



Wallace State Community College  
Hanceville, Alabama  
Required Communications  
September 30, 2023



**Carr, Riggs & Ingram, LLC**  
3700 Colonnade Parkway  
Suite 300  
Birmingham, AL 35243

(205) 933-7822  
(205) 933-7944 (fax)  
[www.cricpa.com](http://www.cricpa.com)

January 16, 2024

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

We are pleased to present the results of our audit of the September 30, 2023 financial statements of Wallace State Community College (the College).

This report summarizes our audit, the reports issued and various analyses and observations related to the College's accounting and reporting. The document also contains the communications required by our professional standards.

The audit was designed, primarily, to express an opinion on the College's September 30, 2023 financial statements. We considered the College's current and emerging business needs, along with an assessment of risks that could materially affect the financial statements, and aligned our audit procedures accordingly. We conducted the audit with the objectivity and independence that you expect. We received the full support and assistance of the College's personnel.

At Carr, Riggs & Ingram, LLC (CRI), we are continually evaluating the quality of our professionals' work in order to deliver audit services of the highest quality that will meet or exceed your expectations. We encourage you to provide any feedback you believe is appropriate to ensure that we do not overlook a single detail as it relates to the quality of our services.

This report is intended solely for the information and use of the Alabama Community College System, the College, management and others within the College and should not be used by anyone other than these specified parties.

We appreciate this opportunity to meet with you.

Very truly yours,

CARR, RIGGS & INGRAM, LLC  
Birmingham, Alabama



As discussed with management during our planning process, our audit plan represented an approach responsive to the assessment of risk for the College. Specifically, we planned and performed our audit to:

- Perform audit services 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, in order to express an opinion on the College's financial statements for the year ending September 30, 2023;
- 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*;
- Communicate directly with the Alabama Community College System and College management regarding the results of our procedures;
- Address with the Alabama Community College System and College management any accounting and financial reporting issues; and
- Anticipate and respond to concerns of the Alabama Community College System and College management.



We have audited the financial statements of the College for the year ended September 30, 2023, and have issued our report thereon dated January 16, 2024. Professional standards require that we provide you with the following information related to our audit:

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<b>Auditors' responsibility under Generally Accepted Auditing Standards and <i>Governmental Auditing Standards</i>.</b>	<p>As stated in our engagement letter dated June 28, 2023, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (GAAP). Our audit of the financial statements does not relieve you or management of your responsibilities.</p> <p>As part of our audit, we considered the internal control of the College over financial reporting. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.</p>
<b>Client's responsibility</b>	<p>Management, with oversight from those charged with governance, is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with the applicable framework. Management is responsible for the design and implementation of programs and controls to prevent and detect fraud. Management is responsible for overseeing nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.</p>
<b>Planned scope and timing of the audit</b>	<p>Our initial audit plan was not significantly altered during our fieldwork.</p>
<b>Management judgments and accounting estimates</b>	<p>Please see the following section titled "Accounting Policies, Judgments and Sensitive Estimates and CRI Comments on Quality".</p>
<b>Potential effect on the financial statements of any significant risks and exposures</b>	<p>No such risks or exposures disclosed.</p>



MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<p><b>Significant accounting policies, including critical accounting policies and alternative treatments within generally accepted accounting principles (GAAP) and the auditors' judgment about the quality of accounting principles</b></p>	<p>The significant accounting policies used by the College are described in Note 1 to the financial statements. New accounting policies were adopted during the fiscal year as a result of the following recently issued accounting pronouncements:</p> <ul style="list-style-type: none"> <li>• GASB Statement No. 96, <i>Subscription-Based Information Technology Arrangements</i></li> </ul> <p>See Notes 8 and 14 to the financial statements regarding the effect of implementing GASB Statement No. 96.</p> <p>We noted no transactions entered into by the College during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.</p> <p>Further, the disclosures in the College's financial statements are neutral, consistent, and clear.</p>
<p><b>Significant difficulties encountered in the audit</b></p>	<p>We encountered no significant difficulties in dealing with management in performing and completing our audit.</p>
<p><b>Disagreements with management</b></p>	<p>We are pleased to report that no such disagreements arose during the course of our audit.</p>
<p><b>Other findings or issues</b></p>	<p>None noted.</p>
<p><b>Matters arising from the audit that were discussed with, or the subject of correspondence with, management</b></p>	<p>The College is considered a component unit of the State of Alabama. The financial statements of the College do not purport to and do not present the financial position of the State of Alabama as of September 30, 2023, and the changes in its financial position for the year then ended. Due to the significance of this matter, an emphasis of matter paragraph was added to the independent auditors' report.</p> <p>The College implemented GASB Statement No. 96, <i>Subscription-Based Information Technology Arrangements</i>. Due to the significance of this change in accounting principle, an emphasis of matter paragraph was added to the independent auditors' report.</p>
<p><b>Corrected and uncorrected misstatements</b></p>	<p>See "Summary of Audit Adjustments" section.</p>



MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
Major issues discussed with management prior to retention	Discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.
Consultation with other accountants	To our knowledge, there were no such consultations with other accountants.
Written representations	See "Management Representation Letter" section.
Internal control deficiencies	See Independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i> within the Financial Statement report.
Fraud and illegal acts	We are unaware of any fraud or illegal acts involving management or causing material misstatement of the financial statements.
Other information in documents containing audited financial statements	<p>Our responsibility related to documents (including annual reports, websites, etc.) containing the financial statements is to read the other information to consider whether:</p> <ul style="list-style-type: none"> <li>• Such information is materially inconsistent with the financial statements; and</li> <li>• We believe such information represents a material misstatement of fact.</li> </ul> <p>We have not been provided any such items to date and are unaware of any other documents that contain the audited financial statements.</p>
Significant unusual accounting transactions	No significant unusual accounting transactions were noted during the year.
Required Supplementary Information	We applied certain limited procedures to the required supplementary information (RSI) that supplements the financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.



MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<b>Other information in documents containing audited financial statements</b>	<p>Our responsibility related to documents (including annual reports, websites, etc.) containing the financial statements is to read the other information to consider whether:</p> <ul style="list-style-type: none"><li>• Such information is materially inconsistent with the financial statements; and</li><li>• We believe such information represents a material misstatement of fact.</li></ul> <p>We have not been provided any such items to date and are unaware of any other documents that contain the audited financial statements.</p>

## Accounting Policies, Judgments and Sensitive Estimates & CRI Comments on Quality



We are required to communicate our judgments about the quality, not just the acceptability, of the College's accounting principles as applied in its financial reporting. We are also required to communicate critical accounting policies and sensitive accounting estimates. Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The College may wish to monitor throughout the year the process used to compute and record these accounting estimates. The table below summarizes our communications regarding these matters.

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	AUDITORS' CONCLUSION ON QUALITY OF ACCOUNTING POLICY & APPLICATION
<b>Allowance for Doubtful Accounts</b>	The College records an allowance against accounts receivable that may not be collectible in future periods.	X	Judgments in this area related to the estimate of the amount of accounts receivable that is not collectible.	We evaluated the factors and assumptions used in developing management's estimate in determining that it is reasonable in relation to the financial statements as a whole.
<b>Depreciation of Property and Equipment, net</b>	The College depreciates assets over the expected remaining useful life of the individual asset.	X	Judgments in this area relate to the estimate of the remaining useful life of the asset.	The College's recognition methods and disclosures appear appropriate.
<b>Leases</b>	As the College enters into a lease (as lessor), a lease receivable and deferred inflow of resources are recorded at the net present value. Revenue from the lease agreement is recognized in a systematic and rational manner over the lease term.	X	Judgment involves determining the lease term and estimating the incremental borrowing rate used to determine the net present value.	We evaluated the factors and assumptions used in developing management's estimate in determining that it is reasonable in relation to the financial statements as a whole.



