



# Annual Financial Report

FOR THE YEAR ENDED SEPTEMBER 30, 2024



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MARION MILITARY INSTITUTE

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## Independent Auditor's Report

Board of Trustees – Alabama Community College System  
Marion Military Institute  
Marion, Alabama

### Report on the Audit of the Financial Statements

#### **Opinions**

We have audited the financial statements of the business-type activities and the discretely presented component unit of the Marion Military Institute (the Institute), collectively a component unit of the State of Alabama, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Institute's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Institute, as of September 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Marion Military Institute Foundation, Inc., the discretely presented component unit as of September 30, 2024. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Marion Military Institute Foundation, Inc. are based solely on the report of the other auditor.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Institute, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of Marion Military Institute Foundation, Inc., the discretely presented component unit, was not audited in accordance with *Government Auditing Standards*.

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

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

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Board of Trustees – Alabama Community College System  
Marion Military Institute

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 Institute's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS 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 Institute'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 Institute'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 management's discussion and analysis, pension, and other postemployment benefit information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Institute's basic financial statements. 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Information**

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2025, on our consideration of the Institute'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 Institute'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 Institute's internal control over financial reporting and compliance.

**Forvis Mazars, LLP****Kansas City, Missouri  
January 17, 2025**



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A photograph of three military officers in dress uniforms standing on the steps of a building. They are all raising their right hands in a solemn gesture, likely during a ceremony. The officer on the left is a Black man in a dark blue uniform with a beret. The officer in the center is a white man in a dark green uniform with a garrison cap. The officer on the right is a Black woman in a dark blue uniform with a beret. The background shows a brick building with white trim and a clear blue sky.

# Management's Discussion and Analysis

ANNUAL FINANCIAL REPORT  
MARION MILITARY INSTITUTE



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## Management's Discussion and Analysis

### Overview of the Financial Statements and Financial Analysis

Marion Military Institute (the Institute) presents its financial statements for the fiscal year 2024. The fiscal year period is October 1, 2023 to September 30, 2024. Marion Military Institute merged into the Alabama Community College System on June 1, 2006, by Act of the State Legislature.

There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. The discussion and analysis will focus on current year data with select comparative information for the fiscal year ended September 30, 2023.

### 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 Institute as of the end of the fiscal year. The Statement of Net Position is a point in time financial statement. The purpose of the Statement of Net Position is to present to the readers of the financial statements a fiscal snapshot of Marion Military Institute. The Statement of Net Position presents end-of-year data concerning Assets (current and non-current), Deferred Outflows of Resources, Liabilities (current and non-current), Deferred Inflows of Resources, and Net Position (Assets and Deferred Outflows of Resources less Liabilities and Deferred Inflows of Resources). The difference in 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 institute. They are also able to determine how much the institute owes vendors, investors and lending institutions. Finally, the Statement of Net Position provides a picture of the net position (assets and deferred outflows of resources minus liabilities and deferred inflows of resources) and their availability for expenditure by the institute.

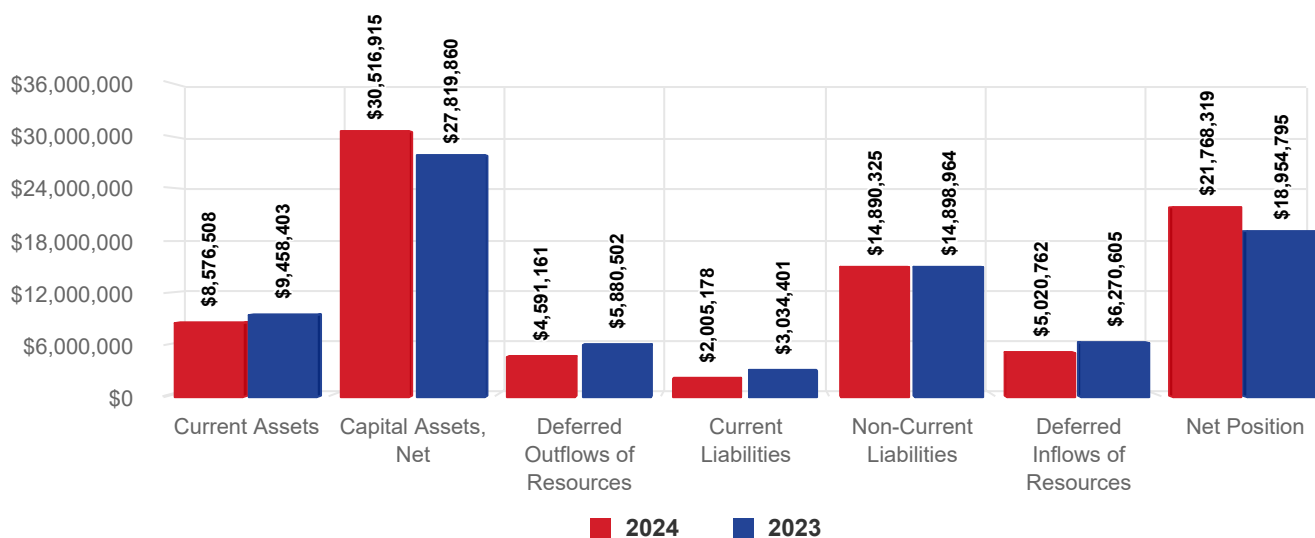
A condensed Statement of Net Position on September 30, 2024 and 2023 is presented below.

### Statement of Net Position

	2024	2023
<b>Assets</b>		
Current Assets	\$ 8,576,508	\$ 9,458,403
Capital Assets, Net	30,516,915	27,819,860
<b>Total Assets</b>	<b>39,093,423</b>	<b>37,278,263</b>
<b>Deferred Outflows of Resources</b>	<b>4,591,161</b>	<b>5,880,502</b>
<b>Liabilities</b>		
Current Liabilities	2,005,178	3,034,401
Non-Current Liabilities	14,890,325	14,898,964
<b>Total Liabilities</b>	<b>16,895,503</b>	<b>17,933,365</b>
<b>Deferred Inflows of Resources</b>	<b>5,020,762</b>	<b>6,270,605</b>
<b>Net Position</b>		
Net Investment in Capital Assets	29,738,302	25,706,199
Unrestricted	(7,969,983)	(6,751,404)
<b>Total Net Position</b>	<b>\$ 21,768,319</b>	<b>\$ 18,954,795</b>

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

### Statement of Net Position



## Fiscal Year 2024 Compared to Fiscal Year 2023

As of September 30, 2024, total assets and deferred outflows of resources increased to \$43.685 million. The increase is primarily the result of construction of the dining hall and the donation of the softball press box and a new bus. The deferred outflows of resources had a decrease of \$1.289 million due to the actuarial valuation of the Institute's pension liability and other post-employment benefits. Total liabilities and deferred inflows of resources decreased \$2.288 million in fiscal year 2024. The GASB 68 actuarial valuation of the Institute's portion of the net pension liability resulted in an increase of \$.114 million in the pension liability and the GASB 75 actuarial valuation of the Institute's portion of OPEB resulted in a decrease of net OPEB liability of \$.064 million. The annual note payable payments decreased the notes payable by \$139 thousand.

## 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 institute, both operating and non-operating, and the expenses paid by the institute, operating and non-operating, and any other revenues, expenses, gains, and losses received or spent by the institute.

Generally speaking, operating revenues are received for providing goods and services to various customers and constituencies of the institute. 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 institute. 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 institute without the Legislature directly receiving commensurate goods and services for those revenues.

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

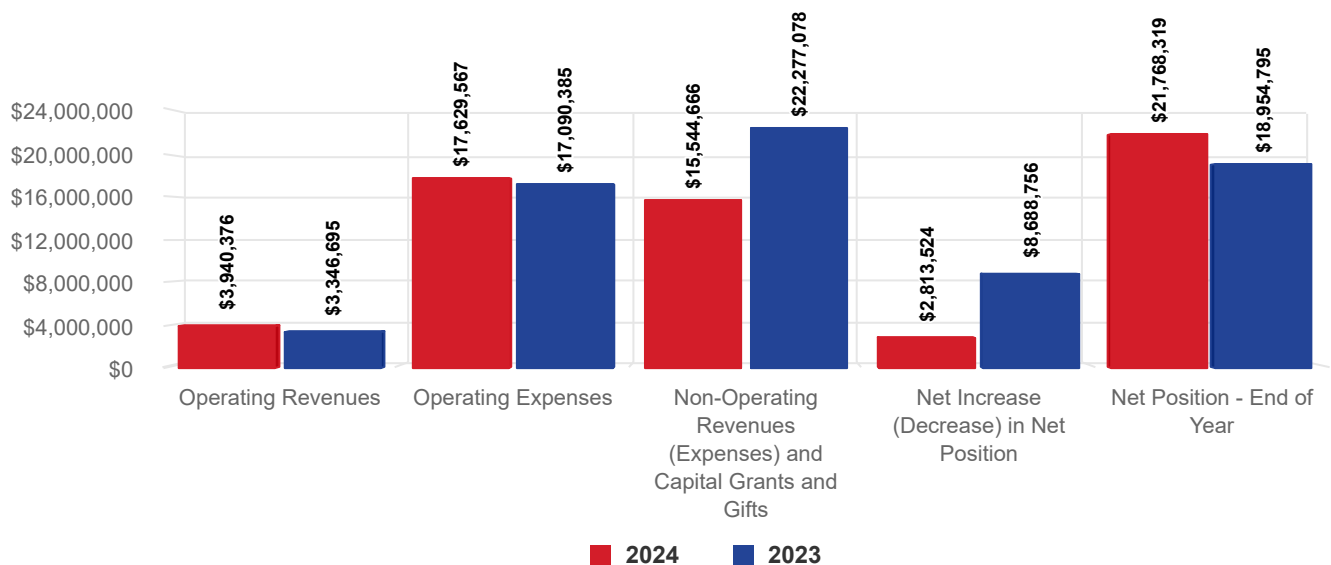
### Statement of Revenues, Expenses and Changes in Net Position

