Report on the

Southern Union State Community College

Wadley, Alabama

October 1, 2016 through September 30, 2017

Filed: March 2, 2018

Department of Examiners of Public Accounts

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Ronald L. Jones, Chief Examiner

18-129

State of Alabama
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Ronald L. Jones
Chief Examiner

Honorable Ronald L. Jones
Chief Examiner of Public Accounts
Montgomery, Alabama 36130

Dear Sir:

Under the authority of the ***Code of Alabama 1975***, Section 41-5-21, we submit this report on the results of the audit of Southern Union State Community College, Wadley, Alabama, for the period October 1, 2016 through September 30, 2017.

Respectfully submitted,

Tom L Tolley

Tom L. Tolley
Examiner of Public Accounts

William McBride

William McBride, Jr.
Examiner of Public Accounts

Sworn to and subscribed before me this the 22nd day of February, 20 18.

Kelly D. Matthews
Notary Public

Sworn to and subscribed before me this the 22nd day of February, 20 18.

Kelly D. Matthews
Notary Public

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Table of Contents

Page

Summary A

Contains items pertaining to state and federal legal compliance, College operations and other matters.

Comments C

Contains information pertaining to College operations, compliance and other matters.

Independent Auditor's Report D

Reports on whether the financial information constitutes a fair presentation of the financial position and results of financial operations in accordance with generally accepted accounting principles (GAAP).

Management's Discussion and Analysis H

Provides information required by the Governmental Accounting Standards Board (GASB) that is prepared by management of the College introducing the basic financial statements and providing an analytical overview of the College's financial activities for the year. This information has not been audited, and no opinion is provided about the information.

Basic Financial Statements 1

Provides the minimum combination of financial statements and notes to the financial statements that are required for the fair presentation of the College's financial position and results of operations in accordance with GAAP.

Southern Union State Community College

Exhibit #1 Statement of Net Position 2

Exhibit #2 Statement of Revenues, Expenses and Changes in Net Position 4

Exhibit #3 Statement of Cash Flows 6

Notes to the Financial Statements 8

Table of Contents

		Page
Required Supplementary Information		30

Provides information required by the GASB to supplement the basic financial statements. This information has not been audited and no opinion is provided about the information.

Exhibit #4	Schedule of the College's Proportionate Share of the Net Pension Liability	31
Exhibit #5	Schedule of the College's Contributions	32

Supplementary Information 33

Contains financial information and notes relative to federal financial assistance.

Exhibit #6	Schedule of Expenditures of Federal Awards	34

Notes to the Schedule of Expenditures of Federal Awards 36

Additional Information 37

Provides basic information related to the entity, including reports and items required by generally accepted government auditing standards and/or Title 2 U. S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*** (*Uniform Guidance*) for federal compliance audits.

Exhibit #7	**College Officials –** a listing of the College officials.	38
Exhibit #8	**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* –** a report on internal controls related to the financial statements and on whether the College complied with laws and regulations which could have a direct and material effect on the College's financial statements.	39

Table of Contents

		Page
Exhibit #9	**Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the *Uniform Guidance* –** a report on internal controls over compliance with requirements of laws, regulations, contracts, and grants applicable to major federal programs and an opinion on whether the College complied with laws, regulations, and the provisions of contracts or grant agreements which could have a direct and material effect on each major program.	41
Exhibit #10	**Schedule of Findings and Questioned Costs –** a schedule summarizing the results of audit findings relating to the financial statements as required by ***Government Auditing Standards*** and findings and questioned costs for federal awards as required by the *Uniform Guidance*.	44

Department of
Examiners of Public Accounts

SUMMARY

Southern Union State Community College
October 1, 2016 through September 30, 2017

Southern Union State Community College (the "College") serves residents of an eight county area of East Central Alabama as well as neighboring Georgia counties from its campuses in Wadley, Valley and Opelika. Southern Union State Community College provides general education at the freshman and sophomore levels leading to the Associate in Science degree that is designated to facilitate transfer to a senior college or university. Southern Union State Community College also provides the following technical, vocational and career education programs that prepare students for employment in an occupational field and leads to certificates and/or Associate in Applied Science or Associate in Occupational Technologies degrees: Business Management and Supervision; Child Development; Computer Science; Office Management; Engineering Graphics and Design; Industrial Electricity/Electronics; Manufacturing Technology; Air Conditioning and Refrigeration; Automotive Service Technology; Cosmetology; Machine Shop Technology; Welding Technology; Emergency Medical Technology; Associate Degree Nursing; Radiologic Technology; Surgical Technology; and Practical Nursing.

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

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 41-5-14.

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, 2017.

There were no findings in the prior audit.

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

The following officials/employees were invited to an exit conference to discuss the results of this audit: Dr. William Blow, Interim President; Ben Jordan, Vice-President of Finance and Administrative Services; and Jimmy Baker, Chancellor of the Alabama Community College System. The following individuals attended the exit conference: Dr. William Blow, Interim President; Ben Jordan, Vice-President of Finance and Administrative Services; Marty Kirby, Director of Accounting; Melissa Todd, Director of Financial Aid; and Tiffany Sanders, Dean of Student Services. Bryan Helms, Vice-Chancellor for Administrative and Financial Services; Sara Calhoun, Executive Director of Fiscal Services; Linda Jones, Assistant Director of Fiscal Services; Todd Russell, Senior Associate Counsel; and Akeem Alexander, Compliance Accountant of the Alabama Community College System attended via teleconference. Representing the Department of Examiners of Public Accounts was: Melissa Knepper, Audit Manager.

Department of
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COMMENTS

Southern Union State Community College
October 1, 2016 through September 30, 2017

Southern Union State Community College (the "College") was formed on August 12, 1993, when the Alabama State Board of Education effectively merged Southern Union State Junior College, located in Wadley with Opelika State Technical College in Opelika. Final approval was granted on August 11, 1994.

