

Report on the

# George Corley Wallace State Community College

Selma, Alabama

October 1, 2019 through September 30, 2020

Filed: September 24, 2021



## Department of Examiners of Public Accounts

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*Rachel Laurie Riddle, Chief Examiner*





Rachel Laurie Riddle  
*Chief Examiner*

**State of Alabama**  
Department of  
**Examiners of Public Accounts**

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

Dear Madam:

An audit was conducted on George Corley Wallace State Community College, Selma, Alabama, for the period October 1, 2019 through September 30, 2020, by Examiners Misty Medders, Shelia Levins, and JoNesia Turner. I, Misty Medders, 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,

A handwritten signature in blue ink that reads "Misty C. Medders". The signature is written in a cursive style.

Misty Medders  
Examiner of Public Accounts

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Department of  
**Examiners of Public Accounts**

**SUMMARY**

**George Corley Wallace State Community College  
October 1, 2019 through September 30, 2020**

George Corley Wallace State Community College (the “College”) is a comprehensive, public, two-year community college located in Selma, Alabama which exists to provide academic, career technical, and lifelong educational opportunities. The College has expanded its service area to include the Black Belt region of the state with the addition of an off-campus instructional site in Demopolis, Alabama. Educational opportunities are provided to the citizenry of Dallas, Lowndes, Perry, Marengo, Sumter, Hale, and Wilcox counties. The College is accredited by the Southern Association of Colleges and Schools Commission on Colleges to award the Associate in Arts, Associate in Science, and Associate in Applied Science. The College also awards certificates and short-term certificates in selected career and technical fields.

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

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. The 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.

An unmodified opinion was issued on the basic financial statements, which means the College’s financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2020.

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

### **EXIT CONFERENCE**

The following officials/employees were invited to an exit conference to discuss the results of this audit: Dr. James M. Mitchell, President; Dr. Rosa Spencer, Dean of Business and Finance; Dr. Donitha Griffin, Executive Dean of Student Services and Instruction; Anessa Kidd, Director of Financial Aid; and Jimmy Baker, Chancellor of the Alabama Community College System. The following individuals attended via teleconference: Dr. James M. Mitchell, President; Dr. Rosa Spencer, Dean of Business and Finance; Judy Jordan, Comptroller; and Anessa Kidd, Director of Financial Aid. Representing the Alabama Community College System via teleconference were Bryan Helms, Vice-Chancellor for Administrative and Financial Services; Sara Calhoun, Executive Director of Fiscal Services; Julia Dennis, Financial Compliance Accountant; Brian Harrison, Associate Director of Financial Services – System Support; and Donna Boutwell, Director of Compliance. Representing the Department of Examiners of Public Accounts via teleconference were: Misty Medders, Examiner and Mary Ann DuBose, Audit Manager.



Department of  
**Examiners of Public Accounts**

**COMMENTS**

**George Corley Wallace State Community College  
October 1, 2019 through September 30, 2020**

George Corley Wallace State Community College (the “College”) in Selma 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.

Mr. E. S. Watts donated 20 acres of land in north Selma, just inside the city limits, to be used for the location of the technical institute. The name of this institution was William Rufus King State Vocational Technical School in honor of a famous Alabamian who served 29 years as a United States Senator, was elected as Vice-President in 1852 under President Franklin Pierce, and was responsible for giving Selma its name. The initial technical institute consisted of an administration building, cafeteria, seven shops and laboratory buildings, and a warehouse. The Alabama Trade School and Junior College Authority approved a resolution under the advisement of Governor Albert P. Brewer on February 16, 1970, to establish a junior college in Selma on the same or adjacent site of the William Rufus King State Technical Institute. The State Board of Education gave its approval the same day. Prior to the ground breaking ceremonies, the name of the institution was changed to George C. Wallace State Junior College and Technical Institute in honor of the incoming governor. The State Board of Education changed the institution’s name to George Corley Wallace State Community College on October 1, 1973.

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*Independent Auditor's Report*

## **Independent Auditor's Report**

Jimmy Baker, Chancellor – Alabama Community College System  
Dr. James M. Mitchell, President – George Corley Wallace State Community College  
Selma, Alabama 36702

### **Report on the Financial Statements**

We have audited the accompanying basic financial statements of George Corley Wallace State Community College, a component unit of the State of Alabama, as of and for the year ended September 30, 2020, and related notes to the financial statements, which collectively comprise George Corley Wallace 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 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 financial statements are free of material misstatement.

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 also 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, the basic financial statements referred to above present fairly, in all material respects, the financial position of George Corley Wallace State Community College, as of September 30, 2020, and its changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### 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 statements that collectively comprise George Corley Wallace State Community College's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 8), is presented for the 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 relates directly 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 9, 2021, on our consideration of George Corley Wallace 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 George Corley Wallace 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 George Corley Wallace State Community College's internal control over financial reporting and compliance.



Rachel Laurie Riddle  
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

September 9, 2021

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*Management's Discussion and Analysis*  
*(Required Supplementary Information)*

GEORGE C. WALLACE STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW of the FINANCIAL STATEMENTS and FINANCIAL ANALYSIS

George C. Wallace State Community College is proud to present its financial statements for fiscal year ending September 30, 2020. The emphasis of these statements will be on current year data and comparison to the previous year's data. There are three financial statements presented: Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows.

This report of the College's financial statements provides an overview of its financial activities for the year ending September 30, 2020.

STATEMENT OF NET POSITION

The Statement of Net Position presents the assets, deferred outflows, liabilities, deferred inflows and net position of the College at the end of the fiscal year. The purpose of the Statement of Net Position is to present a fiscal snapshot of the College. The Statement of Net Position presents end-of-year data concerning assets (current and non-current), deferred outflows, liabilities (current and non-current), deferred inflows and net position (assets and deferred outflows minus liabilities and deferred inflows).

