



BEVILL STATE
Community College

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Annual Financial Report

FOR THE YEAR ENDED SEPTEMBER 30, 2025

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BEVILL STATE COMMUNITY COLLEGE

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INDEPENDENT AUDITORS' REPORT

To the Alabama Community College System Board of Trustees
and the President of Bevill State Community College

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Bevill State Community College (the College), a component unit of the State of Alabama, and its discretely presented component unit, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the College and its discretely presented component unit, as of September 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Bevill State Community College Foundation, Inc. (the Foundation), which represent 6.30%, 24.15% and 3.95%, respectively, of the assets, net position and revenues of the College as of September 30, 2025. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statement audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 11 and the supplementary information on pages 55 through 62 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the

basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2026, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Warren Overett, LLC

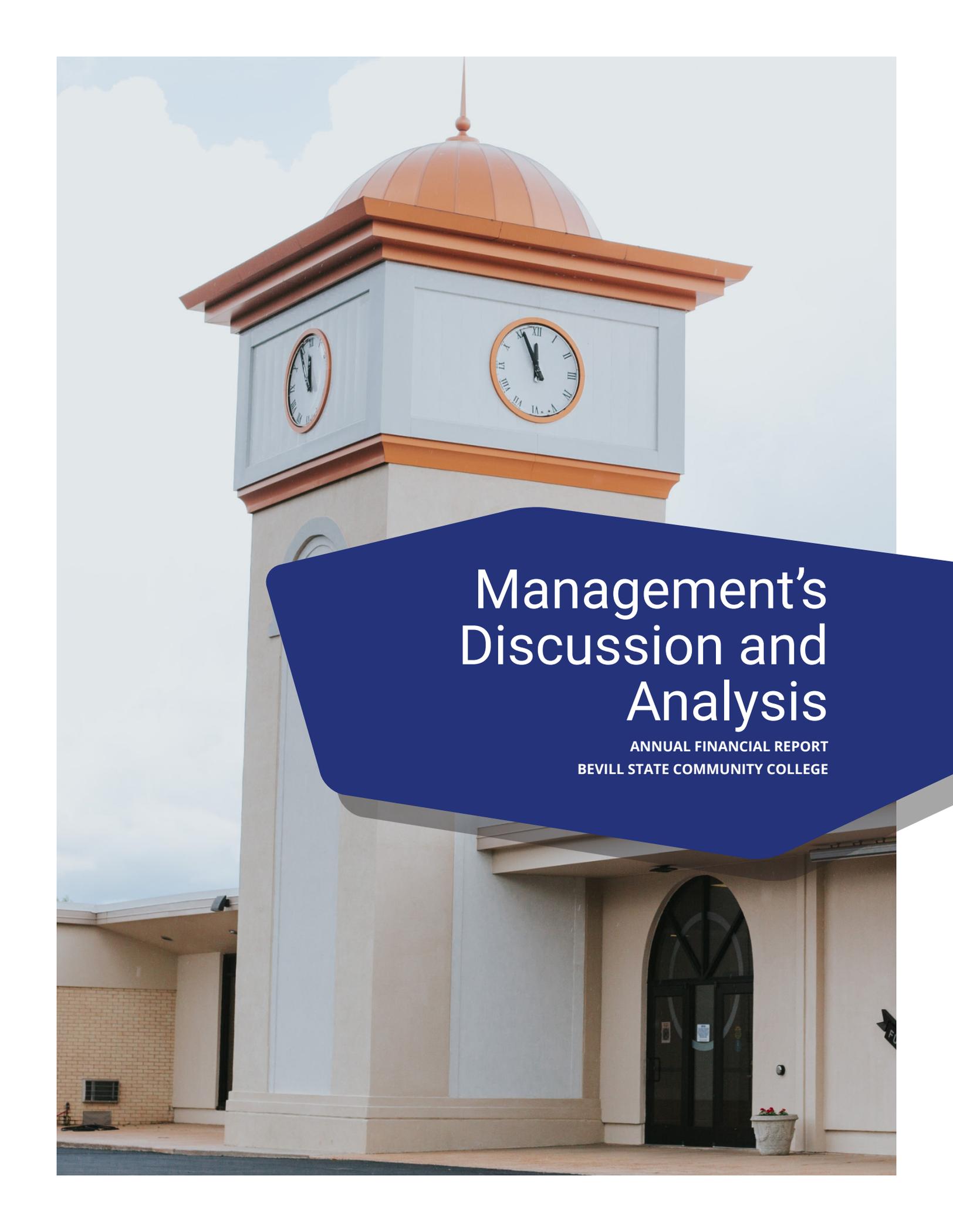
Montgomery, Alabama
January 15, 2026



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Management's Discussion and Analysis

ANNUAL FINANCIAL REPORT
BEVILL STATE COMMUNITY COLLEGE



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Management's Discussion and Analysis (Unaudited)

Introduction

Bevill State Community College (the College) is an iconic institution that serves a seven-county area of northwestern Alabama. The services and educational opportunities this great College offers this region of the state are based upon the quality and commitment of an outstanding faculty and staff.

Overview of the Financial Statements and Financial Analysis

The purpose of the financial statements is to provide readers with financial information about the activities and financial condition of the College. 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. These statements should be read in conjunction with the notes to the financial statements. The following summary and management discussion of the results is intended to provide the readers with an overview of the financial statements.

Statement of Net Position

The Statement of Net Position presents the assets, deferred outflows, liabilities, deferred inflows and net position of the College as of the end of the fiscal year. The Statement of Net Position is a point of time financial statement. The purpose of the Statement of Net Position is to present to the readers of the financial statements a fiscal snapshot of the College. The College's net position (the difference between assets, deferred outflows and liabilities and deferred inflows) is one indicator of the College's financial health. Over time, increases or decreases in net position is one indicator of the improvement or erosion of the College's financial health when considered with non-financial facts such as enrollment levels and the condition of the facilities.

From the data presented, readers of the Statement of Net Position can determine the assets available to continue the operations of the College. They are also able to determine how much the institution owes vendors, bondholders and lending institutions. Finally, the Statement of Net Position provides a picture of the net position (assets and deferred outflows minus liabilities and deferred inflows) and their availability for expenditure by the College.

Net position is divided into three major categories. The first category, net investment in capital assets, provides the College's equity in property, plant and equipment owned by the College. The next asset category is restricted net position, which is divided into two categories, non-expendable and expendable. The corpus of non-expendable restricted resources is only available for investment purposes. Expendable restricted net position is available for expenditure by the College 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 final category is unrestricted net position which is available to the College for any appropriate purpose of the College.

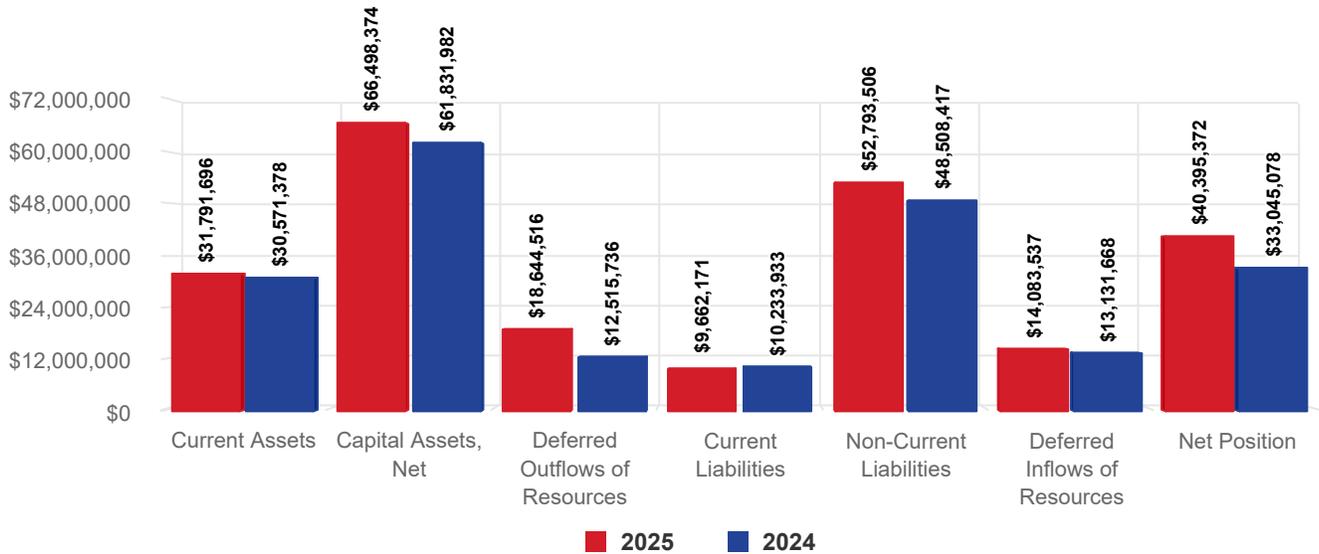
The condensed statement of net position shows that current assets increased by \$1,220,318. The increase is primarily due to an increase in Public School and College Authority (PSCA) receivables for construction projects. These funds are being provided to help with deferred maintenance needs and other improvements:

Statement of Net Position

	<u>2025</u>	<u>2024</u>
Assets		
Current Assets	\$ 31,791,696	\$ 30,571,378
Capital Assets, Net	66,498,374	61,831,982
Total Assets	<u>98,290,070</u>	<u>92,403,360</u>
Deferred Outflows of Resources	<u>18,644,516</u>	<u>12,515,736</u>
Liabilities		
Current Liabilities	9,662,171	10,233,933
Non-Current Liabilities	52,793,506	48,508,417
Total Liabilities	<u>62,455,677</u>	<u>58,742,350</u>
Deferred Inflows of Resources	<u>14,083,537</u>	<u>13,131,668</u>
Net Position		
Net Investment in Capital Assets	57,322,712	52,181,587
Restricted - Non-Expendable	231,758	147,825
Restricted - Expendable	909,712	750,801
Unrestricted	(18,068,810)	(20,035,135)
Total Net Position	<u>\$ 40,395,372</u>	<u>\$ 33,045,078</u>

The following is a graphic presentation of the College’s Statements of Net Position as of September 30, 2025 and 2024:

Statement of Net Position



Statement of Revenues, Expenses and Changes in Net Position

Changes in total net position as presented on the Statement of Net Position is 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 earned by the College, both operating and non-operating, and the expenses incurred by the College, operating and non-operating, and any other revenues, expenses, gains and losses earned or expended by the College.

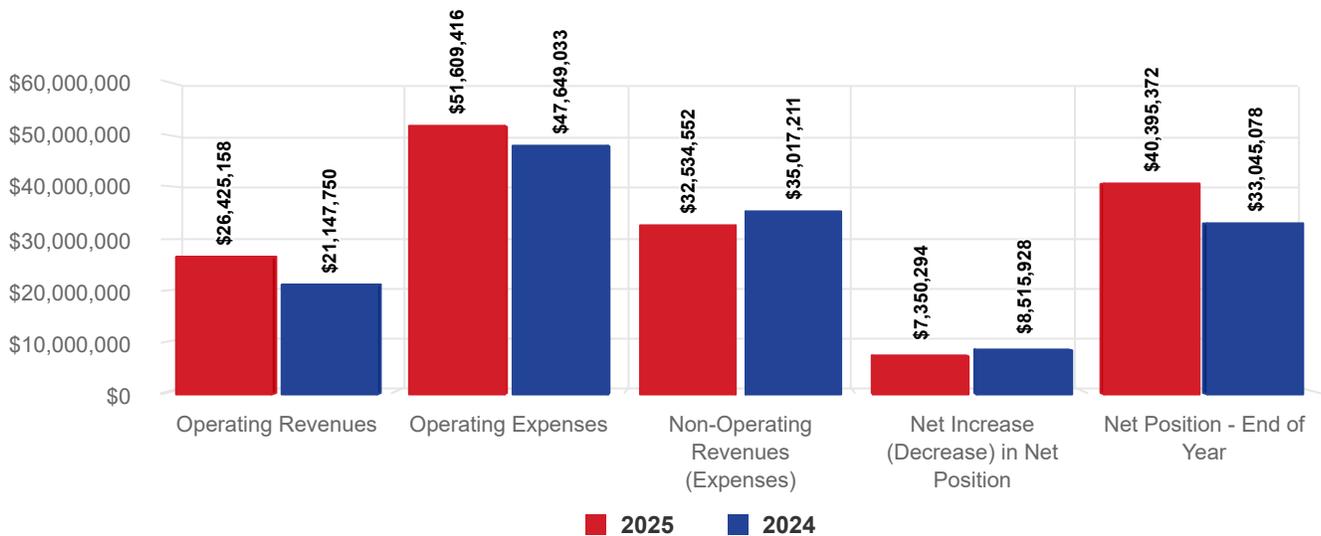
Operating revenues are received for providing goods and services to the various customers and constituencies of the College. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the College. 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 College without the Legislature directly receiving commensurate goods and services for those revenues. This will normally result in a public college showing an operating deficit because GASB 35 classifies state appropriations and gifts as non-operating revenues.

The Statement of Revenues, Expenses and Changes in Net Position reflects an increase of \$7,350,294 in the year end net position. This is due to State capital grant funds the College has received or will receive for construction projects along with the results of operations.

Statements of Revenues, Expenses and Changes in Net Position

	2025	2024
Operating Revenues	\$ 26,425,158	\$ 21,147,750
Operating Expenses	51,609,416	47,649,033
Operating Income (Loss)	(25,184,258)	(26,501,283)
Non-Operating Revenues (Expenses)	32,534,552	35,017,211
Net Increase (Decrease) in Net Position	7,350,294	8,515,928
Net Position - Beginning of Year	33,045,078	24,529,150
Net Position - End of Year	<u>\$ 40,395,372</u>	<u>\$ 33,045,078</u>

Statement of Revenues, Expenses and Changes in Net Position

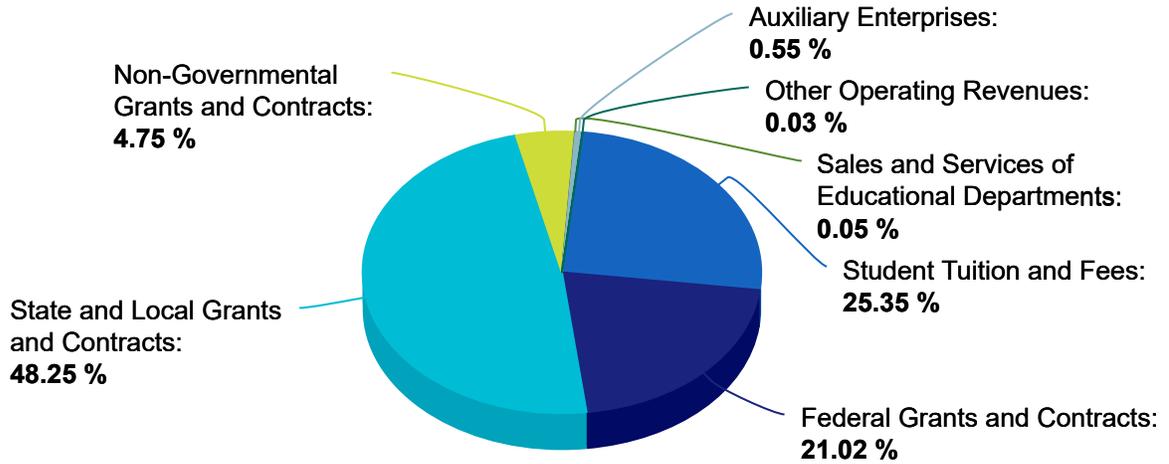


Operating Revenues

	2025	2024
Operating Revenues		
Student Tuition and Fees	\$ 6,697,827	\$ 6,878,644
Federal Grants and Contracts	5,555,292	6,590,970
State and Local Grants and Contracts	12,750,912	6,364,904
Non-Governmental Grants and Contracts	1,255,963	776,002
Sales and Services of Educational Departments	12,570	91,372
Auxiliary Enterprises	144,744	90,123
Other Operating Revenues	7,850	355,735
Total Operating Revenues	<u>\$ 26,425,158</u>	<u>\$ 21,147,750</u>

The following is a graphic illustration of revenues by source for fiscal year 2025:

Operating Revenues by Source



The chart illustrates revenues by source and their relationship with one another. State appropriations represent the largest type of non-operating revenue and student tuition and fees represents the largest type of operating revenue. All other types of revenue including federal grants represent about 37% of the total revenue.

The following graph represents a comparison of fiscal years 2025 and 2024 operating expenses by function. Instructional expense represents about 43% of all operating expense.

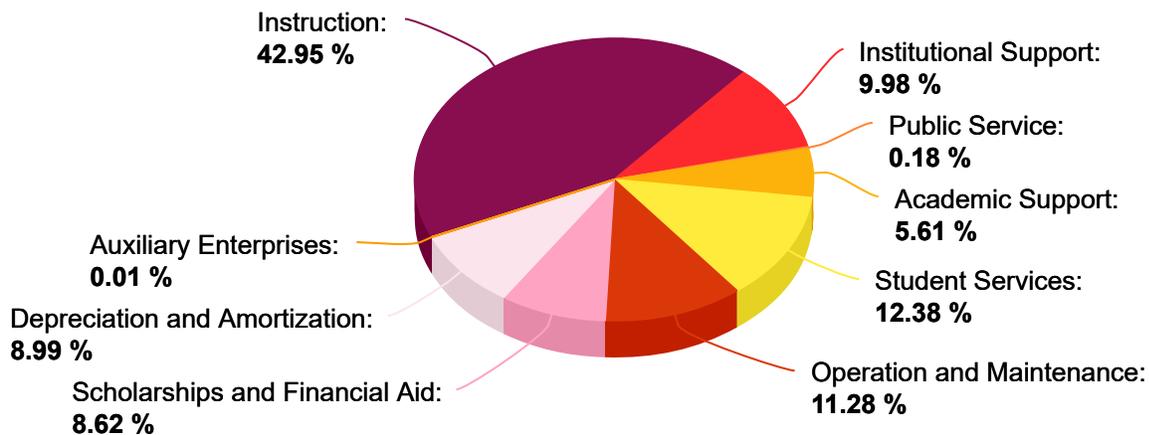
The operating expenses by function are displayed in the following exhibit.