	<b>2024</b>	<b>2023</b>
Operating Revenues	\$ 3,940,376	\$ 3,346,695
Operating Expenses	17,629,567	17,090,385
Operating Income (Loss)	(13,689,191)	(13,743,690)
Non-Operating Revenues (Expenses) and Capital Grants and Gifts	15,544,666	22,277,078
Net Increase (Decrease) in Net Position	2,813,524	8,688,756
Net Position - Beginning of Year	18,954,795	10,266,039
<b>Net Position - End of Year</b>	<b>\$ 21,768,319</b>	<b>\$ 18,954,795</b>

The Statement of Revenues, Expenses and Changes in Net Position reflect an operating year with a net increase in net position for the period.

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

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

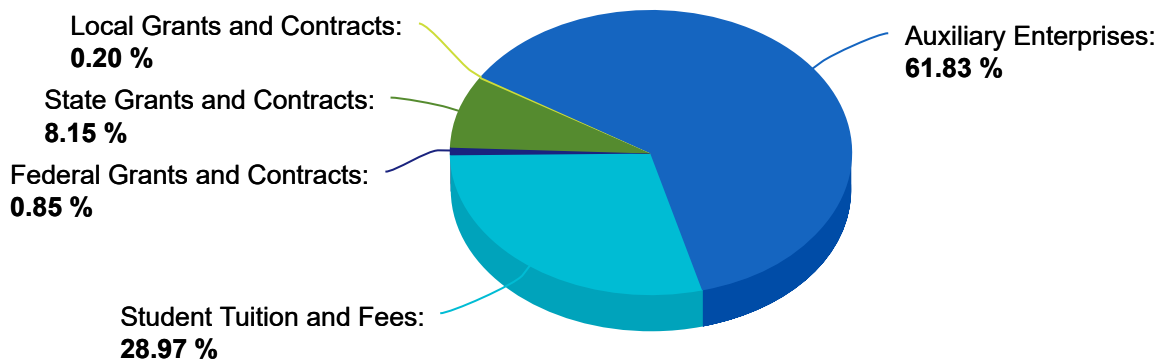


### Operating Revenues

	<u>2024</u>	<u>2023</u>
<b>Operating Revenues</b>		
Student Tuition and Fees	\$ 1,141,605	\$ 829,953
Federal Grants and Contracts	33,487	37,965
State Grants and Contracts	321,179	127,852
Local Grants and Contracts	7,941	-
Auxiliary Enterprises	2,436,164	2,350,925
<b>Total Operating Revenues</b>	<b><u>\$ 3,940,376</u></b>	<b><u>\$ 3,346,695</u></b>

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

### Operating Revenues by Source



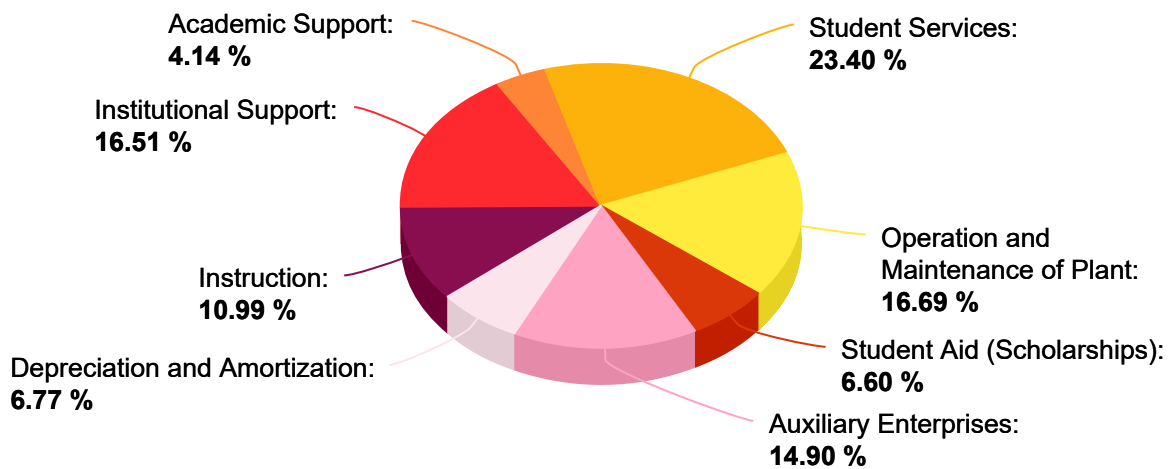
The operating expenses by function stated are displayed in the following exhibit.

### Operating Expenses

	<u>2024</u>	<u>2023</u>
<b>Operating Expenses</b>		
Instruction	\$ 1,936,548	\$ 1,806,747
Institutional Support	2,910,270	2,918,832
Academic Support	729,351	659,304
Student Services	4,125,629	3,810,881
Operation and Maintenance of Plant	2,942,768	3,309,746
Student Aid (Scholarships)	1,164,339	1,130,069
Auxiliary Enterprises	2,626,706	2,511,300
Depreciation and Amortization	1,193,956	943,506
<b>Total Operating Expenses</b>	<b><u>\$ 17,629,567</u></b>	<b><u>\$ 17,090,385</u></b>

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

### Operating Expenses by Function

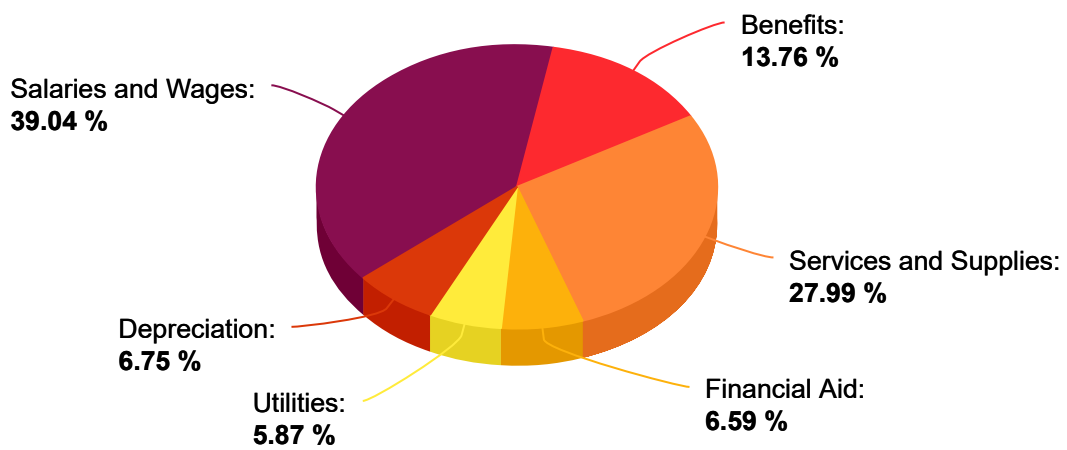


### Fiscal Year 2024 Compared to Fiscal Year 2023

In fiscal year 2024, total operating expenses increased by \$.539 million or 3.2% from prior year. This was mainly attributed to an increase in Student Services expenses of \$.315 million as well as an increase in Depreciation and Amortization expenses of \$.250 million due to the addition of the new dining hall.

Operating expenses are summarized here by natural classification.

