

GEORGE CORLEY WALLACE STATE COMMUNITY COLLEGE



AUDITED FINANCIAL STATEMENTS

September 30, 2023 and 2022

With Independent Auditor's Reports on Financial Statements

and Report on Federal Awards in Accordance with the Uniform Guidance

September 30, 2023



GEORGE CORLEY WALLACE STATE COMMUNITY COLLEGE
Selma, Alabama

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the Alabama Community College System
and the President of George Corley Wallace State Community College
Selma, Alabama

Report on the Audit of the Financial Statements

We have audited the financial statements of George Corley Wallace State Community College ("the College"), a component unit of the State of Alabama, as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the College as of September 30, 2023 and 2022, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

We conducted our audits 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing



To the Board of Trustees of the
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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 4 through 12, the Schedule of the College's Proportionate Share of the Collective Net Pension Liability, the Schedule of the College's Contributions - Pension, the Schedule of the College's Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability and the Schedule of the College's Contributions - Other Postemployment Benefits (OPEB) on pages 40 through 46, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who



To the Board of Trustees of the
Alabama Community College System and the President of
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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 auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

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

Birmingham, Alabama
January 16, 2024

Bank, Finley White & Co.

GEORGE CORLEY WALLACE STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2023 and 2022

INTRODUCTION

The following discussion presents an overview of the financial position and financial performance of George Corley Wallace State Community College during the fiscal year ended September 30, 2023, with comparative information for 2022 and 2021. This discussion and analysis has been prepared by management along with the financial statements and related footnote disclosures. This discussion should be read in conjunction with, and is qualified in its entirety by, the financial statements and footnotes. The discussion and analysis is designed to focus on current activities, resulting change and currently known facts. The financial statements, footnotes and this discussion are the responsibility of management.

History, Mission and Governance

George Corley Wallace State Community College (hereinafter “the College”) is an associate degree granting institution committed to provide accessible educational opportunities for career preparation, advancement, and lifelong learning in Central Alabama. The College is dedicated to providing a dynamic learner-centric environment where excellence in teaching, learning, and serving improves the lives of its students and the community it serves. The College seeks to maintain a sound fiscal foundation to support its mission in addition to providing responsible stewardship of public funds in compliance with state laws.

The College is accredited by the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) to award the Associate in Arts, Associate in Science, and Associate in Applied Science degrees. The Associate Degree and Practical Nursing Programs are approved by the ABN and the ACEN. Its Health Information Technology Program is accredited by the CAHIIM and its Respiratory Therapy Program holds continuing accreditation from the CoARC.

The College provides programs in the areas of academics, health services, technical, corporate partnerships and apprenticeships, e-learning, high school programs, workforce development, audit education, community education programs.

The College is governed by the Alabama Community College System Board of Trustees, who play a critical role in the education of hundreds of thousands of adults each year. The Trustees serve as guardians for the Alabama Community College System’s missions and goals, with the Governor serving as chair of the Board by virtue of elected office. Remaining board members are appointed from eight districts, with one statewide member and an ex-officio liaison from the State Board of Education.

The board member duties include:

- designating rules and regulations for the government of community and technical colleges,
- prescribing the course of study to be offered and the conditions for granting certificates, diplomas and/or degrees,
- accepting gifts, donations, property, and devices for the benefit of community and technical colleges, and;
- establishing a performance-based allocation process that is equitable and compatible with the services and programs offered by each individual campus.

GEORGE CORLEY WALLACE STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2023 and 2022

Overview of Financial Statements

The basic financial statements consist of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*.

These financial statements focus on the financial position, results of operations, and cash flows of the College as a whole.

The accompanying documentation presents the College's financial statements for fiscal year 2023, 2022 and 2021. Three financial statements are presented: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. This discussion and analysis of the College's financial statements provides an overview of financial activities for the years ended September 30, 2023, 2022 and 2021.

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

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 at September 30, 2023. The purpose of the Statement of Net Position is to present to the readers of the financial statements a fiscal snapshot of the College. The Statement of Net Position presents end-of-year data concerning assets (current and non-current) and deferred outflows of resources, as well as liabilities (current and non-current) and deferred inflows of resources with the difference between the two reported as net position. The difference between current and non-current assets will be discussed in the financial statement disclosures.

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the College. Readers are able to determine the consumption of net position in one period attributable to future periods, deferred outflows of resources. They are also able to determine how much the College owes vendors, investors, and lending institutions. Readers are able to determine the acquisition of net position in one period attributable to future periods, deferred inflows of resources. In summary, the Statement of Net Position provides a picture of the College's assets and deferred outflows of resources in excess of its liabilities and deferred inflows of resources and the availability of the excess for expenditure by the College.

Net Position is divided into three major categories. The first category, Net Investment in Capital Assets, provides the College's equity in property, plant, and equipment. The next category is Restricted Net Position, which is divided into two categories, non-expendable and expendable. The corpus of non-expendable restricted resources is only available for investment purposes. Expendable Restricted Net Position is available for expenditure 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 of the assets. The final category is Unrestricted Net Position, which is available to the College for any appropriate purpose.

**GEORGE CORLEY WALLACE STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2023 and 2022**

The condensed statements of net position at September 30, 2023, 2022, and 2021, follow.

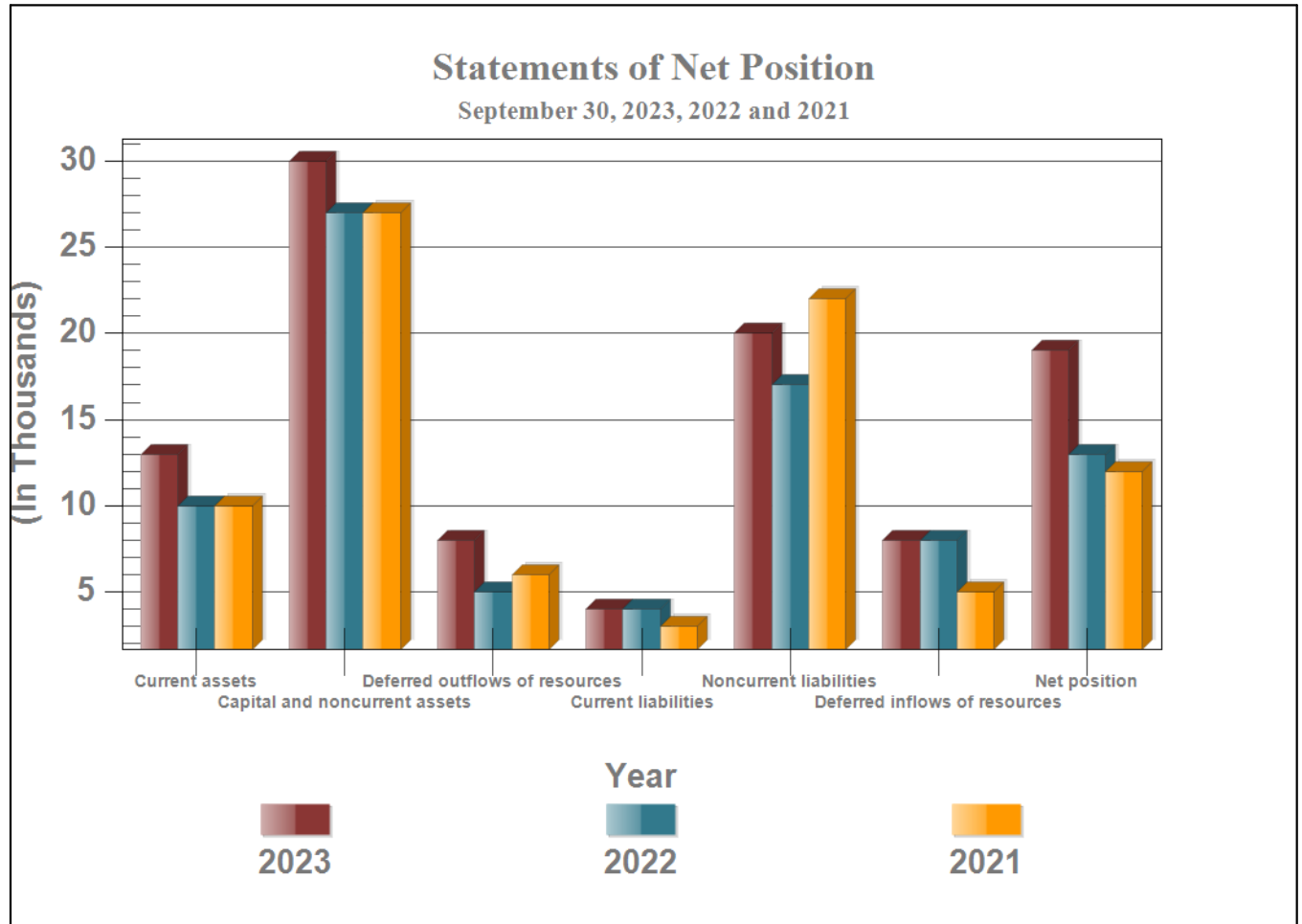
Summary Statement of Net Position (In Thousands)			
	2023	2022	2021
ASSETS			
Current assets	\$ 13,081	\$ 10,090	\$ 9,537
Capital and noncurrent assets	<u>30,393</u>	<u>27,226</u>	<u>27,001</u>
Total assets	<u>43,474</u>	<u>37,316</u>	<u>36,538</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>7,568</u>	<u>5,058</u>	<u>5,963</u>
LIABILITIES			
Current liabilities	3,875	3,606	2,859
Noncurrent liabilities	<u>19,510</u>	<u>17,017</u>	<u>21,983</u>
Total liabilities	<u>23,385</u>	<u>20,623</u>	<u>24,842</u>
DEFERRED INFLOWS OF RESOURCES	<u>8,169</u>	<u>8,474</u>	<u>5,397</u>
NET POSITION			
Net investment in capital assets	29,846	26,948	26,944
Restricted	2,347	1,678	1
Unrestricted	<u>(12,705)</u>	<u>(15,349)</u>	<u>(14,683)</u>
Total net position	<u>\$ 19,488</u>	<u>\$ 13,277</u>	<u>\$ 12,262</u>