From the data presented on the Statement of Net Position, a clear indication is given to determine the assets available to continue the operations of the College. In addition, the Statement of Net Position provides a depiction as to how much the College owes its vendors, investors and lenders. Finally, the Statement of Net Position provides a picture of the net position (assets and deferred outflows minus liabilities and deferred inflows) and the availability for expenditure by the College.

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

STATEMENT OF NET POSITION  
(Millions of Dollars)

Description	2019	2020
Assets:		
Current Assets	\$ 10,081	\$ 9,953
Capital Assets, net	28,187	26,833
Total Assets	38,268	36,786
Deferred Outflow of Resources	2,610	2,769
Liabilities:		
Current Liabilities	3,224	3,310
Noncurrent Liabilities	698	738
Net Pension Liability	12,368	12,916
Net OPEB Liability	9,111	4,119
Total Liabilities	25,401	21,083
Deferred Inflow of Resources	2,754	6,614
Net Position:		
Net Investment in Capital Assets	28,118	26,728
Unrestricted	(15,395)	(14,870)
Total Net Position	\$ 12,723	\$ 11,858

The College's net position is one indicator of the College's financial health. Current assets consist primarily of cash and investments; net accounts receivable and other assets totaling \$9.9 million at fiscal year-end. The consumption of assets follows the institutional philosophy to use available resources to provide improved student-centered educational excellence that is responsive to the diverse needs of students, community and state. Capital assets represent the historical cost, less any accumulated depreciation, of land, buildings, improvements other than buildings, construction in progress, infrastructure, equipment, and library books. Current liabilities consist primarily of accounts payable, accrued compensation, deferred revenue, and other liabilities totaling \$3.3 million. Non-current liabilities primarily consist of the net pension liability of \$12.9 million and compensated absences of \$0.6 million.

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The purpose of the Statement of Revenues, Expenses, and Changes in Net Position is to present the revenues received by the College, both operating and non-operating, and expenses paid by the College, operating and non-operating, and any other revenues, expenses, gains, and losses received or spent by the College.

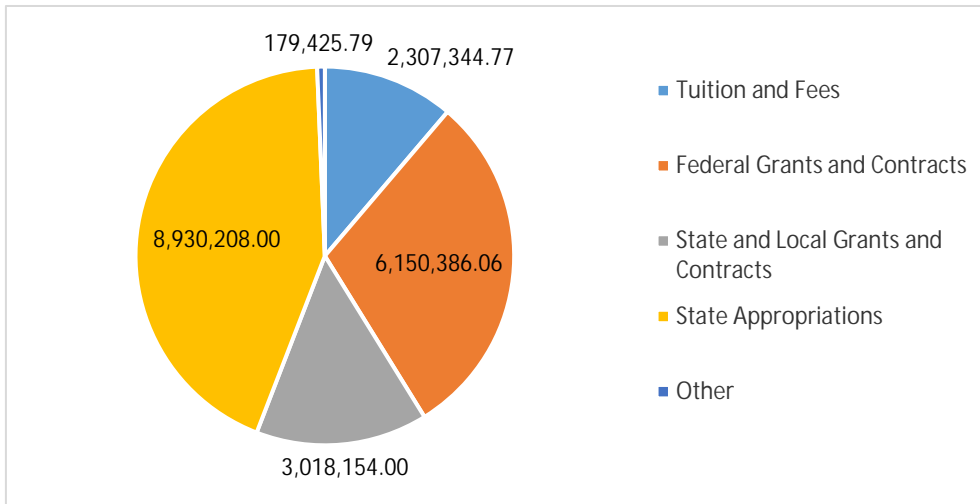
Generally speaking, operating revenues are received for providing goods and/or services to the various customers and constituencies of the College. Operating expenses are the necessary costs to the College to deliver goods and/or services and to carry out the mission of the College. Non-operating revenues are revenues received for which no specific goods and/or services are provided. For example, state appropriations are considered non-operating revenue because this revenue is provided by the Legislature to the College without the Legislature directly receiving commensurate goods and/or services for those revenues.

## STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION (Millions of Dollars)

The College is supported by a diverse stream of revenue that supplements its student tuition and fees, including state appropriations, federal and state sponsored programs, and private grants. The College continues to seek funding from all possible sources consistent with its mission and to manage the financial resources realized from these efforts to fund its operations.

