



WALLACE COMMUNITY COLLEGE SELMA  
BUILDING BRIDGES TO THE FUTURE



# Annual Financial Report

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FOR THE YEAR ENDED SEPTEMBER 30, 2024



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GEORGE CORLEY WALLACE STATE COMMUNITY COLLEGE

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## Independent Auditor's Report

Alabama Community College System Board of Trustees  
George Corley Wallace State Community College  
Selma, Alabama

### Report on the Audit of the Financial Statements

#### **Opinion**

We have audited the financial statements of George Corley Wallace State Community College (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 accompanying 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 thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 opinions.

#### **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 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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Alabama Community College System Board of Trustees  
George Corley Wallace State Community College

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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, pension, and other postemployment benefit information 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 GAAS, 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 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 GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Alabama Community College System Board of Trustees  
George Corley Wallace State Community College

### ***Other Information***

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

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 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.

***Forvis Mazars, LLP***

**Houston, Texas  
January 17, 2025**



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# Management's Discussion and Analysis

ANNUAL FINANCIAL REPORT  
GEORGE CORLEY WALLACE STATE COMMUNITY COLLEGE





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# Management's Discussion and Analysis

## Introduction

The following discussion presents an overview of the financial position and financial performance of George Corley Wallace State Community College during the fiscal year ended September 30, 2024, with comparative information for 2023. This discussion and analysis has been prepared by management along with the financial statements and related footnote disclosures. This discussion should be read in conjunction with, and is qualified in its entirety by, the financial statements and footnotes. The discussion and analysis is designed to focus on current activities, resulting change and currently known facts. The financial statements, footnotes and this discussion are the responsibility of management.

## History, Mission and Governance

George Corley Wallace State Community College (hereinafter "the College") is an associate degree granting institution committed to providing accessible educational opportunities for career preparation, advancement, and lifelong learning in Central Alabama. The College is dedicated to providing a dynamic learner-centric environment where excellence in teaching, learning, and serving improves the lives of its students and the community it serves. The College seeks to maintain a sound fiscal foundation to support its mission in addition to providing responsible stewardship of public funds in compliance with state laws.

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

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

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

The board member duties include:

- designating rules and regulations for the government of community and technical colleges,
- prescribing the course of study to be offered and the conditions for granting certificates, diplomas and/or degrees,
- accepting gifts, donations, property, and devices for the benefit of community and technical colleges, and;
- establishing a performance-based allocation process that is equitable and compatible with the services and programs offered by each individual campus.

## Overview of the Financial Statements and Financial Analysis

The basic financial statements consist of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*.

These financial statements focus on the financial position, results of operations, and cash flows of the College as a whole.

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

## Statement of Net Position

The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the College at September 30, 2024. The purpose of the Statement of Net Position is to present to the readers of the financial statements a fiscal snapshot of the College. The Statement of Net Position presents end-of-year data concerning assets (current and non-current) and deferred outflows of resources, as well as liabilities (current and non-current) and deferred inflows of resources with the difference between the two reported as net position. The difference between current and non-current assets will be discussed in the financial statement disclosures.

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

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

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

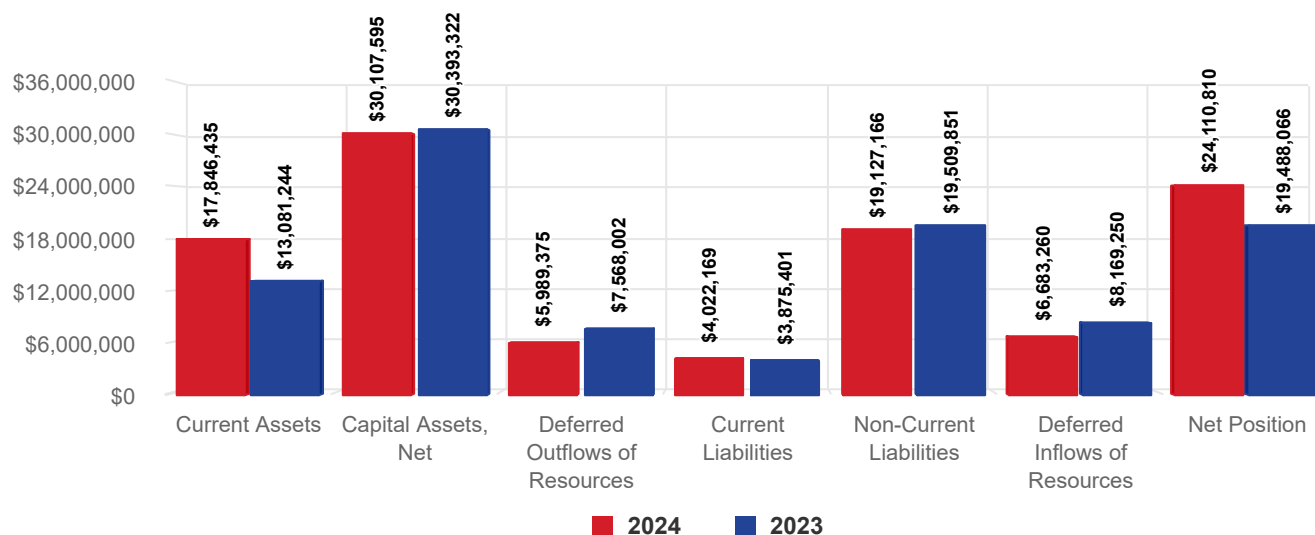
## Statement of Net Position

|                                       | 2024                 | 2023                 |
|---------------------------------------|----------------------|----------------------|
| <b>Assets</b>                         |                      |                      |
| Current Assets                        | \$ 17,846,435        | \$ 13,081,244        |
| Capital Assets, Net                   | 30,107,595           | 30,393,322           |
| <b>Total Assets</b>                   | <b>47,954,030</b>    | <b>43,474,566</b>    |
| <b>Deferred Outflows of Resources</b> | <b>5,989,375</b>     | <b>7,568,002</b>     |
| <b>Liabilities</b>                    |                      |                      |
| Current Liabilities                   | 4,022,169            | 3,875,401            |
| Non-Current Liabilities               | 19,127,166           | 19,509,851           |
| <b>Total Liabilities</b>              | <b>23,149,335</b>    | <b>23,385,252</b>    |
| <b>Deferred Inflows of Resources</b>  | <b>6,683,260</b>     | <b>8,169,250</b>     |
| <b>Net Position</b>                   |                      |                      |
| Net Investment in Capital Assets      | 29,716,726           | 29,845,692           |
| Restricted                            | 5,756,523            | 2,347,229            |
| Unrestricted                          | (11,362,439)         | (12,704,855)         |
| <b>Total Net Position</b>             | <b>\$ 24,110,810</b> | <b>\$ 19,488,066</b> |

The College's total Net Position increased by \$4,622,744 during the year ended September 30, 2024. The increase is attributable primarily to Operating Federal Grants and Contracts of \$868,845, largely due to the Delta Regional Authority Grant of approximately \$774,000. Additionally, there was a year-over-year increase in state appropriations, which rose by \$3,390,834. This increase in state appropriation can be attributed to the legislative appropriation for the Alabama Center for Rural Healthcare of approximately \$2,889,000 and a 2% cost of living increase in wages. Student tuition and fees also decreased year-over-year due to an increase in Title IV awards of approximately \$900,000. The College's credit hour production grew approximately 4% over the prior year.

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

### Statement of Net Position



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

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

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

The College considers state appropriations to be an integral component of the fiscal viability of the College for without these appropriations the College would have severe difficulty in achieving its mission of providing accessible educational opportunities. The Statement of Revenues, Expenses, and Changes in Net Position presents a net increase in the Net Position for the year ending September 30, 2024.