The older of the two colleges, Southern Union, was chartered as Bethlehem College on June 2, 1922, by the Southern Christian Convention of Congregational Christian Churches. From its opening with 51 students in a single building on September 13, 1923, until 1964, the College remained church related, operating as Piedmont Junior College, Southern Union College, and The Southern Union College. On October 1, 1964, the College was deeded to the State of Alabama and became part of a newly created system of two-year Colleges under the governance of the Alabama State Board of Education. The name of the College became Southern Union State Junior College, and it achieved accreditation in 1970 from the Southern Association of Colleges and Schools.

Opelika State Technical College was created by an act of the Alabama State Legislature on May 3, 1963, in response to a recognized need to establish vocational/technical colleges in industrial areas of Alabama. Contributions of local governmental entities such as the Lee County Commission, which donated 63 acres of land for the College site, and the City of Opelika, which provided access to utility services, helped make the College a reality. The College opened on January 10, 1966, as Opelika State Vocational Technical Institute but was designated Opelika State Technical College on August 22, 1973, by the Alabama State Board of Education and accredited in 1971 by the Southern Association of Colleges and Schools.

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Independent Auditor's Report

Independent Auditor's Report

Mr. Jimmy Baker, Chancellor – Alabama Community College System
Dr. William Blow, Interim President – Southern Union State Community College,
Wadley, Alabama 36276

Report on the Financial Statements

We have audited the accompanying basic financial statements of Southern Union State Community College, as of and for the year ended September 30, 2017, and related notes to the financial statements which collectively comprise Southern Union State Community College's basic financial statements as listed in the table of contents as Exhibits 1 through 3.

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 basic 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 opinion.

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Southern Union State Community College, as of September 30, 2017, and its changes in financial position, and where applicable, 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 Net Pension Liability and Schedule of the College's Contributions 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 Southern Union State Community College's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 6) is presented for the purposes of additional analysis as required 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 also not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and directly relates to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 January 30, 2018, on our consideration of Southern Union 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 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 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 Southern Union State Community College's internal control over financial reporting and compliance.

Ronald L. Jones
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

January 30, 2018

Management's Discussion and Analysis (Required Supplementary Information)

Southern Union State Community College
Management's Discussion and Analysis

Overview of the Financial Statements and Financial Analysis

In the accompanying documentation, Southern Union State Community College presents its financial statements for fiscal year 2016-2017, with comparative data for fiscal year 2016-2017. This report of the College's financial statements provides an overview of financial activities and emphasizes current year data. There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

Statement of Net Position

The Statement of Net Position presents the assets, deferred outflow of resources, liabilities, deferred inflow of resources, and net position of the College at September 30, 2017. The Statement of Net Position is a point in time financial statement which presents the readers of the financial statements a fiscal snapshot of Southern Union State Community College. The Statement of Net Position presents end-of-year data concerning assets (current and noncurrent), liabilities (current and noncurrent), deferred outflows and inflows of resources, and net position. From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the institution. They are also able to determine how much the institution owes vendors, investors, and lending institutions. In summary, the Statement of Net Position provides a picture of the availability of assets for expenditure by the institution.

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

The following table shows that the total net position of the institution decreased $330,000 from the prior year. Consumption of assets follows the institutional philosophy to use available resources to acquire and improve all areas of the institution to better serve the instruction and public service missions of the institution.

Statement of Net Position
(thousands of dollars)

	2016-2017	2015-2016
Assets:		
Current Assets	$ 19,550	$ 20,503
Capital Assets, Net	107,908	107,764
Other Assets	2,822	2,809
Total Assets	130,280	131,076
Deferred Outflow of Resources:		
Total Deferred Outflow of Resources	3,438	3,091
Liabilities:		
Current Liabilities	9,745	8,942
Noncurrent Liabilities	51,084	53,099
Total Liabilities	60,829	62,041
Deferred Inflow of Resources:		
Total Deferred Inflow of Resources	1,478	385
Net Position:		
Net Investment in Capital Assets	76,101	74,383
Restricted – Expendable	3,576	3,595
Unrestricted	(8,266)	(6,237)
Total Net Position	$ 71,411	$ 71,741

Statement of Revenues, Expenses and Changes in Net Position

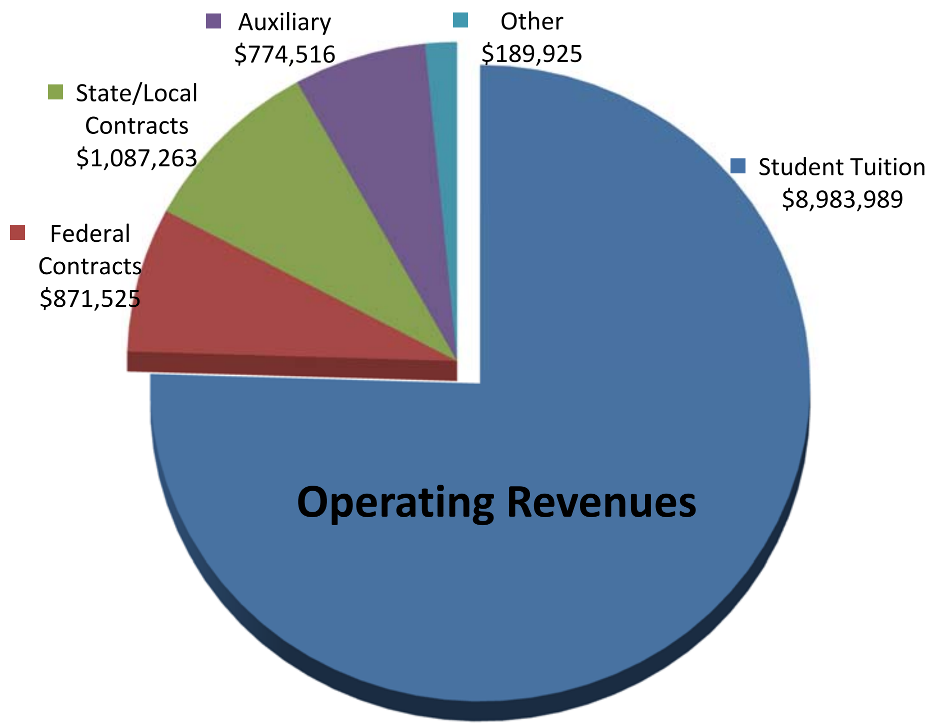
Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present the revenues received by the institution, both operating and non-operating, and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

