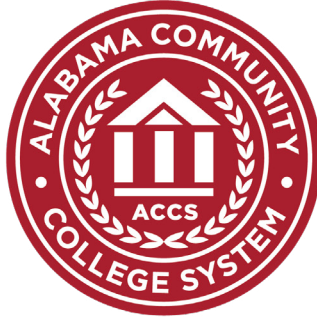


REAL. *Life.* EDUCATION.



Alabama Community College System Office Annual Financial Report

FOR THE YEAR ENDED SEPTEMBER 30, 2024



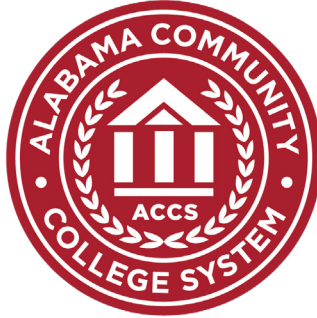
Make *Life* Better.

The page Intentionally left blank

TABLE OF CONTENTS

ALABAMA COMMUNITY COLLEGE SYSTEM OFFICE

Independent Auditor's Report	5
Management's Discussion and Analysis – Unaudited	11
Financial Statements	
Statement of Net Position	26
Statement of Revenues, Expenses and Changes in Net Position.....	28
Statement of Cash Flows	29
Notes to the Financial Statements	34
Required Supplementary Information	
Schedule of the Proportionate Share of the Net Pension Liability	61
Schedule of the Contributions Pension	62
Notes to Required Supplementary Information for Pension Benefits	63
Schedule of the Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability	65
Schedule of the Contribution Other Postemployment Benefits (OPEB)	66
Notes to Required Supplementary Information for Other Postemployment Benefits (OPEB).....	67
Supplementary Information	
Schedule of Expenditures of Federal Awards	71
Notes to the Schedule of Expenditures of Federal Awards.....	72
Additional Information	
Officials.....	75
Independent Auditors Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	79
Independent Auditors Report on Compliance for the Major Federal Programs, Report on Internal Control Over Compliance Required by the <i>Uniform Guidance</i>	81
Schedule of Findings and Questioned Costs	84



Make *Life* Better.

The page Intentionally left blank

Forvis Mazars, LLP
1715 Aaron Brenner Dr. Suite 701
Memphis, TN 38120
P 901.761.3000 | F 901.761.9667
forvismazars.us



Independent Auditor's Report

Board of Trustees
Alabama Community College System Office
Montgomery, Alabama

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Alabama Community College System Office (the "Office"), a component unit of the State of Alabama, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Office's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Office, as of September 30, 2024, 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 (*Government Auditing Standards*). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Office 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 the Office's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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

Forvis Mazars, LLP is an independent member of Forvis Mazars Global Limited

Board of Trustees
Alabama Community College System Office

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 Office'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 Office'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 (MD&A), the schedule of the Office's proportionate share of the net pension liability, the schedule of Office's pension contributions, the schedule of the Office's proportionate share of the net OPEB liability, and the schedule of the Office's OPEB contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Office's basic financial statements. The schedule of expenditures of federal awards and related notes is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements. This information is the responsibility of management and is derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying

Board of Trustees
Alabama Community College System Office

accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and related notes, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

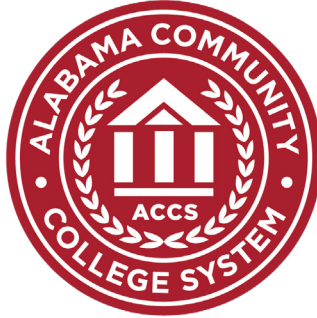
In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. 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, 2025, on our consideration of the Office'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 Office'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 Office's internal control over financial reporting and compliance.

Forvis Mazars, LLP

Memphis, Tennessee
January 16, 2025



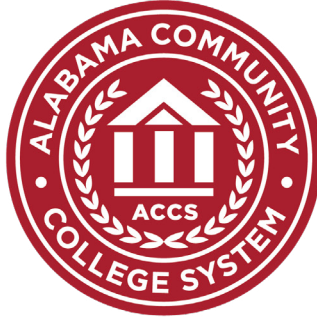
Make *Life* Better.

The page Intentionally left blank

Management's Discussion and Analysis

ANNUAL FINANCIAL REPORT
ALABAMA COMMUNITY COLLEGE SYSTEM OFFICE





Make *Life* Better.

The page Intentionally left blank

Management's Discussion and Analysis

The Management's Discussion and Analysis ("MD&A") of The Alabama Community College System Office (the "Office" or "ACCS Office") annual financial report presents a discussion and analysis of the financial performance of the Office during the fiscal year ended September 30, 2024. This discussion has been prepared by management along with the financial statements and related note disclosures and should be read in conjunction with the financial statements and notes. The financial statements, notes, required supplementary information, and this discussion are the responsibility of management.

History, Mission, and Governance

Alabama Community College System (hereinafter "the ACCS") was created through Alabama Act 2015-125 (the "Act") as an independent department of state government to replace and succeed the duties of the Department of Postsecondary Education. The Act further transferred the authority, powers and duties assigned to the State Board of Education with respect to the supervision, administration, naming, financing, construction and equipping of institutions of postsecondary education, including Alabama Technology Network, community and technical colleges, junior colleges and trade schools, however described, to a Board of Trustees (the "Board"). The Alabama Community College System Board of Trustees plays a critical role in the education of hundreds of thousands of adults each year. The members of the Board of Trustees serve as guardians for the Alabama Community College System's mission and goals, with the Governor serving as chair of the Board by virtue of elected office. The other board members, appointed by the Governor, represent seven districts, with one state-wide member and an ex-officio liaison from the State Board of Education.

The ACCS is committed to providing accessible educational opportunities for career preparation, advancement, and lifelong learning throughout Alabama. The ACCS is dedicated to providing a dynamic learner centric environment where excellence in teaching, learning, and serving improves the lives of its students and the communities it serves. The ACCS seeks to maintain a sound fiscal foundation to support its mission in addition to providing responsible stewardship of public funds in compliance with state laws. The Alabama Community College System Office (the "Office") has oversight authority for the operation and management and the regulation pursuant to Alabama Community College System Board of Trustees policies of the twenty-four community and technical colleges and the Alabama Technology Network comprising the Alabama Community College System. It provides technical and legal assistance to the System institutions as well as provides pass-through funds to the colleges for operations and specialized programs. The Alabama Community College System Office is publicly supported and under the direction and control of the Board of Trustees through the Chancellor of the Alabama Community College System. This Management's Discussion and Analysis reflects ACCS's commitment to fiscal responsibility and aligns financial planning with its mission to deliver lifelong learning opportunities.

Overview of the Financial Statements and Financial Analysis

The accompanying narrative presents the ACCS Office's financial statements for fiscal year 2023-2024. Three financial statements are presented: Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows. This discussion and analysis of the ACCS Office's financial statements provides an overview of financial activities for the year ended September 30, 2024.

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 ACCS Office at September 30, 2024. The purpose of the Statement of Net Position is to present to the readers of the financial statements a fiscal snapshot of the ACCS Office. The Statement of Net Position presents end-of-year data concerning assets (current and non-current), deferred outflows of resources, liabilities (current and non-current), deferred inflows of resources, and net position (Assets and Deferred Outflows minus Liabilities and Deferred Inflows). 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 ACCS Office. Readers are able to determine the consumption or acquisition of net assets in one period attributable to future periods included as deferred outflows of resources or deferred inflows of resources, respectively. They are also able to determine how much the ACCS Office owes vendors, investors, and lending institutions. In summary, the Statement of Net Position provides a picture of the ACCS Office'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 ACCS Office.

Net Position is divided into two categories. The first category, Net Investment in Capital Assets, provides the ACCS Office's equity in property, plant, and equipment. The second category is Unrestricted Net Position, which is available to the ACCS Office for any appropriate purpose.

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

Statement of Net Position

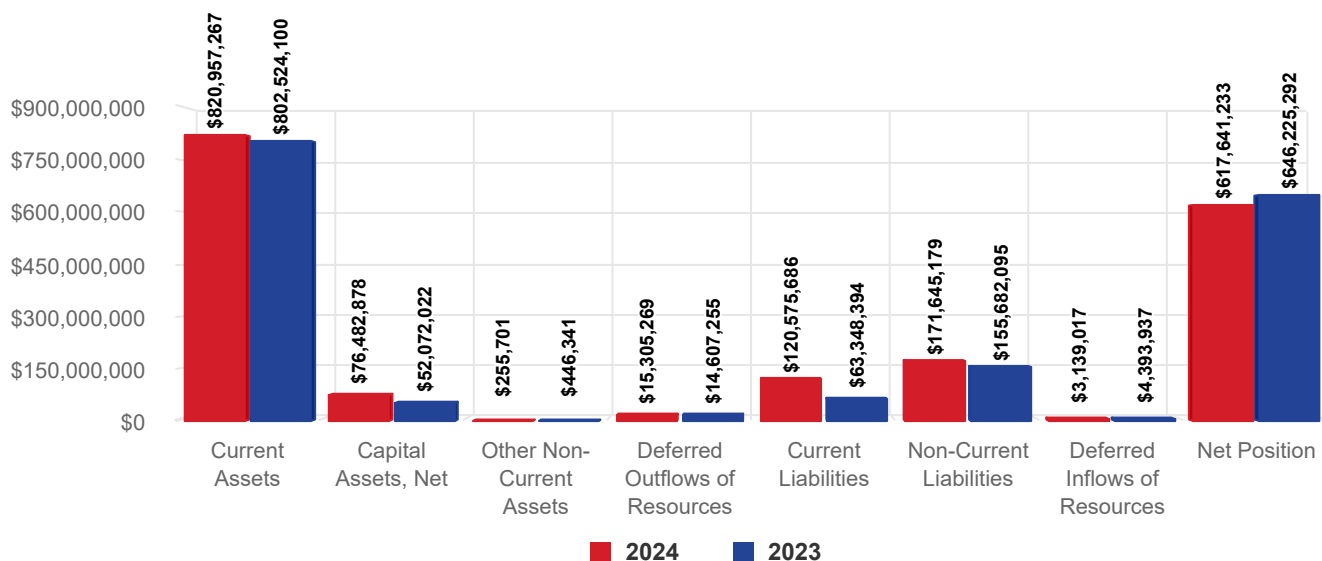
	2024	2023
Assets		
Current Assets	\$ 820,957,267	\$ 802,524,100
Capital Assets, Net	76,482,878	52,072,022
Other Non-Current Assets	255,701	446,341
Total Assets	897,695,846	855,042,463
Deferred Outflows of Resources	15,305,269	14,607,255
Liabilities		
Current Liabilities	120,575,686	63,348,394
Non-Current Liabilities	171,645,179	155,682,095
Total Liabilities	292,220,865	219,030,489
Deferred Inflows of Resources	3,139,017	4,393,937
Net Position		
Invested in Capital Assets, Net of Related Debt and Depreciation	21,089,001	14,331,140
Unrestricted	596,552,232	631,894,152
Total Net Position	\$ 617,641,233	\$ 646,225,292

It is important to note that as of September 30, 2024, the ACCS Office holds \$27,658,696 of Reserve Fund deposits which causes Current Assets and Unrestricted Net Position (Board Designated) to increase. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 84 Fiduciary Activities, Reserve Fund deposits totaling \$24,682,499 were reported as Assets for the year ended September 30, 2023. The purpose of the Fund is to guarantee Board-issued revenue bond debt service on behalf of the various Alabama Community College System Institutions. The Fund is managed by the ACCS Reserve Fund Advisory Council that includes the Chancellor of The Alabama Community College System (ACCS) and one college president from each Board district. Additionally, prior to October 1, 2018, the fiduciary and financial reporting for the ACCS Office were the responsibilities of the State of Alabama Department of Finance. On October 1, 2018, the ACCS enacted the body corporate authority to manage the financial administration and reporting independent of the Department of Finance.

