BEVILL STATE COMMUNITY COLLEGE
(A Component Unit of the State of Alabama)

FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

Warren Averett
CPAs AND ADVISORS
www.warrenaverett.com

The report accompanying this deliverable was issued by Warren Averett, LLC.

BEVILL STATE COMMUNITY COLLEGE
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Warren Averett
CPAs AND ADVISORS

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INDEPENDENT AUDITORS' REPORT

To the Alabama Community College System Board of Trustees
and the President of Bevill State Community College

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College and its discreetly presented component unit, as of September 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Bevill State Community College Foundation, Inc. (the Foundation), which represent 6.44%, 21.39% and (1.72%), respectively, of the assets, net position and revenues of the College as of September 30, 2023. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors.

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 statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our 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 College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 and the supplementary information on pages 47 through 52 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.

Supplementary Information
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the College's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Warren Averett, LLC

Montgomery, Alabama
January 16, 2024

Bevill State Community College (the College) is an iconic institution that serves a seven-county area of northwestern Alabama. The services and educational opportunities this great College offers this region of the state are based upon the quality and commitment of an outstanding faculty and staff.

Overview of the Financial Statements and Financial Analysis

The purpose of the financial statements is to provide readers with financial information about the activities and financial condition of the College. There are three financial statements presented: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. These statements should be read in conjunction with the notes to the financial statements. The following summary and management discussion of the results is intended to provide the readers with an overview of the financial statements.

Statement of Net Position

The statement of net position presents the assets, deferred outflows, liabilities, deferred inflows and net position of the College as of the end of the fiscal year. The statement of net position is a point of time financial statement. The purpose of the statement of net position is to present to the readers of the financial statements a fiscal snapshot of the College. The College's net position (the difference between assets, deferred outflows and liabilities and deferred inflows) is one indicator of the College's financial health. Over time, increases or decreases in net position is one indicator of the improvement or erosion of the College's financial health when considered with non-financial facts such as enrollment levels and the condition of the facilities.

From the data presented, readers of the statement of net position can determine the assets available to continue the operations of the College. They are also able to determine how much the institution owes vendors, bondholders and lending institutions. Finally, the statement of net position provides a picture of the net position (assets and deferred outflows minus liabilities and deferred inflows) and their availability for expenditure by the College.

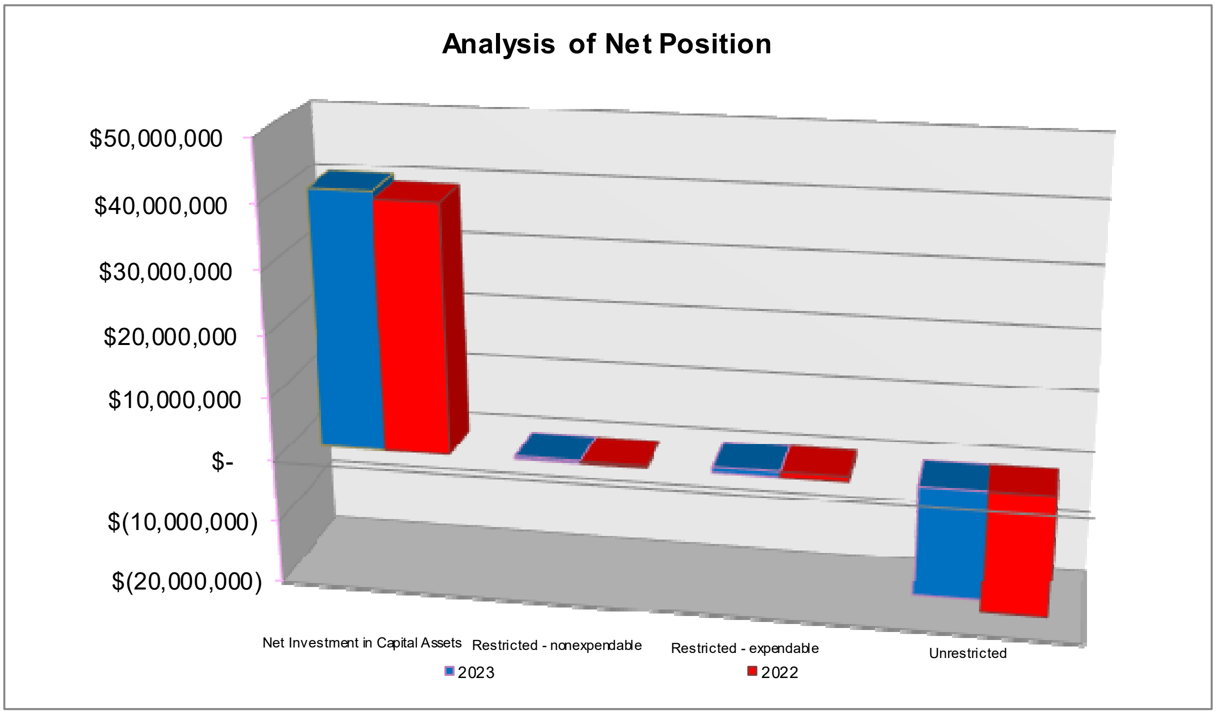
Net position is divided into three major categories. The first category, net investment in capital assets, provides the College's equity in property, plant and equipment owned by the College. The next asset category is restricted net position, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net position is available for expenditure by the 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 of the College.

BEVILL STATE COMMUNITY COLLEGE
Management's Discussion and Analysis
September 30, 2023
(Unaudited)

The condensed statement of net position shows that current assets increased by $2,086,419. The increase is primarily due to an increase in PSCA receivables for construction projects. These funds are being provided to help with deferred maintenance needs and other improvements

Condensed Statement of Net Position

	2023	2022
ASSETS AND DEFERRED OUTFLOWS		
Current assets	$ 29,938,220	$ 27,851,801
Capital assets, net	50,927,295	50,005,883
Deferred outflows	16,124,255	9,695,869
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 96,989,770	$ 87,553,553
LIABILITIES AND DEFERRED INFLOWS		
Current liabilities	$ 6,624,374	$ 5,758,639
Noncurrent liabilities	49,833,421	42,896,615
Deferred inflows	16,002,825	17,937,832
TOTAL LIABILITIES AND DEFERRED INFLOWS	72,460,620	66,593,086
NET POSITION		
Net investment in capital assets	40,870,126	39,658,805
Restricted – nonexpendable	385,815	325,011
Restricted – expendable	873,479	827,935
Unrestricted	(17,600,270)	(19,851,284)
TOTAL NET POSITION	$ 24,529,150	$ 20,960,467



Statement of Revenues, Expenses and Changes in Net Position
Changes in total net position as presented on the statement of net position is 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 incurred by the College, both operating and non-operating, and the expenses incurred by the College, operating and non-operating, and any other revenues, expenses, gains and losses earned or expended by the College.

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. Nonoperating revenues are revenues received for which goods and services are not provided. For example, state appropriations are nonoperating because they are provided by the Legislature to the College without the Legislature directly receiving commensurate goods and services for those revenues. This will normally result in a public college showing an operating deficit because GASB 35 classifies state appropriations and gifts as nonoperating revenues.

