Report on the

Bevill State Community College

Jasper, Alabama

October 1, 2018 through September 30, 2019

Filed: October 16, 2020

Department of
Examiners of Public Accounts

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Rachel Laurie Riddle, Chief Examiner

20-577

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Rachel Laurie Riddle
Chief Examiner

Honorable Rachel Laurie Riddle
Chief Examiner of Public Accounts
Montgomery, Alabama 36130

Dear Madam:

An audit was conducted on Bevill State Community College, Jasper, Alabama, for the period October 1, 2018 through September 30, 2019, by Examiners Zachary Pugh, Nathaniel Kuykendall, Denise Clark-Owens, and Alex Moses. I, Zachary Pugh, served as Examiner-in-Charge on the engagement, and under the authority of the ***Code of Alabama 1975***, Section 41-5A-19, I hereby swear to and submit this report to you on the results of the audit.

Respectfully submitted,

Zachary Pugh
Examiner of Public Accounts

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SUMMARY

Bevill State Community College
October 1, 2018 through September 30, 2019

Walker College Foundation
January 1, 2018 through December 31, 2018

Bevill State Community College Foundation, Inc.
January 1, 2018 through December 31, 2018

Bevill State Community College (the "College") provides academic transfer education at the freshman and sophomore levels leading to the Associate in Arts and Associate in Science degrees that are designated to facilitate transfer to a senior college or university. Bevill State Community College also provides the following career technical and health science programs that prepare students for employment in an occupational field and leads to certificates and/or Associate in Applied Science degrees: Emergency Medical Services; Associate Degree Nursing; Practical Nursing; Surgical Technology; Air Conditioning and Refrigeration Technology; Automated Manufacturing Technology; Business Office Management Technology; Child Development; Computer Science; Cosmetology; Cosmetology Instructor Training; Drafting Design Engineering Technology; Electrical Systems Technology; Machine Tool Technology; Mining Technology; Salon and Spa Management; Truck Driver Training; Vehicle Technology and Repair and Welding Technology.

Bevill State Community College is a publicly supported institution in the Alabama Community College System. The College is under the direction and control of the Alabama Community College System Board of Trustees through the Chancellor of the Alabama Community College System Office.

Walker College Foundation and Bevill State Community College Foundation, Inc. (the "Foundations") were organized as non-profit corporations without capital stock under the laws of the State of Alabama. The organizations were formed to provide support for the College and scholarships for students.

This report presents the results of an audit, the objectives of which were to determine whether the financial statements present fairly the financial position and results of financial operations and whether the College complied with applicable laws and regulations, including those applicable to its major federal financial assistance programs. This report also presents the results of an audit of the College's component units, the Foundations, which were audited by other auditors. The College's audit was conducted 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, as well as, the requirements of the Department of Examiners of Public Accounts under the authority of the ***Code of Alabama 1975***, Section 41-5A-12. The Foundations' audits were conducted in accordance with auditing standards generally accepted in the United States of America.

An unmodified opinion was issued on the basic financial statements of the College and its component units, which means the financial statements present fairly, in all material respects, the financial positions and the results of operations for the fiscal years ending September 30, 2019 and December 31, 2018, respectively.

The prior year audit finding has been resolved.

Tests performed during the audit did not disclose any significant instances of noncompliance with applicable state laws and regulations.

The following officials/employees were invited to an exit conference to discuss the results of this audit: Dr. Kim Ennis, President; Linda Jones, Dean of Finance; and Jimmy Baker, Chancellor of the Alabama Community College System. The following individuals attended the exit conference: Dr. Kim Ennis, President; Linda Jones, Dean of Finance; Dr. Leslie Hartley, Dean of Instruction; Al Moore, Dean of Workforce and Economic Development; and Melissa Stowe, Dean of Students. Amberley Clark, Director of Accounting and Finance; Russell Howton, Director of Institutional Research and Institutional Effectiveness; and Doug Hartley, Director of Financial Aid attended via teleconference. The following individuals representing the Alabama Community College System attended via teleconference: Brian Harrison, Associate Director of Financial Services-System Support; William Merrill, Associate Director of Financial Services-Special Projects; Donna Boutwell, Director of Compliance; and Julia Dennis, Financial Compliance Accountant. Representing the Department of Examiners of Public Accounts were: Peter Fisher, Audit Manager and Zachary Pugh, Examiner.

COMMENTS

Bevill State Community College
October 1, 2018 through September 30, 2019

Bevill State Community College (the "College") had its origin on May 3, 1963 when Act Numbers 92, 93 and 94 of Acts of Alabama 1963 were approved. Act Number 92 on page 257 provided funds to pay the principal and interest on bonds, not exceeding $15,000,000, issued and sold by the public corporation known as the Alabama Trade School and Junior College Authority. Act Number 93 on page 259 authorized the Governor, the Director of Finance, and the State Superintendent of Education to become a corporation, to be known as the Alabama Trade School and Junior College Authority, for the objective of providing for the construction and equipment of educational institutions within the state known as junior colleges and trade schools. Act Number 94 on page 268 vested in the Alabama State Board of Education the authority and responsibility for the operation, management, control, supervision, maintenance, regulation, upkeep, improvement, equipment, and enlargement of, and additions to, educational institutions known as trade schools and junior colleges.

Walker State Technical College, which opened in 1966, and Brewer State Junior College, created in 1969, were consolidated in 1992 to become Bevill State Community College. The Hamilton campus of Northwest Alabama Community College which was primarily a vocational/technical campus merged with Bevill State Community College in 1993. The UAB/Walker College merged with Bevill State Community College in 1998. Bevill State Community College consists of the four main campuses and an instructional site in Carrollton.

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Independent Auditor's Report

Independent Auditor's Report

Jimmy Baker, Chancellor – Alabama Community College System
Dr. Kim Ennis, President – Bevill State Community College
Jasper, Alabama 35501

Report on the Financial Statements

We have audited the accompanying basic financial statements of Bevill State Community College, a component unit of the State of Alabama, as of and for the year ended September 30, 2019, and related notes to the financial statements which collectively comprise Bevill State Community College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Walker College Foundation and Bevill State Community College Foundation, Inc., discretely presented component units, which represent 100% of the total assets, total net assets and revenues of the component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Walker College Foundation and Bevill State Community College Foundation, Inc., is based solely on the report of other auditors. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. The financial statements of Walker College Foundation and Bevill State Community College Foundation, Inc. were not audited in accordance with ***Government Auditing Standards***.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, based on our audit and the report of other auditors, the basic financial statements referred to above present fairly, in all material respects, the financial position of Bevill State Community College, as of September 30, 2019, and Walker College Foundation and Bevill State Community College Foundation, Inc., as of December 31, 2018, and the respective changes in financial position and where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial that collectively comprise Bevill State Community College's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 12), is presented for purposes of additional analysis as required by Title 2 U. S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*** *(Uniform Guidance)*, and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and directly relates to the underlying accounting and other records used to prepare the basic financial statements. Such 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 financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with ***Government Auditing Standards***, we have also issued our report dated September 3, 2020, on our consideration of Bevill State Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Bevill State Community 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 Bevill State Community College's internal control over financial reporting and compliance.

Rachel Laurie Riddle

Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

September 3, 2020

Management's Discussion and Analysis
(Required Supplementary Information)

Bevill State Community College

Management's Discussion and Analysis

Overview of the Financial Statements and Financial Analysis

Bevill State Community College proudly presents its financial statements for the fiscal year ending 2019. The emphasis of discussion about these statements will be on current year data and its comparison to prior year data. There are three financial statements presented: The Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. This discussion and analysis of the College's financial statements provide an overview of its financial activities for the year.

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 at the end of the fiscal year. The Statement of Net Position is a point of time financial statement. The purpose of the Statement of Net Position is to present to the readers of the financial statements a fiscal snapshot of Bevill State Community College. The Statement of Net Position presents end-of-year data concerning Assets (current and noncurrent), Deferred Outflow of Resources, Liabilities (current and noncurrent), Deferred Inflow of Resources, and Net Position (Assets minus Liabilities). The difference between current and noncurrent assets will be discussed in the financial statement disclosures. From the data presented, readers of the Statement of Net Position, are able to determine the assets available to continue the operations of the 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 (assets plus deferred outflow of resources, minus liabilities minus deferred inflow of resources) and their availability for expenditure by the institution.

Net position is divided into three major categories. The first category, net investment in capital assets, provides the amount of equity in property, plant and equipment owned by the institution. The next category is restricted net position, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net position is available for expenditure by the institution but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the resources. The final category is unrestricted net position. Unrestricted resources are available to the institution for any appropriate purpose of the institution.

Condensed Statement of Net Position:

	2019	2018	Increase (Decrease)	Percent Change
Assets:				
Current Assets	15,220,502.64	18,287,925.59	(3,067,422.95)	-16.8%
Capital Assets, net	53,299,169.83	52,629,814.70	669,355.13	1.3%
Other Assets	3,744.26	3,345.82	398.44	11.9%
Total Assets	**68,523,416.73**	**70,921,086.11**	**(2,397,669.39)**	**-3.4%**
Deferred Outflows				
Pension	5,323,264.00	5,318,242.00	5,022.00	0.1%
OPEB	1,345,199.00	976,526.00	368,673.00	37.8%
Loss on Bond Refinancing		264,142.45	(264,142.45)	-100.0%
Total Deferred Outflows	**6,668,463.00**	**6,558,910.45**	**109,552.55**	1.7%
Liabilities				
Current Liabilities	5,100,942.91	5,299,960.32	(199,017.41)	-3.8%
Noncurrent Liabilities	56,661,369.48	59,000,998.00	(2,339,628.52)	-4.0%
Total Liabilities	**61,762,312.39**	**64,300,958.32**	**(2,538,645.93)**	**-3.9%**
Deferred Inflows				
Pension	4,000,809.00	3,274,809.00	726,000.00	22.2%
OPEB	1,466,371.00	1,840,073.00	(373,702.00)	-20.3%
Total Deferred Inflows	**5,467,180.00**	**5,114,882.00**	**352,298.00**	6.9%
Net Position				
Net Investment in Capital Assets	41,940,392.14	42,818,802.51	(878,410.37)	-2.1%
Restricted-expendable	2,605,238.20	656,894.08	1,948,344.12	296.6%
Restricted-nonexpendable	3,744.26	3,345.82	398.44	11.9%
Unrestricted	(36,586,987.26)	(35,414,886.17)	(1,172,101.09)	-3.3%
Total Net Position	**7,962,387.34**	**8,064,156.24**	**(101,768.90)**	**-1.3%**

As of September 30, 2019, the College’s total assets decreased by $2,397,669.39; total liabilities for the year decreased by $2,538,645.93. Bevill’s total net position for the year decreased $101,768.90.