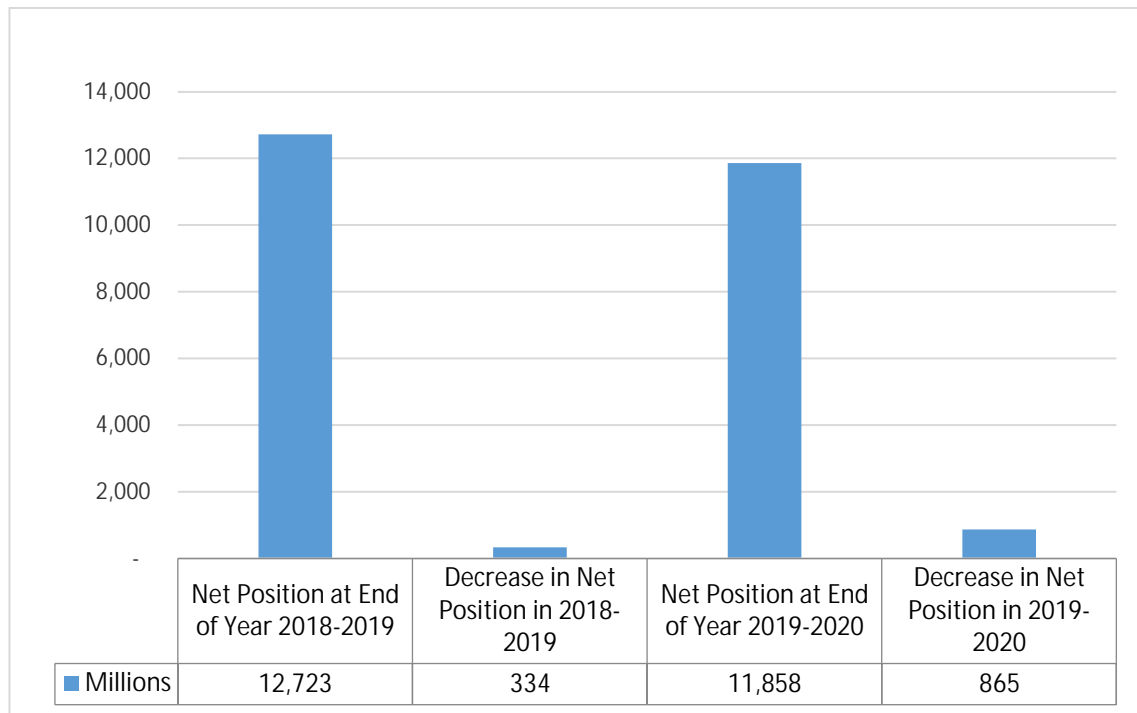
Description	2019	2020
Operating Revenues	\$ 5,705	\$ 6,623
Operating Expenses	21,073	21,401
Operating (Loss)	(15,368)	(14,778)
Non-Operating Revenues	15,064	13,962
Non-Operating Expenses	29	49
Income/Loss before other Revenues, Expenses, Gains or Losses	(333)	(865)
Net Increase (Decrease)	(333)	(865)
Net Position – beginning year	13,056	12,723
Restatements	0	0
Net Position – End of Year	\$ 12,723	\$ 11,858

## OPERATING & NON-OPERATING REVENUE



The chart above is reflective of the main sources of revenues for George C. Wallace State Community College Selma. The State of Alabama O & M Appropriation for fiscal year 2020 was \$8,930,208. The Alabama Math and Science Technology Initiative Grant (AMSTI) for fiscal year 2020 was \$1,477,979.00 which represents a majority of state grants and contracts. The US Department of Education grants represent a majority of the Federal Grants and Contracts. Tuition and Fees net of scholarship revenue for fiscal year 2020 totaled \$2,307,344. The President and the Executive Staff assume an active role in securing additional grant and other funding sources (state, federal and non-governmental) for operating purposes.

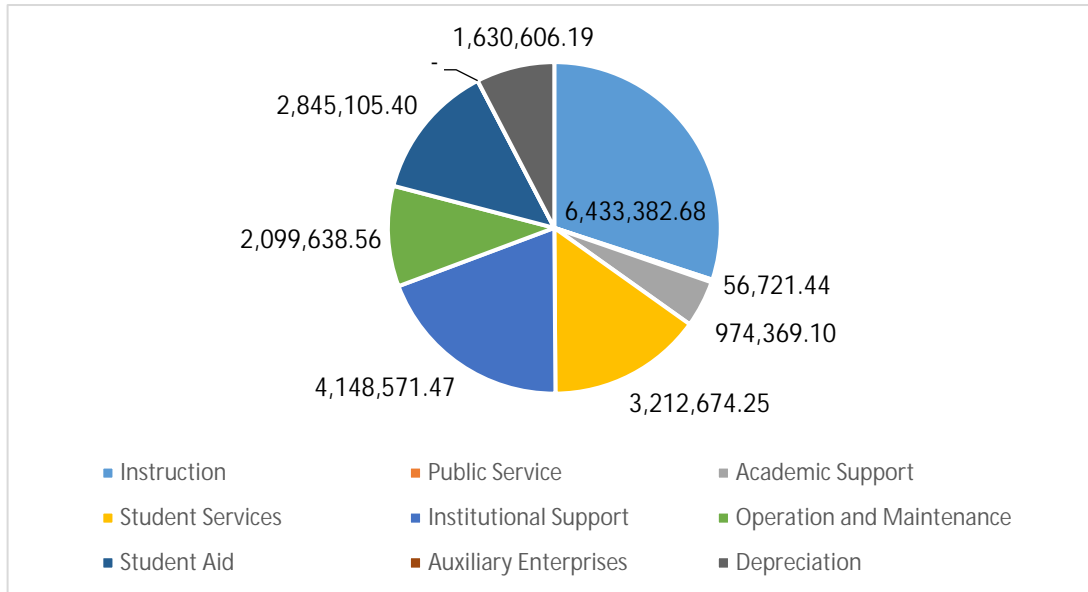
## CHANGES IN NET POSITION



The chart above displays a comparison of net position and changes from fiscal year 2019 to fiscal year 2020. A review of the notes will specify the decrease in net position is due to the reporting of Other Postemployment Benefit (OPEB) liability. Otherwise, it should be noted that the decrease in the College's net position was minimal.



## OPERATING EXPENSES



The chart above is indicative of the different categories of the operating expenses of the College. The largest expense of the College is directly related to instruction followed by student services, institutional support, student aid/scholarships, operation and maintenance of the physical plant, and academic support.

## STATEMENT OF CASH FLOWS

The final statement presented by George C. Wallace State Community College Selma is the Statement of Cash Flows that presents detailed information about the cash activity of the College during the year. The statement is divided into five parts. The first section details the operating cash flows from operating activities and shows the net cash used in operating activities of the College. The second section details the cash flows from non-operating activities. The third section details cash flows from capital and related activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section deals with investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used in operating activities as reflected on the Statement of Revenues, Expenses, and Changes in Net Position. Shown below is a comparison between fiscal years 2019 and fiscal year 2020 where the cash at end of year increased slightly by \$725 thousand dollars.