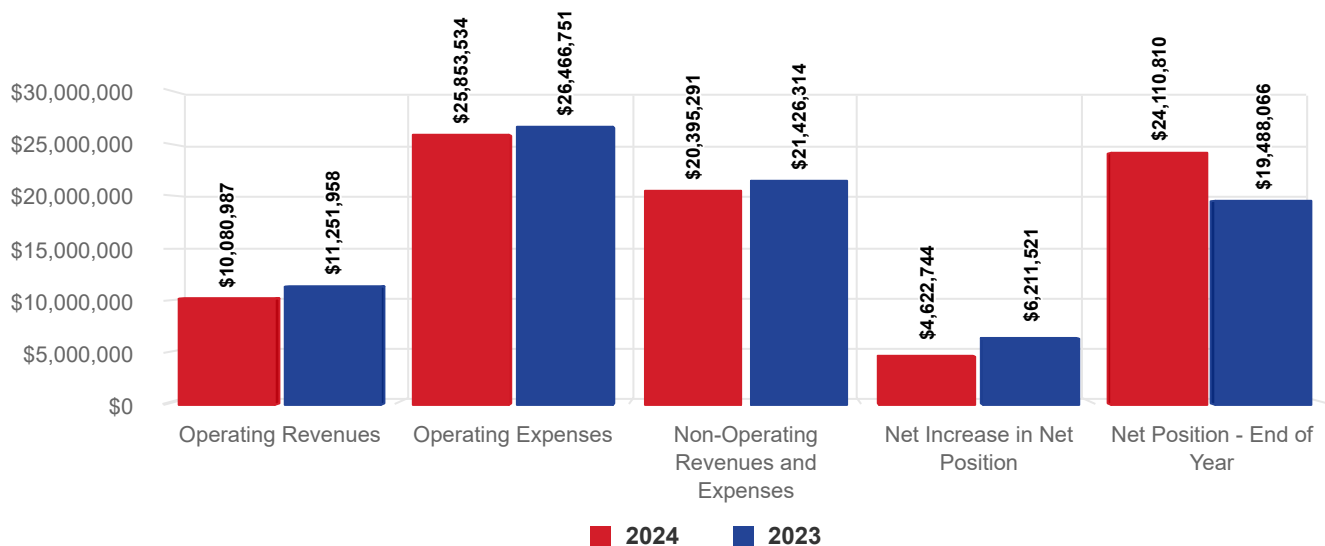
A condensed Statement of Revenues, Expenses and Changes in Net Position for the year ended September 30, 2024 and 2023 is presented below.

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

|                                     | 2024                 | 2023                 |
|-------------------------------------|----------------------|----------------------|
| Operating Revenues                  | \$ 10,080,987        | \$ 11,251,958        |
| Operating Expenses                  | 25,853,534           | 26,466,751           |
| Operating Loss                      | (15,772,547)         | (15,214,793)         |
| Non-Operating Revenues and Expenses | 20,395,291           | 21,426,314           |
| Net Increase in Net Position        | 4,622,744            | 6,211,521            |
| Net Position - Beginning of Year    | 19,488,066           | 13,276,545           |
| <b>Net Position - End of Year</b>   | <b>\$ 24,110,810</b> | <b>\$ 19,488,066</b> |

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

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



Operating Revenues for the year ended September 30, 2024, decreased \$1,170,971 compared to the previous year. State grants and contracts decreased by \$589,376, mainly due to a reduction in the Special Populations Industry Training Grant of approximately \$360,000 and the Career Tech Equipment Grant of approximately \$138,000. However, federal operating grants increased by \$868,844 due to the award of the Delta Regional Authority Grant of approximately \$774,000. Gross tuition and fees revenues increased \$981,295 due to increased enrollment, while student tuition and fees (net of scholarship allowances) decreased \$1,622,076. Nongovernmental grants and contracts increased \$95,622. All other operating revenue sources increased \$247,373.

Operating Expenses for the year ended September 30, 2024, decreased approximately 2% compared to the prior year. The largest change in Operating Expenses was an increase in salaries and benefits of \$1,513,001. Another notable change was a decrease in student aid and scholarships due to the expiration of the Higher Education Emergency Relief Fund (HEERF). Expenses for the nine major functions presented changed as follows: Instruction decreased 4%; Public Service increased 76% ; Academic Support increased 2%; Student Services increased 11%; Institutional Support increased 6%; Operation and Maintenance of Plant expenses increased 6%; Student Aid decreased 32%; and Depreciation decreased 3%. The increase in Public Service expenses is due to the College's enhanced efforts related to the AMSTI grant, resulting in an approximate increase of \$142,000 in expenditures. The increase in Student Service expenses is the result of an increase in salaries of approximately \$567,000 while the decrease in Student Aid expenses can be attributable to the expiration of HEERF which was approximately \$844,000 in 2023 along with a decrease of grant awards. The College's enrollment increased 4% in 2023-2024 compared to 2022-2023.

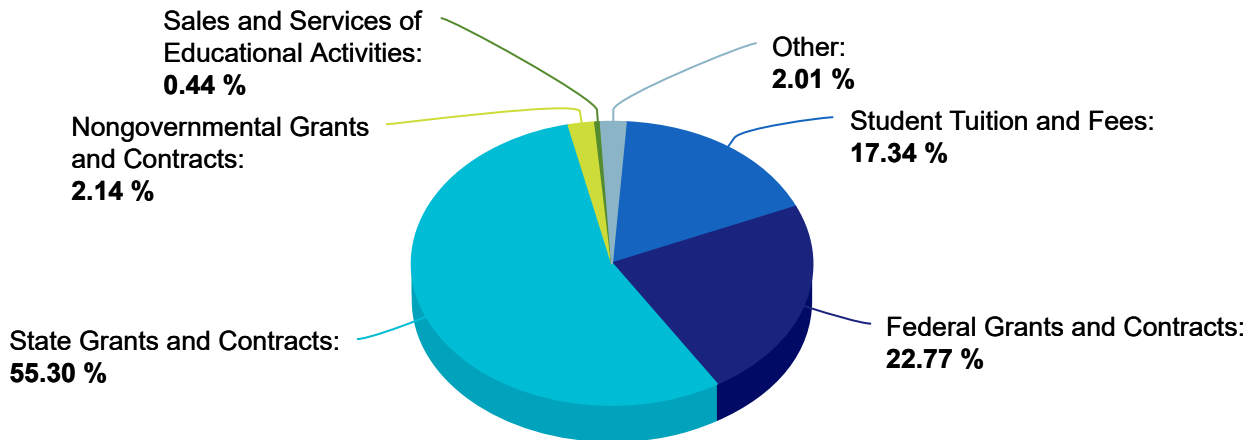
## Operating Revenues

|  | 2024                 | 2023                 |
|--|----------------------|----------------------|
| <b>Operating Revenues</b>                    |                      |                      |
| Student Tuition and Fees                     | \$ 1,748,139         | \$ 3,370,215         |
| Federal Grants and Contracts                 | 2,295,132            | 1,426,288            |
| State Grants and Contracts                   | 5,574,943            | 6,164,319            |
| Nongovernmental Grants and Contracts         | 215,400              | 119,778              |
| Sales and Services of Educational Activities | 44,708               | 3,625                |
| Other  | 202,665              | 167,733              |
| <b>Total Operating Revenues</b>              | <b>\$ 10,080,987</b> | <b>\$ 11,251,958</b> |



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

### Operating Revenues by Source



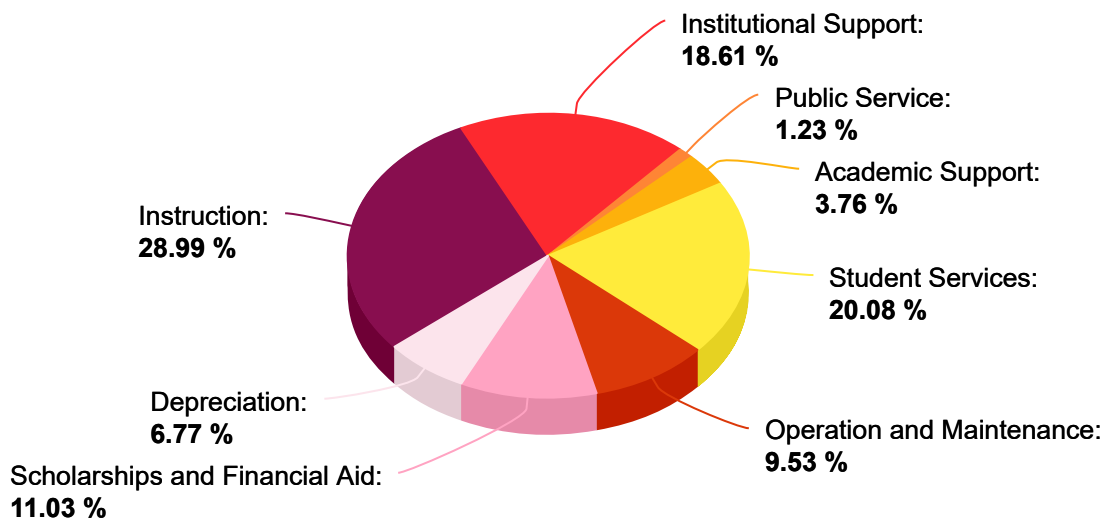
The operating expenses by function stated are displayed in the following exhibit.

