WALLACE STATE
HANCEVILLE • ONEONTA

Annual Financial Report

FOR THE YEAR ENDED SEPTEMBER 30, 2024

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WALLACE STATE COMMUNITY COLLEGE – HANCEVILLE

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CARR, RIGGS & INGRAM, L.L.C.

Carr, Riggs & Ingram, L.L.C.
3700 Colonnade Parkway
Suite 300
Birmingham, AL 35243

205.933.7822
205.933.7944 (fax)
CRIadv.com

INDEPENDENT AUDITOR'S REPORT

Jimmy Baker, Chancellor – Alabama Community College System
Dr. Vicki Karolewics, President – Wallace State Community College
Hanceville, Alabama

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College as of September 30, 2024, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

Reporting Entity

As discussed in Note 1, the financial statements of the College are intended to present the financial position, and the changes in financial position of only that portion of the activities that are attributable to the transactions of the College. They do not purport to and do not present fairly the financial position of the State of Alabama as of September 30, 2024, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of the Proportionate Share of the Collective Net Pension Liability, the Schedule of the Contributions – Pension, the Schedule of the Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability, and the Schedule of the College's Contributions – Other Postemployment Benefits (OPEB) Liability and the related notes to the required supplementary information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Listing of College Officials, but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements 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 15, 2025, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and note 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.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Birmingham, Alabama
January 15, 2025

Management's Discussion and Analysis

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Management's Discussion and Analysis

Overview of the Financial Statements and Financial Analysis

In the accompanying documentation, Wallace State Community College - Hanceville presents its management's discussion and analysis of the College's financial activity for the fiscal year ending September 30, 2024. 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.

Statement of Net Position

The Statement of Net Position presents the assets, deferred outflow of resources, liabilities, deferred inflow of resources, and net position of the College as of the end of the fiscal year and is a point-in-time financial statement. The purpose of the Statement of Net Position is to present to the readers of the financial statements a fiscal snapshot of Wallace State Community College. It presents end-of-year data concerning Assets (current and non-current), Deferred Outflows of Resources, Liabilities (current and non-current), Deferred Inflows of Resources and Net Position (Assets plus Deferred Outflows of Resources minus Liabilities and Deferred Inflows of Resources).

Readers of the Statement of Net Position are able to determine from the data presented, the assets available to continue the operations of the institution. They are also able to determine how much the institution owes vendors, investors, and lending institutions. Finally, the Statement of Net Position provides a picture of the net position and their availability for expenditure by the institution.

Net Position is divided into three major categories. The first category, invested in capital assets, net of debt, provides the institution's equity in property, plant, and equipment owned by the institution. 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 institution but must be spent as directed 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 institution for any appropriate purpose of the institution.

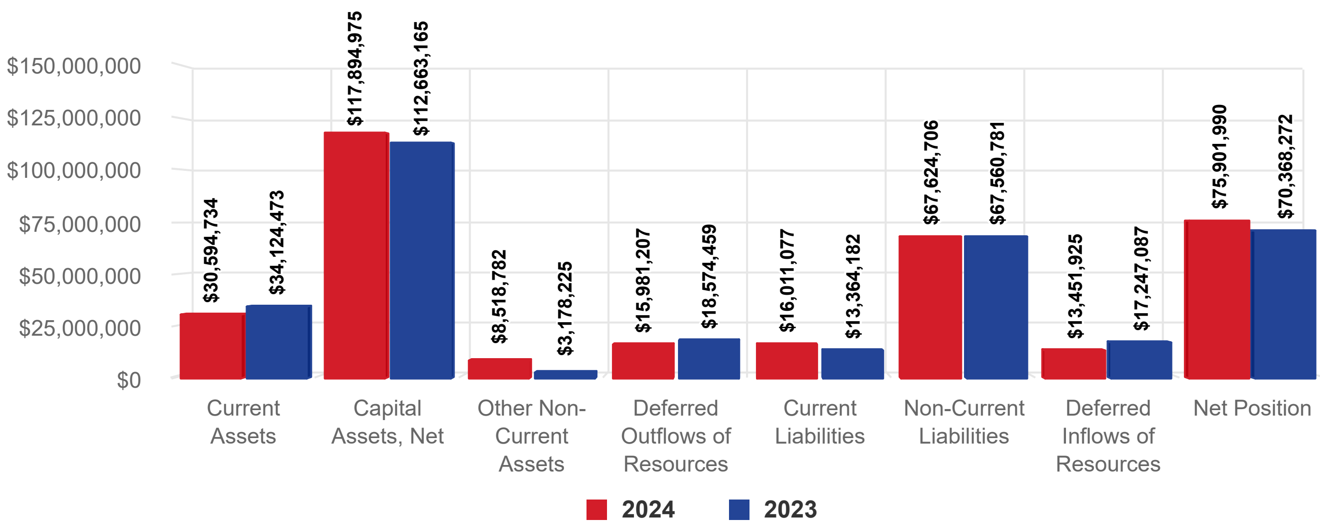
A condensed Statement of Net Position for the years ended September 30, 2024 and 2023 is presented below.

Statement of Net Position

	2024	2023
Assets		
Current Assets	$ 30,594,734	$ 34,124,473
Capital Assets, Net	117,894,975	112,663,165
Other Non-Current Assets	8,518,782	3,178,225
Total Assets	**157,008,491**	**149,965,863**
Deferred Outflows of Resources	**15,981,207**	**18,574,459**
Liabilities		
Current Liabilities	16,011,077	13,364,182
Non-Current Liabilities	67,624,706	67,560,781
Total Liabilities	**83,635,783**	**80,924,963**
Deferred Inflows of Resources	**13,451,925**	**17,247,087**
Net Position		
Net Investment in Capital Assets	90,459,429	85,410,956
Unrestricted	(14,557,439)	(15,042,684)
Total Net Position	**$ 75,901,990**	**$ 70,368,272**

The following is a graphic presentation of the College's Statement of Net Position for the years ended 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 institution, both operating and non-operating; the expenses paid by the institution, operating and non-operating; and any other revenues, expenses, gains and losses received or spent by the institution.

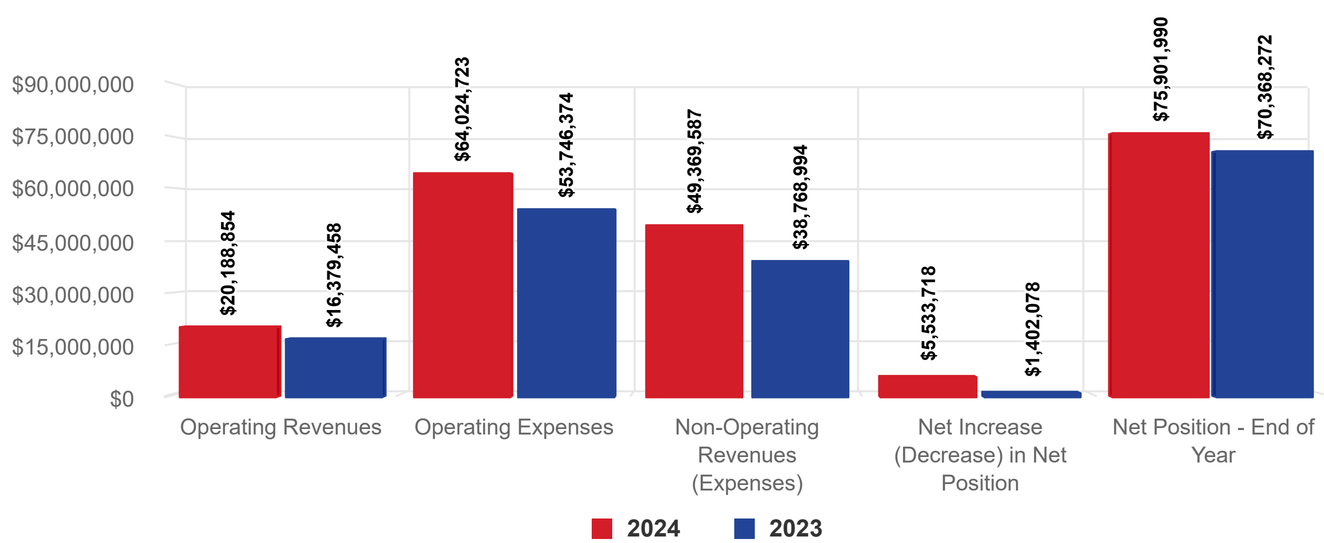
The following is the condensed Statement of Revenue, Expenses and Changes in Net Position comparing fiscal years 2024 and 2023 respectively:

Statement of Revenues, Expenses, and Changes in Net Position

	2024	2023
Operating Revenues	$ 20,188,854	$ 16,379,458
Operating Expenses	64,024,723	53,746,374
Operating Income (Loss)	(43,835,869)	(37,366,916)
Non-Operating Revenues (Expenses)	49,369,587	38,768,994
Net Increase (Decrease) in Net Position	5,533,718	1,402,078
Net Position - Beginning of Year	70,368,272	68,966,194
Restatements	-	-
Net Position - End of Year	**$ 75,901,990**	**$ 70,368,272**

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



Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the institution. 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 institution. 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 institution without the Legislature directly receiving commensurate goods and services for those revenues.

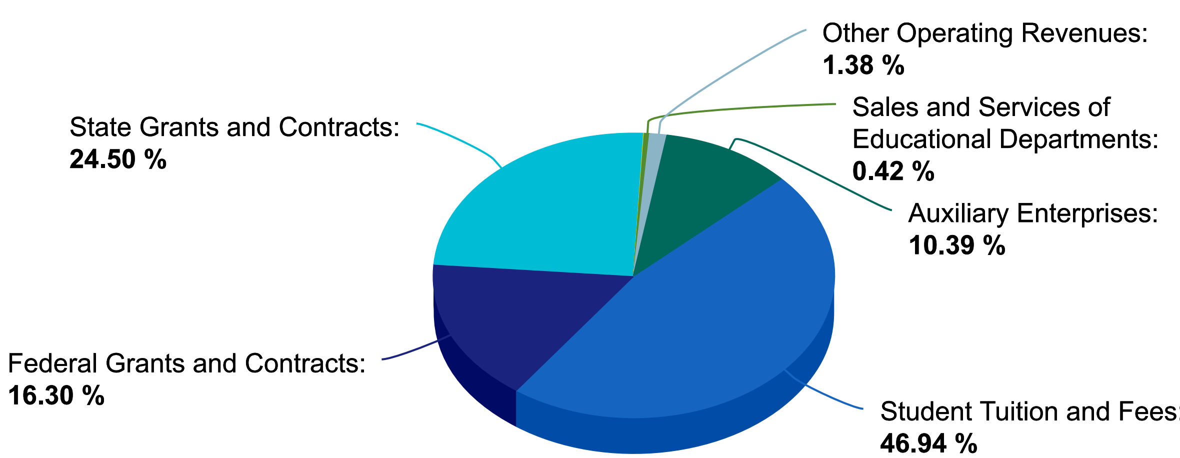
The Statement of Revenues, Expenses and Changes in Net Position, reflects an increase of $5.5 million for the year. Some highlights of the information presented on the Statement of Revenues, Expenses, and Changes in Net Position are below.