The College's total Net Position increased by \$6,211,521 during the year ended September 30, 2023. The increase is attributable primarily to capital grants of \$4,285,663. Also, to a year-over-year increase in state appropriations, which increased \$959,834. Student tuition and fees also increased year-over-year. The College's credit hour production grew approximately 9% over the prior year. Increases in federal and state grant income was offset by related expenditures associated with those grants.

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**GEORGE CORLEY WALLACE STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2023 and 2022**

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



Statement of Revenues, Expenses and Changes in Net Position

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

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

GEORGE CORLEY WALLACE STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2023 and 2022

for those revenues. Readers of these financial statements should gain an understanding of the impact of the presentation of state appropriations as non-operating revenues as required by the Governmental Accounting Standards Board. The impact of the presentation is that the College continuously generates an operating loss. Typically, an operating loss suggests fiscal concerns which should be addressed by the College's administration. The operating loss presented in these financial statements should be viewed in the appropriate context.

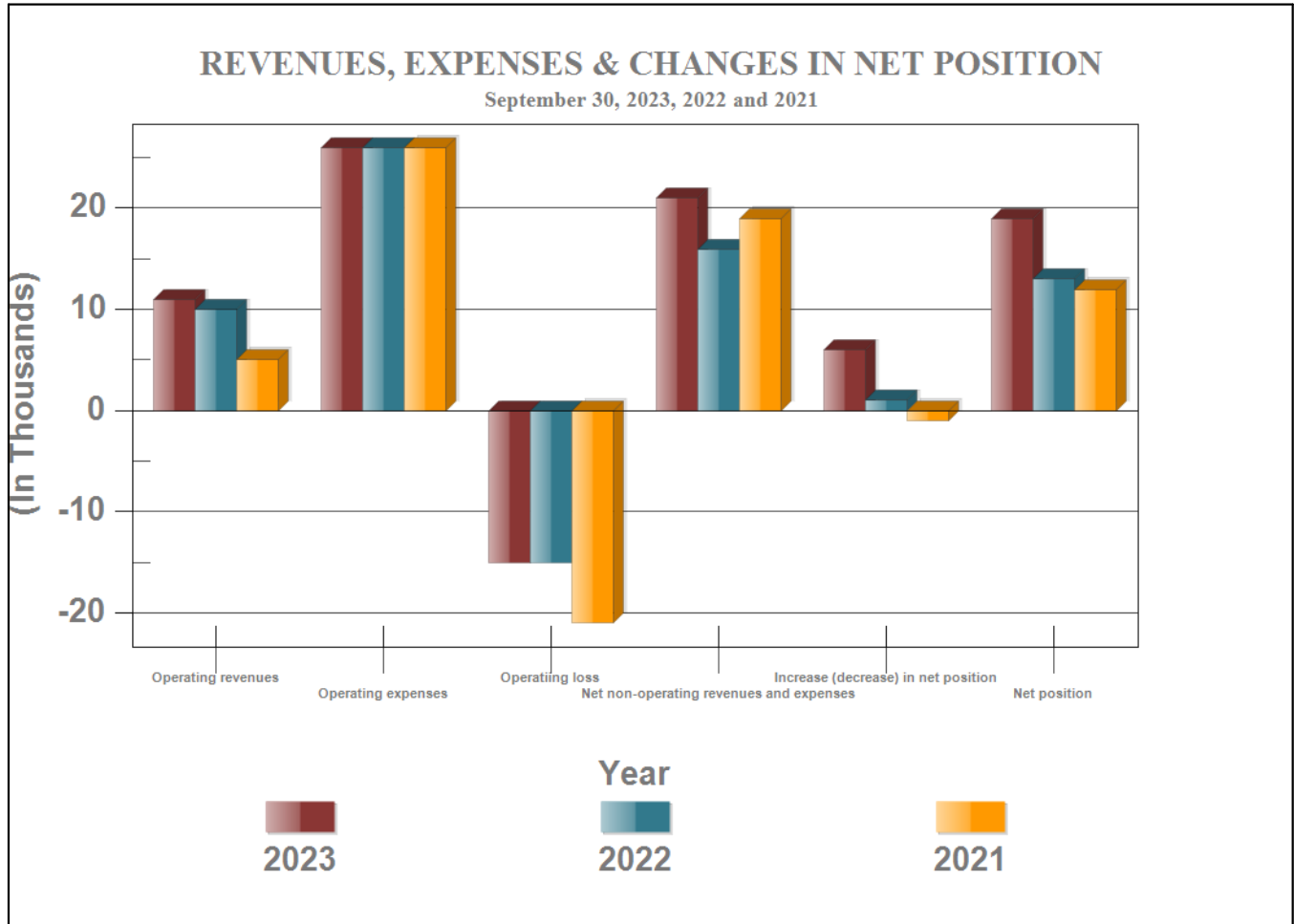
The College considers state appropriations to be an integral component of the fiscal viability of the College for without these appropriations the College would have severe difficulty in achieving its mission of providing accessible educational opportunities. The Statement of Revenues, Expenses, and Changes in Net Position presents a net increase in the Net Position for the year ending September 30, 2023.

