SHELTON STATE
COMMUNITY COLLEGE

AUDITED FINANCIAL STATEMENTS

September 30, 2023

With Independent Auditor's Report on the Financial Statements

BANKS, FINLEY, WHITE & CO.
CERTIFIED PUBLIC ACCOUNTANTS

SHELTON STATE COMMUNITY COLLEGE
Tuscaloosa, Alabama

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BANKS, FINLEY, WHITE & CO.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 12, the Schedule of the College's Proportionate Share of the Collective Net Pension Liability, the Schedule of the College's Contributions – Pension, the Schedule of the College's Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability and the Schedule of the College's Contributions – Other Postemployment Benefits (OPEB) on pages 40 through 43 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

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

Birmingham, Alabama
January 16, 2024

Banks, Finley White & Co.

SHELTON STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal year ended September 30, 2023

INTRODUCTION

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

History, Mission and Governance

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

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

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

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

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

The board member duties include:

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

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

Overview of Financial Statements

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

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

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

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

Statement of Net Position

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

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

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

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

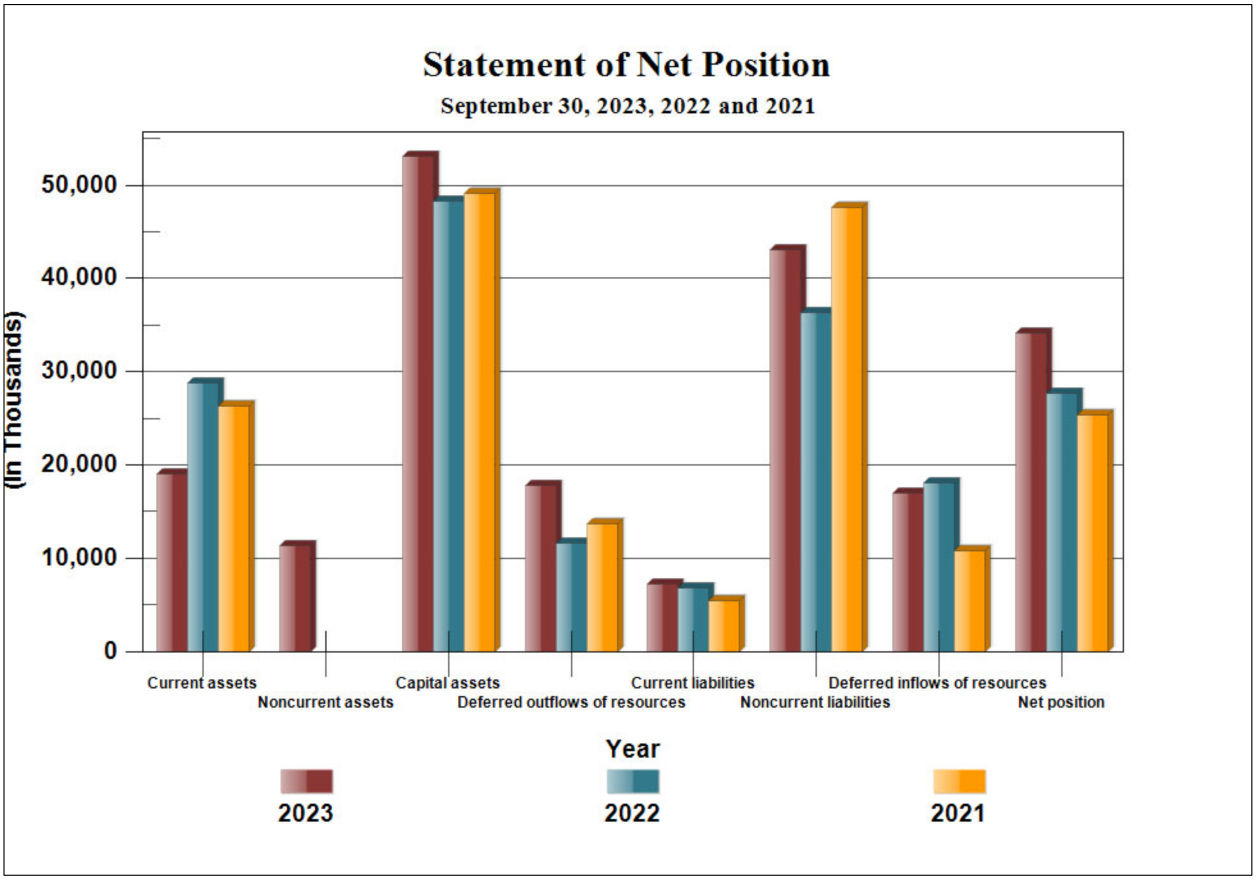
The condensed statements of net position at September 30, 2023, 2022 and 2021, follow:

SUMMARY STATEMENT OF NET POSITION

	2023	2022	2021
ASSETS			
Current assets	$ 18,974,574	$ 28,775,699	$ 26,298,792
Noncurrent assets	11,302,055	-	-
Capital assets	53,129,755	48,364,202	49,125,394
Total assets	83,406,384	77,139,901	75,424,186
Deferred outflows of resources:			
Related to defined benefit pension plan	13,060,328	6,602,090	7,590,696
Related to other postemployment benefits	4,763,183	5,066,017	6,118,642
Total deferred outflows of resources	17,823,511	11,668,107	13,709,338
Total assets and deferred outflows of resources	$ 101,229,895	$ 88,808,008	$ 89,133,524
LIABILITIES			
Current liabilities	$ 7,167,072	$ 6,796,719	$ 5,401,272
Noncurrent liabilities	43,062,159	36,304,187	47,556,929
Total liabilities	50,229,231	43,100,906	52,958,201
Deferred inflows of resources:			
Related to defined benefit pension plan	2,858,596	8,010,596	999,596
Related to other postemployment benefits	14,045,186	10,059,745	9,832,443
Total deferred inflows of resources	16,903,782	18,070,341	10,832,039
NET POSITION			
Net investment in capital assets	52,985,086	48,239,180	48,992,883
Restricted expendable for debt service	4,121,115	2,928,784	2,500,000
Unrestricted	(23,009,319)	(23,531,203)	(26,149,599)
Total net position	34,096,882	27,636,761	25,343,284
Total liabilities, deferred inflows of resources and net position	$ 101,229,895	$ 88,808,008	$ 89,133,524

