Bishop State
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Annual Financial Report

FOR THE YEAR ENDED SEPTEMBER 30, 2024

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BISHOP STATE COMMUNITY COLLEGE

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Warren Averett
CPAs AND ADVISORS

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion
We have audited the accompanying financial statements of Bishop State Community College (the College), 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 College's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College 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 and the standards applicable to financial statement audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally

accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 10 and the supplementary information on pages 51 through 58 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2025, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Warren Averett, LLC

Montgomery, Alabama
January 15, 2025

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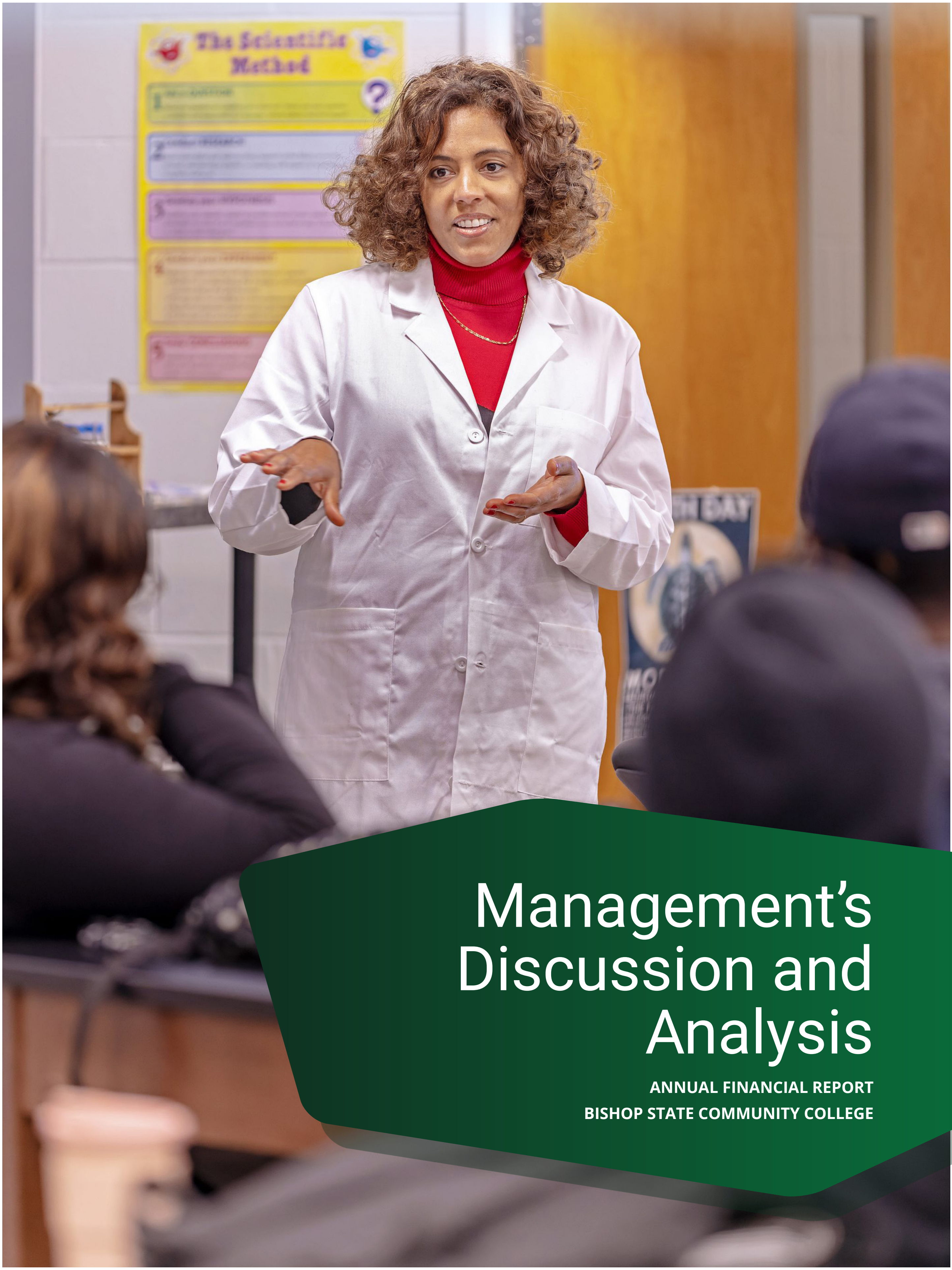

Management's Discussion and Analysis

ANNUAL FINANCIAL REPORT
BISHOP STATE COMMUNITY COLLEGE

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Management's Discussion and Analysis (Unaudited)

Overview of the Financial Statements and Financial Analysis

Bishop State Community College is proud to present its financial statements for fiscal year 2023-2024. The emphasis of discussion about these statements will be on current year data and a comparative analysis with prior year data. There are three financial statements presented: The Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. The discussion and analysis of the College's financial statements provide an overview of its financial activities for the year. The financial data represents the operation of the Main, Carver, Central and Southwest Campuses of Bishop State Community College.

Statement of Net Position

The Statement of Net Position presents the Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position of the College as of the end of the fiscal year, September 30, 2024. The Statement of Net Position is a point of time financial statement. The purpose of the Statement of Net Position is to present to the readers of the financial statements a fiscal snapshot of Bishop State Community College. The financial statements present end of year data concerning Assets (current and non-current), Deferred Outflows, Liabilities (current and non-current), Deferred Inflows and Net Position (Assets plus 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 College. They are also able to determine how much the College owes vendors, investors and lending institutions. In summary, the Statement of Net Position provides a picture of the net position (Assets plus Deferred Outflows minus Liabilities and Deferred Inflows) and their availability for expenditure by the College.

Net Position is divided into three major categories. The first category, Net Investment in Capital Assets, provides the College's equity in property, plant and equipment owned by the College. The next category is restricted net position, which is divided into two categories, non-expendable and expendable. The corpus of non-expendable restricted resources is only available for investment purposes. Expendable restricted net position is available for expenditure by the College but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the resources. The final category is unrestricted net position which is available to the College for any appropriate purpose of the College.

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

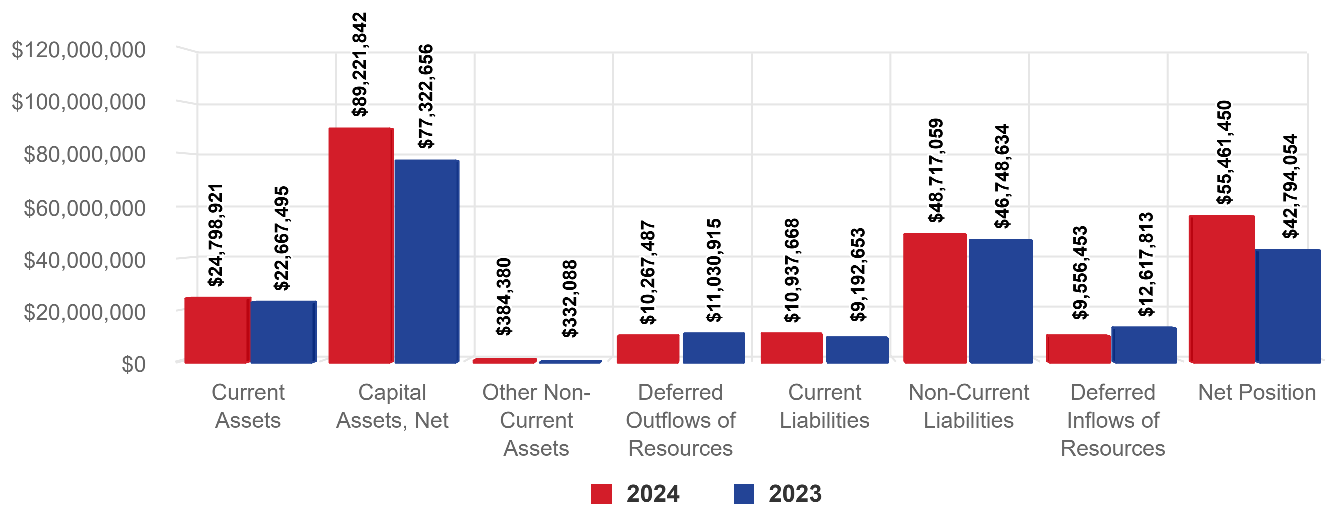
Statement of Net Position

	2024	2023
Assets		
Current Assets	$ 24,798,921	$ 22,667,495
Capital Assets, Net	89,221,842	77,322,656
Other Non-Current Assets	384,380	332,088
Total Assets	**114,405,143**	**100,322,239**
Deferred Outflows of Resources	**10,267,487**	**11,030,915**
Liabilities		
Current Liabilities	10,937,668	9,192,653
Non-Current Liabilities	48,717,059	46,748,634
Total Liabilities	**59,654,727**	**55,941,287**
Deferred Inflows of Resources	**9,556,453**	**12,617,813**
Net Position		
Net Investment in Capital Assets	69,856,500	58,581,552
Restricted	195,361	156,360
Unrestricted	(14,590,411)	(15,943,858)
Total Net Position	**$ 55,461,450**	**$ 42,794,054**

The College assets show an increase of $14,082,904. Liabilities show an increase of $3,713,440. This increase in assets is primarily due to the investment into new equipment and facilities for the growth of workforce development. Liabilities increased due primarily to an increase in Net Pension Liabiltiy.

The following is a graphic presentation of the College'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 revenue received by the College (both operating and non-operating), and the expenses paid by the College (both operating and non-operating).