## Accounting Policies, Judgments and Sensitive Estimates & CRI Comments on Quality



AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	AUDITORS' CONCLUSION ON QUALITY OF ACCOUNTING POLICY & APPLICATION
	As the College enters into a lease (as lessee), a right-to-use asset and lease liability is recorded. The lease asset is recorded at the initial measurement of the lease liability. The lease liability is measured at the present value of payments expected to be made during the lease term.			
<b>SBITAs</b>	<p>The right-to-use subscription asset is measured at the amount of the initial measurement of the subscription liability.</p> <p>The subscription liability is measured at the present value of payments expected to be made during the lease term.</p>	X	Judgment involves determining the subscription term and estimating the incremental borrowing rate used to determine the net present value.	We evaluated the factors and assumptions used in developing management's estimate in determining that it is reasonable in relation to the financial statements as a whole.
<b>Investments</b>	The College follows the provisions of Section 150: Investments, of the GASB Codification when reporting investments	X	The College relies on investment valuation information from the investment manager based upon financial market information to determine current or fair value.	The College's policies are in accordance with applicable guidelines and GASB. We have evaluated the fair value of investments at year end.

**Accounting Policies, Judgments and Sensitive Estimates  
& CRI Comments on Quality**



AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	AUDITORS' CONCLUSION ON QUALITY OF ACCOUNTING POLICY & APPLICATION
<b>Compensated Absences</b>	<p>Liabilities for compensated absences attributable to services already rendered are accrued as employees earn the rights to those benefits.</p> <p>The College follows the provisions of Section C60: Compensated Absences, of the GASB Codification when reporting these liabilities.</p>	X	The College estimates the accrued liabilities for compensated absences using leave balances accrued at the end of the fiscal year and the pay rate in effect for each employee as of the end of the fiscal year.	The College's policies are in accordance with all applicable accounting guidelines and GASB.
<b>Defined Benefit Pension Plan</b>	The College participates in the Teachers Retirement System (TRS), a cost sharing multiple-employer plan administered by Retirement Systems of Alabama (RSA). RSA utilizes an independent actuary to estimate for each participating employer their proportionate share of the total pension liability, fiduciary net position, related deferred outflows/inflows and actuarially required contributions in accordance with the provisions of GASB 68.	X	Key assumptions utilized by the actuary in making the estimates in accordance with GASB 68. The total pension liability was determined by an actuarial valuation as of September 30, 2021, with a measurement date of September 30, 2022.	We evaluated the assumptions used by the actuary in estimating the College's proportionate share of the total pension liability, the fiduciary net position, and the related deferred outflows/inflows and found them to be in accordance with the provisions of GASB 68 and reasonable in relation to the financial statements taken as a whole.

## Accounting Policies, Judgments and Sensitive Estimates & CRI Comments on Quality



AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	AUDITORS' CONCLUSION ON QUALITY OF ACCOUNTING POLICY & APPLICATION
<b>Defined Benefit Other Post Employment Benefit Plan</b>	The College participates in the Alabama Retired Education Employees Health Care Trust administered by PEEHIP), a cost sharing multiple-employer plan administered by the Alabama Public Education Employees' Health Insurance Plan (PEEHIP). PEEHIP utilizes an independent actuary to estimate for each participating employer their proportionate share of the total OPEB liability, fiduciary net position, related deferred outflows/inflows and actuarially required contributions in accordance with the provisions of GASB 75.	X	<p>The OPEB liability is projected using methods and assumptions as provided in the most recent actuarial valuation, in accordance with the provisions of GASB Statement No. 75. Health care cost trend rates were based on market assessments.</p> <p>The OPEB liability was determined by an actuarial valuation as of September 30, 2021, with a measurement date of September 30, 2022.</p>	We evaluated the assumptions used by the actuary in determining the total OPEB liability and found them to be in accordance with the provisions of GASB 75 and reasonable in relation to the financial statements taken as a whole.



During the course of our audit, we accumulate differences between amounts recorded by the College and amounts that we believe are required to be recorded under GAAP reporting guidelines. Those adjustments are either recorded (corrected) by the College or passed (uncorrected). Uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even if, in the auditors' judgment, such uncorrected misstatements are immaterial to the financial statements under audit.

**Passed (Uncorrected) Adjustments:**

58,308	Accrued Liabilities
(58,308)	Salaries and Wages

*To adjust payroll accrual to actual*

**QUALITATIVE MATERIALITY CONSIDERATIONS**

In evaluating the materiality of audit differences when they do arise, we consider both quantitative and qualitative factors, for example:

- Whether the difference arises from an item capable of precise measurement or whether it arises from an estimate, and, if so, the degree of imprecision inherent in the estimate.
- Whether the difference masks a change in earnings or other trends.
- Whether the difference changes a net decrease in assets to addition, or vice versa.
- Whether the difference concerns an area of the College's operating environment that has been identified as playing a significant role in the College's operations or viability.
- Whether the difference affects compliance with regulatory requirements.
- Whether the difference has the effect of increasing management's compensation – for example, by satisfying requirements for the award of bonuses or other forms of incentive compensation.
- Whether the difference involves concealment of an unlawful transaction.



