of accumulated depreciation	34,903,530	-
Lease assets, net of accumulated amortization	62,115	-
Total noncurrent assets	38,194,519	-
Total assets	80,608,945	10,380,283
Deferred Outflows of Resources		
Deferred outflows related to pension	6,492,000	-
Deferred outflows related to OPEB	4,276,903	-
Total deferred outflows of resources	10,768,903	-
Liabilities		
Current liabilities		
Deposits held for others	227,668	-
Accounts payable and accrued liabilities	1,416,740	-
Bond fee surety payable	12,312	-
Unearned revenue	3,423,453	-
Compensated absences	131,250	-
Lease liabilities	26,044	-
Bonds payable, due in one year	664,000	-
Total current liabilities	5,901,467	-
Noncurrent liabilities		
Compensated absences	731,552	-
Lease liabilities	35,304	-
Bonds payable	5,147,000	-
Net pension liability	23,561,000	-
Net OPEB liability	9,638,432	-
Total noncurrent liabilities	39,113,288	-
Total liabilities	45,014,755	-

-Continued-

Deferred Inflows of Resources		
Deferred inflows related to pension	7,949,000	-
Deferred inflows related to OPEB	9,217,477	-
Total deferred inflows of resources	17,166,477	-
Net Position		
Net investment in capital assets	32,211,915	-
Restricted for		
Debt service	235,075	
Scholarships and fellowships	160,538	-
Other	1,129,368	-
Donor restrictions	-	7,260,884
Unrestricted (deficit)	(4,540,280)	3,119,399
Total net position	$ 29,196,616	$ 10,380,283

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

For the year ended	Primary Government September 30, 2022	George C. Wallace Community College Foundation December 31, 2021
Operating Revenues		
Student tuition and fees (net of scholarship allowances of $7,363,517)	$ 6,393,153	$ -
Federal grants and contracts	8,440,471	-
State and local grants and contracts	3,103,681	-
Nongovernmental grants and contracts	82,443	-
Sales and services of educational departments	7,598	-
Auxillary enterprises:		
Bookstore (net of scholarship allowances of $609,062)	789,095	-
Vending	25,100	-
Farm activities	8,650	-
Contributions	-	471,851
Special events	-	149,536
Total operating revenues	18,850,191	621,387
Operating Expenses		
Instruction	17,818,497	-
Institutional support	5,157,003	-
Academic support	1,860,535	-
Student services	3,933,522	-
Operation and maintenance	3,233,032	58,318
Scholarships and financial aid	12,724,077	227,609
Advancement	-	242,871
Depreciation and amortization	4,588,164	-
Auxillary enterprises: Bookstore	1,094,869	-
Other operating expense	-	55,423
Total operating expenses	50,409,699	584,221
Operating income (loss)	(31,559,508)	37,166
Nonoperating Revenues (Expenses)		
State appropriations	19,623,323	-
Federal grants	15,918,052	-
Endowment income	6,703	-
Investment income	77,918	1,018,970
Interest expense	(160,342)	-
Bond surety fee expense	(81,814)	-
Unrealized loss on investments	(38,909)	-
Noncash gifts	3,300	-
Other nonoperating revenues (expenses)	131,987	340
Total nonoperating revenues (expenses)	35,480,218	1,019,310
Change in net position and net assets	3,920,710	1,056,476
Net position, beginning of year	25,065,685	9,323,807
Prior Period Adjustment - see note 7	210,221	-
Net position, beginning of year (as restated)	25,275,906	9,323,807
Net position, end of year	$ 29,196,616	$ 10,380,283