A summary of the activity resulted in the significant changes on the Statement of Net Position is detailed below:

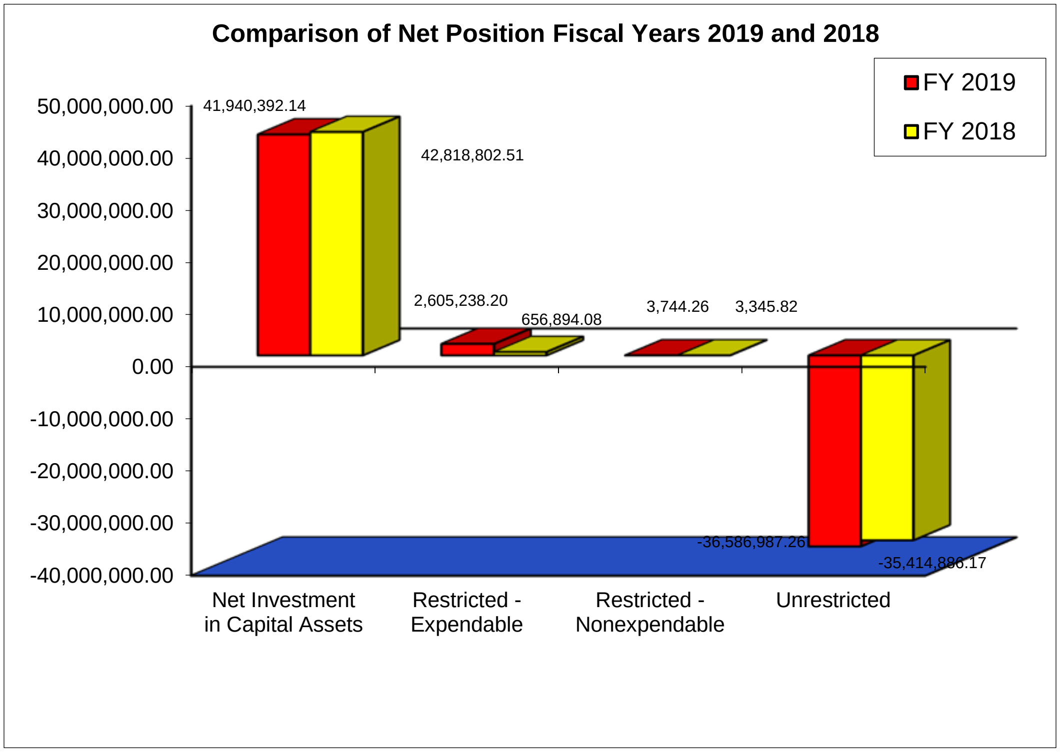
1) Total current assets decreased $3,067,422.95. The majority of this amount can be attributed to Deposit with Bond Trustee decrease in the amount of $4,008,832.06. Our bonds were refinanced in FY19. This also contributed to in an increase in cash of $1,311,839.04.

2) Total non-current assets increased $669,753.56. Of this amount, buildings increased $2,851,057.52. Additionally, accumulated depreciation increased by $2,428,534.68.

3) The majority of the significant decrease in Noncurrent Liabilities of $2,339,628.52 is due to a decrease of $2,642,000.00 in Bonds Payable as the bonds were refinanced in FY19.

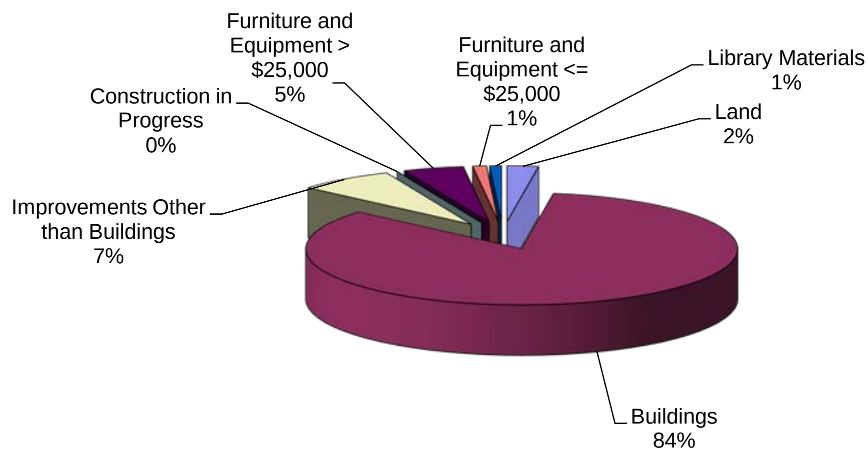
4) The majority of the significant increase in restricted expendable is due to an expended grant and debt service from grant matching.

The following is a comparison illustration of Net Position by Category for Fiscal Years 2019 and 2018.



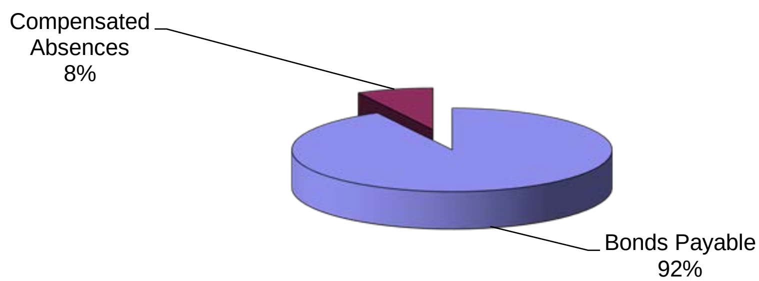
Analysis of Capital Assets, Net	2019	2018	Increase (Decrease)	Percent Change
Land	1,254,000.00	1,254,000.00	0.00	0.0%
Buildings	44,777,653.39	43,534,501.47	1,243,151.92	2.9%
Improvements Other than Buildings	3,840,685.75	4,100,142.48	(259,456.73)	-6.3%
Construction in Progress	0.00	174,413.04	(174,413.04)	-100.0%
Furniture and Equipment > $25,000	2,413,028.74	2,390,553.24	22,475.50	0.9%
Furniture and Equipment <= $25,000	548,580.14	652,658.31	(104,078.17)	-15.9%
Library Materials	465,221.81	523,546.16	(58,324.35)	-11.1%
Total	53,299,169.83	52,629,814.70	669,355.13	1.3%

The following is a graphic illustration of Fiscal Year 2019 Capital Assets, Net.



Analysis of Long Term Debt	2019	2018	Increase (Decrease)	Percent Change
Bonds Payable	11,380,000.00	14,912,000.00	(3,532,000.00)	-23.7%
Compensated Absences	952,274.04	1,035,199.61	(82,925.57)	-8.0%
Total	12,332,274.04	15,947,199.61	(3,614,925.57)	-22.7%

The following is a graphic illustration of Fiscal Year 2019 Long Term Debt.



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, and any other revenues, expenses, gains and losses received or spent by the institution.

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. Nonoperating revenues are revenues received for which goods and services are not provided. For example, state appropriations are nonoperating because they are provided by the Legislature to the institution without the Legislature directly receiving commensurate goods and services for those revenues.

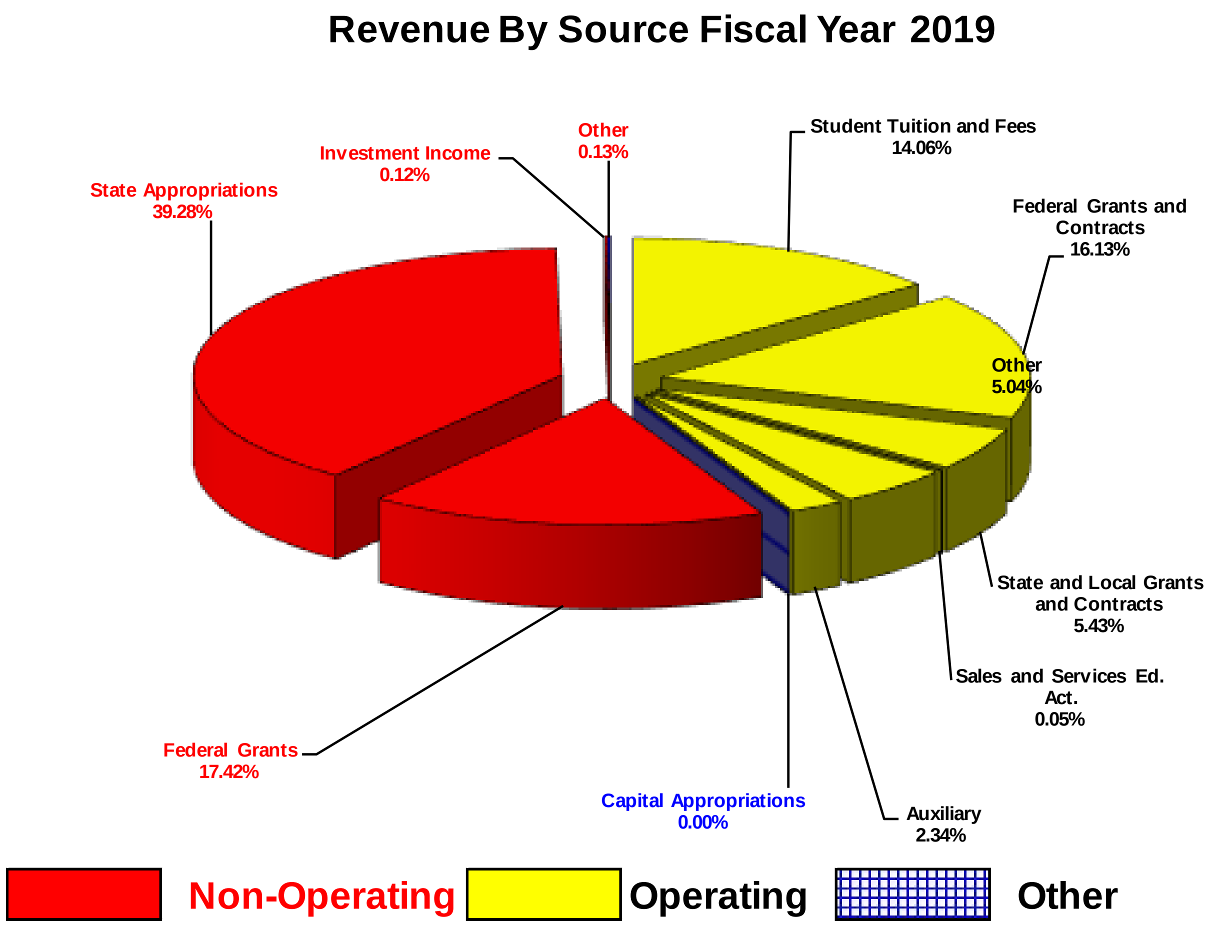
Condensed Statement of Revenues, Expenses, and Changes in Net Position:

	2019	2018	Increase (Decrease)	Percent Change
Operating Revenues	18,180,819.50	17,030,021.51	1,150,797.99	6.8%
Operating Expenses	41,318,242.51	43,489,574.35	(2,171,331.84)	-5.0%
Operating Loss	(23,137,423.01)	(26,459,552.84)	(3,322,129.83)	12.6%
Nonoperating Revenues and Expenses	23,531,519.67	24,028,119.47	(496,599.80)	-2.1%
Income (Loss) Before Other Revenues, Expenses, Gains or Losses	394,096.66	(2,431,433.37)	2,825,530.03	-116.2%
Other Revenues, Expenses, Gains or Losses	(447,475.66)	(91,531.54)	(355,944.12)	-388.9%
Increase in Net Position	(53,379.00)	(2,522,964.91)	2,469,585.91	97.9%
Net Position at Beginning of Year	8,064,156.24	28,015,329.50	(19,951,173.26)	-71.2%
Restatements	(48,389.90)	(17,428,208.35)	17,379,818.45	99.7%
Net Position at Ending of Year	7,962,387.34	8,064,156.24	(101,768.90)	-1.3%

As of September 30, 2019, the College's Operating Revenue increased $1,150,797.99 (6.8%). The majority of this increase was due to Federal Grants increasing $2,117,510.39 and a decrease in Student Tuition and Fees of $1,164,370.44.

