SHELTON STATE

COMMUNITY COLLEGE

FINANCIAL STATEMENTS

September 30, 2022

With Independent Auditor's Report

BANKS, FINLEY, WHITE & CO.

CERTIFIED PUBLIC ACCOUNTANTS

SHELTON STATE COMMUNITY COLLEGE
Tuscaloosa, Alabama

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BANKS, FINLEY, WHITE & CO.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Shelton State Community College
Tuscaloosa, Alabama

Report on the Financial Statements

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

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

Basis for Opinion

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

Prior Period Financial Statements

The financial statements of the Shelton State Community College as of September 30, 2021 were audited by other auditors whose report dated October 28, 2022 expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Shelton State Community College's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 12, the Schedule of the College's Proportionate Share of the Collective Net Pension Liability, the Schedule of the College's Contributions – Pension, the Schedule of the College's Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability and the Schedule of the College's Contributions – Other Postemployment Benefits (OPEB) on pages 36 through 39 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Birmingham, Alabama
January 17, 2023

Banks, Finley, White & Co.

SHELTON STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Fiscal year ended September 30, 2022

INTRODUCTION

The following discussion presents an overview of the financial position and financial performance of Shelton State Community College (the College) during the fiscal year ended September 30, 2022, with comparative information for 2021, and 2020. This discussion and analysis has been prepared by management along with the financial statements and related note disclosures and should be read in conjunction with, and is qualified in its entirety by, the financial statements and footnotes. The discussion and analysis is designed to focus on current activities, resulting change and currently known facts. The financial statements, footnotes and this discussion are the responsibility of management.

History, Mission and Governance

Shelton State Community College ("the College") is a two-year community college located in Tuscaloosa, Alabama, and is one of the largest two-year colleges in the state. Approximately 7,000 students are enrolled in some form of coursework, including around 3,000 full-time students.

Shelton State Community College was established by resolution of the Alabama State Board of Education on January 1, 1979. That resolution combined two existing institutions: Shelton State Technical College, established in 1952, and the Tuscaloosa branch campus of Brewer State Junior College, an institution whose main campus was located in Fayette, Alabama. The Tuscaloosa branch campus of Brewer State had been in operation since 1972. In 1994, Shelton State Community College consolidated with C. A. Fredd State Technical College, another public two year college located in Tuscaloosa. The new institution created by the consolidation retained the name of Shelton State Community College, and the president of Shelton State was named president of the consolidated institution. Currently, the College has two (2) campuses, C.A Fredd Campus and the Martin Campus. C. A. Fredd State Technical College was recognized as one of the nation's Historically Black Colleges and Universities. The C. A. Fredd Campus of Shelton State Community College maintains that identity and continues the specific HBCU mission of promoting educational access and opportunity for all students in a culturally diverse community.

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

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

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

The board member duties include:

- designating rules and regulations for the government of community and technical colleges,
- prescribing the course of study to be offered and the conditions for granting certificates, diplomas and/or degrees,

- accepting gifts, donations, property, and devices for the benefit of community and technical colleges, and;
- establishing a performance-based allocation process that is equitable and compatible with the services and programs offered by each individual campus.

Overview of Financial Statements

The basic financial statements consist of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*. These financial statements focus on the financial position, results of operations, and cash flows of the College as a whole.

The accompanying documentation presents the College's financial statements for fiscal year 2022, 2021 and 2020. Three financial statements are presented: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. This discussion and analysis of the College's financial statements provides an overview of financial activities for the years ended September 30, 2022, 2021 and 2020.

An overview of each statement for the College is presented herein along with a financial analysis of the transactions impacting each statement. When appropriate, comparative financial information is presented in the understanding of this analysis.

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

Statement of Net Position

The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the College at September 30, 2022. The purpose of the Statement of Net Position is to present to the readers of the financial statements a fiscal snapshot of the College. The Statement of Net Position presents end-of-year data concerning assets (current and non-current), deferred outflows of resources, liabilities (current and non-current), deferred inflows of resources, and net position (assets minus liabilities). The difference between current and non-current assets will be discussed in the financial statement disclosures.

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

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

Position is available for expenditure by the College, but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is Unrestricted Net Position, which is available to the College for any appropriate purpose.

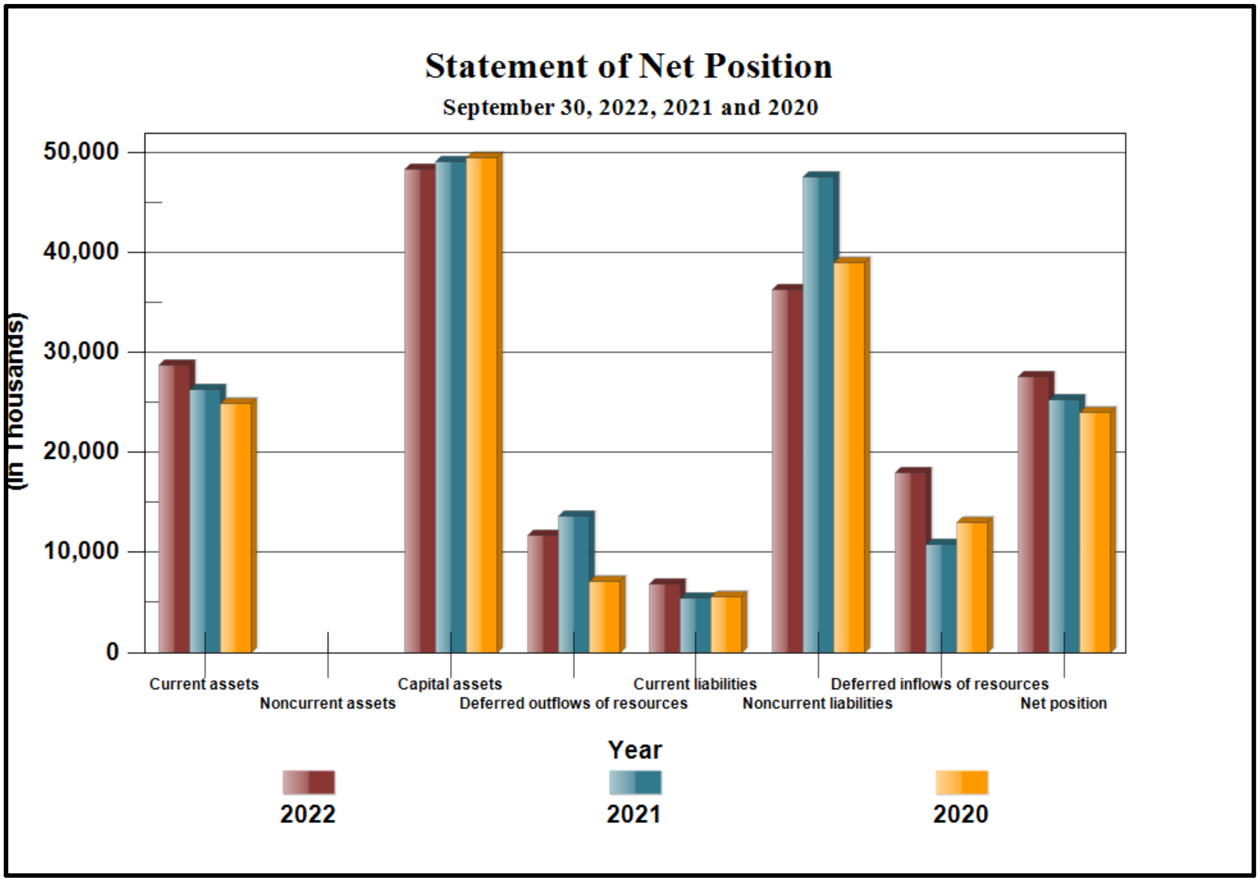
The condensed statements of net position at September 30, 2022, 2021 and 2020, follow:

SUMMARY STATEMENT OF NET POSITION

	2022	2021	2020
ASSETS			
Current assets	$ 28,775,699	$ 26,298,792	$ 24,878,223
Noncurrent assets	-	-	-
Capital assets	48,364,201	49,125,394	49,556,014
Total assets	77,139,900	75,424,186	74,434,237
Deferred outflows of resources:			
Related to defined benefit pension plan	6,602,090	7,590,696	4,890,772
Related to other postemployment benefits	5,066,017	6,118,642	2,239,653
Total deferred outflows of resources	11,668,107	13,709,338	7,130,425
Total assets and deferred outflows of resources	$ 88,808,007	$ 89,133,524	$ 81,564,662
LIABILITIES			
Current liabilities	$ 6,796,718	$ 5,401,272	$ 5,580,201
Noncurrent liabilities	36,304,187	47,556,929	38,995,604
Total liabilities	43,100,905	52,958,201	44,575,805
Deferred inflows of resources:			
Related to defined benefit pension plan	8,010,596	999,596	1,731,596
Related to other postemployment benefits	10,059,745	9,832,443	11,222,843
Total deferred inflows of resources	18,070,341	10,832,039	12,954,439
NET POSITION			
Net investment in capital assets	48,239,180	48,992,883	49,325,607
Restricted expendable for debt service	2,928,784	2,500,000	2,250,000
Unrestricted	(23,531,203)	(26,149,599)	(27,541,189)
Total net position	27,636,761	25,343,284	24,034,418
Total liabilities, deferred inflows of resources and net position	$ 88,808,007	$ 89,133,524	$ 81,564,662

Changes in Assets, Liabilities and Net Position

The College’s total Net Position increased by $2,293,477 during the year ended September 30, 2022. The increase is attributable to an increase in state appropriations of $1,380,525 , student tuition and fees of $957,477 and state and local grants and contracts of $1,000,553.



Statement of Revenues, Expenses and Changes in Net Position

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

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the College. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues and to carry out the mission of the College. Non-operating revenues are revenues received for which goods and services are not provided. For example, state appropriations are non-operating because they are provided by the Legislature to the College without the Legislature directly receiving commensurate goods and services for those revenues. Readers of these financial statements should gain an understanding of the impact of the presentation of state appropriations as non-operating revenues as required by the Governmental Accounting Standards Board. The impact of the presentation is that the College continuously generates an operating loss. Typically, an operating loss suggests fiscal concerns which should be addressed by the College's administration. The operating loss presented in these financial statements should be viewed in the appropriate context.

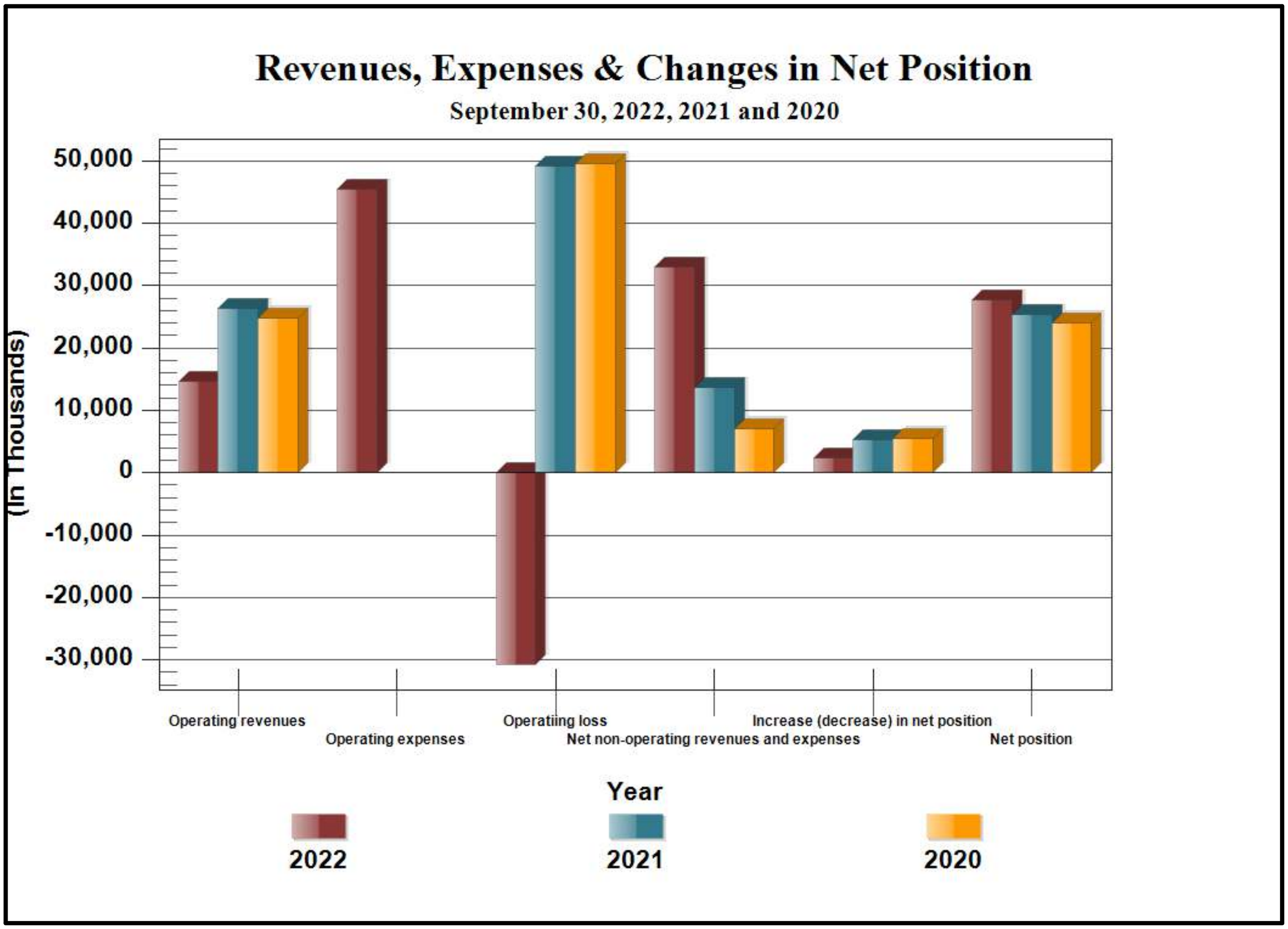
SHELTON STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Fiscal year ended September 30, 2022

The College considers state appropriations to be an integral component of the fiscal viability of the College for without these appropriations the College would have severe difficulty in achieving its mission of providing accessible educational opportunities. The Statement of Revenues, Expenses, and Changes in Net Position presents a net increase in the Net Position for the year ending September 30, 2022.