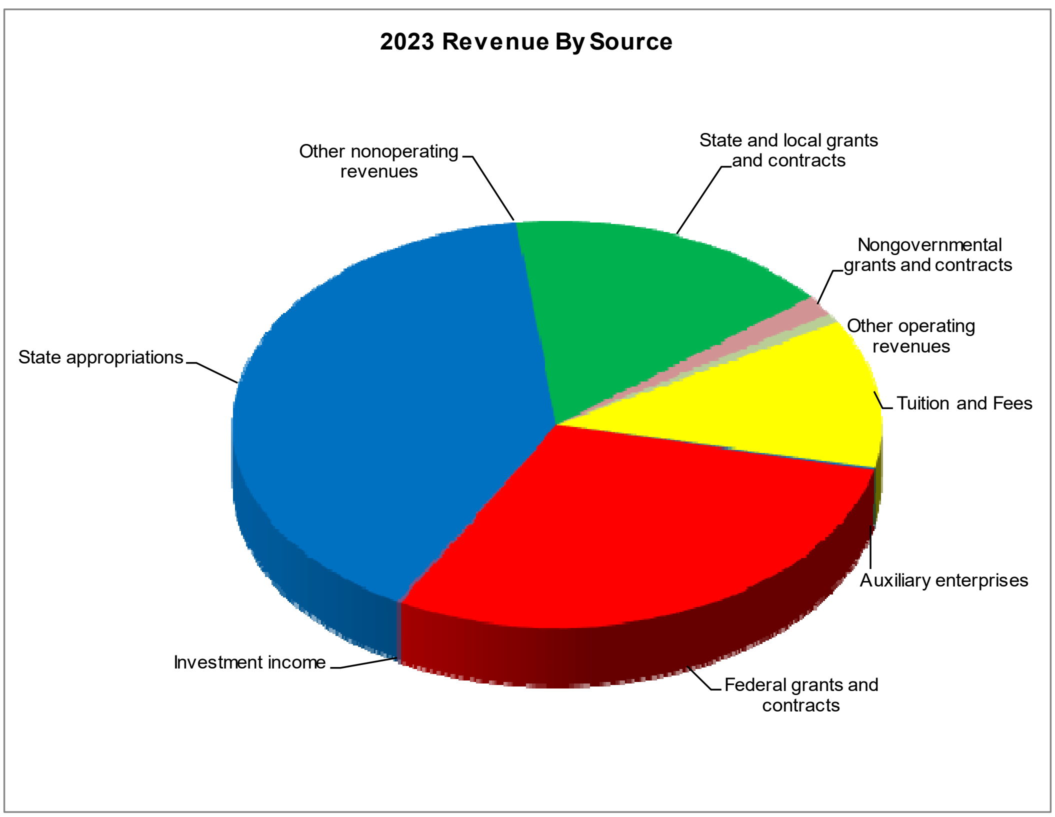
The statement of revenues, expenses and changes in net position reflects an increase of $3,568,683 in the year end net position. This is due primarily to PSCA funds the college has received or will receive for construction projects.

BEVILL STATE COMMUNITY COLLEGE
Management's Discussion and Analysis
September 30, 2023
(Unaudited)

Condensed Statements of Revenues, Expenses and Changes in Net Position

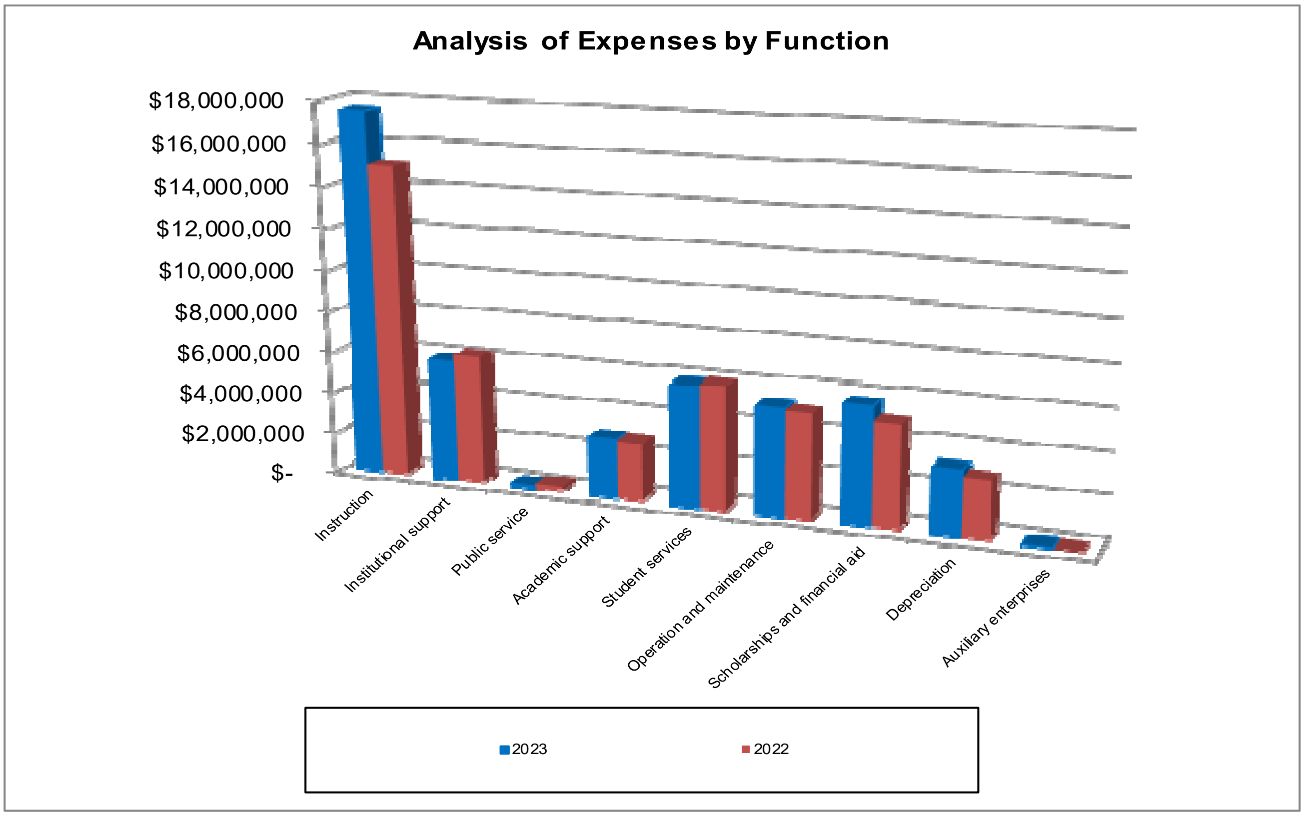
	2023	2022
OPERATING REVENUES	$ 20,194,052	$ 22,436,947
OPERATING EXPENSES	46,020,644	42,896,562
Operating loss	(25,826,592)	(20,459,615)
NONOPERATING REVENUES (EXPENSES)	29,960,815	30,195,466
Change in net position	4,134,223	9,735,851
NET POSITION		
Net position at beginning of year	20,960,467	11,224,616
Prior period adjustments	(565,540)	-
Net position at beginning of year, restated	20,394,927	11,224,616
Net position at end of year	$ 24,529,150	$ 20,960,467

The following is a graphic illustration of revenues by source for fiscal year 2023:



The chart illustrates revenues by source and their relationship with one another. State appropriations represent the largest type of nonoperating revenue and student tuition and fees represents the largest type of operating revenue. All other types of revenue including federal grants represent about 32% of the total revenue.

The following graph represents a comparison of fiscal years 2023 and 2022 operating expenses by function. Instructional expense represents about 35% of all operating expense.



Statement of Cash Flows

The final statement presented by the College is the statement of cash flows which presents detailed information about the cash activity of the College during the year. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the College. The second section shows cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, noninvesting and non-capital financing purposes. The third section reflects 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. Cash and cash equivalents decreased by $9,210,756. This is primarily due to capital outlays for construction. Most of the outlays will be reimbursed by PSCA funds when the projects are completed.

	2023	2022
Cash and cash equivalents provided by (used in):		
Operating activities	$ (25,929,779)	$ (19,373,955)
Nonoperating activities	25,191,746	30,404,236
Capital and related financing activities	(5,932,573)	(3,303,713)
Investing activities	(2,540,150)	2,134,870
Net increase in cash and cash equivalents	(9,210,756)	9,861,438
Cash and cash equivalents at beginning of year	20,491,347	10,629,909
Cash and cash equivalents at end of year	$ 11,280,591	$ 20,491,347

Economic Outlook

The College is not aware of any currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during this fiscal year beyond those unknown variations having a global effect on virtually all types of business operations. The College's overall financial position continues to be stable, and we anticipate the next fiscal year will reflect an increase in enrollment numbers. The College will continue to make budget adjustments to reflect the enrollment, while preserving the College's commitment to accomplish its missions of instruction and public service.