### Operating Expenses

|                                 | 2024                 | 2023                 |
|---------------------------------|----------------------|----------------------|
| <b>Operating Expenses</b>       |                      |                      |
| Instruction                     | \$ 7,494,225         | \$ 7,767,203         |
| Institutional Support           | 4,812,380            | 4,543,193            |
| Public Service                  | 317,380              | 180,795              |
| Academic Support                | 972,980              | 954,044              |
| Student Services                | 5,191,838            | 4,671,842            |
| Operation and Maintenance       | 2,463,789            | 2,334,616            |
| Scholarships and Financial Aid  | 2,850,416            | 4,212,910            |
| Depreciation                    | 1,750,526            | 1,802,148            |
| <b>Total Operating Expenses</b> | <b>\$ 25,853,534</b> | <b>\$ 26,466,751</b> |

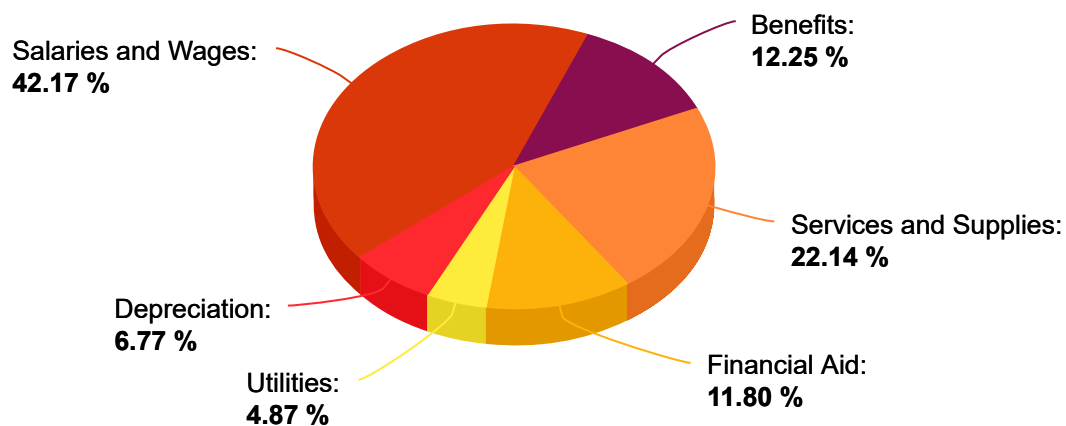
The following is a graphic presentation of operating expenses by function for the fiscal year ended September 30, 2024.

### Operating Expenses by Function



Operating expenses are summarized here by natural classification.

### Operating Expenses by Natural Classification

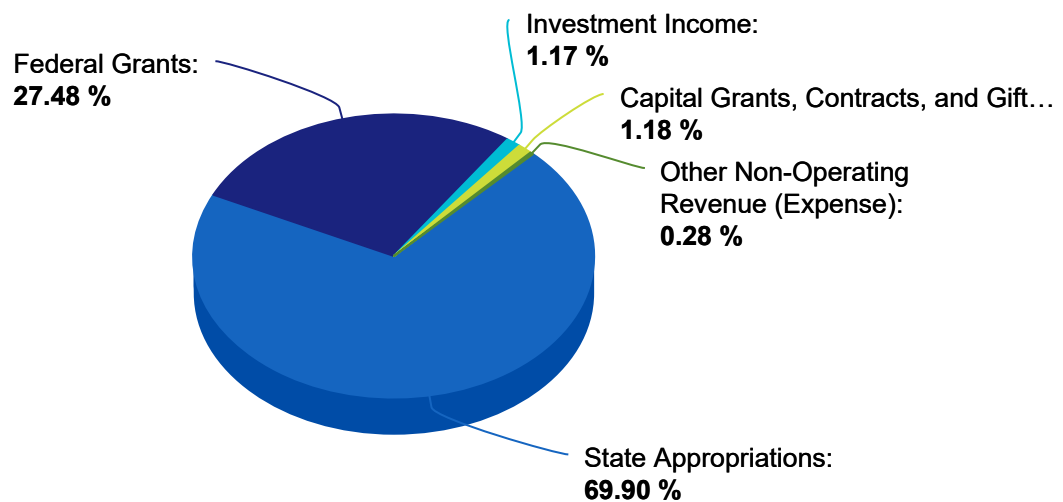


## Comparison of Non-Operating Revenue

|                                       | 2024                 | 2023                 |
|---------------------------------------|----------------------|----------------------|
| <b>Non-Operating Revenue</b>          |                      |                      |
| State Appropriations                  | \$ 14,264,208        | \$ 10,873,374        |
| Federal Grants                        | 5,606,915            | 6,191,363            |
| Investment Income                     | 238,158              | 59,218               |
| Capital Grants, Contracts, and Gifts  | 241,185              | 64,750               |
| Other Non-Operating Revenue (Expense) | 56,741               | 4,285,661            |
| <b>Total Non-Operating Revenue</b>    | <b>\$ 20,407,207</b> | <b>\$ 21,474,366</b> |

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

## Comparison of Non-Operating Revenue



## Statement of Cash Flows

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

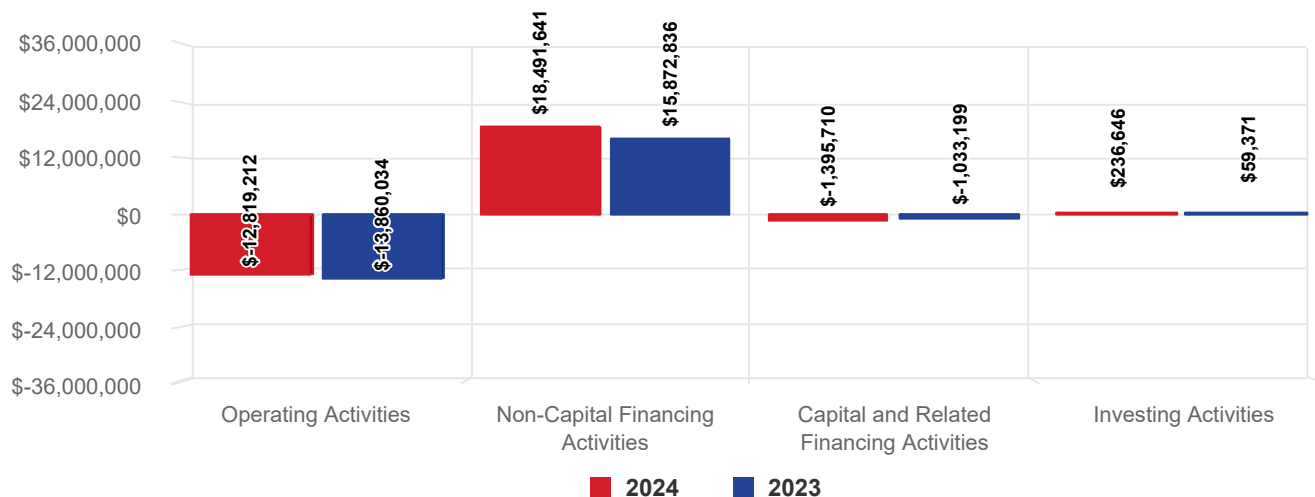
A condensed Statement of Cash Flows for the years ended September 30, 2024 and 2023 is presented below.

## Statement of Cash Flows

|  | 2024                 | 2023                |
|--|----------------------|---------------------|
| <b>Cash Provided by (Used in):</b>             |                      |                     |
| Operating Activities                           | \$ (12,819,212)      | \$ (13,860,034)     |
| Non-Capital Financing Activities               | 18,491,641           | 15,872,836          |
| Capital and Related Financing Activities       | (1,395,710)          | (1,033,199)         |
| Investing Activities                           | 236,646              | 59,371              |
| <b>Net Change in Cash and Cash Equivalents</b> | <b>4,513,365</b>     | <b>1,038,974</b>    |
| Cash and Cash Equivalents, Beginning of Year   | 7,845,681            | 6,806,707           |
| <b>Cash and Cash Equivalents, End of Year</b>  | <b>\$ 12,359,046</b> | <b>\$ 7,845,681</b> |

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



## Capital Assets, net

|  | 2024                | 2023                |
|--|---------------------|---------------------|
| Land   | \$405,819           | \$405,819           |
| Construction in Progress                             | 1,501,651           | 411,768             |
| Buildings and Building Alterations                   | 25,546,286          | 26,692,721          |
| Improvements other than Buildings and Infrastructure | 889,171             | 968,128             |
| Furniture and Equipment                              | 1,379,868           | 1,369,398           |
| Right to Use Assets -Buildings                       | 255,718             | 334,400             |
| Right to Use Assets - Equipment                      | 129,082             | 211,087             |
| <b>Total Capital Assets</b>                          | <b>\$30,107,595</b> | <b>\$30,393,321</b> |

## Economic Outlook

As we look into the Economic Outlook for the College's Management Discussion and Analysis (MD&A), it is important to note that the state budget estimates for fiscal year 2025 indicate stability for Education Trust Fund tax revenues. However, the general economic outlook presents a more cautious perspective. Throughout the majority of the calendar year 2024, inflation has persisted at 40-year highs, although there has been a recent decline in the inflation rate. While this decrease provides a measure of relief from the risk of a recession, the potential for an economic downturn still lingers.