The condensed statements of revenues, expenses and changes in net position for the years ended September 30, 2022, 2021 and 2020, follow:

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

	2022	2021	2020
Operating Revenues	$ 14,638,499	$ 12,825,722	$ 14,858,690
Operating Expenses	45,384,573	54,738,057	46,185,718
Operating Loss	(30,746,074)	(41,912,335)	(31,327,028)
Net non-operating Revenues and Expenses	33,039,549	43,221,201	32,597,102
Increase (Decrease) in Net Position	2,293,475	1,308,866	1,270,074
Net position-beginning of the year	25,343,284	24,034,418	22,764,344
Net position-end of the year	$ 27,636,759	$ 25,343,284	$ 24,034,418



Operating Revenues for the year ended September 30, 2022, increased approximately $1,812,777 compared to the previous year. State grants and contracts increased over the previous year $1,000,553. In addition, federal operating grants decreased by $1,146,807, and nongovernmental grants and contracts decreased by $22,810. While gross student tuition and fees increased slightly, the student tuition and fees (net of scholarship allowances) increased by $796,667 due to an increase in the related scholarship allowances compared to the previous year. All other operating revenue sources were relatively stable for the year.

Operating Expenses for the year ended September 30, 2022, decreased by 17.1% in comparison to the prior year. Overall, operating expenses remained relatively unchanged from the prior year, except for scholarships and financial aid, which decreased by 39.9%. Expenses for the nine major functions presented changed as follows: Instruction increased less than 0.6%; Academic Support decreased 23.6%; Student Services decreased 3.3%; Institutional Support decreased 20.6%; Operation and Maintenance of Plant expenses decreased 10.6%; Student Aid decreased 39.9%; and Depreciation decreased 24.6%. The College’s enrollment increased slightly in 21-22, as impacts from the COVID-19 pandemic began to subside.

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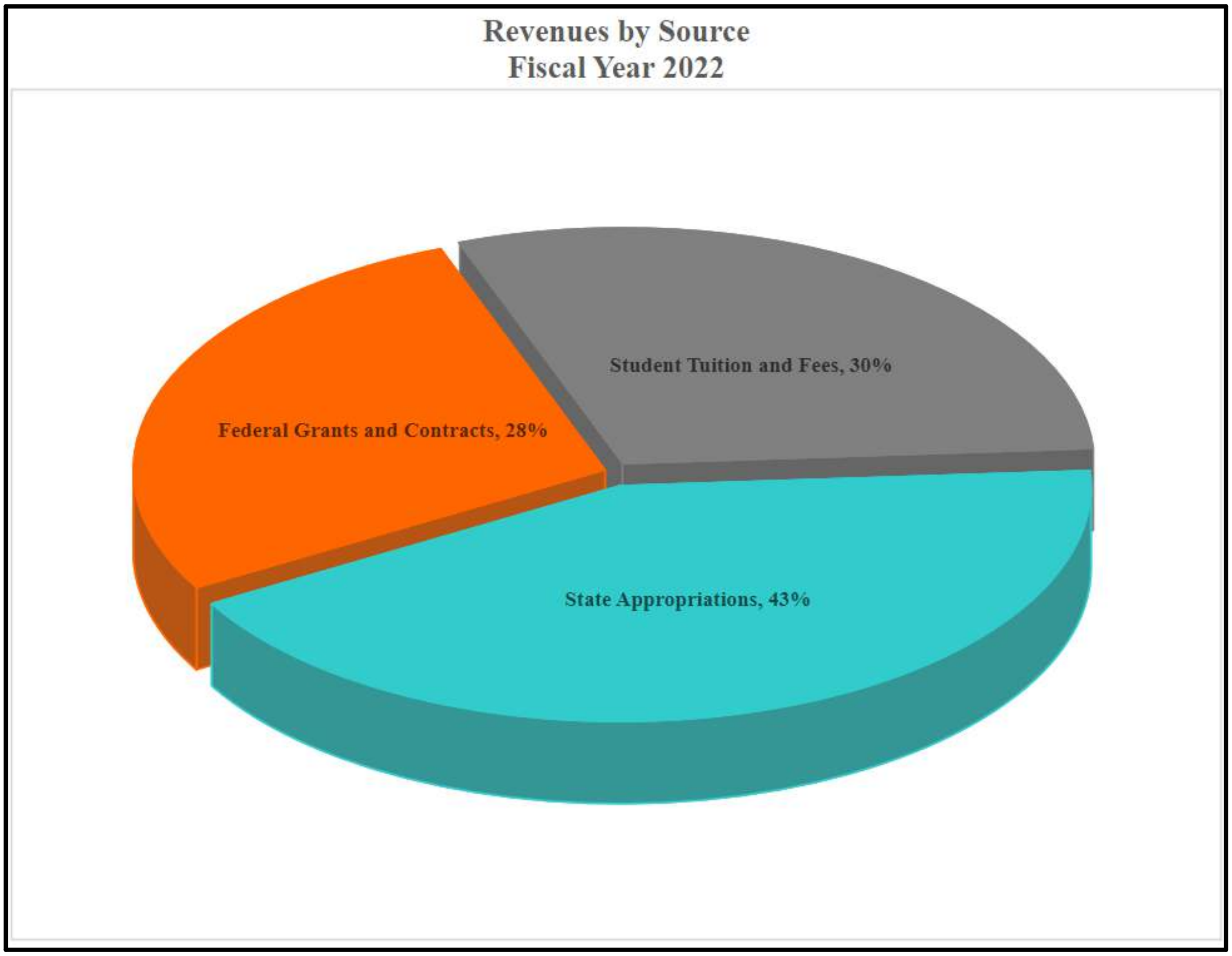
SHELTON STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Fiscal year ended September 30, 2022

The following is a graphic presentation of the total revenues by source for the fiscal year ended September 30, 2022:



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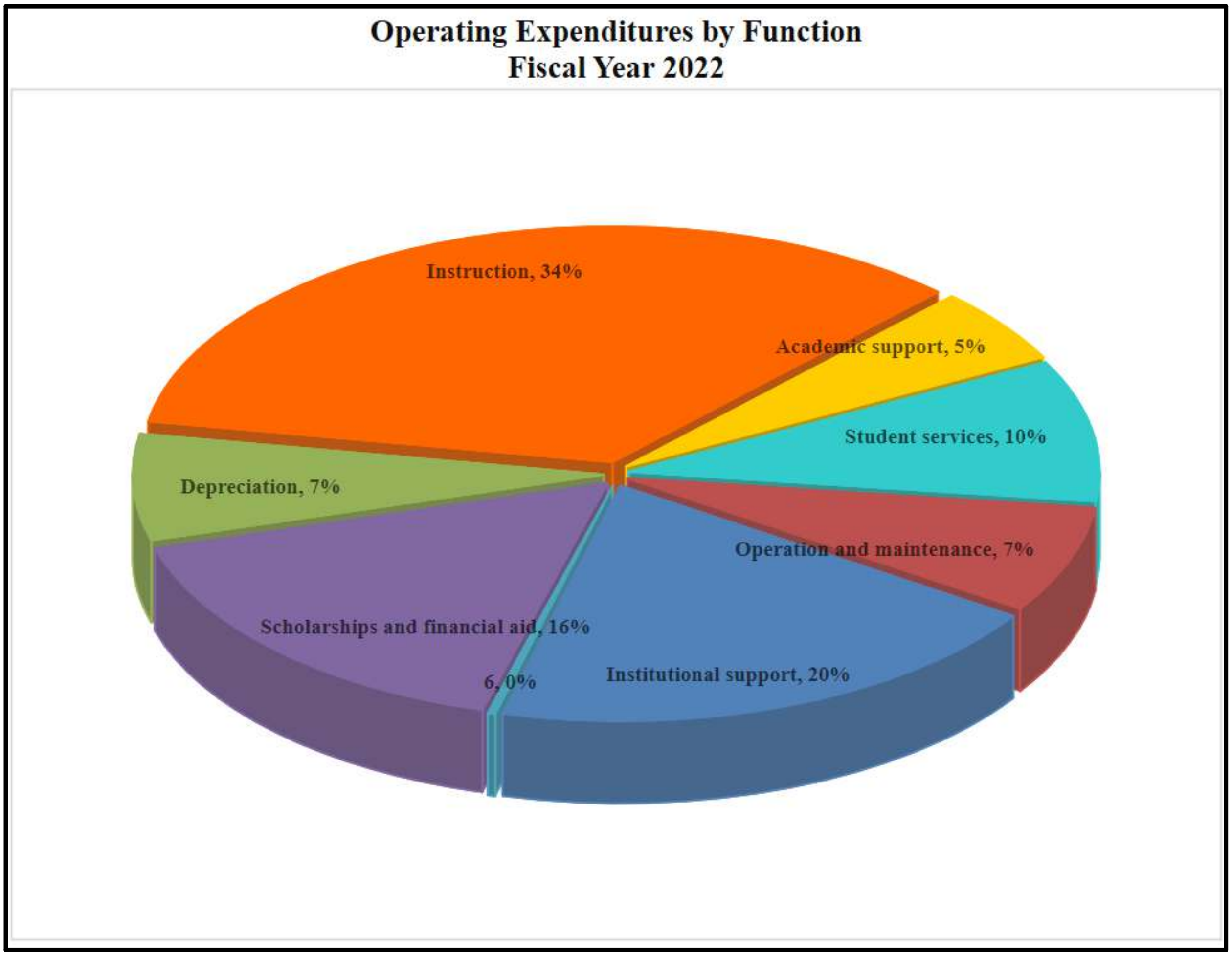
SHELTON STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Fiscal year ended September 30, 2022

The following is a graphic presentation of operating expenditures by function for the fiscal year ended September 30, 2022:



Statement of Cash Flows

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

A condensed Statement of Cash Flows for the years ended September 30, 2022, 2021 and 2020 is presented below:

Summary Statement of Cash Flows (in thousands)

	2022	2021	2020
Cash Flows from Operating Activities	$ (28,722)	$ (36,304)	$ (30,134)
Cash Flows from Noncapital Financing Activities	32,894	43,498	32,358
Cash Flows from Capital and Related Financing Activities	(2,471)	(4,263)	(2,053)
Cash Flows from Investing Activities	(10,923)	4,098	4,305
Net Change in Cash	(9,222)	7,029	4,476
Cash, Beginning of Year	23,897	16,868	12,392
Cash, End of Year	$ 14,675	$ 23,897	$ 16,868

Economic Outlook

As is the case for our nation, state, citizens and businesses, the effects of the COVID-19 pandemic continue to be the single most influential item when discussing economic outlook. The state budget estimates for fiscal year 2022 for Education Trust Fund tax revenues again appear to be very promising and in excess of projections, but the general economic outlook is less optimistic. Inflation has been at 40 year highs for the majority of calendar year 2022, and a recession appears to be imminent. Given the state budget estimates for fiscal year 2022, it is expected that state appropriations will at least remain static and may very well increase for the coming fiscal year. However, given the current inflation pressures and fears of a looming recession, the College administration is keeping this risk of static or decreased state funding in the forefront of its planning. Federal pandemic support through the Higher Education Emergency Relief Fund (HEERF) is set to expire on June 30, 2023, but it is anticipated that the College will be granted a 12 month (or longer) extension on expending these funds due to capital projects in progress at the expiration date. The College will continue to utilize HEERF funding for lost revenues and any other eligible uses until the expiration date. While the College anticipates that enrollment numbers will slowly rebound as the public returns to normal operations in the midst of a post-pandemic world, it is anticipated that enrollment numbers will be below the pre-pandemic levels for several years to come. Historically, downturns in the economy lead to increases in the College's enrollment, and this could be beneficial in returning enrollment numbers to pre-pandemic levels. In spite of the potential negative economic outlook, the College administration expects to sustain positive financial stability during the years ahead. As the College continues to grow with the SACSCOC accreditation, operating costs will increase to meet the demand of increased enrollment and additional program offerings. The College plans to utilize funds from the Title III-B grant to initially develop new program offerings. With rebounding enrollments and the continued support of state appropriations and federal HEERF funding, the College has a sound fiscal plan to operate without the use of its reserves to meet the College's needs in the next two years. The College is not aware of any currently known acts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during the current fiscal year. The College anticipates the next two fiscal years will be challenging; however, the administration will maintain a close watch over resources to ensure the College's ability to respond proactively to internal and external issues, particularly as related to funding.

SHELTON STATE COMMUNITY COLLEGE
STATEMENTS OF NET POSITION
September 30, 2022 and 2021

	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 14,675,014	$ 23,897,020
Investments	11,000,000	-
Accounts receivable, net	2,983,116	2,347,290
Other current assets	65,030	-
Inventories	52,539	54,482
Total current assets	28,775,699	26,298,792
Noncurrent assets:		
Capital assets:		
Land	1,810,736	1,810,736
Improvements other than building	3,605,052	3,605,052
Buildings	71,365,952	55,219,585
Buildings alterations	-	14,658,348
Equipment and furniture	20,212,111	18,653,490
Library holdings	1,503,763	1,503,196
Leased right of use assets	131,189	423,385
Construction in progress	1,998,620	2,808,095
Less: Accumulated depreciation	(52,263,222)	(49,556,493)
Total capital assets, net of depreciation	48,364,201	49,125,394
Total noncurrent assets	48,364,201	49,125,394
Total assets	77,139,900	75,424,186
Deferred outflows of resources:		
Defined benefit pension plan	6,602,090	7,590,696
Other postemployment benefits (OPEB)	5,066,017	6,118,642
Total deferred outflows of resources	11,668,107	13,709,338
LIABILITIES		
Current liabilities:		
Deposit liabilities	194,033	115,798
Accounts payable and accrued liabilities	2,394,257	1,277,490
Unearned revenue	3,957,906	3,772,604
Compensated absences	148,845	152,167
Capital lease payable	101,677	83,213
Total current liabilities	6,796,718	5,401,272
Noncurrent liabilities:		
Compensated absences	1,339,607	1,369,508
Capital lease payable	22,989	49,298
Net pension liability	24,532,167	33,113,167
Net OPEB liability	10,409,424	13,024,956
Total noncurrent liabilities	36,304,187	47,556,929
Total liabilities	43,100,905	52,958,201