Operating Expenses

	<u>2025</u>	<u>2024</u>
Operating Expenses		
Instruction	\$ 22,174,765	\$ 19,243,047
Institutional Support	5,148,815	5,711,358
Public Service	91,170	102,815
Academic Support	2,893,289	2,926,364
Student Services	6,390,351	6,357,953
Operation and Maintenance	5,820,751	5,480,704
Scholarships and Financial Aid	4,448,176	4,158,921
Depreciation and Amortization	4,639,471	3,661,255
Auxiliary Enterprises	2,628	6,616
Total Operating Expenses	\$ 51,609,416	\$ 47,649,033

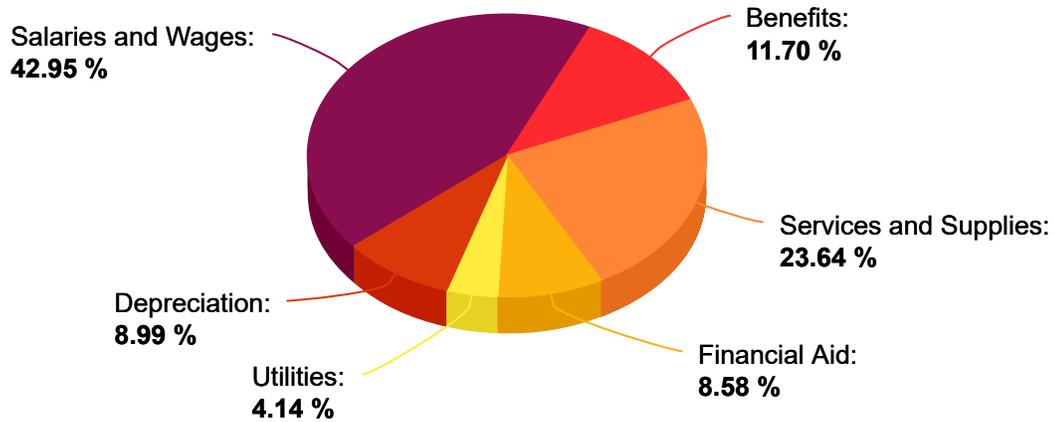
The following is a graphic presentation of operating expenses by function for the fiscal year ended September 30, 2025.

Operating Expenses by Function



Operating expenses are summarized here by natural classification.

Operating Expenses by Natural Classification

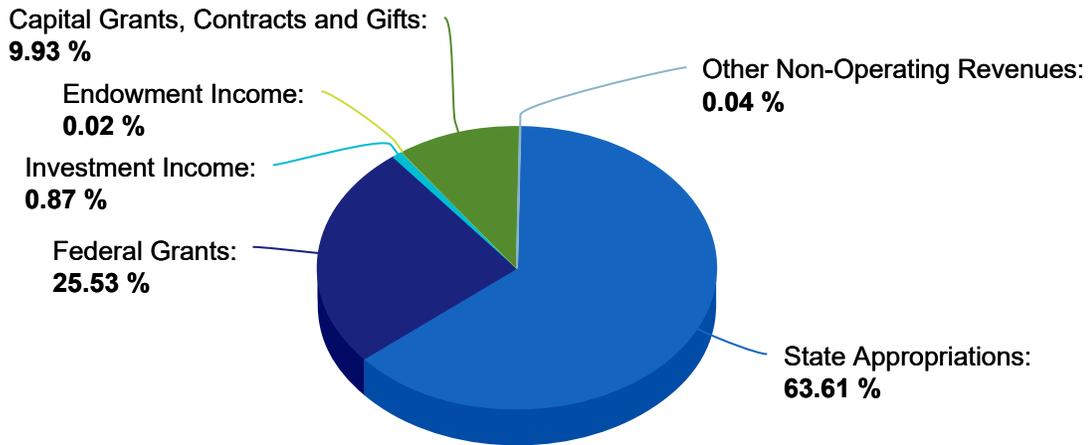


Comparison of Non-Operating Revenue

	2025	2024
Non-Operating Revenue		
State Appropriations	\$ 20,962,551	\$ 22,023,757
Federal Grants	8,414,701	7,761,690
Investment Income	286,484	282,682
Endowment Income	7,752	5,476
Capital Grants, Contracts and Gifts	3,273,685	5,871,768
Other Non-Operating Revenues	13,578	16,188
Total Non-Operating Revenue	\$ 32,958,751	\$ 35,961,561

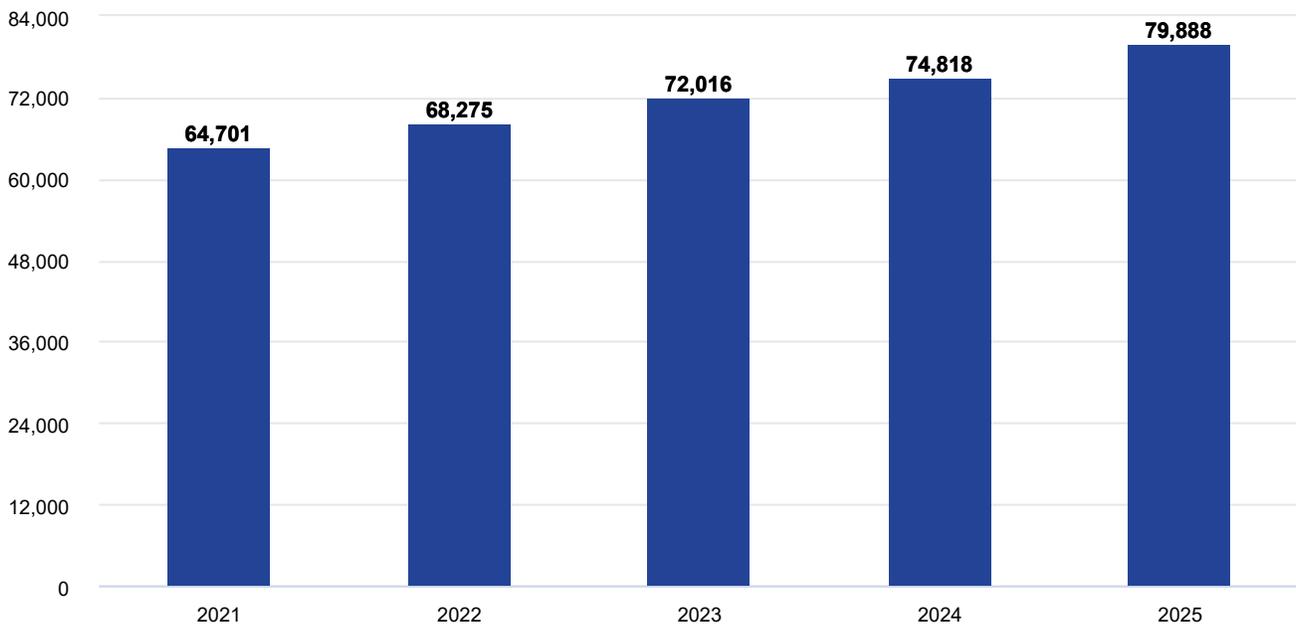
The following chart displays the non-operating revenues by type and their relationship with one another for the fiscal year ended September 30, 2025.