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

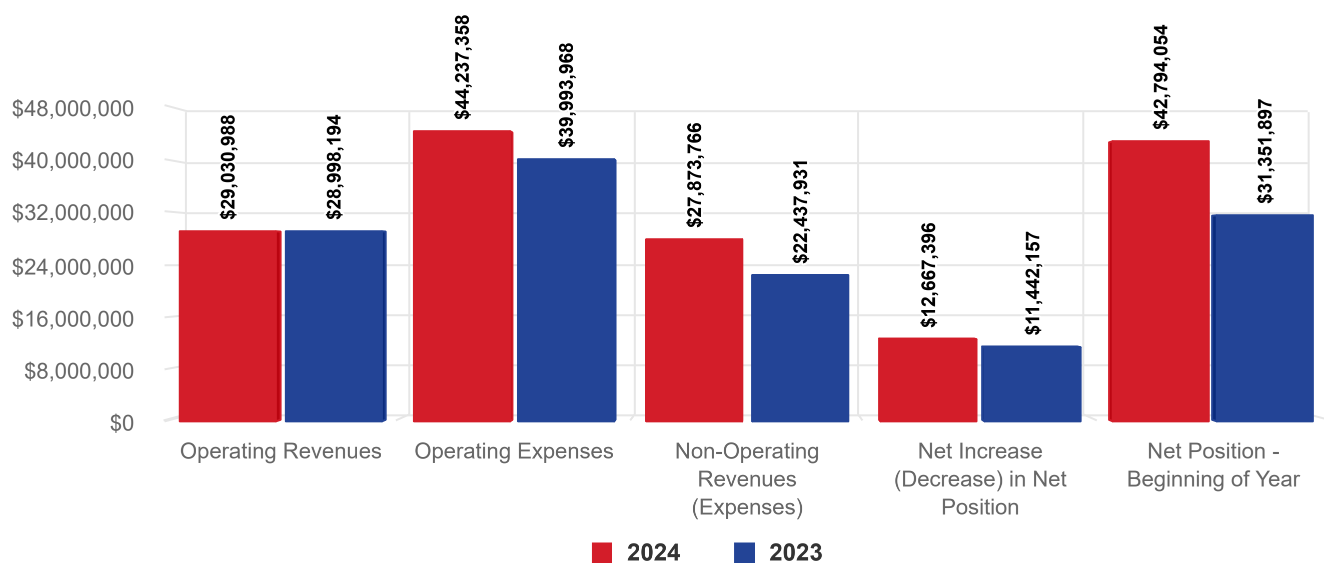
Statement of Revenues, Expenses and Changes in Net Position

	2024	2023
Operating Revenues	$ 29,030,988	$ 28,998,194
Operating Expenses	44,237,358	39,993,968
Operating Income (Loss)	(15,206,370)	(10,995,774)
Non-Operating Revenues (Expenses)	27,873,766	22,437,931
Net Increase (Decrease) in Net Position	12,667,396	11,442,157
Net Position - Beginning of Year	42,794,054	31,351,897
Net Position - End of Year	**$ 55,461,450**	**$ 42,794,054**

Operating expenses increased due to increased salaries as a result of higher enrollment. Operating revenues increased due to increased enrollment and new grant awards in addition to the funding provided by HEERF and ARP dollars to revamp HVAC and improve facilities on Carver and Southwest Campuses.

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

Statement of Revenues, Expenses and Changes in Net Position

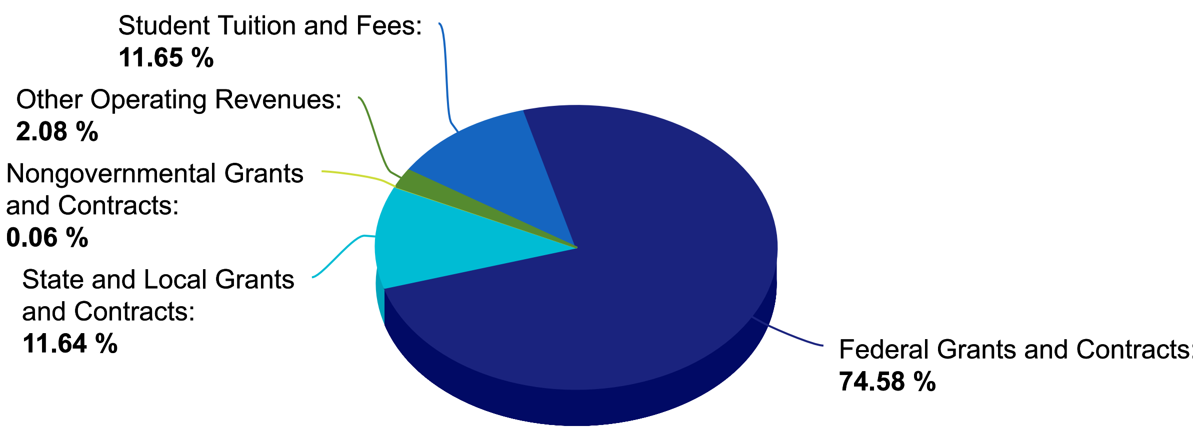


Operating Revenues

		2024		2023
Operating Revenues				
Student Tuition and Fees	$	3,381,241	$	1,897,567
Federal Grants and Contracts		21,651,320		20,698,351
State and Local Grants and Contracts		3,379,273		4,488,009
Nongovernmental Grants and Contracts		16,258		2,987
Other Operating Revenues		602,896		1,911,280
Total Operating Revenues	**$**	**29,030,988**	**$**	**28,998,194**

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

Operating Revenues by Source



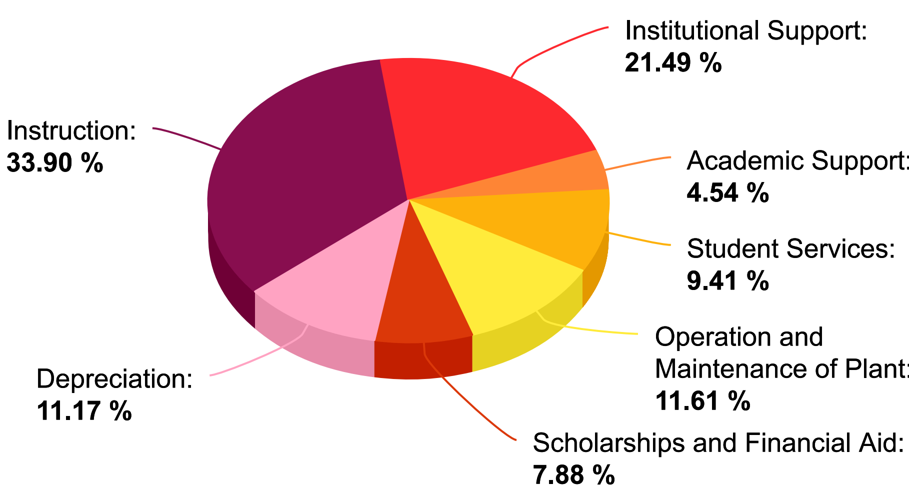
The operating expenses by function are displayed in the following exhibit.

Operating Expenses

	2024	2023
Operating Expenses		
Instruction	$ 14,997,611	$ 12,962,738
Institutional Support	9,507,258	8,734,857
Academic Support	2,008,708	1,558,310
Student Services	4,162,070	3,682,124
Operation and Maintenance of Plant	5,135,834	5,408,627
Scholarships and Financial Aid	3,484,853	4,087,741
Depreciation	4,941,024	3,559,571
Total Operating Expenses	**$ 44,237,358**	**$ 39,993,968**

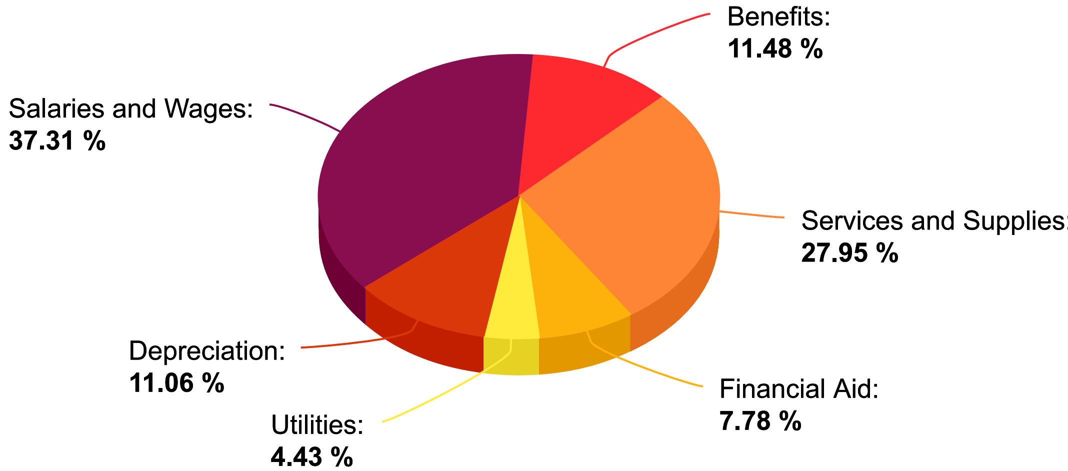
The following is a graphic presentation of operating expenses by function for the fiscal year ended September 30, 2024.

Operating Expenses by Function



Operating expenses are summarized here by natural classification.

Operating Expenses by Natural Classification

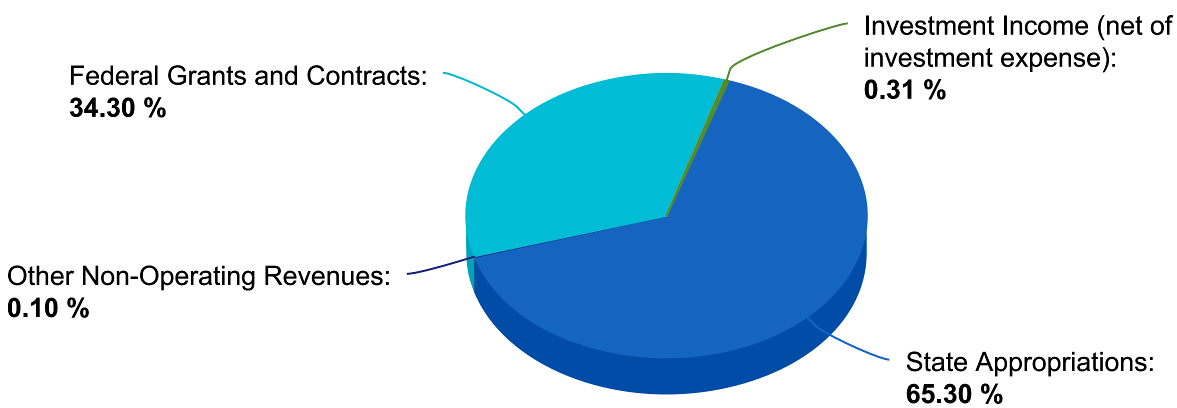


Comparison of Non-Operating Revenue

	2024	2023
Non-Operating Revenue		
State Appropriations	$ 18,596,418	$ 16,275,388
Federal Grants and Contracts	9,767,671	5,910,297
Gifts	-	891,994
Investment Income (net of investment expense)	87,806	18,364
Other Non-Operating Revenues	27,354	47,526
Total Non-Operating Revenue	**$ 28,479,249**	**$ 23,143,569**

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 Statement of Cash Flows presents detailed information about the cash activity of the College during the year. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the College. The second section 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 purchase, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used to operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

The Net Change in Cash was an increase of $6,044,921. This was due primarily to an increase in funding received from the state of Alabama as well as HEERF federal funds.