John A. Skalnik
Vice President of Finance and Administration

BEVILL STATE COMMUNITY COLLEGE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 11,280,591
Short-term investments	6,502,526
Accounts receivable, net	11,283,490
Deposit with bond trustee	871,613
Total current assets	29,938,220
NONCURRENT ASSETS	
Capital assets:	
Land	1,254,000
Improvements	7,344,221
Buildings	86,032,836
Equipment and furniture	14,240,127
Library holdings	4,564,589
Subscription based IT arrangements	212,622
Construction in progress	2,903,382
Less: accumulated depreciation	(65,624,482)
Total noncurrent assets	50,927,295
DEFERRED OUTFLOWS OF RESOURCES	
Pension related items	11,849,559
OPEB related items	4,274,696
Total deferred outflows of resources	16,124,255
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 96,989,770

See notes to the financial statements.

BEVILL STATE COMMUNITY COLLEGE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

LIABILITIES	
CURRENT LIABILITIES	
Accounts payable and accrued liabilities	$ 2,979,008
Deposit liabilities	18,584
Bond surety fee payable	11,121
Unearned revenue	2,999,301
Bonds payable	455,151
Subscriptions payable	70,237
Compensated absences	90,972
Total current liabilities	6,624,374
NONCURRENT LIABILITIES	
Deposit liabilities	689,272
Bonds payable	9,446,777
Subscriptions payable	85,005
Compensated absences	818,751
Net pension liability	35,479,501
OPEB liability	3,314,115
Total noncurrent liabilities	49,833,421
Total liabilities	56,457,795
DEFERRED INFLOWS OF RESOURCES	
Pension related items	2,527,809
OPEB related items	13,475,016
Total deferred inflows of resources	16,002,825
Total liabilities and deferred inflows	72,460,620
NET POSITION	
Net investment in capital assets	40,870,126
Restricted:	
Nonexpendable:	
Scholarships and fellowships	385,815
Expendable:	
Debt service	445,003
Other	428,476
Unrestricted	(17,600,270)
TOTAL NET POSITION	$ 24,529,150

See notes to the financial statements.

BEVILL STATE COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2023

OPERATING REVENUES	
Student tuition and fees (net of scholarships of $8,710,647)	$ 5,913,653
Federal grants and contracts	4,779,306
State and local grants and contracts	8,214,727
Nongovernmental grants and contracts	806,441
Sales and services of educational departments	260,396
Auxiliary enterprises	85,955
Other operating revenue	133,574
Total operating revenues	20,194,052
OPERATING EXPENSES	
Educational and General:	
Instruction	17,539,556
Institutional support	5,887,635
Public service	98,050
Academic support	2,834,888
Student services	5,775,816
Operation and maintenance	5,138,596
Scholarships and financial aid	5,639,908
Depreciation and amortization	3,095,074
Auxiliary enterprises	11,121
Total operating expenses	46,020,644
Operating loss	(25,826,592)
NONOPERATING REVENUES (EXPENSES)	
State appropriations	20,095,233
Federal grants	10,105,967
Investment income (net of investment expense)	103,803
Endowment income	60,836
Noncash gifts	10,000
Interest on capital asset related debt	(372,560)
Bond surety fee expense	(71,632)
Other nonoperating revenues	29,168
Net nonoperating revenues (expenses)	29,960,815
CHANGE IN NET POSITION	
Change in net position	4,134,223
Net position at beginning of year, as previously reported	20,960,467
Prior period adjustments	(565,540)
Net position at beginning of year, restated	20,394,927
Net position at end of year	$ 24,529,150

See notes to the financial statements.

BEVILL STATE COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 6,447,191
Grants and contracts	11,193,434
Payments to suppliers	(9,090,995)
Payments for utilities	(2,039,859)
Payments for employees	(20,781,817)
Payments for employee benefits	(6,281,303)
Payments for scholarships	(5,639,908)
Sales and services of educational activities	222,500
Auxiliary enterprises	91,003
Other receipts	(50,025)
Net cash used in operating activities	(25,929,779)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	18,751,540
Federal grants	6,502,225
Noncash gifts	10,000
Bond surety fee expense	(72,019)
Net cash provided by noncapital financing activities	25,191,746
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from sale of capital assets	29,168
Purchases of capital assets	(5,082,175)
Principal paid on capital debt	(492,381)
Interest paid on capital debt	(384,361)
Deposits with trustees	(2,824)
Net cash used in capital and related financing activities	(5,932,573)

See notes to the financial statements.

BEVILL STATE COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	$ (2,648,116)
Investment income	107,966
Net cash used in investing activities	(2,540,150)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(9,210,756)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	20,491,347
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 11,280,591
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	$ (25,826,592)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	3,095,074
Changes in assets and liabilities:	
Accounts receivable, net	(2,878,835)
Other assets	158,241
Deferred outflows	(6,428,386)
Accounts payable and accrued liabilities	251,035
Unearned revenue	369,843
Compensated absences	50,515
Deposits held for others	(86,854)
Pension liability	13,184,000
OPEB liability	(5,882,813)
Deferred inflows	(1,935,007)
Net cash used in operating activities	$ (25,929,779)

See notes to the financial statements.

BEVILL STATE COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

ASSETS	
CURRENT ASSETS	
Cash	$ 335,474
Total current assets	335,474
NONCURRENT ASSETS	
Investments	6,339,956
Total noncurrent assets	6,339,956
TOTAL ASSETS	$ 6,675,430
NET ASSETS	
Net assets without restrictions	$ 398,077
Net assets with restrictions	6,277,353
TOTAL NET ASSETS	$ 6,675,430

See notes to the financial statements.

BEVILL STATE COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
SUPPORT AND REVENUE			
Investment income	$ 342	$ 284,630	$ 284,972
Gain on sale of securities	-	10,841	10,841
Unrealized gain on securities	-	(1,152,332)	(1,152,332)
Other receipts	2	-	2
Total support and revenue	344	(856,861)	(856,517)
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of program restrictions	311,238	(311,238)	-
Total support, revenue and net assets released from restrictions	311,238	(311,238)	-
EXPENSES			
Program services:			
Scholarships	215,862	-	215,862
Donations to Bevill State Community College	61,217	-	61,217
Total program services	277,079	-	277,079
Support services:			
Professional fees	2,750	-	2,750
Investment fees	25,682	-	25,682
Support services	6,071	-	6,071
Total support services	34,503	-	34,503
Total expenses	311,582	-	311,582
CHANGE IN NET ASSETS	-	(1,168,099)	(1,168,099)
NET ASSETS AT BEGINNING OF YEAR	398,077	7,445,452	7,843,529
NET ASSETS AT END OF YEAR	$ 398,077	$ 6,277,353	$ 6,675,430

See notes to the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Bevill 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 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 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.

Component Unit
Bevill State Community College Foundation, Inc. (the Foundation) is organized exclusively for charitable, scientific and educational purposes for the benefit of the College. Because of the significance of the relationship between the College and the Foundation, the Foundation is considered a component unit of the College. The Foundation’s financial statements and accompanying notes are reported separately because of the difference in the reporting model for the Foundation. The Foundation follows the Financial Accounting Standards Board (FASB) rather than the GASB. As a result, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation’s financial statements for these differences.

The fiscal year end of the Foundation is December 31, 2022, which is different from that of the College. Complete financial statements of the Foundation can be obtained directly from the College’s administrative office.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

Subsequent Events

Management has evaluated subsequent events through January 16, 2024, which is the date the financial statements were issued.