Total Operating expenses at September 30, 2019 decreased over the prior year. The decrease was $2,171,331.84, which represented a 5.0% decrease. Scholarships were decreased. We are currently reviewing our Scholarship procedures to not only be aware of the needs of the community, but also the stewardship of the College.

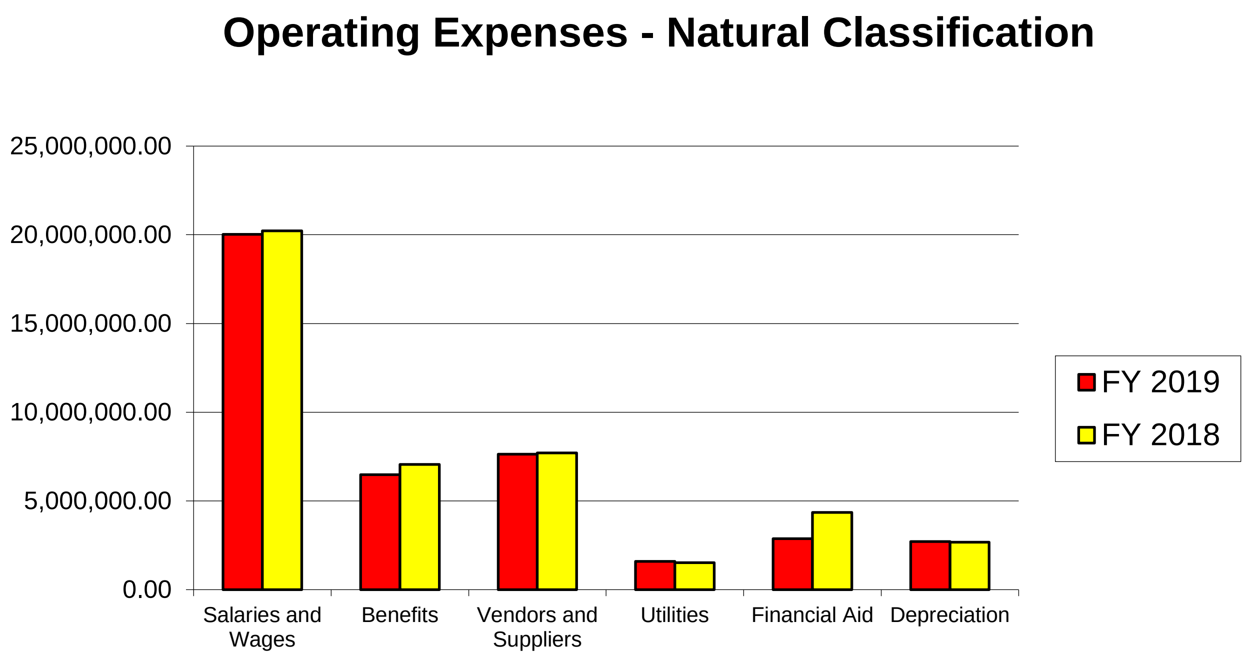
The following is a graphic illustration of revenues by source for fiscal year 2019:



Operating Expenses by Natural Classification
For the Years Ended September 30, 2019 and 2018

	2019	2018	Increase (Decrease)	Percent Change
Operating Expense				
Salaries and Wages	20,019,650.27	20,216,353.54	(196,703.27)	-1.0%
Benefits	6,487,432.74	7,060,102.25	(572,669.51)	-8.1%
Vendors and Suppliers	7,632,233.90	7,655,920.78	(23,686.88)	-0.3%
Utilities	1,586,995.09	1,521,768.27	65,226.82	4.3%
Financial Aid	2,876,381.43	4,361,920.82	(1,485,539.39)	-34.1%
Depreciation	2,715,549.08	2,673,508.69	42,040.39	1.6%
	41,318,242.51	**43,489,574.35**	**-2,171,331.84**	**-5.0%**

The following is a graphic comparison of Fiscal Years 2019 and 2018 Operating Expenses by Natural Classification.

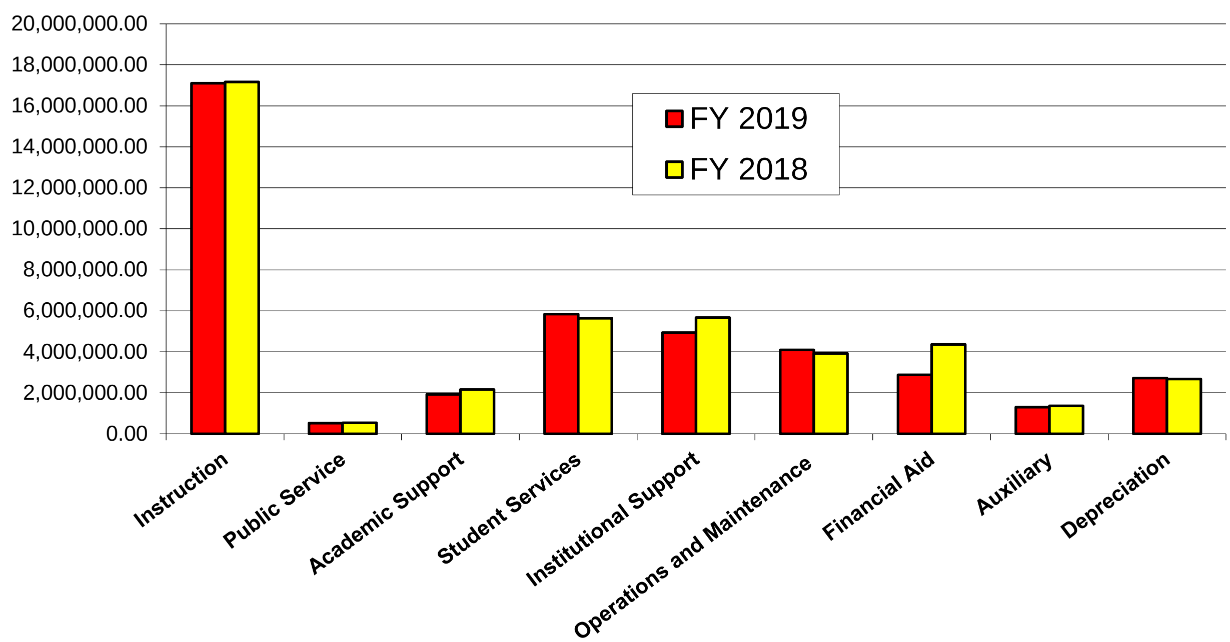


Operating Expenses by Function
For the Years Ended September 30, 2019 and 2018

	2019	2018	Increase (Decrease)	Percent Change
Operating Expense				
Instruction	17,097,863.90	17,162,039.69	(64,175.79)	-0.4%
Public Service	521,505.61	532,573.05	(11,067.44)	-2.1%
Academic Support	1,930,227.69	2,163,427.21	(233,199.52)	-10.8%
Student Services	5,842,991.11	5,632,580.29	210,410.82	3.7%
Institutional Support	4,933,982.10	5,671,205.36	(737,223.26)	-13.0%
Operations and Maintenance	4,091,279.67	3,921,167.86	170,111.81	4.3%
Financial Aid	2,876,381.43	4,361,920.82	(1,485,539.39)	-34.1%
Auxiliary	1,308,461.92	1,371,151.38	(62,689.46)	-4.6%
Depreciation	2,715,549.08	2,673,508.69	42,040.39	1.6%
Total	**41,318,242.51**	**43,489,574.35**	**-2,171,331.84**	**-5.0%**

The following is a graphic comparison of Fiscal Years 2019 and 2018 Operating Expenses by Function.

Operating Expenses - Functional



Statement of Cash Flows

The final statement presented by Bevill State Community College is the Statement of Cash Flows, which presents detailed information about the cash activity of the institution during the year. The statement is divided into five sections. 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 noncapital financing activities. This section contains the cash received and spent for nonoperating, noninvesting, and noncapital 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 used for the acquisition and construction of capital and related items. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

Condensed Statement of Cash Flows:	**2019**	**2018**	**Increase (Decrease)**	**Percent Change**
Cash Provided (used) by:				
Operating Activities	(19,780,756.40)	(22,860,049.77)	3,079,293.37	13.5%
Noncapital Financing Activities	23,902,939.71	24,422,401.13	(519,461.42)	-2.1%
Capital and Related Financing Activities	(3,297,045.59)	(3,266,577.54)	(30,468.05)	-0.9%
Investing Activities	486,701.32	1,962,293.76	(1,475,592.44)	-75.2%
Net Increase/Decrease in Cash	1,311,839.04	258,067.58	1,053,771.46	408.3%
Cash Beginning of the Year - Adjusted	3,667,561.85	3,409,494.27	258,067.58	7.6%
Cash and Cash Equivalents End of Year	4,979,400.89	3,667,561.85	1,311,839.04	35.8%

Cash provided (used) by operating activities increased by $3,079,293.37 over the prior year. This can be attributed mostly to an increase in Grants and Contracts of $1,945,112.22 and by a decrease in Payments for Scholarships of $1,485,539.39. Major sources of funds came from student tuition and fees ($5.8 million), grants and contracts ($8.9 million), and other receipts ($2 million). Cash from non-capital financing activities decreased $519,461.42. The majority of this decrease was due to a $1,144,180.09 decrease in cash from Federal Nonoperating Grants. Cash from investing activities decreased as we continue to monitor cash and the temporary strain on cash reserves and lack of cash due to fiscal 2016-17 projects. Overall, the College's cash increased $1,311,839.04 (35.8%) primarily due to bond refinancing. This is also up from a 5.0 million decrease (59.5%) from the prior years 2017 to 2018.

Economic Outlook

The College is not aware of any currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during this fiscal year beyond those unknown variations having a global effect on virtually all types of business operations. The College's overall financial position continues to be stable. The College anticipates the current fiscal year's revenue to remain level; however, as the State and National economy attempts to rebound, proration of the Special Education Trust Fund is a possibility. The College Administration will maintain a close watch over resources to maintain the College's ability to react to unknown internal and external issues.