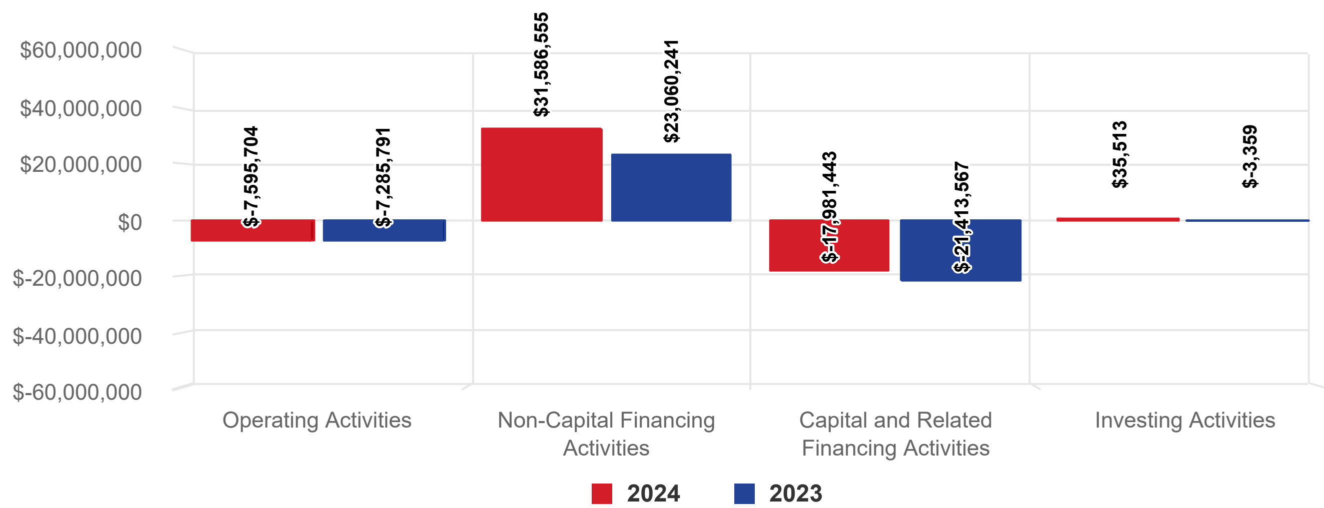
A condensed Statement of Cash Flows for the years ended September 30, 2024 and 2023 is presented below.

Statement of Cash Flows

	2024	2023
Cash Provided by (Used in):		
Operating Activities	$ (7,595,704)	$ (7,285,791)
Non-Capital Financing Activities	31,586,555	23,060,241
Capital and Related Financing Activities	(17,981,443)	(21,413,567)
Investing Activities	35,513	(3,359)
Net Change in Cash and Cash Equivalents	**6,044,921**	**(5,642,476)**
Cash and Cash Equivalents, Beginning of Year	10,522,237	16,164,713
Cash and Cash Equivalents, End of Year	**$ 16,567,158**	**$ 10,522,237**

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 Alabama Community College System Board of Trustees approved two major construction projects for the College in February 2019. These projects will allow the College to offer state-of-the-art instruction in Health Sciences and in Manufacturing Skills. Nearly 13 percent of Mobile's workforce is employed in the healthcare sector. Area hospitals include general facilities, a children's and women's hospital, a private mental health hospital and a rehabilitation hospital. Mobile is also home to a cancer research center. The new Health Science Facility will be located where the current Main Campus library and consists of approximately 27,000 square feet of renovated space. The College is also building a world-class Advanced Manufacturing Center that will allow the College to help train a workforce to meet the needs of businesses and industry in this region. The College will offer programs supported and even created by area companies using state-of-the-art, industry-approved equipment. Students, incumbent workers, and career-change candidates will be equipped with the knowledge and technical skills needed to become successfully employed in Mobile's high wage, high-demand, and high-tech economy. The Advanced Manufacturing Center consists of new construction of approximately 45,000 square feet and renovation of the adjacent Administration Building.

The College is prepared to meet the needs of the high wage and high demand jobs in this region for many years to come. This has resulted in a positive economic outlook for the College. The Cares Act and HEERF funds assisted in stabilizing the College through the effects of the pandemic.

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Financial Statements

ANNUAL FINANCIAL REPORT
BISHOP STATE COMMUNITY COLLEGE

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Statement of Net Position
September 30, 2024

		2024
Assets		
Current Assets		
Cash and Cash Equivalents	$	16,567,158
Accounts Receivable (net of allowance for doubtful accounts of $5,270,737)		8,214,506
Inventories		17,257
Total Current Assets		**24,798,921**
Non-Current Assets		
Long-Term Investments		203,756
Endowment Investments		180,624
Capital Assets, Net of Depreciation and Amortization		89,221,842
Total Non-Current Assets		**89,606,222**
Total Assets		**114,405,143**
Deferred Outflows of Resources		
Pension		7,897,202
Other Postemployments Benefit (OPEB)		2,309,952
Other Deferred Outflows		60,333
Total Deferred Outflows of Resources	**$**	**10,267,487**

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

Statement of Net Position (Continued)
September 30, 2024

	2024
Liabilities	
Current Liabilities	
Deposits	$ 323,520
Accounts Payable and Accrued Liabilities	4,138,490
Unearned Revenue	5,879,619
Compensated Absences	125,022
Subscription Liabilities	10,818
Lease Payable	4,349
Bonds Payable	455,850
Total Current Liabilities	**10,937,668**
Non-Current Liabilities	
Compensated Absences	653,027
Subscription Liabilities	56,191
Lease Payable	4,354
Bonds Payable	18,833,780
Net Pension Liability	26,817,000
Net OPEB Liability	2,352,707
Total Non-Current Liabilities	**48,717,059**
Total Liabilities	**59,654,727**
Deferred Inflows of Resources	
Pensions	1,943,000
Other Postemployment Benefits (OPEB)	7,612,021
Other Deferred Inflows	1,432
Total Deferred Inflows of Resources	**9,556,453**
Net Position	
Invested in Capital Assets (net of related debt and depreciation)	69,856,500
Restricted for:	
Non-Expendable	
Scholarships and Fellowships	152,308
Other	43,053
Unrestricted	(14,590,411)
Total Net Position	**$ 55,461,450**

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

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

		2024
Operating Revenues		
Student Tuition and Fees (net of scholarship allowances of $8,392,366)	$	3,381,241
Federal Grants and Contracts		21,651,320
State and Local Grants and Contracts		3,379,273
Nongovernmental Grants and Contracts		16,258
Other Operating Revenues		602,896
Total Operating Revenues		**29,030,988**
Operating Expenses		
Instruction		14,997,611
Institutional Support		9,507,258
Academic Support		2,008,708
Student Services		4,162,070
Operation and Maintenance of Plant		5,135,834
Scholarships and Financial Aid		3,484,853
Depreciation		4,941,024
Total Operating Expenses		**44,237,358**
Operating Income (Loss)		**(15,206,370)**
Non-Operating Revenues (Expenses)		
State Appropriations		18,596,418
Federal Grants and Contracts		9,767,671
Investment Income (net of investment expense)		87,806
Other Non-Operating Revenues		27,354
Interest on Capital Related Debt		(528,083)
Bond Surety Fee Expense		(77,400)
Total Non-Operating Revenues (Expenses)		**27,873,766**
Net Increase (Decrease) in Net Position		**12,667,396**
Net Position - Beginning of Year		42,794,054
Net Position - End of Year	**$**	**55,461,450**

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

Statement of Cash Flows
For the Year Ended September 30, 2024

	2024
Cash Flows from Operating Activities	
Tuition and Fees	$ 3,301,165
Grants and Contracts	27,483,810
Payments to Suppliers	(12,715,939)
Payments for Utilities	(1,977,621)
Payments for Employees	(16,518,138)
Payments for Benefits	(4,787,023)
Payments for Scholarships	(3,484,853)
Other Receipts	1,102,895
Net Cash Used in Operating Activities	**(7,595,704)**
Cash Flows from Non-Capital Financing Activities	
State Appropriations	18,401,190
Bond Surety Fee Expense	(77,400)
Federal Grant Revenue - Non-Operating	405,837
Pell Revenue	12,856,928
Net Cash Provided by Non-Capital Financing Activities	**31,586,555**
Cash Flows from Capital and Related Financing Activities	
Proceeds from Sale of Capital Assets	27,354
Purchases of Capital Assets and Construction	(16,840,211)
Principal Paid on Capital Debt, Subscriptions, and Leases	(337,999)
Interest Paid on Capital Debt, Subscriptions, and Leases	(807,815)
Deposits with Trustees	(22,772)
Net Cash Used in Capital and Related Financing Activities	**(17,981,443)**
Cash Flows from Investing Activities	
Investment Income	87,806
Purchase of Investments	(52,293)
Net Cash Provided By Investing Activities	**35,513**
Net Increase (Decrease) in Cash and Cash Equivalents	**6,044,921**
Cash and Cash Equivalents - Beginning of Year	10,522,237
Cash and Cash Equivalents - End of Year	**$ 16,567,158**

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

Statement of Cash Flows (Continued)
For the Year Ended September 30, 2024

		2024
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating Income (Loss)	$	(15,206,370)
Adjustments to Reconcile Operating Loss to Net Cash Used In Operating Activities:		
Depreciation Expense		4,941,024
Changes in Assets and Liabilities:		
Receivables, Net		572,597
Inventory		(4,103)
Other Assets		45,135
Deferred Outflows		763,428
Accounts Payable		(489,303)
Unearned Revenue		2,409,860
Compensated Absences		(35,993)
Pension Liability		2,397,000
OPEB Liability		72,381
Deferred Inflows		(3,061,360)
Net Cash Used in Operating Activities	**$**	**(7,595,704)**