CASH FLOWS  
(Millions of dollars)

	<u>2019</u>	<u>2020</u>
Cash provided (used) by:		
Operating Activities	\$(13,285)	\$(12,788)
Non-Capital Financing Activities	13,780	13,729
Capital and Related Financing Activities	(170)	(247)
Investing Activities	62	31
Net Change in Cash	387	725
Cash and Cash Equivalents -beginning of year	6,181	6,567
Cash and Cash Equivalents- end of year	\$ 6,568	\$ 7,292

ECONOMIC OUTLOOK

The College’s overall financial position is strong. The College continues to maintain slightly more than the three months of contingency funds as required by the Chancellor and the Board of Trustees of the Alabama Community College System. Dr. James Mitchell, President and Dr. Rosa C. Spencer, Dean of Business and Finance will remain diligent and committed to monitoring and operating the College through strict fiscal policies and procedures. Wallace Community College Selma’s faculty, staff and administration is committed to making the College a critical community resource that is dedicated to student access. The College is not aware of any currently known facts, decisions, or conditions, beyond those unknown variations having a global effect on virtually all types of business operations that are expected to have a significant effect on its financial position during fiscal year 2020. The College expects enrollment growth and anticipates the current fiscal year will be as good as or better than the last.

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# *Basic Financial Statements*

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***Statement of Net Position***  
***September 30, 2020***

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**ASSETS**

**Current Assets**

Cash and Cash Equivalents	\$ 7,292,079.59
Accounts Receivable, Net	2,656,272.29
Inventories	5,033.69
Total Current Assets	<u>9,953,385.57</u>

**Noncurrent Assets**

Capital Assets:	
Land	405,819.14
Improvements Other Than Buildings	2,421,343.38
Buildings	40,009,543.95
Equipment and Furniture	6,470,083.17
Capitalized Software	2,394,664.01
Library Holdings	1,435,215.31
Less: Accumulated Depreciation	<u>(26,303,599.77)</u>
Total Capital Assets, Net of Depreciation	<u>26,833,069.19</u>
Total Noncurrent Assets	<u>26,833,069.19</u>
Total Assets	<u>36,786,454.76</u>

**Deferred Outflow of Resources**

Pension	2,133,489.46
Other Postemployment Benefit (OPEB)	624,842.04
Asset Retirement Cost	9,500.00
Total Deferred Outflow of Resources	<u>\$ 2,767,831.50</u>

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

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**LIABILITIES****Current Liabilities**

Accounts Payable and Accrued Liabilities	\$ 992,966.30
Unearned Revenue	2,141,602.08
Deposits Held for Others	97,395.37
Compensated Absences	35,042.68
Lease Payable	42,631.58
Total Current Liabilities	<u>3,309,638.01</u>

**Noncurrent Liabilities**

Compensated Absences	665,810.85
Leases Payable	62,286.03
Net Pension Liability	12,916,587.00
Net OPEB Liability	4,118,806.00
Asset Retirement Obligation	10,000.00
Total Noncurrent Liabilities	<u>17,773,489.88</u>

Total Liabilities 21,083,127.89

**Deferred Inflow of Resources**

Pension	1,351,131.00
Other Postemployment Benefit (OPEB)	5,262,478.01
Total Deferred Inflow of Resources	<u>6,613,609.01</u>

**Net Position**

Net Investment in Capital Assets	26,728,151.58
Unrestricted	<u>(14,870,602.22)</u>
Total Net Position	<u>\$ 11,857,549.36</u>

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***Statement of Revenues, Expenses and Changes in Net Position  
For the Year Ended September 30, 2020***

**OPERATING REVENUES**

Student Tuition and Fees (Net of Scholarship Allowances of \$2,571,951.48)	\$ 2,307,344.77
Federal Grants and Contracts	1,258,469.97
State Grants and Contracts	2,999,922.48
Local Grants and Contracts	18,231.56
Other	39,000.00
Total Operating Revenues	<u>6,622,968.78</u>

**OPERATING EXPENSES**

Instruction	6,433,382.68
Institutional Support	4,148,571.47
Public Service	56,721.44
Academic Support	974,369.10
Student Services	3,212,674.25
Operation and Maintenance	2,099,638.56
Scholarships and Financial Aid	2,845,105.40
Depreciation	1,630,606.19
Total Operating Expenses	<u>21,401,069.09</u>

Operating Income (Loss)	<u>(14,778,100.31)</u>
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**NONOPERATING REVENUES (EXPENSES)**

State Appropriations	8,930,208.01
Federal Grants and Contracts	4,891,916.09
Investment Income	30,681.62
Other Nonoperating Revenues/(Expenses)	60,265.44
Net Nonoperating Revenues	<u>13,913,071.16</u>
Changes in Net Position	(865,029.15)
Total Net Position - Beginning of Year	<u>12,722,578.51</u>
Total Net Position - End of Year	<u>\$ 11,857,549.36</u>

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

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***Statement of Cash Flows***  
***For the Year Ended September 30, 2020***

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Tuition and Fees	\$ 2,925,546.83
Grants and Contracts	5,065,734.37
Payments to Suppliers	(4,626,318.23)
Payments to Utilities	(826,570.89)
Payments to Employees	(9,481,872.25)
Payments for Benefits	(3,038,294.82)
Payments for Scholarships	(2,845,105.40)
Other Receipts	39,000.00
Net Cash Provided (Used) by Operating Activities	<u>(12,787,880.39)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Appropriations	8,930,208.01
Federal Grants	4,891,916.00
Deposits Held for Others	(160,117.92)
Bond Surety Fee Expense	(43,579.00)
Other	110,244.17
Net Cash Provided (Used) by Noncapital Financing Activities	<u>13,728,671.26</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Purchases of Capital Assets	(203,886.87)
Principal Paid on Capital Debt and Leases	(37,135.00)
Interest Paid on Capital Debt and Leases	(5,899.73)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(246,921.60)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest on Investments	30,681.62
Net Cash Provided (Used) by Investing Activities	<u>30,681.62</u>