Linda Jones, MAcc, CPA
Dean of Finance

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Basic Financial Statements

Statement of Net Position
September 30, 2019

ASSETS		
Current Assets		
Cash and Cash Equivalents	$	4,979,400.89
Short-Term Investments		5,748,909.30
Accounts Receivable		3,663,784.13
Deposit with Bond Trustee		828,408.32
Total Current Assets		15,220,502.64
Noncurrent Assets		
Investments		3,744.26
Capital Assets:		
Land		1,254,000.00
Improvements Other Than Buildings		7,209,771.76
Buildings		86,558,928.98
Equipment and Furniture		12,334,957.27
Library Holdings		4,537,921.31
Less: Accumulated Depreciation		(58,596,409.49)
Total Capital Assets, Net of Depreciation		53,299,169.83
Total Noncurrent Assets		53,302,914.09
Total Assets		68,523,416.73
Deferred Outflow of Resources		
Pension		5,323,264.00
Other Postemployment Benefit (OPEB)		1,345,199.00
Total Deferred Outflow of Resources	$	6,668,463.00

The accompanying Notes to the Financial Statements are an integral part of this statement.

LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Liabilities	$	1,566,125.92
Bond Surety Fee Payable		8,669.85
Unearned Revenue		2,818,386.57
Bonds Payable		395,000.00
Compensated Absences		95,227.40
Other Current Liabilities		217,533.17
Total Current Liabilities		5,100,942.91
Noncurrent Liabilities		
Deposits		773,061.84
Bonds Payable		10,985,000.00
Compensated Absences		857,046.64
Pension Liability		25,975,501.00
OPEB Liability		18,070,760.00
Total Noncurrent Liabilities		56,661,369.48
Total Liabilities		61,762,312.39
Deferred Inflow of Resources		
Pension		4,000,809.00
Other Postemployment Benefit (OPEB)		1,466,371.00
Total Deferred Inflow of Resources		5,467,180.00
NET POSITION		
Net Investment in Capital Assets		41,940,392.14
Restricted for:		
Nonexpendable:		
Scholarships and Fellowships		3,744.26
Expendable:		
Debt Service		984,652.84
Scholarships and Fellowships		1,620,585.36
Unrestricted		(36,586,987.26)
Total Net Position	$	7,962,387.34

Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended September 30, 2019

OPERATING REVENUES	
Student Tuition and Fees (Net of Scholarship Allowances of $6,503,035.94)	$ 5,936,155.79
Federal Grants and Contracts	6,811,217.93
State and Local Grants and Contracts	2,293,622.24
Sales and Services of Educational Departments	23,025.61
Auxiliary Enterprises:	
Bookstore (Net of Scholarship Allowances of $274,118.83)	867,232.91
Residential Life (Net of Scholarship Allowances of $41,585.97)	62,392.19
Food Service	2,460.00
Vending	26,704.90
Other	30,423.76
Other Operating Revenues	2,127,584.17
Total Operating Revenues	18,180,819.50
OPERATING EXPENSES	
Instruction	17,097,863.90
Institutional Support	4,933,982.10
Public Service	521,505.61
Academic Support	1,930,227.69
Student Services	5,842,991.11
Operation and Maintenance	4,091,279.67
Scholarships and Financial Aid	2,876,381.43
Depreciation	2,715,549.08
Auxiliary Enterprises:	
Bookstore	1,203,027.87
Housing	19,814.30
Other	85,619.75
Total Operating Expenses	41,318,242.51
Operating Income (Loss)	$ (23,137,423.01)

The accompanying Notes to the Financial Statements are an integral part of this statement.

NONOPERATING REVENUES (EXPENSES)		
State Appropriations	$	16,589,199.91
Federal Grants		7,356,143.90
Investment Income		51,332.71
Unrealized Gain (Loss) on Investments		398.44
Sale of Property		8,927.27
Gifts/Revenue		46,029.00
Interest on Capital Asset Related Debt		(478,129.67)
Bond Surety Fee Expense		(42,381.89)
Net Nonoperating Revenues		23,531,519.67
Income Before Other Revenues, Expenses, Gains, or Losses		394,096.66
Other Expenses		(447,475.66)
Changes in Net Position		(53,379.00)
Total Net Position - Beginning of Year, as Restated (Note 12)		8,015,766.34
Total Net Position - End of Year	$	7,962,387.34

Statement of Cash Flows
For the Year Ended September 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees	$ 5,812,429.40
Grants and Contracts	8,921,826.86
Payments to Suppliers	(7,286,313.91)
Payments for Utilities	(1,586,995.09)
Payments for Employees	(20,014,675.78)
Payments for Employee Benefits	(6,268,459.68)
Payments for Scholarships	(2,876,381.43)
Sales and Services of Educational Activities	23,025.61
Auxiliary Enterprise Charges:	
Bookstore	1,245,222.60
Residence Halls	62,392.19
Vending	26,704.90
Food Service	2,460.00
Other	30,423.76
Other Receipts (Payments)	2,127,584.17
Net Cash Provided (Used) by Operating Activities	(19,780,756.40)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	16,589,199.91
Federal Grants	7,356,143.90
Bond Surety Fee Expense	(42,404.10)
Net Cash Provided (Used) by Noncapital Financing Activities	23,902,939.71
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Sale of Property	8,927.27
Purchases of Capital Assets	(2,690,538.98)
Interest Paid on Capital Debt and Leases	(213,987.22)
Capital Grants and Gifts Received	46,029.00
Other Receipts/Payments	(447,475.66)
Net Cash Provided (Used) by Capital and Related Financing Activities	(3,297,045.59)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	435,368.61
Investment Income	51,332.71
Net Cash Provided (Used) by Investing Activities	486,701.32
Net Increase (Decrease) in Cash and Cash Equivalents	1,311,839.04
Cash and Cash Equivalents - Beginning of Year	3,667,561.85
Cash and Cash Equivalents - End of Year	$ 4,979,400.89

The accompanying Notes to the Financial Statements are an integral part of this statement.

<u>Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities:</u>		
Operating Income (Loss)	$	(23,137,423.01)
<u>Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</u>		
Depreciation Expense		2,715,549.08
Changes in Assets and Liabilities:		
(Increase)/Decrease in Receivables, Net		(442,928.37)
(Increase)/Decrease in Inventories		377,989.69
(Increase)/Decrease in Deferred Outflows		(373,695.00)
Increase/(Decrease) in Accounts Payable		300,642.50
Increase/(Decrease) in Unearned Revenue		136,188.67
Increase/(Decrease) in Compensated Absences		(82,925.57)
Increase/(Decrease) in Deposits Held for Others		48,376.61
Increase/(Decrease) in Pension Liability		(888,000.00)
Increase/(Decrease) in OPEB Liability		1,213,171.00
Increase/(Decrease) in Deferred Inflows		352,298.00
Net Cash Provided (Used) by Operating Activities	$	(19,780,756.40)

Statement of Financial Position
Walker College Foundation
As of December 31, 2018

ASSETS		
Current Assets		
Cash	$	27,615
Prepaid Expenses		2,618
TOTAL CURRENT ASSETS		30,233
INVESTMENTS		
Investments in Stocks, Bonds, and Certificates		10,062,375
Real Estate Held for Investment		234,267
TOTAL INVESTMENTS		10,296,642
OTHER ASSETS		
Office Equipment – Net Accumulated Depreciation of $6,926		2,672
TOTAL ASSETS		10,329,547
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Other Liabilities		3,499
TOTAL CURRENT LIABILITIES		3,499
NET ASSETS		
Without Donor Restrictions		5,211,234
With Donor Restrictions		5,114,814
TOTAL NET ASSETS		10,326,048
TOTAL LIABILITIES AND NET ASSETS	$	10,329,547

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

Statement of Activities
Walker College Foundation
For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	$ 10,273	$ 312,833	$ 323,106
Trust Income	-	93,152	93,152
Investment Income	356,723	119,379	476,102
Royalties	17,113	-	17,113
Rental Income	8,340	-	8,340
Unrealized Gain (Loss) on Securities - Note 2	(568,498)	(471,132)	(1,039,630)
Gain (Loss) on Disposal of Assets	(49,086)	-	(49,086)
TOTAL SUPPORT AND REVENUE	(225,135)	54,232	(170,903)
NET ASSETS RELEASED FROM RESTRICTIONS			
SATISFACTION OF PROGRAM RESTRICTIONS	144,009	(144,009)	-
TOTAL SUPPORT, REVENUE, AND NET ASSETS RELEASED FROM RESTRICTIONS	(81,126)	(89,777)	(170,903)
EXPENSES			
Scholarships Program Services	385,378	-	385,378
Management and General	15,663	-	15,663
TOTAL PROGRAM SERVICES	401,041	-	401,041
CHANGE IN NET ASSETS	(482,167)	(89,777)	(571,944)
NET ASSETS – BEGINNING OF YEAR	5,693,401	5,204,591	10,897,992
RECLASSIFICATION OF NET ASSETS	-	-	-
NET ASSETS – END OF YEAR	$ 5,211,234	$ 5,114,814	$ 10,326,048

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

Statement of Financial Position
Bevill State Community College Foundation, Inc.
As of December 31, 2018

Assets		
Current Assets		
Cash	$	713,660
Total Current Assets		713,660
Investments		5,589,403
Total Investments		5,589,403
Total Assets		6,303,063
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable		-
Total Current Liabilities		-
Net Assets		
Unrestricted		398,077
Temporarily Restricted		5,864,986
Permanently Restricted		40,000
Total Net Assets		6,303,063
Total Liabilities and Net Assets	$	6,303,063

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

Statement of Activities
Bevill State Community College Foundation, Inc.
For the Year Ended December 31, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue				
Contributions	$	$ 322,680	$	$ 322,680
Investment Income	1,697	288,155		289,852
Gain (Loss) on Sale of Securities		60,590		60,590
Unrealized Gain (Loss) on Securities		(739,491)		(739,491)
Total Support and Revenue	1,697	(68,066)		(66,369)
Net Assets Released From Restrictions				
Satisfaction of Program Restrictions	312,801	(312,801)		
Total Support, Revenue and Net Assets Released From Restrictions	314,498	(380,867)		(66,369)
Expenses				
Program Services:				
Scholarships	165,920			165,920
Donations	136,735			136,735
Rental Expense	2,400			2,400
Total Program Services	305,055			305,055
Support Services:				
Professional Fees	4,688			4,688
Support Services	4,755			4,755
Total Support Services	9,443			9,443
Total Expenses	314,498			314,498
Change in Net Assets		(380,867)		(380,867)
Net Assets - Beginning	398,077	6,245,853	40,000	6,683,930
Net Assets - Ending	$ 398,077	$ 5,864,986	$ 40,000	$ 6,303,063

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

Note 1 – Summary of Significant Accounting Policies

The financial statements of Bevill 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.