Cash, Cash Equivalents and Investments

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

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

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

Receivables

Accounts receivable relate to amounts due from students, federal grants, state grants and third-party tuition. The receivables are shown net of allowance for doubtful accounts. During fiscal year 2023, the Alabama Community College System adopted a standard method of calculating the allowance for doubtful accounts, which was implemented by the College.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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. 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 operations.

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	Straight-line	5 - 10 years
Library materials	Composite	20 years
Capitalized software	Straight-line	10 years
Internally generated computer software	Straight-line	10 years
Easement and land use rights	Straight-line	20 years
Patents, trademarks and copyrights	Straight-line	20 years

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

Long-Term Obligations
Long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bonds are carried net of applicable premiums and discounts. Bond premiums and discounts are amortized over the life of the applicable bonds.

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

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

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
Employees of the College are covered by a cost sharing multiple-employer defined benefit pension plan administered by the Teachers Retirement System of Alabama (TRS or the Plan). The TRS financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the Plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with the requirements of the 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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. Such assets include the College's permanent endowment funds.

- Restricted 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)*.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Scholarship Allowances and Student Aid
Student tuition and fees are reported net of scholarship allowances and discounts. The amount for scholarship allowances and discounts is the difference between the stated charge for goods and services provided by the College and the amount that is paid by the student and/or third parties making payments on behalf of the student. The College uses the case-by-case method as prescribed by the National Association of College and University Business Officers (NACUBO) in their Advisory Report 2000-05 to determine the amount of scholarship allowances and discounts.

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

Income Tax Status
The College is exempt from federal income taxes under the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

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

2. DEPOSITS AND INVESTMENTS

Deposits
The College's deposits at year-end were held by financial institutions in the State of Alabama's Security for Alabama Funds Enhancement (SAFE) Program. The SAFE Program was established by the Alabama 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.

2. DEPOSITS AND INVESTMENTS – CONTINUED

Deposits – Continued

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.

Investments

The College may invest its funds in a manner consistent with all applicable state and federal regulations. All monies shall be placed in interest-bearing accounts unless legally restricted by an external agency. Investments in debt securities are limited to the two highest quality credit ratings as described by nationally recognized statistical rating organizations (NRSROs). Obligations of the U. S. government or obligations explicitly guaranteed by the U. S. government are excluded from this requirement. Permissible investments include: 1) U. S. Treasury bills, notes, bonds and stripped treasuries; 2) U. S. Agency notes, bonds, debentures, discount notes and certificates; 3) certificates of deposit (CDs), checking and money market accounts of savings and loan associations, mutual savings banks or commercial banks whose accounts are insured by FDIC/FSLIC, and who are designated a Qualified Public Depository (QPD) under the SAFE Program; 4) mortgage-backed securities (MBSs); 5) mortgage-related securities including collateralized mortgage obligations (CMOs) and real estate mortgage investment conduits (REMIC) securities; 6) repurchase agreements; and 7) stocks and bonds which have been donated to the College.

The College’s portfolio shall consist primarily of bank CDs and interest-bearing accounts, U. S. Treasury securities, debentures of a U. S. Government Sponsored Entity (GSE) and securities backed by collateral issued by GSEs. In order to diversify the portfolio’s exposure to concentration risk, the portfolio's maximum allocation to specific product sectors is as follows: 1) U. S. Treasury bills, notes and bonds can be held without limitation as to amount. Stripped Treasuries shall never exceed 50% of the College’s total investment portfolio. Maximum maturity of these securities shall be ten years. 2) U. S. Agency securities shall have limitations of 50% of the College’s total investment portfolio for each agency, with two exceptions: TVA and SLMA shall be limited to 10% of total investments. Maximum maturity of these securities shall be ten years. 3) CDs with savings and loan associations, mutual savings banks or commercial banks may be held without limit provided the depository is a QPD under the SAFE Program. CD maturity shall not exceed five years. 4) The aggregate total of all MBSs may not exceed 50% of the College’s total investment portfolio. The aggregate average life maturity for all holdings of MBS shall not exceed seven years, while the maximum average life maturity of any one security shall not exceed ten years. 5) The total portfolio of mortgage related securities shall not exceed 50% of the College’s total investment portfolio. The aggregate average life maturity for all holdings shall not exceed seven years while the average life maturity of one security shall not exceed ten years. 6) The College may enter into a repurchase agreement so long as: (a) the repurchase securities are legal investments under state law for colleges; (b) the College receives a daily assessment of the market value of the repurchase securities, including accrued interest, and maintains an adequate margin that reflects a risk assessment of the repurchase securities and the term of the transaction; and (c) the College has entered into signed contracts with all approved counterparties. 7) The College has discretion to determine if it should hold or sell other investments that it may receive as a donation.

2. DEPOSITS AND INVESTMENTS – CONTINUED

Investments – Continued

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

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

Endowment donations shall be invested in accordance with the procedures and policies developed by the College and approved by the Chancellor in accordance with the *Alabama Uniform Prudent Management of Institutional Funds Act*, *Code of Alabama 1975*, Section 19-3C-1 and following.

The College's investments consisted of the following as of September 30, 2023:

Certificates of deposit	$ 6,495,897
Equities	6,629
Total	$ 6,502,526

Investment Risk Factors

Many factors can affect the value of investments. Some, such as custodial credit risk, concentration of credit risk and foreign currency risk, may affect both equity and fixed income securities. Equity securities respond to such factors as economic conditions, individual company earnings performance and market liquidity, while fixed income securities are particularly sensitive to credit risks and changes in interest rates.

Credit Risk

Fixed income securities are subject to credit risk, which is the chance that a bond issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. These circumstances may arise due to a variety of factors such as financial weakness, bankruptcy, litigation and/or adverse political developments. Certain fixed income securities, primarily obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are not considered to have significant credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

2. DEPOSITS AND INVESTMENTS – CONTINUED

Interest Rate Risk – Continued

The College does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increased interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the College's investment policy limits its investment maturities as follows:

Investment	Maximum Maturity
U.S. treasury bills, notes, bonds and stripped treasuries	10 years
U.S Agencies	10 years
Certificates of deposit	5 years
Mortgage-backed securities and mortgage-related	7 years (aggregate average life)
securities	10 years (average life maturity of any one security)

Custodial Credit Risk

For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to cover the value of its investments or collateral securities that are in the possession of an outside party. The College has no formal policy limiting the amount of securities that can be held by counterparties.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The College did not have a formal investment policy which limited investment in any one issuer to less than 5%. However, the College's investments were in investment pools.

Investment	Percentage of Investment
Stripped treasuries	50%
U.S. Agencies (except for TVA and SLMA)	50%
TVA and SLMA	10%
Certificates of deposit	No limit
Mortgage-backed securities and mortgage-related securities	50%

2. DEPOSITS AND INVESTMENTS – CONTINUED

Deposits with Trustees
As of September 30, 2023, the College had $871,613 held by its bond trustees. Of that amount, $196,508 were construction funds held in checking accounts at Synovus Bank. Funds totaling $633,822 are for the 2018 Bond Series and are invested in Fidelity Investments Money Market Treasury Only Portfolio – Class III. This money market fund invests solely in U. S. Treasury obligations.