Given the state budget estimates, it is anticipated that state appropriations will at least remain stable and possibly increase in the upcoming fiscal year. Despite this, the College administration remains mindful of the current inflationary pressures and concerns about a potential recession, keeping the risk of static or decreased state funding at the forefront of its planning. Notably, historical patterns indicate that economic downturns often coincide with increases in the College's enrollment, which could prove beneficial in restoring enrollment numbers to pre-pandemic levels.

Despite the potential challenges presented by the economic outlook, the College administration is confident in its ability to maintain positive financial stability in the years ahead. With the prospect of rebounding enrollments and continued state appropriation support, the College has developed a fiscal plan that does not rely on reserves to meet its operational needs in the next two years. At present, there are no known acts, decisions, or conditions expected to have a significant effect on the College's financial position or results of operations during the current fiscal year.

Looking ahead, the College anticipates that the next two fiscal years will pose challenges; however, the administration is committed to closely monitoring resources to proactively address internal and external issues, particularly those related to funding.



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# WEST ALABAMA REGIONAL TRAINING CENTER RIBBON CUTTING CEREMONY



## Financial Statements

ANNUAL FINANCIAL REPORT  
GEORGE CORLEY WALLACE STATE COMMUNITY COLLEGE





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## Statement of Net Position

### September 30, 2024

|  | <u>2024</u>         |
|--|---------------------|
| <b>Assets</b>  |                     |
| <b>Current Assets</b>                                |                     |
| Cash and Cash Equivalents                            | \$ 12,359,046       |
| Accounts Receivable, Net (Note 4)                    | 5,487,389           |
| <b>Total Current Assets</b>                          | <u>17,846,435</u>   |
| <b>Non-Current Assets</b>                            |                     |
| Capital Assets, Net of Depreciation and Amortization | 30,107,595          |
| <b>Total Non-Current Assets</b>                      | <u>30,107,595</u>   |
| <b>Total Assets</b>                                  | <u>47,954,030</u>   |
| <b>Deferred Outflows of Resources</b>                |                     |
| Pension  | 4,345,698           |
| Other Postemployment Benefits (OPEB)                 | 1,636,177           |
| Asset Retirement Cost                                | 7,500               |
| <b>Total Deferred Outflows of Resources</b>          | <u>\$ 5,989,375</u> |

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

## Statement of Net Position (Continued)

### September 30, 2024

|  | <b>2024</b>          |
|--|----------------------|
| <b>Liabilities</b>                         |                      |
| <b>Current Liabilities</b>                 |                      |
| Accounts Payable and Accrued Liabilities   | \$ 2,162,855         |
| Unearned Revenue                           | 1,529,989            |
| Deposits Held for Others                   | 67,531               |
| Compensated Absences                       | 70,283               |
| Lease Payable                              | 191,511              |
| <b>Total Current Liabilities</b>           | <b>4,022,169</b>     |
| <b>Non-Current Liabilities</b>             |                      |
| Compensated Absences                       | 760,073              |
| Lease Payable                              | 199,359              |
| Net Pension Liability                      | 16,527,762           |
| Net OPEB Liability                         | 1,639,972            |
| <b>Total Non-Current Liabilities</b>       | <b>19,127,166</b>    |
| <b>Total Liabilities</b>                   | <b>23,149,335</b>    |
| <b>Deferred Inflows of Resources</b>       |                      |
| Pensions                                   | 1,440,131            |
| Other Postemployment Benefits (OPEB)       | 5,243,129            |
| <b>Total Deferred Inflows of Resources</b> | <b>6,683,260</b>     |
| <b>Net Position</b>                        |                      |
| Net Investment in Capital Assets           | 29,716,726           |
| Restricted for:                            |                      |
| Capital Projects                           | 1,875,822            |
| Other                                      | 3,880,701            |
| Unrestricted                               | (11,362,439)         |
| <b>Total Net Position</b>                  | <b>\$ 24,110,810</b> |

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



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

|   | <u>2024</u>                 |
|---|-----------------------------|
| <b>Operating Revenues</b>   |                             |
| Student Tuition and Fees (net of scholarship allowances of \$5,657,047) | \$ 1,748,139                |
| Federal Grants and Contracts  | 2,295,132                   |
| State Grants and Contracts  | 5,574,943                   |
| Nongovernmental Grants and Contracts                                    | 215,400                     |
| Sales and Services of Educational Activities                            | 44,708                      |
| Other   | 202,665                     |
| <b>Total Operating Revenues</b>   | <u><b>10,080,987</b></u>    |
| <b>Operating Expenses</b>   |                             |
| Instruction   | 7,494,225                   |
| Institutional Support   | 4,812,380                   |
| Public Service  | 317,380                     |
| Academic Support  | 972,980                     |
| Student Services  | 5,191,838                   |
| Operation and Maintenance   | 2,463,789                   |
| Scholarships and Financial Aid  | 2,850,416                   |
| Depreciation  | 1,750,526                   |
| <b>Total Operating Expenses</b>   | <u><b>25,853,534</b></u>    |
| <b>Operating Loss</b>   | <u><b>(15,772,547)</b></u>  |
| <b>Non-Operating Revenues (Expenses)</b>                                |                             |
| State Appropriations  | 14,264,208                  |
| Federal Grants  | 5,606,915                   |
| Investment Income   | 238,158                     |
| Capital Grants, Contracts, and Gifts                                    | 241,185                     |
| Interest on Debt  | (11,916)                    |
| Other Non-Operating Revenue (Expense)                                   | 56,741                      |
| <b>Total Non-Operating Revenues (Expenses)</b>                          | <u><b>20,395,291</b></u>    |
| <b>Net Increase in Net Position</b>                                     | <u><b>4,622,744</b></u>     |
| Net Position - Beginning of Year, as Originally Stated                  | 19,488,066                  |
| <b>Net Position - End of Year</b>                                       | <u><b>\$ 24,110,810</b></u> |

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

## Statement of Cash Flows

### For the Years Ended September 30, 2024

|  | <b>2024</b>          |
|--|----------------------|
| <b>Cash Flows from Operating Activities</b>                      |                      |
| Tuition and Fees   | \$ 4,658,442         |
| Grants and Contracts   | 6,785,583            |
| Sales and Services of Educational Departments                    | 52,684               |
| Payments to Suppliers  | (6,254,890)          |
| Payments to Utilities  | (1,227,210)          |
| Payments to Employees  | (10,898,449)         |
| Payments for Benefits  | (3,287,621)          |
| Payments for Scholarships  | (2,850,416)          |
| Other Receipts   | 202,665              |
| <b>Net Cash Used in Operating Activities</b>                     | <b>(12,819,212)</b>  |
| <b>Cash Flows from Non-Capital Financing Activities</b>          |                      |
| State Appropriations   | 14,264,208           |
| Federal Grants   | 4,174,464            |
| Bond Surety Fee Expense  | (3,772)              |
| Other  | 56,741               |
| <b>Net Cash Provided by Non-Capital Financing Activities</b>     | <b>18,491,641</b>    |
| <b>Cash Flows from Capital and Related Financing Activities</b>  |                      |
| Capital Grants and Gifts Received                                | 244,957              |
| Purchase of Capital Assets                                       | (1,472,833)          |
| Principal Paid on Capital Debt and Leases                        | (206,412)            |
| Proceeds From Issue of Capital                                   | 49,652               |
| Interest Paid on Capital Debt and Leases                         | (11,074)             |
| <b>Net Cash Used in Capital and Related Financing Activities</b> | <b>(1,395,710)</b>   |
| <b>Cash Flows from Investing Activities</b>                      |                      |
| Interest on Investments  | 236,646              |
| Purchase of Investments  | -                    |
| <b>Net Cash Provided by Investing Activities</b>                 | <b>236,646</b>       |
| <b>Net Increase in Cash and Cash Equivalents</b>                 | <b>4,513,365</b>     |
| Cash and Cash Equivalents - Beginning of Year                    | 7,845,681            |
| <b>Cash and Cash Equivalents - End of Year</b>                   | <b>\$ 12,359,046</b> |

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



## Statement of Cash Flows (Continued)

### For the Years Ended September 30, 2024

|   | <u>2024</u>                   |
|---|-------------------------------|
| <b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</b>                          |                               |
| Operating Loss  | \$ (15,772,547)               |
| Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: |                               |
| Depreciation Expense  | 1,750,526                     |
| Changes in Assets and Liabilities:  |                               |
| Receivables, Net  | 1,153,272                     |
| Other Assets  | 28,866                        |
| Deferred Outflows of Resources  | 1,578,627                     |
| Deposits Held for Others  | 203                           |
| Accounts Payable and Accrued Liabilities  | (287,791)                     |
| Unearned Revenue  | 456,933                       |
| Compensated Absences  | 57,852                        |
| Net Pension Liability   | (246,825)                     |
| Net OPEB Liability  | (52,338)                      |
| Deferred Inflows of Resources   | (1,485,990)                   |
| <b>Net Cash Used in Operating Activities</b>  | <b><u>\$ (12,819,212)</u></b> |

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



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# Notes to the Financial Statements

ANNUAL FINANCIAL REPORT  
GEORGE CORLEY WALLACE STATE COMMUNITY COLLEGE





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## Note 1. Summary of Significant Accounting Policies

### Nature of Operations

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

### Reporting Entity

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

### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

The Statement of Revenues, Expenses and Changes in Net Position distinguishes between operating and 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. 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.