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

George C. Wallace Community College
Statement of Cash Flows

For the year ended September 30, 2022

Operating Activities	
Cash received for tuition and fees	$ 6,667,867
Cash received for grants and contracts	15,073,040
Cash payments to suppliers for goods and services	(8,016,755)
Cash payments for utilities	(803,664)
Cash payments to employees	(19,830,209)
Cash payments for employee benefits	(6,280,582)
Cash payments for scholarships	(12,724,077)
Cash received from auxiliary enterprise charges:	
Bookstore	789,095
Vending	25,100
Farm activities	8,650
Other receipts	6,478
Net cash provided by (used in) operating activities	(25,085,057)
Noncapital Financing Activities	
Cash received from state appropriations	19,623,323
Cash received from federal grants	15,918,052
Cash payments for bond surety fees	(82,153)
Cash received from other noncapital financing	131,987
Net cash provided by (used in) noncapital financing activities	35,591,209
Capital and Related Financing Activities	
Purchases of capital assets	(3,171,294)
Principal paid on capital debt and leases	(585,672)
Interest paid on capital debt and leases	(160,342)
Net cash provided by (used in) capital and related financing activities	(3,917,308)
Investing Activities	
Proceeds from sales and maturities of investments	3,295,199
Investment income	45,713
Purchase of investments	(3,258,077)
Net cash provided by (used in) investing activities	82,835
Net increase (decrease) in cash and cash equivalents	6,671,679
Cash and cash equivalents, beginning of year	27,025,661
Cash and cash equivalents, end of year	$ 33,697,340

-Continued-

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

For the year ended September 30, 2022

Reconciliation of Operating Income (Loss)	
to Net Cash Provided by (Used in) Operating Activities	
Operating income (loss)	$(31,559,508)
Adjustments to reconcile operating income (loss) to net cash provided	
by (used in) operating activities	
Depreciation and amortization	4,588,164
Change in assets, deferred outflows of resources, liabilities and deferred inflows of resources	
(Increase) decrease in assets and deferred outflows of resources	
Receivables, net	3,446,445
Inventory	(30,833)
Other assets	(1,120)
Deferred outflowsof resources	(1,785,588)
Increase (decrease) in liabilities and deferred inflows of resources	
Accounts payable and accrued liabilities	131,790
Unearned revenue	3,853,848
Compensated absences	(45,193)
Net pension liability	(8,143,000)
Net OPEB liability	(2,584,118)
Deferred inflows of resources	7,052,015
Other liabilities	(7,959)
Total adjustments	6,474,451
Net cash provided by (used in) operating activities	$ (25,085,057)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

Discretely Presented Component Unit

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Cash and cash equivalents

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

Investments

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

As of September 30, 2022, investments for the College consist of certificates of deposit and are reported at amortized cost.

Receivables and allowance for doubtful accounts

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

Inventories and prepaid items

Inventories are valued at the lower of cost or market using the first-in/first-out (FIFO) method and consists primarily of books. The cost of such inventories is recorded as expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The cost of prepaid items is recorded as expenses when consumed rather than when purchased.

Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital Assets (continued)

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

Land, construction in progress and intangible assets with indefinite lives are the only capital assets that are not depreciated. The other property, plant, and equipment are depreciated using the methods below over the estimated useful lives of the assets, ranging from five to fifty years. Improvements that extend the useful life of the assets are capitalized and depreciated over the remaining useful life of the asset. The method of depreciation and useful lives of the capital assets are as follows:

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

Deferred Outflows/Inflows of Resources

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Deferred Outflows/Inflows of Resources (continued)

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

Compensated Absences

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

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

Long-Term Obligations

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

Unearned Revenue

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

Pension

The Teachers' Retirement System of Alabama (the Plan or TRS) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Pension (continued)

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

Other Post-Employment Benefits (OPEB) Liability

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

Categories and Classification of Net Position

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

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

Net investment in capital assets – This component of net position consists of the historical cost of capital assets, net of accumulated depreciation, and is reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt should also be included in this component of net position. Any significant unspent related debt proceeds or inflows of resources at year-end related to capital assets are not included in this calculation.

Restricted – This component of net position consists of assets that are restricted by debt covenants, contributors, contractual provisions, or enabling legislation, reduced by liabilities and deferred inflows of resources related to those assets.

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Federal Financial Assistance Programs

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

Scholarship Allowances and Student Aid

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

Revenues and Expenses

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

Use of Estimates

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

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, January 17, 2023, and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Recently Issued and Implemented Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87 (GASB 87), *Leases*. The objective of GASB 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. All leases with a term greater than 12 months are recognized as a lease liability and an intangible right-of-use lease asset by the lessee.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

The requirements of this statement are effective for reporting periods beginning after June 15, 2021. The College adopted Statement No. 87 for the year ended September 30, 2022. For more information on the effects of the adoption of Statement No. 87, see Note 2.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The implementation of GASB 89 did not result in any significant change in the College's financial statements.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019- 3, *Leases*, for interim financial reports,
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan,
- The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits,
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements,
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition,
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers,
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature, and
- Terminology used to refer to derivative instruments.