Fair Value Measurements
GASB Statement No. 72, *Fair Value Measurement and Application*, sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB 72 are described as follows:

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

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

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

Investments by Fair Value Level	At 9/30/23	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Equities				
Domestic common and preferred stock	$ 6,629	$ 6,629	$ -	$ -
Certificates of deposit	6,495,897			
Total	$ 6,502,526			

3. RECEIVABLES

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

Federal	$ 3,974,841
Student	1,233,231
State	4,992,455
Third-party	2,253,622
	12,454,149
Allowance for doubtful accounts	(1,170,659)
Total	$ 11,283,490

4. CAPITAL ASSETS

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

	Balance 10/1/22	Prior Period Adjustments	10/1/22 as Restated	Additions	Reductions/ Transfers	Balance 9/30/23
Capital assets, not being depreciated:						
Land	$ 1,254,000	$ -	$ 1,254,000	$ -	$ -	$ 1,254,000
Construction in progress	1,363,236	-	1,363,236	2,909,706	(1,369,560)	2,903,382
Total capital assets, not being depreciated	2,617,236	-	2,617,236	2,909,706	(1,369,560)	4,157,382
Capital assets, being depreciated:						
Improvements	8,315,695	-	8,315,695	-	(971,474)	7,344,221
Buildings and building alterations	82,961,954	-	82,961,954	1,369,614	1,701,268	86,032,836
Equipment	14,036,733	(33,066)	14,003,667	891,433	(654,973)	14,240,127
Library holdings	4,553,775	-	4,553,775	10,814	-	4,564,589
Subscription-based IT arrangements	-	-	-	212,622	-	212,622
Total capital assets, being depreciated	109,868,157	(33,066)	109,835,091	2,484,483	74,821	112,394,395
Less accumulated depreciation for:						
Improvements	4,177,565	(38,859)	4,138,706	255,327	-	4,394,033
Buildings and building alterations	43,355,376	1,305,988	44,661,364	1,848,986	(639,767)	45,870,583
Equipment	10,709,917	77,510	10,787,427	892,613	(654,974)	11,025,066
Library holdings	4,236,652	-	4,236,652	44,402	-	4,281,054
Subscription-based IT arrangements	-	-	-	53,746	-	53,746
Total accumulated depreciation	62,479,510	1,344,639	63,824,149	3,095,074	(1,294,741)	65,624,482
Total capital assets, being depreciated, net	47,388,647	(1,377,705)	46,010,942	(610,591)	1,369,562	46,769,913
Total capital assets, net	$ 50,005,883	$ (1,377,705)	$ 48,628,178	$ 2,299,115	$ 2	$ 50,927,295

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

Salaries and benefits	$ 1,240,291
Interest payable	189,273
Supplies	1,549,444
Total	$ 2,979,008

6. LONG-TERM LIABILITIES

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

	Balance 10/1/22	Additions	Reductions	Balance 9/30/23	Current Portion
Bonds payable:					
2018A Series Revenue Bonds	$ 8,335,000	$ -	$ -	$ 8,335,000	$ -
2018B Series Revenue Bonds	1,825,000	-	435,000	1,390,000	445,000
Bond premium/discount	187,079	-	10,151	176,928	10,151
Total bonds	10,347,079	-	445,151	9,901,928	455,151
Other liabilities:					
Compensated absences	798,150	171,032	59,459	909,723	90,972
Subscriptions payable	-	212,622	57,380	155,242	70,237
Total long-term liabilities	$ 11,145,229	$ 383,654	$ 561,990	$ 10,966,893	$ 616,360

The State Board of Education issued the 2018A and 2018B Revenue Bonds in December 2018. The 2018A Revenue Bonds were issued to refund the Revenue Bonds, Series 2015A, 2015B and 2016. The 2018B Revenue Bonds were issued to refund the Revenue Bonds, Series 2017.

A trustee holds sinking fund deposits, including earnings on investments of these deposits. Revenue from student tuition and fees sufficient to pay the annual debt service are pledged to secure the bonds.

6. LONG-TERM LIABILITIES – CONTINUED

Principal and interest maturity requirements on bond debt are as follows:

	2018A Series Refunding Revenue Bonds		2018B Series Refunding Revenue Bonds		
	Principal	Interest	Principal	Interest	Total
2024	$ -	$ 329,648	$ 445,000	$ 40,536	$ 815,184
2025	-	329,648	465,000	25,061	819,709
2026	-	329,648	480,000	8,520	818,168
2027	495,000	319,748	-	-	814,748
2028	515,000	296,972	-	-	811,972
2029-2033	2,955,000	1,110,485	-	-	4,065,485
2034-2038	3,575,000	490,688	-	-	4,065,688
2039	795,000	15,105	-	-	810,105
Total	$ 8,335,000	$ 3,221,942	$ 1,390,000	$ 74,117	$ 13,021,059

Bond Premium and Discount

The College has a bond premium in connection with the issuance of its 2018A Series Revenue Bonds and a discount in connection with the issuance of its 2018B Series Revenue Bonds. The bond premium and discount are being amortized using the straight-line method over the life of the bonds.

	Premium	Discount	Total
Total premium/discount	$ 238,360	$ (12,368)	$ 225,992
Amount amortized prior years	(45,686)	6,773	(38,913)
	192,674	(5,595)	187,079
Current amount amortized	(11,918)	1,767	(10,151)
	$ 180,756	$ (3,828)	$ 176,928

Pledged Revenues

The College has pledged tuition and building fee revenues for the payment of debt service on the Series 2018 Bonds. The approximate amount of the pledge is $13,351,000. The pledged revenue will not be available for other purposes until October 1, 2039. The principal and interest payments made during fiscal year 2023 were $819,815. Therefore, of the $9,523,588 in tuition and building fee revenue recognized by the College during fiscal year 2023, 8.6% of total tuition and fees revenue pledged was needed for debt service on the Series 2018 Bonds.

6. LONG-TERM LIABILITIES – CONTINUED

Subscriptions Payable

The College has subscription-based technology arrangements which expire in 2025. In accordance with GASB Statement No. 96, the College records a right-to-use asset and a subscription payable based on the present value of expected payments over the subscription. The expected payments are discounted using the interest rate charged on the subscription which is 3.3780%.

Future minimum payments under the lease agreements and the present value of the minimum payments as of September 30, 2023, are as follows:

	Principal	Interest	Total
2024	$ 70,237	$ 5,516	$ 75,753
2025	72,657	1,743	74,400
2026	12,348	2,804	15,152
Total	$ 155,242	$ 10,063	$ 165,305

7. DEFINED BENEFIT PENSION PLAN

Plan Description

The TRS, a cost-sharing multiple-employer public employee retirement plan, was established as of September 15, 1939, under the provisions of Act 419 of the Legislature of 1939 for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its Board of Control. The TRS Board of Control consists of 15 trustees. The plan is administered by the Retirement Systems of Alabama (RSA). Title 16-Chapter 25 of the Code of Alabama 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.

7. DEFINED BENEFIT PENSION PLAN – CONTINUED

Benefits Provided – Continued

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

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

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

Contributions

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

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

7. DEFINED BENEFIT PENSION PLAN – CONTINUED

Contributions – Continued

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 $2,187,559 for the year ended September 30, 2023.

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

At September 30, 2023, the College reported a liability of $35,479,501 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of September 30, 2021. The College's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2022, the College's proportion was 0.228303%, which was a decrease of 0.0084% from its proportion measured as of September 30, 2021.

For the year ended September 30, 2023, the College recognized pension expense of $2,165,000. At September 30, 2023, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 780,000	$ 861,000
Net difference between projected and actual earnings on pension plan investments	7,120,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	152,000	1,666,809
Change of assumptions	1,610,000	-
Employer contributions subsequent to measurement date	2,187,559	-
	$ 11,849,559	$ 2,527,809

7. DEFINED BENEFIT PENSION PLAN – CONTINUED

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

The $2,187,559 reported as deferred outflows of resources related to pensions resulting from the College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension will be recognized in pension expense as follows:

Year ending September 30,	
2024	$ 1,769,000
2025	1,644,000
2026	1,050,000
2027	2,671,191
2028	-
Thereafter	-
	$ 7,134,191

Actuarial Assumptions

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

Inflation	2.50%
Projected salary increases	3.25 - 5.00%
Investment rate of return*	7.45%

*Net of pension plan investment expense

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

7. DEFINED BENEFIT PENSION PLAN – CONTINUED

Actuarial Assumptions – Continued

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

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

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%
	100.00%	

* Includes assumed rate of inflation of 2.0%

7. DEFINED BENEFIT PENSION PLAN – CONTINUED

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 1-percentage point lower (6.45%) or 1-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	$ 35,124,706	$ 35,479,501	$ 35,834,296

Pension Plan Fiduciary Net Position

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

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

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

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

Plan Description – Continued

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 TRS has been appointed as the administrator of the PEEHIP and, consequently, serves as the administrator of the Trust.