Operating Revenues

	2024	2023
Operating Revenues		
Student Tuition and Fees	$ 9,476,721	$ 7,738,740
Federal Grants and Contracts	3,291,549	4,149,988
State Grants and Contracts	4,945,959	2,133,927
Local Grants and Contracts	12,463	12,334
Sales and Services of Educational Departments	85,501	76,130
Other Operating Revenues	279,253	329,469
Auxiliary Enterprises	2,097,408	1,938,870
Total Operating Revenues	**$ 20,188,854**	**$ 16,379,458**

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 above chart shows the operating revenues by type and their relationship with one another. Student Tuition & Fees represents the largest type of revenue followed by State Grants and Contracts. Federal and local grants and contracts also contribute significantly to the operating revenue.

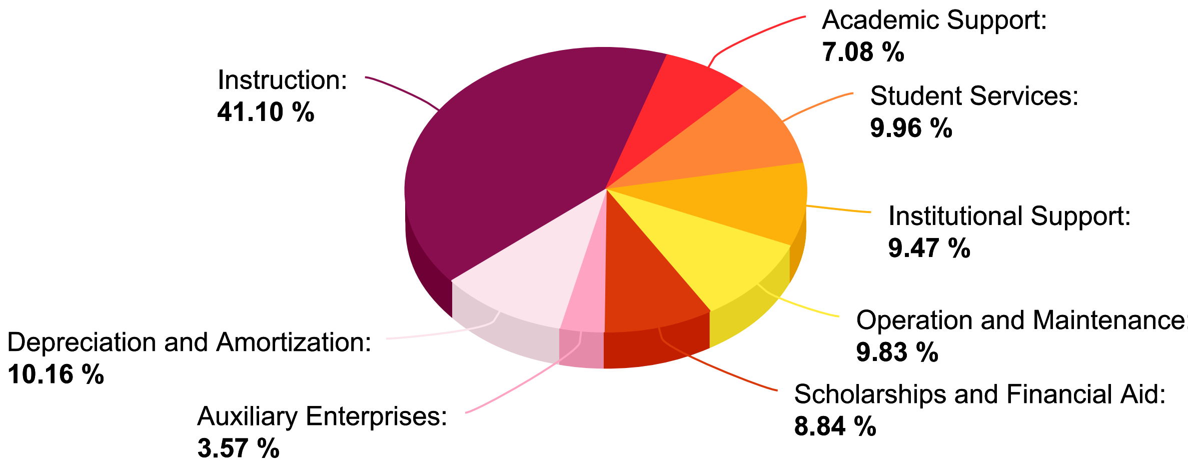
The operating expenses by function stated are displayed in the following exhibit.

Operating Expenses

	2024	2023
Operating Expenses		
Instruction	$ 26,311,724	$ 20,396,601
Academic Support	4,532,477	3,999,818
Student Services	6,374,321	6,027,212
Institutional Support	6,064,543	5,510,831
Operation and Maintenance	6,296,191	5,945,567
Scholarships and Financial Aid	5,659,711	3,829,761
Auxiliary Enterprises	2,282,706	2,000,167
Depreciation and Amortization	6,503,050	6,036,417
Total Operating Expenses	**$ 64,024,723**	**$ 53,746,374**

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

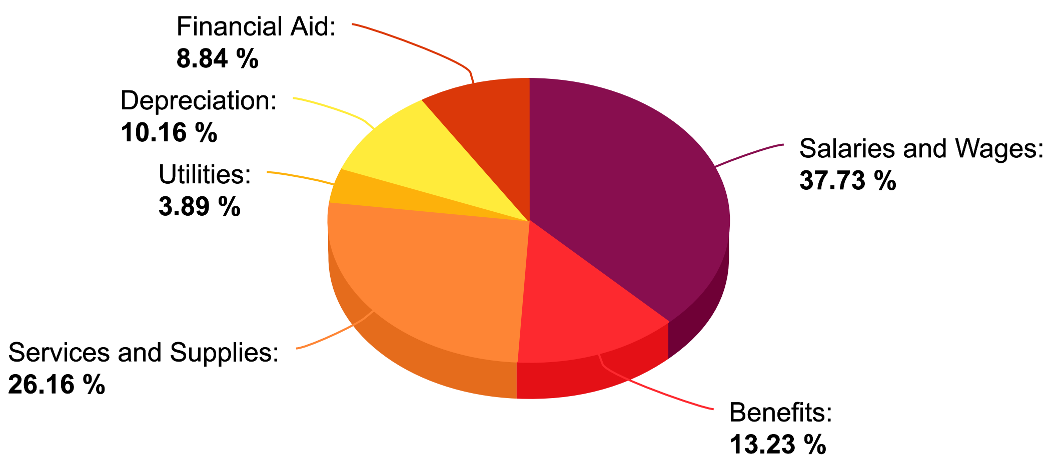
Operating Expenses by Function



Instruction represents 41% of total operating expenses, making it the largest category of operating expenses.

Operating expenses are summarized here by natural classification.

Operating Expenses by Natural Classification

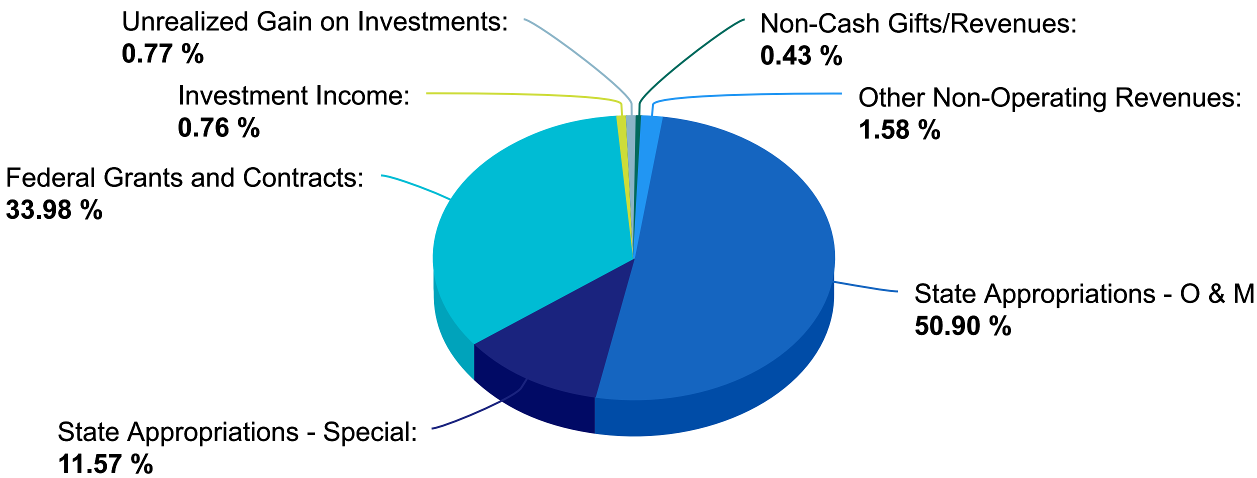


Comparison of Non-Operating Revenue

	2024	2023
Non-Operating Revenue		
State Appropriations - O & M	$ 25,468,266	$ 23,571,556
State Appropriations - Special	5,788,358	335,500
Federal Grants and Contracts	17,003,283	14,322,564
Investment Income	379,119	205,372
Realized Gain/(Loss) on Investments	-	(20,324)
Unrealized Gain on Investments	386,488	273,076
Non-Cash Gifts/Revenues	215,241	61,361
Other Non-Operating Revenues	791,645	718,343
Total Non-Operating Revenue	**$ 50,032,400**	**$ 39,467,448**

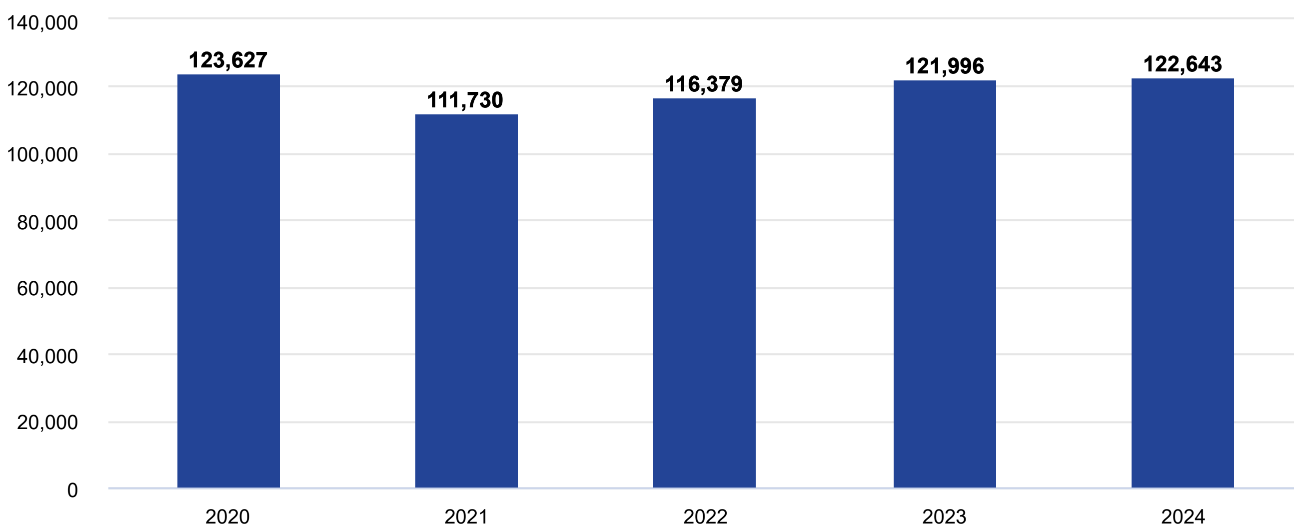
The following chart displays the non-operating revenues by type and their relationship with one another for the fiscal year ended September 30, 2024.