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

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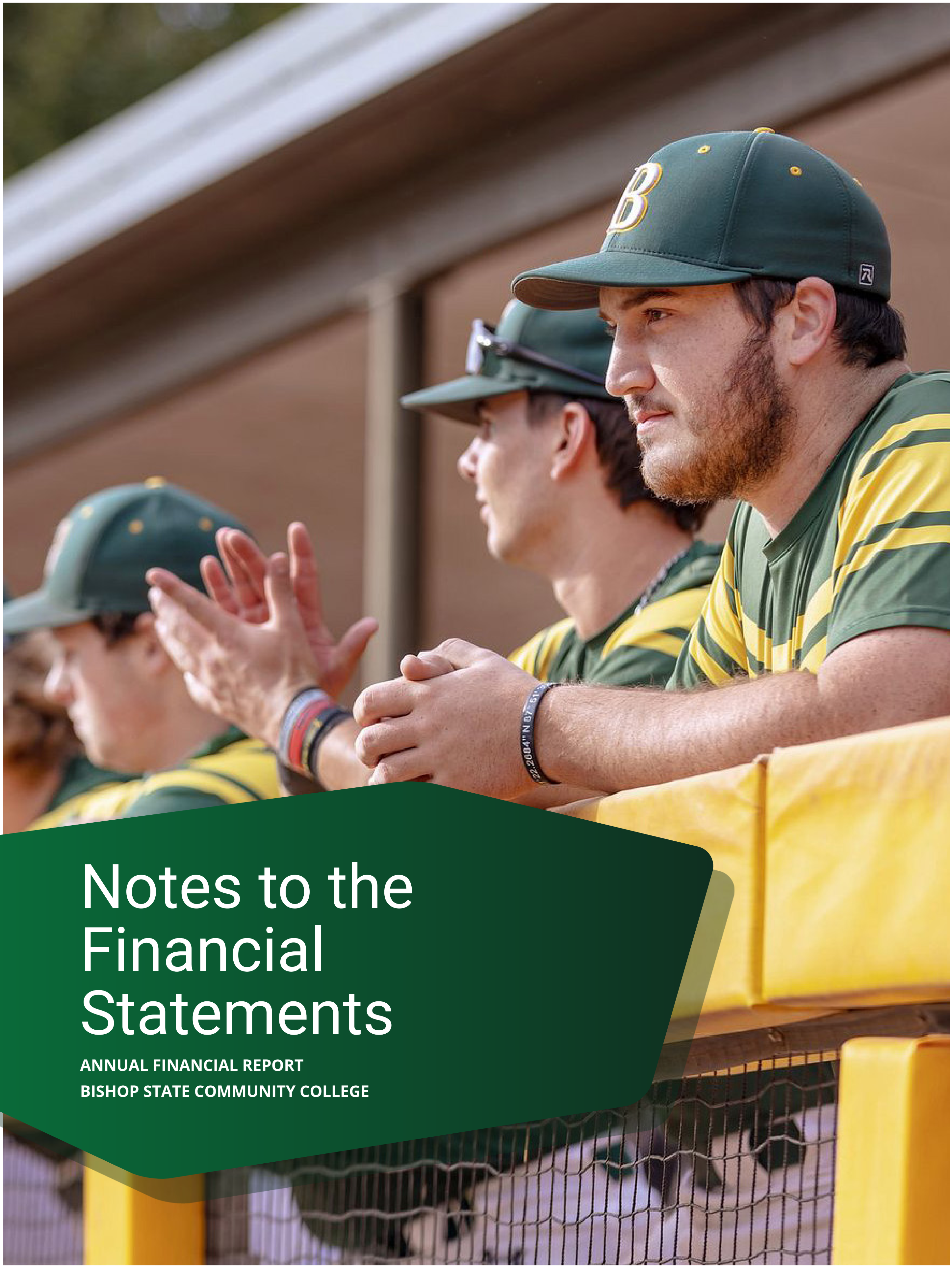

Notes to the Financial Statements

ANNUAL FINANCIAL REPORT
BISHOP STATE COMMUNITY COLLEGE

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Note 1. Summary of Significant Accounting Policies

Nature of Operations

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

Reporting Entity

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

The Statement of Revenues, Expenses and Changes in Net Position distinguishes between operating and non-operating revenues. Operating revenues, such as tuition and fees, result from exchange transactions associated with the principal activities of the College. Exchange transactions are those in which each party to the transactions receives or gives up essentially equal values. The College has determined that all federal grants and contracts (excluding Pell grants), state grants and contracts, local grants and contracts and non-governmental grants and contracts, which are not designated for the purchase of capital assets, will be considered operating revenue. Non-operating revenues arise from exchange transactions not associated with the College's principal activities, such as investment income and from all non-exchange transactions, such as state appropriations, gifts, and Pell grants.

Accounting Estimates

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

Cash, Cash Equivalents, and Investments

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

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

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

Accounts Receivable

Accounts receivable relate to amounts due from students, federal grants, state grants and third-party tuition. The receivables are shown net of allowance for doubtful accounts. During fiscal year 2024, the Alabama Community College System adopted a standard method of calculating the allowance for doubtful accounts, which was implemented by the College.

Inventories

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

Capital Assets

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

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

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

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

Assets	Depreciation Method	Useful Lives
Buildings	Straight Line	50 years
Building Alterations	Straight Line	25 years
Improvements other than Buildings and Infrastructure	Straight Line	25 years
Furniture and Equipment	Straight Line	5-10 years
Library Materials	Composite	20 years
Capitalized Software	Straight Line	10 years
Internally Generated Computer Software	Straight Line	10 years
Easement and Land Use Rights	Straight Line	20 years
Patents, Trademarks, and Copyrights	Straight Line	20 years
Capitalized Collections	Straight Line	20 years

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. Bond premiums and discounts are deferred and amortized over the life of the bonds.

Unearned Tuition and Fee Revenue

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

Compensated Absences

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

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

Deferred Inflows of Resources

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

Pensions

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

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

Postemployment Benefits Other than Pensions (OPEB)

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

Net Position

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

- **Net Investment in Capital Assets** – Capital assets, including restricted capital assets, reduced by accumulated depreciation and by outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. Any significant unspent related debt proceeds or inflows of resources at year-end related to capital assets are not included in this calculation.
- **Restricted:**
    - *Expendable* – Net position whose use by the College is subject to externally imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time. These include funds held in federal loan programs.

- ○ *Non-expendable* – Net position subject to externally imposed stipulations that they be maintained permanently by the College. Such assets include the College's permanent endowment funds.

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

Federal Financial Assistance Programs

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

Scholarship Allowances and Student Aid

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

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 State System had no impact on the previously reported beginning net position at September 30, 2023.

Subsequent Events

The College has evaluated subsequent events through January 15, 2025, the date on which the financial statements were available to be issued.

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 State 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 and demand deposits.

Investments

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

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 College.

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

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

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

Investment of debt proceeds and deposits with trustees 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 College and approved by the Chancellor in accordance with the "Alabama Uniform Prudent Management of Institutional Funds Act", *Code of Alabama 1975*, *Section 19-3C-1* and following.

As of September 30, 2024, the College had the following investments and maturities:

Certificates of Deposit totaling $180,624 are included in the amounts reported as Investments on the Statement of Net Position. These accounts are covered under the SAFE program and not subject to risk categorization or disclosure.

Investment in Equity Securities

Investment Type	Fair Value	Maturity
Stock	$ 203,756	No Maturity
Total	**$ 203,756**	

To the extent available, the College's investments are recorded at fair value as of September 30, 2024. GASB Statement Number 72 – *Fair Value Measurement and Application,* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

- Level 1 – Investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date.
- Level 2 – Investments with inputs, other than quoted prices included within Level 1, that are observable for an asset either directly or indirectly.
- Level 3 – Investments classified as Level 3 have unobservable inputs for an asset and may require a degree of professional judgement.

		Assets at Fair Value as of September 30, 2024		
Investments by Fair Value Level	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Domestic Common and Preferred Stock	$ 203,756	$ 203,756	$ -	$ -
Total Equity Securities	203,756	**$ 203,756**	**$ -**	**$ -**
Certificates of Deposit	180,624			
Total	**$ 384,380**			

Note 3. Accounts Receivable

Accounts receivable are reported net of uncollectible amounts and are summarized as follows:

Description	Amount
Federal	$ 2,582,689
Tuition and Fees	7,481,827
State	2,287,634
Third-Party	894,385
Other	238,708
Less: Allowance for Doubtful Accounts	(5,270,737)
Total Accounts Receivable	**$ 8,214,506**

Note 4. Capital Assets

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

Description	Beginning Balance	Additions	Reduction/ Transfer	Adjustments	Ending Balance
Non-depreciable Capital Assets					
Land	$ 1,597,090	$ -	$ -	$ -	$ 1,597,090
Collections	3,700	-	-	-	3,700
Construction in Progress	18,117,690	11,800,952	(29,450,028)	-	468,614
Total Non-depreciable Capital Assets	**19,718,480**	**11,800,952**	**(29,450,028)**	**-**	**2,069,404**
Other Capital Assets					
Buildings	64,592,710	-	-	-	64,592,710
Building Alterations	13,335,411	-	29,450,028	-	42,785,439
Improvements other than Buildings and Infrastructure	4,954,960	2,640,316	-	-	7,595,276
Furniture and Equipment greater than $25,000	13,828,975	1,134,360	(33,416)	-	14,929,919
Furniture and Equipment $25,000 or less	5,592,635	1,273,921	(59,000)	-	6,807,556
Library Materials	1,223,031	10,710	-	-	1,233,741
Right-to-Use Assets - Buildings and Equipment	21,566	-	-	-	21,566
Right-to-Use Assets - Software Subscriptions	99,705	-	-	-	99,705
Total Other Capital Assets	**103,648,993**	**5,059,307**	**29,357,612**	**-**	**138,065,912**
Less Accumulated Depreciation/ Amortization					
Buildings and Building Alterations	33,660,977	2,742,722	-	-	36,403,699
Improvements other than Buildings and Infrastructure	2,480,940	270,206	-	-	2,751,146
Furniture and Equipment greater than $25,000	5,080,013	1,122,958	(16,401)	-	6,186,570
Furniture and Equipment $25,000 or less	3,901,374	731,966	(55,966)	-	4,577,374
Library Materials	863,552	45,647	-	-	909,199
Right-to-Use Assets - Buildings and Equipment	6,901	6,901	-	-	13,802
Right-to-Use Assets - Software Subscriptions	51,060	20,624	-	-	71,684
Total Accumulated Depreciation/ Amortization	**46,044,817**	**4,941,024**	**(72,367)**	**-**	**50,913,474**
Total Capital Assets, Net	**$ 77,322,656**	**$ 11,919,235**	**$ (20,049)**	**$ -**	**$ 89,221,842**

Note 5. Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description

The 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 College were $1,870,000 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 College reported a liability of $26,817,000 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 College's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2023, the College's proportion was 0.168046%, which was an increase of 0.010912% from its proportion measured as of September 30, 2022.