Benefits Provided

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

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

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

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

Benefits Provided – Continued

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

Effective January 1, 2020, Medicare eligible members and Medicare eligible dependents covered on a retiree contract were enrolled in the Humana Group Medicare Advantage plan for PEEHIP retirees. Effective January 1, 2023, United Health Care (UHC) Group replaced the Humana contract. The MAPDP plan is fully insured by UHC and members are able to have all of their Medicare Part A, Part B, and Part D (prescription drug coverage) in one convenient plan. With the UHC plan for PEEHIP, retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Retirees have the same benefits in and out-of-network and there is no additional retiree cost share if a retiree uses an out-of-network provider and no balance billing from the provider.

Contributions

The *Code of Alabama 1975*, Section 16-25A-8, and the *Code of Alabama 1975*, Section 16-25A-8.1, provide the 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.

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

Contributions – Continued

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

At September 30, 2023, the College reported a liability of $3,314,115 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2021. The College's proportion of the collective net OPEB liability was based on a projection of the College's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2022, the College's proportion was 0.19019% which was an increase of 0.01219% from its proportion measured as of September 30, 2021.

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

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

For the year ended September 30, 2023, the College recognized OPEB expense of $(2,101,376) with no special funding situations. At September 30, 2023, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 151,999	$ 6,700,868
Changes of assumptions	2,688,200	4,823,893
Net difference between projected and actual earnings on OPEB plan investments	416,781	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	757,961	1,950,255
Employer contributions subsequent to the measurement date	259,755	-
	$ 4,274,696	$ 13,475,016

The $259,755 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 ended September 30, 2024.

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

Year ending September 30,	
2024	$ (2,504,355)
2025	(2,506,474)
2026	(1,241,984)
2027	(1,091,069)
2028	(1,348,743)
Thereafter	(767,450)
	$ (9,460,075)

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

Actuarial Assumptions

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

Inflation	2.50%
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	4.40%
Municipal Bond Index Rate at the Prior Measurement Date	2.29%
Projected Year for Fiduciary Net Position (FNP) to be Depleted	N/A
Single Equivalent Interest Rate at the Measurement Date	7.00%
Single Equivalent Interest Rate at the Prior Measurement Date	3.97%
Healthcare Cost Trend Rate	
Pre-Medicare Eligible	6.50%
Medicare Eligible	**
Ultimate Trend Rate	
Pre-Medicare Eligible	4.50% in 2031
Medicare Eligible	4.50% in 2027

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

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

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

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

Actuarial Assumptions – Continued

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

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

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

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

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

	Target Allocation	Long-Term Expected Real Rate of Return*
Fixed Income	30.00%	4.40%
U.S. Large Stocks	38.00%	8.00%
U.S. Mid Stocks	8.00%	10.00%
U.S. Small Stocks	4.00%	11.00%
Real Estate	15.00%	9.50%
Cash	5.00%	1.50%
	100.00%	

* Geometric mean, includes 2.5% inflation

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

Discount Rate

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

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

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

	1% Decrease (5.50% Decreasing to 3.50% for Pre-Medicare, Known Decreasing to 3.50% for Medicare Eligible)	Current Healthcare Trend Rate (6.50% Decreasing to 4.50% for Pre-Medicare, Known Decreasing to 4.50% for Medicare Eligible)	1% Increase (7.50% Decreasing to 5.50% for Pre-Medicare, Known Decreasing to 5.50% for Medicare Eligible)
College's proportionate share of collective net OPEB liability	$ 2,513,100	$ 3,314,115	$ 4,296,484

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

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 7.00%, 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 (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
College's proportionate share of collective net OPEB liability	$ 4,097,413	$ 3,314,115	$ 2,656,559

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is located in the Trust's financial statements for the fiscal year ended September 30, 2023. The supporting actuarial information is included in the GASB Statement Number 75 Report for PEEHIP prepared as of September 30, 2023. Additional financial and actuarial information is available at www.rsa-al.gov.

9. SIGNIFICANT COMMITMENTS

As of September 30, 2023, the College had been awarded approximately $8,029,210 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.

10. 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, Vice-President, Director of Accounting and Finance and Financial Aid Director as well as other College personnel who handle funds.

10. RISK MANAGEMENT – CONTINUED

Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF) administered by the Public Education Employees' Health Insurance Board (PEEHIB). The Fund was established to provide a uniform plan of health insurance for current and retired employees of state educational 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.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. This amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the College expects such amounts, if any, to be immaterial.

11. COMPONENT UNIT

Fair Value Measurement

The Foundation follows the provisions of the FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurement*, for fair value measurement of financial assets and liabilities. These provisions define fair value, establish a framework for measuring fair value and expand disclosure about fair value measurement. These provisions also emphasize that fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted prices in active markets. Under the provisions of the FASB ASC 820, fair value measurements are disclosed by level within that hierarchy.

For each asset and liability required to be reported at fair value, management has identified the unit of account and valuation premise to be applied for purposes of measuring fair value. The unit of account is the level at which an asset or liability is aggregated or disaggregated for purposes of applying these provisions. The valuation premise is a concept that determines whether an asset is measured on a stand-alone basis or in combination with other assets. For purposes of applying these provisions, the Foundation measures its assets and liabilities on a stand-alone basis then aggregates assets and liabilities with similar characteristics for disclosure purposes.

11. COMPONENT UNIT – CONTINUED

Fair Value Measurement – Continued

The provisions of the FASB ASC 820 establish a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Foundation. Unobservable inputs are inputs that reflect the Foundation's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

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

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

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

All of the Foundation's investments at December 31, 2022 were classified as Level 1.

Income Tax Status

The Foundation follows the provisions of FASB ASC guidance relating to uncertainty in income taxes. This guidance requires entities to assess their uncertain tax positions for the likelihood that they would be overturned upon Internal Revenue Service (IRS) examination or upon examination by state taxing authorities. In accordance with this guidance, the Foundation has determined that there are no positions at December 31, 2022, which it would be unable to substantiate. The Foundation has filed its tax returns through 2022. The tax returns for years ended 2020 and thereafter are subject to audit by the taxing authorities.

12. PRIOR PERIOD ADJUSTMENTS

The beginning net position was adjusted for the following errors related to the prior period.

Understatement of cash and cash equivalents	$ 158,241
Understatement of accounts receivable	869,035
Overstatement of capital assets	(1,377,705)
Understatement of accounts payable and accrued expenses	(154,053)
Understatement of compensated absences	(61,058)
	$ (565,540)

13. EFFECT OF NEW PRONOUNCEMENTS

Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the College.

GASB Statement No.100, *Accounting Changes and Error Corrections*. This Statement prescribes accounting and financial reporting for each category of accounting change and error corrections. Requirements for this Statement are effective for financial statements whose fiscal year begins after June 15, 2023.

GASB Statement No. 101, *Compensated Absences*. This Statement aligns recognition and measurement guidance for all types of compensated absences under a unified model which will result in governments recognizing a liability that more appropriately reflects when they incur an obligation for compensated absences. Requirements for this Statement are effective for financial statements whose fiscal year begins after December 15, 2023.