Net Increase (Decrease) in Cash and Cash Equivalents	724,550.89
Cash and Cash Equivalents - Beginning of Year	6,567,528.70
Cash and Cash Equivalents - End of Year	<u>\$ 7,292,079.59</u>

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



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**Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities:**

Operating Income/(Loss) \$ (14,778,100.31)

**Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:**

Depreciation Expense	1,630,606.19
Changes in Assets and Liabilities:	
(Increase)/Decrease in Receivables, Net	850,161.15
(Increase)/Decrease in Inventories	2,154.44
(Increase)/Decrease in Deferred Outflows	(158,806.00)
Increase/(Decrease) in Accounts Payable	(555,509.46)
Increase/(Decrease) in Unearned Revenue	773,318.04
Increase/(Decrease) in Compensated Absences	32,840.56
Increase/(Decrease) in Pension Liability	548,000.00
Increase/(Decrease) in OPEB Liability	(4,991,817.00)
Increase/(Decrease) in Deferred Inflows	3,859,272.00

Net Cash Provided (Used) by Operating Activities \$ (12,787,880.39)

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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#### **Note 1 – Summary of Significant Accounting Policies**

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

#### **A. Reporting Entity**

George Corley Wallace State Community 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 George Corley Wallace State Community College. In addition, George Corley Wallace State Community College receives a substantial portion of its funding from the State of Alabama (potential to impose a specific financial burden). Based on these criteria, George Corley Wallace State Community College is considered for financial reporting purposes to be a component unit of the State of Alabama.

#### **B. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The financial statements of George Corley Wallace State Community 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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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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.

#### **C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position**

##### **1. Cash, Cash Equivalents and Investments**

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

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

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

##### **2. Receivables**

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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### **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.

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	Straight-Line	25 years
Equipment	Straight-Line	5 – 10 years
Library Materials	Composite	20 years
Capitalized Software	Straight-Line	10 years
Internally Generated Computer Software	Straight-Line	10 years
Easement and Land Use Rights	Straight-Line	20 years
Patents, Trademarks, and Copyrights	Straight-Line	20 years

### **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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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#### **5. Long-Term Obligations**

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

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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#### **10. 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.

#### **11. 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. 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.
- ◆ **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. These include funds held in federal loan programs.
- ◆ **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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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#### **12. 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)*.

#### **13. Scholarship Allowances and Student Aid**

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

#### **Note 2 – 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.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2020***

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**Note 3 – Receivables**

Receivables are summarized as follows:

<u>Accounts Receivable:</u>	
Federal	\$1,309,288.45
State	221,673.44
Student Receivables	1,890,547.74
Other	19,150.96
Allowance for Doubtful Accounts	(784,388.30)
Total Accounts Receivable, Net	<u>\$2,656,272.29</u>

**Note 4 – Capital Assets**

Capital asset activity for the year ended September 30, 2020, was as follows:

	Balance 10/01/2019	Additions	Deductions	Adjustments	Balance 09/30/2020
Land	\$ 405,819.14	\$	\$	\$	\$ 405,819.14
Buildings	40,009,543.95				40,009,543.95
Improvements Other Than Buildings	2,421,343.38				2,421,343.38
Equipment	6,263,211.34	280,149.26	69,745.43	(3,532.00)	6,470,083.17
Capitalized Software	2,394,664.01				2,394,664.01
Library Books and Audiovisuals	1,435,215.31				1,435,215.31
Total	<u>52,929,797.13</u>	<u>280,149.26</u>	<u>69,745.43</u>	<u>(3,532.00)</u>	<u>53,136,668.96</u>
Less: Accumulated Depreciation					
Buildings	15,190,027.39	1,158,352.10			16,348,379.49
Improvements Other Than Buildings	1,222,686.38	102,055.54			1,324,741.92
Equipment	5,458,011.35	130,732.12	69,745.43		5,518,998.04
Capitalized Software	1,436,798.58	239,466.43			1,676,265.01
Library Books and Audiovisuals	1,435,215.31				1,435,215.31
Total Accumulated Depreciation	<u>24,742,739.01</u>	<u>1,630,606.19</u>	<u>69,745.43</u>		<u>26,303,599.77</u>
Total Capital Assets, Net	<u>\$28,187,058.12</u>	<u>\$(1,350,456.93)</u>	<u>\$</u>	<u>\$(3,532.00)</u>	<u>\$26,833,069.19</u>



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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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#### **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](http://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 equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending June 30 are paid to a qualified beneficiary.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2020***

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**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 were 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, 2020, was 12.43% of annual pay for Tier 1 members and 11.34% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the College was \$1,040,872.46 for the year ended September 30, 2020.

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

At September 30, 2020, the College reported a liability of \$12,917,000.00 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2019 and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of September 30, 2018. 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, 2019, the College's proportion was 0.116823%, which was a decrease of 0.007583% from its proportion measured as of September 30, 2018.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2020***

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For the year ended September 30, 2020, the College recognized pension expense of \$974,000.00. At September 30, 2020, 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	\$ 191	\$ 428
Changes of assumptions	398	
Net difference between projected and actual earnings on pension plan investments	450	
Changes in proportion and differences between employer contributions and proportionate share of contributions	54	923
Employer contributions subsequent to the measurement date	1,041	
Total	\$2,134	\$1,351
(Dollar amounts in thousands)		

The \$1,041,000 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2021. 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, 2021	\$(263)
2022	\$(155)
2023	\$ 59
2024	\$ 123
2025	\$ (22)
Thereafter	\$ 0
(Dollar Amounts in Thousands)	

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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#### E. Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of September 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Investment Rate of Return (*)	7.70%
Projected Salary Increases	3.25-5.00%
(*) Net of pension plan investment expense	

The actuarial assumptions used in the September 30, 2018, valuation were based on the results of an actual experience study for the period October 1, 2010 through September 30, 2015.