For the year ended September 30, 2024, the College recognized pension expense of $3,721,592. At September 30, 2024, the College 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	$ 2,398,000	$ 362,000
Changes of Assumptions	754,000	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	1,843,202	-
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	1,032,000	1,581,000
Employer Contributions Subsequent to the Measurement Date	1,870,000	-
Total	**$ 7,897,202**	**$ 1,943,000**

$1,870,000 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 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 Ending September 30	Amount
2025	$ 892,000
2026	853,000
2027	2,176,000
2028	163,202
2029	-
Thereafter	-

Actuarial Assumptions

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

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

* Net of pension plan investment expense, including inflation

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 College'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%)
College's Proportionate Share of the Collective Net Pension Liability	$ 35,033,000	$ 26,817,000	$ 19,906,000

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

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

Benefits Provided

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

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

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

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

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

Contributions

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

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

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

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

At September 30, 2024, the College reported a liability of $2,352,707 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 College's proportion of the Net OPEB liability was based on the College's share of contributions to the OPEB plan relative to the total employer contributions of all participating PEEHIP employers. At September 30, 2023, the College's proportion was 0.1224000%, which was a decrease of 0.008482% from its proportion measured as of September 30, 2022.

For the year ended September 30, 2024, the College recognized OPEB expense of $1,772,880 with no special funding situations. At September 30, 2024, the College 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	$ 46,003	$ 3,712,503
Changes of Assumptions	1,982,075	2,327,463
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	80,364	-
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	49,334	1,572,055
Employer Contributions Subsequent to the Measurement Date	152,176	-
Total	**$ 2,309,952**	**$ 7,612,021**

The $152,176 reported as deferred outflows of resources related to OPEB resulting from the College's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending September 30, 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 Ending September 30	Amount
2025	$ (1,849,753)
2026	(1,057,399)
2027	(916,073)
2028	(1,023,568)
2029	(595,431)
Thereafter	(12,021)

Actuarial Assumptions

The Total OPEB Liability as of September 30,2022, was determined based on an actuarial valuation prepared as of September 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of September 30, 2022:

Inflation	2.50%
Salary Increases	3.25-5.00%, including 2.75% wage inflation
Long-term Investment Rate of Return	7.00% compounded annually, net of investment expense, and including inflation
Municipal Bond Index Rate at the Measurement Date	4.53%
Municipal Bond Index Rate at the Prior Measurement Date	4.40%
Year Fiduciary Net Position (FNP) is Projected to be Depleted	N/A
Single Equivalent Interest Rate at Measurement Date	7.00%
Single Equivalent Interest Rate at Prior Measurement Date	7.00%
Healthcare Cost Trend Rates:	
Initial Trend Rate	
Pre-Medicare Eligible	7.00%
Medicare Eligible	**
Ultimate Trend Rate	
Pre-Medicare Eligible	4.50% in 2033 FYE
Medicare Eligible	4.50% in 2033 FYE

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

Mortality Rate

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

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

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

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

Long-Term Expected Rate of Return

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

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

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

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

* Geometric mean, includes 2.50% inflation.

Discount Rate

The discount rate (also known as the Single Equivalent Interest Rate (SEIR), as described by GASB 74) used to measure the total OPEB liability was 7.00%. Premiums paid to the Public Education Employees' Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Currently, the monthly employer rate is $800 per non-university active member. Approximately, 11.051% of the employer contributions were used to assist in funding retiree benefit payments in 2023 and it is assumed that the 11.051% will increase or decrease at the same rate as expected benefit payments for the closed group with a cap of 20.00%. It is assumed the $800 rate will remain flat until, based on budget projections, it increases to $940 in fiscal year 2027 and then will increase with inflation at 2.50% starting in 2028. Retiree benefit payments for university members are paid by the Universities and are not included in the cash flow projections. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. Therefore, the projected future benefit payments for all current plan members are projected through 2121.

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

The following table presents the College'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	$ 1,783,327	$ 2,352,707	$ 3,044,050

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

	1% Decrease (6.00%)	Current Rate (7.00%)	1% Increase (8.00%)
Net OPEB Liability	$ 2,904,413	$ 2,352,707	$ 1,883,135

OPEB Plan Fiduciary Net Position

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

Note 7. Commitments and Contingencies

As of September 30, 2024, Bishop State Community College had been awarded approximately $8,422,204 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.

The College is a party to various litigation and other claims in the ordinary course of business. In the opinion of management, the ultimate resolution of these matters will not have a significant effect on the financial position of the College.

Note 9. Accounts Payable and Accrued Liabilities

Accounts payable represent amounts due at September 30, 2024, for goods and services received prior to the end of the fiscal year.

Description	Amount
Vendor and Suppliers	$ 1,775,250
Salaries and Wages Payable	667,262
Benefits	1,507,465
Interest Payable	188,513
Total	**$ 4,138,490**

Note 10. Long-Term Liabilities

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

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable					
Publicly Sold	$ 18,670,000	$ -	$ 395,000	$ 18,275,000	$ 415,000
Bond Premium	1,055,125	-	40,495	1,014,630	40,850
Total Bonds Payable	**19,725,125**	**-**	**435,495**	**19,289,630**	**455,850**
Lease Payable	14,186	-	5,483	8,703	4,349
Subscriptions Payable	77,827	-	10,818	67,009	10,818
Compensated Absences	814,043	-	35,994	778,049	125,022
Total Long-Term Liabilities	**$ 20,631,181**	**$ -**	**$ 487,790**	**$ 20,143,391**	**$ 596,039**

Total interest expense for the Publicly Sold bond was $527,489 for the fiscal year ended September 30, 2024.

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

Principal and Interest Maturity Requirements on Bond Debt

	Publicly Sold Bonds		
Fiscal Year(s)	**Principal**	**Interest**	**Total**
2025	$ 415,000	$ 743,675	$ 1,158,675
2026	435,000	722,425	1,157,425
2027	460,000	700,050	1,160,050
2028	485,000	676,425	1,161,425
2029	510,000	651,550	1,161,550
2030-2034	2,885,000	2,914,900	5,799,900
2035-2039	3,520,000	2,276,000	5,796,000
2040-2044	4,305,000	1,496,100	5,801,100
2045-2049	5,260,000	542,600	5,802,600
Total	**$ 18,275,000**	**$ 10,723,725**	**$ 28,998,725**

Bond Premium

The College has a bond premium in connection with the issuance of its 2019 Series Tuition Revenue Bonds. The bond premium is being amortized using the straight-line method over the life of the bonds.

Description	Premium
Total Premium	$ 1,605,367
Amount Amortized Prior Years	(550,242)
Balance Premium	1,055,125
Current Amount Amortized	(40,495)
Balance Premium	**$ 1,014,630**

Pledged Revenues

Pledged Revenues Bonds, Series 2019

The College has pledged student tuition, facility renewal fee, and building fee revenues, to repay the Tuition Revenue Bonds Series 2019 issued May 2019 in the amount of $18,670,000, with an interest rate of 5.00%, for the purposes of providing funding to finance the construction of the new Advanced Manufacturing Center, Health Science Facility, and other miscellaneous improvements on the College's main campus in Mobile. Pledged revenues in the amount of $2,369,761 were received with $527,489, or 22.26% being used to pay interest. These bonds are scheduled to mature in fiscal year 2049.

Leases

On February 25, 2022, Bishop State Community College entered into a 60 month lease as Lessee for the use of a Pitney Bowes Copier. An initial lease liability was recorded in the amount of $21,566. As of September 30, 2024, the value of the lease liability is $8,703. Bishop State Community College is required to make quarterly fixed payments of $1,129. The lease has an interest rate of 1.9430%. The Equipment estimated useful life was zero months as of the contract commencement. The value of the right-to-use asset as of September 30, 2024 of $21,566 has accumulated amortization of $13,802.

The following is a schedule of minimum future lease payments from lease agreements as of September 30:

Principal and Interest Requirements to Maturity of Lease Liability

Fiscal Year(s)	Principal	Interest	Total
2025	$ 4,349	$ 161	$ 4,510
2026	4,354	96	4,450
Total	**$ 8,703**	**$ 257**	**$ 8,960**

Subscriptions

The College has subscription-based technology arrangements which expire through 2039. In accordance with GASB Statement No. 96, the College records a right-to-use asset and subscriptions payable based on the present value of expected payments over the subscription. The expected payments are discounted using an incremental borrowing rate of 3.3467%.

On October 1, 2022, the College entered into a 22 month subscription for the use of Zoom Web Conferencing. An initial subscription liability was recorded in the amount of $17,504. As of September 30, 2024, the value of the subscription liability was $17,504. The College is required to make one fixed payment of $18,000. The subscription has an interest rate of 3.3467%. The value of the right-to-use asset as of September 30, 2024 was $17,504 with accumulated amortization of $9,476.

On October 1, 2022, the College entered into a 21 month subscription for the use of Document Management. An initial subscription liability was recorded in the amount of $24,328. As of September 30, 2024, the value of the subscription liability was $0.00. The College is required to make one fixed payment of $25,000. The subscription has an interest rate of 3.3467%. The value of the right-to-use asset as of September 30, 2024 was $24,328 with accumulated amortization of $24,328.

On October 1, 2022, the College entered into a 22 month subscription for the use of Hotspots Distance Education from Kajeet, Inc. An initial subscription liability was recorded in the amount of $4,603. As of September 30, 2024, the value of the subscription liability was $4,603. The College is required to make one fixed payment of $4,741. The subscription has an interest rate of 3.3467%. The value of the right-to-use asset as of September 30, 2024 was $4,603 with accumulated amortization of $4,603.

On October 1, 2022, the College entered into a 20 month subscription for the use of Microsoft 365. An initial subscription liability was recorded in the amount of $24,018. As of September 30, 2024, the value of the subscription liability was $12,679. The College is required to make annual fixed payments of $24,632. The subscription has an interest rate of 3.3467%. The value of the right-to-use asset as of September 30, 2024 was $24,018 with accumulated amortization of $21,944.

On October 1, 2022, the College entered into a 22 month subscription for the use of scheduling software. An initial subscription liability was recorded in the amount of $3,146. As of September 30, 2024, the value of the subscription liability was $0.00. The College is required to make annual fixed payments of $3,240. The subscription has an interest rate of 3.3467%. The value of the right-to-use asset as of September 30, 2024 was $3,146 with accumulated amortization of $1,658.