SHELTON STATE COMMUNITY COLLEGE
STATEMENTS OF NET POSITION (CONT'D)
September 30, 2022 and 2021

	2022	2021
Deferred inflows of resources		
Defined benefit pension plan	8,010,596	999,596
Other postemployment benefits (OPEB)	10,059,745	9,832,443
Total deferred inflows of resources	18,070,341	10,832,039
NET POSITION		
Net investment in capital assets	48,239,180	48,992,883
Restricted for:		
Expendable		
Capital projects	2,928,784	2,500,000
Unrestricted	(23,531,203)	(26,149,599)
Total net position	$ 27,636,761	$ 25,343,284

SHELTON STATE COMMUNITY COLLEGE
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the years ended September 30, 2022 and 2021

	2022	2021
REVENUES		
Operating revenues:		
Student tuition and fees (Net of scholarship allowances of $6,233,810 and $7,030,477 for 2022 and 2021, respectively)	$ 8,641,300	$ 6,887,156
Federal grants and contracts	1,999,890	3,146,697
State and local grants and contracts	2,606,822	1,606,269
Nongovernmental grants and contracts	740,081	762,891
Sales and services of educational activities	57,457	3,041
Auxiliary enterprises	5,843	-
Other operating revenue	587,106	419,668
Total operating revenues	14,638,499	12,825,722
EXPENSES		
Operating expenses:		
Instruction	15,598,911	15,506,812
Institutional support	8,936,448	11,257,037
Academic support	2,341,042	3,062,372
Student services	4,404,096	4,553,977
Operation and maintenance	3,325,014	3,717,736
Scholarships and financial aid	7,364,996	12,261,061
Auxiliary enterprises	113,731	-
Depreciation	3,300,335	4,379,062
Total operating expenses	45,384,573	54,738,057
Operating income (loss)	(30,746,074)	(41,912,335)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	21,432,027	20,051,502
Federal grants	11,894,387	24,328,872
Investment income	77,059	37,744
Gifts - cash	51,760	45,000
Non-cash gifts	7,000	20,460
Interest expense	(4,472)	(7,991)
Bond surety fee expense	(81,483)	(62,779)
Other nonoperating revenue (expense)	(301,885)	(883,592)
Net nonoperating revenues	32,970,873	43,529,216
Income before other revenue, expenses, gains, or losses	2,224,799	1,616,881
Capital grants, contracts and gifts	100,250	269
Other	(31,574)	28
Loss on disposal of capital assets	-	(308,312)
Changes in net position	2,293,475	1,308,866
Total net position - beginning of the year	25,343,284	24,034,418
Total net position - end of the year	$ 27,636,759	$ 25,343,284

See Accompanying Notes to the Financial Statements.

SHELTON STATE COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
For the years ended September 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 8,269,011	$ 8,679,978
Grants and contracts	5,346,792	5,515,857
Payments to suppliers	(6,709,057)	(10,033,737)
Payments to utilities	(1,391,448)	(1,614,289)
Payments to employees	(20,704,907)	(20,302,605)
Payments for employees benefits	(6,645,298)	(6,710,775)
Payments for scholarships	(7,364,997)	(12,261,060)
Auxiliary Enterprise Charges	(172,917)	-
Sales and services of educational activities	57,457	3,041
Other receipts (payments)	592,950	419,668
Net cash provided (used) by operating activities	(28,722,414)	(36,303,922)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	21,432,027	20,051,502
Federal grants	11,894,387	24,328,872
Gifts	58,760	65,460
Bond surety fee	(81,483)	(62,779)
Other receipts (payments)ting expenses	(409,090)	(885,477)
Net cash provided (used) by noncapital financing activities	32,894,601	43,497,578
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(2,431,683)	(4,158,832)
Principal paid on capital debt and leases	(139,033)	(97,896)
Interest paid on capital debt and leases	(4,472)	(7,991)
Proceeds from sale of capital assets	3,686	1,886
Capital grants and gifts received	100,250	270
Net cash provided (used) by capital and related financing activities	(2,471,252)	(4,262,563)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	-	4,060,356
Purchase of Investments	(11,000,000)	-
Investment income	77,059	37,744
Net cash provided (used) by investing activities	(10,922,941)	4,098,100
Net increase (decrease) in cash and cash equivalents	(9,222,006)	7,029,193
Cash and cash equivalents, beginning of the year	23,897,020	16,867,827
Cash and cash equivalents, end of the year	$ 14,675,014	$ 23,897,020

SHELTON STATE COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS (CONT'D)
For the years ended September 30, 2022 and 2021

	2022	2021
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES)		
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Decrease in operating income	$ (30,746,074)	$ (41,912,335)
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	3,300,335	4,379,062
Changes in assets and liabilities:		
(Increase) decrease in receivables, net	(635,827)	1,563,005
(Increase) decrease in inventories	1,943	(14,736)
(Increase) decrease in other assets	(65,030)	436,616
(Increase) decrease in deferred outflows	2,041,231	(6,578,913)
Increase (decrease) in accounts payable	1,108,922	(392,229)
Increase (decrease) in deposit liabilities	78,235	(33,517)
Increase (decrease) in unearned revenue	185,302	(173,280)
Increase (decrease) in compensated absences	(33,221)	(18,362)
Increase (decrease) in capital lease payable	-	(97,896)
Increase (decrease) in pension liability	(8,581,000)	4,409,000
Increase (decrease) in OPEB liability	(2,615,532)	4,252,063
Increase (decrease) in deferred inflows	7,238,302	(2,122,400)
Net cash provided (used) by operating activities	(28,722,414)	(36,303,922)

SHELTON STATE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

Assets, Deferred Outflows of Resources, Liabilities, Deferred In flows of Resources, and Net Position

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

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

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

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

Receivables

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

Inventories

The inventories are comprised of consumable supplies. 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). Land, Construction in Progress and intangible assets with indefinite lives are the only capital assets that are not depreciated. Depreciation is not allocated to a functional expense category. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized.

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

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

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

Assets	Depreciation Method	Useful Lives
Buildings	Straight-Line	50 years
Building Alterations	Straight-Line	25 years
Improvements Other Than Buildings	Straight-Line	25 years
Equipment > $25,000	Straight-Line	10 years
Equipment < $25,000	Straight-Line	5 years
Library Materials	Composite	20 years
Capitalized Software	Straight-Line	10 years
Easement and Land Use Rights	Straight-Line	20 years
Patents, Trademarks and Copyrights	Straight-Line	20 years

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

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

Long-Term Obligations
Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

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

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

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

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

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

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

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

Net Position

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

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

- ***Restricted:***
  - ***Nonexpendable*** - Net position subject to externally imposed stipulations that they be maintained permanently by the College.

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

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

Federal Financial Assistance Programs

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

Scholarship Allowances and Student Aid

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

Implementation of New Accounting Pronouncements

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

- *GASB Statement No. 87, Leases*, changed the recognition and reporting requirement of leases.
- *GASB Statement No. 80, Accounting for Interest Cost Incurred before the End of the Construction Period*.
- *GASB Statement No. 92, Omnibus 2020*
- *GASB Statement No. 93, Replacement of Interbank Offered Rates*

Implementation of New Accounting Pronouncements(CONT'D)

- *GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance*, postponed the effective dates of pronouncements that were scheduled to become effective during the current reporting year.