Mortality rates for TRS were based on the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for males and 112% for females age 78 and older. 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%.		

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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#### **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 Discount Rate (7.70%)	1% Increase (8.70%)
College's proportionate share of collective net pension liability	\$17,536	\$12,917	\$9,009
(Dollar Amounts in Thousands)			

#### **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, 2019. The supporting actuarial information is included in the GASB Statement Number 67 Report for the TRS prepared as of September 30, 2019. The auditor's report dated August 18, 2020, 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, 2019, along with supporting schedules is also available. The additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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#### **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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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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).

Medicare eligible members and Medicare eligible dependents who are covered on a retiree contract were enrolled in the United Healthcare Group Medicare Advantage plan for PEEHIP retirees. Effective January 1, 2020, Humana Insurance Company replaced United Healthcare as the administrator of the PEEHIP Group Medicare Advantage (PPO) Plan. The plan is fully insured, and members are able to have all of their Medicare Part A (hospital insurance), Part B (medical insurance), and Part D (prescription drug coverage) in one convenient plan. Retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Members 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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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#### **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, 2020, the College reported a liability of \$4,118,806 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2018. 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, 2019, the College's proportion was 0.109172%, which was a decrease of 0.001680% from its proportion measured as of September 30, 2018.



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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2020***

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For the year ended September 30, 2020, the College recognized OPEB expense of \$(435,926) with no special funding situations. At September 30, 2020, 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	\$ 136,377	\$3,158,122
Changes of assumptions	196,904	1,706,034
Net difference between projected and actual earnings on OPEB plan investments	8,497	
Changes in proportion and differences between employer contributions and proportionate share of contributions	43,458	398,322
Employer contributions subsequent to the measurement date	239,606	
Total	\$624,842	\$5,262,478

The \$239,606 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, 2021.

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, 2021	\$(1,024,979)
2022	\$(1,024,979)
2023	\$(1,014,186)
2024	\$ (819,932)
2025	\$ (846,381)
Thereafter	\$ (146,785)

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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#### E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Projected Salary Increases <sup>(1)</sup>	3.25% - 5.00%
Long-Term Investment Rate of Return <sup>(2)</sup>	7.25%
Municipal Bond Index Rate at the Measurement Date	3.00%
Municipal Bond Index Rate at the Prior Measurement Date	4.18%
Projected Year for Fiduciary Net Position (FNP) to be Depleted	2055
Single Equivalent Interest Rate at the Measurement Date	5.50%
Single Equivalent Interest Rate at the Prior Measurement Date	4.44%
Healthcare Cost Trend Rate	
Pre-Medicare Eligible	6.75%
Medicare Eligible	(**)
Ultimate Trend Rate	
Pre-Medicare Eligible	4.75% in 2026
Medicare Eligible	4.75% in 2024

<sup>(1)</sup> Includes 3.00% wage inflation.

<sup>(2)</sup> Compounded annually, net of investment expense, and includes inflation.

(\*\*) Initial Medicare claims are set based on scheduled increases through plan year 2022

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.) were based on the actuarial valuation as of September 30, 2018. However, updated Medicare Advantage premium rates which reflect the repeal of the ACS Health Insurer Fee, updated optional claims costs, and updated participation assumptions were used in this report.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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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:

	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 Equivalents	5.00%	1.50%
Total	100.00%	
(*) Geometric mean, includes 2.5% inflation.		

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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#### **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, 2019, was 5.50%. The discount rate used to measure the total OPEB liability at the prior measurement date was 4.44%. 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, 24.245% of the employer contributions were used to assist in funding retiree benefit payments in 2019, and it is assumed that the amount will increase by 1.00% 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. Therefore, the projected future benefit payments for all current plan members were projected through 2117. The long-term rate of return is used until the assets are expected to be depleted in 2055, 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 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 (5.75% Decreasing to 3.75% for Pre-Medicare and Known Decreasing to 3.75% for Medicare Eligible)	Current Healthcare Trend Rate (6.75% Decreasing to 4.75% for Pre-Medicare and Known Decreasing to 4.75% for Medicare Eligible)	1% Increase (7.75% Decreasing to 5.75% for Pre-Medicare and Known Decreasing to 5.75% for Medicare Eligible)
College's proportionate share of collective net OPEB liability	\$3,302,542	\$4,118,806	\$5,146,854

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2020***

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**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 5.50%, 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 (4.50%)	Current Rate (5.50%)	1% Increase (6.50%)
College’s proportionate share of collective net OPEB liability	\$4,978,532	\$4,118,806	\$3,416,694

**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, 2019. The supporting actuarial information is included in the GASB Statement Number 74 Report for PEEHIP prepared as of September 30, 2019. Additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

**Note 7 – Other Significant Commitments**

As of September 30, 2020, George Corley Wallace State Community College had been awarded approximately \$5,384,601.63 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, 2020, for goods and services received prior to the end of the fiscal year.

Salaries and Benefits	\$309,122.89
Payroll Withholding	335,752.08
Suppliers	348,091.33
Total	<u>\$992,966.30</u>

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2020***

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**Note 9 – Lease Obligations**

The College is acquiring vehicles under a lease agreement, which provides for the College to purchase the vehicles over a period of years. Minimum lease payments for the vehicles together with the present value of the net minimum lease payments are shown in the table below:

Fiscal Year Ending	Vehicles
September 30, 2021	\$ 52,093.36
2022	52,093.36
2023	13,023.34
Total Minimum Lease Payments	117,210.06
Less: Amount Representing Interest	(12,292.45)
Present Value of Net Minimum Lease Payments	<u>\$104,917.61</u>

**Note 10 – Long-Term Liabilities**

Long-term liabilities activity for the year ended September 30, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
<b>Lease Payable:</b>					
Lease Payable	\$ 69,322.00	\$ 76,262.20	\$(40,666.59)	\$104,917.61	\$42,631.58
Total Lease Payable	69,322.00	76,262.20	(40,666.59)	104,917.61	42,631.58
<b>Other Liabilities:</b>					
Compensated Absences	668,013.14	32,840.39		700,853.53	35,042.68
Total Other Liabilities	668,013.14	32,840.39		700,853.53	35,042.68
Total Long-Term Liabilities	<u>\$737,335.14</u>	<u>\$109,102.59</u>	<u>\$(40,666.59)</u>	<u>\$805,771.14</u>	<u>\$77,674.26</u>

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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#### **Note 11 – Asset Retirement Obligation**

In accordance with GASB 83, the College has an obligation for the removal of an underground fuel tank. The costs for removal of the underground fuel tank will be amortized over the estimated remaining useful life of the asset.