**Cash, Cash Equivalents, and Investments**

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

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

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

**Receivables**

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

**Capital Assets**

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

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

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

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

| <b>Assets</b>  | <b>Depreciation Method</b> | <b>Useful Lives</b> |
|--|----------------------------|---------------------|
| Buildings  | Straight Line              | 50 years            |
| Building Alterations                                 | Straight Line              | 25 years            |
| Collections  | Not depreciated            |                     |
| Improvements other than Buildings and Infrastructure | Straight Line              | 25 years            |
| Construction in Progress                             | Not depreciated            |                     |
| Furniture and Equipment                              | Straight Line              | 5-10 years          |
| Right-to-Use Leased 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            |
| Right to Use Assets                                  | Straight Line              | 2-5 years           |
| Subscription Based IT Arrangements                   | Straight Line              | 2-5 years           |

## Leases

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

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

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

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

The College monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect

the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the Statement of Net Position.

### **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.

### **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**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, the Teachers' Retirement System of Alabama (the "Plan") financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to plan requirements. Benefits and refunds are recognized as revenues when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made.

Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the 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. Subsequent events were evaluated by management through the date the financial statements were issued.

### Net Position

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

- **Net Investment in Capital Assets** – Capital assets, including restricted capital assets, 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 as prescribed by the National Association of College and University Business Officers (NACUBO) in their Advisory Report 2000-05 to determine the amount of scholarship allowances and discounts.

### 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.

## Note 2. Deposits and Investments

### Deposits

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

## Note 3. Receivables

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

| Description                           | 2024                |
|---------------------------------------|---------------------|
| Federal                               | \$ 2,504,879        |
| Student Receivables                   | 2,677,675           |
| State                                 | 1,561,622           |
| Third-Party                           | 114,731             |
| Other                                 | 1,966               |
| Less: Allowance for Doubtful Accounts | (1,373,484)         |
| <b>Total Accounts Receivable</b>      | <b>\$ 5,487,389</b> |

## Note 4. Capital Assets

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

| Description  | Beginning<br>Balance | Additions           | Deductions      | Adjustments | Ending<br>Balance    |
|--|----------------------|---------------------|-----------------|-------------|----------------------|
| <b>Nondepreciable Capital Assets</b>                 |                      |                     |                 |             |                      |
| Land   | \$ 405,819           | \$ -                | \$ -            | \$ -        | \$ 405,819           |
| Construction in Progress                             | 411,768              | 1,089,883           |                 | -           | 1,501,651            |
| <b>Total Nondepreciable Capital Assets</b>           | <b>817,587</b>       | <b>1,089,883</b>    | <b>-</b>        | <b>-</b>    | <b>1,907,470</b>     |
| <b>Other Capital Assets</b>                          |                      |                     |                 |             |                      |
| Buildings  | 29,332,904           | -                   | -               | -           | 29,332,904           |
| Building Alterations                                 | 15,951,114           | -                   | -               | -           | 15,951,114           |
| Improvements other than Buildings and Infrastructure | 2,506,511            | -                   | -               | -           | 2,506,511            |
| Furniture and Equipment greater than \$25,000        | 4,124,920            | 117,056             | (1,100)         | -           | 4,240,876            |
| Furniture and Equipment \$25,000 or less             | 2,372,945            | 210,342             | -               | -           | 2,583,287            |
| Library Materials                                    | 1,443,411            | -                   | -               | -           | 1,443,411            |
| Right to Use Assets - Buildings                      | 393,412              | -                   | -               | -           | 393,412              |
| Right to Use Assets - Equipment                      | 428,233              | 48,509              | -               | -           | 476,742              |
| <b>Total Other Capital Assets</b>                    | <b>56,553,450</b>    | <b>375,907</b>      | <b>(1,100)</b>  | <b>-</b>    | <b>56,928,257</b>    |
| <b>Less Accumulated Depreciation/Amortization</b>    |                      |                     |                 |             |                      |
| Buildings  | 12,813,831           | 507,799             | -               | -           | 13,321,630           |
| Building Alterations                                 | 5,777,466            | 638,636             | -               | -           | 6,416,102            |
| Improvements other than Buildings and Infrastructure | 1,538,383            | 78,957              | -               | -           | 1,617,340            |
| Furniture and Equipment greater than \$25,000        | 3,052,823            | 155,219             | (110)           | -           | 3,207,932            |
| Furniture and Equipment \$25,000 or less             | 2,075,644            | 160,719             | -               | -           | 2,236,363            |
| Library Materials                                    | 1,443,411            | -                   | -               | -           | 1,443,411            |
| Right to Use Assets - Buildings                      | 59,012               | 78,682              | -               | -           | 137,694              |
| Right to Use Assets - Equipment                      | 217,146              | 130,514             | -               | -           | 347,660              |
| <b>Total Accumulated Depreciation/Amortization</b>   | <b>26,977,716</b>    | <b>1,750,526</b>    | <b>(110)</b>    | <b>-</b>    | <b>28,728,132</b>    |
| <b>Total Capital Assets, Net</b>                     | <b>\$ 30,393,321</b> | <b>\$ (284,736)</b> | <b>\$ (990)</b> | <b>\$ -</b> | <b>\$ 30,107,595</b> |

## 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](http://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

Participating employers' contractually required contribution rate for the fiscal year ended September 30, 2023, was 12.59% of annual pay for Tier 1 members and 11.57% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the System were \$1,186,000 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 \$16,527,762 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 0.103573%, which was a decrease of 0.437000% from its proportion measured as of September 30, 2022.

For the year ended September 30, 2024, the College recognized pension expense of \$2,080,000. 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  | \$ 1,480,656                   | \$ 223,131                    |
| Changes of Assumptions  | 465,000                        | -                             |
| Net Difference between Projected and Actual Earnings on Pension Plan Investments                              | 1,134,000                      | -                             |
| Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions | 80,000                         | 1,217,000                     |
| Employer Contributions Subsequent to the Measurement Date   | 1,186,042                      | -                             |
| <b>Total</b>  | <b>\$ 4,345,698</b>            | <b>\$ 1,440,131</b>           |

The \$1,186,042 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 ended September 30, 2025.

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

| <b>Year Ended<br/>September 30</b> | <b>Amount</b> |
|------------------------------------|---------------|
| 2025                               | \$ 595,525    |
| 2026                               | 266,000       |
| 2027                               | 975,000       |
| 2028                               | (117,000)     |
| 2029                               | -             |
| Thereafter                         | -             |

### Actuarial Assumptions

The total pension liability as of 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.

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:

| <b>Group</b>      | <b>Membership<br/>Table</b>      | <b>Set Forward (+) /<br/>Set Back (-)</b> | <b>Adjustment<br/>to Rates</b>   |
|-------------------|----------------------------------|---|--|
| Service Retirees  | Teacher Retiree – Below Median   | Male: +2, Female: +2                      | Male: 108% ages < 63, 96% ages > 67;<br>Phasing down 63-67<br>Female: 112% ages < 69<br>98% > age 74<br>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%             | 1.50%                              |
| <b>Total</b>               | <b>100.00%</b>    |                                    |

\* 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<br>(6.45%) | Current<br>Discount Rate<br>(7.45%) | 1% Increase<br>(8.45%) |
|---|------------------------|-------------------------------------|------------------------|
| College’s Proportionate Share of the Collective Net Pension Liability | \$ 21,592,000          | \$ 16,527,762                       | \$ 12,269,000          |

**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 \$1,639,972 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 College's long-term 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 0.08532000%, which was a decrease of 0.011803% from its proportion measured as of September 30, 2022.