Changes in Assets, Liabilities and Net Position

The College's total Net Position increased by $6,460,121 during the year ended September 30, 2023. The increase is attributable to an increase in state appropriations of $1,222,215 , student tuition and fees of $1,311,882 and state and local grants and contracts of $638,377 and federal grants and contracts of $1,126,791. Operating expenses, excluding depreciation, increased by $1,735,272



Statement of Revenues, Expenses and Changes in Net Position

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

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

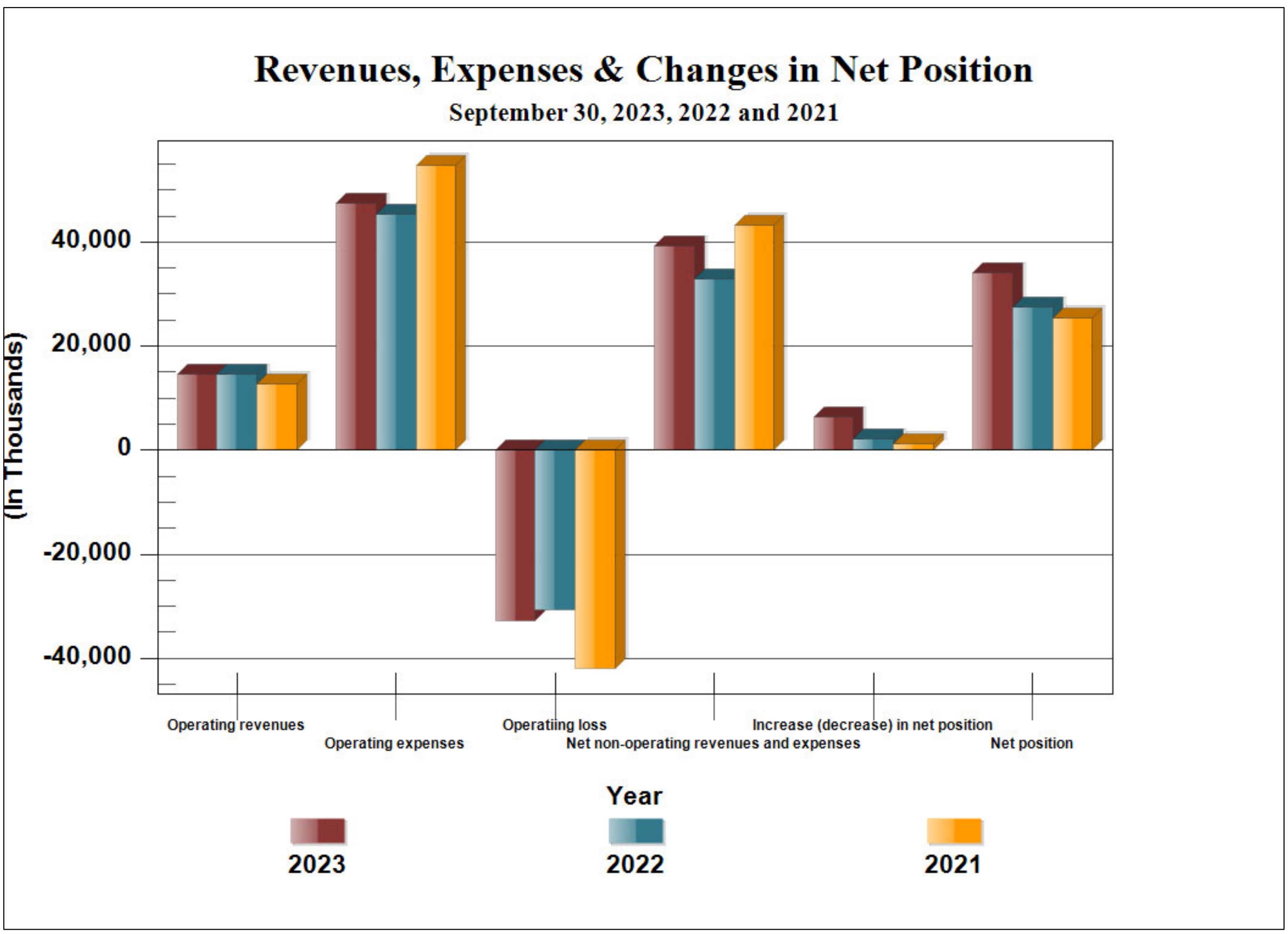
SHELTON STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal year ended September 30, 2023

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

The condensed statements of revenues, expenses and changes in net position for the years ended September 30, 2023, 2022 and 2021, follow:

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

	2023	2022	2021
Operating Revenues	$ 14,716,916	$ 14,638,499	$ 12,825,722
Operating Expenses	47,429,397	45,384,573	54,738,057
Operating Loss	(32,712,481)	(30,746,074)	(41,912,335)
Net non-operating Revenues and Expenses	39,172,602	33,039,551	43,221,201
Increase (Decrease) in Net Position	6,460,121	2,293,477	1,308,866
Net position-beginning of the year	27,636,761	25,343,284	24,034,418
Net position-end of the year	$ 34,096,882	$ 27,636,761	$ 25,343,284



Operating Revenues for the year ended September 30, 2023, increased approximately $78,417 compared to the previous year. State grants and contracts increased over the previous year $520,945. In addition, federal operating grants increased by $1,126,791, and nongovernmental grants and contracts increased by $117,432. While gross student tuition and fees increased slightly, the student tuition and fees (net of scholarship allowances) decreased by $2,843,462 due to an increase in the related scholarship allowances compared to the previous year. All other operating revenue sources were relatively stable for the year.

Operating Expenses for the year ended September 30, 2023, increased by 4.5% in comparison to the prior year. Overall, operating expenses remained relatively unchanged from the prior year, except for scholarships and financial aid, which decreased by 44.5%. Expenses for the nine major functions presented changed as follows: Instruction increased less than 8.5%; Academic Support increased 27.7%; Student Services increased 21.2%; Institutional Support increased 17.8%; Operation and Maintenance of Plant expenses increased 7.8%; Student Aid decreased 44.5%; and Depreciation increased 9.4%. The College’s enrollment increased slightly in 21-22, as impacts from the COVID-19 pandemic continued to subside.