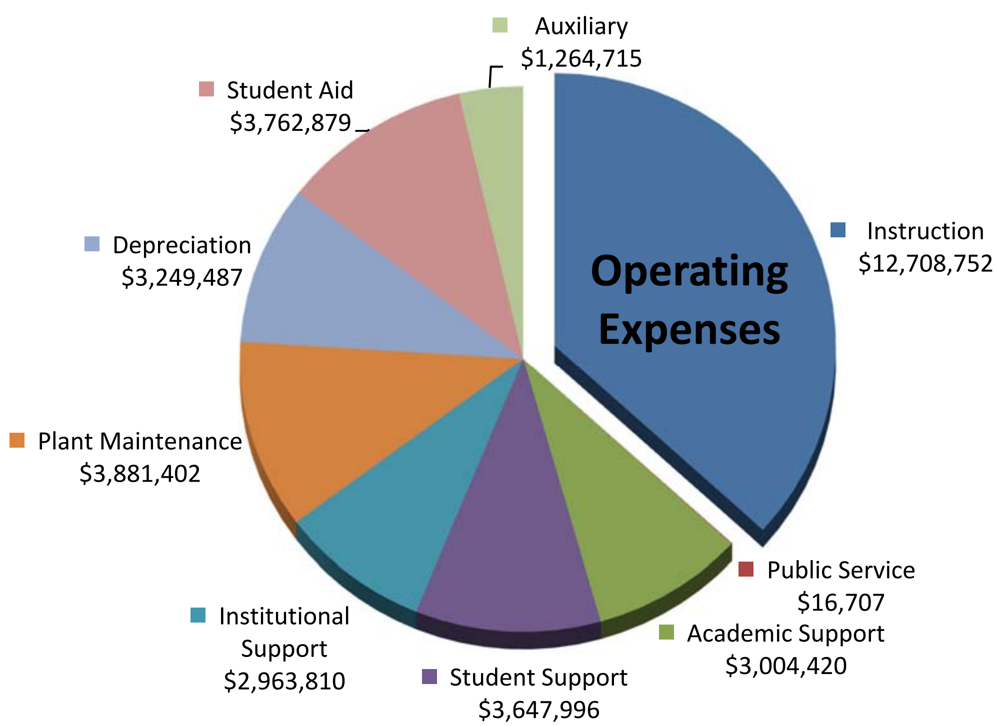
Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the institution. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues and to carry out the mission of the institution. Non-operating revenues are revenues received for which goods and services are not provided. For example state appropriations are non-operating because they are provided by the Legislature to the institution without the Legislature directly receiving commensurate goods and services for those revenues.

Statement of Revenues, Expenses and Changes in Net Position
(thousands of dollars)

	2016-2017	2015-2016
Operating Revenues	$ 11,907	$ 12,140
Operating Expenses	(34,500)	(33,457)
Operating Loss	(22,593)	(21,317)
Non-operating Revenues	23,528	23,543
Non-operating Expenses	(1,265)	(2,341)
Income (Loss) Before Other Revenues, Expenses Gains or Losses	(330)	(115)
Other Revenues, Expenses, Gains or Losses		
Increase in Net Position	(330)	(115)
Net Position – Beginning of Year	71,741	71,856
Net Position – End of Year	$ 71,411	$ 71,741

Some highlights of the information presented on the Statement of Revenues, Expenses, and Changes in Net Position are included in the exhibits on the following page. The largest operating revenue is student tuition and the largest operating expense is instruction. The auxiliary services of dining hall, residence hall, and print shop are self-supporting.


Auxiliary
$774,516
Other
$189,925
State/Local
Contracts
$1,087,263
Student Tuition
$8,983,989
Federal
Contracts
$871,525
Operating Revenues


Auxiliary
$1,264,715
Student Aid
$3,762,879
Instruction
$12,708,752
Operating
Expenses
Depreciation
$3,249,487
Plant Maintenance
$3,881,402
Public Service
$16,707
Academic Support
$3,004,420
Institutional
Support
$2,963,810
Student Support
$3,647,996

Statement of Cash Flows

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

Cash Flows for the Year Ended September 30, 2017
(thousands of dollars)

	2016-2017	2015-2016
Cash Provided (Used) by		
Operating Activities	$(18,533)	$(19,423)
Nonoperating Activities	23,411	23,428
Capital and Related Financing Activities	(6,118)	(13,972)
Investing Activities	27	4,609
Net Change in Cash	(1,213)	(5,358)
Cash – Beginning of Year	13,556	18,914
Cash – End of Year	$ 12,343	$ 13,556

Economic Outlook

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 2017-2018.

The College's overall financial position is strong. The College expects enrollment growth and anticipates the current fiscal year will be as good as the last. The College will maintain a close watch over resources to assure the College's ability to react to unexpected internal and external issues.

See the Notes to the Financial Statements for significant capital asset and long term debt activity.