For the year ended September 30, 2024, the College recognized OPEB expense of \$230,364 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:

| <b>Source</b>   | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|---|---|--|
| Differences between Expected and Actual Experience  | \$ 32,067                                     | \$ 2,587,827                                 |
| Changes of Assumptions  | 1,381,620                                     | 1,622,375                                    |
| Net Difference between Projected and Actual Earnings on OPEB Plan Investments                                 | 56,018  | -  |
| Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions | 36,898  | 1,032,927                                    |
| Employer Contributions Subsequent to the Measurement Date   | 129,574                                       | -  |
| <b>Total</b>  | <b>\$ 1,636,177</b>                           | <b>\$ 5,243,129</b>                          |

The \$129,574 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:

| <b>Year Ended<br/>September 30</b> | <b>Amount</b>  |
|------------------------------------|----------------|
| 2025                               | \$ (1,224,622) |
| 2026                               | (671,550)      |
| 2027                               | (607,490)      |
| 2028                               | (737,102)      |
| 2029                               | (471,935)      |
| Thereafter                         | (23,827)       |

### 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  | 5.00 - 3.25%, 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<br>Female: 112% ages < 69, 98% ages > 74; Phasing down 69 - 74 |
| Disabled Retirees | Teacher Disability                       | Male: +8, Female: +3           | None   |
| Beneficiaries     | Teacher Contingent Survivor Below Median | Male: +2, Female: None         | 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:

| <b>Asset Class</b>                    | <b>Target Allocation</b> | <b>Long-Term Expected Real Rate of Return*</b> |
|---------------------------------------|--------------------------|--|
| 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%  |
| <b>Total</b>                          | <b>100.00%</b>           |  |

\* 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:

|                    | <b>1% Decrease (6.00% decreasing to 3.50% for pre-Medicare, Known decreasing to 3.50% for Medicare eligible)</b> | <b>Current Healthcare Trend Rate (7.00% decreasing to 4.50% for pre-Medicare, Known decreasing to 4.50% for Medicare eligible)</b> | <b>1% Increase (8.00% decreasing to 5.50% for pre-Medicare, Known decreasing to 5.50% for Medicare eligible)</b> |
|--------------------|--|--|--|
| Net OPEB Liability | \$ 1,243,081   | \$ 1,639,972   | \$ 2,121,877   |

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

The following table presents the College's proportionate share of the 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:

|                    | <b>1% Decrease (6.00%)</b> | <b>Current Rate (7.00%)</b> | <b>1% Increase (8.00%)</b> |
|--------------------|----------------------------|-----------------------------|----------------------------|
| Net OPEB Liability | \$ 2,024,542               | \$ 1,639,972                | \$ 1,312,652               |

### **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](http://www.rsa-al.gov).

## Note 7. Construction and Other Significant Commitments

As of September 30, 2024, the College had been awarded approximately \$4,211,494 in contracts and grants on which performance had not been accomplished and funds had not been received. These awards, which represent commitments of sponsors to provide funds for specific purposes, have not been reflected in the financial statements.

## Note 8. Long-Term Liabilities

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

| Description                        | Beginning Balance   | Additions         | Reductions          | Ending Balance      | Current Portion   |
|------------------------------------|---------------------|-------------------|---------------------|---------------------|-------------------|
| Leases Payable                     | \$ 547,630          | \$ 49,653         | \$ (206,413)        | \$ 390,870          | \$ 191,511        |
| Compensated Absences               | 772,504             | 57,852            | -                   | 830,356             | 70,283            |
| <b>Total Long-Term Liabilities</b> | <b>\$ 1,320,134</b> | <b>\$ 107,505</b> | <b>\$ (206,413)</b> | <b>\$ 1,221,226</b> | <b>\$ 261,794</b> |

### Lease Liability

For the years ended September 30, 2024 and 2023, the College's financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The College leases a building and certain items of equipment. These assets are recognized as right of use leased assets with a corresponding lease liability. The lease liability has been discounted ranging 0.48% - 3.74%, the stated interest rates on the lease contracts.

### Lease Payments to Maturity

| Fiscal Year(s) | Principal         | Interest         | Total             |
|----------------|-------------------|------------------|-------------------|
| 2025           | \$ 191,511        | \$ 7,382         | \$ 198,893        |
| 2026           | 96,243            | 4,199            | 100,442           |
| 2027           | 82,216            | 1,760            | 83,976            |
| 2028           | 20,900            | 94               | 20,994            |
| <b>Total</b>   | <b>\$ 390,870</b> | <b>\$ 13,435</b> | <b>\$ 404,305</b> |

## Note 9. Risk Management

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College has insurance for its buildings and contents through the State Insurance Fund (SIF), part of the State of Alabama,



Department of Finance; Division of Risk Management which operates as a common risk management and insurance program for state owned properties. The College pays an annual premium based on the amount of coverage requested. The SIF provides coverage up to \$2 million per occurrence and is self-insured up to a maximum of \$6 million in aggregate claims. The SIF purchases commercial insurance for claims which in the aggregate exceed \$6 million. The College purchases commercial insurance for its automobile coverage, general liability, and professional legal liability coverage. In addition, the College has fidelity bonds on the College's President, Dean of Business Services, Financial Aid Director, and all other college personnel who handle funds.

## **Note 10. Health Insurance and Unemployment Compensation**

### **Health Insurance**

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.

### **Unemployment Compensation**

The College is liable for unemployment claims paid by the Unemployment Compensation Trust Fund which are attributable to service in the employ of the College. The College makes advance payment to this fund to meet this liability in accordance with the Unemployment Compensation Act of Alabama (Code of Alabama 1975, #25-4-1 through #25-4-148). At September 30<sup>th</sup> of each year, excess of advance payments over net unemployment compensation paid is due to the College from the Unemployment Compensation Trust Fund. Any excess of net unemployment compensation paid over advance payments results in a liability to the College which must be satisfied within ten days after the College is notified of the amount of the liability.

## **Note 11. Related Parties**

The George Corley Wallace State Community College Foundation, Inc. was incorporated as a non-profit corporation to promote scientific, literary and educational purposes, the advancement of George Corley Wallace State Community College, and for the encouragement and support of its students and faculty. This

report contains no financial statements of George Corley Wallace State Community College Foundation, Inc. There were not any significant transactions with George Corley Wallace State Community College Foundation, Inc.



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# Required Supplementary Information

ANNUAL FINANCIAL REPORT  
GEORGE CORLEY WALLACE 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<br>Thousands)  | 2024      | 2023      | 2022      | 2021      | 2020      | 2019      | 2018      | 2017      | 2016      | 2015      |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| College's Proportion<br>of the Net Pension<br>Liability   | 0.103573% | 0.107943% | 0.120020% | 0.120584% | 0.116823% | 0.124406% | 0.127029% | 0.125750% | 0.130079% | 0.138318% |
| College's Proportionate<br>Share of the Net<br>Pension Liability  | \$ 16,528 | \$ 16,775 | \$ 11,306 | \$ 14,928 | \$ 12,917 | \$ 12,369 | \$ 12,485 | \$ 13,614 | \$ 13,614 | \$ 12,566 |
| College's Covered<br>Payroll  | \$ 8,698  | \$ 8,493  | \$ 8,546  | \$ 8,467  | \$ 8,254  | \$ 8,233  | \$ 8,360  | \$ 7,968  | \$ 8,228  | \$ 8,765  |
| College's Proportionate<br>Share of the Net<br>Pension Liability as<br>a Percentage of its<br>Covered Payroll | 190.02%   | 197.52%   | 132.00%   | 176.00%   | 156.00%   | 150.00%   | 149.00%   | 171.00%   | 165.00%   | 143.00%   |
| Plan Fiduciary<br>Net Position as a<br>Percentage of the Total<br>Pension Liability                           | 63.57%    | 62.21%    | 76.44%    | 67.72%    | 69.85%    | 72.29%    | 71.50%    | 67.93%    | 67.51%    | 71.01%    |

**Notes to schedule:**

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



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

| (Dollar Amounts in Thousands)  | 2024     | 2023     | 2022     | 2021     | 2020     | 2019     | 2018     | 2017     | 2016     | 2015     |
|--|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Contractually Required Contribution                                  | \$ 1,186 | \$ 1,042 | \$ 993   | \$ 1,035 | \$ 1,041 | \$ 1,016 | \$ 998   | \$ 996   | \$ 945   | \$ 932   |
| Contributions in Relation to the Contractually Required Contribution | \$ 1,186 | \$ 1,042 | \$ 993   | \$ 1,035 | \$ 1,041 | \$ 1,016 | \$ 998   | \$ 996   | \$ 945   | \$ 932   |
| Contribution Deficiency (Excess)                                     | \$ -     | \$ -     | \$ -     | \$ -     | \$ -     | \$ -     | \$ -     | \$ -     | \$ -     | \$ -     |
| College's Covered Payroll  | \$ 9,932 | \$ 8,698 | \$ 8,493 | \$ 8,546 | \$ 8,467 | \$ 8,254 | \$ 8,233 | \$ 8,360 | \$ 7,968 | \$ 8,228 |
| Contributions as a Percentage of Covered Payroll                     | 11.94%   | 11.98%   | 11.69%   | 12.11%   | 12.29%   | 12.31%   | 12.12%   | 11.91%   | 11.86%   | 11.33%   |

### Notes to Schedule

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

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

## Notes to Required Supplementary Information for Pension Benefits

### Note 1. Changes of Benefit Terms

In 2022, the plan was amended to allow Tier II members to retire with 30 years of creditable service regardless of age with an early retirement reduction of 2% for each year that the member is less than age 62 at retirement (age 56 for police officers, firefighters, and correctional officers).