The ACCS Office's total Net Position decreased by \$28.6 million during the year ended September 30, 2024. The decrease is primarily attributable to the expending of \$38.2 million in 2021 Revenue Bond funds and the disbursement of prior year supplemental appropriations for capital projects. Assets increased \$42.6 million in unobligated cash held from tuition fees, \$3 million in Reserve Fund holdings, and recognition of Subscription Based Information Technology Arrangement (SBITA) assets per GASB 96 of \$28.6 million. This is offset by an increase to accounts payable and accrued liabilities of \$50.9 million which is predominantly payable to colleges for capital projects, SBITA liabilities of \$18.7 million, and an increase of \$4.7 million in proportionate share of pension liability.

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

Statement of Net Position



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 ACCS Office, both operating and non-operating, and the expenses paid by the agency, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the ACCS Office.

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the ACCS Office. 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 ACCS Office. Non-operating revenues are revenues received for which specific goods and services are not provided. State appropriations are non-operating because they are provided by the Legislature to the ACCS without the Legislature directly designating how the funds can be used. A large portion of the state appropriation received is distributed to the ACCS member colleges. 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 aforementioned presentation is that the ACCS Office continuously generates an operating loss. Typically, an operating loss suggests fiscal concerns which should be addressed by the ACCS Office's administration; the operating loss presented in these financial statements should be viewed in the appropriate context. The ACCS Office considers state appropriations to be an integral component of the fiscal viability of the ACCS Office. Without these appropriations, the ACCS Office would have severe difficulty in achieving its mission of providing guidance and support of accessible educational opportunities across the State. The Statement of Revenues, Expenses, and Changes in Net Position presents a net increase in the Net Position for the year ending September 30, 2024.

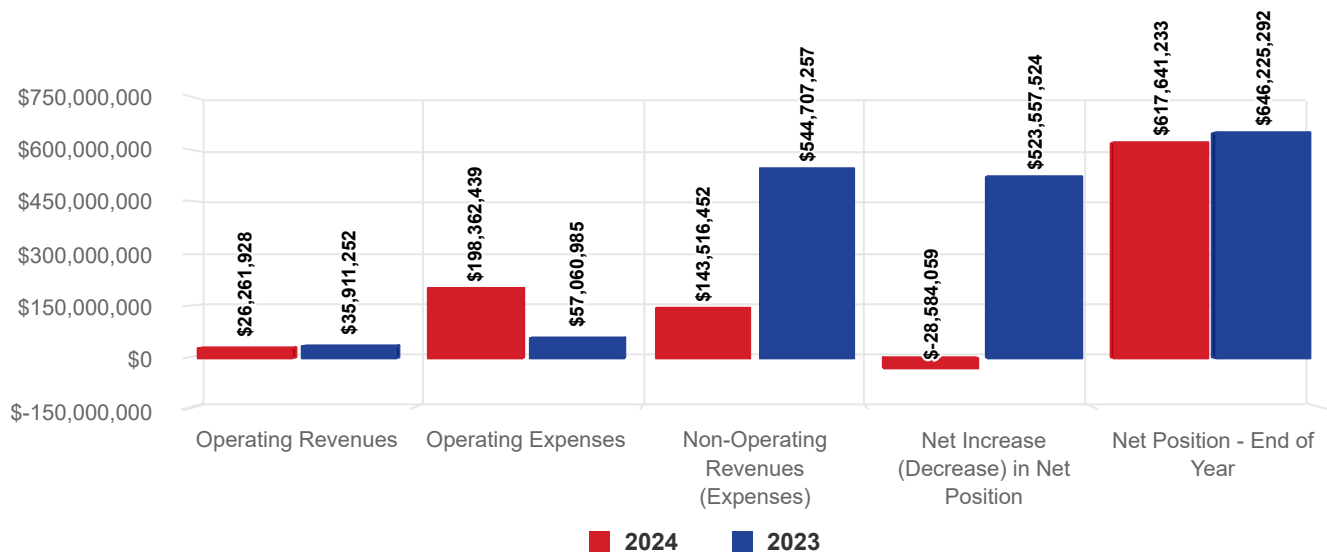
A condensed Statement of Revenues, Expenses and Changes in Net Position for the year ended September 30, 2024 and 2023 is presented below.

Statement of Revenues, Expenses, and Changes in Net Position

	2024	2023
Operating Revenues	\$ 26,261,928	\$ 35,911,252
Operating Expenses	198,362,439	57,060,985
Operating Income	(172,100,511)	(21,149,733)
Non-Operating Revenues (Expenses)	143,516,452	544,707,257
Net Increase (Decrease) in Net Position	(28,584,059)	523,557,524
Net Position - Beginning of Year	646,225,292	122,667,768
Net Position - End of Year	\$ 617,641,233	\$ 646,225,292

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

Statement of Revenues, Expenses, and Changes in Net Position



In the fiscal year ending September 30, 2024, Operating Revenues experienced a decline of approximately \$9.6 million. This decrease was driven by a reduction of \$9.6 million in Other Operating Revenues related to administrative fees collected. The Office revised its administrative fee collection processes to more effectively support System-wide initiatives. These initiatives aim to enhance services and support for the Colleges and their students, focusing on shared systems such as the enterprise resource planning system, learning management system, customer relationship management system, and student proctoring system. Although operating revenues decreased due to the reduced administrative fees, non-operating revenues from state appropriations increased, ensuring the continued funding of programs.

Concurrently, Operating Expenses for the same period increased by \$141.3 million. A substantial portion of this increase is attributed to approximately \$120 million capital project funding awarded to the System's colleges. The Office expanded support services for the Innovation Center and the colleges resulting in increased salaries and benefits of approximately \$3 million. As a result of this growth, the Office's expenses related to pension and compensated absences increased by approximately \$4 million. The Office recognized approximately \$32 million in SBITA assets in fiscal year 2024. The corresponding SBITA Amortization related to the aforementioned asset recognition results in an increase of \$6.0 million to operating expenditures.

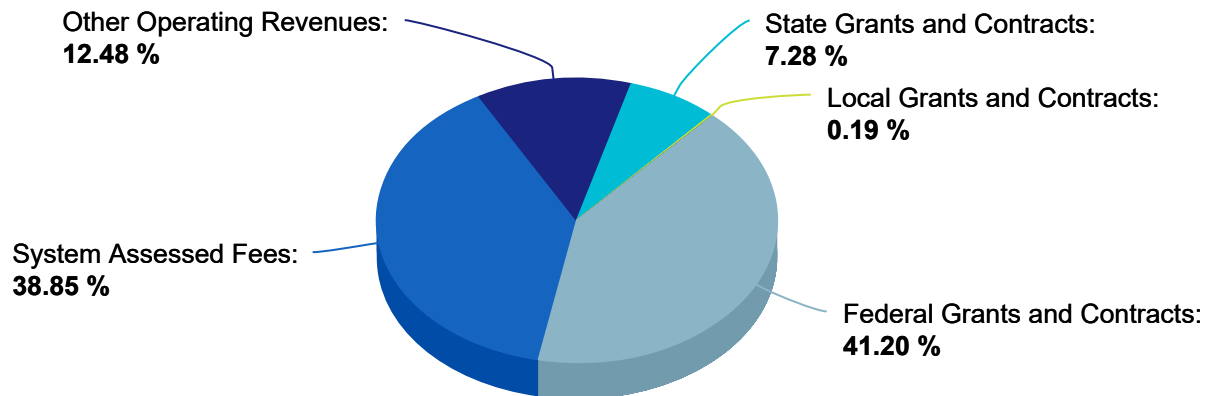
Analysis of expenses reveals, around ninety-two percent of the total expenses are allocated to institutional support, depreciation and amortization represent seven percent of the total expenses, and the remaining costs are distributed across public service, student services, operation and maintenance of plant.

Operating Revenues

	2024	2023
Operating Revenues		
System Assessed Fees	\$ 10,201,863	\$ 9,748,835
Other Operating Revenues	3,277,434	13,328,633
State Grants and Contracts	1,912,077	1,224,080
Local Grants and Contracts	50,000	50,000
Nongovernmental Grants and Contracts	-	150,000
Federal Grants and Contracts	10,820,554	11,409,704
Total Operating Revenues	\$ 26,261,928	\$ 35,911,252

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

Operating Revenues by Source



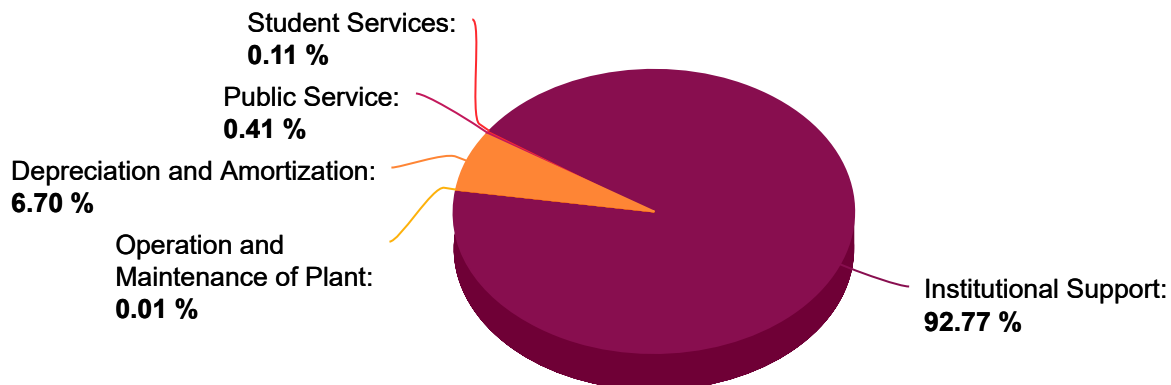
The operating expenses by function stated are displayed in the following exhibit.