Change in Accounting Estimates
Beginning October 1, 2020, the accounting estimated useful lives for Equipment and Building Alterations have been updated. The change in accounting estimates include the move from the composite method to straight-line depreciation for Equipment and Improvements Other Than Buildings. Additionally, there is an addition of a Building Alteration assets class.

Several factors lead to the accounting estimated changes. The composite method is an antiquated calculation standard developed before software had the capability of individually tracking capital assets. (The composite method will be retained for library books, as there is not a reasonable alternative method for these purchases and most of the colleges are purchasing library books at a non-material rate). The accounting software utilized by the Alabama Community College System calculates depreciation on a straight-line basis.

The establishment of a Building Alterations Asset Class is necessary to separately account for the building alterations, so that records of renovations and improvements can be identified and calculated by project, with a 25-year estimate of the life for qualifying projects.

The change in estimate resulted in an increase to depreciation and a decrease to Net Investment in Plant in the amount of $1,288,776 for 2021.

NOTE 2 - DEPOSITS

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

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

NOTE 3 - RECEIVABLES

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

Accounts Receivable:	2022	2021
Federal	$ 1,039,800	$ 985,350
State	296,074	348,055
Local	329,782	315,855
Third Party	553,005	386,896
Interest	27,740	-
Other	333,967	24,476
Total accounts receivable	2,580,368	2,060,632
Student Receivable:		
Current	815,396	601,798
Less: Allowance for doubtful accounts	(412,648)	(315,140)
Total student receivable, net	402,748	286,658
Total receivables	$ 2,983,116	$ 2,347,290

NOTE 4 - CAPITAL ASSETS

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

	Beginning Balance	Additions	Deductions	Adjustments	Ending Balance
Land	$ 1,810,736	$ -	$ -	$ -	$ 1,810,736
Improvements other than buildings	3,605,052	-	-	-	3,605,052
Buildings	55,219,585	-	-	-	55,219,585
Building alterations	14,658,348	14,393	-	1,473,626	16,146,367
Equipment	19,076,876	1,135,236	-	-	20,212,112
Library holdings	1,503,195	568	-	-	1,503,763
Right of use assets	-	131,189	-	-	131,189
Construction in process	2,808,095	664,150	-	(1,473,626)	1,998,619
Total	98,681,887	1,945,536	-	-	100,627,423
Less: Accumulated depreciation					
Improvements other than buildings	2,630,993	-	-	-	2,630,993
Buildings	26,147,011	-	-	-	26,147,011
Building alterations	5,391,513	-	-	-	5,391,513
Equipment	13,985,171	-	-	-	13,985,171
Library holdings	1,401,805	-	-	-	1,401,805
Rights to use assets	-	-	-	-	-
Total accumulated depreciation	49,556,493	-	2,706,729	-	52,263,222
Capital assets, net	$ 49,125,394	$ 1,945,536	$ (2,706,729)	$ -	$ 48,364,201

NOTE 5 - CAPITAL ASSETS(CONT'D)

Capital asset activity for the year ended September 30, 2021, was as follows:

	Beginning Balance	Additions	Deductions	Adjustments	Ending Balance
Land	$ 1,810,736	$ -	$ -	$ -	$ 1,810,736
Improvements other than buildings	13,973,805	-	-	(10,368,753)	3,605,052
Buildings	59,366,194	-	-	(4,146,609)	55,219,585
Building alterations	-	142,986	-	14,515,362	14,658,348
Equipment	17,396,402	2,081,582	401,108	-	19,076,876
Library holdings	1,465,595	49,758	12,158	-	1,503,195
Capitalized software	2,797,411	-	2,797,411	-	-
Construction in process	825,666	1,982,429	-	-	2,808,095
Total	97,635,809	4,256,755	3,210,677	-	98,681,887
Less: Accumulated depreciation					
Improvements other than buildings	4,706,804	144,202	-	(2,220,013)	2,630,993
Buildings	26,346,621	1,104,392	-	(1,304,002)	26,147,011
Building alterations	-	1,867,497	-	3,524,016	5,391,513
Equipment	13,198,468	1,187,811	401,108	-	13,985,171
Library holdings	1,338,804	75,160	12,159	-	1,401,805
Capitalized software	2,489,099	-	2,489,099	-	-
Total accumulated depreciation	48,079,796	4,379,062	2,902,366	1	49,556,493
Capital assets, net	$ 49,556,013	$ (122,307)	$ 308,311	$ (1)	$ 49,125,394

NOTE 6 - DEFINED BENEFIT PENSION PLAN

Plan Description

The Teachers' Retirement System of Alabama (TRS), a cost-sharing multiple-employer public employee retirement plan (the "Plan"), was established as of September 15, 1939, under the provisions of Act Number 419, Acts of Alabama 1939, for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its Board of Control. The TRS Board of Control consists of 15 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The ***Code of Alabama 1975***, Section 16-25-2, grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

Benefits Provided

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

Act Number 2012-377, Acts of Alabama, 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.

NOTE 6 - DEFINED BENEFIT PENSION PLAN (CONT'D)

Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending June 30 are paid to a qualified beneficiary.

Contributions

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

Tier 2 covered members of the TRS contribute 6% of earnable compensation to the TRS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 7% of earnable compensation. Effective October 1, 2021, Tier 2 covered members were required by statute to contribute 6.2% of earnable compensation. Tier 2 certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 7.2% of earnable compensation.

Participating employers' contractually required contribution rate for the year ended September 30, 2022, was 12.36% of annual pay for Tier 1 members and 11.22% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the College were $2,278,696 for the year ended September 30, 2022.

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

At September 30, 2022, the College reported a liability of $24,532,167 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of September 30, 2020. The College's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2021, the College's proportion was 0.204140%, which was decrease of 0.007278% from its proportion measured as of September 30, 2020.

NOTE 6 - DEFINED BENEFIT PENSION PLAN (CONT'D)

For the year ended September 30, 2022, the College recognized pension expense of $1,699,000. At September 30, 2022, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	(In Thousands)	
Differences between expected and actual experience	$ 1,136	$ 1,429
Changes of assumptions	2,575	-
Net difference between projected and actual earnings on pension plan investments	-	5,791
Changes in proportion and differences between employer contributions and proportionate share of contributions	614	790
Employer contributions subsequent to the measurement date	2,277	-
Total	$ 6,602	$ 8,010

The $2,279,000.00 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending (In Thousands)	
September 30, 2023	$ (430)
2024	$ (415)
2025	$ (1,018)
2026	$ (1,822)
2027	$ -
Thereafter	$ -

Actuarial Assumptions

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

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

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

Mortality rates were based on the Pub-2010 Teacher tables, projected generationally using scale MP-2020 adjusted by 66-2/3% beginning with year 2019. The Mortality rates have been adjusted 108% for males ages 63 and younger, 96% for males age 67 and older, 112% for females ages 69 and younger, and 98% for females age 74 and older.