A. 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.

B. Component Units

Walker College Foundation and Bevill State Community College Foundation, Inc. are organized exclusively for charitable, scientific and educational purposes for the benefit of the College. Because of the significance of the relationship between the College and the Foundations, the Foundations are considered component units of the College. The Foundations' financial statements and accompanying notes are reported separately because of the difference in the reporting model for the Foundations. The Foundations follow the Financial Accounting Standards Board (FASB) rather than the Governmental Accounting Standards Board (GASB). As a result, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial statements for these differences.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

1. Deposits 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.

2. Receivables

Accounts receivable relate to amounts due from students, federal grants, state grants, and third party tuition.

3. Capital Assets

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

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

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

Assets	Depreciation Method	Useful Lives
Buildings and Improvements	Straight-Line	50 years
Improvements Other Than Buildings	Composite	25 years
Equipment	Composite	5 – 10 years
Library Materials	Composite	20 years
Capitalized Software	Straight-Line	10 years
Internally Generated Computer Software	Straight-Line	10 years
Easement and Land Use Rights	Straight-Line	20 years
Patents, Trademarks, and Copyrights	Straight-Line	20 years

4. Deferred Outflows of Resources

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

5. Long-Term Obligations

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

6. 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.

7. Deferred Inflows of Resources

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

8. Unearned Tuition and Fee Revenue

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

9. Net Position

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

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

- ***Restricted:***

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

  - ✓ ***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.

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

10. 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*).

11. 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 alternate method as prescribed by the National Association of College and University Business Officers (NACUBO) in their Advisory Report 2000-05 to determine the amount of scholarship allowances and discounts.

12. Pensions

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

13. 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.

Note 2 – Deposits and Investments

A. Deposits

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

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

B. 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 rating 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 including collateralized mortgage obligations (CMOs) and real estate mortgage investment conduits (REMIC) securities, 6) repurchase agreements; and 7) stocks and bonds which have been donated to the institution.

The 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 College's total investment portfolio for each Agency, with two exceptions: TVA and SLMA shall be limited to ten percent of total investments. Maximum maturity of these securities shall be ten years. 3) CDs with savings and loan associations, mutual savings banks, or commercial banks may be held without limit provided the depository is a QPD under the SAFE Program. CD maturity shall not exceed five years. 4) The aggregate total of all MBSs may not exceed 50 percent of the institution's total investment portfolio. The aggregate average life maturity for all holdings of MBS shall not exceed seven years, while the maximum average life maturity of any one security shall not exceed ten years. 5) The total portfolio of mortgage related securities shall not exceed 50 percent of the institution's total investment portfolio. The aggregate average life maturity for all holdings shall not exceed seven years while the average life maturity of one security shall not exceed ten years. 6) The College may enter into a repurchase agreement so long as: (a) the repurchase securities are legal investments under state law for colleges; (b) the College receives a daily assessment of the market value of the repurchase securities, including accrued interest, and maintains an adequate margin that reflects a risk assessment of the repurchase securities and the term of the transaction; and (c) the College has entered into signed contracts with all approved counterparties. 7) The College has discretion to determine if it should hold or sell other investments that it may receive as a donation.

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

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

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

Investments, as shown on the Statement of Net Position, consist of $5,752,653.56. Of that figure, $5,745,036.24 are non-negotiable certificates of deposit as of September 30, 2019. There are twelve CDs through six banks. The CDs are considered deposits in the context of this disclosure and are not subject to risk categorization. The College also had stock holdings of $7,617.32 as of September 30, 2019.

As of September 30, 2019, the College also had $828,408.32 held by its bond trustees. Of that amount, $238,755.48 were construction funds held in checking accounts at Synovus Bank. The remaining funds of $589,652.84 for the 2018 Bond Series are invested in Fidelity Investments Money Market Treasury Only Portfolio – Class III. This money market fund invests solely in U. S. Treasury obligations and is subject to credit risk.

Investment Type	Fair Value	Less Than 1	1 – 5	No Maturity
Certificates of Deposit	$5,745,036.24	$4,551,694.29	$1,193,341.95	$
Money Market	589,652.84			589,652.84
Stocks	7,617.32			7,617.32
Total	$6,342,306.40	$4,551,694.29	$1,193,341.95	$597,270.16

Interest Rate Risk – is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the College's investment policy limits its investment maturities as follows:

Investment	Maximum Maturity
U. S. Treasury Bills, Notes, Bonds and Stripped Treasuries	10 yrs.
U. S. Agencies	10 yrs.
Certificates of Deposit	5 yrs.
Mortgage Backed Securities and	7 yrs. (aggregate average life)
Mortgage-Related Securities	10 yrs. (average life maturity of any one security)

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 had no formal policy limiting the amount of securities that can be held by counterparties.

Credit Risk – The College's investments in the Fidelity Investments Money Market Treasury Only – Class III held a Moody's rating of "AAA-mf" and a Standard & Poor's rating of "AAAm."

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%. However, the College's investments were in investment pools.

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

To the extent available, the College's investments are recorded at fair value as of September 30, 2019. GASB Statement Number 72 – ***Fair Value Measurement and Application***, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

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

Level 1 – Investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date.

Level 2 – Investments with inputs – other than quoted prices included within Level 1 – that are observable for an asset either directly or indirectly.

Level 3 – Investments classified as Level 3 have unobservable inputs for an asset and may require a degree of professional judgement.

Investments by Fair Value Level	At 09/30/2019	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Equities:				
Domestic Common and Preferred Stock	$ 7,617.32	$7,617.32	$	$
Total Equity Securities	7,617.32	$7,617.32	$	$
Certificates of Deposit	5,745,036.24			
Money Market Account	589,652.84			
Other Cash Equivalents	238,755.48			
Total	$6,581,061.88			

Note 3 – Receivables

Receivables are summarized as follows:

Accounts Receivable:	
Federal	$2,128,587.92
State	858,869.11
Other	620,692.91
Total Accounts Receivable	3,608,149.94
Student Receivable:	
Current	55,634.19
Total Receivables	$3,663,784.13

Note 4 – Capital Assets

Capital asset activity for the year ended September 30, 2019, was as follows:

	Beginning Balance	Additions	Deductions	Reclassifications/ Adjustments	Ending Balance
Land	$ 1,254,000.00	$	$	$	$ 1,254,000.00
Improvements Other Than Buildings	7,209,771.76				7,209,771.76
Buildings	83,707,871.46	2,676,644.48		174,413.04	86,558,928.98
Equipment	11,921,788.33	700,183.34	287,014.40		12,334,957.27
Library Holding	4,529,844.92	8,076.39			4,537,921.31
Construction in Progress	174,413.04			(174,413.04)	
Total	108,797,689.51	3,384,904.21	287,014.40		111,895,579.32
Less: Accumulated Depreciation					
Improvements Other Than Buildings	3,109,629.28	259,456.73			3,369,086.01
Buildings	40,173,369.99	1,607,905.60			41,781,275.59
Equipment	8,878,576.78	781,786.01	287,014.40		9,373,348.39
Library Holdings	4,006,298.76	66,400.74			4,072,699.50
Total Accumulated Depreciation	56,167,874.81	2,715,549.08	287,014.40		58,596,409.49
Total Capital Assets, Net	$ 52,629,814.70	$ 669,355.13	$	$	$ 53,299,169.83

Note 5 – Defined Benefit Pension Plan

A. Plan Description

The Teachers' Retirement System of Alabama (TRS), a cost-sharing multiple-employer public employee retirement plan (the "Plan"), was established as of September 15, 1939, under the provisions of Act Number 419, Acts of Alabama 1939, for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its Board of Control. The TRS Board of Control consists of 15 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The ***Code of Alabama 1975***, Section 16-25-2, grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

B. Benefits Provided

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

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

C. Contributions

Covered members of the TRS contributed 5% of earnable compensation to the TRS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the TRS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the TRS 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.

Tier 2 covered members of the TRS contribute 6% of earnable compensation to the TRS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 7% of earnable compensation.

Participating employers' contractually required contribution rate for the year ended September 30, 2019, was 12.41% of annual pay for Tier 1 members and 11.35% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the College were $2,084,379.00 for the year ended September 30, 2019.

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

At September 30, 2019, the College reported a liability of $25,975,501.00 or its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2017. 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, 2018, the College's proportion was 0.261257%, which was a decrease of 0.012071% from its proportion measured as of September 30, 2017.

For the year ended September 30, 2019, the College recognized pension expense of $1,838,071.86 at September 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 561,000.00	$ 791,000.00
Changes of assumptions	1,444,000.00	
Net difference between projected and actual earnings on pension plan investments		1,961,000.00
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,232,000.00	1,249,000.00
Employer contributions subsequent to the measurement date	2,084,000.00	
Total	$5,321,000.00	$4,001,000.00

The $2,084,000.00 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension will be recognized in pension expense as follows:

Year Ending:	
September 30, 2020	$ 189,000.00
2021	$(434,000.00)
2022	$(348,000.00)
2023	$(169,000.00)
2024	$ (2,000.00)
Thereafter	$ 0.00

E. Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of September 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Investment Rate of Return (*)	7.75%
Projected Salary Increases	3.25-5.00%

(*) Net of pension plan investment expense

The actuarial assumptions used in the September 30, 2017 valuation were based on the results of an actuarial experience study for the period October 1, 2010 through September 30, 2015.

Mortality rates were based on the RP-2000 White Collar Mortality Table Projected to 2020 using Scale BB and adjusted of 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.

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

	Target Allocation	Long-Term Expected Rate of Return (*)
Fixed Income	17.00%	4.40%
U. S. Large Stocks	32.00%	8.00%
U. S. Mid Stocks	9.00%	10.00%
U. S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash Equivalents	3.00%	1.50%
Total	100.00%	

(*) Includes assumed rate of inflation of 2.50%

F. Discount Rate

The discount rate used to measure the total pension liability was 7.70%. 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.

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

The following table presents the College's proportionate share of the collective net pension liability calculated using the discount rate of 7.70%, as well as what the College's proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.70%) or 1-percentage point higher (8.70%) than the current rate:

	1% Decrease (6.70%)	Current Rate (7.70%)	1% Increase (8.70%)
College's proportionate share of collective net pension liability	$36,158,000	$25,976,000	$17,363,000

H. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2018. The supporting actuarial information is included in the GASB Statement Number 67 Report for the TRS prepared as of September 30, 2018. The auditor's report dated August 16, 2019, on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, total pension expense for the sum of all participating entities as of September 30, 2018, along with supporting schedules is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

Note 6 – Other Postemployment Benefits (OPEB)

A. Plan Description

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

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

B. 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 retiree members and dependents are eligible for the PEEHIP Supplemental Plan. There is no premium required for this plan, and the plan covers most out-of-pocket expenses not covered by the primary plan. The plan cannot be used as a supplement to Medicare, the PEEHIP Hospital Medical Plan, or the State or Local Governmental Plans administered by the State Employees' Insurance Board (SEIB).