In 2022, the plan was amended to allow surviving spouses of retirement-eligible members who die in active service to receive an Option 2 monthly allowance.

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

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

### Note 2. Changes of Assumptions

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

In 2018, the discount rate was changed from 7.75% to 7.70%.

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

### 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 | 24.9 years  |
| Asset Valuation Method        | 5-year market related value   |
| Inflation                     | 2.5 percent   |
| Salary Increase               | 3.25 percent to 5.00 percent, including inflation                         |
| Investment Rate of Return     | 7.45 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   | 0.085320% | 0.097123% | 0.096433% | 0.100000% | 0.110000% | 0.011000% | 0.011000% |
| College's Proportionate Share of the Net OPEB Liability  | \$ 1,640  | \$ 1,692  | \$ 4,982  | \$ 6,311  | \$ 4,119  | \$ 9,111  | \$ 8,176  |
| College's Covered Payroll  | \$ 8,892  | \$ 8,195  | \$ 8,436  | \$ 8,495  | \$ 8,268  | \$ 8,225  | \$ 8,322  |
| College's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll | 18.44%    | 20.65%    | 59.07%    | 74.30%    | 49.81%    | 110.77%   | 98.25%    |
| 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.

### Notes 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 RSI Schedule (GASB 75 paragraph 97) is for the reporting period (i.e., the measurement period), which for the September 30, 2024 year is October 1, 2022 through September 30, 2023.

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

| <b>(Dollar Amounts in Thousands)</b>                                 | <b>2024</b> | <b>2023</b> | <b>2022</b> | <b>2021</b> | <b>2020</b> | <b>2019</b> | <b>2018</b> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Contractually Required Contribution                                  | \$ 130      | \$ 139      | \$ 182      | \$ 164      | \$ 240      | \$ 310      | \$ 273      |
| Contributions in Relation to the Contractually Required Contribution | \$ 130      | \$ 139      | \$ 182      | \$ 164      | \$ 240      | \$ 310      | \$ 273      |
| Contribution Deficiency (Excess)                                     | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        |
| College's Covered Payroll  | \$ 10,138   | \$ 8,892    | \$ 8,195    | \$ 8,436    | \$ 8,495    | \$ 8,268    | \$ 8,225    |
| Contributions as a Percentage of Covered Payroll                     | 1.28%       | 1.56%       | 2.23%       | 1.94%       | 2.82%       | 3.75%       | 3.32%       |

\* 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 of 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<br>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.



A photograph of a campus scene featuring a large, ornate fountain with multiple tiers and water spraying upwards. In the foreground, a group of students are gathered around the fountain. Two students are sitting on the stone ledge of the fountain, while another student stands nearby. To the right, a student is sitting on a black metal bench. The background is filled with lush green trees and a clear sky. A large, dark blue, angular graphic overlay is positioned in the upper right portion of the image, containing the title and subtitle text.

# Supplementary Information

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

| Federal Grantor/<br>Pass-Through Grantor/<br>Program Title  | Assistance<br>Listing<br>Number | Pass Through<br>Grantor's Number | Passed<br>Through to<br>Subrecipients | Total<br>Federal<br>Expenditures |
|---|---------------------------------|----------------------------------|---------------------------------------|----------------------------------|
| <b>U. S. Department of Education</b>  |                                 |                                  |                                       |                                  |
| <b>Student Financial Aid Cluster</b>  |                                 |                                  |                                       |                                  |
| Federal Supplemental Educational<br>Opportunity Grants  | 84.007                          |                                  |                                       | \$ 74,230                        |
| Federal Work-Study Program  | 84.033                          |                                  |                                       | 80,372                           |
| Federal PELL Grant Program  | 84.063                          |                                  |                                       | 5,015,164                        |
| <b>Total Student Financial Assistance Cluster<br/>(M)</b>   |                                 |                                  |                                       | <b>5,169,766</b>                 |
| <b>Other Direct Programs</b>  |                                 |                                  |                                       |                                  |
| TRIO - Student Support Services   | 84.042A                         |                                  |                                       | 484,996                          |
| Higher Education Institutional Aid (WAYS)   | 84.031A                         |                                  |                                       | 266,006                          |
| <b>Total Other Direct Programs</b>  |                                 |                                  |                                       | <b>751,002</b>                   |
| <b>Pass-Through Alabama Community<br/>College System</b>  |                                 |                                  |                                       |                                  |
| Adult Education - Basic Grants to States  | 84.002                          | 0921AE091                        |                                       | 193,671                          |
| <b>Pass-Through Alabama Department of<br/>Education</b>   |                                 |                                  |                                       |                                  |
| Career and Technical Education - Basic<br>Grants to States  | 84.048                          | V048A200001                      |                                       | 232,155                          |
| <b>Total Pass-Through Programs</b>  |                                 |                                  |                                       | <b>425,826</b>                   |
| <b>Total U.S. Department of Education</b>   |                                 |                                  |                                       | <b>6,346,594</b>                 |
| <b>U.S. Department of Health and Human<br/>Services</b>   |                                 |                                  |                                       |                                  |
| Substance Abuse and Mental Health<br>Services Projects of Regional and National<br>Sign (Minority Outreach) | 93.243                          |                                  |                                       | 248,009                          |
| <b>U.S. Department of Labor</b>   |                                 |                                  |                                       |                                  |
| <b>Pass-Through Alabama Community<br/>College System</b>  |                                 |                                  |                                       |                                  |
| Job Training Grants (Alamap)  | 17.268H-1B                      | HG-33165-19-60-A-1               |                                       | 57,528                           |
| <b>U.S. Department of Agriculture</b>   |                                 |                                  |                                       |                                  |
| <b>Pass-Through Alabama-Tombigbee<br/>Regional Commission</b>   |                                 |                                  |                                       |                                  |
| Delta Regional Authority (M)  | 90.201                          | AL-54783                         |                                       | 837,553                          |
| <b>Total Expenditures of Federal Awards</b>   |                                 |                                  |                                       | <b>\$ 7,489,684</b>              |