Operating Expenses

	2024	2023
Operating Expenses		
Public Service	\$ 803,322	\$ 556,015
Student Services	219,338	194,897
Institutional Support	184,027,206	48,473,032
Operation and Maintenance of Plant	14,250	12,000
Student Aid (Scholarships)	-	526,250
Depreciation and Amortization	13,298,323	7,298,791
Total Operating Expenses	\$ 198,362,439	\$ 57,060,985

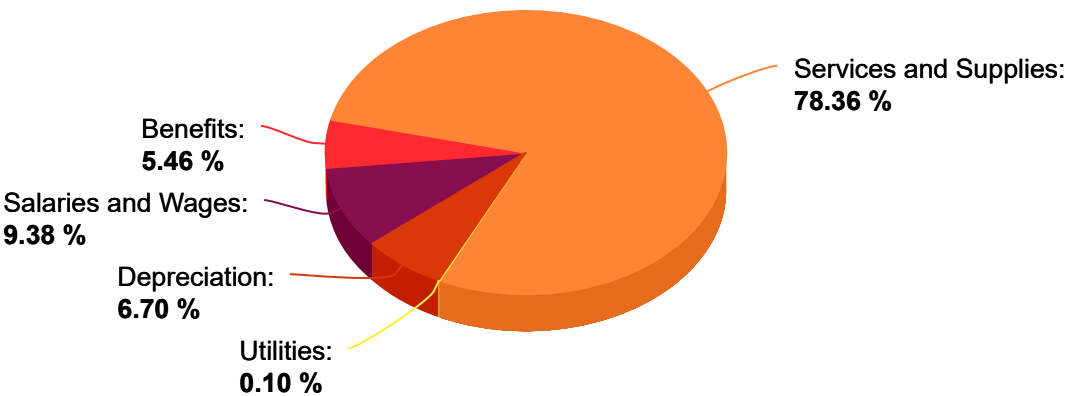
The following is a graphic presentation of operating expenses by function for the fiscal year ended September 30, 2024.

Operating Expenses by Function



Operating expenses are summarized here by natural classification.

Operating Expenses by Natural Classification

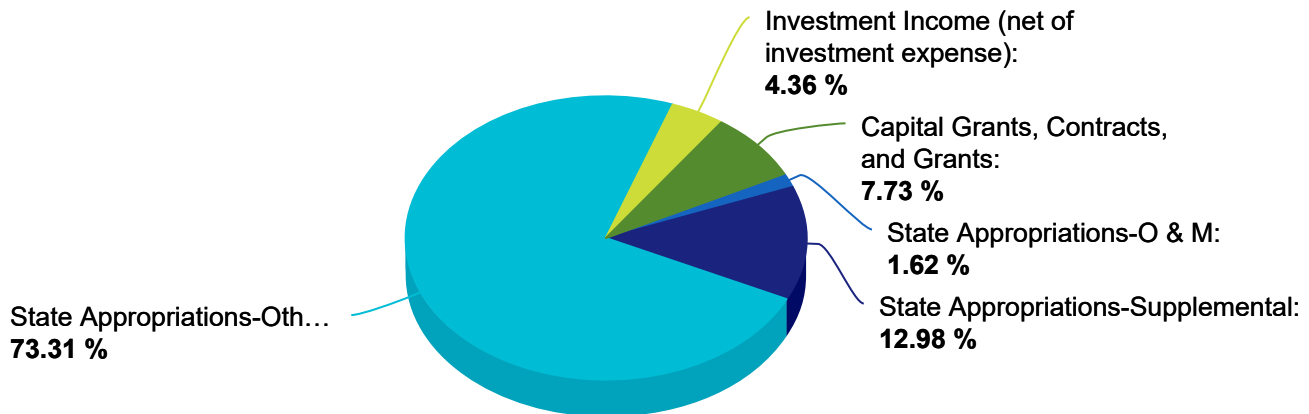


Comparison of Non-Operating Revenue

	2024	2023
Non-Operating Revenue		
State Appropriations-O & M	\$ 14,060,405	\$ 13,739,913
State Appropriations-Supplemental	112,390,057	486,437,500
State Appropriations-Other	634,740,355	503,186,103
Investment Income (net of investment expense)	37,743,691	20,006,069
Capital Grants, Contracts, and Grants	66,891,787	57,026,734
Total Non-Operating Revenue	\$ 865,826,295	\$1,080,396,319

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

Comparison of Non-Operating Revenue



Statement of Cash Flows

The final statement presented by the ACCS Office is the Statement of Cash Flows which presents detailed information about the cash activity of the Office 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 Office. The second section reflects cash flows from non-capital financing activities. This section reflects the cash received and spent for non-operating, 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. The decrease of over \$75.4 million over Fiscal year 2023 is predominantly attributable to \$101 million in disbursements of supplemental appropriations and ACCS 2021 Revenue Bond funds for capital projects, a \$7.4 million decrease of other operating revenues, which was offset by a \$17.7 million increase in investment income.

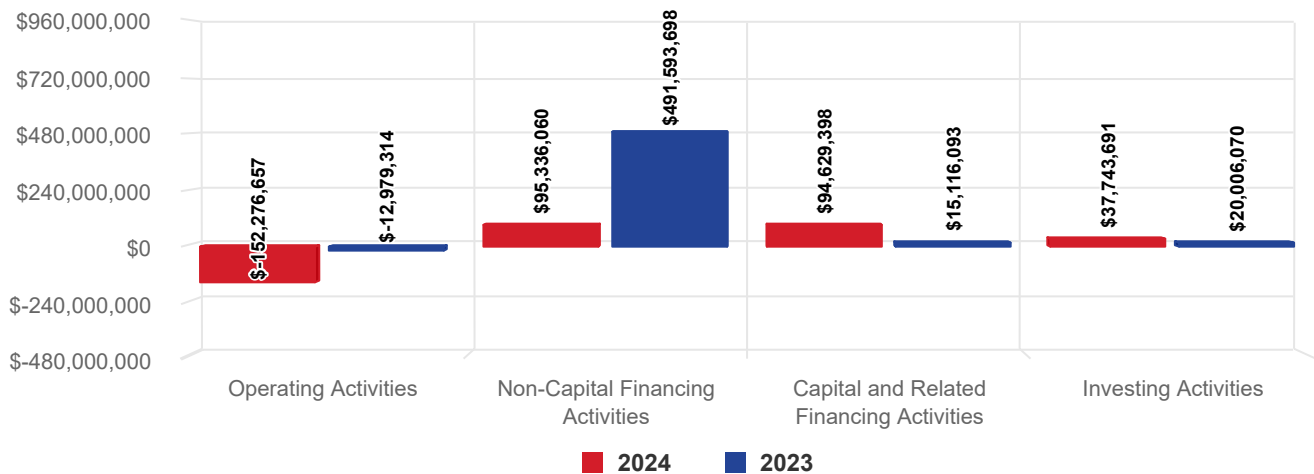
A condensed Statement of Cash Flows for the years ended September 30, 2024 and 2023 is presented below.

Statement of Cash Flows

	2024	2023
Cash Provided by (Used in):		
Operating Activities	\$ (152,276,657)	\$ (12,979,314)
Non-Capital Financing Activities	95,336,060	491,593,698
Capital and Related Financing Activities	94,629,398	15,116,093
Investing Activities	37,743,691	20,006,070
Net Change in Cash and Cash Equivalents	75,432,492	513,736,547
Cash and Cash Equivalents, Beginning of Year	658,046,903	144,310,356
Cash and Cash Equivalents, End of Year	\$ 733,479,395	\$ 658,046,903

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

Statement of Cash Flows



Economic Outlook

The state budget estimates for fiscal years 2025 and 2026 and the general economic outlook remain stable with and increase from FY24 appropriations to college Operations and Maintenance funds of \$14.3 million and an additional \$18.6 million for program specific funds, such as Dual Enrollment, Career & Technical Education and Short-Term Career Credentialing. Enrollment numbers continue to surpass pre-coronavirus enrollment and continued efforts to reach more students earlier in their education career and retain students beyond single-year status in positively impacting the System's financial stability. Across the state, the institutions have increased enrollment of more than five percent over fiscal year 2023. As the ACCS Office continues to grow with state-wide college supportive actions, operating costs will increase to meet the demand of growing enrollment and additional program offerings. The ACCS Office plans to utilize funds from the Education Trust Fund, tuition fees, and federal program funds to continue the expansion of services statewide.

Since the ACCS began the transition to the systemwide enterprise resource platform in 2018, the goal of unified financial, student, financial aid, and human resource departments throughout the colleges and the System Office has meant significant improvements with student experiences, data analysis, forecasting, and reporting capabilities. These advancements have allowed for streamlined teaching, learning, and work environments across the state. With the additional tools and analytical resources available as a result of the systemwide enterprise resource system, the administration of the colleges is better able to respond to industry specific skills training, community services impact, and state economic needs. Additionally, the implementation of a Customer Relations Management platform has enhanced student retention and communication efforts and heightened virtual and physical technology security protocols and resources to aid the colleges in their cyber security efforts. These measures have provided a significant impact to the standardization and access to real-time data across the system.

Major capital improvement projects are underway across the System, resulting in improved infrastructures for our students and communities throughout the State. These projects are funded in part from an Alabama Public School & College Authority 2020 issuance and legislative funding support that has made available a significant amount of capital improvement funding for the colleges. ACCS is ensuring these funds are used for projects that will best equip institutions to effectively serve students and communities well into the future. Funding is focused heavily on projects that show the potential for the greatest impact on local communities and that will most strengthen the System as a whole. The projects are planned to meet the current and future needs of students and local communities.

The funding for the capital improvement projects includes a combination of Public School and College Authority Bond Issue, Advanced Technology Funds, ACCS System Level Bond Issue, State Supplemental Appropriations, and College Funds including, local funds, federal funds, reserve funds, and/or new college debt.

A phase-in plan began in late 2021 with 6 colleges and has expanded to include all 24 ACCS colleges to align with needs, funding resources, and construction schedules over the next several years. The focus of these projects is specifically aligned to meet the growing needs of the State, to fulfill workforce skills training needs in high wage, high demand industries, and to help improve the labor participation rate of the State. The ongoing post-covid construction market remains a major consideration when evaluating the priority of projects, to ensure the available funds are utilized to best meet the needs of the System.

The System Office and the colleges continue to progress in the standardization and enhancing of processes across all functional areas. As these efforts continue to evolve, it is expected that the entire System will be positively impacted by the sharing of best-practices identified during our journey. This, of course, will also enhance external services that are reliant upon reporting and consistent processes. The Presidents are sharing resources and growing areas of shared services through the State including Finance, Information Technology, Faculty sharing, program development, and student support services. As these resources grow in efficiency and scope, the colleges will benefit with improved services and efficiencies.

Funding resources through the Education Trust Fund and tuition and fees are expected to see increases into the FY26 period. However, conservative assessments predict a leveling of resources as tax revenues are slowing from post-pandemic highs. With these estimations, the System has begun implementing planning strategies to account for a non-growth environment while still completing the priority capital improvement projects and program expansion services that are critical to the stability of the System. Such plans include a heightened focus on improving the labor participation rate throughout the State. Through the expansion and delivery of education platforms for high-wage, high demand careers and a wider reach for educational access in both rural and metro communities, the System is laser focused on not only making education available for all Alabamians, but also developing pathways to bring valuable educational opportunities to all our communities.

The ACCS Office is not aware of any currently known acts, decisions, or conditions that are expected to have a negative impact on the financial position or results of operations during the current fiscal year. The ACCS Office anticipates the next two fiscal years will be challenging as we continue to improve the infrastructure of the colleges in the fluctuating post-pandemic construction market. However, the administration will continue to maintain a close watch over resources to ensure the ACCS Office's ability to respond proactively to internal and external issues, particularly related to funding.