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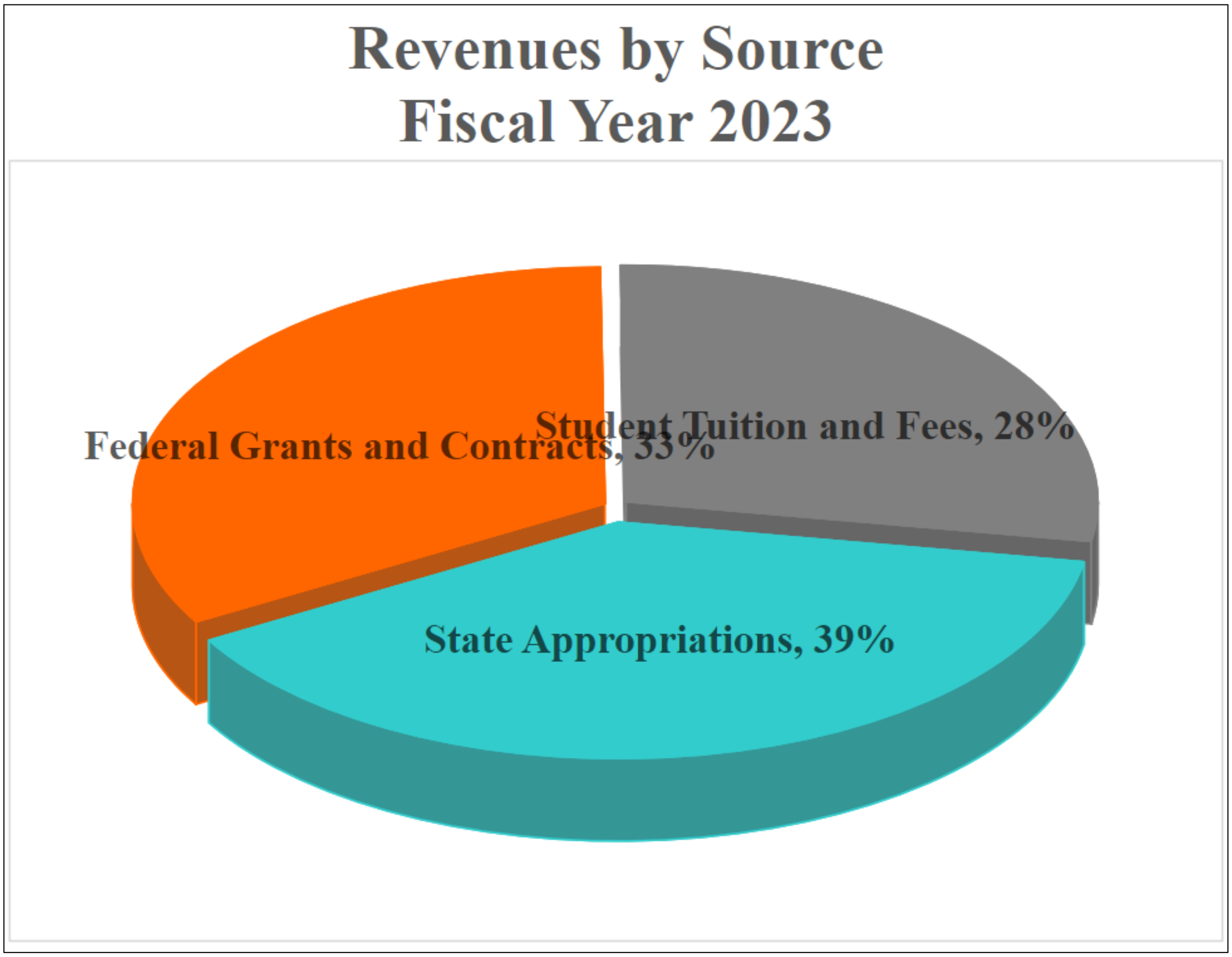
The following is a graphic presentation of the total revenues by source for the fiscal year ended September 30, 2023:



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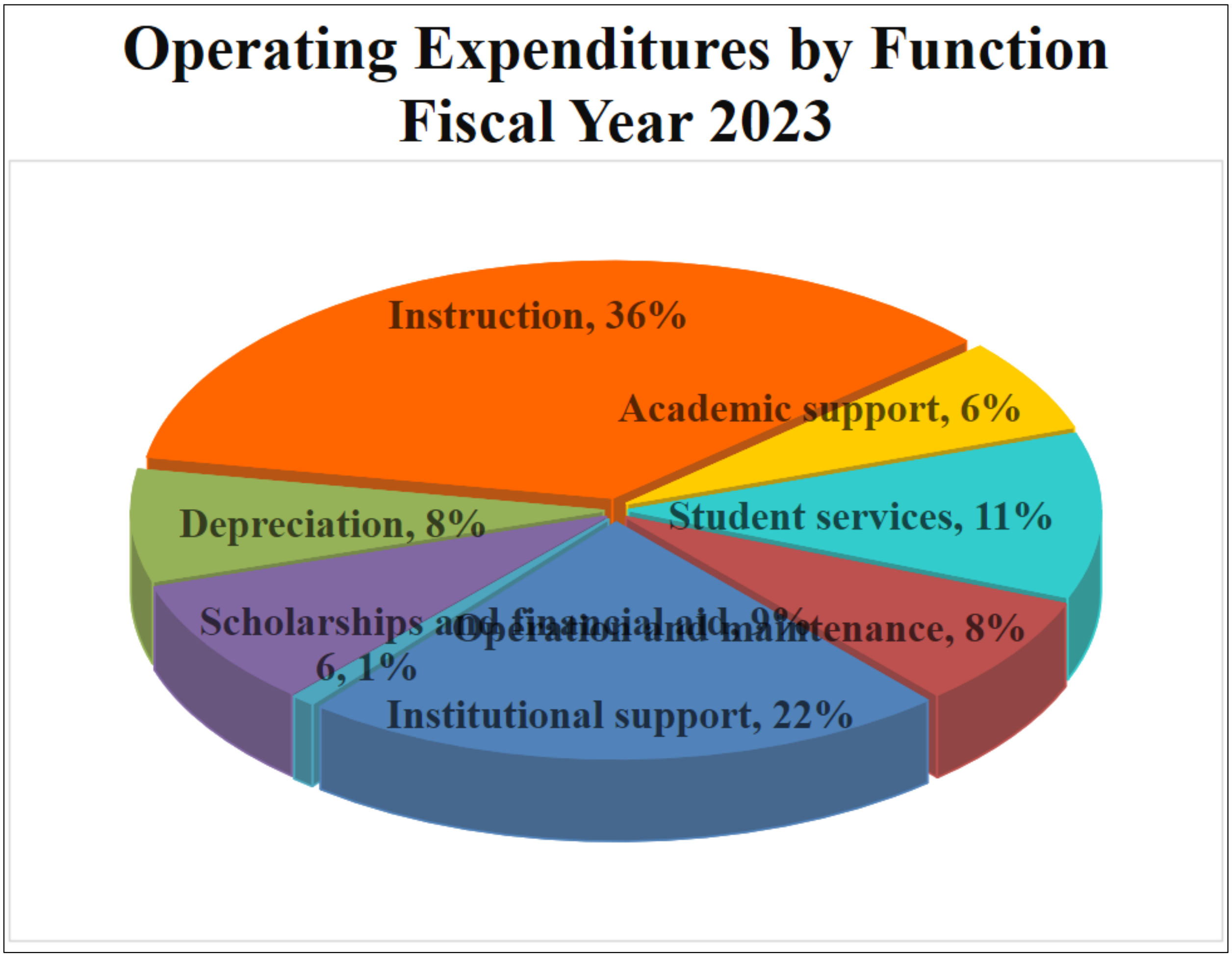
SHELTON STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal year ended September 30, 2023