(M) = Major Program

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

## Notes to the Schedule of Expenditures of Federal Awards

### Note 1. Basis of Presentation

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

### Note 2. Summary of Significant Accounting Policies

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

### Note 3. Indirect Cost Rate

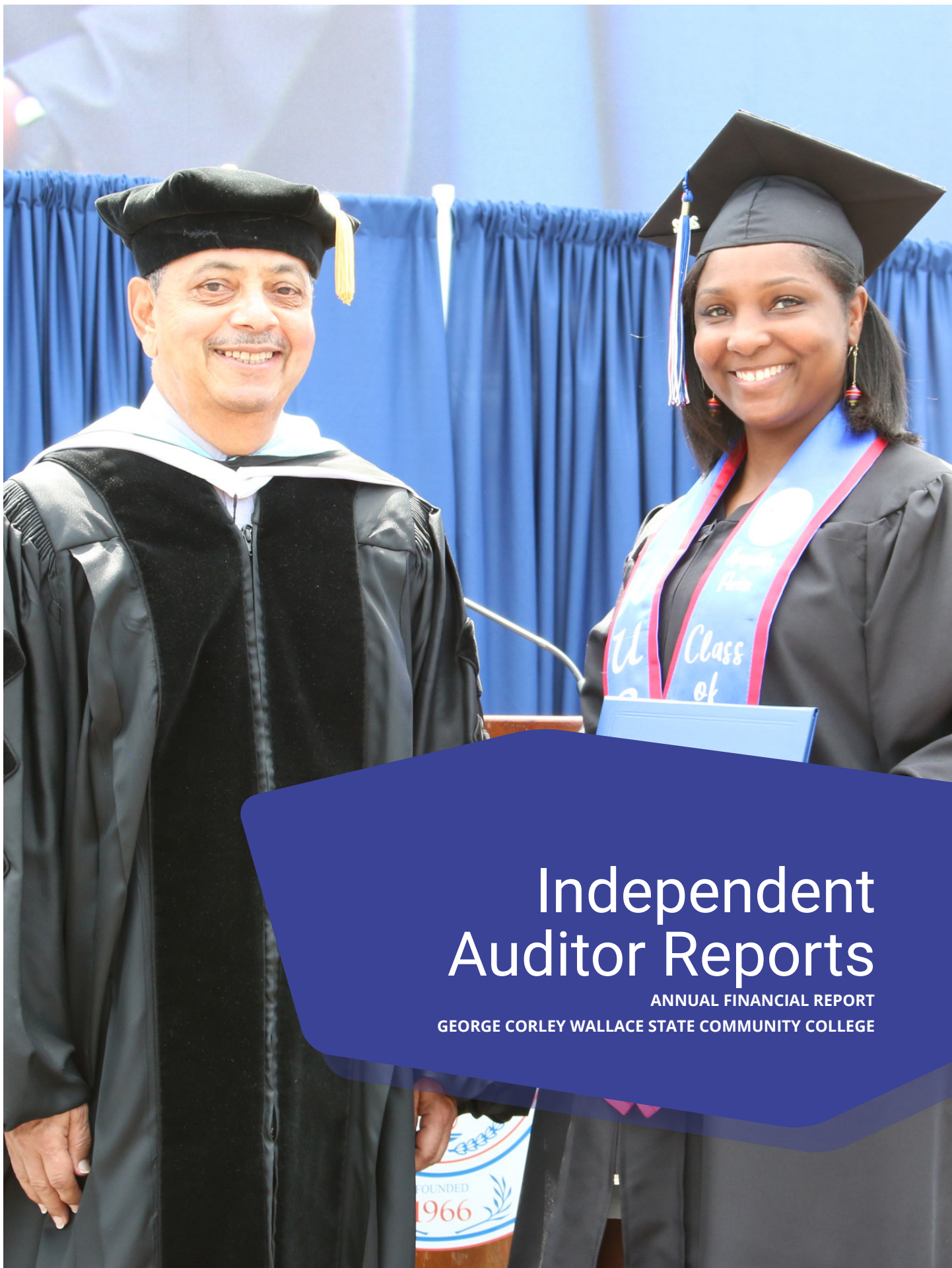
The College has elected not to use the 10% de minimis indirect cost rate as allowed under the *UNiform Guidance*.

### Note 4. Contingencies

Grant monies received and disbursed by the College are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the College does not believe that such disallowance, if any, would have a material effect on the financial position of the College. As of September 30, 2024, there were no material questioned or disallowed costs as a result of grant audits in process or completed.

### Note 5. Federal Pass-Through Funds

The College is also the sub-recipient of federal funds that have been subjected to testing and are reported as expenditures and listed as federal pass-through funds. Federal awards other than those indicated as pass-through are considered direct.



# Independent Auditor Reports

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GEORGE CORLEY WALLACE STATE COMMUNITY COLLEGE



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

### **Independent Auditor's Report**

Alabama Community College System Board of Trustees  
George Corley Wallace State Community College  
Selma, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of George Corley Wallace State Community College (College), a component unit of the State of Alabama, which comprise the College's statement of net position as of September 30, 2024, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 17, 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.

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

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

#### ***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

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Alabama Community College System Board of Trustees  
George Corley Wallace State Community College

objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**Forvis Mazars, LLP**

Houston, Texas  
January 17, 2025

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## **Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance**

### **Independent Auditor's Report**

Alabama Community College System Board of Trustees  
George Corley Wallace State Community College  
Selma, Alabama

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

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

In our opinion, the College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the 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.

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George Corley Wallace State Community College

### ***Auditor's Responsibilities for the Audit of Compliance***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the 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.

### **Report on Internal Control over Compliance**

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

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

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.

Alabama Community College System Board of Trustees  
George Corley Wallace State Community College

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

**Forvis Mazars, LLP**

**Houston, Texas  
January 17, 2025**

## Section I – Summary of Auditor’s Results

1. Type of Auditor's report issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America:

2. Internal control over financial reporting:

Significant deficiency(ies) identified? ☐ Yes ☒ None reported

3. Noncompliance material to financial statements noted? ☐ Yes ☒ No

4. Internal control over major programs:

Significant deficiency(ies) identified? ☐ Yes ☒ No

5. Type of Auditor's report issued on compliance for major programs

6. Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? ☐ Yes ☒ No

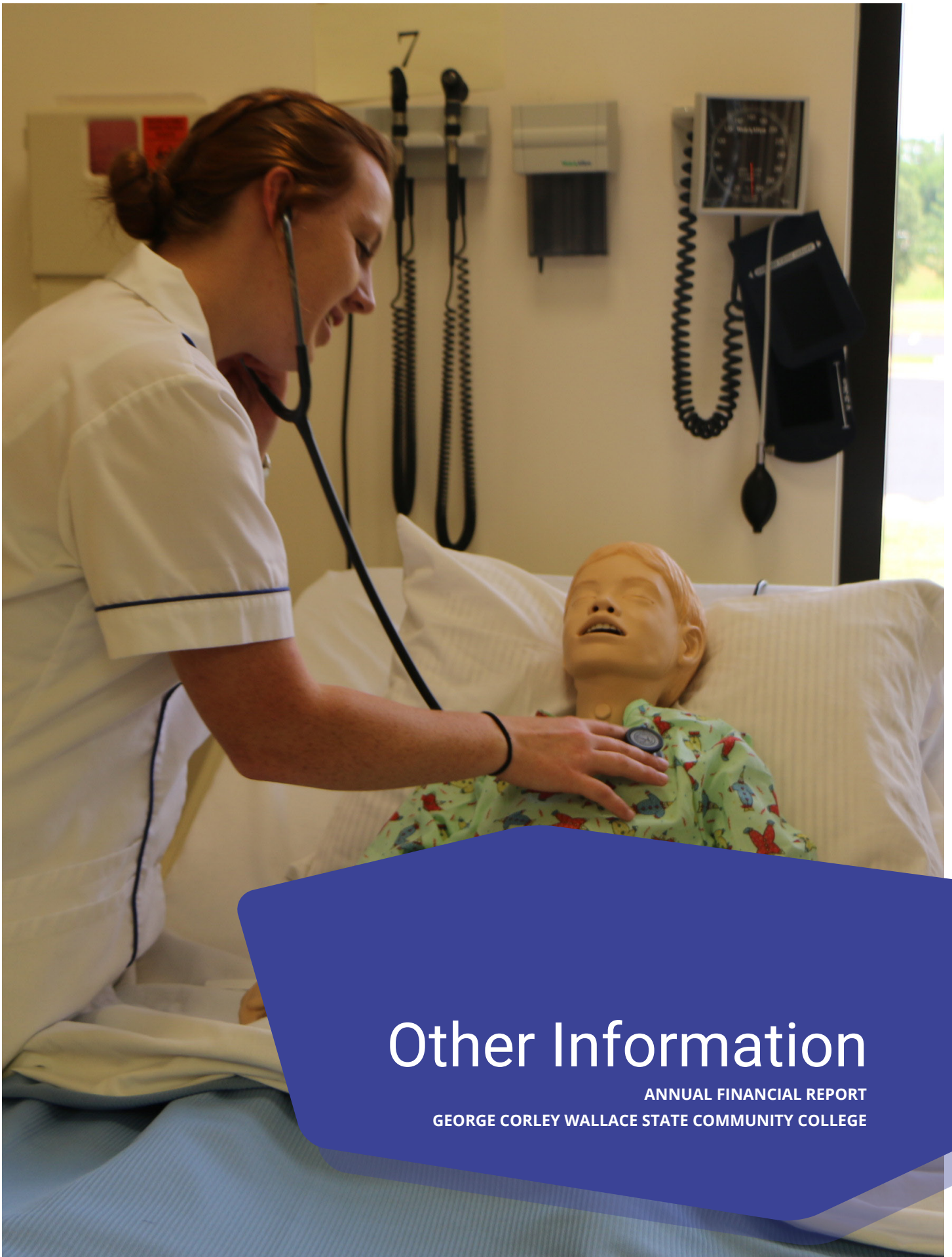
7. Identification of major programs:

8. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

9. Auditee qualified as a low-risk auditee? ☐ Yes ☒ No

No matters reportable

## No matters reportable



# Other Information

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## **Officials**

---

**Jimmy H. Baker**

Chancellor

**Dr. James M. Mitchell**

President

**Jada Harrison**

Regional Chief Financial Officer, ACCS

**Dr. Donitha Griffin**

Dean of Students,  
Executive Assistant to the President



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