The condensed Statements of Revenues, Expenses and Changes in Net Position for the years ended September 30, 2023, 2022 and 2021, follow:

Summary Statements of Revenues, Expenses, and Changes in Net Position			
(In Thousands)			
	2023	2022	2021
Operating revenues	\$ 11,252	\$ 10,444	\$ 5,472
Operating expenses	<u>26,467</u>	<u>25,523</u>	<u>25,990</u>
Operating loss	(15,215)	(15,079)	(20,518)
Net nonoperating revenues and expenses	<u>21,426</u>	<u>16,094</u>	<u>19,031</u>
Increase(decrease) in net position	6,211	1,015	(1,487)
Net position-beginning of the year, as restated	<u>13,277</u>	<u>12,262</u>	<u>13,749</u>
Net position-end of the year	<u><u>\$ 19,488</u></u>	<u><u>\$ 13,277</u></u>	<u><u>\$ 12,262</u></u>

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**GEORGE CORLEY WALLACE STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2023 and 2022**



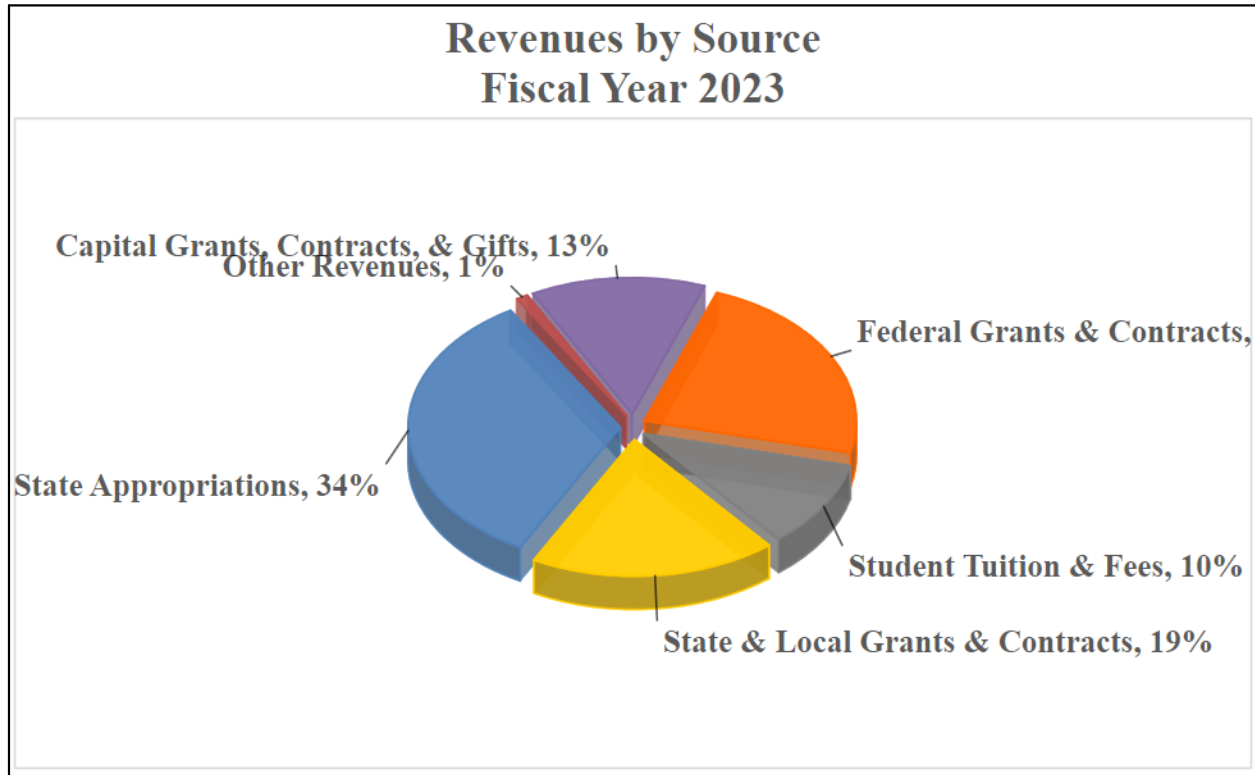
Operating Revenues for the year ended September 30, 2023, increased \$807,666 compared to the previous year. State grants and contracts increased over the previous year \$850,637. In addition, federal operating grants increased by \$152,817. Gross tuition and fees revenues increased by \$1,059,632, and the net student tuition and fees (net of scholarship allowances) increased by \$291,743. Local grants and contracts decreased \$399,947. All other operating revenue sources decreased \$87,582.

Operating Expenses for the year ended September 30, 2023, increased approximately 3.7% in comparison to the prior year. The largest change in Operating Expenses was an increase in salaries and benefits with an increase of pension expense related to GASB 68 of \$891,896. Another notable change was a decrease in student aid and scholarships due to the expiration of the Higher Education Emergency Relief Fund (HEERF). Expenses for the nine major functions presented changed as follows: Instruction increased 25%; Public Service increased 11%; Academic Support increased 6%; Student Services increased 29%; Institutional Support increased 29%; Operation and Maintenance of Plant expenses increased 15%; Student Aid decreased 41%; and Depreciation decreased 6%. The College's enrollment increased in 22-23 by 9% over 21-22.

The College's total Net Position increased by \$6,211,521 during the year ended September 30, 2023. The increase is attributable to a capital grant of \$4,285,663. Also, to a year over year increase in state appropriations, which increased \$959,834. Student tuition and fees also increased year over year. Increases in Federal and state grant income was offset by related expenditures associated with those grants.

**GEORGE CORLEY WALLACE STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2023 and 2022**

The following is a graphic representation of the total revenues by source for the fiscal year ended September 30, 2023:

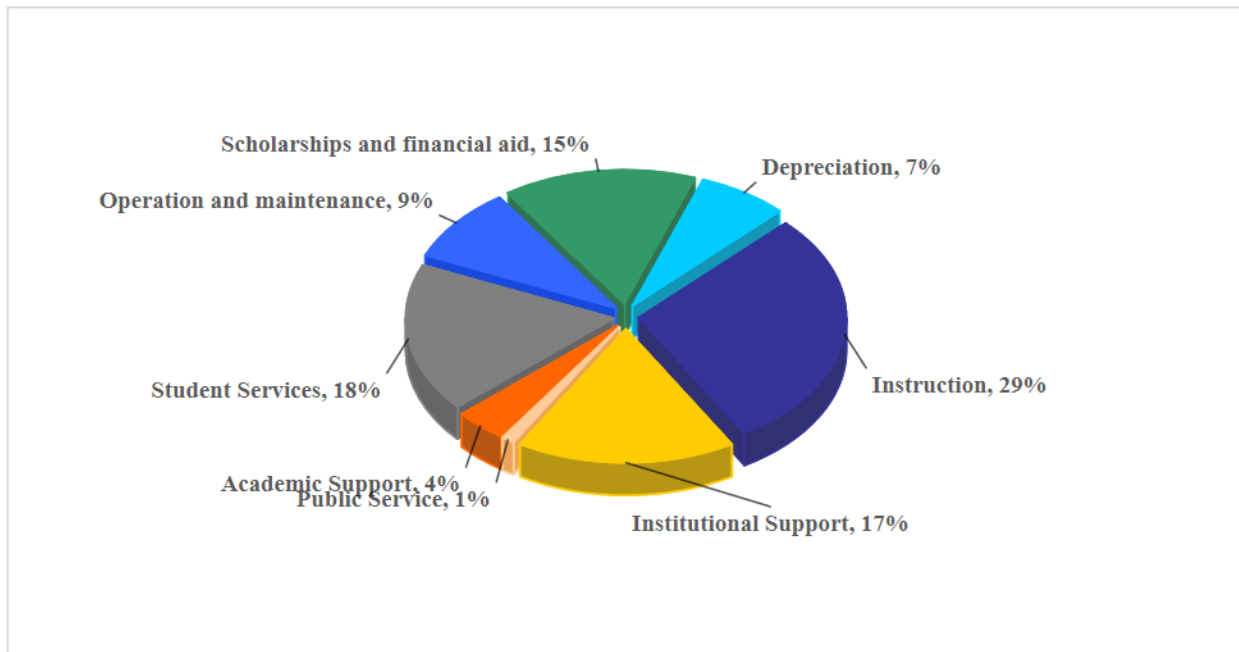


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**GEORGE CORLEY WALLACE STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2023 and 2022**

The following is a graphic presentation of operating expenditures by function for the fiscal year ended September 30, 2023:

**Operating Expenditures
Fiscal Year 2023**



Statement of Cash Flows

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

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**GEORGE CORLEY WALLACE STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2023 and 2022**

A condensed Statement of Cash Flows for the years ended September 30, 2023, 2022 and 2021 is presented below:

Summary Statement of Cash Flows (In Thousands)			
	2023	2022	2021
Cash flows from operating activities	\$ (13,860)	\$ (14,224)	\$ (19,321)
Cash from noncapital financing activities	15,873	16,435	19,105
Cash flows from capital and related financing activities	(1,033)	(2,263)	(223)
Cash flows from investing activities	<u>59</u>	<u>2</u>	<u>4</u>
Net change in cash	1,039	(50)	(435)
Cash, beginning of year	<u>6,807</u>	<u>6,857</u>	<u>7,292</u>
Cash, end of year	<u>\$ 7,846</u>	<u>\$ 6,807</u>	<u>\$ 6,857</u>

ECONOMIC OUTLOOK

As we look into the Economic Outlook for the college's Management Discussion and Analysis (MD&A), it is important to note that the state budget estimates for fiscal year 2023 indicate stability for Education Trust Fund tax revenues. However, the general economic outlook presents a more cautious perspective. Throughout the majority of the calendar year 2023, inflation has persisted at 40-year highs, although there has been a recent decline in the inflation rate. While this decrease provides a measure of relief from the risk of a recession, the potential for an economic downturn still lingers.