Comparison of Non-Operating Revenue



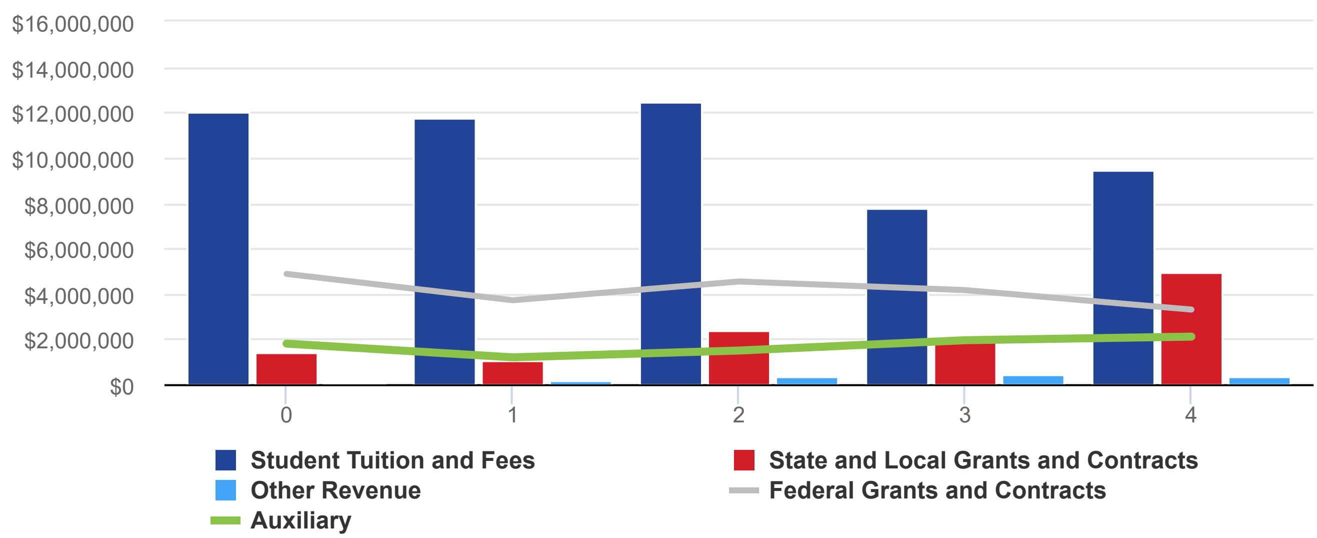
The following chart displays the 5 Year Comparision of Credit Hours for the fiscal year ended September 30, 2024.

5 Year Comparision of Credit Hours



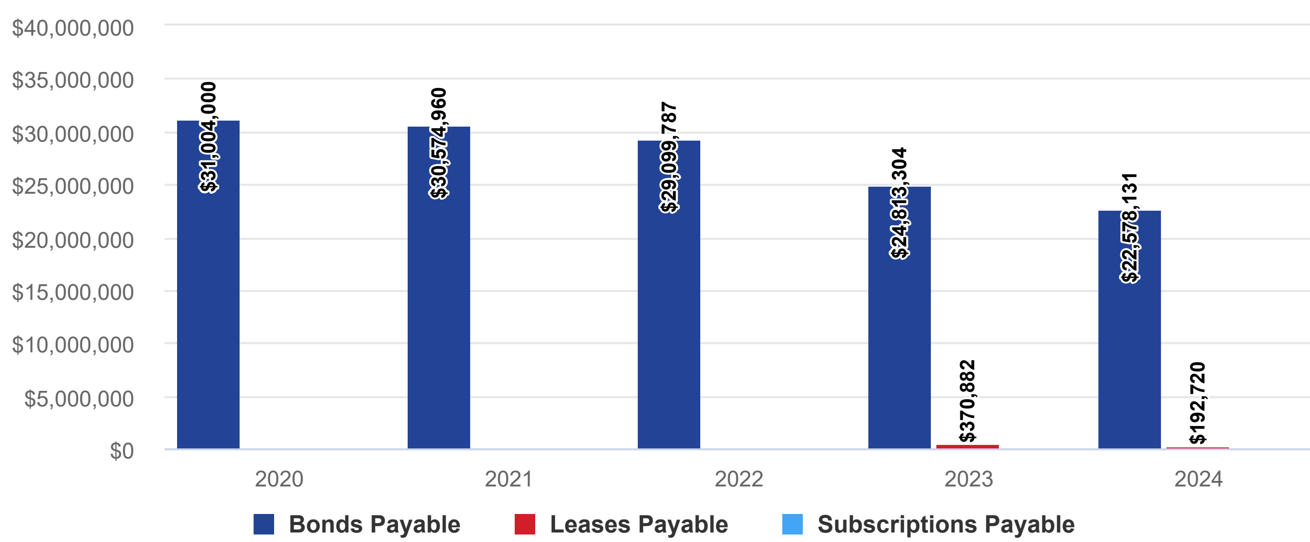
The following chart displays the 5 Year Comparison of Operating Revenue for the fiscal year ended September 30, 2024.

5 Year Comparison of Operating Revenue



The following chart displays 5 Year Comparison of Long-Term Debt Principal for the fiscal year ended September 30, 2024.

5 Year Comparison of Long-Term Debt Principal



Statement of Cash Flows

The final statement presented 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 section 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 reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fourth section deals with cash flows from capital and related financing activities. This section presents the cash used for the acquisition and construction of capital and related items. The fifth and final section reconciles the net cash used for the operating income or loss reflected on the Statement of Revenues, Expenses and Changes in Net Position.

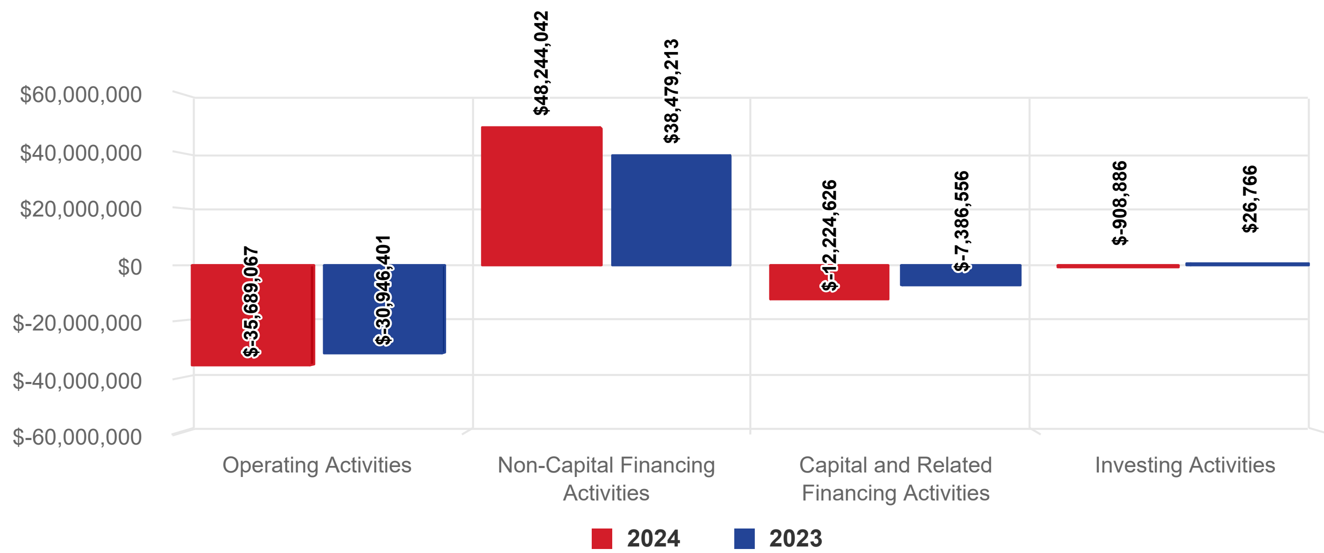
A condensed Statement of Cash Flows for the years ended September 30, 2024 and 2023 is presented below.

Statement of Cash Flows

	2024	2023
Cash Provided by (Used in):		
Operating Activities	$ (35,689,067)	$ (30,946,401)
Non-Capital Financing Activities	48,244,042	38,479,213
Capital and Related Financing Activities	(12,224,626)	(7,386,556)
Investing Activities	(908,886)	26,766
Net Change in Cash and Cash Equivalents	**(578,537)**	**173,022**
Cash and Cash Equivalents, Beginning of Year	11,278,266	11,105,244
Cash and Cash Equivalents, End of Year	**$ 10,699,729**	**$ 11,278,266**

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



The primary cash receipts from operating activities consist of tuition and fees, and grants and contracts. Cash outlays include payments of wages, benefits, supplies, utilities and scholarships.

State appropriations are the primary source of non-operating activities. This source of revenue is categorized as non-operating even though the College's budget depends on this to continue the current level of operations. Federal Pell Grants are also significant non-operating revenue sources.

Investing activities reflect purchases, sales, and interest income earned on investments. Investments identified in the cash flow statement as investing activities include both short-term and long-term investments.

Capital and related financing activities include the purchases and construction of capital assets during the year, the College's annual bond payments consisting of principal and interest paid, along with deposits with trustees at year end.

Economic Outlook

The college currently has several ongoing projects to update facilities on campus. The college's enrollment continues to increase. The college is not aware of any other currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during the upcoming fiscal year beyond those unknown variations having a global effect on virtually all types of business operations.

The College's overall financial position remains stable. The College anticipates the upcoming fiscal year will be similar to the last and will continue a close watch over resources to maintain the College's ability to react to unknown internal and external issues.