Basic Financial Statements

Statement of Net Position
September 30, 2017

ASSETS		
Current Assets		
Cash and Cash Equivalents	$	12,342,690.82
Short-Term Investments		3,662,912.73
Accounts Receivable, Net		2,787,376.65
Inventories		33,732.25
Deposit with Bond Trustee		692,607.05
Prepaid Expense		30,776.34
Total Current Assets		19,550,095.84
Noncurrent Assets		
Deposits with Bond Trustee		2,821,562.87
Capital Assets:		
Land		1,097,551.88
Buildings		116,463,634.52
Improvements Other Than Buildings		5,088,143.29
Equipment and Furniture		8,216,263.03
Library Holdings		730,650.32
Construction in Progress		8,124,145.96
Less: Accumulated Depreciation		(31,812,443.47)
Total Capital Assets, Net of Depreciation		107,907,945.53
Total Noncurrent Assets		110,729,508.40
Total Assets		130,279,604.24
Deferred Outflow of Resources		
Loss on Bond Refunding		300,255.93
Pension		3,138,472.07
Total Deferred Outflow of Resources	$	3,438,728.00

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

LIABILITIES	
Current Liabilities	
Accounts Payable and Accrued Liabilities	$ 2,695,863.98
Bond Surety Fee Payable	15,715.97
Deposit Liabilities	555,759.72
Unearned Revenue	4,716,573.06
Bonds Payable	1,687,203.31
Compensated Absences	74,027.38
Total Current Liabilities	9,745,143.42
Noncurrent Liabilities	
Compensated Absences	666,246.37
Net Pension Liability	20,272,140.00
Bonds Payable	30,145,846.39
Total Noncurrent Liabilities	51,084,232.76
Total Liabilities	60,829,376.18
Deferred Inflow of Resources	
Pension	1,477,920.00
Total Deferred Inflow of Resources	1,477,920.00
NET POSITION	
Net Investment in Capital Assets	76,101,175.20
Restricted for:	
Expendable:	
Debt Service	3,514,169.92
Scholarships and Fellowships	27,284.57
Loans	24,029.17
Other	10,774.54
Unrestricted	(8,266,397.34)
Total Net Position	$ 71,411,036.06

Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended September 30, 2017

OPERATING REVENUES		
Student Tuition and Fees (Net of Scholarship Allowances of $6,897,909.07)	$	8,983,988.90
Sales and Services of Educational Departments		6,109.03
Federal Grants and Contracts		871,524.71
State and Local Grants and Contracts		1,087,263.15
Nongovernmental Grants and Contracts		13,000.00
Other Operating Revenues		170,815.84
Auxiliary Enterprises (Net of Scholarship Allowances of $203,530.16):		
Vending		12,248.60
Housing		145,042.52
Food Services		309,147.89
Other		308,076.55
Total Operating Revenues		11,907,217.19
OPERATING EXPENSES		
Instruction		12,708,752.26
Public Service		16,706.79
Academic Support		3,004,419.52
Student Services		3,647,995.95
Operation and Maintenance		3,881,401.87
Institutional Support		2,963,810.29
Scholarships and Financial Aid		3,762,878.87
Auxiliary Enterprises		1,264,714.77
Depreciation		3,249,486.70
Total Operating Expenses		34,500,167.02
Operating Income (Loss)	$	(22,592,949.83)

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

NONOPERATING REVENUES (EXPENSES)	
State Appropriations	$ 15,186,008.00
Federal Grants	8,282,826.65
Investment Income	56,678.34
Bond Surety Fee Expense	(80,133.68)
Sale of Property	1,959.00
Interest on Indebtedness	(1,136,968.75)
Other Nonoperating Expense	(47,820.87)
Net Nonoperating Revenues	22,262,548.69
Changes in Net Position	(330,401.14)
Total Net Position - Beginning of Year	71,741,437.20
Total Net Position - End of Year	$ 71,411,036.06

Statement of Cash Flows
For the Year Ended September 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees	$ 9,234,096.65
Grants and Contracts	1,731,695.08
Payments for Benefits	(4,711,113.65)
Payments to Suppliers	(5,490,797.85)
Payments to Employees	(14,892,657.79)
Payments to Utilities	(1,601,492.65)
Payments for Scholarships	(3,762,878.87)
Sales and Services of Educational Activities	6,109.03
Auxiliary Enterprise	785,769.46
Other Receipts (Payments)	168,161.04
Net Cash Provided (Used) by Operating Activities	(18,533,109.55)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	15,186,008.00
Bond Surety Fee Expense	(81,597.53)
Federal Grants	8,267,850.73
Loan Receipts	6,269,517.36
Loan Disbursements	(6,269,517.36)
Deposits Held for Others	86,896.55
Gifts	1,000.00
Other	(48,820.87)
Net Cash Provided (Used) by Noncapital Financing Activities	23,411,336.88
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of Capital Assets	(3,392,996.12)
Principal Paid on Capital Debt	(1,632,203.31)
Interest Paid on Capital Debt	(1,079,032.08)
Trustee Deposits	(15,901.13)
Proceeds from Sale of Property	1,959.00
Net Cash Provided (Used) by Capital and Related Financing Activities	(6,118,173.64)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	56,380.55
Proceeds from Sale and Maturities of Investments	(29,344.80)
Net Cash Provided (Used) by Investing Activities	27,035.75
Net Increase (Decrease) in Cash and Cash Equivalents	(1,212,910.56)
Cash and Cash Equivalents - Beginning of Year	13,555,601.38
Cash and Cash Equivalents - End of Year	$ 12,342,690.82

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

<u>Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities:</u>	
Operating Income (Loss)	$ (22,592,949.83)
<u>Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</u>	
Depreciation Expense	3,249,486.70
Changes in Assets and Liabilities:	
(Increase)/Decrease in Receivables, Net	(213,953.00)
(Increase)/Decrease in Deferred Outflow	(419,507.03)
(Increase)/Decrease in Inventory	(2,830.12)
(Increase)/Decrease in Other Assets	5,216.24
Increase/(Decrease) in Accounts Payable	442,495.87
Increase/(Decrease) in Pension Liability	(339,860.00)
(Increase)/Decrease in Deferred Inflow	1,092,920.00
Increase/(Decrease) in Unearned Revenue	232,567.07
Increase/(Decrease) in Compensated Absences	13,304.55
Net Cash Provided (Used) by Operating Activities	$ (18,533,109.55)

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Note 1 – Summary of Significant Accounting Policies

The financial statements of Southern Union State Community 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 Southern Union State Community College are described below.

A. Reporting Entity

For financial reporting purposes, Southern Union State Community College is part of the primary government of the State of Alabama. The State of Alabama, through the 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 Southern Union State Community College.