Comparison of Non-Operating Revenue



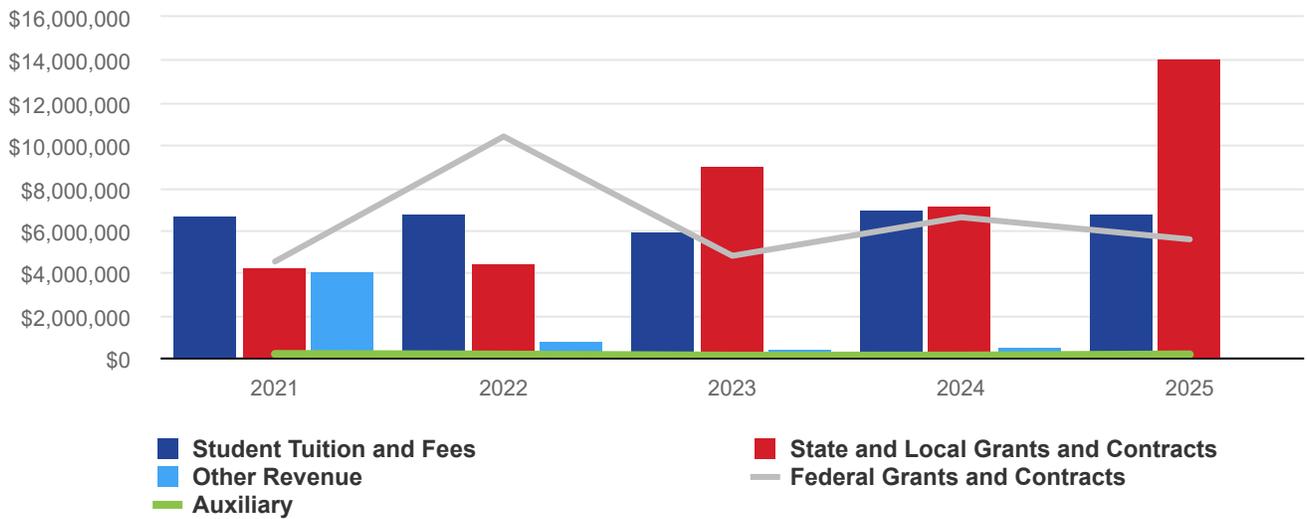
The following chart displays the 5 Year Comparison of Credit Hours for the fiscal year ended September 30, 2025.

5 Year Comparison of Credit Hours



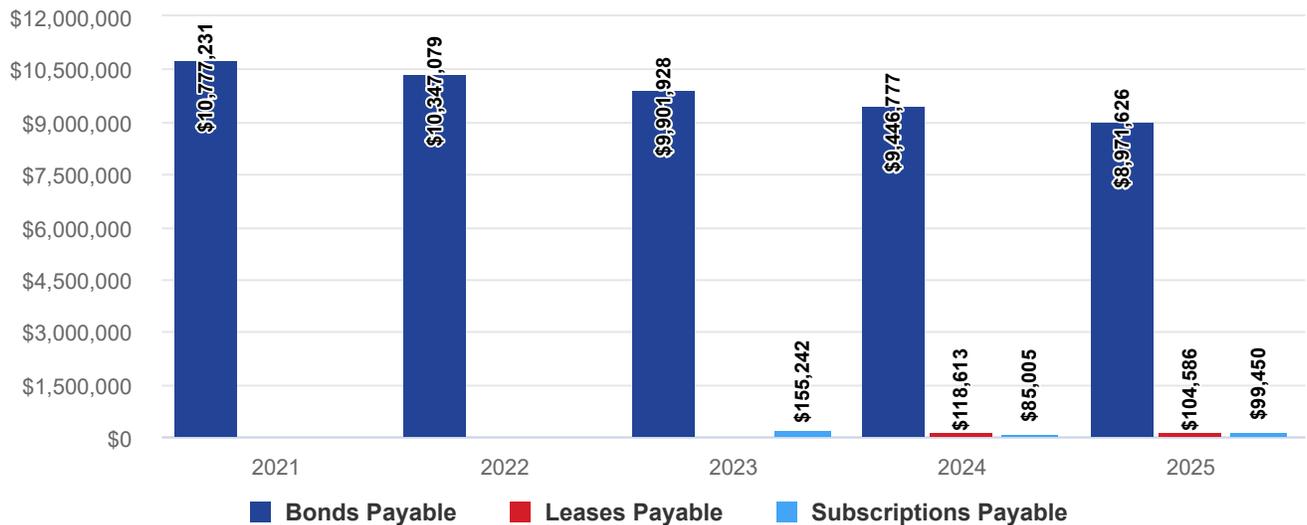
The following chart displays the 5 Year Comparison of Operating Revenue for the fiscal year ended September 30, 2025.

5 Year Comparison of Operating Revenue (Unaudited)



The following chart displays 5 Year Comparison of Long-Term Debt Principal for the fiscal year ended September 30, 2025.

5 Year Comparison of Long-Term Debt Principal (Unaudited)



Statement of Cash Flows

The final statement presented by the College is the Statement of Cash Flows which presents detailed information about the cash activity of the College during the year. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used in the operating activities of the College. The second section shows cash flows from non-capital financing activities. This section reflects the cash received and spent for non-operating, non-investing and non-capital financing purposes. The third section reflects cash flows from capital and related financing activities. This section deals with the cash used in 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 and cash equivalents increased \$2,694,856. This is primarily due to reimbursement of capital outlays for construction. Most of the outlays are being reimbursed by State grant funds when the projects are completed.

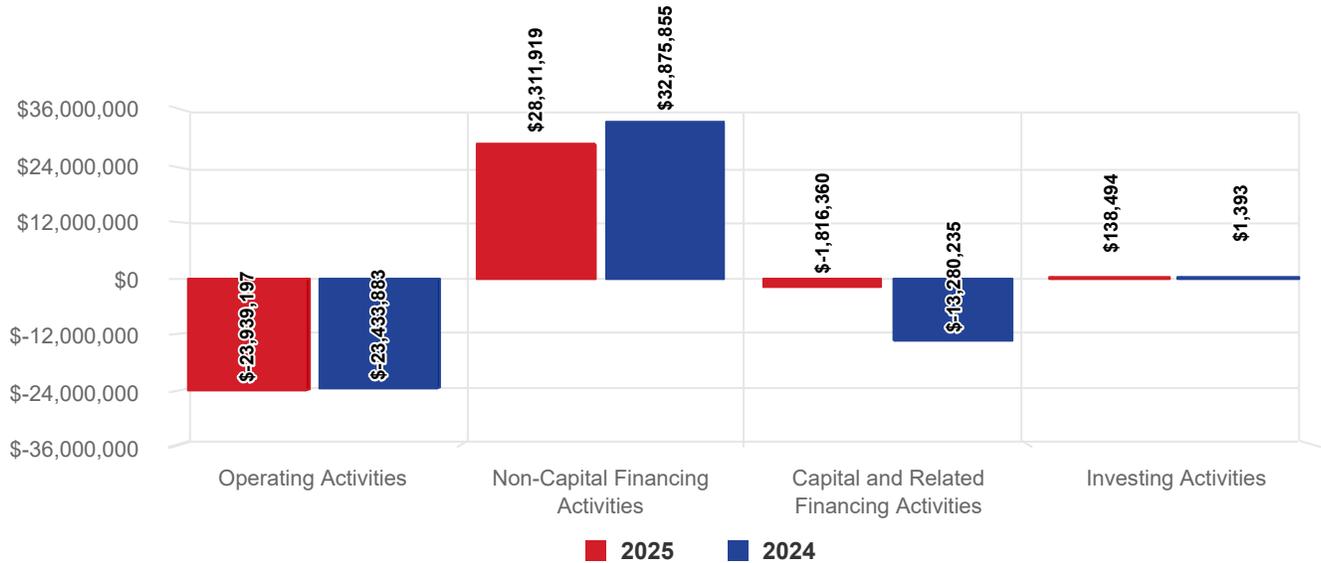
A condensed Statement of Cash Flows for the years ended September 30, 2025 and 2024 is presented below.

Statement of Cash Flows

	<u>2025</u>	<u>2024</u>
Cash Provided by (Used in):		
Operating Activities	\$ (23,939,197)	\$ (23,433,883)
Non-Capital Financing Activities	28,311,919	32,875,855
Capital and Related Financing Activities	(1,816,360)	(13,280,235)
Investing Activities	138,494	1,393
Net Change in Cash and Cash equivalents	<u>2,694,856</u>	<u>(3,836,870)</u>
Cash and Cash Equivalents at Beginning of Year	<u>7,443,721</u>	<u>11,280,591</u>
Cash and Cash Equivalents at End of Year	<u>\$ 10,138,577</u>	<u>\$ 7,443,721</u>

The following chart visually depicts the cash flow figures used to generate the net change in cash for the year 2025-2024.