Make *Life* Better.

The page Intentionally left blank

Financial Statements

ANNUAL FINANCIAL REPORT

ALABAMA COMMUNITY COLLEGE SYSTEM OFFICE





Make *Life* Better.

The page Intentionally left blank

Statement of Net Position

September 30, 2024

2024

Assets**Current Assets**

Cash and Cash Equivalents	\$ 733,479,395
Accounts Receivable (net of allowance for doubtful accounts of \$1,167,316)	18,944,273
Prepaid Assets	4,324,429
Deposit with Bond Trustee	64,209,170
Total Current Assets	820,957,267

Non-Current Assets

Capital Assets, Net of Depreciation and Amortization	76,482,878
Other Non-Current Assets	255,701
Total Non-Current Assets	76,738,579

Total Assets

897,695,846

Deferred Outflows of Resources

Pension	11,551,324
Other Postemployment Benefit (OPEB)	3,753,945
Total Deferred Outflows of Resources	\$ 15,305,269

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

Statement of Net Position (Continued)

September 30, 2024

	<u>2024</u>
Liabilities	
Current Liabilities	
Accounts Payable and Accrued Liabilities	\$ 103,669,049
Compensated Absences	115,049
Leases Payable	1,142,708
Bonds Payable	2,773,139
Subscriptions Payable	12,875,741
Total Current Liabilities	<u>120,575,686</u>
Non-Current Liabilities	
Leases Payable	19,984,352
Subscriptions Payable	21,391,076
Bonds Payable	91,341,856
Compensated Absences	4,629,701
Net Pension Liability	29,482,000
Net OPEB Liability	4,816,194
Total Non-Current Liabilities	<u>171,645,179</u>
Total Liabilities	<u>292,220,865</u>
Deferred Inflows of Resources	
Pensions	398,000
Other Postemployment Benefit (OPEB)	2,741,017
Total Deferred Inflows of Resources	<u>3,139,017</u>
Net Position	
Net Investment in Capital Assets	21,089,001
Unrestricted	596,552,232
Total Net Position	<u>\$ 617,641,233</u>

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

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

	2024
Operating Revenues	
System Assessed Fees	\$ 10,201,863
Other Operating Revenues	3,277,434
State Grants and Contracts	1,912,077
Local Grants and Contracts	50,000
Federal Grants and Contracts	10,820,554
Total Operating Revenues	26,261,928
Operating Expenses	
Public Service	803,322
Student Services	219,338
Institutional Support	184,027,206
Operation and Maintenance of Plant	14,250
Depreciation and Amortization	13,298,323
Total Operating Expenses	198,362,439
Operating Loss	(172,100,511)
Non-Operating Revenues (Expenses)	
State Appropriations-O & M	14,060,405
State Appropriations-Supplemental	112,390,057
State Appropriations-Other	634,740,355
Investment Income (net of investment expense)	37,743,691
Capital Grants, Contracts, and Grants	66,891,787
State Appropriations Transferred to Colleges	(718,975,490)
Interest Expense	(3,334,353)
Total Non-Operating Revenues (Expenses)	143,516,452
Net Decrease in Net Position	(28,584,059)
Net Position - Beginning of Year	646,225,292
Net Position - End of Year	\$ 617,641,233

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

Statement of Cash Flows

For the Years Ended September 30, 2024

	2024
Cash Flows from Operating Activities	
System Assessed Fees	\$ 18,461,201
Grants and Contracts	9,458,665
Local Appropriations	50,000
Payments to Suppliers	(159,277,082)
Payments for Employees	(18,574,350)
Payments for Benefits	(5,672,525)
Other Receipts	3,277,434
Net Cash Used in Operating Activities	(152,276,657)
Cash Flows from Non-Capital Financing Activities	
State Appropriations	648,800,760
State Appropriations - Supplemental	112,390,057
State Appropriations Transferred to Colleges	(665,854,757)
Net Cash Provided by Non-Capital Financing Activities	95,336,060
Cash Flows from Capital and Related Financing Activities	
Capital Grants and Gifts	82,567,420
Purchases of Capital Assets and Construction	(4,107,075)
Principal Paid on Capital Debt	(1,665,000)
Principal Paid on Leases	(1,107,259)
Principal Paid on Subscription Assets	(14,841,848)
Interest Paid on Capital Debt, Leases, and Subscription Assets	(4,431,821)
Deposits with Trustees	38,205,482
Other Capital and Related Financing	9,499
Net Cash Provided in Capital and Related Financing Activities	94,629,398
Cash Flows from Investing Activities	
Investment Income	37,743,691
Net Cash Provided by Investing Activities	37,743,691
Net Increase in Cash and Cash Equivalents	75,432,492
Cash and Cash Equivalents - Beginning of Year	658,046,903
Cash and Cash Equivalents - End of Year	\$ 733,479,395

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

Statement of Cash Flows (Continued)

For the Years Ended September 30, 2024

	<u>2024</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating Loss	\$ (172,100,511)
Changes in Assets and Liabilities:	
Depreciation Expense	13,298,323
Receivables, Net	4,985,371
Prepaid Assets	(1,867,162)
Deferred Outflows	(698,014)
Accounts Payable	(2,205,694)
Deposits Held for Others	181,140
Compensated Absences	1,986,218
Pension Liability	4,740,000
OPEB Liability	658,592
Deferred Inflows	(1,254,920)
Net Cash Used in Operating Activities	<u>\$ (152,276,657)</u>

Non-Cash Capital and Related Financing Activities

Increase in subscription-based IT arrangements (SBITA) and leased right of use assets of \$34,835,414.00

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



Make *Life* Better.

The page Intentionally left blank

Notes to the Financial Statements

ANNUAL FINANCIAL REPORT

ALABAMA COMMUNITY COLLEGE SYSTEM OFFICE





Make *Life* Better.

The page Intentionally left blank

Note 1. Summary of Significant Accounting Policies

Nature of Operations

The financial statements of the Alabama Community College System Office (the "Office") 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 Office are described below.

Reporting Entity

The Alabama Community College System Office 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 Office. The Alabama Community College System through its Chancellor has the authority and responsibility for the operation, management, supervision and regulation of the Alabama Community College System Office. In addition, the Office receives a substantial portion of its funding from the State of Alabama (potential to impose a specific financial burden). Based on these criteria, the Office 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 Alabama Community College System Office 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 Office 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 non-operating revenues. Operating revenues, such as student fee assessments, result from exchange transactions associated with the principal activities of the Office. Exchange transactions are those in which each party to the transactions receives or gives up essentially equal values. The Office has determined that all federal grants and contracts, state grants and contracts, local grants and contracts, and non-governmental grants and contracts, which are not designated for the purchase of capital assets or non-operating expenses, will be considered operating revenue. Non-operating revenues arise from exchange transactions not associated with the Office's principal activities, such as investment income and from all non-exchange transactions, such as state appropriations and gifts.

Cash, Cash Equivalents, and Investments

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

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

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

Receivables

Accounts receivable relate to amounts due from federal grants, state grants, state appropriations, and tuition due from the colleges.

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 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, \$100,000 for easements and land use rights, and \$5,000 patents, trademarks, and copyrights. In addition, works of art and historical treasures and similar assets are recorded at their historical cost. Donated capital assets are recorded at acquisition value (an entry price) at the date of donation. Land, Construction in Progress, and intangible assets with indefinite lives are the only capital assets that are not depreciated. Depreciation is not allocated to a functional expense category. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized.

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

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities, or extend useful lives are capitalized. Upon the sale or retirement of 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 and Infrastructure	Straight Line	25 years
Equipment & Furniture	Straight Line	5-10 years
Right-to-Use Leased Equipment	Straight Line	Lease term
Right-to-Use Leased Space	Straight Line	Lease term
Patents, Trademarks, and Copyrights	Straight Line	5 years
Subscription Based IT Arrangements	Straight Line	Contract term

Leases

The Office determines if an arrangement is a lease at inception. Lessee arrangements are included in lease assets and lease liabilities in the statements of net position. Lease assets represent the Office's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Lease assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. Lease liabilities represent the Office's obligation to make lease payments arising from the lessee arrangement. Lease liabilities are recognized at the commencement date based on the present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term. The lease term may include options to extend or terminate the lease when it is reasonably certain that the Office will exercise that option. Payments for short-term leases with a lease term of 12 months or less are recognized as expenses as incurred. The Office has a materiality threshold of \$10,000 of payments in a year for leases. Short-term leases and leases under the materiality threshold are not included as lease liabilities or right-to-use lease assets on the statement of net position.

Subscription-Based Information Technology Arrangements (SBITA)

The Office determines if an arrangement is a SBITA at inception. SBITA arrangements are included in SBITA assets and SBITA liabilities in the statement of net position. SBITA assets represent the Office's control of the right to use an underlying asset for the SBITA term, as specified in the contract, in an exchange or exchange-like transaction. SBITA assets are recognized at the commencement date based on the initial measurement of the SBITA liability, plus any payments made at or before the commencement of the SBITA term and certain direct costs. SBITA assets are amortized in a systematic and rational manner over the shorter of the SBITA term or the useful life of the underlying asset. SBITA liabilities represent the Office's obligation to make SBITA payments arising from the arrangement. SBITA liabilities are recognized at the commencement date based on the present value of expected SBITA payments over the term of the arrangement, less any incentives. Interest expense is recognized ratably over the contract term. The SBITA term may include options to extend or terminate the SBITA when it is reasonably certain that the Office will exercise that option. Payments for short-term SBITAs with a subscription term of 12 months or less

are recognized as expenses as incurred. The Office has a materiality threshold of \$5,000 of payments in a year for SBITAs. Short-term SBITAs and SBITAs under the materiality threshold are not included as SBITA liabilities or SBITA assets on the statement of net position.

Deferred Outflows of Resources

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

Long-Term Obligations

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

Compensated Absences

Full-time employees earn 4 hours and 20 minutes of sick leave semi-monthly or 13 days per year with accumulation limited to a maximum of 150 days. Employees may be compensated for one-half of accrued sick leave (maximum of 600 hours) upon retirement from state service or death of the employee. Tier 1 employees have the additional option to apply sick leave to retirement service.

Employees in permanent positions accrue annual leave at a rate of 4 hours and 20 minutes to 9 hours and 45 minutes semi-monthly, depending on length of service. Accumulation is limited to a maximum of 60 days per year. Upon separation from service, an eligible employee is paid for unused leave at the daily pay rate at time of separation.

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.

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 when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made.

Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Annual Comprehensive Financial Report.

Postemployment Benefits Other than Pensions (OPEB)

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

Net Position

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

- **Net Investment in Capital Assets** – Capital assets, including restricted capital assets, right of use assets, and subscription assets reduced by accumulated depreciation and amortization 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.
- **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 Office Board of Trustees. The Board of Trustees designated \$28,034,320 of net position as Alabama Community College System Reserve Fund. The purpose of the Fund is to guarantee Board-issued revenue bond debt service on behalf of the various System institutions.

Federal Financial Assistance Programs

The Office 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)*.