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

The financial statements of Southern Union 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.

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. Deposits and Investments

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

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

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

2. Receivables

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

3. Inventories

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

4. Capital Assets

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

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

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

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

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

5. Deferred Outflows of Resources

Deferred outflow of resources is 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.

6. Long-Term Obligations

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

7. 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.

8. 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.

9. 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.

10. Pensions

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

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

- ***Restricted:***

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

  - ✓ ***Expendable*** **–** Net position whose use by the College is subject to externally imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time. 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 net position may be designated for specific purposes by action of management or the Alabama Community College System Board of Trustees.

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

Note 2 – Deposits and Investments

A. Deposits

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

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

B. Investments

The College may invest its funds in securities and investments authorized by the ***Code of Alabama 1975***, Section 16-13-2, Sections 27-1-8 and 27-1-9, and Sections 27-41-1 through 27-41-41. These laws provide that the College may 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 of the United States of America that meet specified criteria. The College's investment policy permits investments in the following: 1) U. S. Treasury bills, notes, bonds, and stripped Treasuries 2) U. S. Agency notes, bonds, debentures, discount notes and certificates, 3) certificates of deposit (CDs), checking and money market accounts of savings and loan associations, mutual savings banks, or commercial banks whose accounts are insured by FDIC/FSLIC, and who are designated a Qualified Public Depository (QPD) under the SAFE Program; 4) mortgage backed securities (MBSs), 5) mortgage-related securities including collateralized mortgage obligations (CMOs) and real estate mortgage investment conduits (REMIC) securities, 6) repurchase agreements, and 7) stocks and bonds which have been donated to the institution.

The Statement of Net Position current investment classification consists of a non-negotiable certificate of deposit in the amount of $3,662,912.73. Certificates of deposit are not subject to risk categorization because they are considered deposits for the purpose of this note.

At September 30, 2017, the College had $3,514,169.92 in accounts administered by its bond trustee. In accordance with the covenants of the College's Revenue Bonds, Series 2009, and 2012, the trustee is permitted to invest these funds in direct general obligations of the United States or securities the payment of which is unconditionally guaranteed by the United States. All instruments purchased are deemed money market instruments as defined in rule 2a7 and priced at amortized cost.

The entire balance on deposit with the trustee is invested in First American Funds which consist of Treasury securities and Treasury repurchase agreements. The fund is rated AAAm by Standard & Poor's and Aaa-mf by Moody's.

To the extent available, the College's investments are recorded at fair value as of September 30, 2017. GASB Statement Number 72 – Fair Value Measurement and Application, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

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

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

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

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

		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
Investments by Fair Value Level	09/30/2017	Level 1	Level 2	Level 3
Certificates of Deposit	$3,662,912.73			
Money Market (*)	3,514,169.92			
Total	$7,177,082.65			

(*) All instruments purchased are deemed money market instruments as defined in rule 2a7 and priced at amortized cost.

Note 3 – Receivables

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

Accounts Receivable	
Federal	$ 561,743.21
State Grants	432,677.94
Student	1,043,760.81
Third Party	1,224,713.57
Returned Checks	38,430.53
Interest	1,110.98
Loan	469.00
Other	34,683.00
Auxiliary Fund	221,074.78
Allowance	(771,287.17)
Total Receivables	$2,787,376.65

Note 4 – Capital Assets

Capital asset activity for the year ended September 30, 2017, was as follows:

	Beginning Balance	Additions	Deletions	Adjustments/ Reclassifications	Ending Balance
Land	$ 1,097,551.88	$	$	$	$ 1,097,551.88
Buildings	76,652,018.09			39,811,616.43	116,463,634.52
Improvements Other Than Buildings	4,398,761.20			689,382.09	5,088,143.29
Furniture and Equipment > $25,000	5,118,748.52	410,138.81			5,528,887.33
Furniture and Equipment < $25,000	2,546,413.44	149,062.26	8,100.00		2,687,375.70
Library Books and Audiovisuals	717,458.85	63,783.79	50,592.32		730,650.32
Construction in Progress	45,855,133.22	2,770,011.26		(40,500,998.52)	8,124,145.96
Total	136,386,085.20	3,392,996.12	58,692.32		139,720,389.00
Less: Accumulated Depreciation:					
Buildings	21,949,828.96	2,450,500.97			24,400,329.93
Improvements Other Than Buildings	1,359,121.86	202,956.18			1,562,078.04
Furniture and Equipment > $25,000	3,220,886.32	371,366.01			3,592,252.33
Furniture and Equipment < $25,000	2,061,918.70	185,601.40	8,100.00		2,239,420.10
Library Books and Audiovisuals	29,893.25	39,062.14	50,592.32		18,363.07
Total Accumulated Depreciation	28,621,649.09	3,249,486.70	58,692.32		31,812,443.47
Capital Assets, Net	$107,764,436.11	$ 143,509.42	$	$	$107,907,945.53

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

B. Benefits Provided

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

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

C. Contributions

Covered members of the TRS contributed 5% of earnable compensation to the TRS as required by statue 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, 2017, was 12.01% of annual pay for Tier 1 members and 10.82% 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 $1,496,805.31 for the year ended September 30, 2017. The percentages of the contributions and the amount of contributions made by the College and its employees equal the required contributions for each year as follows:

Fiscal Year Ended September 30,	Tier 1 2017	Tier 2 2017	Tier 1 2016	Tier 2 2016
Total Percentage of Covered Payroll	19.51%	16.82%	19.44%	16.84%
Contributions:				
Percentage Contributed by the College	12.01%	10.82%	11.94%	10.84%
Percentage Contributed by Regular Employees	7.50%	6.00%	7.50%	6.00%
Percentage Contributed by Law Enforcement Employees	8.50%	7.00%	8.50%	7.00%
Contributed by the College	$1,340,000.00	$157,000.00	$1,294,000.00	$114,000.00
Contributed by the Employees	838,000.00	87,000.00	814,000.00	63,000.00
Total Contributions	$2,178,000.00	$244,000.00	$2,108,000.00	$177,000.00

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

At September 30, 2017, the College reported a liability of $20,275,000.00 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2015. 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, 2016, the College's proportion was .187280%, which was a decrease of .009667% from its proportion measured as of September 30, 2015.