Effective January 1, 2017, Medicare eligible members and Medicare eligible dependents who are covered on a retiree contract were enrolled in the UnitedHealthcare Group Medicare Advantage plan for PEEHIP retirees. The MAPDP plan is fully insured by UnitedHealthcare 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 UnitedHealthcare 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.

C. Contributions

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

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

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

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

At September 30, 2019, the College reported a liability of $18,070,760.00 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2017. The College's proportion of the collective net OPEB liability was based on a projection of the College's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2018, the College's proportion was 0.219873% which was a decrease of 0.007091% from its proportion measured as of September 30, 2017.

For the year ended September 30, 2019, the College recognized OPEB expense of $1,093,528.00, with no special funding situations. At September 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 340,217.00	$
Changes of assumptions		880,213.00
Net difference between projected and actual earnings on OPEB plan investments		96,823.00
Changes in proportion and differences between employer contributions and proportionate share of contributions	230,064.00	489,335.00
Employer contributions subsequent to the measurement date	774,918.00	
Total	$1,345,199.00	$1,466,371.00

The $774,918.00 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, 2020.

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

Year Ending:	
September 30, 2020	$(233,551.00)
2021	$(233,551.00)
2022	$(233,551.00)
2023	$(211,814.00)
2024	$ 3,858.00
Thereafter	$ 12,519.00

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Projected Salary Increases ([1])	3.25% - 5.00%
Long-Term Investment Rate of Return ([2])	7.25%
Municipal Bond Index Rate at the Measurement Date	4.18%
Municipal Bond Index Rate at the Prior Measurement Date	3.57%
Projected Year for Fiduciary Net Position (FNP) to be Depleted	2029
Single Equivalent Interest Rate at the Measurement Date	4.44%
Single Equivalent Interest Rate at the Prior Measurement Date	4.63%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	7.00%
Medicare Eligible	5.00%, beginning in 2019
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.75% in 2026
Medicare Eligible	4.75% in 2024

([1]) Includes 3.00% wage inflation.
([2]) Compounded annually, net of investment expense, and includes inflation.

Mortality rates for the period after service retirement are according 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.

The decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2015, submitted to and adopted by the Teachers' Retirement System of Alabama Board on September 13, 2016.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the September 30, 2017 valuation were based on a review of recent plan experience done concurrently with the September 30, 2017 valuation.

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

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

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

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

(*) Geometric mean, includes 2.5% inflation

F. Discount Rate

The discount rate, also known as the Single Equivalent Interest Rate (SEIR), as described by GASB Statement Number 74, used to measure the total OPEB liability at September 30, 2018, was 4.44%. The discount rate used to measure the total OPEB liability at the prior measurement date was 4.63%. 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. Approximately, 20.307% of the employer contributions were used to assist in funding retiree benefit payments in 2018, and it is assumed that the amount will increase by 2.75% per year and continue into the future. 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. The rate used for this purpose is the monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. Therefore, the projected future benefit payments for all current plan members were projected through 2116. The long-term rate of return is used until the assets are expected to be depleted in 2029, after which the municipal bond rate is used.

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

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

	1% Decrease (6.00% Decreasing to 3.75% for Pre-Medicare, 4.00% Decreasing to 3.75% for Medicare Eligible)	Current Healthcare Trend Rate (7.00% Decreasing to 4.75% for Pre-Medicare, 5.00% Decreasing to 4.75% for Medicare Eligible)	1% Increase (8.00% Decreasing to 5.75% for Pre-Medicare, 6.00% Decreasing to 5.75% for Medicare Eligible)
College's proportionate share of collective net OPEB liability	$14,854,576	$18,070,760	$22,165,411

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

The following table presents the College's proportionate share of the collective net OPEB liability of the Trust calculated using the discount rate of 4.44%, as well as what the collective net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (3.44%)	Current Discount Rate (4.44%)	1% Increase (5.44%)
College's proportionate share of collective net OPEB liability	$21,586,890	$18,070,760	$15,234,496

I. OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is located in the Trust's financial statements for the fiscal year ended September 30, 2018. The supporting actuarial information is included in the GASB Statement Number 74 Report for PEEHIP prepared as of September 30, 2018. Additional financial and actuarial information is available at www.rsa-al.gov

Note 7 – Significant Commitments

As of September 30, 2019, the College had been awarded approximately $7,880,383.64 in contracts and grants on which performance had not been accomplished and funds had not been received. These awards, which represent commitments of sponsors to provide funds for specific purposes, have not been reflected in the financial statements.

Note 8 – Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities represent amounts due at September 30, 2019, for goods and services received prior to the end of the fiscal year.

Salaries and Wages	$ 761,559.68
Benefits	145,743.23
Supplies	658,823.01
Total	$1,566,125.92

Note 9 – Long-Term Liabilities

Long-term liabilities activity for the year ended September 30, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable:					
Revenue Bonds	$14,912,000.00	$11,380,000.00	$14,912,000.00	$11,380,000.00	$395,000.00
Bond Premium/Discount		217,533.17		217,533.17	13,684.82
Total Bonds	14,912,000.00	11,597,533.17	14,912,000.00	11,597,533.17	408,684.82
Other Liabilities:					
Compensated Absences	1,035,199.61		82,925.57	952,274.04	95,227.40
Total Long-Term Liabilities	$15,947,199.61	$11,597,533.17	$14,994,925.57	$12,549,807.21	$503,912.22

The State Board of Education issued the 2018A and 2018B Revenue Bonds in December 2018. The 2018A Revenue Bonds were issued to refund the Revenue Bonds, Series 2015A, 2015B, and 2016. The 2018B Revenue Bonds were issued to refund the Revenue Bonds, Series 2017.

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:

	2018A Refunding Revenue Bonds		2018B Refunding Revenue Bonds		
Fiscal Years	Principal	Interest	Principal	Interest	Totals
2019-2020	$	$ 329,647.50	$ 395,000.00	$ 94,265.00	$ 818,912.50
2020-2021		329,647.50	405,000.00	82,062.50	816,710.00
2021-2022		329,647.50	420,000.00	69,065.00	818,712.50
2022-2023		329,647.50	435,000.00	55,167.50	819,815.00
2023-2024		329,647.50	445,000.00	40,536.25	815,183.75
2024-2025		329,647.50	465,000.00	25,061.25	819,708.75
2025-2026		329,647.50	480,000.00	8,520.00	818,167.50
2026-2027	495,000.00	319,747.50			814,747.50
2027-2028	515,000.00	296,972.50			811,972.50
2028-2029	540,000.00	270,597.50			810,597.50
2029-2030	570,000.00	245,697.50			815,697.50
2030-2031	590,000.00	222,497.50			812,497.50
2031-2032	615,000.00	198,397.50			813,397.50
2032-2033	640,000.00	173,297.50			813,297.50
2033-2034	665,000.00	148,860.00			813,860.00
2034-2035	685,000.00	124,892.50			809,892.50
2035-2036	715,000.00	99,513.75			814,513.75
2036-2037	740,000.00	72,775.00			812,775.00
2037-2038	770,000.00	44,647.50			814,647.50
2038-2039	795,000.00	15,105.00			810,105.00
Totals	$8,335,000.00	$4,540,533.75	$3,045,000.00	$374,677.50	$16,295,211.25

Bond Premium and Discount

The College has a bond premium in connection with the issuance of its 2018A Series Revenue Bonds and a discount in connection with the issuance of its 2018B Series Revenue Bonds. The bond premium and discount are being amortized using the straight-line method over the life of the bonds.

	Premium	Discount
Total Premium/Discount	$238,360.20	$12,367.70
Amount Amortized Prior Years		
Balance Premium/Discount	238,360.20	12,367.70
Current Amount Amortized	(9,931.68)	(1,472.35)
Balance Premium/Discount	$228,428.52	$10,895.35

Pledged Revenues

Bevill State Community College has pledged tuition and building fee revenues for the payment of debt service on the Series 2018 Bonds. The approximate amount of the pledge is $16,295,211.25. The Series 2018A and 2018B Bonds were issued to refinance the Series 2017, 2016, 2015A, and 2015B Bonds. The pledged revenue will not be available for other purposes until October 1, 2039. The principal and interest payments made during fiscal year 2019 were $478,014.67. Therefore, of the $10,854,701.59 in tuition and building fee revenue recognized by the College during fiscal year 2019, 4.40% of total tuition and fees revenue pledged was needed for debt service on the Series 2018 Bonds.

Defeased Debt

On December 19, 2018, the College issued $11,380,000.00 revenue refunding bonds with an interest rate of 1.57% to redeem $14,912,000.00 of outstanding 2015, 2016, and 2017 revenue bonds with variable interest rates ranging from 2.35% to 4.08%. The net proceeds from the issuance of the 2018 revenue bonds of $11,412,387.85 (after payment of issuance costs) were deposited in trust with an escrow agent to provide for the redemption of the bonds plus accrued interest on December 19, 2018. As a result, the revenue bonds were considered to be defeased and the liability for these bonds has been removed.

As a result of the defeasement, the College increased its total debt service requirements by $2,747.923.46. The defeasement resulted in an economic gain of $1,539,908.52.

Note 10 – Risk Management

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

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

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

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

Note 11 – Component Units

During the year ended September 30, 2019, Walker College Foundation and Bevill State Community College Foundation, Inc., discretely presented component units, distributed $190,122.54 and $200,005.66 respectively, to the College for both restricted and unrestricted purposes. The organizations are included in the financial statements as component units of the College because they operate almost exclusively for the benefit of the College. Separate financial statements of Walker College Foundation can be obtained from the Foundation's auditors Kellum, Wilson, & Associates, P.C., 1799 Elliott Boulevard, Jasper, Alabama 35501. Separate financial statements of Bevill State Community College Foundation, Inc. can be obtained from the Foundation's auditors McCabe & Associates, 321 A First Avenue N.E., Fayette, Alabama 35555.

Note 12 – Net Position Restatement

Prior period adjustments have been made as outlined below:

Beginning Net Position, September 30, 2018	$8,064,156.24
Other Prior Period Adjustments	
To Correct Receipting Error	(48,389.90)
Total Adjustments	(48,389.90)
Net Position, October 1, 2018, as Restated	$8,015,766.34

Note 13 – Subsequent Events

Recently, the United States has encountered a COVID-19 pandemic which is adversely affecting the nation. On March 13, 2020, the President of the United States declared a state of emergency in response to the COVID-19 pandemic. Subsequently, on the same day, the Governor of Alabama declared a state of emergency. As a result, the operations of federal, state, and local governments including educational institutions have been modified to ensure the safety of its citizenry as well as its employees. It is highly anticipated that revenues from all sources, including taxes and federal grants that are received by the College will be severely impacted by this pandemic. Additionally, it is anticipated that there will be a significant increase in costs associated with the aftermath of COVID-19. Because so much is unknown at this time, it will be extremely difficult for the College to prepare budgets for the upcoming fiscal year to anticipate the impact of the pandemic. The College anticipates that its financial operations will be adversely impacted by this pandemic; however, the duration and severity of its effects is indeterminable at this time.