New Accounting Pronouncements

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

Note 2. Deposits and Investments

Deposits

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

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

Investments

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

Permissible investments include:

1. U.S. Treasury bills, notes, bonds, and stripped Treasuries;
2. U.S. Agency notes, bonds, debentures, discount notes and certificates;
3. Certificates of 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 Office's portfolio shall consist primarily of bank CDs and interest bearing accounts, U.S. Treasury securities, debentures of a U.S. Government Sponsored Entity (GSE) and securities backed by collateral issued by GSEs. In order to diversify the portfolio's exposure to concentration risk, the portfolio's maximum allocation to specific product sectors is as follows:

1. U.S. Treasury bills, notes and bonds can be held without limitation as to amount. Stripped Treasuries shall never exceed 50 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 Office'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 institution's total investment portfolio. The aggregate average life maturity for all holdings shall not exceed seven years while the average life maturity of one security shall not exceed ten years.
6. The Office may enter into a repurchase agreement so long as:
 - a) the repurchase securities are legal investments under state law for Colleges;
 - b) the Office receives a daily assessment of the market value of the repurchase securities, including accrued interest, and maintains an adequate margin that reflects a risk assessment of the repurchase securities and the term of the transaction; and
 - c) the Office has entered into signed contracts with all approved counterparties.
7. The Office has discretion to determine if it should hold or sell other investments that it may receive as a donation.

The Office 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 Office and approved by the Chancellor in accordance with the "*Alabama Uniform Prudent Management of Institutional Funds Act*", **Code of Alabama 1975**, Section 19-3C-1 and following.

At September 30, 2024, the Office had \$64,206,313.00 in a construction fund account administered by its bond trustee. The balance of the deposit with trustee for the Series 2021 Special Fee Revenue Bonds is invested in the Goldman Sachs Financial Square Government Fund and State and Local Government Series (SLGS) securities with investment values of \$140,184 and \$64,066,129 respectively. The Goldman Sachs Financial Square Government Fund is a Money Market Fund that invests primarily in a portfolio of short-term U.S. Treasury securities. These funds are rated AAA by Standard & Poor's and Aaa by Moody's.

State and Local Government Series (SLGS) securities are special purpose securities that Treasury issues to state and local governments to assist with compliance of federal tax laws and IRS regulations governing the investment of cash proceeds generated from a tax-exempt bond issuance.

Note 3. Receivables

Accounts receivable represent amounts for contract and grant reimbursements due from third parties, various services provided to third parties, and interest accrued on investments. As of September 30, 2024, the Office reported the following amounts as accounts receivable:

Description	Amount
Federal	\$ 7,561,487
State	6,296,589
Third-Party	5,061,073
Other	1,192,440
Less: Allowance for Doubtful Accounts	(1,167,316)
Total Accounts Receivable	<u>\$ 18,944,273</u>

Note 4. Capital Assets

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

Description	Beginning Balance	Additions	Deductions	Adjustments	Ending Balance
Nondepreciable Capital Assets					
Land	\$ 407,730	\$ -	\$ -	\$ -	\$ 407,730
Construction in Progress	-	85,507	(85,507)	-	-
Copyright and Trademark Works in Progress	-	2,296,615	-	-	2,296,615
Subscriptions in Progress	485,930	196,365	(485,930)	-	196,365
Total Nondepreciable Capital Assets	893,660	2,578,487	(571,437)	-	2,900,710
Other Capital Assets					
Buildings	1,679,621	-	-	-	\$ 1,679,621
Building Alterations	3,617,897	85,507	-	-	3,703,404
Improvements other than Buildings and Infrastructure	380,178	-	-	-	380,178
Furniture and Equipment greater than \$25,000	6,072,478	502,697	-	-	6,575,175
Furniture and Equipment \$25,000 or less	2,515,059	66,375	-	-	2,581,434
Patents, Trademarks, and Copyrights	-	436,945	-	-	436,945
Right to Use Assets - Buildings and Equipment	24,423,570	-	(44,657)	-	24,378,913
Right to Use Assets - Software Subscriptions	23,768,606	35,124,979	(2,394,911)	-	56,498,674
Total Other Capital Assets	62,457,409	36,216,503	(2,439,568)	-	96,234,344
Less Accumulated Depreciation/Amortization					
Buildings	101,660	33,592	-	-	135,252
Building Alterations	144,716	148,137	-	-	292,853
Improvements other than Buildings and Infrastructure	212,086	71,107	-	-	283,193
Furniture and Equipment greater than \$25,000	1,881,922	657,516	-	-	2,539,438
Furniture and Equipment \$25,000 or less	1,517,935	402,747	-	-	1,920,682
Patents, Trademarks, and Copyrights	-	87,389	-	-	87,389
Right to Use Assets - Buildings and Equipment	2,727,954	1,354,687	(19,489)	-	4,063,152
Right to Use Assets - Software Subscriptions	4,692,774	10,543,148	(1,905,705)	-	13,330,217
Total Accumulated Depreciation/Amortization	11,279,047	13,298,323	(1,925,194)	-	22,652,176
Total Capital Assets, Net	\$ 52,072,022	\$ 25,496,667	\$ (1,085,811)	\$ -	\$ 76,482,878

Note 5. Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description

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

Benefits Provided

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

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

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

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

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

Contributions

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

Effective October 1, 2021, the covered Tier 2 members contribution rate increased from 6.0% to 6.2% of earnable compensation to the TRS as required by statute. Effective October 1, 2021, the covered Tier 2 certified law enforcement, correctional officers, and firefighters contribution rate increased from 7.0% to 7.2% of earnable compensation to the TRS as required by statute. These Tier 2 member contribution rate increases were a result of Act 537 of the Legislature of 2021 which allows sick leave conversion for Tier 2 members.

Participating employers' contractually required contribution rate for the fiscal year ended September 30, 2023 was 12.59% of annual pay for Tier 1 members and 11.57% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the System were \$2,242,324.00 for the year ended September 30, 2024.

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

At September 30, 2024, the System reported a liability of \$29,482,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2022. The System's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2023, the System's proportion was 0.184751%, which was an increase of 0.025543% from its proportion measured as of September 30, 2022.

For the year ended September 30, 2024, the System recognized pension expense of \$6,468,281. At September 30, 2024, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 2,636,000	\$ 398,000
Changes of Assumptions	829,000	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	2,022,000	-
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	3,822,000	-
Employer Contributions Subsequent to the Measurement Date	2,242,324	-
Total	\$ 11,551,324	\$ 398,000

\$2,242,324 reported as deferred outflows of resources related to pensions resulting from System contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2025.

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

Year Ended September 30	Amount
2025	\$ 3,164,000
2026	2,138,000
2027	3,170,000
2028	439,000
2029	-
Thereafter	-

Actuarial Assumptions

The total pension liability as of September 30, 2023 The total pension liability as of September 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

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

* Net of pension plan investment expense.

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

Mortality Rate

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

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

Long-Term Expected Rate of Return

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

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

* Includes assumed rate of inflation of 2.00%.

Discount Rate

The discount rate used to measure the total pension liability was 7.45%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between

actuarially determined contribution rates and the member rate. Based on those assumptions, components of the pension plan’s fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Office’s Proportionate Share of the Collective Net Pension Liability	\$ 38,515,000	\$ 29,482,000	\$ 21,885,000

Pension Plan Fiduciary Net Position

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

Note 6. Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan

Plan Description

The Office contributes to the Alabama Retired State Employees’ Health Care Trust (the “Trust”), a single-employer defined benefit postemployment healthcare plan that administers healthcare benefits to the retired state employees. The Trust was established under the Alabama Retiree Health Care Funding Act of 2007 which authorized and directed the State Employees’ Insurance Board (the “Board”) to create an irrevocable trust to fund postemployment healthcare benefits to retirees participating in SEHIP. Active and retiree health insurance benefits are paid through the State Employees’ Health Insurance Plan (SEHIP). In accordance with GASB, the Trust is considered a component unit of the State of Alabama (the “State”) and is included in the State’s Annual Comprehensive Financial Report.

The State Employees' Insurance Board (SEIB) serves as the Plan Administrator for the SEHIP. This is a self-insured comprehensive health benefit plan serving active and retired State employees and their dependents. As Plan Administrator, the SEIB is primarily responsible for the control and supervision for the SEHIP. The SEIB is also responsible for designing benefits and setting premiums.

Benefits Provided

Retiree medical eligibility is attained when an employee with at least ten years of service to the State retires, and is immediately eligible to draw a retirement annuity from the Alabama Employees' Retirement System, the Alabama Judicial Retirement System, and for a small group of employers, the Teachers' Retirement System of Alabama.

The Trust provides basic coverage for up to 365 days of care during each hospital confinement, outpatient care, physicians' benefits, radiation therapy, and major medical benefits with no lifetime maximum. A group dental contract provides dental maintenance coverage with a maximum benefit amount of \$1,500 during each year for each eligible participant who elects coverage. Plan members include State Employees, State Police, and Judges.

The SEHIP remains the primary insurer for medical coverage until the retiree is entitled to Medicare. Health benefits will be modified when the retiree or dependent becomes entitled to Medicare. A Medicare retiree and/or spouse should have both Medicare Parts A and B to have adequate coverage with the State of Alabama. A retiree cannot have SEHIP prescription drug coverage if enrolled for Medicare Part D prescription drug coverage. The SEHIP prescription drug benefit for Medicare retirees and/or spouses is provided through the SEHIP Employer Group Waiver Plan (EGWP).

Contributions

The Code of Alabama 1975, Section 36-29-19.7, provide the Board with the authority to set the contribution requirements for plan members and the authority to set the employer contribution requirements for each required class, respectively. Additionally, the Board is required to certify to the Governor and the Legislature, the amount, as a monthly premium per active employee, necessary to fund the coverage of active and retired member benefits for the following fiscal year. The Legislature then sets the premium rate in the annual appropriation bill.

For retirees who retired prior to October 1, 2005, the State pays 100 percent of the premium for a retiree who is over 65 and eligible for Medicare. The State pays a portion of the premium for a retiree who is under 65. Under the SEHIP statute, the State contribution per month per retiree is funded on a pay-as-you-go basis through the active employee premiums each agency pays for its active employees. COBRA insurance is also available to state employees who terminate state service, but the employee is liable for the premiums. For retirees who retire other than for disability after October 1, 2005, the employer contribution is less for each year under twenty-five years of creditable coverage and more for each year over 25. For retirees on or after January 1, 2012, the employer contribution is also less for each year under the Medicare age. The retiree is responsible for the amount of contribution not covered by the State. The State may make additional contributions; however, no additional funds were contributed during the fiscal year. Retiree contributions vary based on the type of contract, dependent coverage, Medicare eligibility, and election, wellness participation, spousal surcharge, and tobacco usage.

A sliding scale premium is applied after September 30, 2005, to all employees retiring after September 30, 2005, based on their years of service. The premium for retiree coverage is broken down into the employer share (what SEHIP pays) and the retiree share. Under the sliding scale, the retiree will still be responsible for the retiree share; however, the employer share will increase or decrease based upon a retiree's years of service. For those employees retiring with 25 years of service, the employer would pay 100% of the employer share of the premium. For each year less than 25, the employer share would be reduced by 2% and the retiree share will be increased accordingly. For each year over 25, the employer share would be increased by 2% and the retiree share reduced accordingly.