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



Statement of Cash Flows

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

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

Summary Statement of Cash Flows (in thousands)

	2023	2022	2021
Cash Flows from Operating Activities	$ (32,121)	$ (28,722)	$ (36,304)
Cash Flows from Noncapital Financing Activities	39,076	32,894	43,498
Cash Flows from Capital and Related Financing Activities	(8,887)	(2,471)	(4,263)
Cash Flows from Investing Activities	306	(10,923)	4,098
Net Change in Cash	(1,626)	(9,222)	7,029
Cash, Beginning of Year	14,675	23,897	16,868
Cash, End of Year	$ 13,049	$ 14,675	$ 23,897

Economic Outlook

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

SHELTON STATE COMMUNITY COLLEGE
STATEMENTS OF NET POSITION
September 30, 2023 and 2022

	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 13,048,780	$ 14,675,014
Investments	-	11,000,000
Accounts receivable, net	5,752,289	2,983,116
Other current assets	122,439	65,030
Inventories	51,066	52,539
Total current assets	18,974,574	28,775,699
Noncurrent assets:		
Long-term investments	11,302,055	-
Capital assets:		
Land	1,810,735	1,810,736
Improvements other than building	3,768,551	3,605,052
Buildings and alterations	72,883,613	71,365,952
Equipment and furniture	21,570,211	20,212,111
Library holdings	1,539,703	1,503,763
Leased right of use assets	171,637	131,189
Subscription based IT arrangements	265,112	-
Construction in progress	5,929,734	1,998,621
Less: Accumulated depreciation	(54,809,541)	(52,263,222)
Total capital assets, net of depreciation	53,129,755	48,364,202
Total noncurrent assets	64,431,810	48,364,202
Total assets	83,406,384	77,139,901
Deferred outflows of resources:		
Defined benefit pension plan	13,060,328	6,602,090
Other postemployment benefits (OPEB)	4,763,183	5,066,017
Total deferred outflows of resources	17,823,511	11,668,107
LIABILITIES		
Current liabilities:		
Deposit liabilities	154,579	194,033
Accounts payable and accrued liabilities	2,324,728	2,394,257
Unearned revenue	4,485,646	3,957,906
Compensated absences	157,393	148,845
Capital lease obligations	44,726	101,678
Total current liabilities	7,167,072	6,796,719
Noncurrent liabilities:		
Compensated absences	1,416,535	1,339,607
Capital lease obligations	53,520	22,989
Subscriptions payable	46,423	-
Net pension liability	37,917,166	24,532,167
Net OPEB liability	3,628,515	10,409,424
Total noncurrent liabilities	43,062,159	36,304,187
Total liabilities	50,229,231	43,100,906

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

	2023	2022
Deferred inflows of resources		
Defined benefit pension plan	2,858,596	8,010,596
Other postemployment benefits (OPEB)	14,045,186	10,059,745
Total deferred inflows of resources	16,903,782	18,070,341
NET POSITION		
Net investment in capital assets	52,985,086	48,239,180
Restricted for:		
Expendable		
Capital projects	4,121,115	2,928,784
Unrestricted	(23,009,319)	(23,531,203)
Total net position	$ 34,096,882	$ 27,636,761

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

	2023	2022
REVENUES		
Operating revenues:		
Student tuition and fees (Net of scholarship allowances of $9,077,272 and $6,233,810 for 2023 and 2022, respectively)	$ 7,109,721	$ 8,641,301
Federal grants and contracts	3,126,681	1,999,890
State and local grants and contracts	3,127,767	2,606,822
Nongovernmental grants and contracts	857,513	740,081
Sales and services of educational activities	44,723	57,457
Auxiliary enterprises	184,613	5,844
Other operating revenue	265,898	587,106
Total operating revenues	14,716,916	14,638,501
EXPENSES		
Operating expenses:		
Instruction	16,918,982	15,598,911
Institutional support	10,528,920	8,936,448
Academic support	2,988,692	2,341,042
Student services	5,336,439	4,404,096
Operation and maintenance	3,584,702	3,325,014
Scholarships and financial aid	4,085,242	7,364,997
Auxiliary enterprises	376,534	113,731
Depreciation	3,609,886	3,300,335
Total operating expenses	47,429,397	45,384,574
Operating income (loss)	(32,712,481)	(30,746,073)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	22,654,242	21,432,027
Federal grants	16,149,700	11,894,387
Investment income	607,849	77,059
Gifts - cash	1,570	51,760
Non-cash gifts	284	7,000
Interest expense	(18,506)	(4,472)
Bond surety fee expense	(93,456)	(81,483)
Other nonoperating revenue (expense)	(266,741)	(405,404)
Net nonoperating revenues	39,034,942	32,970,874
Income before other revenue, expenses, gains, or losses	6,322,461	2,224,801
Capital grants, contracts and gifts	187,799	100,250
Other	(50,139)	(31,574)
Loss on disposal of capital assets	-	-
Changes in net position	6,460,121	2,293,477
Total net position - beginning of the year	27,636,761	25,343,284
Total net position - end of the year	$ 34,096,882	$ 27,636,761