Financial Statements

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Statement of Net Position
September 30, 2024

		2024
Assets		
Current Assets		
Cash and Cash Equivalents	$	10,699,729
Short-term Investments		7,105,064
Accounts Receivable (net of allowance for doubtful accounts)		12,042,748
Inventories		541,344
Other Current Assets		205,849
Total Current Assets		**30,594,734**
Non-Current Assets		
Long-Term Investments		8,518,782
Capital Assets, Net of Depreciation and Amortization		117,894,975
Total Non-Current Assets		**126,413,757**
Total Assets		**157,008,491**
Deferred Outflows of Resources		
Loss on Bond Refunding		391,563
Pension		10,939,676
Other Postemployment Benefits (OPEB)		4,649,968
Total Deferred Outflows of Resources	**$**	**15,981,207**

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

Statement of Net Position (Continued)
September 30, 2024

	2024
Liabilities	
Current Liabilities	
Deposits	$ 589,137
Accounts Payable and Accrued Liabilities	5,086,348
Bond Surety Fee Payable	57,154
Unearned Revenue	7,216,116
Compensated Absences	524,268
Lease Payable	180,441
Subscription Payable	122,440
Bonds Payable	2,235,173
Total Current Liabilities	**16,011,077**
Non-Current Liabilities	
Compensated Absences	809,318
Lease Payable	192,720
Subscription Payable	37,105
Bonds Payable	22,578,131
Net Pension	40,139,000
Net OPEB Liability	3,868,432
Total Non-Current Liabilities	**67,624,706**
Total Liabilities	**83,635,783**
Deferred Inflows of Resources	
Leases	316,099
Pensions	1,154,000
Other Postemployment Benefit (OPEB)	11,981,826
Total Deferred Inflows of Resources	**13,451,925**
Net Position	
Net Investment in Capital Assets	90,459,429
Unrestricted (deficit)	(14,557,439)
Total Net Position	**$ 75,901,990**

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

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

		2024
Operating Revenues		
Student Tuition and Fees (net of scholarship allowances of $11,300,404)	$	9,476,721
Federal Grants and Contracts		3,291,549
State Grants and Contracts		4,945,959
Local Grants and Contracts		12,463
Sales and Services of Educational Departments		85,501
Other Operating Revenues		279,253
Auxiliary Enterprises (net of scholarship allowances of $168,196)		
Bookstore		307,361
Housing		294,517
Vending		172,915
Food Service		186,716
Other		1,135,899
Total Operating Revenues		**20,188,854**
Operating Expenses		
Instruction		26,311,724
Academic Support		4,532,477
Student Services		6,374,321
Institutional Support		6,064,543
Operation and Maintenance		6,296,191
Scholarships and Financial Aid		5,659,711
Auxiliary Enterprises		2,282,706
Depreciation and Amortization		6,503,050
Total Operating Expenses		**64,024,723**
Operating Income (Loss)	**$**	**(43,835,869)**

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

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

	2024
Non-Operating Revenues (Expenses)	
State Appropriations - O & M	$ 25,468,266
State Appropriations - Special	5,788,358
Federal Grants and Contracts	17,003,283
Investment Income	379,119
Unrealized Gain on Investments	386,488
Non-Cash Gifts/Revenues	215,241
Other Non-Operating Revenues	791,645
Interest Expense	(524,006)
Other Non-Operating Expenses	(2,200)
Bond Surety Fee Expense	(136,607)
Total Non-Operating Revenues (Expenses)	**49,369,587**
Net Increase in Net Position	**5,533,718**
Net Position - Beginning of Year	70,368,272
Net Position - End of Year	**$ 75,901,990**

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

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

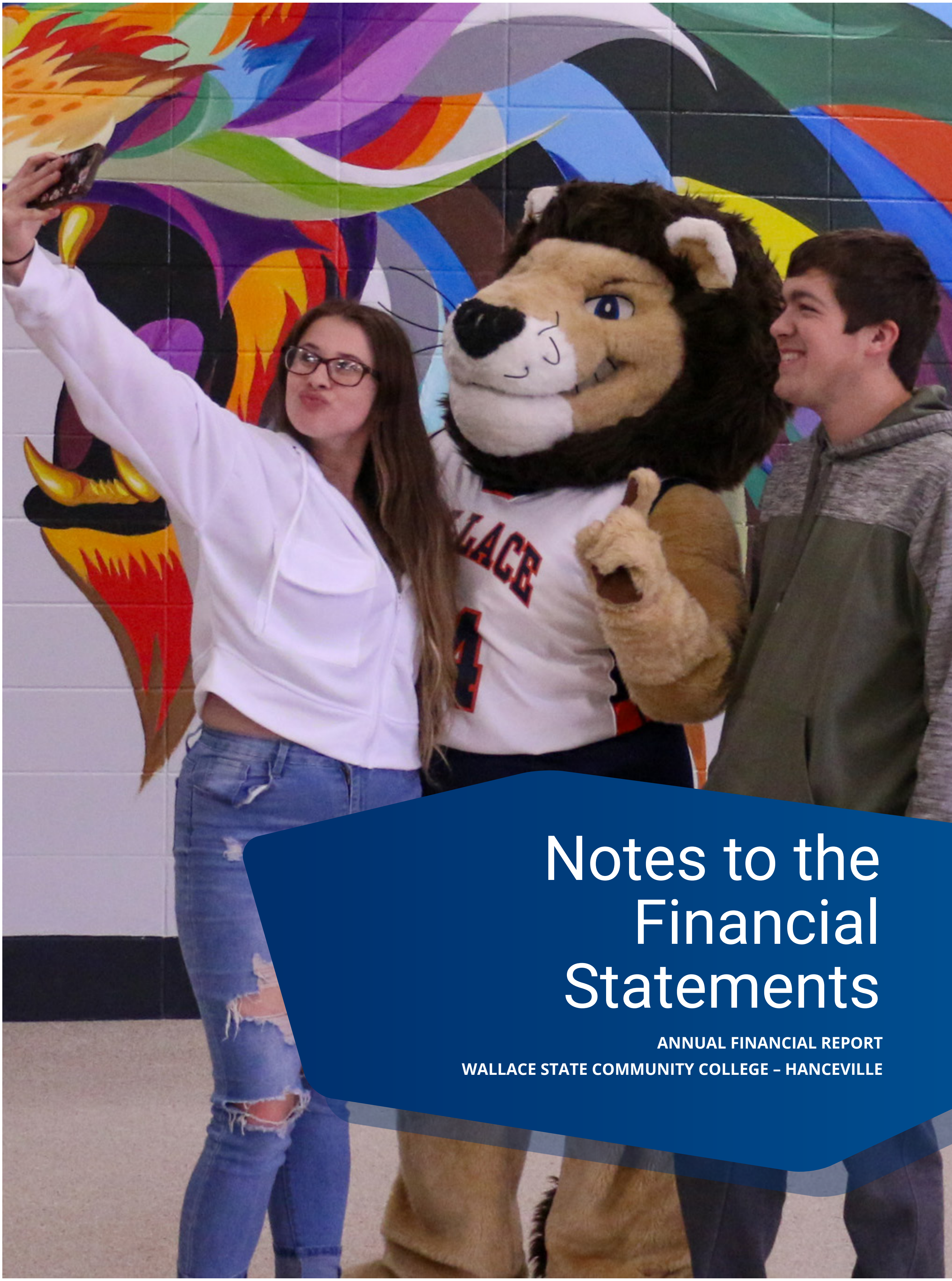
	2024
Cash Flows from Operating Activities	
Tuition and Fees	$ 10,084,943
Grants and Contracts	7,945,952
Payments to Suppliers	(16,642,904)
Payments for Employees	(24,089,382)
Payments for Utilities	(2,488,234)
Payments for Benefits	(7,336,679)
Payments for Scholarships	(5,659,711)
Sales and Services of Educational Activities	85,501
Auxiliary Enterprise Charges	
Bookstore	307,361
Food Service	182,601
Vending	174,155
Housing	243,239
Other Auxiliary Revenue	1,224,838
Other Receipts	279,253
Net Cash Used in Operating Activities	**(35,689,067)**
Cash Flows from Non-Capital Financing Activities	
State Appropriations	31,256,624
Bond Surety Fee Expense	(122,662)
Federal Direct Loan Receipt	5,922,349
Federal Direct Loan Lending Disbursements	(8,118,472)
Federal Grants	18,532,489
Other Non-Capital Financing	773,714
Net Cash Provided by Non-Capital Financing Activities	**48,244,042**
Cash Flows from Capital and Related Financing Activities	
Capital Grants and Gifts Received	186,245
Purchases of Capital Assets and Construction	(9,446,779)
Principal Paid on Bonds, Leases and Subscriptions	(2,062,927)
Interest Paid on Bonds, Leases and Subscriptions	(906,950)
Deposits with Trustees	7,985
Other Capital and Related Financing	(2,200)
Net Cash Used in Capital and Related Financing Activities	**(12,224,626)**

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

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

	2024
Cash Flows from Investing Activities	
Investment Income (Loss)	379,118
Purchase of Investments	(1,288,004)
Net Cash Used in/Provided in Investing Activities	**(908,886)**
Net Increase (Decrease) in Cash and Cash Equivalents	**(578,537)**
Cash and Cash Equivalents - Beginning of Year	11,278,266
Cash and Cash Equivalents - End of Year	**10,699,729**
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating Income (Loss)	(43,835,869)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Depreciation and Amortization Expense	6,503,050
Change in Operating Assets and Liabilities	
Receivables (net)	(346,728)
Inventory	(11,266)
Other Assets	(21,125)
Deferred Outflows - Pension and OPEB	2,533,159
Accounts Payable and Accrued Liabilities	203,114
Unearned Revenue	688,593
Compensated Absences	68,073
Pension Liability	2,190,000
OPEB Liability	87,635
Deferred Inflows - Pension and OPEB	(3,747,703)
Net Cash Used in Operating Activities	**$ (35,689,067)**

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



Notes to the Financial Statements

ANNUAL FINANCIAL REPORT

WALLACE STATE COMMUNITY COLLEGE – HANCEVILLE

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HANCEVILLE • ONEONTA

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Note 1. Summary of Significant Accounting Policies

Nature of Operations

The financial statements of 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.

Subsequent Events

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

Cash, Cash Equivalents, and Investments

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

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

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

Receivables

Accounts receivable relate to amounts due from students, federal grants, state grants, state appropriations, third party tuition, and auxiliary enterprise sales, such as bookstore and residence halls. The receivables are shown net of allowance for doubtful accounts.