Statement of Cash Flows



Economic Outlook

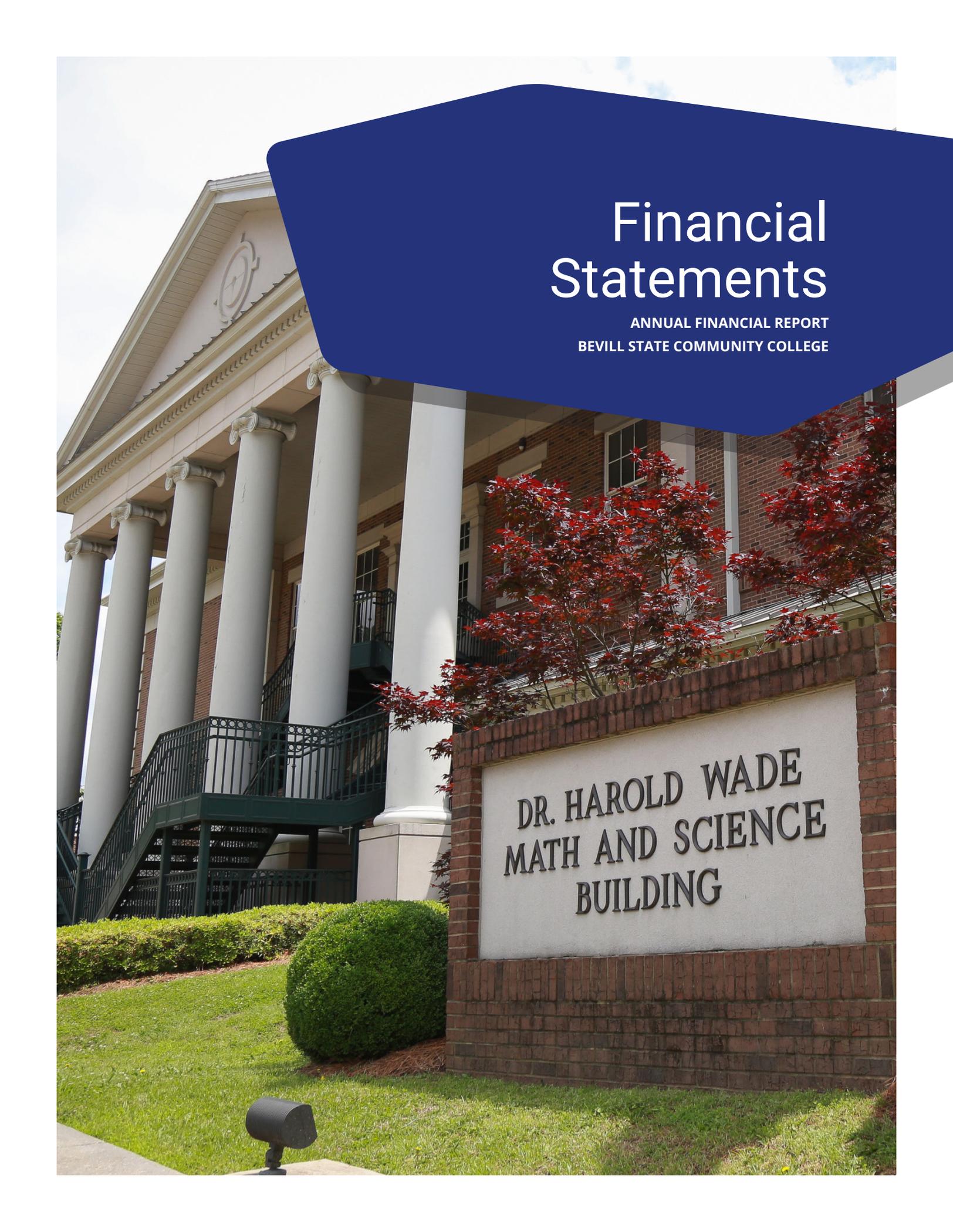
The College is not aware of any currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during this fiscal year beyond those unknown variations having a global effect on virtually all types of business operations. The College’s overall financial position continues to be stable, and we anticipate the next fiscal year will reflect an increase in enrollment numbers. The College will continue to make budget adjustments to reflect the enrollment, while preserving the College’s commitment to accomplish its missions of instruction and public service.



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Financial Statements

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Statement of Net Position September 30, 2025

Assets

Current Assets

Cash and Cash Equivalents	\$ 10,138,577
Short-Term Investments	6,925,485
Accounts Receivable, Net	13,786,924
Deposit with Trustee	940,710
Total Current Assets	31,791,696

Non-Current Assets

Capital Assets, Net of Depreciation and Amortization	66,498,374
Total Non-Current Assets	66,498,374

Total Assets

98,290,070

Deferred Outflows of Resources

Pension Related Items	5,728,085
OPEB Related Items	12,916,431
Total Deferred Outflows of Resources	18,644,516

Liabilities

Current Liabilities

Deposit Liabilities	27,133
Accounts Payable and Accrued Liabilities	5,336,372
Bond Surety Fee Payable	13,318
Unearned Revenue	3,633,818
Compensated Absences	55,360
Lease Payable	50,737
Bonds Payable	490,151
Subscriptions Payable	55,282
Total Current Liabilities	9,662,171

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

Statement of Net Position (Continued)

September 30, 2025

Non-Current Liabilities	
Deposit Liabilities	\$ 747,039
Lease Payable	53,849
Bonds Payable	8,481,475
Compensated Absences	952,887
Subscriptions Payable	44,168
Net Pension Liability	27,755,501
OPEB Liability	14,758,587
Total Non-Current Liabilities	52,793,506
Total Liabilities	62,455,677
Deferred Inflows of Resources	
Pension Related Items	6,379,809
OPEB Related Items	7,703,728
Total Deferred Inflows of Resources	14,083,537
Net Position	
Net Investment in Capital Assets	57,322,712
Restricted:	
Non-Expendable:	
Scholarships and Fellowships	231,758
Expendable:	
Debt service	480,760
Other	428,952
Unrestricted	(18,068,810)
Total Net Position	\$ 40,395,372

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

Statement of Revenues, Expenses and Changes in Net Position For the Year Ended September 30, 2025

Operating Revenues

Student Tuition and Fees (net of scholarships of \$10,586,000)	\$ 6,697,827
Federal Grants and Contracts	5,555,292
State and Local Grants and Contracts	12,750,912
Non-Governmental Grants and Contracts	1,255,963
Sales and Services of Educational Departments	12,570
Auxiliary Enterprises	144,744
Other Operating Revenues	7,850
Total Operating Revenues	26,425,158

Operating Expenses

Instruction	22,174,765
Institutional Support	5,148,815
Public Service	91,170
Academic Support	2,893,289
Student Services	6,390,351
Operation and Maintenance	5,820,751
Scholarships and Financial Aid	4,448,176
Depreciation and Amortization	4,639,471
Auxiliary Enterprises	2,628
Total Operating Expenses	51,609,416
Operating Income (Loss)	(25,184,258)

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

Statement of Revenues, Expenses and Changes in Net Position (Continued) For the Year Ended September 30, 2025

Non-Operating Revenues (Expenses)	
State Appropriations	\$ 20,962,551
Federal Grants	8,414,701
Investment Income	286,484
Endowment Income	7,752
Capital Grants, Contracts and Gifts	3,273,685
Interest on Debt	(343,450)
Bond Surety Fee Expense	(80,749)
Other Non-Operating Revenues	13,578
Total Non-Operating Revenues (Expenses)	32,534,552
Net Increase (Decrease) in Net Position	7,350,294
Net Position at Beginning of Year	33,045,078
Net Position at End of Year	\$ 40,395,372

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

Statement of Cash Flows

For the Year Ended September 30, 2025

Cash Flows from Operating Activities

Tuition and Fees	\$ 6,920,866
Grants and Contracts	18,232,983
Payments to Suppliers	(13,817,850)
Payments for Utilities	(2,141,300)
Payments for Employees	(21,987,470)
Payments for Employee Benefits	(6,563,937)
Payments for Scholarships	(4,448,176)
Sales and Services of Educational Activities	12,570
Auxiliary Enterprises	126,903
Other Receipts (Payments)	(273,786)
Net Cash Used in Operating Activities	<u>(23,939,197)</u>

Cash Flows from Non-capital Financing Activities

State Appropriations	22,664,942
Federal Grants	5,563,787
Non-Cash Gifts	163,100
Bond Surety Fee Expense	(79,910)
Net Cash Provided by Non-Capital Financing Activities	<u>28,311,919</u>

Cash Flows from Capital and Related Financing Activities

Proceeds from Sale of Capital Assets	13,578
Capital Grants and Gifts Received	7,595,792
Purchases of Capital Assets	(8,564,410)
Principal Paid on Capital Debt	(450,555)
Interest Paid on Capital Debt	(360,765)
Deposits with Trustees	(50,000)
Net Cash Used in Capital and Related Financing Activities	<u>(1,816,360)</u>

Cash Flows from Investing Activities

Investment Income	138,494
Net Cash Provided by Investing Activities	<u>138,494</u>

Net Increase (Decrease) in Cash and Cash Equivalents **2,694,856**

Cash and Cash Equivalents at Beginning of the Year 7,443,721

Cash and Cash Equivalents at End of Year **\$ 10,138,577**

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

Statement of Cash Flows (Continued)

For the Year Ended September 30, 2025

Reconciliation of Operating Income to Net Cash Used in Operating Activities

Operating Income (Loss)	\$ (25,184,258)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used in Operating Activities:	
Depreciation Expense	4,639,471
Changes in Assets and Liabilities:	
Accounts Receivable, net	(1,655,646)
Deferred Outflows	(6,128,780)
Accounts Payable and Accrued Liabilities	(1,528,751)
Unearned Revenue	239,143
Compensated Absences	44,820
Deposits Held for Others	21,670
Pension Liability	(6,897,000)
OPEB Liability	11,558,265
Deferred Inflows	951,869
Net Cash Used in Operating Activities	<u>\$ (23,939,197)</u>