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with asset retirement obligations in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

The implementation of GASB 92 did not result in any significant change in the College's financial statements.

In May 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objectives of this Statement are to address financial reporting issues that result from the replacement of an Interbank Offered Rate (IBOR) by providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment and clarification of the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; replacing LIBOR as an appropriate benchmark interest rate for the evaluation of the effectiveness of an interest rate swap with a Secured Overnight Financing Rate or the Effective Federal Funds Rate; and providing exceptions to the lease modifications guidance in Statement 87 for lease contracts that are amended solely to replace an IBOR used to determine variable payments.

The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2022. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The implementation of GASB 93 did not result in any significant change in the College's financial statements.

In June 2020, the GASB issued Statement No. 97 (GASB 97), *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32.* The primary objectives of GASB 97 are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of GASB 97 are effective for fiscal years beginning after June 15, 2021. The implementation of GASB 97 did not result in any significant change in the College's financial statements.

In October 2021, the GASB issued GASB Statement No. 98, *The Annual Comprehensive Financial Report*. This Statement establishes the term *annual comprehensive financial report* and its acronym *ACFR*. That new term and acronym replace instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness. The requirements of this Statement are effective for fiscal years ending after December 15, 2021. The implementation of GASB 98 did not result in any significant change in the College's financial statements.

Pronouncements Issued But Not Yet Effective

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

In May 2019, the GASB issued Statement No. 91 (GASB 91), *Conduit Debt Obligations*. The primary objectives of GASB 91 are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. GASB 91 achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of GASB 91 are effective for reporting periods beginning after December 15, 2021.

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

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

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pronouncements Issued But Not Yet Effective (continued)

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.

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

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

The requirements of this Statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pronouncements Issued But Not Yet Effective (continued)

- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

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

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

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

Note 2: DETAILED NOTES ON ALL FUNDS

Deposits and Investments

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

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

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

Permissible investments include:

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

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

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

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (continued)

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

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

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

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

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

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

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

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

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Accounts Receivable

Accounts receivables are reported net of uncollectible amounts, and as of September 30, 2022, consist of the following:

	Accounts Receivable	Allowance for Uncollectible	Net
Tuition and fees	$ 1,974,744	$ (1,690,421)	$ 284,323
Federal grants and contracts	2,832,232	-	2,832,232
State grants and contracts	631,598	-	631,598
Agency	111,250		111,250
Other	1,339,557	-	1,339,557
Total accounts receivable, net	$ 6,889,381	$ (1,690,421)	$ 5,198,960

Capital Assets

The following is a summary of changes in capital assets during the year ended September 30, 2022:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	$ 842,817	$ -	$ -	$ 842,817
Construction-in-progress	1,399,589	876,241	-	2,275,830
Capital assets, not being depreciated	2,242,406	876,241	-	3,118,647
Capital assets, being depreciated				
Buildings	37,428,567	995,713	-	38,424,280
Building alterations	17,595,517	(995,713)	-	16,599,804
Improvements other than buildings	4,248,921	-	-	4,248,921
Equipment > $25,000	5,832,257	1,520,945	(273,995)	7,079,207
Equipment < $25,000	6,798,660	757,143	(821,955)	6,733,848
Library materials	801,483	21,066	(33,183)	789,366
Capital assets, being depreciated	72,705,405	2,299,154	(1,129,133)	73,875,426
Less accumulated depreciation for				
Buildings	10,734,443	5,142,501	-	15,876,944
Building alterations	12,557,326	663,992	(2,719,088)	10,502,230
Improvements other than buildings	2,639,107	139,801	-	2,778,908
Equipment > $25,000	3,677,937	554,690	(249,515)	3,983,112
Equipment < $25,000	5,393,187	596,356	(807,526)	5,182,017
Library materials	658,190	23,678	(33,183)	648,685
Total accumulated depreciation	35,660,190	7,121,018	(3,809,312)	38,971,896