For members retiring on or after January 1, 2012, the 2% reduction in the employer share of the premium for each year of service less than 25 will be increased to 4%. In addition, an 1% reduction in the employer share of the premium will be added for each year of age less than the Medicare entitlement age. This additional age premium component will be removed upon attaining Medicare entitlement.

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

At September 30, 2024, the Office reported a liability of \$4,816,194 for its proportionate share of the Net OPEB liability. The Net OPEB liability was measured as of September 30, 2023, and the total OPEB liability used to calculate the Net OPEB liability was determined by an actuarial valuation as of September 30, 2022. The Office's proportion of the Net OPEB liability was based on Office's share of contributions to the OPEB plan relative to the total employer contributions of all participating employers. At September 30, 2023, the Office's proportion was 0.514178%, which was an increase of 0.090590% from its proportion measured as of September 30, 2022.

For the year ended September 30, 2024, the Office recognized OPEB expense of \$1,019,094.00 with no special funding situations. At September 30, 2024, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 23,311	\$ 1,673,486
Changes of Assumptions	552,166	928,260
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	55,527	-
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	2,847,118	139,271
Employer Contributions Subsequent to the Measurement Date	275,823	-
Total	\$ 3,753,945	\$ 2,741,017

The \$275,823.00 reported as deferred outflows of resources related to OPEB resulting from the System Office's contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB liability in the year ended September 30, 2025.

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

Year Ended September 30	Amount
2025	\$ (496,539)
2026	307,791
2027	555,093
2028	289,646
2029	81,111
Thereafter	-

Actuarial Assumptions

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

Inflation	2.50%
Salary Increases	6.00 - 3.25%, including 2.75% wage inflation
Long-term Investment Rate of Return	7.25% compounded annually, net of investment expense, and including inflation
Municipal Bond Index Rate at the Measurement Date	4.53%
Municipal Bond Index Rate at the Prior Measurement Date	4.40%
Year Fiduciary Net Position (FNP) is Projected to be Depleted	N/A
Single Equivalent Interest Rate at Measurement Date	7.25%
Single Equivalent Interest Rate at Prior Measurement Date	7.25%
Healthcare Cost Trend Rates:	
Initial Trend Rate	
Pre-Medicare Eligible	7.00%
Medicare Eligible	**
Ultimate Trend Rate	
Pre-Medicare Eligible	4.50% in 2033 FYE
Medicare Eligible	4.50% in 2033 FYE
Dental Trend Rate	4.50%

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

Mortality Rate

The rates of mortality are based on the Pub-2010 Public Mortality Plans Mortality Tables, adjusted generationally based on scale MP-2020, with an adjustment of 66-2/3% to the table beginning in year 2019. The mortality tables are adjusted forward and/or back depending on the plan and group covered, as shown in the table below. Note that the Judicial Retirement Fund uses the same mortality tables as the Teachers' Retirement System of Alabama.

Active Group	Membership Table	Set Forward (+) / Set Back (-)	Adjustment to Rates
Judges and Teachers	Teacher Employee Below Median	None	65%
Non-FLC	General Employee Below Medical	Male: -1, Female -1	None
FLC/State Police	Public Safety Employee Below Median	Male: -1, Female -1	None

Retiree Group	Membership Table	Set Forward (+) / Set Back (-)	Adjustment to Rates
Judges and Teachers	Teacher Below Median	Male: +2, Female: +2	Male: 108% ages < 63, 96% ages > 67; Phasing down 63 - 67 Female: 112% ages < 69, 98% ages > 74; Phasing down 69 - 74
Non-FLC	General Below Median	Male: +2, Female: +2	Male: 90% ages < 65, 96% ages >= 65; Female: 96% all ages
FLC/State Police	Public Safety Employee Below Median	Male: +1, Female: None	None

Disabled Group	Membership Table	Set Forward (+) / Set Back (-)	Adjustment to Rates
Judges and Teachers	Teacher Disability	Male: +8, Female: +3	None
Non-FLC	General Disability	Male: +7, Female: +3	None
FLC/State Police	Public Safety Disability	Male: +7, Female: None	None

Beneficiaries Group	Membership Table	Set Forward (+) / Set Back (-)	Adjustment to Rates
Judges and Teachers	Teacher Contingent Survivor Below Median	Male: +2, Female: None	None
Non-FLC/FLC/State Police	Contingent Survivor Below Median	Male: +2, Female: +2	None

The decremental assumptions and methods used in the valuation were selected based on the actuarial experience studies prepared as of September 30, 2020, submitted to, and adopted by the Board on September 13, 2021 and September 14, 2021.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the September 30, 2022, valuation were based on a review of recent plan experience done concurrently with the September 30, 2022 valuation.

Long-Term Expected Rate of Return

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Fixed Income	28.20%	4.40%
U.S. Domestic Stocks	55.20%	8.70%
International Developed Market Stocks	10.80%	9.80%
Cash	5.80%	1.50%
Total	100.00%	

* Geometric mean, includes 2.50% inflation.

Municipal Bond Rate

The discount bond rate uses a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid.

Periods of Projected Benefit Payments

Projected future benefit payments for all current plan members were projected through 2122.

Discount Rate

The Single Equivalent Interest Rate (SEIR) is the discount rate used in calculating the Total OPEB Liability (TOL). The SEIR is determined by calculating the rate that will generate the present value of benefit payments equal to the sum of the present value determined by discounting all projected benefit payments through the depletion date using the long-term expected rate of return and the present value determined by discounting benefit payments after the date of depletion date by using the 20-year municipal bond (rating AA/Aa or higher) rate. For the purpose of this report, SEHIP has determined that a discount rate of 7.25% as of September 30, 2023, meets the requirements of GASB 74.

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

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

	1% Decrease (6.00% decreasing to 3.50% for pre-Medicare, Known decreasing to 3.50% for Medicare eligible)	Current Healthcare Trend Rate (7.00% decreasing to 4.50% for pre-Medicare, Known decreasing to 4.50% for Medicare eligible)	1% Increase (8.00% decreasing to 5.50% for pre-Medicare, Known decreasing to 5.50% for Medicare eligible)
Net OPEB Liability	\$ 3,867,636	\$ 4,816,194	\$ 5,968,728

The following table presents the Office's proportionate share of the Net OPEB liability of the Trust calculated using the discount rate of 7.25%, as well as what the Net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (6.25%)	Current Rate (7.25%)	1% Increase (8.25%)
Net OPEB Liability	\$ 5,585,464	\$ 4,816,194	\$ 4,171,670

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's Fiduciary Net Position is in the Trust's financial statements for the fiscal year ended September 30, 2023. The supporting actuarial information is included in the GASB Statement No. 74 Report for SEHIP prepared as of September 30, 2023. Additional financial and actuarial information is available at www.alseib.org.

Note 7. Other Significant Commitments

As of September 30, 2024, Alabama Community College System Office had been awarded approximately \$37,762,654 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 8. 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.

Description	Amount
Supplies and Vendors	\$ 102,630,199
Employee Benefits	264,851
Interest	773,999
Total	<u>\$ 103,669,049</u>

Note 9. Long-Term Liabilities

Long-term liabilities of the Office as of September 30, 2024, include revenue bonds payable, right-to-use leases payable, and compensated absences payable. Long-term liabilities activity for the year ended September 30, 2024, shown in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable					
Revenue Bonds	\$ 83,315,000	\$ -	\$ 1,665,000	\$ 81,650,000	\$ 1,735,000
Bond Premium	13,562,463	-	1,097,468	12,464,995	1,038,139
Total Bonds Payable	96,877,463	-	2,762,468	94,114,995	2,773,139
Leases Payable	22,259,799	-	1,132,739	21,127,060	1,142,708
Subscriptions Payable	15,481,083	33,627,582	14,841,848	34,266,817	12,875,741
Compensated Absences	2,758,532	1,986,218	-	4,744,750	115,049
Total Long-Term Liabilities	<u>\$ 137,376,877</u>	<u>\$ 35,613,800</u>	<u>\$ 18,737,055</u>	<u>\$ 154,253,622</u>	<u>\$ 16,906,637</u>

Right-to-Use Leases

The Office leases office space and real property from external parties for various terms under long-term non-cancelable lease agreements. The lease expires in 2039. In accordance with GASB Statement No. 87, the Office records right-to-use assets and lease liabilities based on the present value of expected payments over the lease term of the respective leases. The expected payments are discounted using the interest rate charged on the lease, if available, or are otherwise discounted using the Office's incremental borrowing rate. The leases have an interest rate of 1.6080%. Variable payments are excluded from the valuations unless they are fixed in substance. Certain office space leases call for additional payments for the Office's share of operating costs, which are the total of all costs incurred by the lessor relating to the ownership, operation, and maintenance of the building and services provided tenants in the building and may include items such as taxes, insurance, utilities, maintenance, janitorial services, waste disposal, and common area expenses. The lessor reasonably estimates the operating costs that will be payable for the year, and the Office pays one twelfth of its share of the estimated operating costs monthly in advance with the payment of base rent. After the end of the year, the estimated costs are compared to the actual costs, and any adjustment payments are made. The operating cost payments are recognized as expenses

as incurred and not included as lease liabilities or right-to-use assets on the statement of net position. During the 2023-24 fiscal year, the Office recognized \$260,845 for operating cost payments related to leases. The Office does not have any leases subject to a residual value guarantee. See Note 4 - Capital Assets, for information on right-to-use assets and associated accumulated amortization.

Lease Debt

Future minimum payments under right-to-use lease agreements and the present value of the minimum payments as of September 30, 2024, are as follows:

Fiscal Year(s)	Principal	Interest	Total
2025	1,142,708	331,326	\$ 1,474,034
2026	1,177,923	312,692	1,490,615
2027	1,213,709	293,488	1,507,197
2028	1,250,074	273,705	1,523,779
2029	1,287,028	253,332	1,540,360
2030-2034	7,016,389	939,554	7,955,943
2035-2039	8,039,229	335,589	8,374,818
Total	\$ 21,127,060	\$ 2,739,686	\$ 23,866,746

Subscriptions Payable

The Office enters into SBITAs for various purposes including academic services, business and information security. The SBITAs expire at various dates through 2028. In accordance with GASB Statement No. 96, the Office records SBITA assets and SBITA liabilities based on the present value of expected payments over the agreement term of the respective SBITA. The expected payments are discounted using the interest rate charged on the agreement, if available, or are otherwise discounted using the Office's incremental borrowing rate. The interest rates range from 2.45 percent to 3.76 percent. The Office has a variety of variable payments based upon usage of the asset or the number of software licenses. Such amounts are recognized as expense in the period in which the obligation for those payments is incurred. During the 2023-24 fiscal year, the Office recorded \$90,997 for variable payments related to SBITAs. See Note 4 - Capital Assets, for information on right-to-use assets and associated accumulated amortization.