Given the state budget estimates, it is anticipated that state appropriations will at least remain stable and possibly increase in the upcoming fiscal year. Despite this, the College administration remains mindful of the current inflationary pressures and concerns about a potential recession, keeping the risk of static or decreased state funding at the forefront of its planning. Notably, historical patterns indicate that economic downturns often coincide with increases in the College's enrollment, which could prove beneficial in restoring enrollment numbers to pre-pandemic levels.

Despite the potential challenges presented by the economic outlook, the College administration is confident in its ability to maintain positive financial stability in the years ahead. With the prospect of rebounding enrollments and continued state appropriation support, the College has developed a fiscal plan that does not rely on reserves to meet its operational needs in the next two years. At present, there are no known acts, decisions, or conditions expected to have a significant effect on the College's financial position or results of operations during the current fiscal year.

Looking ahead, the College anticipates that the next two fiscal years will pose challenges; however, the administration is committed to closely monitoring resources to proactively address internal and external issues, particularly those related to funding.

GEORGE CORLEY WALLACE STATE COMMUNITY COLLEGE
STATEMENTS OF NET POSITION
September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 7,845,681	\$ 6,806,707
Accounts receivable, net (NOTE 3)	5,206,697	3,275,655
Inventories	7,976	7,976
Other current assets	<u>20,890</u>	<u>154</u>
Total current assets	<u>13,081,244</u>	<u>10,090,492</u>
Noncurrent assets:		
Capital assets:		
Land	405,819	405,819
Improvements other than building	2,506,511	2,421,343
Buildings	29,332,904	29,332,904
Buildings alterations	15,951,114	11,119,640
Equipment and furniture	6,497,865	5,703,538
Construction in progress	411,768	1,618,484
Leased right of use asset	821,645	436,367
Library holdings	1,443,411	1,436,174
Less: Accumulated depreciation	<u>(26,977,715)</u>	<u>(25,248,585)</u>
Total capital assets, net of depreciation	<u>30,393,322</u>	<u>27,225,684</u>
 Total noncurrent assets	 <u>30,393,322</u>	 <u>27,225,684</u>
Total assets	<u>43,474,566</u>	<u>37,316,176</u>
 Deferred outflows of resources:		
Pension	5,702,959	2,951,220
Other postemployment benefits (OPEB)	1,857,043	2,097,546
Asset retirement cost	<u>8,000</u>	<u>9,000</u>
Total deferred outflows of resources	<u>7,568,002</u>	<u>5,057,766</u>
 LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	2,457,838	2,565,411
Unearned revenue	1,073,055	790,178
Deposits held for others	67,328	98,230
Compensated absences	79,360	30,178
Lease payable	<u>197,820</u>	<u>122,431</u>
Total current liabilities	<u>3,875,401</u>	<u>3,606,428</u>
Noncurrent liabilities:		
Compensated absences	693,143	573,374
Lease payable	349,811	155,439
Net pension liability	16,774,587	11,305,587
Net OPEB liability	<u>1,692,310</u>	<u>4,982,513</u>
Total noncurrent liabilities	<u>19,509,851</u>	<u>17,016,913</u>
Total liabilities	<u>23,385,252</u>	<u>20,623,341</u>

GEORGE CORLEY WALLACE STATE COMMUNITY COLLEGE
STATEMENTS OF NET POSITION (CONT'D)
September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Deferred inflow of resources		
Pension	1,659,131	3,766,131
Other postemployment benefits (OPEB)	<u>6,510,119</u>	<u>4,707,925</u>
Total deferred inflow of resources	<u>8,169,250</u>	<u>8,474,056</u>
 NET POSITION		
Net investment in capital assets	29,845,692	26,947,815
Restricted for:		
Capital projects	1,818,050	1,368,041
Other	529,179	309,288
Unrestricted	<u>(12,704,855)</u>	<u>(15,348,599)</u>
Total net position	<u>\$ 19,488,066</u>	<u>\$ 13,276,545</u>

GEORGE CORLEY WALLACE STATE COMMUNITY COLLEGE
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the years ended September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
REVENUES		
Operating revenues:		
Student tuition and fees (net of scholarship allowances of \$3,053,676 and \$2,285,786 for 2023 and 2022, respectively)	\$ 3,370,215	\$ 3,078,472
Federal grants and contracts	1,426,288	1,273,471
State grants and contracts	6,164,319	5,313,682
Nongovernmental grants and contracts	119,778	-
Local grants and contracts	-	399,947
Sales and services of educational activities	3,625	15,720
Other	<u>167,733</u>	<u>363,000</u>
Total operating revenues	<u>11,251,958</u>	<u>10,444,292</u>
EXPENSES		
Operating expenses:		
Instruction	7,767,203	6,238,582
Institutional support	4,543,193	3,520,618
Public service	180,795	163,153
Academic support	954,044	903,566
Student services	4,671,842	3,628,475
Operation and maintenance	2,334,616	2,024,157
Scholarships and financial aid	4,212,910	7,135,089
Depreciation	<u>1,802,148</u>	<u>1,908,886</u>
Total operating expenses	<u>26,466,751</u>	<u>25,522,526</u>
Operating income (loss)	<u>(15,214,793)</u>	<u>(15,078,234)</u>
NONOPERATING REVENUES (EXPENSES)		
State appropriations	10,873,374	9,913,540
Federal grants	6,191,363	6,334,956
Investment income	59,218	2,565
Gifts	64,750	-
Bond surety fee	(38,238)	(52,987)
Interest paid	(9,814)	(3,004)
Other nonoperating revenue (expense)	<u>4,285,661</u>	<u>(103,069)</u>
Net nonoperating revenues	<u>21,426,314</u>	<u>16,092,001</u>
Change in net position	6,211,521	1,013,767
Total net position - beginning of the year, as originally stated	<u>13,276,545</u>	<u>10,849,279</u>
Restatements (NOTE 13)	<u>-</u>	<u>1,413,499</u>
Total net position - end of the year	<u><u>\$ 19,488,066</u></u>	<u><u>\$ 13,276,545</u></u>

GEORGE CORLEY WALLACE STATE COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
For the years ended September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 5,288,681	\$ 2,114,062
Grants and contracts	5,941,244	6,595,423
Sales and services of educational departments	3,625	15,720
Payments to suppliers	(7,645,646)	(3,027,810)
Payments to utilities	(1,109,105)	(916,469)
Payments to employees	(9,572,725)	(9,347,864)
Payments for benefits	(2,720,931)	(2,885,691)
Payments for scholarships	(4,212,910)	(7,135,089)
Other receipts	<u>167,733</u>	<u>363,000</u>
Net cash provided (used) by operating activities	<u>(13,860,034)</u>	<u>(14,224,718)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	10,873,374	9,913,540
Federal grants	4,972,950	6,334,956
Bond surety fee expense	(38,238)	(52,987)
Other	<u>64,750</u>	<u>239,642</u>
Net cash provided (used) by noncapital financing activities	<u>15,872,836</u>	<u>16,435,151</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital grants and gifts received	3,675,683	-
Purchase of capital assets	(4,969,787)	(2,039,754)
Principal paid on capital debt and leases	(221,965)	(220,784)
Proceeds from Issue of Capital	491,726	-
Interest paid on capital debt and leases	<u>(8,856)</u>	<u>(3,004)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,033,199)</u>	<u>(2,263,542)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	59,217	2,565
Purchase of investments	<u>154</u>	<u>(154)</u>
Net cash provided (used) by investing activities	<u>59,371</u>	<u>2,411</u>
Net increase (decrease) in cash and cash equivalents	1,038,974	(50,698)
Cash and cash equivalents, beginning of the year	<u>6,806,707</u>	<u>6,857,405</u>
Cash and cash equivalents, end of the year	<u>\$ 7,845,681</u>	<u>\$ 6,806,707</u>