-Continued-

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Total capital assets being depreciated, net	37,045,215	(4,821,864)	2,680,179	34,903,530
Leased right to use asset	-	85,818	-	85,818
Less accumulated amortization	-	23,703	-	23,703
Lease assets, net of accumulated amortization	-	62,115	-	62,115
Total capital assets, net	$ 39,287,621	$ (3,883,508)	$ 2,680,179	$ 38,084,292

Construction in progress includes three ongoing projects at September 30, 2022; the additional costs to complete are approximately $3.2M.

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities represent amounts due at September 30, 2022 for goods and services received prior to the end of the fiscal year, as follows:

Salaries and wages	$ 677,639
Benefits	125,634
Supplies and vendors	613,467
Total accounts payable and accrued liabilities	$ 1,416,740

Long-Term Debt and Liabilities

Bonds payable

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

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

Leases payable

On March 3, 2020, the College, entered into a 36 month lease as Lessee for the use of Ricoh Copier - Pro C5200s C088CC00005. An initial lease liability was recorded in the amount of $10,577. As of September 30, 2022, the value of the lease liability is $2,650. The College is required to make monthly fixed payments of $663. The lease has an interest rate of 0.466%. The equipment estimated useful life was 36 months as of the contract commencement. The value of the right to use asset as of September 30, 2022 of $10,578 with accumulated amortization of $7,901 is included in the capital assets table above.

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (continued)

Leases payable (continued)

On January 22, 2020, the College entered into a 36 month lease as lessee for the use of Ricoh Copier - Grimsley Hall C339RC000479. An initial lease liability was recorded in the amount of $3,607. As of September 30, 2022, the value of the lease liability is $1,205. The College is required to make monthly fixed payments of $201. The lease has an interest rate of 0.466%. The equipment estimated useful life was 36 months as of the contract commencement. The value of the right to use asset as of September 30, 2022 of $3,607 with accumulated amortization of $2,446 is included in the capital assets table above.

On January 22, 2021 the College entered into a 60 month lease as lessee for the use of Pitney Bowes - SendPro P Series. An initial lease liability was recorded in the amount of $15,422. As of September 30, 2022, the value of the lease liability is $11,842. George C Wallace Community College is required to make quarterly fixed payments of $928. The lease has an interest rate of 1.035%. The equipment estimated useful life was 36 months as of the contract commencement. The value of the right to use asset as of September 30, 2022 of $15,422 with accumulated amortization of $3,577 is included in the capital assets table above.

On February 17, 2022, the College entered into a 36 month lease as lessee for the use of Ricoh Copier - Sparks Fin Aid 4441R900803. An initial lease liability was recorded in the amount of $5,454. As of September 30, 2022, the value of the lease liability is $4,559. The College is required to make monthly fixed payments of $156. The lease has an interest rate of 1.817%. The equipment estimated useful life was 36 months as of the contract commencement. The value of the right to use asset as of September 30, 2022 of $5,454 with accumulated amortization of $785 is included in the capital assets table above.

On February 17, 2022, the College entered into a 36 month lease as lessee for the use of Ricoh Copier - Heersink Workroom 1 4451R00045. An initial lease liability was recorded in the amount of $6,597. As of September 30, 2022, the value of the lease liability is $5,514. The College is required to make monthly fixed payments of $188. The lease has an interest rate of 1.817%. The equipment estimated useful life was 36 months as of the contract commencement. The value of the right to use asset as of September 30, 2022 of $6,597 with accumulated amortization of $949 is included in the capital assets table above.

On February 17, 2022, the College entered into a 36 month lease as lessee for the use of Ricoh Copier - Heersink Workroom 2 4451RA000301. An initial lease liability was recorded in the amount of $7,439. As of September 30, 2022, the value of the lease liability is $6,218. The College is required to make monthly fixed payments of $212. The lease has an interest rate of 1.817%. The equipment estimated useful life was 36 months as of the contract commencement. The value of the right to use asset as of September 30, 2022 of $7,439 with accumulated amortization of $1,071 is included in the capital assets table above.