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

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 4,771,425	$ 8,269,011
Grants and contracts	7,111,962	5,346,792
Payments to suppliers	(8,770,581)	(6,709,057)
Payments to utilities	(1,462,991)	(1,391,448)
Payments to employees	(22,696,719)	(20,704,907)
Payments for employees benefits	(7,109,368)	(6,645,298)
Payments for scholarships	(4,085,242)	(7,364,997)
Auxiliary Enterprise Charges	(191,920)	(172,917)
Sales and services of educational activities	46,196	57,457
Other receipts (payments)	265,898	592,950
Net cash provided (used) by operating activities	(32,121,340)	(28,722,414)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	22,654,241	21,432,027
Federal grants	16,149,700	11,894,387
Gifts	1,854	58,760
Bond surety fee	(93,456)	(81,483)
Other receipts (payments)ting expenses	363,937	(409,090)
Net cash provided (used) by noncapital financing activities	39,076,276	32,894,601
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(8,114,066)	(2,431,683)
Principal paid on capital debt and leases	(325,275)	(139,033)
Interest paid on capital debt and leases	(18,506)	(4,472)
Proceeds from sale of capital assets	10,992	3,686
Capital grants and gifts received	187,799	100,250
Other Capital and Related Financing	(627,908)	-
Net cash provided (used) by capital and related financing activities	(8,886,964)	(2,471,252)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	11,000,000	-
Purchase of Investments	(11,302,055)	(11,000,000)
Investment income	607,849	77,059
Net cash provided (used) by investing activities	305,794	(10,922,941)
Net increase (decrease) in cash and cash equivalents	(1,626,234)	(9,222,006)
Cash and cash equivalents, beginning of the year	14,675,014	23,897,020
Cash and cash equivalents, end of the year	$ 13,048,780	$ 14,675,014

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

	2023	2022
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES)		
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Decrease in operating income (loss)	$ (32,712,481)	$ (30,746,073)
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	3,609,886	3,300,335
Changes in assets and liabilities:		
Receivables, net	(2,769,172)	(635,825)
Inventories	1,473	1,942
Other assets	(57,409)	(65,030)
Deferred outflows of resources	(6,155,404)	2,041,230
Accounts payable	(49,527)	1,108,922
Deposit liabilities	(39,454)	78,234
Unearned revenue	527,739	185,302
Compensated absences	85,476	(33,221)
Pension liability	13,385,000	(8,581,000)
OPEB liability	(6,780,909)	(2,615,532)
Deferred inflows of resources	(1,166,559)	7,238,302
Net cash provided (used) by operating activities	$ (32,121,341)	$ (28,722,414)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

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

Cash, Cash Equivalents, and Investments

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

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

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

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

Receivables

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

Inventories

The inventories are comprised of consumable supplies. Inventories are valued using the first in/first out (FIFO) method.

Capital Assets

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

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

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

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

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

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

Deferred Outflows of Resources

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

Long-Term Obligations

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

Leases

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

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

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

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

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

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.

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.

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

Pensions

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

Postemplovment Benefits Other Than Pensions (OPEB)

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

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.

Net Position

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

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

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

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

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

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

Federal Financial Assistance Programs

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

Scholarship Allowances and Student Aid

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

Implementation of New Accounting Pronouncements

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

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

Future Governmental Accounting Standards Board Statements

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

GASB Statement No. 100

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

GASB Statement No. 101

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

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

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

Change in Presentation

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

Change in Accounting Estimates

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

The change in estimate resulted in an increase to allowance for doubtful accounts and an increase to Accounts receivable in the amount of $283,941 for 2023.

NOTE 2 - DEPOSITS

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

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

NOTE 3 - INVESTMENTS

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

Permissable investments include:

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

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

1) U. S. Treasury bills, notes and bonds can be held without limitation as to amount. Stripped Treasuries shall never exceed 50 percent of the institution's total investment portfolio. Maximum maturity of these securities shall be ten years.
2) U. S. Agency securities shall have limitations of 50 percent of the institution's total investment portfolio for each Agency, with two exceptions: TVA and SLMA shall be limited to ten percent of total investments. Maximum maturity of these securities shall be ten years.
3) CDs with savings and loan associations, mutual savings banks, or commercial banks may be held without limit provided the depository is a QPD under the SAFE Program. CD maturity shall not exceed five years.
4) The aggregate total of all MBSs may not exceed 50 percent of the institution's total investment portfolio. The aggregate average life maturity for all holdings of MBS shall not exceed seven years, while the maximum average life maturity of any one security shall not exceed ten years.
5) The total portfolio of mortgage related securities shall not exceed 50 percent of the institutions 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 institution may enter into a repurchase agreement so long as:
   A. the repurchase securities are legal investments under state law for institutions;
   B. the institution receives a daily assessment of the market value of the repurchase securities, including accrued interest, and maintains adequate margin that reflects a risk assessment of the repurchase securities and the term of the transaction; and
   C. the institution has entered into signed contracts with all approved counterparties.
7) The institution has discretion to determine if it should hold or sell other investments that it may receive as a donation.

NOTE 3 - INVESTMENTS (CONT'D)

The institution shall not invest in stripped mortgage backed securities, residual interest in CMOs, mortgage servicing rights or commercial mortgage related securities. Investment of debt proceeds and deposits with trustees is governed by the provisions of the debt agreement. Funds may be invested in any legally permissible document. Endowment donations shall be invested in accordance with the procedures and policies developed by the institution and approved by the Chancellor in accordance with the "Alabama Uniform Prudent Management of Institutional Funds Act" Code of Alabama Sections 19-3C-1 and following.