Subsequent to September 30, 2019, the College received $2,771,834.00 in funding authorized by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, Sections 18004(a)(l) and 18004(a)(2). The funding is intended to cover costs incurred by students and the College based on guidance in the Act.

Note 1 – Summary of Significant Accounting Policies

Organization and Nature of Activities

Effective December 16, 1993, Walker College, Inc. (the "College") amended its charter to change its purpose from operation of the College to serving as a foundation in support of the College. The name of the support foundation was changed from Walker College, Inc., to Walker College Foundation (the "Foundation").

The Foundation's purpose is to administer property and investments for the benefit of students attending Walker College. The property and investments include endowment funds which are being used to provide scholarships to Walker College Campus students of Bevill State Community College and other campus enhancements.

Basis of Accounting

The accounts of the Foundation are maintained on the accrual basis of accounting.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) Number 117, Financial Statements of Not-For-Profit Organizations.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and footnotes thereto. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investment Securities

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Investments and property received by gift are stated at market or appraised value on the date of receipt. Appreciation/Depreciation in the market value is recognized at the time the investments are sold.

Cash

At various times during the fiscal year, the Foundation's cash in bank balances exceeded the federally insured limits. At December 31, 2018, the Foundation's cash in bank does not exceed federally insured limits.

Property and Equipment

Property and equipment are stated at cost, if purchased, or at fair value at the date of the gift, if donated, less accumulated depreciation. The cost of property and equipment purchased in excess of $500 is capitalized. Depreciation and amortization are provided in amounts sufficient to amortize the cost of the property and equipment of the estimated useful lives of the assets on a straight-line basis over five years.

Income Taxes

The Foundation is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3).

With Donor Restrictions

Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. The donors of these assets permit the Foundation to use all of the income earned on related investments for scholarship purposes.

Net assets with donor restrictions also include net assets subject to donor-imposed stipulations that may or will be met by actions of the Foundation and/or the passage of time.

Without Donor Restrictions

These are net assets not subject to donor-imposed stipulations.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, restricted net assets are reclassified to net assets without donor restrictions.

Functional Expenses

The cost of providing certain activities of the Foundation have been summarized on a functional basis in the statement of activities. Certain categories of expenses are attributable to scholarship programs and management and general. These expenses are allocated based on estimates of time and effort.

New Accounting Pronouncement

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Presentation of Financial Statements for Not-for-Profit Entities. The Foundation implemented this provision during the year. In addition to terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and availability of resources and related to functional allocation of expenses.

Note 2 – Investments

The Foundation utilizes fair value measurements to record certain assets and to determine fair value disclosures. In accordance with FASB ASC Topic 820, “Fair Value Measurements,” fair value is 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. Fair value is best determined based upon quoted market prices. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

ASC Topic 820 establishes a three-tier fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value, as follows.

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access.

Level 2 – Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets, quoted prices in markets that are not active and other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Following is a description of the valuation methodologies used to measure fair value.

Cash and Cash Equivalents and Money Market Accounts: The carrying amount is a reasonable estimate of fair value.

Equity Securities: Valued at the closing price reported on the active markets on which the individual securities are traded.

The cost and fair value of investments at December 31, 2018, are as follows:

	Cost	Fair Value	Unrealized Amortization (Depreciation)	Level 1
Cash and Cash Equivalents	$ 900,197	$ 900,197	$	$ 900,197
Common Stocks	5,057,980	5,840,388	782,408	5,840,388
Government and Corporate Bonds	3,379,319	3,321,790	(57,529)	3,321,790
Real Estate and Buildings	234,267	234,267		
Total	$9,571,763	$10,296,642	$724,879	$

Investment return is summarized as follows:

Interest, Dividend Income, and Miscellaneous Gains (Losses)	$ 476,102
Unrealized Gains (Losses)	(1,039,630)
Total Investment Income (Loss)	$ (563,528)

The cost and fair value of investments at December 31, 2017, are as follows:

	Cost	Fair Value	Unrealized Amortization (Depreciation)	Level 1
Cash and Cash Equivalents	$1,052,956	$ 1,052,956	$	$1,052,956
Common Stocks	4,658,314	6,371,385	1,713,071	6,371,385
Government and Corporate Bonds	2,904,355	2,944,631	40,276	2,944,631
Real Estate and Buildings	480,084	480,084		
Total	$9,095,709	$10,849,056	$1,753,347	$

Unrealized Gain (Loss) on Securities:

Unrealized Appreciation December 31, 2017	$ 1,753,347
Unrealized Appreciation December 31, 2018	724,879
Gain (Loss)	(1,028,468)
Amortization	(11,162
Unrealized (Loss) on Securities- Noncash	(1,039,630)
As of June 30, 2019, the Unrealized Gain (Loss) approximates	$1,160,293

Note 3 – Prepaid Expenses

As of December 31, 2018, prepaid expenses were composed of:

Director's and Officers' General Liability and Property Insurance	$2,618
Total Prepaid Expenses	$2,618

Note 4 – Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31, 2018:

Art Center	$ 593,499
Art Promotion and Scholarships	59,112
Friends of Coal	50,421
Faculty Development	10,363
Earnest Moss Trust	252
Scholarships	767,432
M. Thornton Trust	234,740
William Thornton Trust	77,634
Carl Hare Trust	404,644
Total Temporarily Restricted Net Assets	$2,198,097

Note 5 – Permanently Restricted Net Assets

Net assets are permanently restricted for the following purposes at December 31, 2018:

Scholarships	$2,916,717
Total Permanently Restricted Net Assets	$2,916,717

Note 6 – Income Taxes

The tax years ended December 31, 2016, 2017, 2018, remain subject to examination by the IRS.

Note 7 – Liquidity and Reserves

The Foundation has a policy to manage its liquidity and reserves following three guiding principles: operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The following table reflects the Foundation's financial assets (cash and investments) as of December 31, 2018, reduced by amounts not available for general expenditures within one year.

Total Financial Assets	$10,089,990
Less those unavailable for general expenditures within one year due to:	
Temporarily / Purpose Restrictions	(2,916,717)
Permanently Restricted	(2,198,087)
Financial assets available to meet needs for general expenditures within one year	$ 4,975,176

Note 8 – Subsequent Events

The Foundation has evaluated subsequent events through July 11, 2019, the date at which the financial statements were available to be issued.

Note 1 – Summary of Significant Accounting Policies

A. General – Bevill State Community College Foundation, Inc. (hereinafter referred to as the "Foundation"), was originally incorporated in Fayette County, Alabama on March 20, 1973, as Brewer State Junior College Foundation, Inc. Subsequent to the merger of Brewer State Junior College and Walker State Technical College into Bevill State Community College, the Articles of Incorporation were amended and the name changed to Bevill State Community College Foundation, Inc.

The purpose for which the Foundation was organized includes fostering the development of students attending Bevill State Community College by providing scholarships, awards and other activities and opportunities. The purposes also include providing financial and other support for the college to serve government agencies and the general public, as well as students of the college.

The Foundation is a component unit of Bevill State Community College and the financial statements reflected hereon are included in the financial statements of Bevill State Community College.

B. Basis of Presentation and Accounting – The accounts of the Foundation are maintained on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) Number 117, *Financial Statements of Non-Profit Organizations*. Under SFAS Number 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

C. Use of Estimates – In preparing the financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. Contributions – The Foundation accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in SFAS Number 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS Number 116, contributions received are recorded as an increase in unrestricted, temporarily restricted or permanently restricted net assets, depending on the existence or nature of any donor restrictions.

All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

E. Cash and Equivalents – Cash as presented includes bank deposits available for immediate withdrawal by check. Separate bank accounts are maintained as required. The Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

F. Investment Securities – Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Investments and property received by gift are stated at market or appraised value on the date of receipt. Appreciation or depreciation in the market value is recognized at the time the investments are sold.

G. Income Taxes – The Foundation is exempt from federal and state income taxes under Internal Revenue Code Section 501c(3).

Note 2 – Cash Deposits

The cash deposits of the Foundation as of December 31, 2018 are as follows:

Bank Accounts	Location	Book Balance	Bank Balance
Checking	Citizens Bank	$305,863	$305,863
Checking	Wells Fargo Bank	431	431
Checking	Citizens Bank	114,338	114,403
Total		$420,632	$420,697
Investment Cash Accounts	Location	Book Balance	Institution Balance
Money Market	Edward Jones	$ 96,067	$ 96,067
Money Market	Edward Jones	20,288	20,288
Money Market	Raymond James	50,920	50,920
Money Market	Raymond James	125,753	125,753
Total		293,028	293,028
Total Cash Deposits		$713,660	$713,725

At various times during the year, the Foundation's cash in bank balances exceeded the federally insured limits.

Note 3 – Investments

The Foundation invests primarily in publicly traded equity securities, unit trusts and corporate bonds/debentures. The Foundation utilizes fair value measurements to record certain assets and to determine fair value disclosures. In accordance with FASB ASC Topic 820, "Fair Value Measurements," fair value is 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. Fair value is best determined based upon quoted market prices. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

ASC Topic 820 establishes a three-tier fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair values, as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access.

Level 2 – Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets, quoted prices in markets that are not active and other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following is a description of the valuation methodologies used to measure fair values:

Cash and Cash Equivalents and Money Market Accounts: The carrying amount is a reasonable estimate of fair value.

Equity Securities: Valued at the closing price reported on the active markets on which the individual securities are traded.

The cost and fair value of instruments at December 31, 2018 are comprised of the following:

	Costs	Fair Value	Unrealized Appreciation (Depreciation)	Level 1
Money Market Funds	$ 3,510	$ 3,510	$	$ 3,510
Certificates of Deposit	372,000	371,834	(166)	371,834
Common Stock	366,351	365,995	(356)	365,995
Stock Mutual Funds	2,617,780	2,704,598	86,818	2,704,598
Taxable Unit Trusts	2,195,191	1,968,666	(226,525)	1,968,666
Bonds	96,764	94,217	(2,547)	94,217
Other	68,224	80,583	12,359	80,583
Total	$5,719,820	$5,589,403	$(130,417)	$5,589,403

The following schedule summarizes the investment return and its classification in the Statement of Activities for the year ending December 31, 2018:

	Unrestricted	Temporarily Restricted	Total
Interest and Dividend Income	$1,697	$288,155	$ 289,852
Gain on Sale of Securities		60,590	60,590
Net Unrealized Gain (Loss)		(739,491)	(739,491)
Total Investment Income (Loss)	$1,697	$(390,746)	$(389,049)

Note 4 – Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

Cash and Investments	$5,822,266
Cash and Investments – Sumiton Scholarships	42,720
Total	$5,864,986

Note 5 – Permanently Restricted Net Assets

Permanently restricted net assets are available for the following purposes:

Investments	$40,000

Note 6 – Income Taxes

The tax years ending December 31, 2016, 2017 and 2018 remain subject to examination by the Internal Revenue Service.