ARO Description	ARO Amount	Associated Capital Asset	Source of Obligation	Method Used to Measure ARO Liability	Estimated Remaining Useful Life of Asset	Legally Required Funding and Assurance	Amount of Assets Restricted for Liability
Costs to remove underground fuel tank	\$10,000.00	2,000 gallon underground gas tank (1991)	EPA Regulation	Current value-vendor quote	19 years	No	None

#### **Note 12 – Risk Management**

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

Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF) administered by the Public Education Employees' Health Insurance Board (PEEHIB). The Fund was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are determined annually by the plan's actuary and 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.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2020***

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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 13 – Related Parties**

George Corley Wallace State Community College Foundation, Inc., was incorporated as a non-profit corporation to promote scientific, literary, and educational purposes, the advancement of George Corley Wallace State Community College, and for the encouragement and support of its students and faculty. This report contains no financial statements of George Corley Wallace State Community College Foundation, Inc. There were not any significant transactions with George Corley Wallace State Community College Foundation, Inc.



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*Required Supplementary Information*

***Schedule of the College's Proportionate Share of the Collective Net Pension Liability***  
***For the Year Ended September 30, 2020***  
***(Dollar amounts in thousands)***

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
College's proportion of the collective net pension liability	0.116823%	0.124406%	0.127029%	0.125757%	0.130079%	0.138318%
College's proportionate share of the collective net pension liability	\$ 12,917	\$ 12,369	\$ 12,485	\$ 13,614	\$ 13,614	\$ 12,566
College's covered payroll during the measurement period (*)	\$ 8,254	\$ 8,233	\$ 8,360	\$ 7,968	\$ 8,228	\$ 8,765
College's proportionate share of the collective net pension liability as a percentage of its covered payroll	156.49%	150.24%	149.34%	170.86%	165.46%	143.37%
Plan fiduciary net position as a percentage of the total collective pension liability	69.85%	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 2020, the measurement period for covered payroll is October 1, 2018 through September 30, 2019.

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, 2020***  
***(Dollar amounts in thousands)***

	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 1,041	\$ 1,016	\$ 998	\$ 996	\$ 945	\$ 932
Contributions in relation to the contractually required contribution	\$ 1,041	\$ 1,016	\$ 998	\$ 996	\$ 945	\$ 932
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$
College's covered payroll	\$ 8,467	\$ 8,254	\$ 8,233	\$ 8,360	\$ 7,968	\$ 8,228
Contributions as a percentage of covered payroll	12.29%	12.31%	12.12%	11.91%	11.86%	11.33%

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 2020, covered payroll is for the reporting fiscal year October 1, 2019 through September 30, 2020.

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, 2020  
(Dollar amounts in thousands)***

	<b>2020</b>	<b>2019</b>	<b>2018</b>
College's proportion of the collective net OPEB liability	0.109172%	0.110852%	0.110076%
College's proportionate share of the collective net OPEB liability (asset)	\$ 4,119	\$ 9,111	\$ 8,176
College's covered-employee payroll during the measurement period (*)	\$ 8,268	\$ 8,225	\$ 8,322
College's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	49.82%	110.77%	98.25%
Plan fiduciary net position as a percentage of the total collective OPEB liability	28.14%	14.81%	15.37%

(\*) Per GASB 75, covered-employee payroll is defined as the payroll of employees that are provided with OPEB through the OPEB plan. The covered-employee payroll for this RSI Schedule (GASB 75 paragraph 97) is for the reporting period (i.e. the measurement period), which for the September 30, 2020 year is October 1, 2018 through September 30, 2019.

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, 2020***  
***(Dollar amounts in thousands)***

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Contractually required contribution	\$ 189	\$ 310	\$ 273
Contributions in relation to the contractually required contribution	<u>\$ 189</u>	<u>\$ 310</u>	<u>\$ 273</u>
Contribution deficiency (excess)	\$	\$	\$
College's covered-employee payroll	\$ 8,463	\$ 8,268	\$ 8,225
Contributions as a percentage of covered-employee payroll	2.23%	3.75%	3.32%

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

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***Notes to Required Supplementary Information  
for Other Postemployment Benefits (OPEB)  
For the Year Ended September 30, 2020***

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**Changes in Actuarial Assumptions**

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

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**

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

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

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

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***Notes to Required Supplementary Information  
for Other Postemployment Benefits (OPEB)  
For the Year Ended September 30, 2020***

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**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, three years prior to the end of the fiscal year in which contributions are reported. Therefore, the actuarially determined employer contribution for fiscal year ending September 30, 2019 is determined based on the actuarial valuation as of September 30, 2016. 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

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# *Supplementary Information*