On February 17, 2022, the College entered into a 36 month lease as lessee for the use of Mimaki Copier - Printshop CJV-130. An initial lease liability was recorded in the amount of $12,961. As of September 30, 2022, the value of the lease liability is $10,833. The College is required to make monthly fixed payments of $370. The lease has an interest rate of 1.817%. The equipment estimated useful life was 36 months as of the contract commencement. The value of the right to use asset as of September 30, 2022 of $12,961 with accumulated amortization of $1,927 is included in the capital assets table above.

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (continued)

Leases payable (continued)

On December 10, 2021, the College entered into a 36 month ease as lessee for the use of Xerox Equipment Xante 52217070028. An initial lease liability was recorded in the amount of $23,761. As of September 30, 2022, the value of the lease liability is $18,527. The College is required to make monthly fixed payments of $670. The lease has an interest rate of 1.035%. The equipment estimated useful life was 36 months as of the contract commencement. The value of the right to use asset as of September 30, 2022 of $23,760 with accumulated amortization of $5,047 is included in the capital assets table above.

The following is a summary of the bond payable and lease obligations for the year ended September 30, 2022:

Year ending	Bonds Payable			Lease Obligations		
September 30,	Principal	Interest	Total	Principal	Interest	Total
2023	$ 664,000	$ 148,762	$ 812,762	$ 26,044	$ 671	$ 26,715
2024	681,000	131,763	812,763	22,504	351	22,855
2025	698,000	114,330	812,330	11,875	69	11,944
2026	716,000	96,461	812,461	925	2	927
2027	734,000	78,131	812,131	-	-	-
2028-2032	2,318,000	119,680	2,437,680	-	-	-
Total	5,811,000	689,127	6,500,127	61,348	1,093	62,441
Current portion	664,000	148,762	812,762	26,044	671	26,715
Payable after one year	$ 5,147,000	$ 540,365	$ 5,687,365	$ 35,304	$ 422	$ 35,726

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Lease obligations	$ -	$ 85,818	$ 24,470	$ 61,348	$ 26,044
Compensated absences	907,994	662,473	707,666	862,801	131,250
Revenue bonds	6,458,000	-	647,000	5,811,000	664,000
Total long-term liabilities	$ 7,365,994	$ 748,291	$ 1,379,136	$ 6,735,149	$ 821,294

Pledged Revenues

Future revenues in the approximate amount of $6,500,127 are pledged to repay the principal and interest on the bonds at September 30, 2022. Pledged revenues in the amount of $6,393,153 were received during the fiscal year ended September 30, 2022, with $160,342 or 2.5% of pledged revenues being used to pay interest during this fiscal year. These bonds are scheduled to mature in fiscal year 2030.

Note 2: DETAILED NOTES ON ALL FUNDS (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.

The elements of this calculation are as follows:

Capital assets (net)		38,084,292
Outstanding debt related to capital assets		(5,872,377)
Net investment in capital assets	$	32,211,915

Note 3: RETIREMENT PLANS

Description of Plan

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

Benefits Provided

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

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life.

Service and disability retirement benefits are based on a formula method. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service up to 80% of their average final compensation. 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

Note 3: RETIREMENT PLANS (Continued)

Benefits Provided (continued)

performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending June 30 are paid to a qualified beneficiary.

Contributions

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

Effective October 1, 2021, the covered Tier 2 members contribution rate increased from 6.0% to 6.2% of earnable compensation to the TRS as required by statute. Effective October 1, 2021, the covered Tier 2 certified law enforcement, correctional officers, and firefighters contribution rate increased from 7.0% to 7.2% of earnable compensation to the TRS as required by statute.

Participating employers' contractually required contribution rate for the year ended September 30, 2021 was 12.43% of annual pay for Tier 1 members and 11.32% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued

liability. Total employer contributions to the pension plan from the College were $2,223,000 for the year ended September 30, 2022.

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

At September 30, 2022, the College reported a liability of $23,561,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2020. 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, 2021, the College's proportion was 0.250112%, which was a decrease of 0.256303% from its proportion measured as of September 30, 2020.