NOTE 4 - RECEIVABLES

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

Accounts Receivable:	**2023**	**2022**
Federal	$ 2,555,092	$ 1,039,800
State	2,015,424	296,074
Local	348,374	329,782
Third Party	481,940	553,005
Interest	59,940	27,740
Other	25,936	333,967
Total accounts receivable	5,486,706	2,580,368
Student Receivables:		
Tuition and fees	549,731	815,396
Less: Allowance for doubtful accounts	(284,148)	(412,648)
Total student receivable, net	265,583	402,748
Total receivables	$ 5,752,289	$ 2,983,116

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NOTE 5 - CAPITAL ASSETS

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

	Beginning Balance	Additions	Deductions	Adjustments	Ending Balance
Land	$ 1,810,736	$ -	$ -	$ -	$ 1,810,736
Improvements other than buildings	3,605,052	3,515	-	159,984	3,768,551
Buildings	55,219,585	-	-	-	55,219,585
Building alterations	16,146,367	22,228	-	1,495,433	17,664,028
Equipment	20,212,112	2,431,835	(1,073,736)	-	21,570,211
Library holdings	1,503,763	36,193	(253)	-	1,539,703
Right of use assets	131,189	93,927	(53,479)	-	171,637
Subscription based IT arrangements	-	265,112	-	-	265,112
Construction in process	1,998,619	5,586,531	-	(1,655,417)	5,929,733
Total	100,627,423	8,439,341	(1,127,468)	-	107,939,296
Less: Accumulated depreciation					
Improvements other than buildings	2,775,195	125,704	-	-	2,900,899
Buildings	27,251,403	1,104,392	-	-	28,355,795
Building alterations	6,029,101	697,856	-	-	6,726,957
Equipment	14,673,040	1,416,385	(1,024,661)	-	15,064,764
Library holdings	1,476,993	76,985	(253)	-	1,553,725
Rights to use assets	57,490	58,240	(38,653)	-	77,077
Subscription based IT arrangements	-	130,324	-	-	130,324
Total accumulated depreciation	52,263,222	3,609,886	(1,063,567)	-	54,809,541
Capital assets, net	$ 48,364,201	$ 4,829,455	$ (63,901)	$ -	$ 53,129,755

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

	Beginning Balance	Additions	Deductions	Adjustments	Ending Balance
Land	$ 1,810,736	$ -	$ -	$ -	$ 1,810,736
Improvements other than buildings	3,605,052	-	-	-	3,605,052
Buildings	55,219,585	-	-	-	55,219,585
Building alterations	14,658,348	14,393	-	1,473,626	16,146,367
Equipment	19,076,876	1,732,242	597,006	-	20,212,112
Library holdings	1,503,195	29,499	28,931	-	1,503,763
Right of use assets	-	131,189	-	-	131,189
Construction in process	2,808,095	664,150	-	(1,473,626)	1,998,619
Total	98,681,887	2,571,473	625,937	-	100,627,423
Less: Accumulated depreciation					
Improvements other than buildings	2,630,993	144,202	-	-	2,775,195
Buildings	26,147,011	1,104,392	-	-	27,251,403
Building alterations	5,391,513	637,588	-	-	6,029,101
Equipment	13,985,171	1,281,475	593,606	-	14,673,040
Library holdings	1,401,805	75,188	-	-	1,476,993
Right of use assets	-	57,490	-	-	57,490
Total accumulated depreciation	49,556,493	3,300,335	593,606	-	52,263,222
Capital assets, net	$ 49,125,394	$ (728,862)	$ 32,331	$ -	$ 48,364,201

NOTE 6 - DEFINED BENEFIT PENSION PLAN

Plan Description

The Teachers' Retirement System of Alabama (TRS), a cost-sharing multiple-employer public employee retirement plan (the "Plan"), was established as of September 15, 1939, under the provisions of Act Number 419, Acts of Alabama 1939, for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions.

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

The responsibility for the general administration and operation of the TRS is vested in its Board of Control. The TRS Board of Control consists of 15 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The ***Code of Alabama 1975***, Section 16-25-2, grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

Benefits Provided

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

Act Number 2012-377, Acts of Alabama, established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life.
Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending June 30 are paid to a qualified beneficiary.

Contributions

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

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

Participating employers' contractually required contribution rate for the year ended September 30, 2023, was 12.36% of annual pay for Tier 1 members and 11.22% of annual pay for Tier 2 members.

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

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 $2,538,328 for the year ended September 30, 2023.

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

At September 30, 2023, the College reported a liability of $37,917,167 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 0.243983%, which was decrease of 0.016431% from its proportion measured as of September 30, 2021.

For the year ended September 30, 2023, the College recognized pension expense of $4,305,000. At September 30, 2023, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	(In Thousands)	
Differences between expected and actual experience	$ 834	$ 920
Changes of assumptions	1,721	-
Net difference between projected and actual earnings on pension plan investments	7,609	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	358	1,938
Employer contributions subsequent to the measurement date	2,538	-
Total	$ 13,060	$ 2,858

The $2,538,328 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending (In Thousands)		
September 30, 2024	$	2,281
2025	$	1,719
2026	$	958
2027	$	2,706
2028	$	-
Thereafter	$	-

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

Actuarial Assumptions

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

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

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

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

Group	Membership Table	Set Forward (+) / Setback (-)	Adjustment to Rates
Service Retirees	Teacher Retiree - Below Median	**Male**: +2 **Female:** +2	**Male:** 108% ages < 63, 96% ages > 67 **Female:** 112% ages <69, 98% > age 74, Phasing down 69-74
Beneficiaries	Contingent Survivor _ Below Median	**Male:** +2 **Female:** None	None
Disabled Retirees	Teacher Disability	**Males:** +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 %
Total	100.00 %	

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

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 System's proportionate share of the collective net pension liability calculated using the discount rate of 7.45%, as well as what the System;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	$ 49,063	$ 37,917	$ 28,528

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 Number 67 Report for the TRS prepared as of September 30, 2022. The auditor's report on the Schedule of Employer Allocations and Pension Amounts by Employer and accompanying notes detail by employer and in aggregate information needed to comply with GASB 68. The additional financial and actuarial information is available at http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/.