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

**Bevill State Community College Foundation, Inc.
Statement of Financial Position
As of December 31, 2024**

Assets

Current Assets

Cash	\$ 383,452
Total Current Assets	<u>383,452</u>

Non-Current Assets

Investments	7,475,442
Total Non-Current Assets	<u>7,475,442</u>

Total Assets	<u>7,858,894</u>
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Net Assets

Without Donor Restrictions	398,077
With Donor Restrictions	7,460,817
Total Net Assets	<u><u>\$ 7,858,894</u></u>

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

Bevill State Community College Foundation, Inc.
Statement of Activities
For the Year Ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Activities			
Revenue and Support			
Contributions	\$ -	\$ 184,823	\$ 184,823
Investment income	92	433,873	433,965
Gain on sale of securities	-	180,335	180,335
Unrealized gain on securities	-	287,206	287,206
Total Revenue and Support	92	1,086,237	1,086,329
Net Assets Released from Restrictions			
Satisfaction of program restrictions	457,249	(457,249)	-
Total Revenue and Support and Net Assets Released from Restrictions	457,341	628,988	1,086,329
Expenses			
Program Services:			
Scholarships	387,219	-	387,219
Donations to Bevill State Community College	30,000	-	30,000
Total Program Services	417,219	-	417,219
Support Services:			
Professional Fees	3,575	-	3,575
Investment Fees	28,249	-	28,249
Support Services	8,298	-	8,298
Total Support Services	40,122	-	40,122
Total Expenses	457,341	-	457,341
Change in Net Assets	-	628,988	628,988
Net Assets at Beginning of Year	398,077	6,831,829	7,229,906
Net Assets at End of Year	\$ 398,077	\$ 7,460,817	\$ 7,858,894

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



BEVILL STATE COMMUNITY COLLEGE

Notes to the Financial Statements

ANNUAL FINANCIAL REPORT
BEVILL STATE COMMUNITY COLLEGE



BEVILL STATE Community College

Fayette | Hamilton | Jasper | Sumiton | Carrollton

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Note 1. Summary of Significant Accounting Policies

Nature of Operations

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

Reporting Entity

The College is a component unit of the State of Alabama. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. The GASB in Statement Number 14, *The Financial Reporting Entity*, states that a primary government is financially accountable for a component unit if it appoints a voting majority of an organization’s governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. In this case, the primary government is the State of Alabama which through the Alabama Community College System Board of Trustees governs the Alabama Community College System. The Alabama Community College System through its Chancellor has the authority and responsibility for the operation, management, supervision and regulation of the College. In addition, the College receives a substantial portion of its funding from the State of Alabama (potential to impose a specific financial burden). Based on these criteria, the College is considered for financial reporting purposes to be a component unit of the State of Alabama.

Component Units

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

The fiscal year end of the Foundation is December 31, 2024, which is different from that of the College. Complete financial statements of the Foundation can be obtained directly from the College’s administrative office.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash, Cash Equivalents and Investments

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

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

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

Accounts Receivable

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.

Capital Assets

Capital assets, other than intangibles, with a unit cost of over \$10,000 (increased from \$5,000, effective October 1, 2024) 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 \$1,000,000 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. The costs

of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

Assets	Depreciation Method	Useful Lives
Buildings	Straight Line	50 years
Building Alterations	Straight Line	25 years
Improvements other than Buildings and Infrastructure	Straight Line	25 years
Furniture and Equipment	Straight Line	5-10 years
Library Materials	Composite	20 years
Capitalized Software	Straight Line	10 years
Internally Generated Computer Software	Straight Line	10 years
Easement and Land Use Rights	Straight Line	20 years
Patents, Trademarks, and Copyrights	Straight Line	20 years

Subscription-Based Information Technology Arrangements (SBITA)

For the year ended September 30, 2025, the financial statements include the adoption of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The primary objective of this statement is to enhance the relevance and consistency of information about subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset.

Deferred Outflows of Resources

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

Long-Term Obligations

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

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.

Compensated Absences

The College records liabilities for compensated absences in accordance with GASB Statement No. 101, *Compensated Absences*. A liability is recognized when leave is (1) attributable to services already rendered, (2) accumulates, and (3) is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Substantially all employees of the College earn 12 days of sick leave each year, with unlimited accumulation. In accordance with Alabama law, sick leave balances generally convert to service credit in the Teachers' Retirement System of Alabama (TRS) upon retirement. Because those balances are more likely than not to be settled through conversion to TRS service credit rather than paid or otherwise settled, no liability is recorded for sick leave. All non-instructional employees earn annual leave at a rate that varies from 12 to 24 days per year depending on length of service, with accumulation limited to 60 days. Instructional employees do not earn annual leave. Payment is made to employees for unused annual leave at termination or retirement. Accordingly, the College records a liability for accrued but unused annual leave, including salary-related payments directly and incrementally associated with that leave.

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.

Pensions

Employees of the College are covered by a cost sharing multiple-employer defined benefit pension plan administered by the Teachers Retirement System of Alabama (the "Plan"). The TRS financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the Plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made.

Investments are reported at fair value. Financial statements are prepared in accordance with the requirements of the GASB. Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Annual Comprehensive Financial Report.

Postemployment Benefits Other than Pensions (OPEB)

The Alabama Retired Education Employees' Health Care Trust (the "Trust") financial statements are prepared by using the economic resources measurement focus and accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Trust and additions to/deductions from the Trust's fiduciary net position. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized

when due pursuant to plan requirements. Benefits are recognized when due and payable in accordance with the terms of the Plan.

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:**
 - *Expendable* – Net position whose use by the College is subject to externally imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time.
 - *Non-expendable* – Net position subject to externally imposed stipulations that they be maintained permanently by the College. Such assets include the College’s permanent endowment funds.
- **Unrestricted** – Net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. Unrestricted resources may be designated for specific purposes by action of management or the Alabama Community College System Board of Trustees.

Federal Financial Assistance Programs

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

Scholarship Allowances and Student Aid

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

Change in Accounting Estimate: Capitalization Threshold

On October 1, 2024, the College increased its capitalization threshold for tangible capital assets from \$5,000 to \$10,000. This change was implemented to align with federal regulations and enhance administrative efficiency. It is accounted for as a change in accounting estimate, applied prospectively in

accordance with GASB Statement No. 100, which mandates that changes in estimates be recognized in the current and future periods only, without restating prior-period financial statements.

Under the revised threshold, assets previously capitalized with historical costs between \$5,000 and \$9,999.99 that remain undepreciated as of October 1, 2024, will continue to record depreciation expense and associated accumulated depreciation according to their remaining useful lives. Assets within that cost range which are already fully depreciated have been removed from the Property, Plant & Equipment (PP&E) ledger. Going forward, effective October 1, 2024, only assets with acquisition costs of at least \$10,000 will be capitalized. There has been no restatement of prior-period financial statements as a result of this change, which is consistent with the prospective treatment required by GASB Statement No. 100.

Management has evaluated the financial impact of this change and considers it to be material, given the likely influence on reported depreciation trends and the PP&E balance over time. This disclosure is provided to ensure transparency and comparability for users of the financial statements.

New Accounting Pronouncements

In June 2022, GASB issued Statement No. 101, *Compensated Absences*, effective for fiscal years beginning after December 15, 2023. This Statement supersedes prior guidance based on vesting and instead requires recognizing a liability only when leave is more likely than not to be used, paid in cash, or otherwise settled. The College adopted this Statement for the fiscal year ended September 30, 2025. The adoption had no impact on the previously reported beginning net position, as liabilities for vacation leave were already recognized and sick leave converts to service credit in the Teachers' Retirement System of Alabama rather than being paid or otherwise settled.

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*, which is effective for fiscal years beginning after June 15, 2024. This Statement requires governments to disclose potential risks arising from vulnerabilities due to certain concentrations or constraints when those conditions make the government vulnerable to a substantial impact, and when associated events have occurred, are in process, or are *more likely than not* to occur within 12 months of the issuance of the financial statements. The College adopted this Statement for the fiscal year ended September 30, 2025. The adoption did not impact amounts previously reported in net position, and no new disclosures were required, as management was not aware of any concentrations or constraints with related events that met all of the disclosure criteria as of the issuance of these financial statements.

Income Taxes

The College is exempt from federal income taxes under the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Subsequent Events

Management has evaluated subsequent events through January 15, 2026, which is the date the financial statements were issued.

Note 2. Deposits and Investments

Deposits

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

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

Investments

The College may invest its funds in a manner consistent with all applicable state and federal regulations. All monies shall be placed in interest-bearing accounts unless legally restricted by an external agency. Investments in debt securities are limited to the two highest quality credit ratings as described by nationally recognized statistical rating organizations (NRSROs). Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are excluded from this requirement.