For the year ended September 30, 2021, the College recognized pension expense of $1,598,000.

Note 3: RETIREMENT PLANS (Continued)

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

At September 30, 2022, the College reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	$ 1,091,000	$ 1,373,000
Changes of assumptions	2,473,000	-
Net difference between projected and actual earnings	-	5,562,000
Changes in proportion and differences between employer contributions and proportional share of contributions	705,000	1,014,000
Contributions made subsequent to the measurement date	2,223,000	-
Total	$ 6,492,000	$ 7,949,000

$2,223,000 reported as deferred outflows of resources related to pension resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2023.

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

Year ending September 30,	
2023	$ (546,000)
2024	(494,000)
2025	(904,000)
2026	(1,736,000)
2027	-
Thereafter	-
Total	$ (3,680,000)

The total pension liability as of September 30, 2021 was determined by an actuarial valuation as of September 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

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

*Net of pension plan investment expense

Note 3: RETIREMENT PLANS (Continued)

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

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

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

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

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

*Includes assumed rate of inflation of 2.00%

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

Note 3: RETIREMENT PLANS (Continued)

Changes in Net Pension Liability and Sensitivity to Changes in 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:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
College's proportionate share of collective net pension liability	$ 34,680,000	$ 23,561,000	$ 14,197,000

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 auditor's report on the Schedule of Employer Allocations and Pension Amounts by Employer and accompanying notes detail by employer and in aggregate information needed to comply with GASB 68. The additional financial and actuarial information is available at http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/.

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

Plan Description

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

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

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

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, eye glasses, and contact lens prescriptions.

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

Effective January 1, 2017, Medicare eligible members and Medicare eligible dependents covered on a retiree contract were enrolled in the United Healthcare (UHC) Group Medicare Advantage plan for PEEHIP retirees. Effective, January 1, 2020, Humana replaced the UHC contract. The MAPDP plan is fully insured by Humana and members are able to have all of their Medicare Part A, Part B, and Part D (prescription drug coverage) in one convenient plan. With the MAPDP plan for PEEHIP, retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Retirees have the same benefits in and out-of-network and there is no additional retiree cost share if a retiree uses an out-of-network provider and no balance billing from the provider.

Funding Requirements

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

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

Funding Requirements (continued)

benefits for the following fiscal year. The Legislature then sets the premium rate in the annual appropriation bill.

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

For employees who retired after December 31, 2011, the employer contribution to the health insurance premium set forth by the Board for each retiree class is reduced by 4% for each year of service less than 25 and increased by 2% for each year over 25, subject to adjustment by the Board for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree.

For employees who retired after December 31, 2011, who are not covered by Medicare, regardless of years of service, the employer contribution to the health insurance premium set forth by the Board for each retiree class is reduced by a percentage equal to 1% multiplied by the difference between the Medicare entitlement age and the age of the employee at the time of retirement as determined by the Board. This reduction in the employer contribution ceases upon notification to the Board of the attainment of Medicare coverage.

Net OPEB Liability, Significant Assumptions, and Discount Rate

At September 30, 2022, the College reported a liability of $9,638,432 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of September 30, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2020. The College’s proportion of the Net OPEB liability was based on the employers’ share of contributions to the OPEB plan relative to the total employer contributions of all participating PEEHIP employers. At September 30, 2021, the College’s proportion was 0.186545% which was a decrease of 0.001788% from its proportion measured as of September 30, 2020.

The total OPEB liability was determined by an actuarial valuation as of September 30, 2020, using the following assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases[1]	3.25% - 5.00%
Long-term investment rate of return[2]	7.00%
Municipal Bond Index Rate at Measurement Date	2.29%
Municipal Bond Index Rate at Prior Measurement Date	2.25%
Projected Year for Fiduciary Net Position (FNP) to be Depleted	2051
Single Equivalent Interest Rate at Measurement Date	3.97%
Single Equivalent Interest Rate at Prior Measurement Date	3.05%

-Continued-

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

Net OPEB Liability, Significant Assumptions, and Discount Rate (continued)

Healthcare cost trend rates	
Initial Trend Rate	
Pre-Medicare Eligible	6.50%
Medicare Eligible	**
Ultimate Trend Rate	
Pre-Medicare Eligible	4.50% in 2028
Medicare Eligible	4.50% in 2025

[1]Including 2.75% wage inflation

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

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

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

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

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) were based on the September 30, 2020 valuation.