### Operating Expenses by Natural Classification

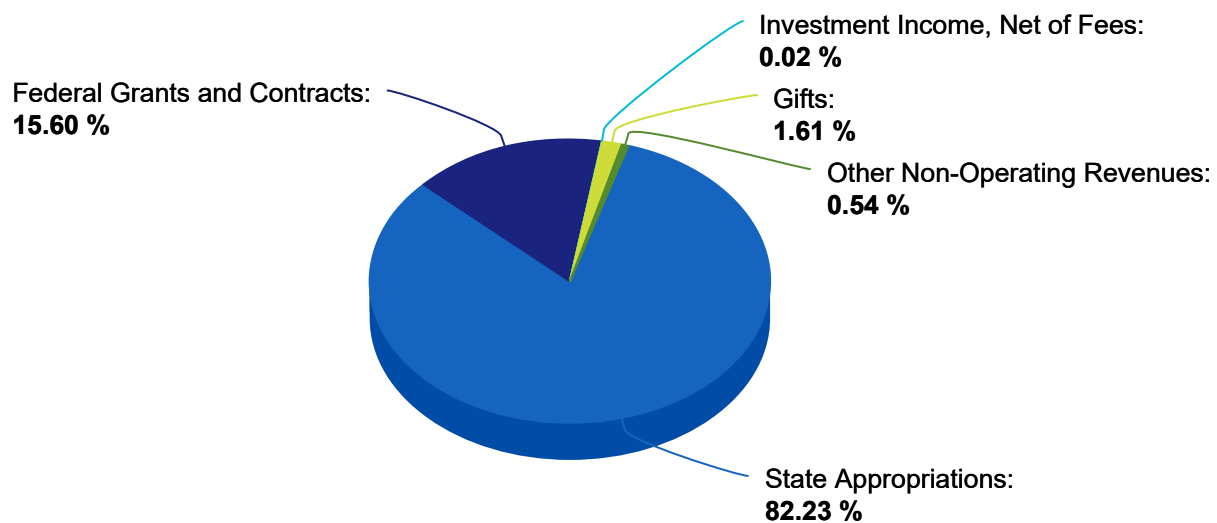


### Comparison of Non-Operating Revenue and Capital Grants and Gifts

	2024	2023
<b>Non-Operating Revenue</b>		
State Appropriations	\$ 12,827,267	\$ 20,532,305
Federal Grants and Contracts	2,433,447	1,625,426
Investment Income, Net of Fees	2,540	2,322
Gifts	250,476	-
Other Non-Operating Revenues	84,948	219,117
<b>Total Non-Operating Revenue</b>	<b>\$ 15,598,678</b>	<b>\$ 22,379,170</b>

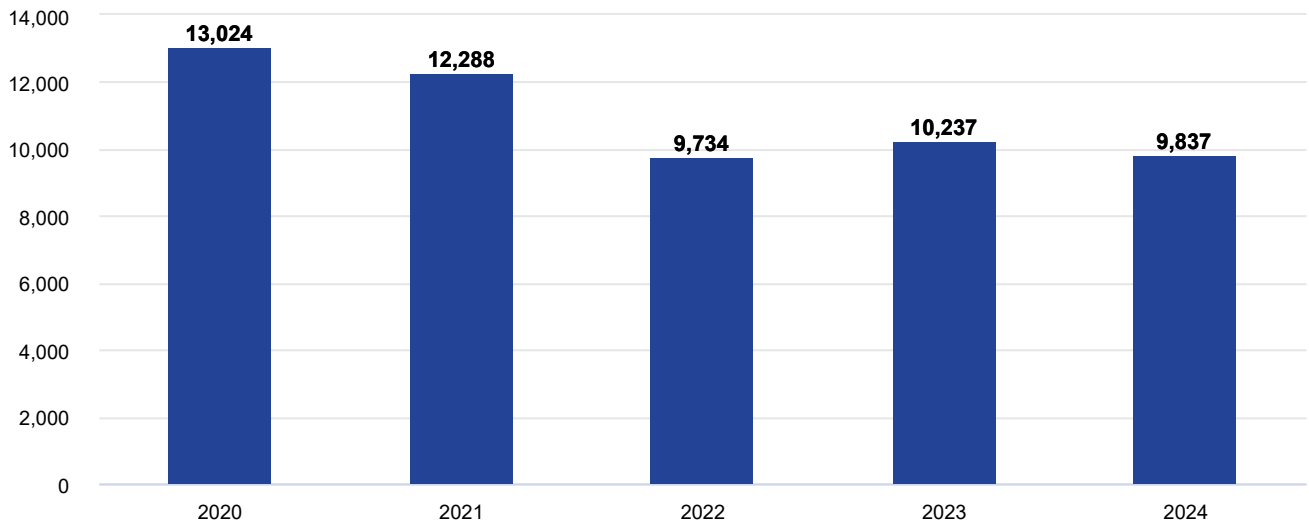
The following chart displays the non-operating revenues by type and their relationship with one another for the fiscal year ended September 30, 2024.

### Comparison of Non-Operating Revenue and Capital Grants and Gifts



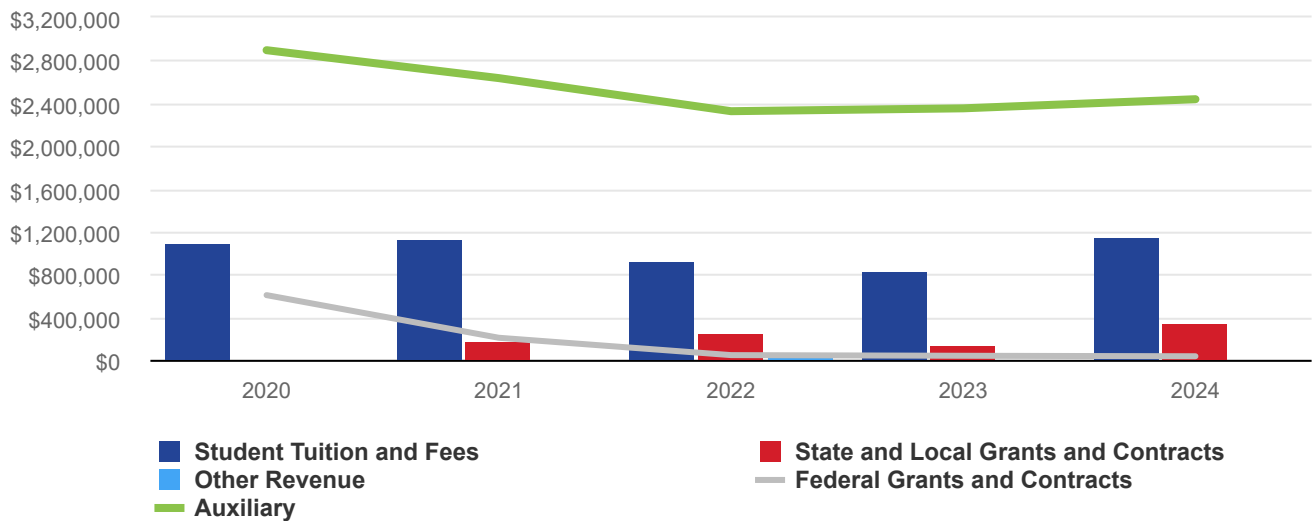
The following chart displays the 5 Year Comparison of Credit Hours for the fiscal year ended September 30, 2024.

### 5 Year Comparison of Credit Hours



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

### 5 Year Comparison of Operating Revenue



## Statement of Cash Flows

The final statement presented by Marion Military Institute is the Statement of Cash Flows which presents information about the cash activity of the institute during the year. The statement is divided into six sections. The first part deals with operating cash flow and shows the net cash used by the operating activities of the institute. The second section reflects the cash received and spent for non-operating, non-investing, and non-capital financing purposes. The third section deals with the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flow from investing activities and shows 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. The sixth and final section reflects activity that occurred at the Institute that was derived from non-cash activities. Shown below is a summary of the Cash Flows Statement:

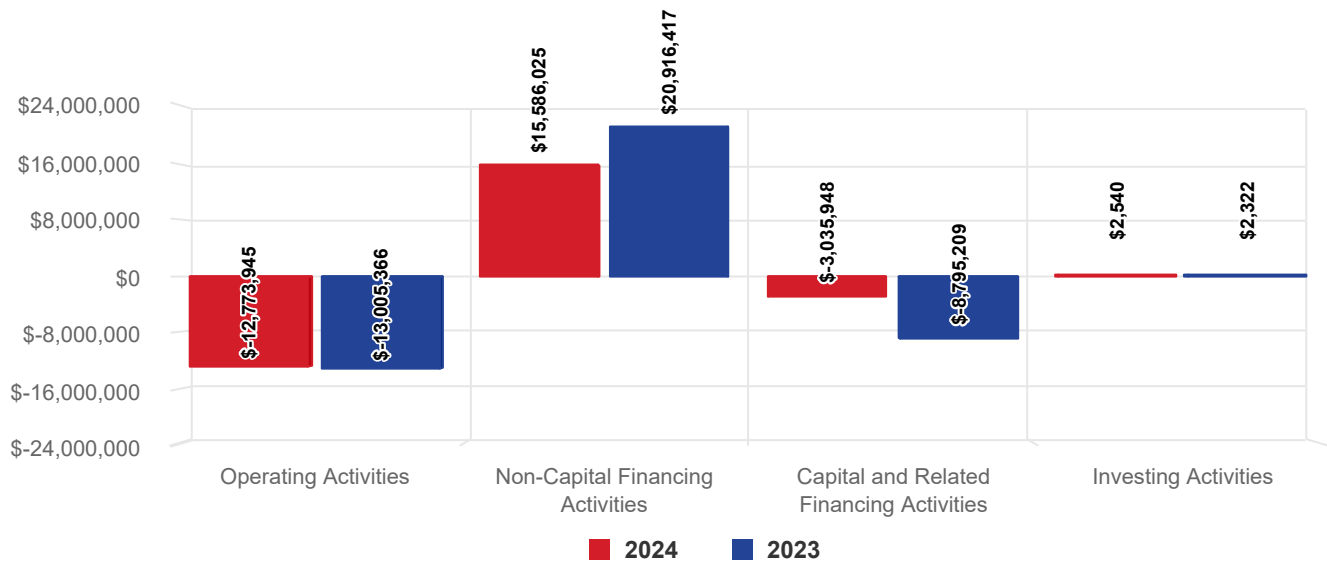
A condensed Statement of Cash Flows for the years ended September 30, 2024 and 2023 is presented below.