Permissible investments include:

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

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

1. U.S. Treasury bills, notes and bonds can be held without limitation as to amount. Stripped Treasuries shall never exceed 50 percent of the College's total investment portfolio. Maximum maturity of these securities shall be ten years.
2. U.S. Agency securities shall have limitations of 50 percent of the College's total investment portfolio for each Agency, with two exceptions: TVA and SLMA shall be limited to ten percent of total investments. Maximum maturity of these securities shall be ten years.
3. CDs with savings and loan associations, mutual savings banks, or commercial banks may be held without limit provided the depository is a QPD under the SAFE Program. CD maturity shall not exceed five years.
4. The aggregate total of all MBSs may not exceed 50 percent of the College's total investment portfolio. The aggregate average life maturity for all holdings of MBS shall not exceed seven years, while the maximum average life maturity of any one security shall not exceed ten years.
5. The total portfolio of mortgage related securities shall not exceed 50 percent of the College's total investment portfolio. The aggregate average life maturity for all holdings shall not exceed seven years while the average life maturity of one security shall not exceed ten years.
6. The College may enter into a repurchase agreement so long as:
 - a) the repurchase securities are legal investments under state law for Colleges;
 - b) the College receives a daily assessment of the market value of the repurchase securities, including accrued interest, and maintains adequate margin that reflects a risk assessment of the repurchase securities and the term of the transaction; and
 - c) the College has entered into signed contracts with all approved counterparties.
7. The College has discretion to determine if it should hold or sell other investments that it may receive as a donation.

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

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

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

The College's investments consisted of the following as of September 30, 2025:

Investment Type	Amount
Certificates of Deposit	\$ 6,912,592
Equities	12,893
Total	\$ 6,925,485

Investment Risk Factors – Many factors can affect the value of investments. Some, such as custodial credit risk, concentration of credit risk and foreign currency risk, may affect both equity and fixed income securities. Equity securities respond to such factors as economic conditions, individual company earnings performance and market liquidity, while fixed income securities are particularly sensitive to credit risks and changes in interest rates.

Credit Risk – Fixed income securities are subject to credit risk, which is the chance that a bond issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. These circumstances may arise due to a variety of factors such as financial weakness, bankruptcy, litigation and/or adverse political developments. Certain fixed income securities, primarily obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are not considered to have significant credit risk.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The College does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increased interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the College's investment policy limits its investment maturities as follows:

Investment Type	Maximum Maturity
Stripped Treasuries	10 years
U.S. Agencies (except for TVA and SLMA)	10 years
TVA and SLMA	10 years
Mortgage-Backed Securities and Mortgage Related Securities	7 years*/ 10 years**

* Aggregate life

** Average life maturity of any one security

Custodial Credit Risk – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to cover the value of its investments or collateral securities that are in the possession of an outside party. The College has no formal policy limiting the amount of securities that can be held by counterparties.

Concentration Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The College did not have a formal investment policy which limited investment in any one issuer to less than 5%. However, the College’s investments were in investment pools.

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

Deposits with Trustees

As of September 30, 2025, the College had \$940,710 held by its bond trustees. Of that amount, \$196,508 were construction funds held in checking accounts at Synovus Bank. A deposit of \$50,000 was made for the purchase of land to be completed in Fiscal Year 2026. Funds totaling \$694,202 are for the 2018 Bond Series and are invested in Fidelity Investments Money Market Treasury Only Portfolio – Class III. This money market fund invests solely in U. S. Treasury obligations.

Fair Value Measurements

GASB Statement No. 72, *Fair Value Measurement and Application*, sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB 72 are described as follows:

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

		Assets at Fair Value as of September 30, 2025		
Investments by Fair Value Level	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity Securities				
Domestic Common and Preferred Stock	\$ 12,893	\$ 12,893	\$ -	\$ -
Total Equity Securities	12,893	\$ 12,893	\$ -	\$ -
Certificates of Deposit	6,912,592			
Total	\$ 6,925,485			

Note 3. Accounts Receivable

Receivables are reported and summarized as follows:

Description	Amount
Federal	\$ 4,626,985
Student	1,512,086
State	7,659,717
Third-Party	407,225
Other	962,726
Less: Allowance for Doubtful Accounts	(1,381,815)
Total Accounts Receivable	\$ 13,786,924

Note 4. Capital Assets

Capital asset activity for the year ended September 30, 2025, was as follows:

Description	Beginning Balance	Additions	Reductions/ Transfers	Adjustments	Ending Balance
Non-depreciable Capital Assets					
Land	\$ 1,254,000	\$ -	\$ -	\$ -	\$ 1,254,000
Construction in Progress	8,002,083	4,064,011	(10,210,494)	-	1,855,600
Total Non-depreciable Capital Assets	9,256,083	4,064,011	(10,210,494)	-	3,109,600
Other Capital Assets					
Buildings	64,040,473	-	-	-	64,040,473
Building Alterations	26,630,922	-	10,210,494	-	36,841,416
Improvements other than Buildings and Infrastructure	7,344,221	-	-	-	7,344,221
Furniture and Equipment greater than \$25,000	10,339,321	3,465,616	(183,237)	-	13,621,700
Furniture and Equipment \$25,000 or less	6,773,114	1,603,086	(1,905,003)	-	6,471,197
Library Materials	4,574,233	10,922	-	-	4,585,155
Right-to-Use Assets - Buildings and Equipment	118,613	29,690	-	-	148,303
Right-to-Use Assets - Software Subscriptions	212,622	132,539	-	-	345,161
Total Other Capital Assets	120,033,519	5,241,853	8,122,254	-	133,397,626
Less Accumulated Depreciation/ Amortization					
Buildings	37,846,022	1,012,908	-	-	38,858,930
Building Alterations	8,539,009	1,473,658	-	-	10,012,667
Improvements other than Buildings and Infrastructure	4,621,246	223,215	-	-	4,844,461
Furniture and Equipment greater than \$25,000	6,457,436	1,000,537	(183,237)	-	7,274,736
Furniture and Equipment \$25,000 or less	5,542,180	748,034	(1,905,003)	-	4,385,211
Library Materials	4,325,241	39,468	-	-	4,364,709
Right-to-Use Assets - Buildings and Equipment	1,867	44,168	-	-	46,035
Right-to-Use Assets - Software Subscriptions	124,620	97,483	-	-	222,103
Total Accumulated Depreciation/Amortization	67,457,620	4,639,471	(2,088,240)	-	70,008,852
Total Capital Assets, Net	\$ 61,831,982	\$ 4,666,393	\$ -	\$ -	\$ 66,498,374

Note 5. Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description

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

Benefits Provided

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

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

Act 2022 of the Legislature of 2022 for TRSA provides that any Tier 2 member who withdraws from service after the completion of at least 30 years of creditable service is entitled to an annual retirement benefit.

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

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

Contributions

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

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

Participating employers' contractually required contribution rate for the fiscal year ended September 30, 2025, was 13.57% of annual pay for Tier 1 members and 12.60% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the College were \$2,542,085 for the year ended September 30, 2025.

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

At September 30, 2025, the College reported a liability of \$27,755,501 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2023. 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, 2024, the College's proportion was 0.213373%, which was a decrease of 0.003782% from its proportion measured as of September 30, 2023.

For the year ended September 30, 2025, the College recognized pension expense of \$2,758,659. At September 30, 2025, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 2,760,000	\$ 200,000
Changes of Assumptions	426,000	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	4,552,000
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	-	1,627,809
Employer Contributions Subsequent to the Measurement Date	2,542,085	-
Total	\$ 5,728,085	\$ 6,379,809

\$2,542,085 reported as deferred outflows of resources related to pensions resulting from the College's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2026.

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	Amount
2026	\$ (724,000)
2027	799,000
2028	(1,769,000)
2029	(1,499,809)
2030	-
Thereafter	-

Actuarial Assumptions

The total pension liability as of September 30, 2024 was determined by an actuarial valuation as of September 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement:

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

* Net of pension plan investment expense, including inflation

The actuarial assumptions used in the actuarial valuation as of September 30, 2023, were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2020. The Board of Control accepted and approved these changes in September 2021 which became effective at the beginning of fiscal year 2021.

Mortality Rate

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

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

Long-Term Expected Rate of Return

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	15.00%	2.80%
U.S. Large Stocks	32.00%	8.00%
U.S. Mid Stocks	9.00%	10.00%
U.S. Small Stocks	4.00%	11.00%
Int'l Developed Mkt Stocks	12.00%	9.50%
Int'l Emerging Mkt Stocks	3.00%	11.00%
Alternatives	10.00%	9.00%
Real Estate	10.00%	6.50%
Cash Equivalents	5.00%	1.50%
Total	100.00%	

* Includes assumed rate of inflation of 2.00%.