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

These ranges should be combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

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

Net OPEB Liability, Significant Assumptions, and Discount Rate (continued)

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

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

*Geometric mean, includes 2.5% inflation

The discount rate (also known as the Single Equivalent Interest Rate (SEIR), as described by GASB 74) used to measure the total OPEB liability was 3.97%. Premiums paid to the Public Education employees' Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Currently, the monthly employer rate is $800 per non-university active member. Approximately, 12.990% of the employer contributions were used to assist in funding retiree benefit payments in 2021 and it is assumed that the 12.990% will increase at the same rate as expected benefit payments for the closed group reaching 20.00%. It is assumed the $800 rate will increase with inflation at 2.50% starting in 2024. Retiree benefit payments for University members are paid by the Universities and are not included in the cash flow projections. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. Therefore, the projected future benefit payments for all current plan members were projected through 2119. The long-term rate of return is used until the assets are expected to be depleted in 2051, after which the municipal bond rate is used.

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

For the fiscal year ended September 30, 2022, the College recognized an OPEB expense of $(886,438), with no special funding situations.

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

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

At September 30, 2022, 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	$ 228,046	$ 3,353,228
Change of assumptions	3,432,635	3,735,939
Net difference between projected and actual earnings on OPEB plan investments	-	300,656
Changes in proportion and differences between employer contributions and proportional share of contributions	233,487	1,827,654
Employer contributions subsequent to the measurement date	382,735	-
Total	$ 4,276,903	$ 9,217,477

$382,735 reported as deferred outflows of resources related to OPEB resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2022.

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

Year ending September 30,	
2023	$ (1,696,268)
2024	(1,372,713)
2025	(1,454,182)
2026	(321,075)
2027	(184,157)
Thereafter	(294,914)
Total	$ (5,323,309)

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

Sensitivity to Changes in the Healthcare Cost Trend Rates and Discount Rates

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

	1% Decrease (5.50% decreasing to 3.50% for pre-Medicare, Known decreasing to 3.50% for Medicare Eligible)	Current Healthcare Trend (6.50% decreasing to 4.50% for pre-Medicare, Known decreasing to 4.50% for Medicare Eligible)	1% Increase (7.50% decreasing to 5.50% for pre-Medicare, Known decreasing to 5.50% for Medicare Eligible)
Net OPEB Liability	$ 7,563,014	$ 9,638,432	$ 12,312,407

The following table presents the College's proportionate share of the net OPEB liability of the Trust calculated using the discount rate of 3.97%, as well as what the net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (2.97%)	Current Discount Rate (3.97%)	1% Increase (4.97%)
Net OPEB Liability	$ 11,855,698	$ 9,638,432	$ 7,859,940

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 5: RISK MANAGEMENT

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

Note 5: RISK MANAGEMENT (Continued)

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

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

Note 6: COMMITMENTS AND CONTINGENCIES

As of September 30, 2022, the College had been awarded contracts and grants on which performance had not been accomplished and funds had not been received. These awards, which represent commitments of sponsors to provide funds for specific purposes, have not been reflected in the financial statements.

The College has active construction projects as of September 30, 2022. At year-end, the College’s commitments with contractors are as follows:

Commitment	Amount	Estimated Date of Completion
Drainage	$ 1,300,000	10/31/2022
Generators	450,000	7/1/2023
HVAC	1,500,000	8/10/2024
Total outstanding commitments	$ 3,250,000	

Note 7: PRIOR PERIOD ADJUSTMENTS

The College received donations during a prior year that were not recorded in the year received. As such, a prior period adjustment of $47,690 was recorded to appropriately correct property balances. The College also required an adjustment to correct a property classification of a building to an alteration. This change in classification resulted in an accumulated depreciation adjustment totaling $162,531. The total cumulative effect of the prior period adjustments noted above are $210,221.