Inventories

The inventories are comprised of (1) consumable supplies (2) items held for resale, and (3) any other significant inventories. Inventories are valued at the lower of cost or market. Inventories are valued using the first-in/first-out (FIFO) method.

Capital Assets

Capital assets, other than intangibles, with a unit cost of over $5,000 and an estimated useful life in excess of one year, and all library books, are recorded at historical cost or estimated historical cost if purchased or constructed. The capitalization threshold for intangible assets such as capitalized software and internally generated computer software is $1 million and $100,000 for easements and land use rights and patents, trademarks and copyrights. In addition, works of art and historical treasures and similar assets are recorded at their historical cost. Donated capital assets are recorded at acquisition value (an entry price) at the date of donation. Land, Construction in Progress and collections 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 (if applicable) are as follows:

Assets	Depreciation Method	Useful Lives
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
Library Materials	Composite	20 years
Capitalized Software	Straight Line	10 years

Deferred Outflows of Resources

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

Long-term Obligations

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

Unearned Tuition and Fee Revenue

Tuition and fee revenues received for Fall Term but related to the portion of the Term that occurs in the subsequent fiscal year have been recorded 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 position by the government that is applicable to a future reporting period. Deferred inflows of resources decrease net position, similar to liabilities.

Pensions

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

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 defined as the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. 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, amortization, and by outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. Any significant unspent related debt proceeds or inflows of resources at year-end related to capital assets are not included in this calculation.
- **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.
  - *Non-expendable* – Net position subject to externally imposed stipulations that they be maintained permanently by the College.
- **Unrestricted** – Net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets

or the restricted component of net position. Unrestricted resources may be designated for specific purposes by action of management or the Alabama Community College System Board of Trustees.

Federal Financial Assistance Programs

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

Scholarship Allowances and Student Aid

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

New Accounting Pronouncements

In June 2022, GASB issued Statement No. 100, Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62, effective for reporting periods beginning after June 15, 2023. Statement No. 100 defines accounting changes and prescribes the accounting and financial reporting for each type of accounting change and error corrections. The adoption of this statement by the College 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 State Legislature and is governed by the provisions contained in the ***Code of Alabama 1975***, *Sections 41-14A-1 through 41-14A-14*. Under the SAFE Program, all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by the financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC). If the securities pledged failed to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

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

Investments

The College may invest its funds in a manner consistent with all applicable state and federal regulations. All monies shall be placed in interest-bearing accounts unless legally restricted by an external agency.

Investments in debt securities are limited to the two highest quality credit ratings as described by nationally recognized statistical rating organizations (NRSROs). Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are excluded from this requirement.

Permissible investments include:

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

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

1. U.S. Treasury bills, notes and bonds can be held without limitation as to amount. Stripped Treasuries shall never exceed 50 percent of the institution's total investment portfolio. Maximum maturity of these securities shall be ten years.
2. U.S. Agency securities shall have limitations of 50 percent of the institution's total investment portfolio for each Agency, with two exceptions: TVA and SLMA shall be limited to ten percent of total investments. Maximum maturity of these securities shall be ten years.
3. CDs with savings and loan associations, mutual savings banks, or commercial banks may be held without limit provided the depository is a QPD under the SAFE Program. CD maturity shall not exceed five years.
4. The aggregate total of all MBSs may not exceed 50 percent of the institution's total investment portfolio. The aggregate average life maturity for all holdings of MBS shall not exceed seven years, while the maximum average life maturity of any one security shall not exceed ten years.
5. The total portfolio of mortgage related securities shall not exceed 50 percent of the institutions total investment portfolio. The aggregate average life maturity for all holdings shall not exceed seven years while the average life maturity of one security shall not exceed ten years.

6. The institution may enter into a repurchase agreement so long as:
   a) the repurchase securities are legal investments under state law for institutions;
   b) the institution receives a daily assessment of the market value of the repurchase securities, including accrued interest, and maintains an adequate margin that reflects a risk assessment of the repurchase securities and the term of the transaction; and
   c) the institution has entered into signed contracts with all approved counterparties.
7. The institution has discretion to determine if it should hold or sell other investments that it may receive as a donation.

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

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

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

Of the $15,623,846 reported investments on the Statement of Net Position for the College as of September 30, 2024, $5,936,210 consists of certificates of deposit. Certificates of deposit are considered deposits in the context of this disclosure. The certificates of deposit are held by SAFE Program financial institutions or FDIC-insured depository institutions and are not subject to risk categorization. The remaining balance of $9,687,636 is described below:

		Investment Maturities			
Investment Type	**Fair Value**	**Less Than1**	**1-5 years**	**6-10 years**	**No maturity**
U.S. Guaranteed	$ 7,271,671	$ 2,386,755	$ 4,884,916	$ -	$ -
U.S. Agencies	1,575,294	58,196	1,517,098	-	-
Corporate Bonds	840,671	744,839	95,832	-	-
Total	**$ 9,687,636**	**$ 3,189,790**	**$ 6,497,846**	**$ -**	**$ -**

Credit Risk – The College does not have a formal investment policy as a means of managing its exposure to fair value losses arising from credit risk. The College's fixed income investments in U.S. Agencies and Corporate Bonds are subject to credit ratings and were rated by both Moody's Investor Services and by Standards and Poor. By Moody's Investors Services, 79.45% was rated AAA, 20.55% was rated Aa2, and 0% was not rated. By Standard and Poor, 10.28% was rated AAA, 66.76% was rated AA+, 20.55% was rated AA-, and 2.41% was not rated.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The College did not have a formal investment policy, which limited investment in any one issuer to less than 5%. Instead, the College's policy was to limit investments by type to the percentages shown below:

Investment Type	% of Investment
Stripped Treasuries	50%
U.S. Agencies (except for TVA and SLMA)	50%
TVA and SLMA	10%
Certificate of Deposit	No Limit
Mortgage Backed Securities and Mortgage Related Securities	50%

Custodial Credit Risk – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to cover the value of its investments or collateral securities that are in the possession of an outside party. The College does not have a policy for custodial risk.

To the extent available, the College's investments are recorded at fair value as of September 30, 2024. GASB Statement No. 72 – *Fair Value Measurement and Application,* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

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

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

		Assets at Fair Value as of September 30, 2024		
Investments by Fair Value Level	Fair Value	Quoted Prices in Active Markets Identical for Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities				
U.S. Guaranteed	$ 7,271,671	$ 7,271,671	$ -	$ -
U.S. Agency Securities	1,575,294	-	1,575,294	-
Corporate Bonds	840,671	-	840,671	-
Total Debt Securities	9,687,636	**$ 7,271,671**	**$ 2,415,965**	**$ -**
Reconciliation to Statement of Net Position				
Certificates of Deposits	5,936,210			
Total	**$ 15,623,846**			

* Additional Information for Level 2 Inputs

The College's investments are managed by Charles Schwab & Co. Inc., which uses Refinitiv Pricing Services. U.S. Agency Securities in Level 2 of the fair value hierarchy are individually evaluated on an OAS basis or nominal spread for non-callable issues. Corporate Bonds in Level 2 of the hierarchy are valued using Refinitiv's internal convertible pricing model that uses dealer quotes and a delta model incorporating a real time equity feed.

Note 3. Receivables

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

Description	Amount
Federal Grants and Contracts	$ 5,910,569
Student Tuition and Fees	1,853,998
State Grants and Contracts	3,957,465
Third-Party Tuition and Fees Receivables	580,369
Auxiliary Enterprises	303,574
Lease (current portion)	44,855
Interest	339
Returned Checks	566
Other	240
Less Allowance for Doubtful Accounts	(609,227)
Total Accounts Receivable	**$ 12,042,748**

Note 4. Capital Assets

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

Description	Beginning Balance	Additions	Deductions	Adjustments	Ending Balance
Nondepreciable Capital Assets					
Land	$ 2,807,235	$ -	$ -	$ -	$ 2,807,235
Collections	9,057,485	-	-	-	9,057,485
Construction in Progress	681,906	7,309,517	-		7,991,423
Total Nondepreciable Capital Assets	**12,546,626**	**7,309,517**	**-**	**-**	**19,856,143**
Other Capital Assets					
Buildings	95,093,624	-	-		$ 95,093,624
Building Alterations	51,277,054	247,650	-		51,524,704
Improvements other than Buildings and Infrastructure	10,490,133	-	-	-	10,490,133
Furniture and Equipment greater than $25,000	16,743,207	3,024,877	(570,250)	-	19,197,834
Furniture and Equipment $25,000 or less	8,694,123	658,609	(755,522)	-	8,597,210
Library Materials	3,083,263		(230,443)	-	2,852,820
Right to Use Assets - Buildings and Equipment	552,587	2,302	-	-	831,936
Right to Use Assets - Software Subscriptions	336,722	214,857	(15,836)	-	535,743
Total Other Capital Assets	**186,270,713**	**4,148,295**	**(1,572,051)**	**-**	**189,124,004**
Less Accumulated Depreciation/ Amortization					
Buildings	35,622,220	1,915,870		-	37,538,090
Building Alterations	24,641,264	1,824,537		-	26,465,801
Improvements other than Buildings and Infrastructure	6,735,717	257,685		-	6,993,402
Furniture and Equipment greater than $25,000	9,031,749	1,503,112	(570,250)	86,504	10,051,115
Furniture and Equipment $25,000 or less	7,396,661	620,342	(755,522)	(81,243)	7,180,238
Library Materials	2,652,702	46,750	(230,442)	(5,261)	2,463,749
Right to Use Assets - Buildings and Equipment	15,350	183,197	-	-	198,547
Right to Use Assets - Software Subscriptions	58,510	151,557	(15,837)	-	194,230
Total Accumulated Depreciation/ Amortization	**86,154,173**	**6,503,050**	**(1,572,051)**	**-**	**91,085,172**
Total Capital Assets, Net	**$112,663,166**	**$ 4,954,762**	**$ (0)**	**$ -**	**$117,894,975**

Land, construction in progress and collections are not subject to depreciation.

Note 5. Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description

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

Benefits Provided

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

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

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

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

Contributions

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

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

Participating employers' contractually required contribution rate for the fiscal year ended September 30, 2023 was 12.59% of annual pay for Tier 1 members and 11.57% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the College was $2,649,676 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 $40,139,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2022. The College's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2023, the College's proportion was 0.251531%, which was an increase of 0.007342% from its proportion measured as of September 30, 2022.