### Statement of Cash Flows

	2024	2023
<b>Cash Provided by (Used in):</b>		
Operating Activities	\$ (12,773,945)	\$ (13,005,366)
Non-Capital Financing Activities	15,586,025	20,916,417
Capital and Related Financing Activities	(3,035,948)	(8,795,209)
Investing Activities	2,540	2,322
<b>Net Change in Cash and Cash Equivalents</b>	<b>(221,328)</b>	<b>(881,836)</b>
Cash and Cash Equivalents, Beginning of Year	5,686,068	6,567,904
<b>Cash and Cash Equivalents , End of Year</b>	<b>\$ 5,464,740</b>	<b>\$ 5,686,068</b>

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

### Statement of Cash Flows



## Capital Assets, net

	<u>2024</u>	<u>2023</u>
Land	\$ 612,160	\$ 612,160
Construction in Progress	1,282,676	9,823,034
Collections	17,036	17,036
Buildings and Building Alterations	25,003,808	13,795,361
Improvements other than Buildings and Infrastructure	2,233,278	2,396,722
Furniture and Equipment	1,113,293	856,226
Library Materials	254,664	319,321
<b>Total Capital Assets</b>	<b><u>\$ 30,516,915</u></b>	<b><u>\$ 27,819,860</u></b>

During the fiscal year, the Institute experienced an increase in Net Capital Assets. The growth is primarily attributable to the completion of the new dining hall. Additionally, we received a generous donation of a softball pressbox. Other notable capital additions include the construction in progress of a new Math and Science building.

Additional information concerning capital assets is provided in *Note 4* to the financial statements as well as *Note 8* relating to capital related future commitments.

## Long-Term Debt

	<u>2024</u>	<u>2023</u>
Note Payable	\$ 669,634	\$ 808,820

Additional information concerning capital assets is provided in *Note 9* to the financial statements.

## Economic Outlook

The Institute is not aware of any currently known facts, decisions, or conditions that are expected to have a significant negative impact on the financial position.

The Institute expects growth in enrollment, after a year with lower enrollment, which in turn will strengthen its financial position and enable Marion Military Institute to perform its mission.



# Financial Statements

ANNUAL FINANCIAL REPORT  
MARION MILITARY INSTITUTE



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## Statement of Net Position September 30, 2024

	<u>2024</u>
<b>Assets</b>	
<b>Current Assets</b>	
Cash and Cash Equivalents	\$ 5,464,740
Accounts Receivable, Net	2,719,981
Inventories	391,787
<b>Total Current Assets</b>	<u>8,576,508</u>
<b>Non-Current Assets</b>	
Capital Assets, Net of Depreciation and Amortization	30,516,915
<b>Total Non-Current Assets</b>	<u>30,516,915</u>
<b>Total Assets</b>	<u>39,093,423</u>
<b>Deferred Outflows of Resources</b>	
Pension	3,140,262
Other Postemployment Benefit (OPEB)	1,450,899
<b>Total Deferred Outflows of Resources</b>	<u>\$ 4,591,161</u>

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

## Statement of Net Position (Continued)

### September 30, 2024

2024

**Liabilities****Current Liabilities**

Accounts Payable and Accrued Liabilities	\$ 807,035
Deposit Liabilities	46,384
Unearned Revenue	975,939
Compensated Absences	75,937
Financed Purchase Arrangements	35,193
Notes Payable	64,690

<b>Total Current Liabilities</b>	<b>2,005,178</b>
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**Non-Current Liabilities**

Compensated Absences, Net of Current	683,432
Financed Purchase Arrangements, Net of Current	73,816
Net Pension Liability	12,190,000
Net Other Postemployment Benefit Liability	1,338,133
Notes Payable, Net of Current	604,944

<b>Total Non-Current Liabilities</b>	<b>14,890,325</b>
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<b>Total Liabilities</b>	<b>16,895,503</b>
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**Deferred Inflows of Resources**

Pensions	604,861
Other Postemployment Benefit (OPEB)	4,415,901

<b>Total Deferred Inflows of Resources</b>	<b>5,020,762</b>
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**Net Position**

Net Invested in Capital Assets	29,738,302
Unrestricted	(7,969,983)

<b>Total Net Position</b>	<b>\$ 21,768,319</b>
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The accompanying notes are an integral part of these financial statements.

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

	<u>2024</u>
<b>Operating Revenues</b>	
Student Tuition and Fees (net of scholarship allowance of \$2,099,161)	\$ 1,141,605
Federal Grants and Contracts	33,487
State Grants and Contracts	321,179
Local Grants and Contracts	7,941
Auxiliary Enterprises	
Residential Life (net of scholarship allowances)	1,485,676
Bookstore (net of scholarship allowances)	709,162
Food Service (net of scholarship allowances)	156,032
Vending	2,423
Other Auxiliary Enterprises	82,871
<b>Total Operating Revenues</b>	<u><b>3,940,376</b></u>
<b>Operating Expenses</b>	
Instruction	1,936,548
Institutional Support	2,910,270
Academic Support	729,351
Student Services	4,125,629
Operation and Maintenance of Plant	2,942,768
Student Aid (Scholarships)	1,164,339
Auxiliary Enterprises	2,626,706
Depreciation and Amortization	1,193,956
<b>Total Operating Expenses</b>	<u><b>17,629,567</b></u>
<b>Operating Loss</b>	<u><b>(13,689,191)</b></u>

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

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

	<u>2024</u>
<b>Non-Operating Revenues (Expenses)</b>	
State Appropriations	12,827,267
Federal Grants and Contracts	2,433,447
Investment Income, Net of Fees	2,540
Loss on Disposal of Capital Assets	-
Gifts	250,476
Other Non-Operating Revenues	84,948
Other Nonoperating Expense	(10,112)
Interest on Capital Asset Related Debt	(43,900)
<b>Total Non-Operating Revenues (Expenses)</b>	<u><b>15,544,666</b></u>
<b>Income Before Capital Gift and Grants</b>	<u><b>1,855,475</b></u>
<b>Capital Gifts and Grants</b>	<b>958,049</b>
<b>Net Increase (Decrease) in Net Position</b>	<u><b>2,813,524</b></u>
Net Position - Beginning of Year	18,954,795
<b>Net Position - End of Year</b>	<u><u><b>\$ 21,768,319</b></u></u>

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

## Statement of Cash Flows

### For the Year Ended September 30, 2024

	<u>2024</u>
<b>Cash Flows from Operating Activities</b>	
Tuition and Fees	\$ 1,111,233
Federal, State and Local Grants and Contracts	1,153,975
Auxiliary Enterprise Charges	
Bookstore	709,162
Food Service	156,032
Vending	2,423
Housing	1,453,680
Other Auxiliary Enterprise	82,871
Payments to Suppliers	(7,199,499)
Payments for Employees	(6,801,946)
Payments for Benefits	(2,277,537)
Payments for Scholarships and Fellowships	(1,164,339)
<b>Net Cash Used in Operating Activities</b>	<u><b>(12,773,945)</b></u>
<b>Cash Flows from Non-Capital Financing Activities</b>	
State Appropriations	12,827,267
Bond Surety Fee Expense	-
Direct Lending Receipts	-
Federal Pell Revenue	-
Other Non-Capital Financing	74,835
Noncapital Gifts and Grants	250,476
Federal Grant Revenue	2,433,447
<b>Net Cash Provided by Non-Capital Financing Activities</b>	<u><b>15,586,025</b></u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Capital Grants and Gifts Received	-
Purchases of Capital Assets and Construction	(2,851,862)
Principal Paid on Capital Debt	(139,186)
Interest Paid on Capital Debt	(44,900)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<u><b>(3,035,948)</b></u>