Teachers' Retirement System of Alabama
Schedule of the Employer's Proportionate Share of the Net Pension Liability
Last Eight Fiscal Years
(in thousands)

As of and for the year ended September 30,	**2022**	2021	2020	2019	2018	2017	2016	2015
College's proportion of the net pension liability	**0.250112%**	0.256303%	0.245234%	0.256396%	0.256796%	0.255715%	0.255478%	0.246871%
College's proportionate share of the net pension liability	**$ 23,561**	$ 31,704	$ 27,115	$ 25,492	$ 25,239	$ 27,684	$ 26,737	$ 22,427
College's covered payroll	**$ 18,122**	$ 18,136	$ 17,470	$ 17,197	$ 16,977	$ 16,253	$ 16,168	$ 15,666
College's proportionate share of the net pension liability as a percentage of its covered payroll	**130%**	175%	155%	148%	149%	170%	165%	143%
Plan fiduciary net position as a percentage of the total pension liability	**76.44%**	67.72%	69.85%	72.29%	71.50%	67.93%	67.51%	71.01%

Notes to Schedule

Note 1: College's covered payroll during the measurement period is the total covered payroll (See GASB 82). For FY 2022, the measurement period is October 1, 2020 - September 30, 2021

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

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

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

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

Notes to Schedule

Note 1: Per GASB 82, which amends GASB 68, covered payroll is defined as the payroll on which contributions to a pension plan are based, also known as pensionable payroll. The covered payroll for this RSI Schedule (GASB 68 paragraph 81b) is for the most recent fiscal year end, which for the 9/30/22 year is 10/1/2021 - 9/30/22.

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

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

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

<u>Notes to Schedule</u>

Note 1: Per GASB 75, covered-employee payroll is defined as the payroll of employees that are provided with OPEB through the OPEB plan. The covered-employee payroll for the RSI Schedule (GASB 75 paragraph 97) is for the reporting period (i.e. the measurement period), which for the September 30, 2022 year is October 1, 2019 through September 30, 2020.

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

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

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

Notes to Schedule

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

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

Pension

The discount rate used was 7.45%, as compared to 7.70% at the prior measurement date.

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

Methods and Assumptions Used to Determine Contribution Rates

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

	General Employees
Inflation	2.50%
Salary increases (including inflation)	3.25 – 5.00%
Investment rate of return	
*(net of investment expense, including inflation)	7.45%

*Net of pension plan investment expense

OPEB

Changes in Actuarial Assumptions

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

Assumption	Description
Price inflation	2.50%
Investment Return	7.00%
Wage inflation	2.75%
Mortality Rates (pre-Retirement, Post-Retirement, Healthy and Disabled)	Update to Pub-2010 Public Mortality Plans Mortality Tables. For future mortality improvement, generational mortality improvement with mortality improvement scale MP-2020, with an adjustment of 66 2/3% to the table beginning in year 2019.
Retirement Rates	Deceased rates of retirement at most ages and extended retirement rates at age 80.
Withdrawal Rates	Changed from age-based table broken down by service bands to a pure service-based table. Used a liability weighted methodology in analyzing rates.
Disability Rates	Lowered rates of disability retirement at most ages.
Salary increases	No change to total assumption rates of salary increases, but increased merit salary by 0.25% to offset the recommended decrease in wage inflation assumption by 0.25%.

Changes in Actuarial Assumptions (continued)

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

Recent Plan Changes

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

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

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

Methods and Assumptions Used to Determine Contribution Rates

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

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

[1]Includes 2.75% wage inflation
[2]Compound annually, net of investment expense, and includes inflation.
**Initial Medicare claims are set based on scheduled increases through plan year 2022.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the George C. Wallace Community College, a component unit of the State of Alabama, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise George C. Wallace Community College's basic financial statements, and have issued our report thereon dated January 17, 2023. Our report includes a reference to other auditors who audited the financial statements of George C. Wallace Community College Foundation as described in our report on George C. Wallace Community College's financial statements. The financial statements of George C. Wallace Community College Foundation were not audited in accordance with *Government Auditing Standards.*

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

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

CARR, RIGGS & INGRAM, LLC

Enterprise, Alabama
January 17, 2023