For the year ended September 30, 2017, the College recognized pension expense of $1,795,000.00. At September 30, 2017, 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	$	$ 522,000
Changes of Assumptions	1,432,000	
Net Difference between Projected and Actual Earnings on Pension Plan Investments	293,000	
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	4,000	962,000
Employer Contributions Subsequent to the Measurement Date	1,452,000	
Total	$3,181,000	$1,484,000

The $1,452,000 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, 2018. 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, 2018	$ (3,000)
2019	$ (3,000)
2020	$ 375,000
2021	$(141,000)
2022	$ 17,000
Thereafter	$

E. Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of September 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

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

(*) Net of pension plan investment expense

The actuarial assumptions used in the actuarial valuation as of September 30, 2015, were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on September 13, 2016, which became effective at the beginning of fiscal year 2017.

Mortality rate for TRS were based on the RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on Scale BB projected to 2020.

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 further 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 rate 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 Stock	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	3.00%	1.50%
Total	100.00%	

(*) Includes assumed rate of inflation of 2.50%.

F. Discount Rate

The discount rate used to measure the total pension liability was 7.75%. 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 Net Pension Liability to Changes in the Discount Rate

The following table presents the College's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Rate (7.75%)	1% Increase (8.75%)
College's Proportionate Share of Collective Net Pension Liability	$27,011	$20,275	$14,572
(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, 2016. The supporting actuarial information is included in the GASB Statement Number 67 Report for the TRS prepared as of September 30, 2016. The auditor's report dated September 22, 2017, 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, 2016, along with supporting schedules is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

Note 6 – Other Postemployment Benefits (OPEB)

A. Plan Description

The College contributes to the Alabama Retired Education Employees' Health Care Trust (the "Trust"), a cost-sharing multiple-employer defined benefit postemployment healthcare plan. The Trust provides health care benefits to state and local school system retirees and was established in 2007, under the provisions of Act Number 2007-16, Acts of Alabama, as an irrevocable trust fund. Responsibility for general administration and operations of the Trust is vested with the Public Education Employees' Health Insurance Board (PEEHIB) members. 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. The Trust issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at the Public Educations Employees' Health Insurance Plan website, http://www.rsa-al.gov under the Employers' Financial Reports section. The provisions of GASB Statement Number 45, ***Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*** were implemented prospectively.

B. Funding Policy

The Public Education Employees' Health Insurance Fund (PEEHIF) was established in 1983 under the provisions of Act Number 255, Acts of Alabama, to provide a uniform plan of health insurance for current and retired employees of state educational institutions. The plan is administered by the PEEHIB. Any Trust fund assets used in paying administrative costs and retiree benefits are transferred to and paid from the PEEHIF. The PEEHIB periodically reviews the funds available in the PEEHIF and if excess funds are determined to be available, the PEEHIB authorizes a transfer of funds from the PEEHIF to the Trust. Retirees are required to contribute monthly as follows:

	Fiscal Year 2016
Individual Coverage – Non-Medicare Eligible	$ 166.00
Individual Coverage – Medicare Eligible	$ 25.00
Family Coverage – Non-Medicare Eligible Retired Member and Non-Medicare Eligible Non-Spousal Dependent(s)	$ 421.00
Family Coverage – Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s) With Non-Medicare Eligible Spouse	$ 521.00
Family Coverage – Non-Medicare Eligible Retired Member and Non-Spousal Dependent Medicare Eligible	$ 280.00
Family Coverage – Non-Medicare Eligible Retired Member and Spouse Dependent Medicare Eligible	$ 310.00
Family Coverage – Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s) – No Spouse	$ 280.00
Family Coverage – Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s) – With Non-Medicare Eligible Spouse	$ 380.00
Family Coverage – Medicare Eligible Retired Member and Non-Spousal Dependent Medicare Eligible	$ 139.00
Family Coverage – Medicare Eligible Retired Member and Spousal Dependent Medicare Eligible	$ 169.00
Surviving Spouse – Non-Medicare Eligible	$ 816.00
Surviving Spouse – Non-Medicare Eligible and Dependent Non-Medicare Eligible	$1,028.00
Surviving Spouse – Non-Medicare Eligible and Dependent Medicare Eligible	$1,067.00
Surviving Spouse – Medicare Eligible	$ 430.00
Surviving Spouse – Medicare Eligible and Dependent Non-Medicare Eligible	$ 720.00
Surviving Spouse – Medicare Eligible and Dependent Medicare Eligible	$ 759.00
Tobacco Surcharge	$ 50.00
Wellness Premium	$ 50.00
PEEHIP Supplemental Plan	$ 0.00

Members who retire other than for disability on or after October 1, 2005 and before January 1, 2012, for each year under 25 years of service, the retiree pays two percent of the employer premium and for each year over 25 years of service, the retiree premium is reduced by two percent.

Employees who retire on or after January 1, 2012, with less than 25 years of service are required to pay 4% for each year under 25 years of service. In addition, non-Medicare eligible employees who retire on or after January 1, 2012, are required to pay 1% more for each year less than 65 (age premium) and to pay the net difference between the active employee subsidy and the non-Medicare eligible subsidy (subsidy premium). When the retiree becomes Medicare eligible, the age and subsidy premium no longer applies, but the years of service premium (if applicable to the retiree) will continue to be applied throughout retirement.