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

## Statement of Cash Flows (Continued)

### For the Year Ended September 30, 2024

	<u>2024</u>
<b>Cash Flows from Investing Activities</b>	
Investment Income	2,540
<b>Net Cash Provided by Investing Activities</b>	<u>2,540</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	<u>(221,328)</u>
Cash and Cash Equivalents - Beginning of Year	5,686,068
<b>Cash and Cash Equivalents - End of Year</b>	<u><b>\$ 5,464,740</b></u>
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</b>	
Operating Loss	\$ (13,689,191)
Adjustments to Reconcile Operating Loss to Net Cash Used In Operating Activities	
Depreciation Expense	1,193,956
Changes in Assets and Liabilities	
Accounts Receivable, Net	620,631
Inventory	39,937
Deferred Outflows of Resources	1,289,341
Accounts Payable and Accrued Liability	(1,227,600)
Unearned Revenue	175,819
Deposit Liabilities	(3,457)
Compensated Absences	51,871
Net Pension Liability	114,000
Net Other Postemployment Benefit Liability	(64,248)
Deferred Inflows of Resources	(1,249,843)
Other Liabilities	(25,161)
<b>Net Cash Used in Operating Activities</b>	<u><b>\$ (12,773,945)</b></u>
<b>Non-Cash Activities</b>	
Capital Asset Acquisitions Included in Accounts Payable	\$ -
Non-Cash Gifts	958,049
Capital Assets Acquired Through Finance Purchase Obligations	81,110

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

## Marion Military Institute Foundation, Inc.

### Statement of Financial Position – Discretely Presented Component Unit September 30, 2024

	<u>2024</u>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 103,688
Investments	14,680,023
Perpetual Trust	32,258,933
<b>Total Assets</b>	<u><u>47,042,644</u></u>
<b>Liabilities and Net Assets</b>	
<b>Liabilities</b>	
Deferred Revenue	\$ 48,323
Due to Alumni Brigade	240,060
Due to Alabama Military Hall of Honor	31,987
<b>Total Liabilities</b>	<u><u>320,370</u></u>
<b>Net Assets</b>	
Without Donor Restrictions	
Board Designated	2,026,722
Undesignated	3,035,156
<b>Total without Donor Restrictions</b>	<u><u>5,061,878</u></u>
With Donor Restrictions	41,660,396
<b>Total Net Assets</b>	<u><u>46,722,274</u></u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 47,042,644</u></u>

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

## Marion Military Institute Foundation, Inc.

Statement of Activities – Discretely Presented Component Unit  
For the Year Ended September 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues and Other Support</b>			
Contributions and Gifts	\$ 1,717,328	\$ 353,884	\$ 2,071,212
Special Events	115,859	-	115,859
Investment Income	642,428	1,935,755	2,578,183
Distribution from Perpetual Trust	1,319,401	(1,319,401)	-
Change in Value - Perpetual Trust	-	5,897,818	5,897,818
Net Assets Released from Restrictions	1,209,214	(1,209,214)	-
<b>Total Revenues and Other Support</b>	<b>5,004,230</b>	<b>5,658,842</b>	<b>10,663,072</b>
<b>Expenses</b>			
Program	4,580,727	-	4,580,727
Management and General	43,118	-	43,118
Fundraising	53,834	-	53,834
<b>Total Expenses</b>	<b>4,677,679</b>	<b>-</b>	<b>4,677,679</b>
<b>Change in Net Assets</b>	<b>326,551</b>	<b>5,658,842</b>	<b>5,985,393</b>
Net Assets, Beginning of Year	4,735,327	36,001,554	40,736,881
<b>Net Assets, End of Year</b>	<b>\$ 5,061,878</b>	<b>\$ 41,660,396</b>	<b>\$ 46,722,274</b>

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

A young man with short, light brown hair and glasses is shown in profile, looking through a white and black microscope. He is wearing a black military uniform with a gold sergeant's rank insignia on his collar. The background is a blurred laboratory or classroom setting with wooden cabinets and a computer monitor. A large, semi-transparent olive-green shape is overlaid on the bottom right of the image, containing the title and subtitle text.

# Notes to the Financial Statements

ANNUAL FINANCIAL REPORT  
MARION MILITARY INSTITUTE



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## Note 1. Summary of Significant Accounting Policies

### Nature of Operations and Reporting Entity

Marion Military Institute (the "Institute") 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 through which 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 Institute. In addition, the Institute receives a substantial portion of its funding from the State of Alabama (potential to impose a specific financial burden). Based on these criteria, the Institute is considered for financial reporting purposes to be a component unit of the State of Alabama.

Major federally funded student financial aid programs in which the Institute participates include the Federal Pell Grant, Federal Supplemental Educational Opportunity Grant, Federal Work Study and Federal Direct Loan Programs.

### Component Units

The Marion Military Institute Foundation, Inc. (the "Foundation") is a legally separate, tax-exempt component unit of the Institute. The Foundation's primary function is to raise and hold funds to support the Institute and its programs. The board of the Foundation is self-perpetuating and consists of graduates and friends of the Institute.

Although the Institute does not control the timing or amount of receipts from the Foundation, the majority of the Foundation's resources and related income are restricted by donors for the benefit of the Institute. Because these restricted resources held by the Foundation can only be used by or for the benefit of the Institute, the Foundation is considered a component unit of the Institute and is discretely presented in the Institute's financial statements.

During the year ended September 30, 2024, the Foundation provided approximately \$4,504,000 of support to the Institute, which includes approximately \$3,083,000 of contributed services, \$213,000 of scholarship awards, \$250,000 of private gifts and \$958,049 of capital contributions. Complete financial statements of the Foundation may be obtained from the Institute's Administrative Offices at Marion Military Institute, 1101 Washington Street, Marion, Alabama 36756.

The Foundation is a private non-profit organization that reports under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's statements in the Institute's financial reporting entity for these differences.

## Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the Institute have been prepared on the accrual basis of accounting. Revenues, expenses, gains, losses, assets, liabilities and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated or voluntary non-exchange transactions (principally federal, state and local grants and state appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated or voluntary non-exchange transactions. Government-mandated or voluntary non-exchange transactions that are not program specific (such as state appropriations), investment income and interest on capital asset-related debt are included in non-operating revenues and expenses. The Institute first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

## Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## Cash and Cash Equivalents

The Institute considers all liquid investments with original maturities of three months or less to be cash equivalents. On September 30, 2024, cash and cash equivalents consisted primarily of cash on hand and demand deposits.

## Accounts Receivable

Accounts receivable consists of state appropriations, tuition and fee charges to students and charges for auxiliary enterprise services provided to students, faculty and staff. Accounts receivable is recorded net of estimated uncollectible amounts.

## Inventories

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

## Capital Assets

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

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

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

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon the sale or retirement of capital 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:

<b>Assets</b>	<b>Depreciation Method</b>	<b>Useful Lives</b>
Buildings	Straight Line	50 years
Building Alterations	Straight Line	25 years
Collections	Not depreciated	
Improvements other than Buildings and Infrastructure	Straight Line	25 years
Construction in Progress	Not depreciated	
Furniture and Equipment	Straight Line	5-10 years
Right-to-Use Leased Equipment	Straight Line	5-10 Years
Library Materials	Composite	20 years
Capitalized Software	Straight Line	10 years
Internally Generated Computer Software	Straight Line	10 years
Easement and Land Use Rights	Straight Line	20 years
Patents, Trademarks, and Copyrights	Straight Line	20 years
Capitalized Collections	Straight Line	20 years
Right to Use Assets	Straight Line	2-5 years
Subscription Based IT Arrangements	Straight Line	2-5 years

### **Deferred Outflows of Resources**

The Institute reports the consumption of net assets that is applicable to a future reporting period as deferred outflows of resources in a separate section of its Statement of Net Position.

### **Unearned Tuition and Fee Revenue**

Unearned revenue represents unearned student tuition and fees for which the Institute has not met all of the applicable eligibility requirements.

### **Compensated Absences**

No liability is recorded for sick leave. Substantially all employees of the Institute 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.

Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at statement of net position date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date. The estimated compensated absences liability expected to be paid more than one year after the statement of net position date is included in other long-term liabilities.

### **Risk Management**

The Institute is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters and employee health and accident benefits.

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

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

### **Deferred Inflows of Resources**

The Institute reports an acquisition of net assets that is applicable to a future reporting period as deferred inflows of resources in a separate section of its Statement of Net Position.

## Pensions

The Institute participates in a cost-sharing multiple-employer defined benefit pension plan, the Teachers' Retirement System of Alabama (the "Plan"). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## Postemployment Benefits Other than Pensions (OPEB)

The Institute participates in a cost-sharing multiple-employer defined benefit other postemployment benefit plan, the Alabama Retired Education Employees' Health Care Trust (the "Plan"). 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 OPEB Plan, and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## Net Position

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

- **Net Investment in Capital Assets** – Capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.
- **Restricted:**
  - *Expendable* – Net position whose use by the Institute is subject to externally imposed stipulations that can be fulfilled by actions of the Institute pursuant to those stipulations or that expire by the passage of time.
  - *Non-expendable* – Net position subject to externally imposed stipulations that they be maintained permanently by the Institute.
- **Unrestricted** – Net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

## Scholarship Allowances and Student Aid

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the statement of revenues, expenses and changes in net position. Scholarship allowances are the difference between the stated charge for goods and services provided by the Institute, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, are recorded as non-operating revenues and other governmental grants are recorded as operating revenues in the Institute's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the Institute

has recorded a scholarship allowance. The Institute reports stipends and other payments made directly to students as student aid expenses (scholarship expenses).