On October 1, 2022, the College entered into a 24 month subscription for the use of SSL Certificate. An initial subscription liability was recorded in the amount of $2,348. As of September 30, 2024, the value of the subscription liability was $1,193. The College is required to make annual fixed payments of $1,233. The subscription has an interest rate of 3.3467%. The value of the right-to-use asset as of September 30, 2024 was $2,348 with accumulated amortization of $1,174.

On October 1, 2022, the College entered into a 24 month subscription for the use of Swivl Teams. An initial subscription liability was recorded in the amount of $1,572. As of September 30, 2024, the value of the subscription liability was $1,075. The College is required to make annual fixed payments of $825. The subscription has an interest rate of 3.3467%. The value of the right-to-use asset as of September 30, 2024 was $1,572 with accumulated amortization of $764.

On June 1, 2023, the College entered into a 36 month subscription for the use of Vector LiveSafe Enterprises. An initial subscription liability was recorded in the amount of $14,304. As of September 30, 2024, the value of the subscription liability was $14,304. The College is required to make monthly fixed payments of $4,900. The subscription has an interest rate of 3.3467%. The value of the right-to-use asset as of September 30, 2024 was $0.00 with accumulated amortization of $1,812.

On October 1, 2022, the College entered into a 44 month subscription for the use of Webex, Telephone systems. An initial subscription liability was recorded in the amount of $22,187. As of September 30, 2024, the value of the subscription liability was $15,652. The College is required to make annual fixed payments of $504. The subscription has an interest rate of 3.3467%. The value of the right-to-use asset as of September 30, 2024 was $22,187 with accumulated amortization of $5,925.

Principal and Interest Requirements to Maturity of Subscription Liability

Fiscal Year(s)	Principal	Interest	Total
2025	$ 10,818	$ 133	$ 10,951
2026	10,818	133	10,951
2027	10,818	133	10,951
2028	10,818	133	10,951
2029	10,818	133	10,951
2030-2034	10,505	-	10,505
2035-2039	2,414	-	2,414
Total	**$ 67,009**	**$ 665**	**$ 67,674**

Note 10. Risk Management

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

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

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

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

Note 11. Related Parties

Bishop State Community College Foundation, Inc., was incorporated as a non-profit corporation to promote scientific, literary, and educational purposes, the advancement of Bishop State Community College, and for the encouragement and support of its students and faculty. There were no significant transactions between the College and the Foundation during the audit period. This report contains no financial statements of Bishop State Community College Foundation, Inc.

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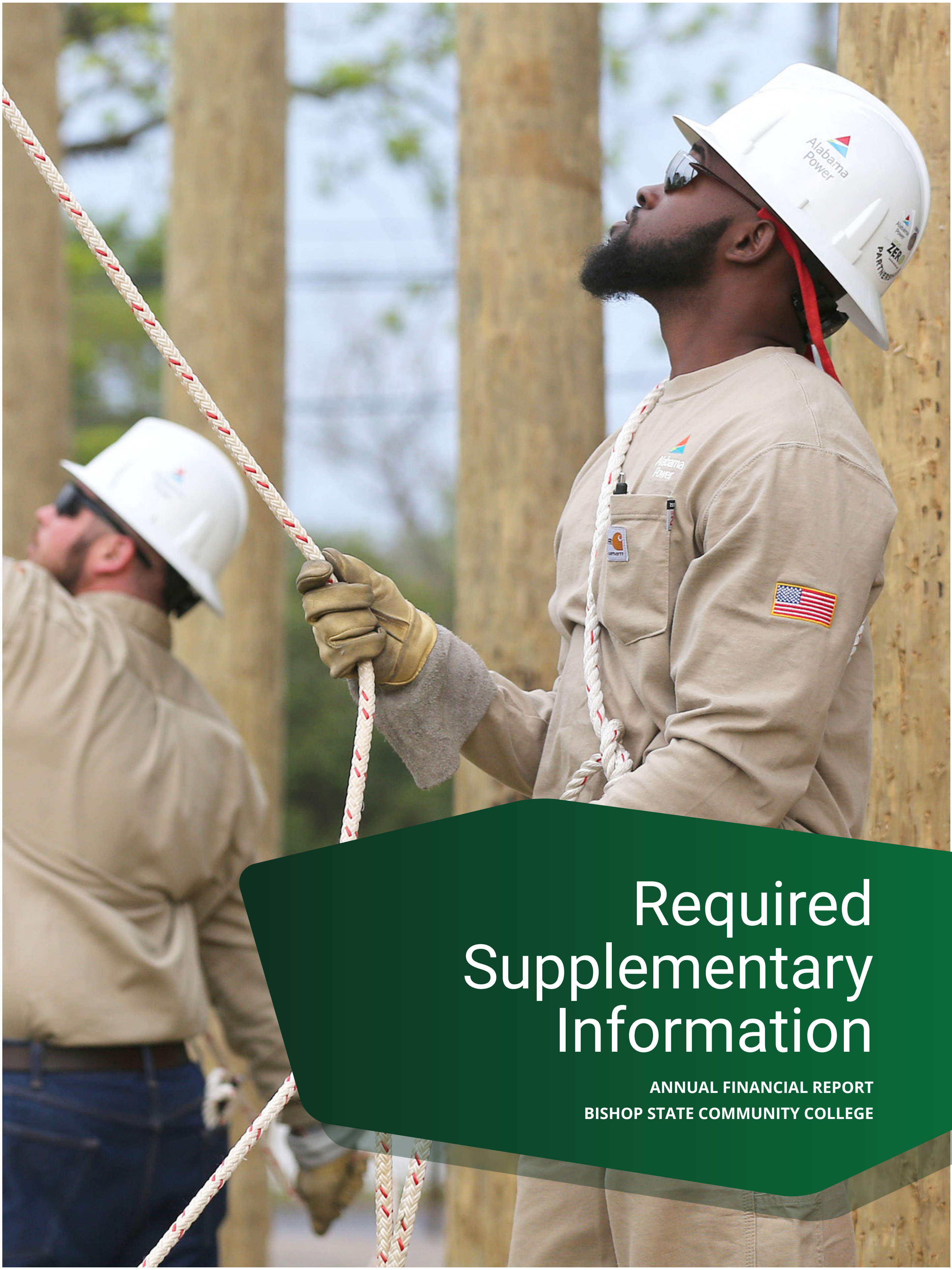

Required Supplementary Information

ANNUAL FINANCIAL REPORT
BISHOP STATE COMMUNITY COLLEGE

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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	2016	2015
College's Proportion of the Net Pension Liability	0.168046%	0.157134%	0.168902%	0.180348%	0.197637%	0.189797%	0.181386%	0.205949%	0.226727%	0.235663%
College's Proportionate Share of the Net Pension Liability	$ 26,817	$ 24,420	$ 15,911	$ 22,308	$ 21,853	$ 18,871	$ 17,827	$ 22,296	$ 23,729	$ 21,409
College's Covered Payroll	$ 13,397	$ 13,890	$ 11,255	$ 12,268	$ 12,644	$ 12,295	$ 14,116	$ 13,738	$ 15,094	$ 15,713
College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	200.17%	175.81%	141.00%	182.00%	173.00%	153.00%	126.00%	162.00%	157.00%	136.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.57%	62.21%	76.44%	67.72%	69.85%	72.29%	71.50%	67.93%	67.51%	71.01%

Note 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	2016	2015
Contractually Required Contribution	$ 1,870	$ 1,467	$ 1,470	$ 1,478	$ 1,555	$ 1,549	$ 1,526	$ 1,548	$ 1,550	$ 1,617
Contributions in Relation to the Contractually Required Contribution	$ 1,870	$ 1,467	$ 1,470	$ 1,478	$ 1,555	$ 1,549	$ 1,526	$ 1,548	$ 1,550	$ 1,617
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College's Covered Payroll	$ 13,397	$ 13,890	$ 11,255	$ 12,268	$ 12,644	$ 12,644	$ 12,295	$ 14,116	$ 13,738	$ 15,094
Contributions as a Percentage of Covered Payroll	13.96%	10.56%	13.06%	12.05%	12.30%	12.25%	12.41%	10.97%	11.28%	10.71%

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 contirbutions 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.

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

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

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	27.1 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
College's Proportion of the Net OPEB Liability	0.122400%	0.130882%	0.129949%	0.136898%	0.163155%	0.165406%	0.164590%
College's Proportionate Share of the Net OPEB Liability	$ 2,353	$ 2,280	$ 6,714	$ 8,884	$ 6,155	$ 13,594	$ 12,225
College's Covered Payroll	$ 13,396	$ 13,890	$ 11,255	$ 12,075	$ 10,960	$ 11,310	$ 11,804
College's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	17.56%	16.42%	59.65%	73.57%	56.16%	120.19%	103.57%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	49.42%	48.39%	27.11%	19.80%	28.14%	14.81%	15.37%

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

Note to Schedule:

Per GASB 75, covered payroll is defined as the payroll of employees that are provided with OPEB through the OPEB plan. THe covered payroll for this Required Supplementary Information Schedule (GASB 75 paragraph 97) is for the most recent year end, which for the 9/30/2024 year is 10/1/2022-9/30/2023

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	$ 152	$ 250	$ 263	$ 224	$ 266	$ 460	$ 409
Contributions in Relation to the Contractually Required Contribution	$ 152	$ 250	$ 263	$ 224	$ 266	$ 460	$ 409
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College's Covered Payroll	$ 13,396	$ 13,890	$ 11,255	$ 12,268	$ 12,075	$ 10,960	$ 11,310
Contributions as a Percentage of Covered Payroll	1.14%	1.80%	2.34%	1.83%	2.20%	4.20%	3.62%