The College is required to contribute at a rate specified by the State for each active employee. The College's share of premiums for retired employees health insurance is included as part of the premium for active employees. The following shows the required contributions in dollars and the percentage of that amount contributed for retirees:

Fiscal Year Ended September 30,	Active Health Insurance Premiums Paid By College	Amount of Premium Attributable to Retirees	Percentage of Active Employee Premiums Attributable to Retirees	Total Amount Paid Attributable to Retirees	Percentage of Required Amount Contributed
2017	$800.00	$152.57	19.07%	$387,780.82	100%
2016	$780.00	$211.21	27.08%	$523,303.94	100%
2015	$780.00	$180.76	23.17%	$476,125.89	100%

Each year the PEEHIB certifies to the Governor and to the Legislature the contribution rates based on the amount needed to fund coverage for benefits for the following fiscal year and the Legislature sets the premium rate in the annual appropriation bill. This results in a pay-as-you-go funding method.

Note 7 – On-Behalf Payments

The U. S. Department of Health and Human Services makes retiree drug subsidy (RDS) payments under the provisions of Medicare Part D directly to the Public Education Employees' Health Insurance Plan (PEEHIP) on behalf of the College. The Early Retiree Reinsurance Program (ERRP) was created as part of the Patient Protection and Affordable Care Act of 2010. This program provides reimbursements to employers for eligible healthcare costs for certain early retirees. RDS and ERRP reimbursements are considered to be voluntary non-exchange transactions between the federal government and the employers. For the period October 1 through September 30, 2017, these payments totaled $133,472.37.

Note 8 – Construction and Other Significant Commitments

As of September 30, 2017, Southern Union State Community College had projects for which final payment had not been made:

Project	Campus	Board Authorization	Cost to Date
Dining Hall and Fieldhouse	Wadley	$8,450,000.00	$8,003,285.92
Baseball Dugouts	Wadley	NA	7,225.83
Birding Trail	Wadley	NA	20,972.21
Arena Parking Lot	Wadley	NA	4,784.37
Cooling Tower Screen	Wadley	NA	10,838.71
Sidewalks	Wadley	NA	4,160.00
Dorm Chiller	Wadley	NA	9,456.69
Campus Signage	Opelika	NA	16,247.25
Student Union Renovation	Opelika	NA	37,367.48
Learning Resource Center Renovation	Opelika	NA	6,005.00
CIM Auto Air Conditioning	Opelika	NA	3,802.50
Total		$8,450,000.00	$8,124,145.96

NA – Not Applicable (The Board does not have to authorize purchases less than $500,000.00)

As of September 30, 2017, Southern Union State Community College had been awarded approximately $844,776 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 9 – Accounts Payable

Accounts payable and accrued liabilities represent amounts due at September 30, 2017, for goods and services received prior to the end of the fiscal year.

Accrued Liabilities:	
Salaries and Wages	$ 725,549.00
Bond Interest Payable	273,976.56
Suppliers	1,522,725.10
Other	173,613.32
Total	$2,695,863.98

Note 10 – Long-Term Liabilities

Long-term liabilities activity for the year ended September 30, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable:					
Revenue Bonds					
2009	$ 2,685,000.00	$	$1,320,000.00	$ 1,365,000.00	$1,365,000.00
2012	30,345,000.00		285,000.00	30,060,000.00	295,000.00
Premium	435,253.01		27,203.31	408,049.70	27,203.31
Total Bonds	33,465,253.01		1,632,203.31	31,833,049.70	1,687,203.31
Other Liabilities:					
Compensated Absences	726,969.19	13,304.56		740,273.75	74,027.38
Total Long-Term Liabilities	$34,192,222.20	$13,304.56	$1,632,203.31	$32,573,323.45	$1,761,230.69

Revenue Bonds were issued in November 2009 by the State Board of Education to provide funds for the refunding of the 1998 Revenue Bond series. The 1998 Revenue bonds were paid in December 2009.

Revenue Bonds were issued in November 2012 by the State Board of Education to provide funds for the refunding of the 2003 Revenue Bond series and to provide funding to finance the acquisition, construction and installation of various capital improvements.

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

	Revenue Bonds		
Fiscal Year	Principal	Interest	Totals
2018	$ 1,660,000.00	$1,095,906.26	$ 2,755,906.26
2019	1,770,000.00	1,037,575.00	2,807,575.00
2020	1,835,000.00	966,775.00	2,801,775.00
2021	1,895,000.00	909,375.00	2,804,375.00
2022	1,970,000.00	833,575.00	2,803,575.00
2023	2,030,000.00	774,475.00	2,804,475.00
2024	1,950,000.00	713,575.00	2,663,575.00
2025	2,010,000.00	655,075.00	2,665,075.00
2026	2,090,000.00	574,675.00	2,664,675.00
2027	2,170,000.00	495,200.00	2,665,200.00
2028	2,250,000.00	415,900.00	2,665,900.00
2029	2,320,000.00	348,400.00	2,668,400.00
2030	2,410,000.00	255,600.00	2,665,600.00
2031	2,490,000.00	177,275.00	2,667,275.00
2032	2,575,000.00	90,125.00	2,665,125.00
Totals	$31,425,000.00	$9,343,506.26	$40,768,506.26

Pledged Revenues

The Alabama State Board of Education pledged student tuition and fees to repay $32,620,000 in Southern Union State Community College Refunding and Improvement Revenue Bonds issued in November 2012. A portion of the funds were used to refund the College's outstanding Revenue Bonds Series 2003, issued in the original principal amount of $19,475,000 and outstanding in November 2012 in the amount of $12,755,000. The remaining portion of the bond funds was used to provide funding to finance the acquisition, construction and installation of various capital improvements. Future revenues in the amount of $39,354,025.00 are pledged to repay principal and interest on the bonds at September 30, 2017. Pledged revenues in the amount of $12,542,769.77 were received during the fiscal year ended September 30, 2017, with $1,339,975.00 or 10.7% of pledged revenues being used to pay principal and interest during this fiscal year. These bonds are scheduled to mature in fiscal year 2032.