### Income Taxes

As a state institution of higher education, the income of the Institute is generally exempt from federal and state income taxes under Section 115(a) of the Internal Revenue Code and a similar provision of state law. However, the Institute is subject to federal income tax on any unrelated business taxable income.

### New Accounting Pronouncements

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

### Note 2. Deposits

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

Therefore, no deposits are subject to custodial credit risk.

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

### Note 3. Receivables

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

<b>Description</b>	<b>Amount</b>
Federal Grants	\$ 601,896
Student Receivables	589,270
State Appropriations	1,758,928
Third-Party	28,451
Less: Allowance for Doubtful Accounts	(258,564)
<b>Total Accounts Receivable</b>	<b>\$ 2,719,981</b>

## Note 4. Capital Assets

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

Description	Beginning Balance	Additions	Deductions	Adjustments	Ending Balance
<b>Nondepreciable Capital Assets</b>					
Land	\$ 612,160	\$ -	\$ -	\$ -	\$ 612,160
Collections	17,036	-	-	-	17,036
Construction in Progress	9,823,034	2,858,377	(11,398,735)	-	1,282,676
<b>Total Nondepreciable Capital Assets</b>	<b>10,452,230</b>	<b>2,858,377</b>	<b>(11,398,735)</b>	<b>-</b>	<b>1,911,872</b>
<b>Other Capital Assets</b>					
Buildings	17,149,505	11,954,732	-	-	29,104,237
Building Alterations	4,013,330	-	-	-	4,013,330
Improvements other than Buildings and Infrastructure	4,089,491	-	-	-	4,089,491
Furniture and Equipment greater than \$25,000	2,460,654	446,872	(940,755)	-	1,966,771
Furniture and Equipment \$25,000 or less	930,299	36,280	(122,511)	-	844,068
Library Materials	1,277,917	-	-	-	1,277,917
<b>Total Other Capital Assets</b>	<b>29,921,196</b>	<b>12,437,884</b>	<b>(1,063,266)</b>	<b>-</b>	<b>41,295,814</b>
<b>Less Accumulated Depreciation/Amortization</b>					
Buildings and Building Alterations	7,367,474	746,285	-	-	8,113,759
Improvements other than Buildings and Infrastructure	1,692,769	163,444	-	-	1,856,213
Furniture and Equipment greater than \$25,000	1,774,966	112,740	(934,240)	-	953,466
Furniture and Equipment \$25,000 or less	759,761	106,830	(122,511)	-	744,080
Library Materials	958,596	64,657	-	-	1,023,253
<b>Total Accumulated Depreciation/Amortization</b>	<b>12,553,566</b>	<b>1,193,956</b>	<b>(1,056,751)</b>	<b>-</b>	<b>12,690,771</b>
<b>Total Capital Assets, Net</b>	<b>\$ 27,819,860</b>	<b>\$ 14,102,305</b>	<b>\$ (11,405,250)</b>	<b>\$ -</b>	<b>\$ 30,516,915</b>

## Note 5. Defined Benefit Pension Plan

### General Information about the Pension Plan

#### Plan Description

The Teacher's 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](http://www.rsa-al.gov).

#### Benefits Provided

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

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

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

Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further

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

### Contributions

Participating employers' contractually required contribution rate for the fiscal year ended September 30, 2023 was 12.59% of annual pay for Tier 1 members and 11.57% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Institute was \$811,628 for the year ended September 30, 2024.

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

At September 30, 2024, the Institute reported a liability of \$12,190,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2022. The Institute's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2023, the Institute's proportion was 0.076390%, which was a decrease of 0.013160% from its proportion measured as of September 30, 2022.

For the year ended September 30, 2024, the Institute recognized pension expense of approximately \$1,717,000. At September 30, 2024, the Institute reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 1,090,000	\$ 165,000
Changes of Assumptions	343,000	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	836,000	-
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	59,634	439,861
Employer Contributions Subsequent to the Measurement Date	811,628	-
<b>Total</b>	<b><u>\$ 3,140,262</u></b>	<b><u>\$ 604,861</u></b>

\$811,628 reported as deferred outflows of resources related to pensions resulting from Institute contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2025.

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

<b>Year Ended September 30</b>	<b>Amount</b>
2025	\$ 583,000
2026	352,000
2027	845,000
2028	(56,227)
2029	-
Thereafter	-

### Actuarial Assumptions

The total pension liability as of September 30, 2024 was determined by an actuarial valuation as of September 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

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

\* Net of pension plan investment expense.

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

### Mortality Rate

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

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

### Long-Term Expected Rate of Return

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

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

\* Includes assumed rate of inflation of 2.00%.

### Discount Rate

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

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

The following table presents the Institute’s proportionate share of the net pension liability calculated using the discount rate of 7.45%, as well as what the Institute’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:

	<b>1% Decrease (6.45%)</b>	<b>Current Discount Rate (7.45%)</b>	<b>1% Increase (8.45%)</b>
Institute’s Proportionate Share of the Collective Net Pension Liability	\$ 15,925,000	\$ 12,190,000	\$ 9,049,000

**Pension Plan Fiduciary Net Position**

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

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

**Plan Description**

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

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

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

### **Benefits Provided**

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

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

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

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

Effective January 1, 2023, United Health Care (UHC) Group replaced the Humana contract for Medicare eligible retirees and Medicare eligible dependents of retirees. The Medicare Advantage Prescription Drug Plan (MAPDP) is fully insured by UHC, and members are able to have all of their Medicare Part A, Part B,

and Part D (prescription drug coverage) in one convenient plan. With the UHC plan for PEEHIP, retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Retirees have the same benefits in and out-of-network and there is no additional retiree cost share if a retiree uses an out-of-network provider and no balance billing from the provider.

### Contributions

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

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

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

For the year ended September 30, 2024, total employer contributions to the plan for the Institute were approximately \$95,826.

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

At September 30, 2024, the Institute reported a liability of \$1,338,133 for its proportionate share of the Net OPEB liability. The Net OPEB liability was measured as of September 30, 2023, and the total OPEB liability used to calculate the Net OPEB liability was determined by an actuarial valuation as of September 30, 2022. The Institute's proportion of the Net OPEB liability was based on Institute's share of contributions to the OPEB plan relative to the total employer contributions of all participating PEEHIP employers. At September 30, 2023, the Institute's proportion was 0.06961647%, which was a decrease of 0.010867% from its proportion measured as of September 30, 2022.

For the year ended September 30, 2024, the Institute recognized OPEB expense of \$95,826, with no special funding situations. At September 30, 2024, the Institute reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 26,165	\$ 2,111,535
Changes of Assumptions	1,127,331	1,323,775
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	45,708	-
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	155,869	980,591
Employer Contributions Subsequent to the Measurement Date	95,826	-
<b>Total</b>	<b>\$ 1,450,899</b>	<b>\$ 4,415,901</b>

The \$95,826 reported as deferred outflows of resources related to OPEB resulting from the Institute's contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB liability in the year ended September 30, 2025.

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

Year Ended September 30	Amount
2025	\$ (984,934)
2026	(573,689)
2027	(507,579)
2028	(590,680)
2029	(381,261)
Thereafter	(22,685)

**Actuarial Assumptions**

The Total OPEB Liability as of September 30, 2024, was determined based on an actuarial valuation prepared as of September 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of September 30, 2023:

Inflation	2.50%
Salary Increases	5.00 - 3.25%, including 2.75% wage inflation
Long-term Investment Rate of Return	7.00% compounded annually, net of investment expense, and including inflation
Municipal Bond Index Rate at the Measurement Date	4.53%
Municipal Bond Index Rate at the Prior Measurement Date	4.40%
Year Fiduciary Net Position (FNP) is Projected to be Depleted	N/A
Single Equivalent Interest Rate at Measurement Date	7.00%
Single Equivalent Interest Rate at Prior Measurement Date	7.00%
Healthcare Cost Trend Rates:	
Initial Trend Rate	
Pre-Medicare Eligible	7.00%
Medicare Eligible	**
Ultimate Trend Rate	
Pre-Medicare Eligible	4.50% in 2023 FYE
Medicare Eligible	4.50% in 2023 FYE

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

**Mortality Rate**

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

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

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

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

### Long-Term Expected Rate of Return

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

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

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

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

\* Geometric mean, includes 2.50% inflation.