GEORGE CORLEY WALLACE STATE COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS (CONT'D)
For the years ended September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
RECONCILIATION OF NET OPERATING REVENUES/ (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (15,214,793)	\$ (15,078,234)
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	1,802,148	1,908,886
Changes in assets and liabilities:		
Receivables, net	(102,648)	(604,187)
Other assets	(20,890)	-
Deferred outflows	(2,510,236)	905,460
Deposits held for others	(30,904)	754
Accounts payable	(108,530)	1,434,986
Unearned revenue	282,877	(752,655)
Compensated absences	168,951	(165,902)
Net pension liability	5,469,000	(3,622,000)
Net OPEB liability	(3,290,203)	(1,328,942)
Deferred inflows	<u>(304,806)</u>	<u>3,077,116</u>
Net cash provided (used) by operating activities	<u>(13,860,034)</u>	<u>(14,224,718)</u>

GEORGE CORLEY WALLACE STATE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

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

Cash, Cash Equivalents, and Investments

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

GEORGE CORLEY WALLACE STATE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

Investments are reported at fair value based on quoted market prices, except for money market investments and repurchase agreements, which are reported at amortized cost.

Receivables

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

Capital Assets

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

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

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

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

Assets	Depreciation Method	Useful 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	20 years
Easement and Land Use Rights	Straight-Line	20 years
Patents, Trademarks and Copyrights	Straight-Line	20 years

GEORGE CORLEY WALLACE STATE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Leases

As lessee, the College recognizes a lease liability and an intangible right-to-use lease asset in the financial statements and recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the College initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the College determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The College uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the College uses its estimated incremental borrowing rate as the discount rate for leases.

The College's estimated incremental borrowing rate is based on historical market data and credit spread based on market data points compared to the lease commencement date. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the College is reasonably certain to exercise.

The College monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Deferred Outflows of Resources

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

Long-Term Obligations

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

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.

GEORGE CORLEY WALLACE STATE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Deferred Inflows of Resources

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

Unearned Tuition and Fee Revenue

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Net Position

Net position is required to be classified for accounting and reporting purposes into the following categories:

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

GEORGE CORLEY WALLACE STATE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

- ***Restricted:***

- √ **Nonexpendable** - Net position subject to externally imposed stipulations that they be maintained permanently by the College. Such assets include the College's permanent endowment funds.

- √ **Expendable** - Net position whose use by the College is subject to externally imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time. These include funds held in federal loan programs.

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

Federal Financial Assistance 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 as prescribed by the National Association of College and University Business Officers (NACUBO) in their Advisory Report 2000-05 to determine the amount of scholarship allowances and discounts.

Implementation of New Accounting Pronouncements

During the current Fiscal Year, the College implemented the following new accounting pronouncements issued by the Governmental Accounting Standards Board (GASB):

- *GASB Statement No. 96, Subscription-based information technology arrangements*
- *GASB Statement No. 98, The Annual Comprehensive Financial Report*
- *GASB Statement No. 99, Omnibus 2022*

Future Governmental Accounting Standards Board Statements

The GASB issued the following new accounting pronouncements which the College may be required to implement subsequent to the 2023 fiscal year:

- *GASB Statement No. 100* - In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62*. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. GASB Statement No. 100 is effective for fiscal years beginning after June 15, 2023. The College has elected not to early implement this statement.

GEORGE CORLEY WALLACE STATE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

- *GASB Statement No. 101* - In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. The objective of this statement is to better meet the information needs of financial users by updating the recognition and measurement guidance for compensated absences. The objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain required disclosures. GASB Statement No. 101 is effective for fiscal years beginning after December 15, 2023. The College has elected not to early implement this statement.

The College has not yet determined the impact of these standards on the financial statements. When they become effective, application of these standards may restate portions of these financial statements.

Change in Presentation

Beginning October 1, 2022, the accounting presentation for uncollectible student accounts has been adjusted in accordance with GASB Implementation Guide 2015-1, which states that revenues in proprietary funds should be reported net of all related allowances-sales discounts and allowances and amounts pertaining to uncollectible accounts. As a result, the College is adjusting the presentation of its student tuition and fee revenues to reflect the net of the increase or decrease in the estimate of uncollectible accounts and the net decrease due to scholarship allowances. This change in presentation, which has no effect on the College's beginning net position, is in accordance with generally accepted accounting principles. The change in presentation is intended to provide a more accurate representation of the College's financial operational activities.

Change in Accounting Estimates

Beginning October 1, 2022, the accounting estimate for Allowance for Doubtful Accounts has been reevaluated. As a result, the College is adjusting the allowance to reflect the expected collectability of outstanding receivables more accurately. This change in estimate is in accordance with generally accepted accounting principles and is intended to provide a more accurate representation of the College's financial position.

The change in estimate resulted in an increase to Allowance for Doubtful Accounts and a decrease to Net Accounts Receivable in the amount of \$405,224.

NOTE 2 - DEPOSITS

The College's deposits at year-end were held by financial institutions in the State of Alabama's Security for Alabama Funds Enhancement (SAFE) Program. The SAFE Program was established by the Alabama 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 that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

GEORGE CORLEY WALLACE STATE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 - RECEIVABLES

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

Accounts Receivable	2023	2022
Federal	\$ 1,747,532	\$ 1,866,129
State	2,557,229	(140,296)
Student receivables	1,372,847	1,504,504
Other	785,050	896,055
Less: Allowance for doubtful accounts	(1,255,961)	(850,737)
Total accounts receivables	<u>\$ 5,206,697</u>	<u>\$ 3,275,655</u>

NOTE 4 - CAPITAL ASSETS

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

	Beginning Balance	Additions	Deductions	Adjustments	Ending Balance
Land	\$ 405,819	\$ -	\$ -	\$ -	\$ 405,819
Buildings	29,332,904	-	-	-	29,332,904
Building alterations	11,119,640	4,831,474	-	-	15,951,114
Improvements other than buildings	2,421,343	85,168	-	-	2,506,511
Construction in progress	1,618,484	3,624,758	(4,831,474)	-	411,768
Equipment	5,703,538	794,326	-	-	6,497,865
Capitalized software	-	-	-	-	-
Library books and audiovisuals	1,436,174	7,237	-	-	1,443,411
Right to use assets	<u>436,367</u>	<u>385,278</u>	<u>-</u>	<u>-</u>	<u>821,645</u>
Total capital assets	<u>52,474,269</u>	<u>9,728,241</u>	<u>(4,831,474)</u>	<u>-</u>	<u>57,371,037</u>
Less: accumulated depreciation					
Buildings	18,825,108	1,179,687	-	(1,413,499)	18,591,296
Improvements other than buildings	1,458,285	80,098	-	-	1,538,383
Equipment	4,772,034	351,614	-	4,817	5,128,465
Capitalized software	-	-	-	-	-
Library books and audiovisuals	1,436,174	7,237	-	-	1,443,411
Right to use assets	<u>170,483</u>	<u>183,512</u>	<u>(77,835)</u>	<u>-</u>	<u>276,160</u>
Total accumulated depreciation	<u>26,662,084</u>	<u>1,802,148</u>	<u>(77,835)</u>	<u>(1,408,682)</u>	<u>26,977,715</u>
Total capital assets, net	<u>\$ 25,812,185</u>	<u>\$ 7,926,093</u>	<u>\$ (4,753,639)</u>	<u>\$ 1,408,682</u>	<u>\$ 30,393,322</u>