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2020***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Identifying Number	Pass-Through To Subrecipients	Total Federal Expenditures
<b><u>Student Financial Assistance Cluster</u></b>				
<b><u>U. S. Department of Education</u></b>				
<b><u>Direct Programs</u></b>				
Federal Pell Grant Program	84.063			\$ 3,653,682.59
Federal Supplemental Educational Opportunity Grants	84.007			108,825.90
Federal Work-Study Program	84.033			89,863.14
Total Student Financial Assistance Cluster				<u>3,852,371.63</u>
<b><u>TRIO Cluster</u></b>				
<b><u>U. S. Department of Education</u></b>				
<b><u>Direct Programs</u></b>				
TRIO - Student Support Services	84.042			489,389.37
TRIO - Talent Search	84.044			310,161.70
Total TRIO Cluster				<u>799,551.07</u>
<b><u>WIOA Cluster</u></b>				
<b><u>U. S. Department of Labor</u></b>				
<b><u>Passed Through Alabama Department of Commerce</u></b>				
WIOA Adult Program	17.258	8X501503		20,777.36
WIOA Adult Program	17.258	N.A.		318,450.92
Total WIOA Adult Program				<u>339,228.28</u>
WIOA Youth Activities	17.259	N.A.		27,301.55
WIOA Dislocated Worker Formula Grants	17.278	N.A.		105,486.13
Total WIOA Cluster				<u>472,015.96</u>
<b><u>OTHER FEDERAL AWARDS</u></b>				
<b><u>U. S. Department of Education</u></b>				
<b><u>Direct Programs</u></b>				
Higher Education Emergency Relief Fund (HEERF) Student Aid Portion	84.425E			649,161.60
HEERF Institutional Portion	84.425F			177,500.54
Total Higher Education Emergency Relief Fund (HEERF)				<u>826,662.14</u>
<b><u>Passed Through Alabama Community College System</u></b>				
Adult Education - Basic Grants to States	84.002	0920AE091		168,022.17
<b><u>Passed Through Alabama State Department of Education</u></b>				
Career and Technical Education - Basic Grants to States	84.048	V048A190001		\$ 223,179.44

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2020***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Identifying Number	Pass-Through To Subrecipients	Total Federal Expenditures
<b><u>U. S. Department of the Treasury</u></b>				
<b><u>Passed Through Alabama Community College System</u></b>				
Coronavirus Relief Fund	21.019	20GEERFWALS01		\$ 306,916.16
Total Expenditures of Federal Awards				<u>\$ 6,648,718.57</u>

N.A. = Not Available/Not Applicable

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

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***Notes to the Schedule of Expenditures  
of Federal Awards  
For the Year Ended September 30, 2020***

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**Note 1 – Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of George Corley Wallace State Community College, under programs of the federal government for the year ended September 30, 2020. 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 George Corley Wallace State Community College, it is not intended to and does not present the financial position, changes in net position, or cash flows of George Corley Wallace 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**

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

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## *Additional Information*

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***College Officials***  
***October 1, 2019 through September 30, 2020***

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<b>Officials</b>	<b>Position</b>
Jimmy Baker	Chancellor, Alabama Community College System
Dr. James M. Mitchell	President
Dr. Rosa Spencer	Dean of Business and Finance
Dr. Donitha Griffin	Executive Dean of Student Services and Instruction

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

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**Independent Auditor's Report**

Jimmy Baker, Chancellor – Alabama Community College System  
Dr. James M. Mitchell, President – George Corley Wallace State Community College  
Selma, Alabama 36702

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 George Corley Wallace State Community College, a component unit of the State of Alabama, as of and for the year ended September 30, 2020, and related notes to the financial statements, which collectively comprise George Corley Wallace State Community College's basic financial statements and have issued our report thereon dated September 9, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered George Corley Wallace State Community College's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of George Corley Wallace State Community College's internal control. Accordingly, we do not express an opinion on the effectiveness of George Corley Wallace 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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

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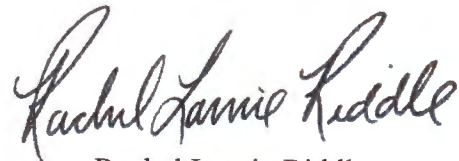
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**Compliance and Other Matters**

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

**Purpose of this Report**

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



Rachel Laurie Riddle  
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

September 9, 2021



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

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***Independent Auditor's Report***

Jimmy Baker, Chancellor – Alabama Community College System  
Dr. James M. Mitchell, President – George Corley Wallace State Community College  
Selma, Alabama 36702

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

We have audited George Corley Wallace 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 George Corley Wallace State Community College's major federal programs for the year ended September 30, 2020. George Corley Wallace 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 with each of George Corley Wallace 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 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 also includes examining, on a test basis, evidence about George Corley Wallace State Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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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 George Corley Wallace State Community College's compliance.

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

In our opinion, George Corley Wallace 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, 2020.

***Report on Internal Control Over Compliance***

Management of George Corley Wallace 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 George Corley Wallace 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 George Corley Wallace 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.

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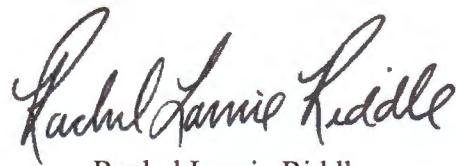
***Report on Compliance for Each Major Federal Program  
and Report on Internal Control Over Compliance  
Required by the Uniform Guidance***

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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.

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  
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

September 9, 2021

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***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2020***

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**Section I – Summary of Examiner's Results**

**Financial Statements**

Type of report the auditor issued on whether the audited financial statements were prepared in accordance with GAAP:

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

***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2020***

**Section I – Summary of Examiner's Results**

Identification of major federal programs:

CFDA Numbers	Name of Federal Program or Cluster
84.063	<u>Student Financial Assistance Cluster</u>
84.007	Federal Pell Grant Program
84.033	Federal Supplemental Educational Opportunity Grants Federal Work-Study Program
84.042	<u>TRIO Cluster</u>
84.044	TRIO – Student Support Services TRIO – Talent Search
84.425E	<u>Higher Education Emergency Relief Fund</u>
84.425F	Higher Education Emergency Relief Fund (HEERF) Student Aid Portion HEERF Institutional Portion

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.