### Discount Rate

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

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

### **Sensitivity of the Institute's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates**

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

	<b>1% Decrease (6.00% decreasing to 3.50% for pre-Medicare, Known decreasing to 3.50% for Medicare eligible)</b>	<b>Current Healthcare Trend Rate (7.00% decreasing to 4.50% for pre-Medicare, Known decreasing to 4.50% for Medicare eligible)</b>	<b>1% Increase (8.00% decreasing to 5.50% for pre-Medicare, Known decreasing to 5.50% for Medicare eligible)</b>
Net OPEB Liability	\$ 1,014,291	\$ 1,338,133	\$ 1,731,344

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

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

	<b>1% Decrease (6.00%)</b>	<b>Current Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Net OPEB Liability	\$ 1,651,923	\$ 1,338,133	\$ 1,071,058

### **OPEB Plan Fiduciary Net Position**

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

## Note 7. Contingencies

### Government Grants

The Institute is currently participating in numerous grants from various departments and agencies of the federal and state governments. The expenditures of grant proceeds must be for allowable and eligible purposes. Single audits and audits by the granting department or agency may result in requests for reimbursement of unused grant proceeds or disallowed expenditures. Upon notification of final approval by the granting department or agency, the grants are considered closed.

### Pension and Other Postretirement Benefit Obligations

The Institute has a defined benefit pension and postretirement health care plan whereby it agrees to provide certain postretirement benefits to eligible employees. The benefit obligation is the actuarial present value of all benefits attributed to service rendered prior to the valuation date. It is reasonably possible that events could occur that would change the estimated amount of these liabilities materially in the near term.

## Note 8. Significant Commitments

As of September 30, 2024, the Institute has an outstanding commitment of approximately \$625,000 for employment services through 2026, subject to certain terms noted in the contractual agreement.

## Note 9. Long-Term Liabilities

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

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Financed Purchase	\$ 54,070	\$ 81,100	\$ 26,161	\$ 109,009	\$ 35,193
Notes Payable to Bank	808,820	-	139,186	669,634	64,690
Compensated Absences	707,498	51,871	-	759,369	75,937
<b>Total</b>	<b>\$ 1,570,388</b>	<b>\$ 132,971</b>	<b>\$ 165,347</b>	<b>\$ 1,538,012</b>	<b>\$ 175,820</b>

### Equipment Financed Purchase Arrangements

The Institute financed certain items of equipment through a finance purchase arrangement, which are included in equipment and furniture on the statement of net position. Interest rates on these obligations range from 6.75% to 10.43% with maturity dates through 2028. Minimum payments under these obligations including interest payments are shown in the table below.

<u>Fiscal Year(s)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 35,193	\$ 6,490	\$ 41,683
2026	37,765	3,918	41,683
2027	24,679	1,594	26,273
2028	11,372	225	11,597
<b>Total</b>	<b>\$ 109,009</b>	<b>\$ 12,227</b>	<b>\$ 121,236</b>

### Note Payable to Bank

The Institute has a note payable agreement with Marion Bank and Trust Company, which carries an interest rate of 4.25%. Principal and interest maturity requirements on the agreement are as follows:

<u>Fiscal Year(s)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 64,690	\$ 10,633	\$ 75,323
2026	604,944	28,545	633,489
<b>Total</b>	<b>\$ 669,634</b>	<b>\$ 39,178</b>	<b>\$ 708,812</b>

### Note 10. Conditional Grants

The Institute has received a grant from the Federal Government restricted for a new Math and Science building. This grant has not been recognized as income in the September 30, 2024 financial statements as it is conditional upon incurring eligible expenses in accordance with the grant agreement. During fiscal year 2024, the Institute incurred \$784,062 in eligible expenses on this grant and on September 30, 2024, \$577,206 of the eligible expenses were receivable from the Federal Government. The conditional promise to give as of September 30, 2024 that is not recognized in the financial statements is \$33,865,938.

### Note 11. Marion Military Institute Foundation, Inc.

#### Organization

The purpose of the Foundation is to establish endowments and other forms of support to benefit scholarships, capital improvements, public relations, recruitment, and the good name of the Institute.

#### Financial Statements

The financial statements of the Foundation are presented in accordance with the provisions of the FASB ASC. The FASB ASC requires the Foundation to distinguish between contributions that increase net assets with donor restrictions and net assets without donor restrictions. It also requires recognition of contributions, including contributed services meeting certain criteria, at fair values. The FASB ASC

establishes standards for external financial statements of not-for-profit organizations and requires a statement of financial position, a statement of activities and a statement of cash flows. As permitted by GASB Statement No. 34, the Institute has elected not to present a statement of cash flows for the Foundation in the basic financial statements of the Institute's reporting entity.

### Concentration of Credit Risk

Financial instruments which potentially subject the Foundation to concentrations of credit risk, consist principally of cash. The Foundation maintains its cash in various bank deposit accounts located in Alabama. The Federal Deposit Insurance Corporation insures these cash accounts up to \$250,000.

### Beneficial Interest in Perpetual Trust

Perpetual trusts are trusts under which the Foundation will receive income distributions in perpetuity, but the assets remain under the control of the trustee. Perpetual trusts are initially recorded as contribution revenue with donor restrictions at the current fair value of the Foundation's interest in the trust assets at the date of gift. The estimated value of the expected future cash flows is approximately \$32,259,000. The income from this trust for 2024 was \$1,317,472.

### Net Assets

Net assets with donor restrictions are available for the following purposes at September 30, 2024:

Description	Amount
Donor restricted endowment	\$ 9,388,111
Perpetual Trust	32,258,933
Future Funds	13,352
<b>Total</b>	<b>\$ 41,660,396</b>

Net assets were released from restrictions during the year ended September 30, 2024 in satisfaction of the following purposes:

Description	Amount
Scholarships	\$ 186,666
Capital projects and other campaign expenses	1,004,323
Other support of Marion Military Institute	18,225
<b>Total</b>	<b>\$ 1,209,214</b>

### Endowment

The Foundation's endowment serves primarily to provide scholarships to qualifying students of the Institute. The net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

Endowment net asset composition as of September 30, 2024 is as follows:

Description	Without Donor Restrictions	With Donor Restrictions	Total
Donor-designated Endowment Funds			
Historical Gift Value	\$ -	\$ 6,087,682	\$ 6,087,682
Appreciation	-	3,300,429	3,300,429
Board-designated Endowment Funds	2,026,722	-	2,026,722
<b>Total Endowment</b>	<b>\$ 2,026,722</b>	<b>\$ 9,388,111</b>	<b>\$ 11,414,833</b>

Changes in endowment net assets for the year ended September 30, 2024:

Description	Without Donor Restrictions	With Donor Restrictions	Total
Endowment, October 1, 2023	\$ 1,522,798	\$ 7,316,715	\$ 8,839,513
Contributions	-	315,707	315,707
Investment Income	503,924	1,935,755	2,439,679
Appropriation	-	(180,066)	(180,066)
<b>Endowment, September 30, 2024</b>	<b>\$ 2,026,722</b>	<b>\$ 9,388,111</b>	<b>\$ 11,414,833</b>

### Financial Assets and Liquidity

As of September 30, 2024, financial assets available within one year for general expenditures are as follows:

Description	Amount
Financial Assets	
Cash	\$ 103,688
Less Amount due to Alabama Military' Hall of Honor	(31,987)
<b>Cash, Net</b>	<b>71,701</b>
Investments	14,680,023
Less Amount due to Alumni Brigade	(240,060)
Less Board-designated Endowment and Projects	(2,026,722)
<b>Investments, Net</b>	<b>12,413,241</b>
<b>Total Financial Assets Available within One Year</b>	<b>12,484,942</b>
Less Amounts with Donor Restrictions	(9,401,463)
<b>Total Financial Assets Available within One Year without Donor Restrictions</b>	<b>\$ 3,083,479</b>

The Foundation holds cash and investments on behalf of the Alumni Brigade and the Alabama Military Hall of Honor. Amounts attributable to those entities are netted above.

## Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy under FASB ASC 820 are described below.