For the year ended September 30, 2024, the College recognized pension expense of $5,976,082. 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	$ 3,589,000	$ 542,000
Changes of Assumptions	1,129,000	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	2,753,000	-
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	819,000	612,000
Employer Contributions Subsequent to the Measurement Date	2,649,676	-
Total	**$ 10,939,676**	**$ 1,154,000**

$2,649,676 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:

Year Ended September 30	Amount
2025	$ 2,254,000
2026	1,520,000
2027	3,300,000
2028	62,000
2029	-
Thereafter	-

Actuarial Assumptions

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

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

* Net of pension plan investment expense, including inflation

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

Mortality Rate

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

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

Long-Term Expected Rate of Return

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

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

* Includes assumed rate of inflation of 2.00%.

Discount Rate

The discount rate used to measure the total pension liability was 7.45%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
College's Proportionate Share of the Collective Net Pension Liability	$ 52,437,000	$ 40,139,000	$ 29,796,000

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 $3,868,432 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 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 .0.20125543%, which was a decrease of 0.01572640% from its proportion measured as of September 30, 2022.

For the year ended September 30, 2024, the College recognized an OPEB expense/(benefit) of ($2,273,246), with no special funding situations. At September 30, 2024, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Source	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between Expected and Actual Experience	$ 75,642	$ 6,104,272
Changes of Assumptions	3,259,021	3,826,925
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	132,138	-
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	895,411	2,050,629
Employer Contributions Subsequent to the Measurement Date	287,756	-
Total	**$ 4,649,968**	**$ 11,981,826**

The $287,756 reported as deferred outflows of resources related to OPEB resulting from the College's contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB liability in the year ended September 30, 2025.

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

Year Ended September 30	**Amount**
2025	$ (2,576,870)
2026	(1,381,842)
2027	(1,241,741)
2028	(1,516,100)
2029	(878,625)
Thereafter	(24,436)

Actuarial Assumptions

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

Inflation	2.50%
Salary Increases	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 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:

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

* Geometric mean, includes 2.50% inflation.

Discount Rate

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

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

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

	1% Decrease (6.00% decreasing to 3.50% for pre-Medicare, Known decreasing to 3.50% for Medicare eligible)	Current Healthcare Trend Rate (7.00% decreasing to 4.50% for pre-Medicare, Known decreasing to 4.50% for Medicare eligible)	1% Increase (8.00% decreasing to 5.50% for pre-Medicare, Known decreasing to 5.50% for Medicare eligible)
Net OPEB Liability	$ 2,932,230	$ 3,868,432	$ 5,005,171

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

	1% Decrease (6.00%)	Current Rate (7.00%)	1% Increase (8.00%)
Net OPEB Liability	$ 4,775,571	$ 3,868,432	$ 3,096,338

OPEB Plan Fiduciary Net Position

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

Note 7. Other Significant Commitments

As of September 30, 2024, the College has been awarded approximately $6,085,667 in federal contracts and grants on which performance had not been accomplished and funds had not been received. These awards, which represent commitments of sponsors to provide funds for specific purposes, have not been reflected in the financial statements.

Note 8. Accounts Payable and Accrued Liabilities

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

Description	Amount
Salaries and Wages	$ 839,892
Benefits	291,054
Interest Payable	358,792
Supplies	1,392,556
Construction	2,204,054
Total	**$ 5,086,348**

Note 9. 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
Bonds Payable					
2020 Issue	$ 10,170,000	$ -	$ (1,125,000)	$ 9,045,000	$ 1,160,000
2020 Bond Premium	1,026,215	-	(145,074)	881,141	144,679
2021 Issue	13,600,000	-	(630,000)	12,970,000	660,000
2021 Bond Premium	2,188,399	-	(271,236)	1,917,163	270,494
Total Bonds Payable	**26,984,614**	**-**	**(2,171,310)**	**24,813,304**	**2,235,173**
Leases Payable	537,594	2,302	(166,735)	373,161	180,441
Subscriptions Payable	88,379	212,358	(141,192)	159,545	122,440
Compensated Absences	1,265,513	753,580	(685,507)	1,333,586	524,268
Net Pension	$ 37,949,000	$ 2,190,000		40,139,000	0.00
Net OPEB	$ 3,780,797	$ 87,635		3,868,432	0.00
Total Long-Term Liabilities	**$ 28,876,100**	**$ 968,240**	**$ (3,164,744)**	**$ 45,873,724**	**$ 3,062,322**

In February 2020, the College issued $12,725,000 in limited obligation revenues refunding bonds payable over 10 years. The bonds were issued to refund the 2010 Recovery Zone Economic Development Revenue Bonds. The 2010 bonds were issued to provide funding for the renovation and equipping of the James C. Bailey Commerce Center and paying the expenses of issuing the bonds.

In August 2021, the College issued $14,210,000 in limited obligation revenue refunding bonds payable over 15 years. The bonds were issued to refund the Series 2012 bonds and pay the costs of issuing the Series 2021 bonds. The 2012 bonds were issued to provide funding for the design, construction, acquisition, equipping, and installation of various capital improvements and equipment for the College, including, without limitation, a new Health/Life sciences building.

A trustee holds sinking fund deposits, including earnings on investments of these deposits. Revenue from student tuition and fees sufficient to pay the annual debt service are pledged to secure the bonds. Principal and interest maturity requirements on bond debt are as follows:

Principal and Interest Maturity Requirements on Bond Debt

	Publicly Sold Bonds		
Fiscal Year(s)	**Principal**	**Interest**	**Total**
2025	1,820,000	822,625	$ 2,642,625
2026	1,885,000	754,425	2,639,425
2027	1,955,000	683,738	2,638,738
2028	2,030,000	610,375	2,640,375
2029	2,110,000	530,800	2,640,800
2030-2034	9,430,000	1,388,200	10,818,200
2035-2039	2,785,000	109,500	2,894,500
Total	**$ 22,015,000**	**$ 4,899,663**	**$ 26,914,663**

Deferred Outflow on Refunding

The College has accounting losses on refunding in connection with the issuance of its 2020 and 2021 Revenue Bonds, which are being amortized using the straight-line method over a period of 10 years and 15 years, respectively.

Source	**Deferred Outflows on Refunding**
Total Deferred Outflow on Refunding	$ 630,909
Amount Amortized Prior Years	(179,252)
Balance Deferred Outflow on Refunding and Premium	451,657
Current Amount Amortized	(60,094)
Balance Deferred Outflow on Refunding and Premium	**$ 391,563**

Pledged Revenues

The College has pledged tuition revenue and a special building fee for the payment of debt service on the Series 2020 Bonds. The approximate amount of the pledge is $13,149,530. The Series 2020 debt was issued to refinance the Series 2010 Bond. The Series 2010 Bond was used to finance the renovation of the James C. Bailey Commerce Center. The pledged revenue will not be available for other purposes until November 1, 2030. The principal and interest payments made during the period were $1,482,013. Therefore, of the $13,149,530 in tuition and fee revenue recognized by the College during fiscal year 2024, 11.27% was needed for debt service on the Series 2020 Bonds.

The College has pledged tuition revenue and a special building fee for the payment of debt service on the Series 2021 Bonds. The approximate amount of the pledge is $13,149,530. The Series 2021 debt was issued to refinance the Series 2012 Bond. The Series 2012 debt was issued to provide funding for the design, construction, acquisition, equipping and installation of various capital improvements and equipment for the College, including, without limitation, a new Health/Life Science Building. The pledged revenue will not be available for other purposes until November 1, 2035. The principal and interest payments made during the period were $1,158,250. Therefore, of the $13,149,530 in tuition and fee revenue recognized by the College during fiscal year 2024, 8.81% was needed for debt service on the Series 2021 Bonds.

Leases

The following is a description of the College’s lease activity. The College accounts for these activities in accordance with GASB 87.

Aircraft Leases – as Lessee

The College is the lessee in various lease agreements for aircraft that are used for training as part of its aviation program. The leases generally are for a period of 12 months with extensions available for up to 36 months from the date of the original agreement. The College expects to extend the lease agreements to the maximum term available. The majority of the leases require payments based on future flight hours; rates vary from approximately $180 to $450 per hour. As a result, these payments have been excluded from the calculation of lease liability (and related right to use asset). Lease agreements with fixed monthly payments are not material and have been excluded from the calculation as well. Lease payments are thus reflected as outflows in the period that they are incurred. For the fiscal year 2024, the College recognized $403,040 of outflows related to these leases. The College receives payments from students for the use of aircraft and retains a nominal amount as an administrative fee. However, these payments do not qualify as a sublease agreement.

Office Lease – as Lessee

On September 1, 2023, the College entered into a 36-month lease for an office building. An initial lease liability was recorded in the amount of $552,586. During 2024, there was a lease modification that resulted in the remeasurement of the lease asset and lease liability. As of September 30, 2024, the value of the lease liability is $373,161. Wallace State Community College, AL is required to make monthly fixed payments of $15,775. The lease has an interest rate of 3.0410%. The value of the right to use asset as of September 30, 2024 of $554,889 with accumulated amortization of $198,547 is included with Buildings on the Lease Class activities table found below. The College has 2 extension option(s), each for 24 months.

Amount of Lease Assets by Major Classes of Underlying Asset

	As of September 30, 2024	
Asset Class	Lease Asset Value	Accumulated Accumulated
Building	$ 831,936	$ 198,547
Total Leases	**$ 831,936**	**$ 198,547**

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

Principal and Interest Requirements to Maturity of Lease Liability

Fiscal Year(s)	Principal	Interest	Total
2025	$ 180,441	$ 8,859	$ 189,300
2026	192,720	3,206	195,926
Total	**$ 373,161**	**$ 12,065**	**$ 385,226**

Department of Agriculture – as Lessor

The College is party to a real estate lease agreement, as the lessor, with the Alabama Department of Agriculture and Industries. The lease term is for a period of five (5) years ending on September 30, 2026 with an option to extend for an additional five (5) years. The College has determined that it is reasonably certain that the extension will be exercised and as such as established the lease term as a period of 10 years. Lease payments are $4,000 per month, due at the beginning of the month. The incremental borrowing rate used to calculate the initial lease receivable was 1.284%. The College recorded $4,430 of interest revenue and $45,071 of lease revenue during the fiscal year ended September 30, 2024. As of September 30, 2024, the value of the lease receivable is $321,186 and the value of the deferred inflow of resources was $315,502.