Note 7 – Organizational Changes and Contributions

Effective January 1, 2018, the steering committees associated with the Hamilton campus withdrew from the Foundation and created a non-profit entity named the Jennifer Millican Scholarship Foundation specifically for the Hamilton campus. The funds previously designated for the Hamilton campus, which totaled $136,735, were contributed to the newly created entity during 2018. The Jennifer Millican Scholarship Foundation is currently completing their 501c(3) application and anticipates completion during 2019.

Subsequent to this change, the Foundation now consists of the Fayette and Sumiton campuses.

Note 8 – Subsequent Events

The Foundation has envaulted subsequent events through June 26, 2019, the date which the financial statements were available to be issued.

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Required Supplementary Information

Schedule of the College's Proportionate Share of the Collective Net Pension Liability
For the Year Ended September 30, 2019
(Dollar amounts in thousands)

	2019	2018	2017	2016	2015
College's proportion of the collective net pension liability	0.261257%	0.273328%	0.253672%	0.255263%	0.261471%
College's proportionate share of the collective net pension liability	$ 25,976	$ 26,864	$ 27,463	$ 26,715	$ 23,754
College's covered payroll during the measurement period (*)	$ 17,374	$ 18,046	$ 16,119	$ 16,148	$ 16,475
College's proportionate share of the collective net pension liability as a percentage of its covered payroll	149.51%	148.86%	170.38%	165.44%	144.18%
Plan fiduciary net position as a percentage of the total collective pension liability	72.29%	71.50%	67.93%	67.51%	71.01%

(*) Per GASB 82, which amends GASB 68, covered payroll is defined as the payroll on which contributions to a pension plan are based, also known as pensionable payroll. For fiscal year 2019, the measurement period for covered payroll is October 1, 2017 through September 30, 2018.

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

Schedule of the College's Contributions - Pension
For the Year Ended September 30, 2019
(Dollar amounts in thousands)

	2019	2018	2017	2016	2015
Contractually required contribution	$ 2,084	$ 2,098	$ 2,140	$ 1,851	$ 1,827
Contributions in relation to the contractually required contribution	$ 2,084	$ 2,098	$ 2,140	$ 1,851	$ 1,827
Contribution deficiency (excess)	$	$	$	$	$
College's covered payroll	$ 17,007	$ 17,374	$ 18,046	$ 16,119	$ 16,148
Contributions as a percentage of covered payroll	12.25%	12.08%	11.86%	11.48%	11.31%

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

Per GASB 82, which amends GASB 68, covered payroll is defined as the payroll on which contributions to a pension plan are based, also known as pensionable payroll. For fiscal year 2019, the covered payroll is for the reporting fiscal year October 1, 2018 through September 30, 2019.

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

Schedule of the College's Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability Alabama Retired Education Employees' Health Care Trust For the Year Ended September 30, 2019 (Dollar amounts in thousands)

	2019	2018
College's proportion of the collective net OPEB liability	0.219873%	0.226964%
College's proportionate share of the collective net OPEB liability (asset)	$ 18,071	$ 16,858
College's covered-employee payroll during the measurement period (*)	$ 16,696	$ 17,352
College's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	108.24%	97.15%
Plan fiduciary net position as a percentage of the total collective OPEB liability	14.81%	15.37%

(*) Per GASB 75, covered payroll is defined as the payroll of employees that are provided with OPEB through the OPEB plan. The covered payroll for this RSI Schedule (GASB 75 paragraph 97) is for the reporting period (i.e. the measurement period), which for the September 30, 2019 year is October 1, 2017 through September 30, 2018.

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

Schedule of the College's Contributions - Other Postemployment Benefits (OPEB) Alabama Retired Education Employees' Health Care Trust For the Year Ended September 30, 2019 (Dollar amounts in thousands)

	2019	2018
Contractually required contribution	$ 775	$ 692
Contributions in relation to the contractually required contribution	$ 775	$ 692
Contribution deficiency (excess)	$	$
College's covered-employee payroll	$ 16,268	$ 16,696
Contributions as a percentage of covered-employee payroll	4.76%	4.14%

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

Changes in Actuarial Assumptions

In 2016, rates of withdrawal, retirement, disability, mortality, spouse coverage, and tobacco usage 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.

Recent Plan Changes

Effective January 1, 2017, Medicare eligible medical and prescription drug benefits are provided through the UnitedHealthcare Medicare Advantage Plan with Prescription Drug Coverage (MAPD).

The Plan is changed periodically to reflect the Affordable Care Act (ACA) maximum annual out-of-pocket amounts.

Method and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the Schedule of Employer Contributions are calculated as of September 30, 2016, 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	25 years, closed
Asset Valuation Method	Market Value of Assets
Inflation	2.875%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	7.75%
Medicare Eligible	5.00%
Ultimate Trend Rate:	
Pre-Medicare Eligible	5.00%
Medicare Eligible	5.00%
Year of Ultimate Trend Rate	2022 for Pre-Medicare Eligible 2018 for Medicare Eligible
Investment Rate of Return	5.00%, including inflation

Supplementary Information

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2019

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Pass-Through to Subrecipient	Total Federal Expenditures
Student Financial Assistance Cluster				
U. S. Department of Education				
Direct Programs				
Federal Pell Grant Program	84.063			$ 7,341,742.63
Federal Work-Study Program	84.033			104,317.28
Federal Supplemental Educational Opportunity Grants	84.007			122,553.58
Total Student Financial Assistance Cluster (M)				7,568,613.49
WIOA CLUSTER				
U. S. Department of Labor				
Passed Through the Alabama Department of Commerce				
WIOA Adult Program	17.258	8X101503/8H101503		35,889.18
WIOA Youth Activities	17.259	8X100001/8X300001 9X100001/9X300001		348,299.22
Total WIOA Cluster				384,188.40
TRIO Cluster				
U. S. Department of Education				
Direct Programs				
TRIO - Student Support Services	84.042			1,054,715.74
TRIO - Talent Search	84.044			655,466.98
TRIO - Upward Bound	84.047			1,518,634.70
TRIO - Educational Opportunity Centers	84.066			254,120.11
Total TRIO Cluster				3,482,937.53
OTHER FEDERAL AWARDS				
U. S. Department of Education				
Passed Through Alabama Community College System				
Adult Education - Basic Grants to States	84.002	0919AE082		323,875.93
Passed Through Alabama State Department of Education				
Career and Technical Education - Basic Grants to States	84.048	V048A180001		$ 211,114.59

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2019

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Pass-Through to Subrecipient	Total Federal Expenditures
U. S. Department of Labor				
Direct Program				
Mine Health and Safety Grants	17.600			$ 270,889.97
Appalachian Regional Commission				
Passed Through Alabama Department of Economic and Community Affairs				
Appalachian Area Development (M)	23.002	PW-18741-2017		1,705,947.09
Total Expenditures of Federal Awards				$ 13,947,567.00

(M) = Major Program

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

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2019

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Bevill State Community College under programs of the federal government for the year ended September 30, 2019. 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 Bevill State Community College, it is not intended to and does not present the financial position, changes in net position, or cash flows of Bevill State Community 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

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

Additional Information

College Officials

October 1, 2018 through September 30, 2019

Officials	**Position**
Jimmy Baker	Chancellor, Alabama Community College System
Dr. Kim Ennis	President
Linda Jones	Dean of Finance

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

Independent Auditor's Report

Jimmy Baker, Chancellor – Alabama Community College System
Dr. Kim Ennis, President – Bevill State Community College
Jasper, Alabama 35501

We have audited, 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, the financial statements of Bevill State Community College, a component unit of the State of Alabama, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise Bevill State Community College's basic financial statements and have issued our report thereon dated September 3, 2020. Our report includes a reference to other auditors who audited the financial statements of Walker College Foundation and Bevill State Community College Foundation, Inc. as described in our report on Bevill State Community College's financial statements. The financial statements of Walker College Foundation and Bevill State Community College Foundation, Inc., were not audited in accordance with ***Government Auditing Standards***.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bevill State Community College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bevill State Community College's internal control. Accordingly, we do not express an opinion on the effectiveness of Bevill State Community 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 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.

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

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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bevill State Community 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 determination of financial statement amounts. 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.

Rachel Laurie Riddle

Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

September 3, 2020

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

Independent Auditor's Report

Jimmy Baker, Chancellor – Alabama Community College System
Dr. Kim Ennis, President – Bevill State Community College
Jasper, Alabama 35501

Report on Compliance for Each Major Federal Program

We have audited Bevill State Community College's, a component unit of the State of Alabama, compliance with the types of compliance requirements described in the ***OMB Compliance Supplement*** that could have a direct and material effect on each of Bevill State Community College's major federal programs for the year ended September 30, 2019. Bevill State Community College's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Bevill State Community College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U. S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*** (*Uniform Guidance*). Those standards and the *Uniform Guidance* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bevill State Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Bevill State Community College's compliance.

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

Opinion on Each Major Federal Program

In our opinion, Bevill State Community 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, 2019.

Report on Internal Control Over Compliance

Management of Bevill State Community College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Bevill State Community College's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Bevill State Community College's 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 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 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 the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing on 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.

Rachel Laurie Riddle

Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

September 3, 2020

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Section I – Summary of Examiner's Results

Financial Statements

Type of opinion issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	______ Yes	__X__ No
Significant deficiency(ies) identified?	______ Yes	__X__ None reported
Noncompliance material to financial statements noted?	______ Yes	__X__ No

Federal Awards

Internal control over major federal programs:		
Material weakness(es) identified?	______ Yes	__X__ No
Significant deficiency(ies) identified?	______ Yes	__X__ None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the *Uniform Guidance*?	______ Yes	__X__ No

Identification of major federal programs:

CFDA Numbers	Name of Federal Program or Cluster
	Student Financial Assistance Cluster
84.063	Federal Pell Grant Program
84.033	Federal Work-Study Program
84.007	Federal Supplemental Educational Opportunity Grants
23.002	Appalachian Area Development

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000.00	
Auditee qualified as low-risk auditee?	__X__ Yes	______ No

Section II – Financial Statement Findings (GAGAS)

No matters were reportable.

Section III – Federal Awards Findings and Questioned Costs

No matters were reportable.

Summary Schedule of Prior Audit Findings

Summary Schedule of Prior Audit Findings
For the Year Ended September 30, 2019

As required by the *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, 2 CFR 200.511, Bevill State Community College has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of September 30, 2019.

Finding Ref. No.	Status of Prior Audit Finding
2018-001	The College participates in a Cost-Sharing Multiple Employer Pension Plan through the Retirement Systems of Alabama (RSA). GASB 68 requires RSA to provide certain information to the College for Required Supplementary Information (RSI) and note disclosures. The College is also responsible for calculating certain amounts for the RSI and Note disclosures. Audit tests revealed that the College failed to accurately report and disclose amounts required by GASB 68. Deferred Inflows were overstated by $1,617,000.00 and Deferred Outflows were understated by $1,617,000.00. An adjustment was made to correct this error in the reported amounts.

Response: Corrective action has been taken.

Kim Ennis

President

Dean of Finance