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

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

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

Note 2. Recent Plan Changes

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

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

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

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

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

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

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

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

Bishop State
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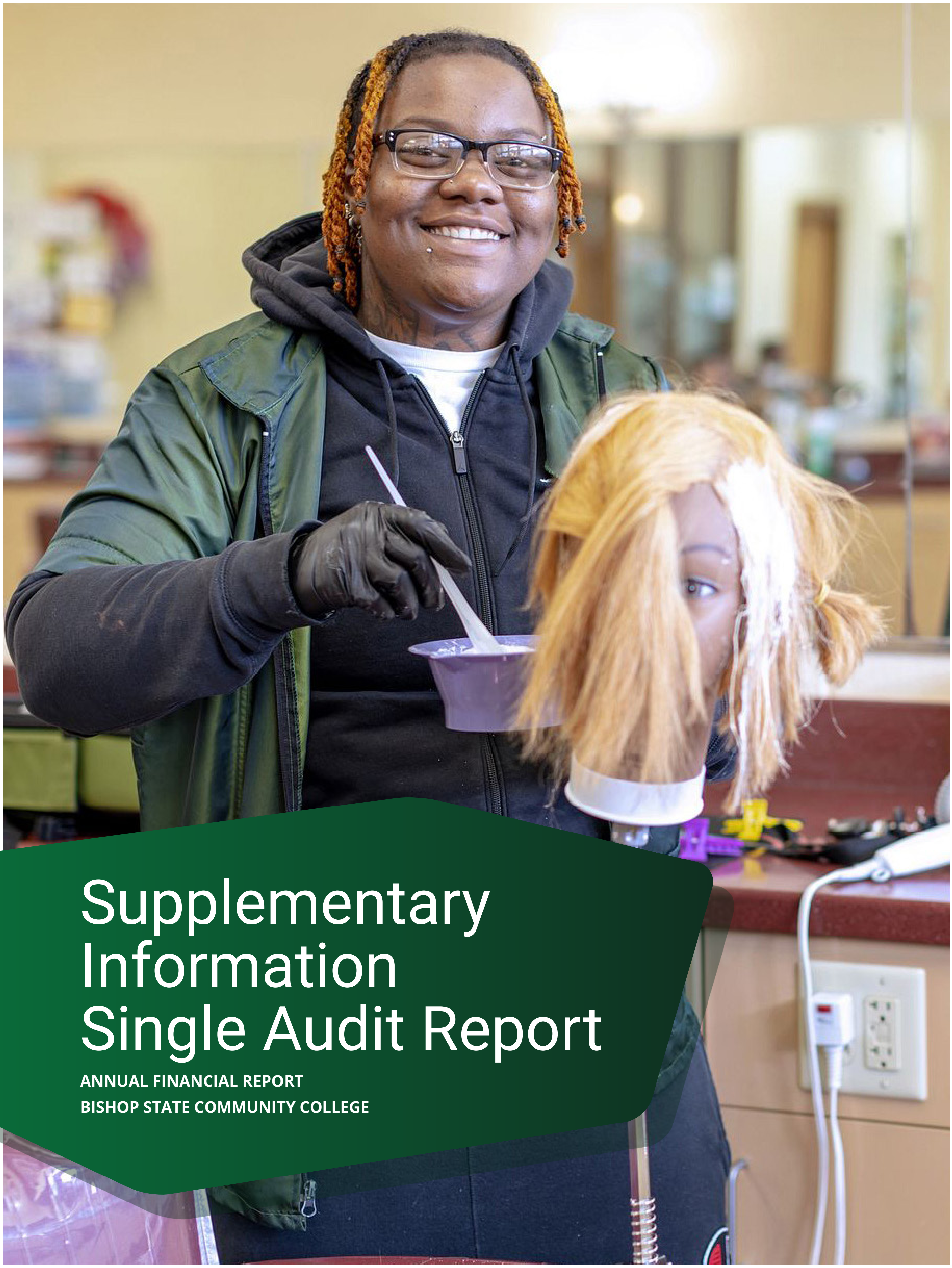

Supplementary Information Single Audit Report

ANNUAL FINANCIAL REPORT
BISHOP STATE COMMUNITY COLLEGE

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

Federal Grantor/ Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass Through/ Grantor's Number	Total Federal
Student Financial Assistance Cluster			
U. S. Department of Education			
Direct Programs			
Federal Pell Grant Program	84.063	P063P231045	$ 9,455,580
Federal Work Study Program	84.033	P033A230062	95,025
Federal Supplemental Educational Opportunity Grants	84.007	P007A230062	209,274
Total Student Financial Assistance Cluster (M)			**9,759,879**
TRIO Cluster			
U. S. Department of Education			
Direct Programs			
TRIO- Student Support Services	84.042A	P042A201912	249,285
Total TRIO Cluster			**249,285**
Other Federal Awards			
U. S. Department of Education			
Direct Programs			
Higher Education - Institutional Aid	84.031	P031B150009, P031B150010, P031B170068, P031B170069, P031B220053, P031B220054, P031E200041, P031E200042	5,531,268
COVID-19 HEERF Historically Black Colleges and Universities (HBCUs)	84.425	P425F204354, P425J200100	14,467,018
Pass-through Alabama Community College System:			
Adult Education - Basic Grants to States	84.002	0924AE083	587,268
Pass-through Alabama Department of Education:			
Career and Technical Education - Basic Grants to States	84.048	V048A230001	465,323
Total Pass-through Programs			1,052,591
Total Department of Education			**31,060,041**
Federal Highway Administration Pass through Alabama Department Of Transportation			
Pass-through Alabama Department of Transportation:			
Highway Planning and Construction	20.205	0JT100070830	21,836

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

Federal Grantor/ Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass Through/ Grantor's Number	Total Federal
U. S. Department of Labor			
Pass-Through-Workforce Investment Act			
Pass-through Alabama Community College System:			
H-1B Job Training Grants	17.268 H-1B	HG-33165-19-60-A-1	166,381
Pass-through Alabama Department of Commerce:			
WIOA Youth Activities	17.259	34701501	127,540
Total Department of Labor			**293,921**
Total Federal Awards			**$ 31,375,798**

"See accompanying notes to the schedule of expenditures of federal awards."

Notes to the Schedule of Expenditures of Federal Awards

Note 1. Basis of Accounting

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

Note 2. Indirect Cost Rate

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

Note 3. Subrecipients

The College did not provide federal awards to any subrecipients during the year ended September 30, 2024.

Warren Averett
CPAs AND ADVISORS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Bishop State Community College (the College), as of and for the year ended September 30, 2024, and the related notes to the financial statements, and have issued our report thereon dated January 15, 2025.

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned as items 2024-001 through 2024-003 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2024-004 through 2024-006 to be significant deficiencies.

Report on Compliance and Other Matters
As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

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

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

Warren Averett, LLC

Montgomery, Alabama
January 15, 2025

Warren Averett
CPAs AND ADVISORS

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

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

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

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

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

Other Matters
The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2024-007 through 2024-012. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2024-007 and 2024-008 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2024-009 through 2024-012 to be significant deficiencies.

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

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

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

Warren Averett, LLC

Montgomery, Alabama
January 15, 2025

BISHOP STATE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Section I – Summary of Auditors' Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

Assistance Listing Number(s)	**Name of Federal Program Cluster**
84.007, 84.033, 84.063	Student Financial Aid Cluster
84.031	Higher Education - Institutional Aid

Dollar threshold used to distinguish between type A and type B programs:	$941,274	
Auditee qualified as low-risk auditee?	___ Yes	x No

BISHOP STATE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Section II – Financial Statement Findings

Finding 2024-001 – Accounts Receivable (Material Weakness)

Criteria/Condition: A payment from the Alabama Community College System totaling $1,418,244, was not properly accrued at year-end.

Cause/Effect: This resulted in an understatement of accounts receivable and revenue. This was communicated to and subsequently corrected by the College.

Recommendation: We recommend the College implement an assessment of receipt postings for potential receivables for three months after year-end. These assessments should be reviewed and approved by someone other than the preparer. This will help ensure that errors and/or adjustments are identified and corrected.

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

Finding 2024-002 – Fixed Assets (Material Weakness)

Criteria/Condition: The College was not depreciating approximately $4,000,000 of capital assets due to improper recording or maintenance in Banner.

Cause/Effect: This resulted in an understatement of accumulated depreciation and depreciation expense.

Recommendation: We recommend the College reconcile fixed assets on at least a quarterly basis. These reconciliations should include all additions and disposals, as well as depreciation. Once updated, reports should be generated and examined to ensure depreciation expense is being properly calculated for all applicable assets. These reports should be reviewed and approved by someone other than the preparer. This will help ensure that errors and/or adjustments are identified and corrected in a timely manner.

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

Finding 2024-003 – Unearned Revenue (Material Weakness)

Criteria/Condition: The College incorrectly calculated unearned revenue by approximately $998,000.

Cause/Effect: The College calculated unearned revenue based on receipted revenue instead total revenue for the year. This caused unearned revenue to be understated.

Recommendation: We recommend the College ensure all revenue is included in the unearned revenue calculation. Once completed, the calculation should be reviewed and approved by someone other than the preparer. This will help ensure that errors and/or adjustments are identified and corrected.

BISHOP STATE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

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

Finding 2024-004 – Notes Payable (Significant Deficiency)

Criteria/Condition: The College did not amortize the Series 2019 bond premium over the life of the bond.

Cause/Effect: This resulted in an understatement of the bond premium in the amount of $296,420.

Recommendation: We recommend the College reconcile bond amortization at least quarterly to ensure the balances are accurate. Once completed, reconciliations should be reviewed and approved by someone other than the preparer. This will help ensure that errors and/or adjustments are identified and corrected in a timely manner.

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

Finding 2024-005 – Net Position (Significant Deficiency)

Criteria/Condition: The College incorrectly posted manual entries to net position in the current year.

Cause/Effect: These entries required reversal for net position to be properly reported. This was communicated to and subsequently corrected by the College.

Recommendation: We recommend the College reconcile net position on at least a quarterly basis to ensure accuracy. Once completed, reconciliations should be reviewed and approved by someone other than the preparer. This will help ensure that errors and/or adjustments are identified and corrected in a timely manner.

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

Finding 2024-006 – Grants Receivable/Unearned Revenue (Significant Deficiency)

Criteria/Condition: The College wrote off several grants receivable and related unearned revenue accounts that related to prior years.

Cause/Effect: This resulted in an overstatement of the bad debt expense.

Recommendation: We recommend the College review grants receivable and unearned revenue on at least a quarterly basis. This will help ensure that reported grants receivable and unearned revenue reflect current and valid assets and liabilities of the College.

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

BISHOP STATE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Section III – Federal Award Findings and Questioned Costs

Finding 2024-007 – Allowable Costs & Period of Performance (Material Weakness and Noncompliance)

Information on the Federal Program: U.S. Department of Education, Higher Education-Institutional Aid (Title III), Assistance Listing No. 84.031

Criteria: 2 CFR Part 200 Subpart E establishes cost principles to apply in determining costs under federal awards. Non-federal entities are also required to establish controls over the disbursement process to ensure compliance with allowable cost requirements. In addition, a non-federal entity may charge only allowable costs incurred during the approved budget period of a federal award's period of performance and any costs incurred before the federal awarding agency or pass-through entity made the federal award that were authorized by the federal awarding agency or pass-through entity (2 CFR sections 200.308, 200.309, and 200.403(h)).