DB Technologies – as Lessor

On January 1, 2023, the College entered into a 24-month lease as lessor for the use of DB Technologies. An initial lease receivable was recorded in the amount of $4,775. As of September 30, 2024, the value of the lease receivable is $716. The lessee is required to make monthly fixed payments of $170.00. The lease has an interest rate of 2.8470%. The value of the deferred inflow of resources as of September 30, 2024 was $597, and Wallace State Community College, AL recognized lease revenue of $2,388 during the fiscal year. The College has 1 extension option for 12 months.

Subscription-Based Information Technology Arrangements

The following is a description of the College's subscription-based information technology arrangements (SBITA) activity. The College accounts for these activities in accordance with GASB 96.

The College has various subscription agreements for software that qualify for reporting under GASB 96. The majority of these agreements have been paid in advance at the beginning of the subscription term. The subscription terms range from 16 to 92 months and have interest rates between approximately 2.85% and 3.71%.

Amount of Subscription Assets by Major Classes of Underlying Asset

	As of September 30, 2024	
Asset Class	Subscription Asset Value	Accumulated Amortization
Software	$ 535,743	$ 194,230
Total Subscriptions	**$ 535,743**	**$ 194,230**

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

Principal and Interest Requirements to Maturity Subscription Liability

Fiscal Year(s)	Principal	Interest	Total
2025	$ 122,440	$ 5,448	$ 127,888
2026	26,566	1,306	27,872
2027	3,212	378	3,590
2028	3,506	263	3,769
2029	3,821	137	3,958
Total	**$ 159,545**	**$ 7,532**	**$ 167,077**

Note 10. Risk Management

The College is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The College has insurance for its buildings and contents through the State Insurance Fund (SIF), part of the State of Alabama Department of Finance, Division of Risk Management, a public entity risk pool, 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 president and business officer as well as on all other college personnel who handle funds.

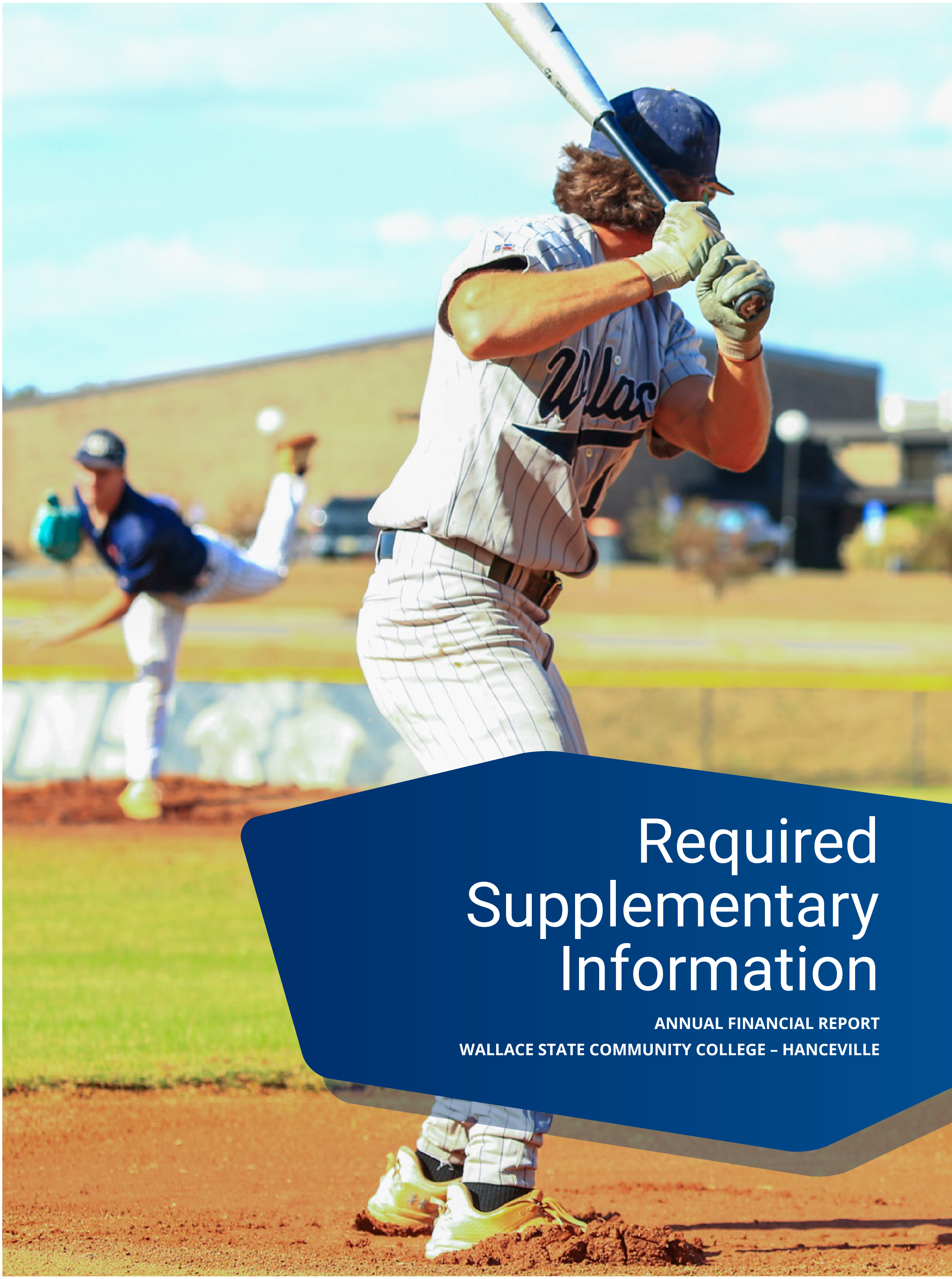
Employee health insurance is provided through the Public Education Employees’ Health Insurance Fund (PEEHIF) administered by the Public Education Employees’ Health Insurance Board (PEEHIB). The Fund was established to provide a uniform plan of health insurance for current and retired employees of state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

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

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

Note 11. Related Parties

Wallace State Community College Future Foundation, Inc., was incorporated as a non-profit corporation to promote scientific, literary, and education purposes; the advancement of Wallace State Community College; and for the encouragement and support of its students and faculty. This report contains no financial statements of Wallace State Community College Future Foundation, Inc. There were no material transactions with this related party.



Required Supplementary Information

ANNUAL FINANCIAL REPORT

WALLACE STATE COMMUNITY COLLEGE – HANCEVILLE

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

(Dollar Amounts in Thousands)	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
College's Proportion of the Net Pension Liability	0.251531%	0.244189%	0.248557%	0.256311%	0.249866%	0.258513%	0.265962%	0.261882%	0.259665%	0.258581%
College's Proportionate Share of the Net Pension Liability	$ 40,139	$ 37,949	$ 23,415	$ 31,705	$ 27,627	$ 25,703	$ 26,140	$ 28,351	$ 27,176	$ 23,491
College's Covered Payroll	$ 20,576	$ 18,881	$ 18,053	$ 18,192	$ 17,807	$ 17,256	$ 17,577	$ 16,904	$ 16,422	$ 16,396
College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	195.08%	200.99%	129.70%	174.28%	155.15%	148.95%	148.72%	167.72%	165.49%	143.27%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.57%	62.21%	76.44%	67.72%	69.85%	72.29%	71.50%	67.93%	67.51%	71.01%

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	$ 2,650	$ 2,499	$ 2,279	$ 2,176	$ 2,211	$ 2,170	$ 2,076	$ 2,082	$ 1,969	$ 1,858
Contributions in Relation to the Contractually Required Contribution	$ 2,650	$ 2,499	$ 2,279	$ 2,176	$ 2,211	$ 2,170	$ 2,076	$ 2,082	$ 1,969	$ 1,858
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College's Covered Payroll	$ 21,839	$ 20,576	$ 18,881	$ 18,053	$ 18,192	$ 17,807	$ 17,256	$ 17,577	$ 16,904	$ 16,422
Contributions as a Percentage of Covered Payroll	12.13%	12.15%	12.07%	12.05%	12.15%	12.19%	12.03%	11.85%	11.65%	11.31%

Notes to Schedule

Note 1:Per GASB 82 ,which amends GASB 60, covered payroll is defined as the payroll on which contributions to a pension plan are based, also known as pensionable payroll. The covered payroll for this RSI Schedule (GASB 68 paragraph 81b) is for the most recent fiscal year end, which for the September 30, 2024 year is October 1, 2023 through September 30, 2024.

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

Notes to Required Supplementary Information for Pension Benefits

Note 1. Changes of Benefit Terms

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

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

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

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

Note 2. Changes of Assumptions

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

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

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

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, 2021 for the fiscal year 2024 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	26.9 years
Asset Valuation Method	5-year market related value
Inflation	2.75 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	0.20125543%	0.216982%	0.201172%	0.208555%	0.238900%	0.232996%	0.232520%
College's Proportionate Share of the Net OPEB Liability	$ 3,868	$ 3,781	$ 10,394	$ 13,535	$ 9,013	$ 19,149	$ 17,270
College's Covered Payroll	$ 19,830	$ 17,437	$ 17,425	$ 17,543	$ 17,074	$ 16,306	$ 16,799
College's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	19.51%	21.68%	59.65%	77.15%	52.79%	117.44%	102.81%
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.