Future minimum payments under SBITA agreements and the present value of the minimum payments as of September 30, 2024, are as follows:

Fiscal Year(s)	Principal	Interest	Total
2025	\$ 12,875,740	\$ 1,009,683	\$ 13,885,423
2026	9,600,393	666,795	\$ 10,267,188
2027	8,332,379	370,020	\$ 8,702,399
2028	2,402,724	114,297	\$ 2,517,021
2029	1,055,581	38,919	\$ 1,094,500
Total	\$ 34,266,817	\$ 2,199,714	\$ 36,466,531

Bonds Payable

On September 14, 2021, the Board of Trustees of the Alabama Community College System issued \$86,620,000.00 in Special Fee Revenue Bonds, Series 2021, to finance capital improvements on the campuses of its colleges, pay municipal bond insurance and expenses related to the Bonds.

The Alabama Community College System has pledged revenues derived from the ACCS Enhancements Fee to repay \$86,620,000.00 in Revenue Bonds Series 2021 issued in September 2021 for the purpose of financing capital improvements on the campuses of its colleges, paying municipal bond insurance and expenses related to the Bonds. Future revenues in the approximate amount of \$145,002,600 are pledged to repay the principal and interest on the bonds. During the 2024 fiscal year, pledged ACCS Enhancements Fees in the amount of \$8,496,553 were received. Principal and interest payments in the current year totaled \$3,854,761.84 in fiscal year 2024. These bonds are scheduled to mature in fiscal year 2051.

Revenue from the ACCS Enhancements fee sufficient to pay the annual debt service are pledged to secure the bonds. Principal and interest maturity requirements on bond debt are as follows:

2021 Special Fee Revenue Bonds

Fiscal Year(s)	Principal	Interest	Total
2025	1,735,000	3,266,000	\$ 5,001,000
2026	1,805,000	3,196,600	5,001,600
2027	1,875,000	3,124,400	4,999,400
2028	1,950,000	3,049,400	4,999,400
2029	2,030,000	2,971,400	5,001,400
2030-2034	11,425,000	13,573,000	24,998,000
2035-2039	13,905,000	11,097,400	25,002,400
2040-2044	16,915,000	8,085,200	25,000,200
2045-2049	20,575,000	4,420,600	24,995,600
2050-2054	9,435,000	569,800	10,004,800
Total	\$ 81,650,000	\$ 53,353,800	\$135,003,800

Bond Premium

The Office has a bond premium in connection with the issuance of its 2021 Series Special Fee Revenue Bonds. The bond premium is being amortized using the effective interest method over the life of the bonds.

Compensated Absences

The Office reports a liability for the accrued leave; however, State appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the Office expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At September 30, 2024, the estimated liability for compensated absences, which includes the Office's share of FICA contributions, totaled \$4,744,750. The current portion of the compensated absences liability, \$115,049, is the amount expected

to be paid in the coming fiscal year and represents a historical percentage of leave used applied to total accrued leave liability.

Note 10. Risk Management

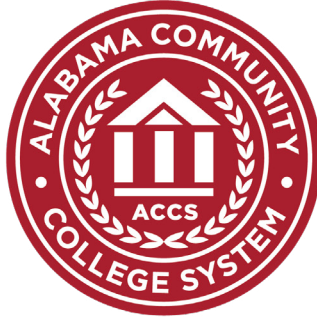
The Office is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Office has insurance for its buildings and contents through the State Insurance Fund (SIF), part of the State of Alabama Department of Finance, Division of Risk Management, a public entity risk pool, which operates as a common risk management and insurance program for state owned properties. The Office 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. In addition, the Office has automobile coverage and fidelity bonds on the Chancellor and Fiscal Services personnel as well as all other Office personnel who handle funds, through the Division of Risk Management. The Office purchases commercial insurance for its professional legal and cyber security liability insurance coverage.

Note 11. Health Insurance

Employee health insurance is provided through the State Employees' Health Insurance Fund (SEHIF) administered by the State Employees' Health Insurance Board (SEHIB). The Fund was established to provide a uniform plan of health insurance for current and retired employees of state agencies 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 Office contributes a specified amount monthly to the SEHIF 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 Office'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 ACCS.



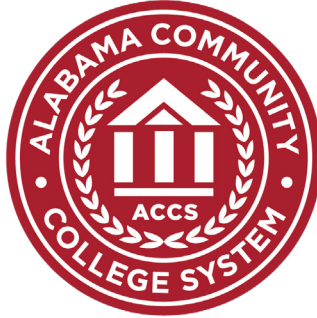
Make *Life* Better.

The page Intentionally left blank



Required Supplementary Information

ANNUAL FINANCIAL REPORT
ALABAMA COMMUNITY COLLEGE SYSTEM OFFICE



Make *Life* Better.

The page Intentionally left blank

Schedule of the Proportionate Share of the Net Pension Liability Teachers' Retirement Plan of Alabama For the Year Ended September 30*

(Dollar Amounts in Thousands)	2024	2023	2022	2021	2020	2019	2018	2017
ACCS's Proportion of the Net Pension Liability	0.184751%	0.159208%	0.149632%	0.141870%	0.119316%	0.099373%	0.090735%	0.078088%
ACCS's Proportionate Share of the Net Pension Liability	\$ 29,482	\$ 24,742	\$ 14,096	\$ 17,549	\$ 13,193	\$ 9,880	\$ 8,918	\$ 8,454
ACCS's Covered Payroll	\$ 15,275	\$ 12,310	\$ 10,879	\$ 10,115	\$ 8,594	\$ 7,138	\$ 5,928	\$ 4,524
ACCS's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	193.01%	200.99%	129.57%	173.49%	153.51%	138.41%	150.44%	186.87%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.57%	62.21%	76.44%	67.72%	69.85%	72.29%	71.50%	67.93%

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

Notes to schedule:

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

Schedule of the Contributions Pension Teachers' Retirement Plan of Alabama For the Year Ended September 30*

(Dollar Amounts in Thousands)	2024	2023	2022	2021	2020	2019	2018	2017
Contractually Required Contribution	\$ 2,242	\$ 1,863	\$ 1,486	\$ 1,309	\$ 1,224	\$ 1,037	\$ 841	\$ 688
Contributions In Relation to the Contractually Required Contribution	\$ 2,242	\$ 1,863	\$ 1,486	\$ 1,309	\$ 1,224	\$ 1,037	\$ 841	\$ 688
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
ACCS's Covered Payroll	\$ 18,323	\$ 15,275	\$ 12,310	\$ 10,879	\$ 10,155	\$ 8,594	\$ 7,138	\$ 5,928
Contributions as a Percentage of Covered Payroll	12.24%	12.20%	12.07%	12.03%	12.10%	12.07%	11.78%	11.61%

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

Notes to Schedule

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

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

Notes to Required Supplementary Information for Pension Benefits

Note 1. Changes of Benefit Terms

In 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, are covered under a new benefit structure.

Note 2. Changes of Assumptions

In 2021, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2021, economic assumptions and the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience, 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 withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2016, economic assumptions and the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. In 2016 and later, the expectation of retired life mortality was changed to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females.

In 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.

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

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

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	27.8 years
Asset Valuation Method	5-year smoothed market
Inflation	2.75 percent
Salary Increase	3.25 percent to 5.00 percent, including inflation
Investment Rate of Return	7.70 percent, net of pension plan investment expense, including inflation

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

(Dollar Amounts in Thousands)	2024	2023	2022	2021	2020	2019	2018
Office's Proportion of the Net OPEB Liability (Asset)	0.514178%	0.423588%	0.390513%	0.321254%	0.338889%	0.239897%	0.219227%
Office's Proportionate Share of the Net OPEB Liability (Asset)	\$ 4,816,194	\$ 4,157,602	\$ 3,329,661	\$ 3,190,278	\$ 5,861,951	\$ 6,970,537	\$ 6,936,000
Office's Covered Payroll	\$ 15,431,030	\$ 12,591,465	\$ 11,110,376	\$ 10,370,991	\$ 9,045,082	\$ 7,380,384	\$ 5,986,000
Office's Proportionate Share of the Net OPEB Liability (Asset) as A Percentage of its Covered Payroll	31.21%	33.02%	29.97%	30.76%	64.81%	94.45%	115.87%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	17.75%	17.75%	22.49%	17.16%	9.94%	5.96%	5.05%

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

** The Schedule of Proportionate Share of the Net OPEB Liability, reported as of the fiscal year-end, is based on the measurement date of the OPEB Liability. The measurement date represents the end of the measurement period, which is the prior fiscal year. The measurement period for the fiscal year ended 09/30/2023 is 10/1/2021 to 9/30/2022.

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

(Dollar Amounts in Thousands)	2024	2023	2022	2021	2020	2019	2018
Contractually Required Contribution	\$ 275,823	\$ 235,071	\$ 229,987	\$ 230,375	\$ 175,019	\$ 252,945	\$ 193,000
Contributions in Relation to the Contractually Required Contribution	\$ 275,823	\$ 235,071	\$ 229,987	\$ 230,375	\$ 175,019	\$ 252,945	\$ 193,000
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Office's Covered Payroll	\$ 18,418,730	\$ 15,431,030	\$ 12,591,465	\$ 11,110,376	\$ 10,370,991	\$ 9,045,082	\$ 7,380,384
Contributions as a Percentage of Covered Payroll	1.50%	1.52%	1.83%	2.07%	1.69%	2.80%	2.62%

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

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

Note 1. Changes in Actuarial Assumptions

In 2023, the following assumptions were adjusted to reflect actual and anticipated experience more closely:

- Assumed rates of medical and dental plan participation for future retirees with less than 15 years of service, current retirees waiving coverage, and current eligible deferred vested members were adjusted in order to reflect recent experience and the impact of the sliding scale legislation.
- Assumed rates of coverage for spouses of female retirees were increased from 25% to 30%.
- Assumed rates of Medicare eligible participants subject to the Spousal Surcharge were decreased from 10% to 0%.

In 2022, rates of participation were adjusted to reflect actual and anticipated experience more closely.

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

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

Note 2. Recent Plan Changes

Beginning in plan year 2022, the valuation reflects the provisions of the following legislative Acts:

- Act 2022-222 which allows TRS Tier II members to retire with 30 years of creditable service regardless of age with an early pension benefit retirement reduction of 2% for each year that the member is less than age 62 at retirement (age 56 for FLC),
- Act 2022-351 which allows ERS State and Police Tier II members to retire with 30 years of creditable service regardless of age with an early pension benefit retirement reduction of 2% for each year that the member is less than age 62 at retirement (age 56 for FLC).

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 a MAPD plan.

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

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported (September 30, 2021, for the fiscal year 2023 amounts). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule.

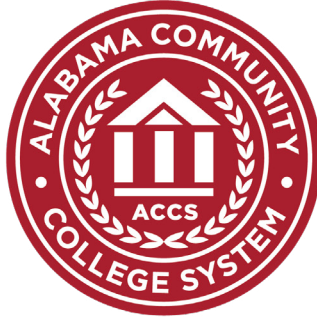
Actuarial Cost Method	Entry Age Normal
Amortizing Method	Level percent of pay, open
Remaining Amortization Period	30 years
Asset Valuation Method	Market Value of Assets
Inflation	2.50%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	6.50%
Medicare Eligible *	**
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.50% in 2029
Medicare Eligible	4.50% in 2025
Dental Trend Rate	4.50%
Investment Rate of Return	7.25%, including inflation

** Initial Medicare claims are set based on scheduled increases through plan year 2023.

A photograph of a male technician with dark hair and a mustache, wearing safety glasses and a grey t-shirt, working on a large, open HVAC unit. He is focused on a green control board with various wires connected to it. The unit's interior reveals a complex network of copper coils, black and white wiring, and other mechanical components. A large red graphic overlay is positioned in the upper right corner, containing the title and subtitle text.