REQUIRED SUPPLEMENTARY INFORMATION

BEVILL STATE COMMUNITY COLLEGE
SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE COLLECTIVE NET PENSION LIABILITY (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2023
(Dollar amounts in thousands)

	2015	2016	2017	2018	2019	2020	2021	2022	2023
College's proportion of the collective net pension liability	0.261471%	0.255263%	0.253672%	0.273328%	0.261257%	0.239735%	0.243369%	0.236680%	0.228303%
College's proportionate share of the collective net pension liability	$ 23,754	$ 26,715	$ 27,463	$ 26,864	$ 25,976	$ 26,507	$ 30,104	$ 22,296	$ 35,480
College's covered payroll during the measurement period	$ 16,475	$ 16,148	$ 16,119	$ 18,046	$ 17,374	$ 17,007	$ 17,147	$ 16,984	$ 17,270
College's proportionate share of the collective net pension liability as a percentage of its covered payroll	144.18%	165.44%	170.38%	148.86%	149.51%	155.86%	175.56%	131.28%	205.44%
Plan fiduciary net position as a percentage of the total collective pension liability	71.01%	67.51%	67.93%	71.50%	72.29%	69.85%	67.72%	76.44%	62.21%

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

Note to Schedule

Per GASB 82, which amends GASB 68, covered payroll is defined as the payroll on which contributions to a pension plan are based, also known as pensionable payroll. The covered payroll for this Required Supplementary Information Schedule (GASB 68 paragraph 81b) is for the most recent fiscal year end, which for the 9/30/2023 year is 10/1/2021 – 9/30/2022.

BEVILL STATE COMMUNITY COLLEGE
SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS – PENSION (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2023
(Dollar amounts in thousands)

Schedule of the College's Contributions – Teachers' Retirement Plan of Alabama

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually required contribution	$ 1,827	$ 1,851	$ 2,140	$ 2,098	$ 2,084	$ 2,099	$ 2,061	$ 2,099	$ 2,188
Contributions in relation to the contractually required contribution	$ 1,827	$ 1,851	$ 2,140	$ 2,098	$ 2,084	$ 2,099	$ 2,061	$ 2,099	$ 2,188
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 16,148	$ 16,119	$ 18,046	$ 17,374	$ 17,007	$ 17,147	$ 16,984	$ 17,270	$ 17,812
Contributions as a percentage of covered payroll	11.31%	11.48%	11.86%	12.08%	12.25%	12.24%	12.13%	12.15%	12.28%

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

Notes to Schedule

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

The amount of contractually required contributions is equal to the amount that would be recognized as additions from the employer's contributions in the pension plan's schedule of changes in fiduciary net position during the period that coincides with the employer's fiscal year. For participants in TRS, this includes amounts paid for accrued liability, normal cost, term life insurance, pre-retirement death benefit and administrative expenses.

BEVILL STATE COMMUNITY COLLEGE
SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE COLLECTIVE NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	2018	2019	2020	2021	2022	2023
College's proportion of collective net OPEB liability	0.226946%	0.219873%	0.215319%	0.187607%	0.178000%	0.190199%
College's proportionate share of the collective net OPEB liability	$ 16,857,589	$ 18,070,760	$ 8,123,486	$ 12,175,433	$ 9,196,928	$ 3,314,115
College's covered payroll during the measurement period	$ 15,726,249	$ 16,695,692	$ 16,267,764	$ 16,539,663	$ 16,998,145	$ 17,112,344
College's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	107.19%	108.24%	49.94%	73.61%	54.11%	19.37%
Plan fiduciary net position as a percentage of the total collective net OPEB liability	15.37%	14.81%	28.14%	19.80%	27.11%	48.39%

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

Note to Schedule

Per GASB 75, covered payroll is defined as the payroll of employees that are provided with OPEB through the OPEB plan. The covered payroll for this Required Supplementary Information Schedule (GASB 75 paragraph 97) is for the most recent fiscal year end, which for the 9/30/2023 year is 10/1/2021 – 9/30/2022.

BEVILL STATE COMMUNITY COLLEGE
SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS – OPEB (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	2018	2019	2020	2021	2022	2023
Contractually required contribution	$ 692,074	$ 774,918	$ 479,909	$ 309,556	$ 358,446	$ 259,755
Contributions in relation to the contractually required contribution	$ 692,074	$ 774,918	$ 479,909	$ 309,556	$ 358,446	$ 259,755
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Employer's covered payroll	$ 16,695,692	$ 16,267,764	$ 16,539,663	$ 16,998,145	$ 17,112,344	$ 17,700,010
Contributions as a percentage of covered payroll	4.15%	4.76%	2.90%	1.82%	2.09%	1.47%

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

1. CHANGES IN ACTUARIAL ASSUMPTIONS

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

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

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.

3. METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	22 years
Asset Valuation Method	Market value of assets
Inflation	2.75%
Health Care Cost Trend Rate:	
Pre-Medicare Eligible	6.75%
Medicare Eligible*	**
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.75%
Medicare Eligible	4.75%
Year of Ultimate Trend Rate	2026 for Pre-Medicare Eligible 2024 for Medicare Eligible
Optional Plans Trend Rate	2.00%
Investment Rate of Return	5.00%, including inflation

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

SUPPLEMENTARY INFORMATION

SINGLE AUDIT REPORT

BEVILL STATE COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Federal Grantor/Program or Cluster Title/ Pass-Through Grantor/ Grant Name	Federal Assistance Listing Number	Grant or Pass-through Number	Federal Expenditures	Passed through to Subrecipients
Department of Education				
Student Financial Aid Cluster:				
Direct:				
Federal Pell Grant Program	84.063	P063P222775/P063P232775	$ 6,670,991	$ -
Federal Work Study Program	84.033	P033A224619/P033A234619	22,788	-
Federal Supplemental Educational Opportunity Grants	84.007	P007A224619/P007A234619	188,683	-
Total Student Financial Aid Cluster			6,882,462	-
Trio Cluster:				
TRIO-Student Support Services	84.042	P042A200079/P042A200137/P042A200273/P042A200520	1,165,760	-
TRIO-Talent Search	84.044	P044A210014/P044A210120	737,465	-
TRIO-Upward Bound	84.047	P047A220048/P047A220120/P047A220372/P047M220066	1,501,453	-
TRIO-Educational Opportunity Centers	84.066	P066A210034	266,779	-
Total Trio Cluster			3,671,457	-
COVID-19 Education Stabilization Fund:				
Higher Education Emergency Relief Funds (HEERF)				
COVID-19 HEERF Student Aid Portion	84.425E	P425E202120	944,477	-
COVID-19 HEERF Institutional Aid Portion	84.425F	P425F202247	373,654	-
COVID-19 HEERF Strengthening Institutions Program	84.425M	P425M210012	320,125	-
COVID-19 HEERF Supplemental Support Under the American Rescue Plan	84.425T	P425T220433	389,804	-
COVID-19 HEERF Supplemental Assistance to Institutions of Higher Education	84.425S	P425S210167	1,161,491	-
Total COVID-19 Education Stabilization Fund			3,189,551	-
Pass-through Alabama Community College System:				
Adult Education – Basic Grants to States	84.002	0921AE082	323,940	-
Pass-through Alabama Department of Education:				
Career and Technical Education – Basic Grants to States	84.048	V048200001	223,474	-
Total Pass-through Programs			547,414	-
Total Department of Education			14,290,884	-
Department of Labor				
Direct:				
Mine Health and Safety Grants	17.600		94,083	-
Pass-through Alabama Community College System				
H-1B Job Training Grants	17.268	HG-33165-19-60-A-1	65,324	-
Pass-through Alabama Department of Commerce				
WIOA Youth Activities	17.259		123,868	-
Total WIOA Cluster			189,192	-
Total Department of Labor			283,275	-
Appalachian Regional Commission				
Pass-through Alabama Department of Economic and Community Affairs				
Appalachian Area Development	23.002	AL-20332-21	89,914	-
Pass-through Alabama Community College System				
Appalachian Area Development	23.002	PW-20066-IM-2020	85,272	-
Total Appalachian Regional Commission			175,186	-
National Science Foundation				
Pass-through University of West Alabama	47.076	NSF-UWA-20.01	7,114	-
Total Federal Expenditures			$ 14,756,459	$ -

BEVILL STATE COMMUNITY COLLEGE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Bevill State Community College (the College) and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance).

2. INDIRECT COST RATE

The College did not elect to charge a de minimis rate of 10% for all federal awards.