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GEORGE CORLEY WALLACE STATE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 - CAPITAL ASSETS (CONT'D)

Capital asset activity for the year ended September 30, 2022, was as follows:

	Beginning Balance	Additions	Deductions	Adjustments	Ending Balance
Land	\$ 405,819	\$ -	\$ -	\$ -	\$ 405,819
Buildings	29,332,904	-	-	-	29,332,904
Building alterations	11,119,640	-	-	-	11,119,640
Improvements other than buildings	2,421,343	-	-	-	2,421,343
Construction in progress	-	1,618,484	-	-	1,618,484
Equipment	5,448,354	421,156	1,435,135	1,269,163	5,703,538
Capitalized software	2,394,664	-	2,394,664	-	-
Library books and audiovisuals	1,436,061	113	-	-	1,436,174
Right to use assets	-	436,367	-	-	436,367
Total capital assets	<u>52,558,785</u>	<u>2,476,120</u>	<u>3,829,799</u>	<u>1,269,163</u>	<u>52,474,269</u>
Less: accumulated depreciation					
Buildings	17,519,791	1,097,033	-	208,284	18,825,108
Improvements other than buildings	1,381,492	76,793	-	-	1,458,285
Equipment	4,718,047	281,052	1,319,327	1,092,262	4,772,034
Capitalized software	1,915,731	-	2,032,731	117,000	-
Library books and audiovisuals	1,436,061	113	-	-	1,436,174
Right to use assets	-	170,483	-	-	170,483
Total accumulated depreciation	<u>26,971,122</u>	<u>1,625,474</u>	<u>3,352,058</u>	<u>1,417,546</u>	<u>26,662,084</u>
Total capital assets, net	<u>\$ 25,587,663</u>	<u>\$ 850,646</u>	<u>\$ 477,741</u>	<u>\$ (148,383)</u>	<u>\$ 25,812,185</u>

NOTE 5 - DEFINED BENEFIT PENSION PLAN

Plan Description

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

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 are eligible for retirement after age 60 with 10 years or more of creditable service or with 25 years of service (regardless of age) and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, 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.

GEORGE CORLEY WALLACE STATE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 - DEFINED BENEFIT PENSION PLAN (CONT'D)

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

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

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

Contributions

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

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

Participating employers' contractually required contribution rate for the fiscal year ended September 30, 2022, was 12.36% of annual pay for Tier 1 members and 11.22% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the System were \$1,042,000 for the year ended September 30, 2023.

GEORGE CORLEY WALLACE STATE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 - DEFINED BENEFIT PENSION PLAN (CONT'D)

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

At September 30, 2023, the College reported a liability of \$16,774,587 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of September 30, 2021. The College's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2022, the College's proportion was 0.107943%, which was a decrease of 0.012077% from its proportion measured as of September 30, 2021.

For the year ended September 30, 2023, the College recognized pension expense of \$1,670,000. At September 30, 2023, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	(In Thousands)	
Differences between expected and actual experience	\$ 369	\$ 407
Changes of assumptions	761	-
Net difference between projected and actual earnings on pension plan investments	3,366	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	162	1,252
Employer contributions subsequent to the measurement date	1,045	-
Total	<u>\$ 5,703</u>	<u>\$ 1,659</u>

The \$1,045,000 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2024. 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 (In Thousands)		
September 30, 2024	\$	829
2025	\$	704
2026	\$	365
2027	\$	1,101
2028	\$	-
Thereafter	\$	-

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**GEORGE CORLEY WALLACE STATE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 5 - DEFINED BENEFIT PENSION PLAN (CONT'D)

Actuarial Assumptions

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

Inflation	2.50%
Investment Rate of Return (*)	7.45%
Projected Salary Increases	3.25% - 5.00%
(*) Net of pension plan investment expense	

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

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

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

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GEORGE CORLEY WALLACE STATE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 - DEFINED BENEFIT PENSION PLAN (CONT'D)

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

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

*Includes assumed rate of inflation of 2.00%

Discount Rate

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

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

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

	1% Decrease (6.45%)	Current Rate (7.45%)	1% Increase (8.45%)
Proportionate share of collective net pension liability	\$ 21,706	\$ 16,775	\$ 12,622

GEORGE CORLEY WALLACE STATE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 - DEFINED BENEFIT PENSION PLAN (CONT'D)

Pension Plan Fiduciary Net Position

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

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

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

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

Benefits Provided

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

GEORGE CORLEY WALLACE STATE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONT'D)

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

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

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

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

Contributions

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

GEORGE CORLEY WALLACE STATE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONT'D)

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

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

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

At September 30, 2023, the College reported a liability of \$1,692,310 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2021. The College's proportion of the collective net OPEB liability was based on a projection of the College's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2022, the College's proportion was 0.097123%, which was an increase of 0.00068954% from its proportion measured as of September 30, 2021.

For the year ended September 30, 2023, the College recognized OPEB expense of \$185,470 with no special funding situations. At September 30, 2023, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 77,616	\$ 3,421,713
Changes of assumptions	1,372,695	2,463,260
Net difference between projected and actual earnings on OPEB plan investments	212,824	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	54,580	625,146
Employer contributions subsequent to the measurement date	<u>139,328</u>	<u>-</u>
Total	<u><u>\$ 1,857,043</u></u>	<u><u>\$ 6,510,119</u></u>

GEORGE CORLEY WALLACE STATE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONT'D)

The \$139,328 reported as deferred outflows of resources related to OPEB resulting from the College's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending September 30, 2024.

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

Year Ending	
September 30, 2024	\$ (1,223,061)
2025	\$ (1,245,331)
2026	\$ (618,140)
2027	\$ (554,730)
2028	\$ (713,579)
Thereafter	\$ (437,563)

Actuarial Assumptions

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

Inflation	2.50%
Salary Increases ⁽¹⁾	3.25% - 5.00%
Long-Term Investment Rate of Return ⁽²⁾	7.00%
Municipal Bond Index Rate at the Measurement Date	4.40%
Municipal Bond Index Rate at the Prior Measurement Date	2.29%
Projected Year for Fiduciary Net Position (FNP) to be Depleted	N/A
Single Equivalent Interest Rate at the Measurement Date	7.00%
Single Equivalent Interest Rate at the Prior Measurement Date	3.97%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	6.50%
Medicare Eligible	(**)
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.50% in 2031
Medicare Eligible	4.50% in 2027
(1) Includes 2.75% wage inflation.	
(2) Compounded annually, net of investment expense, and included inflation.	
(**) Initial Medicare claims are set based on scheduled increases through plan year 2025.	

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GEORGE CORLEY WALLACE STATE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONT'D)

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

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

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

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

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.

GEORGE CORLEY WALLACE STATE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONT'D)

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

Asset Class	Target Allocation	Long-Term Expected 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	<u>100.00 %</u>	

* Geometric mean, includes 2.5% inflation.

Discount Rate

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

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GEORGE CORLEY WALLACE STATE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONT'D)

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

The following table presents the College's proportionate share of the collective net OPEB liability of the Trust calculated using the current healthcare trend rate, as well as what the collective 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 for Medicare Eligible	Current Healthcare Trend Rate (6.50% Decreasing to 4.50% for Pre- Medicare, Known Decreasing for Medicare Eligible)	1% Increase (7.50% Decreasing to 5.50% for Pre- Medicare Known Decreasing to 5.50% for Medicare Eligible
College's proportionate share of the collective net OPEB liability	\$ 1,283,282	\$ 1,692,310	\$ 2,193,945

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

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

	1% Decrease (6.00%)	Current Rate (7.00%)	1% Increase (8.00%)
College's proportionate share of collective net OPEB liability	\$ 2,092,292	\$ 1,692,310	\$ 1,356,538

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is located in the Trust's financial statements for the fiscal year ended September 30, 2023. The supporting actuarial information is included in the GASB Statement Number 74 Report for PEEHIP prepared as of September 30, 2023. Additional financial and actuarial information is available at www.rsa-al.gov.