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

(Dollar Amounts in Thousands)	2024	2023	2022	2021	2020	2019	2018
Contractually Required Contribution	$ 288	$ 316	$ 411	$ 348	$ 412	$ 680	$ 576
Contributions in Relation to the Contractually Required Contribution	$ 288	$ 316	$ 411	$ 348	$ 412	$ 680	$ 576
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College's Covered Payroll	$ 21,088	$ 19,830	$ 17,437	$ 17,425	$ 17,543	$ 17,074	$ 16,306
Contributions as a Percentage of Covered Payroll	1.36%	1.60%	2.36%	2.00%	2.35%	3.98%	3.53%

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

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

Note 1. Changes in Actuarial Assumptions

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

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

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

Note 2. Recent Plan Changes

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

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

Effection 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	20 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	4.50%
Medicare Eligible	4.50%
Year of Ultimate Trend Rate	2031 for Pre-Medicare Eligible 2027 for Medicare Eligible
Optional Plans Trend Rate	2.00%
Investment Rate of Return	5.00%, including inflation

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

Supplementary Information

ANNUAL FINANCIAL REPORT

WALLACE STATE COMMUNITY COLLEGE – HANCEVILLE

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

Federal Grantor/ Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass Through Grantor's Number	Passed Through to Subrecipients	Total Federal Expenditures
Student Financial Assistance Cluster				
U. S. Department of Education				
Direct Programs				
Federal Supplemental Educational Opportunity Grants	84.007		$ -	$ 218,240
Federal Work-Study Program	84.033		-	161,239
Federal Pell Grant Program	84.063		-	12,624,028
Federal Direct Student Loans	84.268		-	8,118,472
Total Student Financial Assistance Cluster			**-**	**21,121,979**
Research and Development Cluster				
National Science Foundation				
Direct Programs				
STEM Education	47.076		-	20,191
Passed through Oregon Community College				
STEM Education	47.076	2301095	-	4,820
Total National Science Foundation				25,011
U. S. Department of Education				
Direct Programs				
Higher Education - Institututional Aid	84.031		-	312,320
Total Research and Development Cluster			**-**	**337,331**
TRIO Cluster				
U. S. Department of Education				
Direct Programs				
TRIO - Student Support Services	84.042		-	401,975
TRIO - Talent Search	84.044		-	497,041
Total TRIO Cluster			**-**	**899,016**
WIOA Cluster				
U. S. Department of Labor				
Passed Through Alabama Department of Commerce				

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

Federal Grantor/ Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass Through Grantor's Number	Passed Through to Subrecipients	Total Federal Expenditures
WIOA Adult Program	17.258	N/A	-	28,282
WIOA Youth Activities	17.259	N/A	-	616
Total WIOA Cluster			**-**	**28,898**
Other Federal Awards				
U.S. Department of Education				
Direct Programs				
COVID-19 HEERF Institutional Aid Portion	84.425F		-	4,282,893
COVID-19 HEERF Strengthening Institutions Program (SIP)	84.425M		-	78,016
Total COVID-19 Higher Education Emergency Relief Fund (HEERF)			**-**	**4,360,909**
Passed Through Alabama Community College System				
Adult Education - Basic Grants to States	84.002	0923AE093	-	406,014
Passed Through Alabama State Department of Education				
Career and Technical Education - Basic Grants to States	84.048	V048A230001	-	408,030
Appalachian Regional Commission				
Direct Programs				
Appalachian Area Development	23.002		-	50,241
Appalachian Area Development	23.002		-	235,708
Total Appalachian Regional Commission			**-**	**285,949**
U.S. Department of Justice				
Direct Programs				
Public Safety Partnership and Community Policing Grants	16.710			3,512

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

Federal Grantor/ Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass Through Grantor's Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Labor				
Direct Programs				
WIOA Dislocated Worker National Reserve Demonstration Grant	17.280		-	466,281
Passed Through Alabama Community College System				
H-1B Job Training Grants	17.268	HG-33165-19-60-A-1	-	105,936
Total Department of Labor			**-**	**572,217**
Total Expenditures of Federal Awards			**$ -**	**$ 28,423,855**

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

Notes to the Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the College, under programs of federal award activity of the College, under programs of the federal government for the year ended September 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U. S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the 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

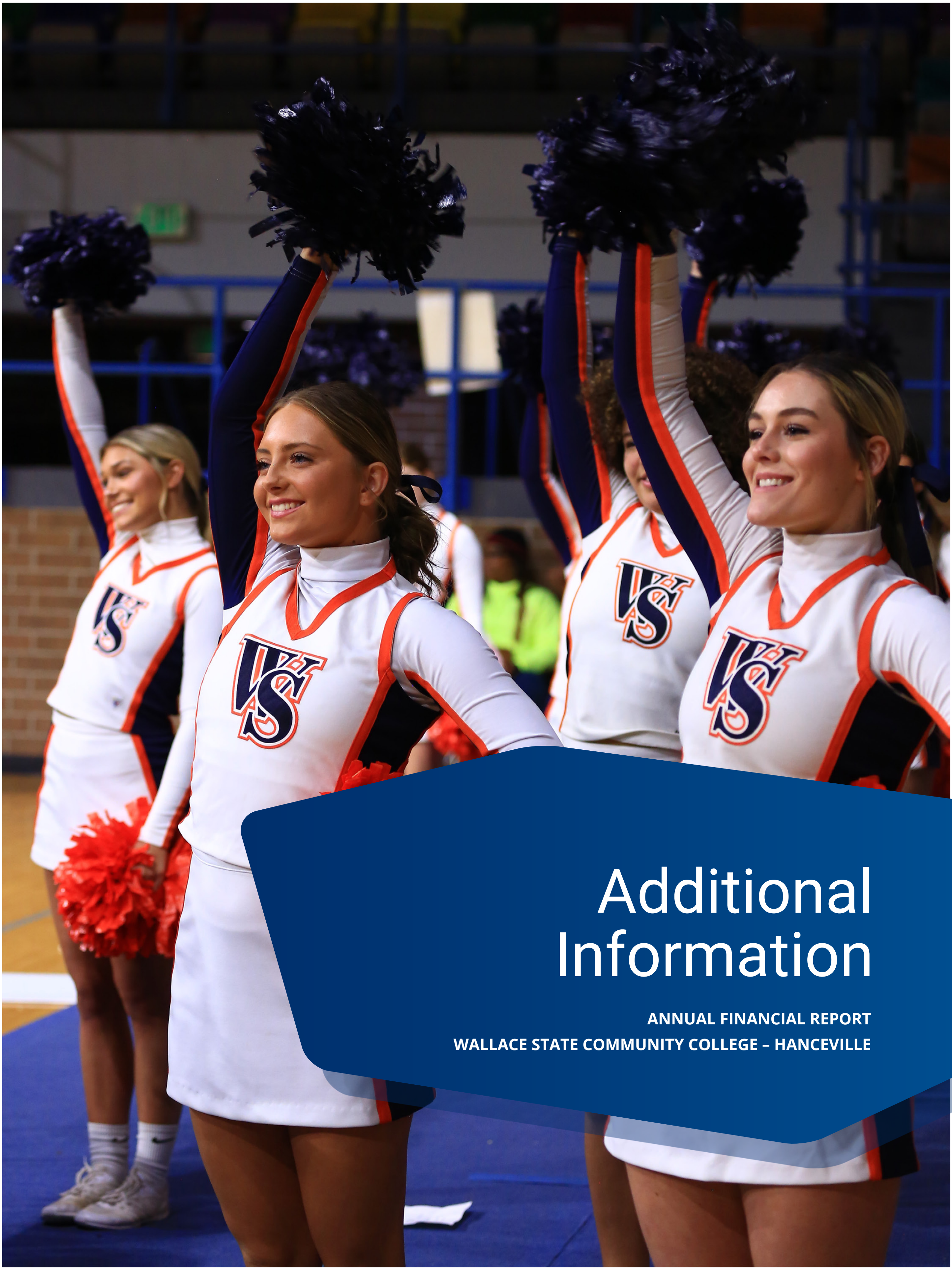
Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

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

Note 4. Federal Direct Student Loan Program (ALN #84.268)

The College participates in the Federal Direct Student Loan Program which provides Federal Direct Subsidized and Federal Direct Unsubsidized Loans to qualifying students. The College is not responsible for collection of these loans. During the year ended September 30, 2024, the College processed $8,118,472 of student loans under the Direct Loan Program (ALN #84.268).



Additional Information

ANNUAL FINANCIAL REPORT
WALLACE STATE COMMUNITY COLLEGE – HANCEVILLE

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Officials

Jimmy H. Baker
Chancellor

Dr. Vicki P. Karolewics
President

Mary Helen Ingram
Chief Financial Officer

WALLACE STATE
HANCEVILLE • ONEONTA

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Independent Auditor Reports

ANNUAL FINANCIAL REPORT

WALLACE STATE COMMUNITY COLLEGE – HANCEVILLE

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CARR, RIGGS & INGRAM, L.L.C.

Carr, Riggs & Ingram, L.L.C.
3700 Colonnade Parkway
Suite 300
Birmingham, AL 35243

205.933.7822
205.933.7944 (fax)
CRIadv.com

INDEPENDENT AUDITOR'S 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*

Jimmy Baker, Chancellor – Alabama Community College System
Dr. Vicki Karolewics, President – Wallace State Community College
Hanceville, Alabama

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

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 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.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Birmingham, Alabama
January 15, 2025

CARR, RIGGS & INGRAM, L.L.C.

Carr, Riggs & Ingram, L.L.C.
3700 Colonnade Parkway
Suite 300
Birmingham, AL 35243

205.933.7822
205.933.7944 (fax)
CRIadv.com

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE.

Jimmy Baker, Chancellor – Alabama Community College System
Dr. Vicki Karolewics, President – Wallace State Community College
Hanceville, Alabama

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Wallace State Community College's (the College), a component unit of the State of Alabama, 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 types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2024.

Basis for Opinion on Each Major Federal Program

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

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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

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.

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.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Birmingham, Alabama
January 15, 2025

Wallace State Community College
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2024

Section I – Summary of Auditor's Results

Financial Statements

1. Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP	Unmodified
2. Internal control over financial reporting:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified not considered to be material weaknesses?	None reported
c. Noncompliance material to the financial statements noted?	No

Federal Awards

1. Type of auditor's report issued on compliance for major programs	Unmodified
2. Internal control over major programs:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified not considered to be material weaknesses?	None reported
3. Any audit findings disclosed that are required to be reported in accordance with 2CFR section 200.516(a)?	No

(Continued)

Wallace State Community College
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended September 30, 2024

4. Identification of major programs

Assistance Listing Number	Federal Program
Student Financial Aid Cluster	
84.007	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work-Study Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans

5. Dollar threshold used to distinguish between type A and type B programs $852,716

6. Auditee qualified as low-risk under 2CFR 200.520 No

Section II - Financial Statements Findings

There were no matters to be reported.

Section III - Federal Award Findings and Questioned Costs

There were no matters to be reported.

Wallace State Community College
801 Main Street NW | P.O. Box 2000
Hanceville AL, 35077-2000
wallacestate.edu