Supplementary Information

ANNUAL FINANCIAL REPORT
ALABAMA COMMUNITY COLLEGE SYSTEM OFFICE



Make *Life* Better.

The page Intentionally left blank

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

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass Through Grantor's Number	Passed Through to Subrecipients	Total Federal Expenditures
U. S. Department of Labor Direct Programs				
US Department of Labor Scaling Apprenticeship Through Sector-Based Strategies FOA-ETA-18-08 (M)	17.268	HG-33165-19-60-A-1	\$ 1,107,004	\$ 1,356,110
Other Federal Awards				
U.S. Department of Education Direct Programs				
Adult Education - Basic Grants to States (M)	84.002	V002A1210001/ V002A220001	8,766,852	9,779,759
Alabama Department of Education				
Career and Technical Education - Basic Grants to States (X200096)	84.048	X220447	-	611,851
Total Expenditures of Federal Awards			\$ 9,873,856	\$ 11,747,720

(M) = Major Program

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

Notes to the Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

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

Note 2. Summary of Significant Accounting Policies

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

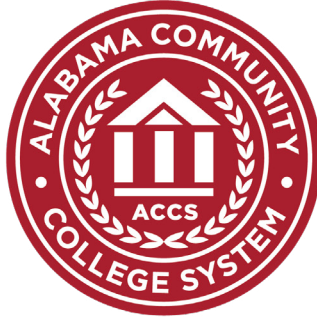
Note 3. Indirect Cost Rate

The Alabama Community College System Office has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

A woman with short blonde hair, wearing safety glasses and a bright green t-shirt, is focused on adjusting a large industrial machine. She is in a workshop setting with other people and equipment visible in the background. A large red graphic overlay is positioned in the upper right corner of the image.

Additional Information

ANNUAL FINANCIAL REPORT
ALABAMA COMMUNITY COLLEGE SYSTEM OFFICE



Make *Life* Better.

The page Intentionally left blank

Members of the Board of Trustees and Officials October 1, 2023, through September 30, 2024

Board Members	District	Term Expires	Additional Details
Hon. Kay Ivey, Governor-President			
Hon. Goodrich "Dus" Rogers-Chairman	District 5	2025	Vice-chairman until June 8, 2024. Chairman beginning June 8, 2024.
Hon. Llevelyn Rhone-Chairman	District 7	2025	Chairman until June 8, 2024.
Hon. Ron Houston	District 6	2027	
Hon. J.E.B. Shell	District 1	2025	
Hon. John Mitchell	District 2	2027	
Hon. Valerie Gray-Vice-Chair	District 3	2025	Vice-chairman beginning June 8, 2024.
Hon. Britton Lightsey	District 4	2027	
Hon. Tim McCartney	Member-At-Large	2027	
Hon. Yvette Richardson	Ex-Officio		

Officials

Jimmy H. Baker

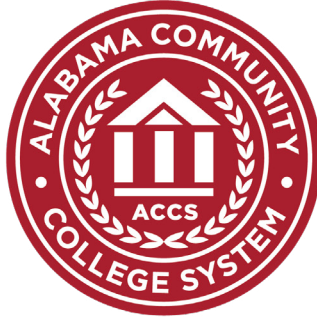
Chancellor

Susan Price

Vice-Chancellor System
Development and ACCS Chief of Staff

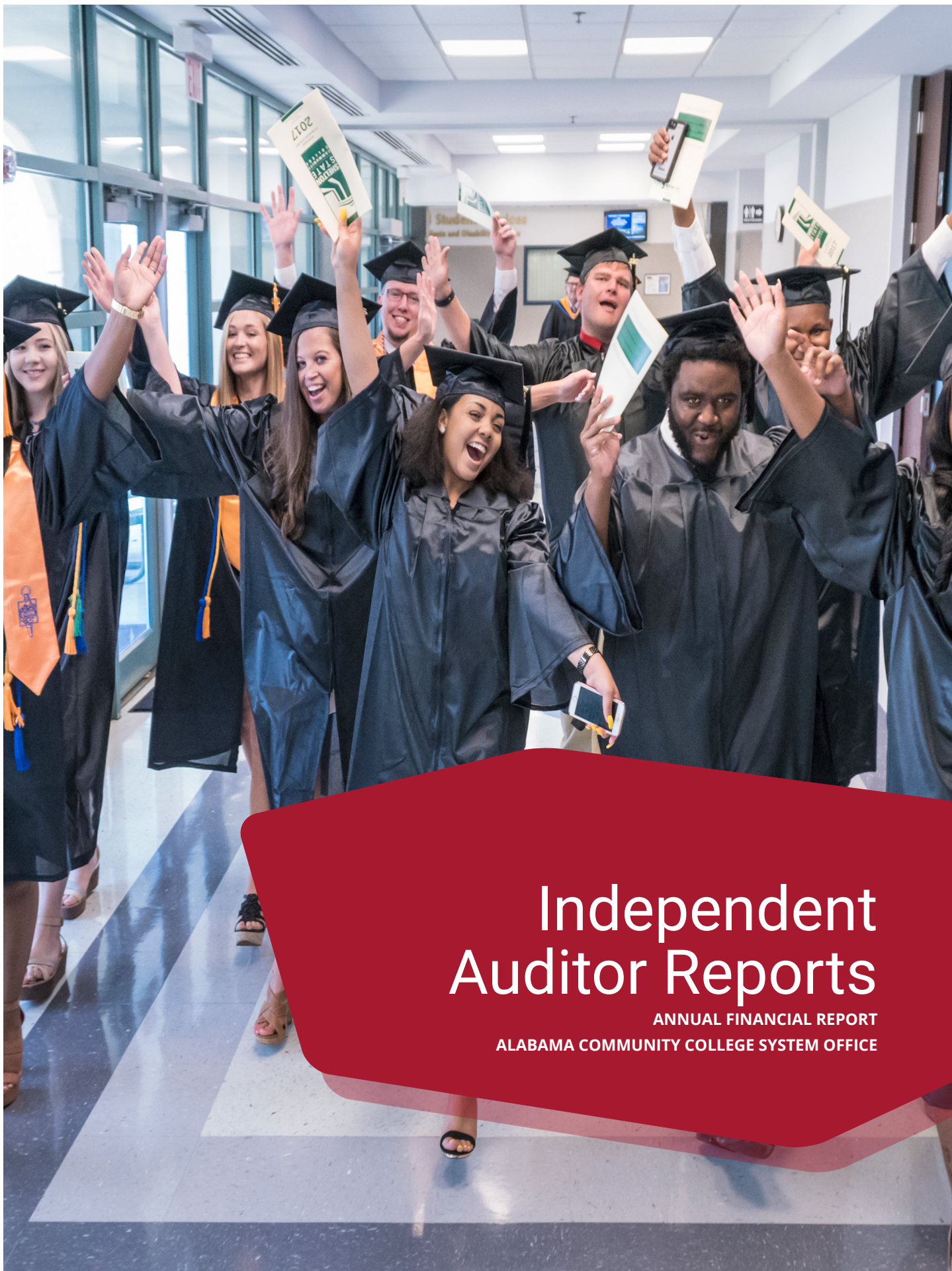
Sara Calhoun

Chief Financial Officer



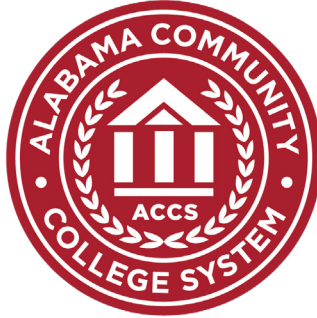
Make *Life* Better.

The page Intentionally left blank



Independent Auditor Reports

ANNUAL FINANCIAL REPORT
ALABAMA COMMUNITY COLLEGE SYSTEM OFFICE



Make *Life* Better.

The page Intentionally left blank

Forvis Mazars, LLP
1715 Aaron Brenner Dr. Suite 701
Memphis, TN 38120
P 901.761.3000 | F 901.761.9667
forvismazars.us



Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

Board of Trustees
Alabama Community College System Office
Montgomery, Alabama

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

Report on Internal Control Over Financial Reporting

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

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

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

Forvis Mazars, LLP is an independent member of Forvis Mazars Global Limited

Board of Trustees
Alabama Community College System Office

Report on Compliance and Other Matters

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

Purpose of this Report

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

Forvis Mazars, LLP

Memphis, Tennessee
January 16, 2025

Forvis Mazars, LLP
1715 Aaron Brenner Dr. Suite 701
Memphis, TN 38120
P 901.761.3000 | F 901.761.9667
forvismazars.us



Report on Compliance for the Major Federal Program, Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditor's Report

Board of Trustees
Alabama Community College System Office
Montgomery, Alabama

Report on Compliance for Each Major Federal Program

Opinion on the Major Federal Program

We have audited the Alabama Community College System Office (the "Office") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Office's major federal program for the year ended September 30, 2024. The Offices' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on the Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Forvis Mazars, LLP is an independent member of Forvis Mazars Global Limited

Board of Trustees
Alabama Community College System Office

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

Board of Trustees
Alabama Community College System Office

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

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

Forvis Mazars, LLP

Memphis, Tennessee
January 16, 2025

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2024

Section I – Summary of Auditor's Results

Financial Statements

1. Type of Auditor's report issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America:
☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer
2. Internal control over financial reporting:
 - Material weakness(es) identified? ☐ Yes ☒ No
 - Significant deficiency(ies) identified not considered to be material weaknesses? ☐ Yes ☒ None reported
3. Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

4. Internal control over major programs:
 - Material weakness(es) identified? ☐ Yes ☒ No
 - Significant deficiency(ies) identified not considered to be material weaknesses? ☐ Yes ☒ None reported
5. Type of Auditor's report issued on compliance for major programs
☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) ☐ Yes ☒ No
7. Identification of major programs:

CFDA Numbers

84.002

Name of Federal Program or Cluster

Adult Education - Basic Grants to States

8. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000
9. Auditee qualified as a low-risk auditee? ☐ Yes ☒ No

Section II – Financial Statement Findings

Current Year Finding

None reported

Prior Year Findings

None reported

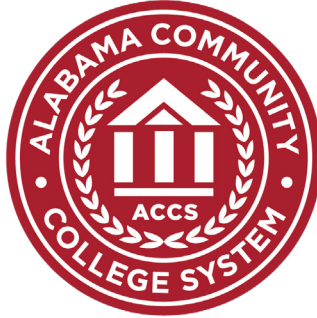
Section III – Federal Award Findings and Questioned Costs

Current Year Finding

None reported

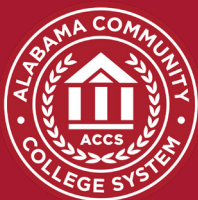
Prior Year Findings

None reported



Make *Life* Better.

The page Intentionally left blank



The Alabama Community College System Office
135 South Union Street
Montgomery, AL 36104-4340
www.accs.edu