NOTE 6 - DEFINED BENEFIT PENSION PLAN (CONT'D)

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

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

Discount Rate

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

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

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

	1% Decrease (6.45%)	Current Rate (7.45%)	1% Increase (8.45%)
College's proportionate share of collective net pension liability	$ 36,109	$ 24,532	$ 14,781

NOTE 6 - DEFINED BENEFIT PENSION PLAN (CONT'D)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Annual Comprehensive Financial Report for the fiscal year ended September 30, 2021. The supporting actuarial information is included in the GASB Statement Number 67 Report for the TRS prepared as of September 30, 2021. The auditor's report on the Schedule of Employer Allocations and Pension Amounts by Employer and accompanying notes detail by employer and in aggregate information needed to comply with GASB 68. The additional financial and actuarial information is available at http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/.

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

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

The PEEHIP was established in 1983 pursuant to the provisions of the ***Code of Alabama 1975,*** Section 16-25A-4, (Act Number 83-455, Acts of Alabama) 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 PEEHIB. The PEEHIB is a corporate body for purposes of management of the health insurance plan. The ***Code of Alabama 1975,*** Section 16-25A-4, provides the PEEHIB with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years for the plan. All assets of the PEEHIP are held in trust for the payment of health insurance benefits. The Teachers' Retirement System of Alabama (TRS) has been appointed as the administrator of the PEEHIP and, consequently, serves as the administrator of the Trust.

Benefits Provided

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

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

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONT'D)

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 retiree members and dependents are eligible for the PEEHIP Supplemental Plan. There is no premium required for this plan, and the plan covers most out-of-pocket expenses not covered by the primary plan. The plan cannot be used as a supplement to Medicare, the PEEHIP Hospital Medical Plan, or the State or Local Governmental Plans administered by the State Employees' Insurance Board (SEIB).

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

Contributions

The ***Code of Alabama 1975,*** Section 16-25A-8, and the ***Code of Alabama 1975,*** Section 16-25A-8.1, provide the PEEHIB 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 PEEHIB 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 PEEHIB for each retiree class is reduced by 2% for each year of service less than 25 and increased by 2% for each year of service over 25 subject to adjustment by the PEEHIB 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.

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONT'D)

For employees who retired after December 31, 2011, the employer contribution to the health insurance premium set forth by the PEEHIB 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 PEEHIB 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 PEEHIB 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 PEEHIB. This reduction in the employer contribution ceases upon notification to the PEEHIB of the attainment of Medicare coverage.

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

At September 30, 2022, the College reported a liability of $10,409,424 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2020. The College's proportion of the collective net OPEB liability was based on a projection of the College's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2021, the College's proportion was 0.201467%, which was a decrease of 0.000770% from its proportion measured as of September 30, 2020.

For the year ended September 30, 2022, the College recognized OPEB expense of ($939,856) with no special funding situations. At September 30, 2022, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 246,287	$ 3,621,458
Changes of assumptions	3,707,216	4,034,782
Net difference between projected and actual earnings on OPEB plan investments	-	324,706
Changes in proportion and differences between employer contributions and proportionate share of contributions	715,992	2,078,799
Employer contributions subsequent to the measurement date	396,522	-
Total	$ 5,066,017	$ 10,059,745

The $396,522 reported as deferred outflows of resources related to OPEB resulting from the College's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending September 30, 2022.

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

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONT'D)

Year Ending	
September 30, 2023	$ (1,814,467)
2024	$ (1,372,895)
2025	$ (1,418,266)
2026	$ (310,024)
2027	$ (178,359)
Thereafter	$ (296,239)

Actuarial Assumptions

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

Inflation	2.50%
Projected Salary Increases (1)	3.25% - 5.00%
Long-Term Investment Rate of Return (2)	7.00%
Municipal Bond Index Rate at the Measurement Date	2.29%
Municipal Bond Index Rate at the Prior Measurement Date	2.25%
Projected Year for Fiduciary Net Position (FNP) to be Depleted	2051
Single Equivalent Interest Rate at the Measurement Date	3.97%
Single Equivalent Interest Rate at the Prior Measurement Date	3.05%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	6.50%
Medicare Eligible	(**)
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.50% in 2028
Medicare Eligible	4.50% in 2025

(1) Includes 2.75% wage inflation.
(2) Compounded annually, net of investment expense, and included inflation.
(**) Initial Medicare claims are set based on scheduled increases through plan year 2022.

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

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

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

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

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONT'D)

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 Rate of Return (*)
Fixed Income	30.00 %	4.40 %
U.S. Large Stocks	38.00 %	8.00 %
U.S. Mid Stocks	8.00 %	10.00 %
U.S. Small Stocks	4.00 %	11.00 %
International Developed Market Stocks	15.00 %	9.50 %
Cash	5.00 %	1.50 %
Total	100.00 %	

(*) Geometric mean, includes 2.5% inflation.

Discount Rate

The discount rate, also known as the Single Equivalent Interest Rate (SEIR), as described by GASB Statement Number 74, used to measure the total OPEB liability was 3.97%. Premiums paid to the Public Education Employees' Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Approximately, 12.990% of the employer contributions were used to assist in funding retiree benefit payments in 2021, and it is assumed that the amount will increase by 2.50% per year and continue into the future. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. Therefore, the projected future benefit payments for all current plan members were projected through 2119.

The long-term rate of return is used until the assets are expected to be depleted in 2051, after which the municipal bond rate is used.

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONT'D)

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

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

	1% Decrease	Current	1% Increase
	(5.50% Decreasing to 3.50% for Pre-Medicare and Known Decreasing to 3.50% for Medicare Eligible	(6.50% Decreasing to 4.50% for Pre-Medicare and Known Decreasing to 4.50% for Medicare Eligible)	(7.50% Decreasing to 5.50% for Pre-Medicare and Known Decreasing to 5.50% for Medicare Eligible
College's proportionate share of the collective net OPEB liability	$ 8,167,990	$ 10,409,424	$ 13,297,294

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

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

	1% Decrease (2.97%)	Current Rate (3.97%)	1% Increase (4.97%)
College's proportionate share of collective net OPEB liability	$ 12,804,052	$ 10,409,424	$ 8,488,668

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is located in the Trust's financial statements for the fiscal year ended September 30, 2021. The supporting actuarial information is included in the GASB Statement Number 74 Report for PEEHIP prepared as of September 30, 2021. Additional financial and actuarial information is available at www.rsa-al.gov.

NOTE 8 - CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

As of September 30, 2022, Shelton State Community College had been awarded approximately $8,151,873 in contracts and grants on which performance had not been accomplished and funds had not been received. These awards, which represent commitments of sponsors to provide funds for specific purposes, have not been reflected in the financial statements.