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

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

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

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

Benefits Provided

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

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

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

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

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.

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

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

At September 30, 2023, the College reported a liability for its proportionate share of the collective net OPEB liability of $3,628,551. 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 net OPEB liability was based based on the employers' share of contributions to the OPEB plan relative to the total employer contributions of all participating PEEHIP employers. At September 30, 2021, the College's proportion was 0.20824232%, which was a increase of 0.677532% from its proportion measured as of September 30, 2021.

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

For the year ended September 30, 2023, the College recognized OPEB expense of $2,191,211 with no special funding situations. At September 30, 2023, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 166,418	$ 7,336,560
Changes of assumptions	2,943,222	5,281,523
Net difference between projected and actual earnings on OPEB plan investments	456,320	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	897,248	1,427,103
Employer contributions subsequent to the measurement date	299,976	-
Total	$ 4,763,184	$ 14,045,186

The $299,976 reported as deferred outflows of resources related to OPEB resulting from the College's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending September 30, 2024.

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

Year Ending	
September 30, 2024	$ (2,380,989)
2025	$ (2,428,710)
2026	$ (1,277,921)
2027	$ (1,146,629)
2028	$ (1,453,223)
Thereafter	$ (894,506)

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

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 included 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 based on scale MP-2020, with an adjustment of 66-2/3% to the table beginning in 2019. The mortality tables are adjusted forward and/or back depending on the plan and group covered, as shown in the table below.

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

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

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

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.

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

Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation), as developed for each major asset class. These ranges should be combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.
The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

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

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

(*) Geometric mean, includes 2.5% inflation.

Discount Rate (Single Equivalent Interest Rate - SEIR)

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.

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

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

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

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

	1% Decrease	Current	1% Increase
	(5.50% Decreasing to 3.50% for Pre-Medicare and Known Decreasing to 3.50% for Medicare Eligible	(6.50% Decreasing to 4.50% for Pre-Medicare and Known Decreasing to 4.50% for Medicare Eligible)	(7.50% Decreasing to 5.50% for Pre-Medicare and Known Decreasing to 5.50% for Medicare Eligible
College's proportionate share of the collective net OPEB liability	$ 2,751,511	$ 3,628,515	$ 4,704,079

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

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

	1% Decrease (2.97%)	Current Rate (3.97%)	1% Increase (4.97%)
College's proportionate share of collective net OPEB liability	$ 4,486,123	$ 3,628,515	$ 2,908,579

OPEB Plan Fiduciary Net Position

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

NOTE 8 - CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

As of September 30, 2023, Shelton State Community College had been awarded approximately $10,092,572 in contracts and grants on which performance had not been accomplished and funds had not been received. These awards, which represent commitments of sponsors to provide funds for specific purposes, have not been reflected in the financial statements.

NOTE 9 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	2023	2022
Salaries and Wages	$ 850,530	$ 959,971
Benefits	2,964	3,714
Supplies and Vendors	1,471,234	1,430,572
Total	$ 2,324,728	$ 2,394,257

NOTE 10 - LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Lease obligations	$ 124,667	$ 93,927	$ 120,348	$ 98,245	$ 44,726
Other Liabilities:					
Compensated absences	1,488,453	85,476	-	1,573,928	157,393
Total Long-Term Liabilities	$ 1,613,120	$ 179,403	$ 120,348	$ 1,672,173	$ 202,119

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

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

NOTE 11 - LEASE OBLIGATIONS AND SUBSCRIPTION-BASED ARRANGEMENTS

Capital Leases

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

NOTE 11 - LEASE OBLIGATIONS AND SUBSCRIPTION-BASED ARRANGEMENTS (CONT'D

Capital Leases

The College, as a lessee, leases certain items of office equipment. These assets are recognized as right of use leased assets with a corresponding lease liability. The various leases have interest rates ranging from 2.34% to 29.400%, and payment terms from 21 months to 48 month.

	2023	2022
Right of use assets	$ 171,637	$ 131,189
Less: accumulated amortization	(77,077)	(57,490)
Net right of use assets	$ 94,560	$ 73,699

Minimum lease payments under capital leases together with the present value of the net minimum lease payments are shown in the table below:

Fiscal Years	Principal	Interest	Total
2023-2024	$ 44,726	$ 8,678	$ 53,404
2024-2025	$ 26,681	$ 4,961	$ 31,642
2025-2026	$ 20,371	$ 2,118	$ 22,489
2026-2027	6,467	151	6,618
Totals	$ 98,245	$ 15,908	$ 114,153

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 governments' 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 the College is required to recognize a subscription liability and an intangible right-to-use subscription asset.

	2023
Right of use assets - SBITA	$ 265,112
Less: accumulated amortization	(130,323)
Net right of use assets	$ 134,789

Required annual fixed payments under arrangements, based upon subscription terms of up to 30 months and interest rate of 3.3470% is presented below:

Fiscal Years	Principal	Interest	Total
2024	$ 46,423	$ 1,554	$ 47,977

NOTE 12 - RISK MANAGEMENT

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

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

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

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

NOTE 13 - RELATED PARTIES

Shelton State Community College Foundation. Inc.

The Shelton State Community College Foundation was incorporated as a non-profit corporation to promote scientific, literary and educational purposes, the advancement of Shelton State Community College, and for the encouragement and support of its students and faculty. This report contains no financial statements of Shelton State Community College Foundation, Inc. The foundation contributed $221,946 to the College during the year ended.

REQUIRED SUPPLEMENTARY INFORMATION

SHELTON STATE COMMUNITY COLLEGE
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF COLLEGE'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
TEACHERS RETIREMENT PLAN OF ALABAMA LAST 9 FISCAL YEARS*
(In Thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
College's proportionate share of the collective net pension liability	0.2440 %	0.2604 %	0.2677 %	0.2596 %	0.2627 %	0.2583 %	0.0267 %	0.2735 %	27.3873 %
College's proportionate share of the collective net pension liability	$ 37,917	$ 28,704	$ 33,113	$ 28,704	$ 26,114	$ 25,386	$ 28,883	$ 28,621	$ 24,880
College's covered payroll during the measurement period	$ 20,833	$ 18,882	$ 18,909	$ 18,786	$ 17,509	$ 17,017	$ 16,940	$ 17,297	$ 17,357
College's proportional share of the collective net pension liability as a percentage of payroll	182.00 %	130.00 %	175.00 %	153.00 %	149.00 %	149.00 %	171.00 %	165.00 %	143.00 %
Plan fiduciary net position as a percentage of the total collective pension liability	62.21 %	76.44 %	67.72 %	69.85 %	72.29 %	71.50 %	67.93 %	67.51 %	71.01 %

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

- Per GASB 82, which amends GASB 68, covered payroll is defined as the payroll on which contributions to a pension plan are based, also known as pensionable payroll. The covered payroll for this RSI Schedule (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.