Condition: We selected a sample of 25 non-payroll disbursements and 25 payroll disbursements charged to the grant. Of the 25 non-payroll, 4 were missing an approval by the Director of Title III Programs and 4 costs were not in the applicable budgets. In addition, 2 were charged to a fund code for a grant period that ended September 30, 2023.

There were 44 pay checks tested in the sample of 25; of those 44, 31 exceptions were noted as having an issue around the approved pay rate documentation. In 9 instances, there was no documented approved pay rate, only support provided was a local salary schedule for multiple positions for 6 of the exceptions. In 15 instances, there was no approval for salary to be charged to the grant number and documentation showed unrestricted, a different account or offer letter had no Title III documentation. In 7 instances, the approved pay rate did not agree to actual paycheck report.

Cause: The College did not obtain proper approval by the Director of the program, expenses did not fit into the grant budget line items, approved pay rates were not properly documented and the College continued to use funds after the grant period ended based on verbal instruction.

Effect: The College's grant disbursements were not properly approved.

Questioned Costs: $35,461

Recommendation: We recommend the College strengthen its policies and procedures surrounding payroll and non-payroll grant disbursements to ensure controls are functioning and compliant with federal regulations

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

Finding 2024-008 – Cash Management (Material Weakness and Noncompliance)

Information on the Federal Program: U.S. Department of Education, Higher Education-Institutional Aid, Assistance Listing No. 84.031

BISHOP STATE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Criteria: 2 CFR Part 200.305 establishes the methods of receiving payment from the federal agency. The College uses the reimbursement method to receive Title III funds. The non-federal entity is also required to design and implement internal controls over the cash management process.

Condition: We selected 5 drawdowns for reimbursement made during the year for testing. For 4 drawdowns, there was no documentation of a review of the calculation of the amount to draw or approval to draw down the funds.

Cause: The College did not have a review and approval process in place for 9 months of the fiscal year.

Effect: The College's grant reimbursements were not properly approved.

Questioned Costs: None reported

Recommendation: We recommend the College strengthen its policies and procedures over cash management to ensure controls are properly implemented and working effectively.

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

<u>Finding 2024-009 – Reporting (Significant Deficiency and Noncompliance)</u>

Information on the Federal Program: U.S. Department of Education, Higher Education-Institutional Aid, Assistance Listing No. 84.031

Criteria: 2 CFR Part 200.328 & 329 establish reporting requirements for non-federal entities that include timely and accurate reporting. Non-federal entities are also required to establish controls over the reporting process to ensure compliance with reporting requirements.

Condition: We selected 2 annual reports submitted during the year to test for controls and compliance. No documentation of review or approval of the reports was available.

Cause: The College did not retain documentation of a review and approval of Title III reports submitted.

Effect: The College did not have appropriate documentation.

Questioned Costs: None reported

Recommendation: We recommend the College strengthen its policies and procedures over the grant reporting process to ensure controls are properly implemented and working effectively.

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

BISHOP STATE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Finding 2024-010 – Procurement (Significant Deficiency and Noncompliance)

Information on the Federal Program: U.S. Department of Education, Higher Education-Institutional Aid, Assistance Listing No. 84.031

Criteria: 2 CFR 200.317-327 establishes procurement standards for non-federal entities. This includes different requirements based on the amount of purchases made from the vendor during the year.

Condition: We selected 7 vendors for procurement testing. Of those 7, it was noted that one vendor was paid over the micro-purchase threshold and therefore should have obtained price or rate quotes.

Cause: The College did not obtain price or rate quotes for this vendor that had provided services for several years.

Effect: The College did not have appropriate documentation.

Questioned Costs: $24,250

Recommendation: We recommend the College strengthen its policies and procedures over procurement to ensure vendors in the small purchase category are properly procured.

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

Finding 2024-011 – Equipment Management (Significant Deficiency and Noncompliance)

Information on the Federal Program: U.S. Department of Education, Higher Education-Institutional Aid, Assistance Listing No. 84.031

Criteria: 2 CFR Section 200.313(d)(2) establishes the requirement that a physical inventory of property must be taken and the results reconciled with the property records at least every 2 years.

Condition: Documentation of a physical inventory performed college-wide was not available.

Cause: The College did not perform a physical inventory of assets purchased with federal funds in the last 2 years.

Effect: The College did not have appropriate documentation that a physical inventory was performed.

Questioned Costs: None

Recommendation: We recommend the College strengthen its policies and procedures over equipment management to ensure a physical inventory is performed every 2 years, at a minimum.

BISHOP STATE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

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

Finding 2024-012 – Special Tests and Provisions- Enrollment Reporting (Significant Deficiency and Noncompliance)

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

Criteria: The NSLDS Enrollment Reporting Guide provides requirements and guidance for reporting enrollment details under the Pell grant and other programs. Institutions must update the Enrollment Reporting Roster for changes in student status, report the date the enrollment status was effective, enter the new anticipated completion date and submit the changes electronically through the batch method or the National Student Loan Data System (NSLDS) website. Institutions are responsible for timely reporting, whether they report directly or via a third-party servicer. These changes include reductions or increases in attendance levels, withdrawals, graduations or approved leaves-of-absence.

Condition: We tested a sample of 25 withdrawn students. In 5 instances, the change in status was not reported within the required 60-day time frame.

Cause: Unofficial withdraws from the College are not determined until after the end of the semester. Based on current procedures, these student status changes were not included in the last report of the semester and the next reporting submission was not submitted timely.

Effect: The College did not report the student enrollment status change in a timely manner.

Questioned Costs: None

Recommendation: We recommend the College strengthen its policies and procedures related to enrollment reporting requirements to comply with the regulations.

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

BISHOP STATE
COMMUNITY COLLEGE

Response/Corrective Action Plan

For the year Ended September 30, 2024

Section II-Financial Statement Findings

Finding 2024-001 – Accounts Receivable (Material Weakness)

Management's Response: Management concurs with the above finding and the fiscal service office will implement corrective action before August 2025. The fiscal service office will recognize annual state allocation revenue and create a receivable due from ACCS. Monthly revenue will be applied to the outstanding accounts receivable upon receipt. This action will recognize awarded revenue and prevent the potential for unrecognized revenues at year end.

Finding 2024-002 – Fixed Assets (Material Weakness)

Management's Response: Management concurs with the above finding and notes that assets are reconciled monthly. Asset additions and deletions are reconciled to the general ledger monthly. Fiscal services recognize that individual items did not depreciate appropriately within Banner and have now added to verify individual asset depreciation annually and not just the accumulated total. The total depreciation was verified and reconciled, but individual items were missed in the running of the depreciation module. This is a software error that has been reported to the Ellucian Banner System as well. This will be fixed by September 2025.

Finding 2024-003 – Unearned Revenue (Material Weakness)

Management's Response: Management concurs with the above finding and has corrected the calculation sheet to include outstanding balances that are pulled into revenue during the booking of tuition and fee accounts receivable. Fiscal Services has corrected this finding as of February 2025.

Finding 2024-004 – Notes Payable (Significant Deficiency)

Management's Response: Management concurs with the above finding and will have the finding fixed by September 2025. The 2019 bond premium was being amortized at the wrong value and has now been corrected and will be posted correctly annually.

Finding 2024-005 – Net Position (Significant Deficiency)

Management's Response: Management concurs with the finding but recognizes net investment is only posted to during the creation of property tags. Banner tags were created in error and when removed an invalid entry was made to net investment. Those tags were removed during reconciliation causing a property tag reversal and a post against net investment. This action will be corrected before September 2025.

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BISHOP STATE
COMMUNITY COLLEGE

Finding 2024-006 – Grants Receivable/Unearned Revenue (Significant Deficiency)

Management's Response: Management concurs with the above finding and will have corrective action taken by September 2025. Accounts receivable had to be cleaned up from prior year software conversion process. These were the last remaining accounts to be cleaned up and put the grant receivables at the correct amount. This action will allow for proper reconciliation monthly and annually moving forward.

Section III-Federal Award Findings and Questioned Costs

Finding 2024-007 – Allowable Costs & Period of Performance (Material Weakness and Noncompliance)

Management's Response: Management concurs with the above finding and will ensure that human resources, fiscal services and Title III all have proper approvals, budgets and written authorization of anything that deviates from the approved budget. The corrective action will be implemented immediately and completed by June 2025.

Finding 2024-008 – Cash Management (Material Weakness and Noncompliance)

Management's Response: Management concurs with the above finding and implementation of proper approval and documentation was completed in July 2024. All required documentation will be attached to each drawdown receipt.

Finding 2024-009 – Reporting (Significant Deficiency and Noncompliance)

Management's Response: Management concurs with the above finding and all documentation for annual reports will be held and kept as required moving forward. This will be implemented with the 2025 annual report.

Finding 2024-010 – Procurement (Significant Deficiency and Noncompliance)

Management's Response: Management concurs with the above finding and will ensure that the restricted accountant and purchasing agent receive further training on federal grant purchasing requirements to ensure all purchasing rules are met. Additional approval levels will also be put in place to safeguard required federal purchasing limits. Implementation will be completed by June 2025.

Finding 2024-011 – Equipment Management (Significant Deficiency and Noncompliance)

Management's Response: Management concurs with the above finding and notes that an annual physical inventory is done. Moving forward all federal equipment housed in a separate inventory system will be included in the annual physical inventory process. In addition, the tracking and monitoring of these assets will be brought to the asset manager within the fiscal services office. Action will be taken immediately and completed by June 2025.

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Finding 2024-012 – Special Tests and Provisions- Enrollment Reporting (Significant Deficiency and Noncompliance)

Management's Response:

Management concurs with the audit finding above. The Director of Admissions & Records has worked with the Audit Resource team at NSC to work through a process to ensure that unofficial withdrawals are accurately captured from Banner and reported in a timely manner. The NSC specialist helped the college set up an additional "subsequent of term" submission roughly 30 days after the end of the semester but prior to the first upload of the following semester. As a nonattendance taking institution, this timeframe will allow the college a chance to make withdrawal determinations for students who did not officially withdraw but stopped attending at some point in the semester and code them appropriately in Banner. This action has occurred, been tested and implemented as of January 2025.

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