The Alabama State Board of Education pledged student tuition and fees to repay $7,790,000 in Southern Union State Community College Refunding Revenue Bonds issued in November 2009. The funds were used to refund the College's outstanding Revenue Bonds Series 1998, issued in the original principal amount of $11,425,000. Future revenues in the amount of $1,414,481.26 are pledged to repay principal and interest on the bonds at September 30, 2017. Pledged revenues in the amount of $12,542,769.77, were received during the fiscal year ended September 30, 2017, with $1,415,681.26 or 11.3% of pledged revenues being used to pay principal and interest during this fiscal year. These bonds are scheduled to mature in fiscal year 2018.

Note 11 – 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, Vice-President of Finance and Administrative Services, 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.

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.

Required Supplementary Information

Schedule of the College's Proportionate Share of the Net Pension Liability
For the Year Ended September 30, 2017
(Dollar amounts in thousands)

	2017	2016	2015
College's proportion of the net pension liability	0.187280%	0.196947%	0.196880%
College's proportionate share of the net pension liability	$ 20,275	$ 20,612	$ 17,886
College's covered-employee payroll during the measurement period (*)	$ 11,902	$ 12,876	$ 12,890
College's proportionate share of the collective net pension liability as a percentage of its covered-employee payroll	170.35%	160.08%	138.76%
Plan fiduciary net position as a percentage of the total collective pension liability	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 2016, the measurement period for covered payroll is October 1, 2015 - September 30, 2016.

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 For the Year Ended September 30, 2017 (Dollar amounts in thousands)

	2017	2016	2015
Contractually required contribution	$ 1,452	$ 1,365	$ 1,454
Contributions in relation to the contractually required contribution	$ 1,452	$ 1,365	$ 1,454
Contribution deficiency (excess)	$	$	$
College's covered-employee payroll	$ 12,627	$ 11,902	$ 12,876
Contributions as a percentage of covered-employee payroll	11.50%	11.47%	11.29%

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 2017, the covered payroll is for the reporting fiscal year October 1, 2016 - September 30, 2017.

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.

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Supplementary Information

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2017

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Student Financial Assistance Cluster		
U. S. Department of Education		
Direct Programs		
Federal Supplemental Educational Opportunity Grants	84.007	
Federal Work-Study Program	84.033	
Federal Pell Grant Program	84.063	
Federal Direct Student Loans	84.268	
Total Student Financial Assistance Cluster (M)		
Research and Development Cluster		
National Science Foundation		
Passed Through Gadsden State Community College		
Education and Human Resources	47.076	DUE-1304036
WIOA Cluster		
U. S. Department of Labor		
Passed Through Alabama Department of Economic and Community Affairs		
WIA/WIOA Youth Activities	17.259	6A107201
WIA/WIOA Youth Activities	17.259	6A108701
WIA/WIOA Youth Activities	17.259	6X220022
WIA/WIOA Youth Activities	17.259	7A907201
WIA/WIOA Youth Activities	17.259	7A908701
WIA/WIOA Youth Activities	17.259	7X800022
Total WIOA Cluster		
OTHER FEDERAL AWARDS		
U. S. Department of Education		
Passed Through the Alabama State Department of Education		
Career and Technical Education - Basic Grants to States	84.048	V048A160001
Passed Through Alabama Community College System		
Adult Education - Basic Grants to States	84.002	0917AE098
Total Federal Awards		

(M) = Major Program

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

Pass-Through to Subrecipients	Total Federal Expenditures
	$ 123,358.90
	100,105.01
	8,670,181.49
	6,269,517.36
	15,163,162.76
	3,368.03
	65,726.52
	30,557.61
	80,247.67
	22,293.39
	9,133.75
	25,434.48
	233,393.42
	141,650.86
	244,617.80
	$ 15,786,192.87

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2017

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Southern Union State Community College and is presented on the accrual basis of accounting. 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 Southern Union State Community College it is not intended to and does not present the financial position, changes in net assets, or cash flows of Southern Union 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, Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3 – Indirect Cost Rate

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

Additional Information

College Officials
October 1, 2016 through September 30, 2017

Officials	Position
Mr. Jimmy Baker, (Beginning 4/1/2017)	Chancellor – Alabama Community College System
Mr. Jimmy Baker, (Until 3/31/2017)	Acting Chancellor – Alabama Community College System
Dr. Glenda Colagross	Interim President
Ben Jordan, CPA	Vice-President of Finance and Administrative Services

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

Independent Auditor's Report

Mr. Jimmy Baker, Chancellor – Alabama Community College System
Dr. William Blow, Interim President – Southern Union State Community College,
Wadley, Alabama 36276

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 Southern Union State Community College as of and for the year ended September 30, 2017, and related notes to the financial statements, which collectively comprise Southern Union State Community College's basic financial statements and have issued our report thereon dated January 30, 2018.

Internal Control Over Financial Reporting

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

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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southern Union 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under ***Government Auditing Standards***.

Purpose of this Report

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

Ronald L. Jones
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

January 30, 2018

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

Independent Auditor's Report

Mr. Jimmy Baker, Chancellor – Alabama Community College System
Dr. William Blow, Interim President – Southern Union State Community College,
Wadley, Alabama 36276

Report on Compliance for Each Major Federal Program

We have audited Southern Union State Community College's compliance with the types of compliance requirements described in the ***OMB Compliance Supplement*** that could have a direct and material effect on each of Southern Union State Community College's major federal programs for the year ended September 30, 2017. Southern Union State Community College's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Southern Union 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 includes examining, on a test basis, evidence about Southern Union State Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

Opinion on Each Major Federal Program

In our opinion, Southern Union 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, 2017.

Report on Internal Control Over Compliance

Management of Southern Union 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 Southern Union 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 for the purpose of expressing our opinion on compliance for each major 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 Southern Union 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 a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of 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, as defined above. However, material weaknesses may exist that have not been identified.

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

Purpose of this Report

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.

Ronald L. Jones
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

January 30, 2018

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2017

Section I – Summary of Examiner's Results

Financial Statements

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

Federal Awards

Internal control over major 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 programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the *Uniform Guidance*?	______ Yes __X__ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
	Student Financial Assistance Cluster
84.007	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work-Study Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans

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)

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
		No matters were reported.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
			No matters were reported.	