NOTE 7 - HEALTH INSURANCE AND UNEMPLOYMENT COMPENSATION

Health Insurance

Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF) administered by the Public Education Employees' Health Insurance Board (PEEHIB). The Fund was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are determined annually by the plan's actuary and are based on anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims. The College

GEORGE CORLEY WALLACE STATE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 - HEALTH INSURANCE AND UNEMPLOYMENT COMPENSATION (CONT'D)

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.

(Note: If settlements have exceeded insurance coverage during any of the three previous fiscal years, it should be so stated. Also, if significant reductions in insurance coverage have occurred from previous years, a description, by major categories of risk, should be included.)

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.

Unemployment Compensation

The College is liable for unemployment claims paid by the Unemployment Compensation Trust Fund which are attributable to service in the employ of the College. The College makes advance payment to this fund to meet this liability in accordance with the Unemployment Compensation Act of Alabama (Code of Alabama 1975, #25-4-1 through #25-4-148). At September 30th of each year, excess of advance payments over net unemployment compensation paid is due to the College from the Unemployment Compensation Trust Fund. Any excess of net unemployment compensation paid over advance payments results in a liability to the College which must be satisfied within ten days after the College is notified of the amount of the liability.

NOTE 8 - CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

As of September 30, 2023, the College had been awarded approximately \$1,575,684 in contracts and grants on which performance had not been accomplished and funds had not been received. These awards, which represent commitments of sponsors to provide funds for specific purposes, have not been reflected in the financial statements.

NOTE 9 - LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Lease obligations	\$ 277,869	\$ 491,726	\$ (221,965)	\$ 547,630	\$ 197,820
Other Liabilities:					
Compensated absences	603,552	168,952	-	772,504	79,360
Total Long-Term Liabilities	<u>\$ 881,421</u>	<u>\$ 660,678</u>	<u>\$ (221,965)</u>	<u>\$ 1,320,134</u>	<u>\$ 277,180</u>

GEORGE CORLEY WALLACE STATE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 - LONG-TERM LIABILITIES (CONT'D)

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

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Lease obligation	\$ 62,286	\$ 436,367	\$ (220,784)	\$ 277,869	\$ 122,431
Other Liabilities:					
Compensated absences	769,455	-	(165,902)	603,553	30,178
Total Long-Term Liabilities	<u>\$ 831,741</u>	<u>\$ 436,367</u>	<u>\$ (386,686)</u>	<u>\$ 881,422</u>	<u>\$ 152,609</u>

NOTE 10 - LEASES

Lease liability

For the years ended September 30, 2023 and 2022, the College's financial statements include the adoption of GASB Statement No. 87, *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The College leases a building and certain items of equipment. These assets are recognized as right of use leased assets with a corresponding lease liability. The lease liability has been discounted ranging 0.48% - 3.24%, the stated interest rates on the lease contracts. Details for the assets and liabilities are as follows:

Right of use assets	\$ 821,645
Less: accumulated amortization	<u>(276,158)</u>
Net right of use assets	<u>\$ 545,487</u>

Lease Payments to Maturity			
Fiscal Years	Principal	Interest	Total
2023-2024	\$ 197,820	\$ 9,458	\$ 207,278
2024-2025	166,651	6,356	173,007
2025-2026	80,043	3,933	83,976
2026-2027	82,216	1,760	83,976
2027-2028	20,901	94	20,995
Totals	<u>\$ 547,631</u>	<u>\$ 21,601</u>	<u>\$ 569,232</u>

NOTE 11 - 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 which operates as a common risk management and insurance program for state owned properties. The College pays an annual premium based on the amount

**GEORGE CORLEY WALLACE STATE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 11 - RISK MANAGEMENT (CONT'D)

of coverage requested. The SIF provides coverage up to \$2 million per occurrence and is self-insured up to a maximum of \$6 million in aggregate claims. The SIF purchases commercial insurance for claims which in the aggregate exceed \$6 million. The College purchases commercial insurance for its automobile coverage, general liability, and professional legal liability coverage. In addition, the College has fidelity bonds on the College's President, Dean of Business Services, Financial Aid Director, and all other college personnel who handle funds.

Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF) administered by the Public Education Employees' Health Insurance Board (PEEHIB). The Fund was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are determined annually by the plan's actuary and 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 employee's 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 12 - RELATED PARTIES

The George Corley Wallace State Community College Foundation, Inc. was incorporated as a non-profit corporation to promote scientific, literary and educational purposes, the advancement of George Corley Wallace State Community College, and for the encouragement and support of its students and faculty. This report contains no financial statements of George Corley Wallace State Community College Foundation, Inc. There were not any significant transactions with George Corley Wallace State Community College Foundation, Inc.

NOTE 13 - RESTATEMENT OF BEGINNING NET POSITION

The College's net position at October 1, 2021, has been restated to reflect the correct the effect of the overstatement of accumulated depreciation for buildings and building alterations .

Net position - October 1, 2021, as originally stated	\$ 10,849,279
Overstatement of accumulated depreciation	<u>1,413,499</u>
Net position - October 1, 2022, as restated	<u>\$ 12,262,778</u>

REQUIRED SUPPLEMENTARY INFORMATION

**GEORGE CORLEY WALLACE STATE COMMUNITY COLLEGE
SCHEDULE OF PROPORTIONATE SHARE OF
THE COLLECTIVE NET PENSION LIABILITY
TEACHERS' RETIREMENT SYSTEM OF ALABAMA
September 30*
(Dollar Amount In Thousands)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015
College's proportionate share of the collective net pension liability	0.107943 %	0.120020 %	0.120584 %	0.116823 %	0.124406 %	0.127029 %	0.125750 %	0.130079 %	0.138318 %
College's proportionate share of the collective net pension liability	\$ 16,775	\$ 11,306	\$ 14,928	\$ 12,917	\$ 12,369	\$ 12,485	\$ 13,614	\$ 13,614	\$ 12,566
College's covered payroll during the measurement period	\$ 8,493	\$ 8,546	\$ 8,467	\$ 8,254	\$ 8,233	\$ 8,360	\$ 7,968	\$ 8,228	\$ 8,765
College's proportional share of the collective net pension liability as a percentage of payroll	198 %	132 %	176 %	156 %	150 %	149 %	171 %	165 %	143 %
Plan fiduciary net position as a percentage of the total collective pension liability	62.21 %	76.44 %	67.72 %	69.85 %	72.29 %	71.50 %	67.93 %	67.51 %	71.01 %

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

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

GEORGE CORLEY WALLACE STATE COMMUNITY COLLEGE
SCHEDULE OF CONTRIBUTIONS
TEACHERS' RETIREMENT OF ALABAMA
For the year ended September 30*
(Dollar Amount In Thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 1,042	\$ 993	\$ 1,035	\$ 1,041	\$ 1,016	\$ 998	\$ 996	\$ 945	\$ 932
Contributions in relation to the contractually required contribution	<u>1,042</u>	<u>993</u>	<u>1,035</u>	<u>1,041</u>	<u>1,016</u>	<u>998</u>	<u>996</u>	<u>945</u>	<u>932</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 8,698	\$ 8,493	\$ 8,546	\$ 8,467	\$ 8,254	\$ 8,233	\$ 8,360	\$ 7,968	\$ 8,228
Contributions as a percentage of covered payroll	11.98 %	11.69 %	12.11 %	12.29 %	12.31 %	12.12 %	11.91 %	11.86 %	11.33 %

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

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 is for the most recent fiscal year end, which for the September 30, 2023 year is October 1, 2022 through September 30, 2023.