# WALLACE STATE

HANCEVILLE • ONEONTA

Office of the President

January 16, 2024

Carr, Riggs & Ingram, LLC  
3700 Colonnade Parkway, #300  
Birmingham, AL 37243

This representation letter is provided in connection with your audit of the financial statements of Wallace State Community College, which comprise the respective financial position of the College as of September 30, 2023, and the respective changes in financial position and cash flows for the year then ended, and the disclosures (collectively the "financial statements"), for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, as of January 16, 2024, the following representations made to you during your audit.

#### Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 28, 2023, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud



Carr, Riggs and Ingram, LLC  
Page 2  
01/16/2024

- 5) The methods, significant assumptions, and data used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- 8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of uncorrected misstatements is attached to the representation letter.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the College is contingently liable, if any, have been properly recorded or disclosed.

## Information Provided

- 11) We have provided you with:
  - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
  - b) Additional information that you have requested from us for the purpose of the audit.
  - c) Unrestricted access to persons within the College from whom you determined it necessary to obtain audit evidence.
  - d) Minutes of the meetings of the ACCS Board of Trustees or summaries of actions of recent meetings for which minutes have not yet been prepared.



Carr, Riggs and Ingram, LLC  
Page 3  
01/16/2024

- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 14) We have no knowledge of any fraud or suspected fraud that affects the College and involves:
  - Management,
  - Employees who have significant roles in internal control, or
  - Others where the fraud could have a material effect on the financial statements.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the College's financial statements communicated by employees, former employees, regulators, or others.
- 16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.
- 17) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 18) We have disclosed to you the names of the College's related parties and all the related party relationships and transactions, including any side agreements.

### Government-specific

- 19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 20) We have identified to you any previous audits, attestation engagements, and other studies related to the objectives of the audit and whether related recommendations have been implemented





Carr, Riggs and Ingram, LLC

Page 4

01/16/2024

- 21) We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
- 22) The College has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.
- 23) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 24) We have identified and disclosed to you all instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts and grant agreements that we believe has a material effect on the financial statements.
- 25) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 26) As part of your audit, you assisted with the preparation of the financial statements and related notes, required supplementary information (except for Management's Discussion and Analysis) and related notes and additional information of the College in conformity with U.S. generally accepted accounting principles, and any other nonattest services. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual within senior management who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for the financial statements and related notes, required supplementary information and related notes and additional information of the College in conformity with U.S. generally accepted accounting principles, and any other nonattest services.
- 27) The College has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral





Carr, Riggs and Ingram, LLC  
Page 5  
01/16/2024

- 28) The College has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 29) The College has no component units, majority equity interests in legally separate organizations or joint ventures with an equity interest to be reported.
- 30) The College has no fiduciary activities required to be reported by [GASB Statement No. 84](#).
- 31) The financial statements properly classify all funds and activities in accordance with [GASB Statement No. 34 as amended](#).
- 32) All funds that meet the quantitative criteria in [GASBS Nos. 34](#) and [37](#) for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 33) Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified.
- 34) Investments, derivative investment transactions, and land and other real estate held by endowments are properly valued.
- 35) Provisions for uncollectible receivables have been properly identified and recorded.
- 36) Expenses have been appropriately classified in or allocated to functions in the statement of revenues, expenses and changes in net position, and allocations have been made on a reasonable basis.
- 37) Revenues are appropriately classified in the statement of revenues, expenses and changes in net position within operating and nonoperating revenues and contributions.
- 38) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 39) Deposits and investment securities and derivative instrument transactions are properly classified as to risk and are properly disclosed.
- 40) Capital assets, including intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.
- 41) We have appropriately disclosed the College's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for



Carr, Riggs and Ingram, LLC  
Page 6  
01/16/2024

- 42) purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 43) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

Signature: Kicki P. Karolusiewicz  
Title: President

Signature: Mary Helen Ingram  
Title: CFO