NOTE 9 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	2022	2021
Salaries and Wages	$ 959,971	$ 788,991
Benefits	3,714	29,291
Supplies and Vendors	1,430,572	487,498
Total	$ 2,394,257	$ 1,305,780

NOTE 10 - LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Lease payable	$ 132,511	$ 131,189	$ 139,033	$ 124,667	$ 101,678
Other Liabilities:					
Compensated absences	1,521,674	-	33,222	1,488,453	148,845
Total Long-Term Liabilities	$ 1,654,185	$ 131,189	$ 172,255	$ 1,613,120	$ 250,523

Long-term liabilities activity for the year ended September 30, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Lease payable	$ 230,407	$ -	$ 97,896	$ 132,511	$ 83,213
Other Liabilities:					
Compensated absences	1,540,036	-	18,362	1,521,674	152,167
Total Long-Term Liabilities	$ 1,770,443	$ -	$ 116,258	$ 1,654,185	$ 235,380

NOTE 11 - LEASE OBLIGATIONS

Capital Leases

The College leases certain items of equipment, which are classified as capital leases. Minimum lease payments under capital leases together with the present value of the net minimum lease payments are shown in the table below:

Fiscal Years	Principal	Interest	Total
2022-2023	$ 101,678	$ 5,292	$ 106,970
2023-2024	22,989	940	23,929
Totals	$ 124,667	$ 6,232	$ 130,899

NOTE 12 - RISK MANAGEMENT

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

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

Settled claims resulting from these risks have not exceeded the College's coverage in any of the past three fiscal years.

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

NOTE 13 - RELATED PARTIES

Shelton State Community College Foundation. Inc.

The Shelton State Community College Foundation was incorporated as a non-profit corporation to promote scientific, literary and educational purposes, the advancement of Shelton State Community College, and for the encouragement and support of its students and faculty. This report contains no financial statements of Shelton State Community College Foundation, Inc. The foundation contributed $132,324.62 to the College during the year ended .

SHELTON STATE COMMUNITY COLLEGE
SCHEDULE OF PROPORTIONATE SHARE OF
THE COLLECTIVE NET PENSION LIABILITY
For the year ended September 30, 2022
(In Thousands)

	2022	2021	2020	2019	2018	2017	2016	2015
College's proportionate share of the collective net pension liability	0.2604 %	0.2677 %	0.2596 %	0.0263 %	0.2583 %	0.0267 %	0.2735 %	0.0274 %
College's proportionate share of the collective net pension liability	$ 24,532	$ 33,113	$ 28,705	$ 26,114	$ 25,386	$ 28,883	$ 28,621	$ 24,880
College's covered payroll during the measurement period	$ 18,882	$ 18,909	$ 18,786	$ 17,509	$ 17,017	$ 16,940	$ 17,297	$ 17,357
College's proportional share of the collective net pension liability as a percentage of payroll	130.00 %	175.00 %	153.00 %	149.00 %	149.00 %	171.00 %	165.00 %	143.00 %
Plan fiduciary net position as a percentage of the total collective pension liability	76.44 %	67.72 %	69.85 %	69.85 %	72.29 %	67.93 %	67.51 %	71.01 %

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

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

SHELTON STATE COMMUNITY COLLEGE
SCHEDULE OF CONTRIBUTIONS - PENSION
For the year ended September 30, 2022
(In thousands)

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 2,277	$ 2,279	$ 2,309	$ 2,257	$ 2,110	$ 2,022	$ 2,006	$ 1,955
Contributions in relation to the contractually required contribution	$ 2,277	$ 2,279	$ 2,309	$ 2,257	$ 2,110	$ 2,022	$ 2,006	$ 1,955
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College's covered payroll	$ 18,828	$ 18,882	$ 18,909	$ 18,786	$ 17,509	$ 17,017	$ 16,940	$ 17,297
Contributions as a percentage of covered payroll	12.09 %	12.07 %	12.21 %	12.01 %	12.05 %	11.88 %	11.84 %	11.30 %

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

Per GASB 82, which amends GASB 68 covered payroll is defined as the payroll on which contributions to a pension plan are based, also known as pensionable payroll. For fiscal year 2022
, the measurement period for covered payroll is October 1, 2021 through September 30, 2022.

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

SHELTON STATE COMMUNITY COLLEGE
SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE COLLECTIVE NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY
ALABAMA RETIRED EDUCATION EMPLOYEES' HEALTH CARE TRUST
For the year ended September 30, 2022
(Dollar Amount In Thousands)

	2022	2021	2020	2019	2018
College's proportionate share of the collective net pension liability	0.201467 %	0.200697 %	0.232532 %	0.219579 %	0.216163 %
College's proportionate share of the collective net pension liability	$ 10,409	$ 13,025	$ 8,773	$ 18,047	$ 16,055
College's covered payroll during the measurement period	$ 16,873	$ 17,178	$ 16,349	$ 15,551	$ 15,127
College's proportional share of the collective net pension liability as a percentage of payroll	61.69 %	75.82 %	53.66 %	116.05 %	106.13 %
Plan fiduciary net position as a percentage of the total collective pension liability	27.11 %	19.80 %	28.14 %	14.81 %	15.37 %

(*)Per GASB 75, covered-employee payroll is defined as the payroll of employees that are provided with OPEB through the OPEB plan. The covered-employee payroll for this RSI Schedule (GASB 75 paragraph 97) is for the reporting period (i.e., the measurement period), which for the September 30, 2022 year is October 1, 2020 through September 30, 2021

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

SHELTON STATE COMMUNITY COLLEGE
SCHEDULE OF CONTRIBUTIONS - OTHER POSTEMPLOYMENT BENEFITS
ALABAMA RETIRED EDUCATION EMPLOYEES' HEALTH CARE TRUST
For the year ended September 30, 2022

	2022	2021	2020	2019	2018
Contractually required contribution	$ 544,385	$ 658,882	$ 397,341	$ 348,659	$ 396,522
Contributions in relation to the contractually required contribution	$ 544,385	$ 658,882	$ 394,341	$ 348,659	$ 396,522
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College's covered employee payroll	$ 15,550,766	$16,349,314	$ 17,178,000	$ 16,872,553	$ 16,600,047
Contributions as a percentage of covered employee payroll	3.50 %	4.03 %	2.31 %	2.07 %	2.39 %

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

SHELTON STATE COMMUNITY COLLEGE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)

NOTE 1 - CHANGES IN ACTUARIAL ASSUMPTIONS

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

In 2016, rates of withdrawal, retirement, disability, mortality, spouse coverage, and tobacco usage 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. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using Scale BB and adjusted 105% for males and 120% for females.

NOTE 2 - RECENT PLAN CHANGES

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

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

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

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

The actuarially determined contribution rates in the Schedule of Employer Contributions are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Therefore, the actuarially determined employer contribution for fiscal year ended September 30, 2021, is determined based on the actuarial valuation as of September 30, 2017. 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	24 years, closed
Asset Valuation Method	Market Value of Assets
Inflation	2.75%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	7.00%
Medicare Eligible (*)	5.00%
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.75%
Medical Eligible	4.75%
Year of Ultimate Trend Rate	2026 for Pre-Medicare Eligible 2024 for Medicare Eligible
Optional Plan Trend Rate	2.00%
Investment Rate of Return	5.00%, including inflation

(*) Initial Medicare claims are set based on scheduled increases through plan year 2019.

SHELTON STATE COMMUNITY COLLEGE
COLLEGE OFFICIALS
October 1, 2021 through September 30, 2022

Officials	Position
Jimmy Baker	Chancellor, Alabama Community College System
Chris Cox	President
Brian Harrison	Associate Director of Financial Services – ACCS and Chief Financial Officer