The amount of contractually required contributions is equal to the amount that would be recognized as additions from the College's contributions in the pension plan's schedule of changes in fiduciary net position during the period that coincides with the College'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 CORLEY WALLACE STATE COMMUNITY COLLEGE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR
NET PENSION LIABILITY**

NOTE 1 - CHANGES OF BENEFIT TERMS

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

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

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

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

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

NOTE 2 - CHANGES OF ASSUMPTIONS

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

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

**GEORGE CORLEY WALLACE STATE COMMUNITY COLLEGE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR
NET PENSION LIABILITY**

NOTE 2 - CHANGES OF ASSUMPTIONS (CONT'D)

In 2016, rates of retirement, disability, withdrawal and mortality were adjusted to more closely reflect actual experience. In 2016, economic assumptions and the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. In 2016 the expectation of retired life mortality was changed to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using scale BB and adjusted 105% for males and 120% for females. In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

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

**GEORGE CORLEY WALLACE STATE COMMUNITY COLLEGE
SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF
THE COLLECTIVE NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY
ALABAMA RETIRED EDUCATION EMPLOYEES' HEALTH CARE TRUST**

**September 30*
(Dollar Amount In Thousands)**

	2023	2022	2021	2020	2019	2018
College's proportionate share of the collective net OPEB liability	0.097123 %	0.096433 %	0.100000 %	0.110000 %	0.011000 %	0.011000 %
College's proportionate share of the collective net OPEB liability	\$ 1,692	\$ 4,982	\$ 6,311	\$ 4,119	\$ 9,111	\$ 8,176
College's covered-employee payroll during the measurement period(*)	\$ 8,195	\$ 8,436	\$ 8,495	\$ 8,268	\$ 8,225	\$ 8,322
College's proportional share of the collective net OPEB liability as a percentage of payroll	20.65 %	59.07 %	74.30 %	49.81 %	110.77 %	98.25 %
Plan fiduciary net position as a percentage of the total collective OPEB liability	48.39 %	27.11 %	19.80 %	28.14 %	14.81 %	15.37 %

(*)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 this RSI Schedule (GASB 75 paragraph 97) is for the reporting period (i.e., the measurement period), which for the September 30, 2023 year is October 1, 2021 through September 30, 2022.

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

GEORGE CORLEY WALLACE STATE COMMUNITY COLLEGE
SCHEDULE OF CONTRIBUTIONS - OTHER POSTEMPLOYMENT BENEFITS
ALABAMA RETIRED EDUCATION EMPLOYEES' HEALTH CARE TRUST
For the year ended September 30
(Dollar Amount In Thousands)

	2023	2022	2021	2020	2019	2018
Contractually required contribution	\$ 139	\$ 182	\$ 164	\$ 240	\$ 310	\$ 273
Contributions in relation to the contractually required contribution	<u>139</u>	<u>182</u>	<u>164</u>	<u>240</u>	<u>310</u>	<u>273</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered employee payroll	\$ 8,892	\$ 8,195	\$ 8,436	\$ 8,495	\$ 8,268	\$ 8,225
Contributions as a percentage of covered employee payroll	1.57 %	2.23 %	1.94 %	2.82 %	3.75 %	3.32 %

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

**GEORGE CORLEY WALLACE STATE COMMUNITY COLLEGE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR
OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

NOTE 1 - CHANGES IN ACTUARIAL ASSUMPTIONS

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

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

NOTE 2 - RECENT PLAN CHANGES

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

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

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

**NOTE 3 - METHOD AND ASSUMPTIONS USED IN CALCULATIONS
OF ACTUARIALLY DETERMINED CONTRIBUTIONS**

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

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

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

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Trustees of the Alabama Community College System
and the President of George Corley Wallace State Community College
Selma, Alabama

We have audited the financial statements of George Corley Wallace State Community College as of and for the year ended September 30, 2023, and have issued our report thereon dated January 16, 2024, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Birmingham, Alabama
January 16, 2024

Banks, Finley White & Co.

GEORGE CORLEY WALLACE STATE COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing No.	Pass-Through Grantor's No.	Expenditures
U.S. Department of Education:			
Student Financial Assistance Cluster:			
Direct program:			
Federal Supplemental Educational Opportunity Grants	84.007		\$ 177,045
Federal Work-Study Program	84.033		52,909
Federal PELL Grant Program	84.063		<u>4,543,026</u>
Total Student Financial Assistance Cluster			<u>4,772,980</u>
Trio Cluster:			
Direct program:			
TRIO - Student Support Services	84.044	N/A	<u>394,832</u>
Total TRIO Cluster			<u>394,832</u>
Direct Program:			
COVID-19 HEERF Student Aid Portion	84.425		227,662
COVID-19 HEERF Institutional Portion	84.425		656,733
COVID-19 HEERF Minority Serving Institution Portion (MSIs)	84.425		<u>215,257</u>
Total Education Stabilization Fund			<u>1,099,652</u>
Passed-through Alabama Community College System:			
Adult Education - Basic Grants to States	84.002	0921AE091	172,483
Alamap	17.268		<u>73,355</u>
			<u>245,838</u>
Passed-through Alabama Department of Education:			
Career and Technical Education - Basic Grants to States	84.048	V048A200001	72,118
Minority Outreach	93.243		<u>283,159</u>
			<u>355,277</u>
Total U.S. Department of Education			<u>6,868,579</u>
U.S. Department Labor:			
WIOA Cluster			
Passed-through Alabama Department of Commerce:			
WIOA Adult Program	17.258	0X501503	206,612
WIOA Youth Activities	17.259	N/A	15,582
WIOA Dislocated Worker Formula Grants	17.278	N/A	<u>21,000</u>
Total WIOA Cluster			<u>243,194</u>
Total U.S. Department of Labor			<u>243,194</u>
Total Expenditures of Federal Awards			<u>\$ 7,111,773</u>

GEORGE CORLEY WALLACE STATE COMMUNITY COLLEGE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule Expenditures of Federal Awards (SEFA) includes the federal award activity of George Corley Wallace State Community College ("the College") under programs of the federal government for the year ended September 30, 2023. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the SEFA presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position, or cash flows of the College.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – INDIRECT COST RATE

The College has elected not to use the 10% de minimis indirect cost rate as allowed under the *Uniform Guidance*.

NOTE 4 – CONTINGENCIES

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

NOTE 5 – FEDERAL PASS-THROUGH FUNDS

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

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

To the Board of Trustees of the
Alabama Community College System and the President of
George Corley Wallace State Community College
Selma, Alabama

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

Report on Internal Control over Financial Reporting

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

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

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



To the Board of Trustees of the
Alabama Community College System and the President of
George Corley Wallace State Community College
Selma, Alabama
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Report on Compliance and Other Matters

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

Purpose of This Report

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

Birmingham, Alabama
January 16, 2024

Bank, Finley White & Co.

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

To the Board of Trustees of the
Alabama Community College System and the President of
George Corley Wallace State Community College
Selma, Alabama

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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



To the Board of Trustees of the
Alabama Community College System and the President of
George Corley Wallace State Community College
Selma, Alabama
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Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items. Our opinion on each major federal program is not modified with respect to these matters.



To the Board of Trustees of the
Alabama Community College System and the President of
George Corley Wallace State Community College
Selma, Alabama
Page 3

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

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies and material weaknesses.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-002, to be a material weakness.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

Birmingham, Alabama
January 16, 2024

Bank, Finley White & Co.

GEORGE CORLEY WALLACE STATE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended September 30, 2023

Section I--Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____Yes X None reported

Noncompliance material to financial statements noted? _____Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____Yes X None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? _____Yes X No

Identification of major programs:

Federal Assistance Listing No.	Name of Federal Program or Cluster
84.042,84.044	Student Financial Aid Cluster
84.425	Education Stabilization Funds (ESF)

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? _____Yes X No

Section II – Financial Statements Findings

None

Section III – Federal Awards Findings and Questioned Costs

None

OTHER INFORMATION

GEORGE CORLEY WALLACE STATE COMMUNITY COLLEGE
COLLEGE OFFICIALS
October 1, 2022 through September 30, 2023

Officials	Position
Jimmy Baker	Chancellor, Alabama Community College System
Dr. James M. Mitchell	President
[Vacant]	Dean of Business and Finance
Brian N. Harrison, CPA	Regional Chief Financial Officer, ACCS
Dr. Donitha Griffin	Dean of Students, Executive Assistant to the President