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs which are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table presents the financial instruments carried at fair value as of September 30, 2024 by caption on the statement of financial position by the valuation hierarchy defined above:

Description	Level 1	Level 2	Level 3	Total
Fixed Income	\$ 2,044,133	\$ -	\$ -	\$ 2,044,133
Money Market Accounts	201,096	-	-	201,096
ETF - Stocks	9,980,600	-	-	9,980,600
ETF - Bonds	2,446,633	-	-	2,446,633
Other Investments	7,561	-	-	7,561
<b>Total Investments</b>	<b>\$ 14,680,023</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 14,680,023</b>
Perpetual Trust	\$ -	\$ -	\$ 32,258,933	\$ 32,258,933



# Required Supplementary Information

ANNUAL FINANCIAL REPORT  
MARION MILITARY INSTITUTE



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

(Dollar Amounts in Thousands)	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Institute’s Proportion of the Net Pension Liability	0.076369%	0.077706%	0.082584%	0.081968%	0.080208%	0.083543%	0.084719%	0.080317%	0.078359%	0.072956%
Institute’s Proportionate Share of the Net Pension Liability	\$ 12,190	\$ 12,076	\$ 7,780	\$ 10,139	\$ 8,869	\$ 8,306	\$ 8,327	\$ 8,695	\$ 8,201	\$ 6,628
Institute’s Covered Payroll	\$ 6,538	\$ 6,052	\$ 6,065	\$ 5,886	\$ 5,780	\$ 5,668	\$ 5,706	\$ 5,169	\$ 5,000	\$ 4,652
Institute’s Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	186.00%	200.00%	128.00%	172.00%	153.00%	147.00%	146.00%	168.00%	164.00%	142.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.57%	62.21%	76.44%	67.72%	69.85%	72.29%	71.50%	67.93%	67.51%	71.01%

**Notes to schedule:**

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

## Schedule of the Institute’s Contributions Pension Teachers’ Retirement Plan of Alabama For the Year Ended September 30

(Dollar Amounts in Thousands)	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 812	\$ 774	\$ 726	\$ 721	\$ 707	\$ 697	\$ 670	\$ 663	\$ 585	\$ 560
Contributions in Relation to the Contractually Required Contribution	\$ 812	\$ 774	\$ 726	\$ 721	\$ 707	\$ 697	\$ 670	\$ 663	\$ 585	\$ 560
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Institute’s Covered Payroll	\$ 7,738	\$ 6,838	\$ 6,052	\$ 6,065	\$ 5,886	\$ 5,780	\$ 5,668	\$ 5,706	\$ 5,169	\$ 5,000
Contributions as a Percentage of Covered Payroll	10.49%	10.00%	12.00%	11.89%	12.01%	12.06%	11.82%	11.62%	11.32%	11.20%

### Notes to Schedule

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

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

## Notes to Required Supplementary Information for Pension Benefits

### Note 1. Changes of Benefit Terms

In 2024, there were no changes in benefit terms.

In 2023, there were no changes in 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.

In 2015-2020, there were no changes in benefit terms.

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

### Note 2. Changes of Assumptions

In 2022 and 2023, there were no changes in assumptions.

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

In 2019 and 2020, there were no changes in assumptions.

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

In 2017, there were no changes in assumptions.

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

In 2016, there were no changes in assumptions.

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

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

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	24.9 years
Asset Valuation Method	5-year market related value
Inflation	2.5 percent
Salary Increase	3.25 percent to 5.00 percent, including inflation
Investment Rate of Return	7.45 percent, net of pension plan investment expense, including inflation

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

	2024	2023	2022	2021	2020	2019	2018
Institute's Proportion of the Net OPEB Liability	0.069616%	0.080483%	0.078002%	0.078368%	0.091643%	0.090681%	0.084788%
Institute's Proportionate Share of the Net OPEB Liability	\$ 1,338,133	\$ 1,402,381	\$ 4,030,218	\$ 5,085,974	\$ 3,457,478	\$ 7,452,823	\$ 6,297,568
Institute's Covered Payroll	\$ 6,426,894	\$ 6,321,639	\$ 6,045,011	\$ 5,864,177	\$ 5,780,252	\$ 5,703,606	\$ 5,736,697
Institute's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	20.82%	22.18%	66.67%	86.73%	59.82%	130.67%	109.78%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	49.42%	48.39%	19.80%	19.80%	14.80%	14.81%	15.37%

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

Notes to schedule:

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

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

	2024	2023	2022	2021	2020	2019	2018
Contractually Required Contribution	\$ 95,826	\$ 108,035	\$ 152,692	\$ 135,106	\$ 153,286	\$ 314,417	\$ 224,108
Contributions in Relation to the Contractually Required Contribution	\$ 108,367	\$ 108,035	\$ 152,692	\$ 135,106	\$ 153,286	\$ 314,417	\$ 224,108
Contribution Deficiency (Excess)	\$ (12,541)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Institute’s Covered Payroll	\$ 6,426,894	\$ 6,321,638	\$ 6,039,716	\$ 6,045,011	\$ 5,864,177	\$ 5,780,252	\$ 5,703,603
Contributions as a Percentage of Covered Payroll	1.69%	1.71%	2.53%	2.24%	2.61%	5.44%	3.93%

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

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

### Note 1. Changes in Actuarial Assumptions

In 2024, there were no changes in actuarial assumptions.

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

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

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

### Note 2. Recent Plan Changes

In 2024, there were no changes in benefit terms.

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

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

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

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

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

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

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

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

A young woman with dark hair, wearing a yellow tank top with the word 'ECHO' and a black skirt, is crawling under a series of horizontal ropes on a sand pit. She is smiling broadly and making peace signs with both hands. In the background, other people in yellow shirts and black shorts are visible, some standing and some crouching. The scene is outdoors on a sunny day.

# Supplementary Information

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MARION MILITARY INSTITUTE



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

Federal Grantor/ Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass Through Grantor's Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>U. S. Department of Education</b>				
<b>Direct Programs</b>				
Federal Supplemental Educational Opportunity Grants	84.007		\$ -	\$ 14,500
Federal Work Study Program	84.033		-	18,987
Federal Pell Grant Program	84.063		-	972,630
Federal Direct Student Loans	84.268		-	676,755
<b>Total Direct Programs</b>			<b>\$ -</b>	<b>\$ 1,682,872</b>
<b>U.S. Department of Commerce</b>				
Congressionally-Identified Projects (M)	11.617		\$ -	784,062
<b>Total Expenditures of Federal Awards</b>			<b>\$ -</b>	<b>\$ 2,466,934</b>

(M) = Major Program

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

## Notes to the Schedule of Expenditures of Federal Awards

### Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Institute, under programs of federal award activity of the Institute, under programs of the federal government for the year ended September 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the Institute, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Institute.

### Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule 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 Institute has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



# Independent Auditor Reports

ANNUAL FINANCIAL REPORT  
MARION MILITARY INSTITUTE



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## **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***

### **Independent Auditor's Report**

Board of Trustees – Alabama Community College System  
 Marion Military Institute  
 Marion, 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 (*Government Auditing Standards*), the financial statements of Marion Military Institute, (the Institute), a component unit of the State of Alabama, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Institute's basic financial statements and have issued our report thereon dated January 17, 2025. Our report includes a reference to other auditors who audited the financial statements of Marion Military Institute Foundation, Inc. as described in our report on the Institute's financial statements. The financial statements of Marion Military Institute Foundation, Inc. was not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with Marion Military Institute Foundation, Inc. or that are reported on separately by those auditors who audited the financial statements of Marion Military Institute Foundation, Inc.

### ***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Institute'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 Institute's internal control. Accordingly, we do not express an opinion on the effectiveness of the Institute'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.

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Marion Military Institute

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Institute'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.

**Forvis Mazars, LLP**

**Kansas City, Missouri  
January 17, 2025**

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## Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance

### Independent Auditor's Report

Board of Trustees – Alabama Community College System  
 Marion Military Institute  
 Marion, Alabama

### Report on Compliance for the Major Federal Program

#### ***Opinion on the Major Federal Program***

We have audited Marion Military Institute's, (the Institute) 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 the Institute's major federal program for the year ended September, 30, 2024. The Institute's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Institute complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended September 30, 2024.

#### ***Basis for Opinion on the Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 Institute 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 the major federal program. Our audit does not provide a legal determination of the Institute'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 Institute's federal programs.

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Marion Military Institute

### ***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 Institute'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 GAAS, *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 Institute's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *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 Institute'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 Institute'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 Institute's internal control over compliance. Accordingly, no such opinion is expressed.

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

### **Report on Internal Control Over Compliance**

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

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

Board of Trustees – Alabama Community College System  
Marion Military Institute

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

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

**Forvis Mazars, LLP**

**Kansas City, Missouri  
January 17, 2025**



**Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended September 30, 2024**

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

Reference Number	Summary of Finding	Status
2023-001	<p><b>Student Financial Assistance Cluster</b>  <b>84.063 Federal Pell Grants Program,. 84.628 Federal Direct Student Loans</b>  <b>U.S.Department of Education</b>  <b>Award Year 2022-2023</b></p>	Corrected

Criteria or Specific Requirement – Special Tests and Provisions - Enrollment Reporting 34 CFR 685.309(b) states that upon receipt of an enrollment report from the Secretary, a school must update all information included in the report and return the report to the Secretary in the manner and format prescribed by the Secretary and within the timeframe prescribed by the Secretary. Unless it expects to submit its next updated enrollment report to the Secretary within the next 60 days, a school must notify the Secretary within 30 days after the date the school discovers that a loan under Title IV of the Act was made to or on behalf of a student who was enrolled or accepted for enrollment at the school, and the student has ceased to be enrolled on at least a half-time basis or failed to enroll on at least a half-time basis for the period for which the loan was intended.



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# Other Information

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## **Officials**

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**Jimmy H. Baker**

Chancellor

**Col David J Mollahan, USMC (Ret)**

President

**Jada Harrison**

Regional CFO



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