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

To the Chancellor of the Alabama Community College System
and the President of Bevill State Community College

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Bevill State Community College (the College), as of and for the year ended September 30, 2023, and the related notes to the financial statements, and have issued our report thereon dated January 16, 2024. Our report includes a reference to other auditors who audited the financial statements of the Bevill State Community College Foundation, Inc. (the Foundation), as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the Foundation or that are reported on separately by those auditors who audited the financial statements of the Foundation.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a material weakness.

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

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

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

Warren Averett, LLC

Montgomery, Alabama
January 16, 2024

Warren Averett
CPAs AND ADVISORS

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Chancellor of the Alabama Community College System
and the President of Bevill State Community College

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

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

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

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

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

Other Matters
The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2023-002. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance
Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-002 to be a significant deficiency.

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

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

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

Warren Averett, LLC

Montgomery, Alabama
January 16, 2024

BEVILL STATE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified			
Internal control over financial reporting:				
Material weakness(es) identified?	x	Yes		No
Significant deficiency(ies) identified		Yes	x	None reported
Noncompliance material to the financial statements noted?		Yes	x	No

Federal Awards

Internal control over major programs:				
Material weakness(es) identified?		Yes	x	No
Significant deficiency(ies) identified	x	Yes		None reported
Type of auditors' report issued on compliance for major programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	x	Yes		No

Identification of major programs:

Assistance Listing Number(s)	**Name of Federal Program Cluster**
84.007, 84.033, 84.063	Student Financial Aid Cluster
84.425	COVID-19 Education Stabilization Fund – Higher Education Emergency Relief Funds

Dollar threshold used to distinguish between type A and type B programs:	$750,000			
Auditee qualified as low-risk auditee?		Yes	x	No

Section II – Financial Statement Findings

Finding 2023-001 – Prior Period Adjustment (Material Weakness)

Criteria/Condition: The Alabama Community College Fiscal Procedures Manual II. Internal Controls, requires the College to, "Maintain reliable financial and management data." The beginning net position of the College was not accurate.

Cause/Effect: The beginning net position of the College was adjusted for the following errors related to the prior period:

Understatement of cash and cash equivalents	$ 158,241
Understatement of accounts receivable	869,035
Overstatement of capital assets	(1,377,705)
Understatement of accounts payable and accrued expenses	(154,053)
Understatement of compensated absences	(61,058)
	$ (565,540)

Recommendation: Management has addressed all matters and circumstances related to the prior period adjustment.

Views of Responsible Officials: See Management's View and Corrective Action Plan included at the end of the report.

Section III – Federal Award Findings and Questioned Costs

Finding 2023-002 – Special Tests and Provisions: Withdrawal Testing (Significant Deficiency and Noncompliance)

Information on the Federal Program: U.S. Department of Education, Student Financial Aid Cluster

Criteria: 34 CFR Part 668.22 establishes rules governing the student withdrawal process including the determination of the amount of Title IV assistance the student earned and return the unearned Title IV aid within 45 days.

Condition: We selected a sample of 21 students who withdrew and were receiving financial aid. Of the students tested, there were two instances in which the College incorrectly calculated the percentage of aid earned.

Cause: The College performed return of Title IV calculations in the system, however, a system glitch was discovered six months after the initial calculations and the College determined the system did not properly calculate the amount of aid earned. The calculations were later updated but not within the required time frame.

Effect: The College returned the incorrect amount of financial aid.

Questioned Costs: None reported

Recommendation: We recommend the College strengthen its policies and procedures surrounding the withdrawal process to accurately document each requirement and implement checks and balances to ensure compliance with all withdrawal requirements.

Views of Responsible Officials: See Management's View and Corrective Action Plan included at the end of the report.

Summary Schedule of Prior Audit Findings

Finding 2022-011 – Special Tests and Provisions: Withdrawal Testing (Significant Deficiency and Noncompliance)

Information on the Federal Program: U.S. Department of Education, Student Financial Aid Cluster

Criteria: 34 CFR Part 668 establishes rules governing the student withdrawal process including the determination of withdrawal date, calculation of earned Title IV assistance and return of unearned Title IV aid within 45 days.

Condition: We selected a sample of 12 students who withdrew and were receiving financial aid. Of the 12 students tested, there were two instances in which the College incorrectly calculated the percentage of aid earned.

Status: Corrective action partially implemented

Finding 2022-012 – Procurement (Significant Deficiency and Noncompliance) (Repeat finding)

Information on the Federal Program: U.S. Department of Education, CFDA No. 84.425, COVID-19 Education Stabilization Fund – Higher Education Emergency Relief Fund

Criteria: 2 CFR 200.320 establishes the methods of procurement to be followed for non-federal entities when acquiring goods and services with federal awards. Aggregate purchases higher than the micro-purchase threshold must use the small purchase procedures which require price quotes be obtained from an adequate number of qualified sources.

Condition: We selected a sample of six vendors to test for proper procurement procedures. Of those six, one vendor was not properly procured.

Status: Corrective action taken

Finding 2022-013 – Internal Controls Over Grant Management (Significant Deficiency)

Information on the Federal Program: U.S. Department of Education, CFDA No. 84.425, COVID-19 Education Stabilization Fund – Higher Education Emergency Relief Fund

Criteria: 2 CFR 200.303 requires non-federal entities receiving federal awards establish and maintain internal controls over the federal awards that provides reasonable assurance that the non-federal entity is managing the federal awards in compliance with federal statutes, regulations and the terms and conditions of the federal awards.

Condition: During audit procedures we tested controls over applicable compliance requirements. We tested two drawdowns for cash management requirements. One of the draws was a reimbursement for lost revenue. Although the method to calculate lost revenue was reviewed and approved, the individual calculations and amounts to be drawn were not reviewed and approved. We tested five disbursements made directly to students as grant awards. Of these five, four disbursements did not have documentation of review or approval of the amounts to be paid.

Status: Corrective action taken

BEVILL STATE
COMMUNITY COLLEGE
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RESPONSE/CORRECTIVE ACTION PLAN
FOR THE YEAR ENDING SEPTEMBER 30, 2023

Contact:
John Skalnik, Vice President of Administration and Operations
John.Skalnik@bscc.edu
(205) 387-0511 ext. 5435

Finding 2023-001 – Prior Period Adjustment (Material Weakness)

Criteria/Condition: The beginning net position of the College was adjusted for the following errors related to the prior period:

Understatement of cash and cash equivalents	$ 158,241
Understatement of accounts receivable	869,035
Overstatement of capital assets	(1,377,705)
Understatement of accounts payable and accrued expenses	(154,053)
Understatement of compensated absences	(61,058)
	$ (565,540)

Management's Response: The College has properly adjusted the financial statements and the general ledger to reflect the prior period correction. To prevent future occurrences, the College has established procedures for timely recording of general ledger adjustments.

Anticipated Completion Date: January 31, 2024

Finding 2023-002 – Special Tests and Provisions: Withdrawal Testing (Significant Deficiency and Noncompliance)

Information on the Federal Program: U.S. Department of Education, Student Financial Aid Cluster

Criteria: 34 CFR Part 668.22 establishes rules governing the student withdrawal process including the determination of the amount of Title IV assistance the student earned and return the unearned Title IV aid within 45 days.

Condition: We selected a sample of 21 students who withdrew and were receiving financial aid. Of the students tested, there were two instances in which the College incorrectly calculated the percentage of aid earned.

Management's View: The issue occurred due to a system glitch in Banner. The initial calculations were performed in a timely manner and once the error was discovered the corrected calculations were submitted. However, the corrected calculations were outside the required time frame.

Corrective Action Plan: Management is in the process of updating Policies and Procedures to help ensure that calculations are run correctly and timely. The Financial Aid office and the Finance Office will work together each semester to ensure Banner setup is correct, updated, and working properly prior to any calculations being performed.

Anticipated Completion Date: January 31, 2024