See Accompanying Notes to the Required Supplementary Information for Pension.

SHELTON STATE COMMUNITY COLLEGE
SCHEDULE OF CONTRIBUTIONS - PENSION
TEACHERS RETIREMENT PLAN OF ALABAMA LAST 9 FISCAL YEARS*
For the year ended September 30, 2023
(In thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 2,538	$ 2,277	$ 2,279	$ 2,309	$ 2,257	$ 2,110	$ 2,022	$ 2,006	$ 1,955
Contributions in relation to the contractually required contribution	$ 2,538	$ 2,277	$ 2,279	$ 2,309	$ 2,257	$ 2,110	$ 2,022	$ 2,006	$ 1,955
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College's covered payroll	$ 20,833	$ 18,828	$ 18,882	$ 18,909	$ 18,786	$ 17,509	$ 17,017	$ 16,940	$ 17,297
Contributions as a percentage of covered payroll	12.18 %	12.09 %	12.07 %	12.21 %	12.01 %	12.05 %	11.88 %	11.84 %	11.30 %

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

- Per GASB 82, which amends GASB 68, covered payroll is defined as the payroll on which contributions to a pension plan are based, also known as pensionable payroll. The covered payroll for this RSI 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 College's contributions in the pension plan's schedule of changes in fiduciary net position during the period that coincides with the College's fiscal year. For participants in TRS, this includes amounts paid for Accrued Liability, Normal Cost Term Life Insurance, Pre-Retirement Death Benefit and Administrative Expenses.

See Accompanying Notes to the Required Supplementary Information for Pension.

SHELTON STATE COMMUNITY COLLEGE
SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF
THE COLLECTIVE NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY
ALABAMA RETIRED EDUCATION EMPLOYEES' HEALTH CARE TRUST
For the year ended September 30, 2023
(Dollar Amount In Thousands)

	2023	2022	2021	2020	2019	2018
College's proportionate share of the collective net pension liability	0.208242 %	0.201467 %	0.200697 %	0.232532 %	0.219579 %	0.216163 %
College's proportionate share of the collective net pension liability	$ 3,628	$ 10,409	$ 13,025	$ 8,773	$ 18,047	$ 16,055
College's covered payroll during the measurement period	$ 16,600	$ 16,873	$ 17,178	$ 16,349	$ 15,551	$ 15,127
College's proportional share of the collective net pension liability as a percentage of payroll	21.86 %	61.69 %	75.82 %	53.66 %	116.05 %	106.13 %
Plan fiduciary net position as a percentage of the total collective pension liability	48.39 %	27.11 %	19.80 %	28.14 %	14.81 %	15.37 %

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.
(*)Per GASB 75, covered payroll is defined as the payroll of employees that are provided with OPEB through the OPEB plan. The covered payroll for this RSI Schedule (GASB 75 paragraph 97) is for the reporting period (i.e., the measurement period), which for the 9/30/2023 year is 10/1/2021 - 9/30/2022.

SHELTON STATE COMMUNITY COLLEGE
SCHEDULE OF CONTRIBUTIONS - OTHER POSTEMPLOYMENT BENEFITS
ALABAMA RETIRED EDUCATION EMPLOYEES' HEALTH CARE TRUST
For the year ended September 30, 2023

	2023	2022	2021	2020	2019	2018
Contractually required contribution	$ 299,976	$ 396,522	$ 348,659	$ 397,341	$ 658,882	$ 544,385
Contributions in relation to the contractually required contribution	$ 299,976	$ 396,522	$ 348,659	$ 397,341	$ 658,882	$ 544,385
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
College's covered employee payroll	$ 18,062,479	$ 16,600,047	$ 16,872,553	$ 17,178,000	$ 16,349,314	$ 15,550,766
Contributions as a percentage of covered employee payroll	1.66 %	2.39 %	2.07 %	2.31 %	4.03 %	3.50 %

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

See Accompanying Notes to the Required Supplementary Information for Other Postemployment Benefits (OPEB).

SHELTON STATE COMMUNITY COLLEGE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR
TEACHERS RETIREMENT PLAN OF ALABAMA

NOTE 1 - CHANGES IN BENEFIT TERMS

In 2022, the plan was amended to allow Tier II members to retire with 30 years of creditable service regardless of age with an early retirement reduction of 2% for each year that the member is less than age 62 at retirement (age 56 for police officers, firefighters, and correctional officers). In 2022, the plan was amended to allow surviving spouses of retirement-eligible members who die in active service to receive an Option 2 monthly allowance.

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

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

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

NOTE 2 - CHANGES IN ACTUARIAL ASSUMPTIONS

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

In 2018, the discount rate was changed from 7.75% to 7.70%. In 2016, rates of retirement, disability, withdrawal and mortality were adjusted to more closely reflect actual experience. In 2016, economic assumptions and the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. In 2016 the expectation of retired life mortality as changed to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using scale BB and adjusted 105% for males and 120% for females.

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

SHELTON STATE COMMUNITY COLLEGE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)

NOTE 1 - CHANGES IN ACTUARIAL ASSUMPTIONS

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

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

NOTE 2 - RECENT PLAN CHANGES

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

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

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

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

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

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

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

OTHER INFORMATION

SHELTON STATE COMMUNITY COLLEGE
COLLEGE OFFICIALS
October 1, 2022 through September 30, 2023

Officials	Position
Jimmy Baker	Chancellor, Alabama Community College System
Jonathan Koh	President (Effective Beginning November 15, 2023)
Chris Cox	President (Ended November 15, 2023)
Brian Harrison	Regional Chief Financial Officer - ACCS