Discount Rate

The discount rate used to measure the total pension liability was 7.45%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, components

of the pension plan’s fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following table presents the College’s proportionate share of the net pension liability calculated using the discount rate of 7.45%, 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 (6.45%) or 1-percentage point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
College’s Proportionate Share of the Collective Net Pension Liability	\$ 38,592,000	\$ 27,755,501	\$ 18,635,000

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued RSA Annual Comprehensive Financial Report for the fiscal year ended September 30, 2024. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2024. The auditor’s report on the Schedule of Employer Allocations and Pension Amounts by Employer and accompanying notes detail by employer and in aggregate information needed to comply with GASB 68. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

Note 6. Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan

Plan Description

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

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

Benefits Provided

PEEHIP offers a basic hospital medical plan to active members and non-Medicare eligible retirees. Benefits include inpatient hospitalization for a maximum of 365 days without a dollar limit, inpatient rehabilitation, outpatient care, physician services, and prescription drugs.

Active employees and non-Medicare eligible retirees who do not have Medicare eligible dependents can enroll in a health maintenance organization (HMO) in lieu of the basic hospital medical plan. The HMO includes hospital medical benefits, dental benefits, vision benefits, and an extensive formulary. However, participants in the HMO are required to receive care from a participating physician in the HMO plan.

The PEEHIP offers four optional plans (Hospital Indemnity, Cancer, Dental, and Vision) that may be selected in addition to or in lieu of the basic hospital medical plan or HMO. The Hospital Indemnity Plan provides a per-day benefit for hospital confinement, maternity, intensive care, cancer, and convalescent care. The Cancer Plan covers cancer disease only and benefits are provided regardless of other insurance. Coverage includes a per-day benefit for each hospital confinement related to cancer. The Dental Plan covers diagnostic and preventative services, as well as basic and major dental services. Diagnostic and preventative services include oral examinations, teeth cleaning, x-rays, and emergency office visits. Basic and major services include fillings, general aesthetics, oral surgery not covered under a Group Medical Program, periodontics, endodontics, dentures, bridgework, and crowns. Dental services are subject to a maximum of \$1,250 per year for individual coverage and \$1,000 per person per year for family coverage. The Vision Plan covers annual eye examinations, eyeglasses, and contact lens prescriptions.

PEEHIP members may opt to elect the PEEHIP Supplemental Plan as their hospital medical coverage in lieu of the PEEHIP Hospital Medical Plan. The PEEHIP Supplemental Plan provides secondary benefits to the member's primary plan provided by another employer. Only active and non-Medicare retired members and covered dependents are eligible to enroll in the PEEHIP Supplemental Medical Plan. There is no premium required for this plan, and the plan covers most out-of-pocket expenses not covered by the primary plan. Members who are enrolled in the PEEHIP Hospital Medical Plan, VIVA Health Plan (offered through the Public Education Employees' Health Insurance Fund (PEEHIF), Marketplace (Exchange) Plans, Alabama State Employees Insurance Board, Local Government Health Insurance Board, Medicaid, ALL Kids, Tricare, or Champus, as their primary coverage, or are enrolled in a Health Savings Account (HSA)

or Health Reimbursement Arrangement (HRA), are not eligible to enroll in the PEEHIP Supplemental Plan. The plan cannot be used as a supplement to Medicare. Retired members who become eligible for Medicare are eligible to enroll in the PEEHIP Group Medicare Advantage (PPO) Plan or the Optional Coverage Plans.

Effective January 1, 2023, United Health Care (UHC) Group replaced the Humana contract for Medicare eligible retirees and Medicare eligible dependents of retirees. The Medicare Advantage Prescription Drug Plan (MAPDP) is fully insured by UHC, and members are able to have all of their Medicare Part A, Part B, and Part D (prescription drug coverage) in one convenient plan. With the UHC plan for PEEHIP, retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Retirees have the same benefits in and out-of-network and there is no additional retiree cost share if a retiree uses an out-of-network provider and no balance billing from the provider.

Contributions

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

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

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

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

At September 30, 2025, the College reported a liability of \$14,758,587 for its proportionate share of the collective Net OPEB liability. The collective Net OPEB liability was measured as of September 30, 2023, and

the total OPEB liability used to calculate the Net OPEB liability was determined by an actuarial valuation as of September 30, 2023. The College's proportion of the collective Net OPEB liability was based on the College's share of contributions to the OPEB plan relative to the total employer contributions of all participating PEEHIP employers. At September 30, 2024, the College's proportion was 0.160533% which was a decrease of 0.005964% from its proportion measured as of September 30, 2023.

For the year ended September 30, 2025, the College recognized OPEB expense of (\$718,896) with no special funding situations. At September 30, 2025, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 6,882,802	\$ 3,185,309
Changes of Assumptions	5,082,750	2,088,101
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	-	364,119
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	487,508	2,066,199
Employer Contributions Subsequent to the Measurement Date	463,371	-
Total	<u>\$ 12,916,431</u>	<u>\$ 7,703,728</u>

The \$463,371 reported as deferred outflows of resources related to OPEB resulting from the College's contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB liability in the year ending September 30, 2026.

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

Year Ending September 30	Amount
2026	\$ 428,146
2027	580,695
2028	396,503
2029	936,581
2030	1,811,978
Thereafter	595,429

Actuarial Assumptions

The Total OPEB Liability was determined by an actuarial valuation as of September 30, 2023, using the following assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	3.25 - 5.00%, including 2.75% wage inflation
Long-term Investment Rate of Return	7.00% compounded annually, net of investment expense, and including inflation
Municipal Bond Index Rate at the Measurement Date	3.89%
Municipal Bond Index Rate at the Prior Measurement Date	4.53%
Year Fiduciary Net Position (FNP) is Projected to be Depleted	2040
Single Equivalent Interest Rate at Measurement Date	4.32%
Single Equivalent Interest Rate at Prior Measurement Date	7.00%
Healthcare Cost Trend Rates:	
Initial Trend Rate	
Pre-Medicare Eligible	6.75%
Medicare Eligible	**
Ultimate Trend Rate	
Pre-Medicare Eligible	4.50% in 2033 FYE
Medicare Eligible	4.50% in 2033 FYE

** Initial Medicare claims are set based on renewal premium rates through calendar year 2025 with an assumed 0% increase for the upcoming 2026-2028 negotiatiion period.

Mortality Rate

The rates of mortality are based on the Pub-2010 Public Mortality Plans Mortality Tables, adjusted generationally based on scale MP-2020, with an adjustment of 66-2/3% to the table beginning in year 2019. The mortality rates are adjusted forward and/or back depending on the plan and group covered, as shown in the table below.

Group	Membership Table	Set Forward (+) / Set Back (-)	Adjustment to Rates
Active Members	Teacher Employee Below Median	None	65%
Service Retirees	Teacher Below Median	Male: +2, Female: +2	Male: 108% ages < 63, 96% ages > 67; Phasing down 63 - 67 Female: 112% ages < 69, 98% ages > 74; Phasing down 69 - 74
Disabled Retirees	Teacher Disability	Male: +8, Female: +3	None
Beneficiaries	Teacher Contingent Survivor Below Median	Male: +2, Female: None	None

The decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2020, submitted to and adopted by the Teachers' Retirement System of Alabama Board on September 13, 2021.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) were based on the September 30, 2023 valuation.

Long-Term Expected Rate of Return

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

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

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

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

* Geometric mean, includes 2.50% inflation.

Discount Rate

The discount rate (also known as the Single Equivalent Interest Rate (SEIR), as described by GASB 74) used to measure the total OPEB liability was 4.32%. Premiums paid to the Public Education Employees' Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly

employer rate that participating school systems must contribute for each active employee. Currently, the monthly employer rate is \$800 per non-university active member. Approximately, 9.751% of the employer contributions were used to assist in funding retiree benefit payments in 2024 and it is assumed that the 9.751% will increase or decrease at the same rate as expected benefit payments for the closed group with a cap of 20.00%. It is assumed the \$800 rate will remain flat until, based on budget projections, it increases to \$904 in fiscal year 2026, \$1,114 in fiscal year 2027 and then will increase with inflation at 2.50% starting in 2028. Retiree benefit payments for university members are paid by the Universities and are not included in the cash flow projections. The discount rate determination will use a municipal bond rate to the extent the Trust is projected to run out of money before all benefits are paid. Therefore, the projected future benefit payments for all current plan members are projected through 2122.

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

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

	1% Decrease (5.75% decreasing to 3.50% for pre-Medicare, Known decreasing to 3.50% for Medicare eligible)	Current Healthcare Trend Rate (6.75% decreasing to 4.50% for pre-Medicare, Known decreasing to 4.50% for Medicare eligible)	1% Increase (7.75% decreasing to 5.50% for pre-Medicare, Known decreasing to 5.50% for Medicare eligible)
Net OPEB Liability	\$ 11,872,035	\$ 14,758,587	\$ 18,480,799

The following table presents the College’s proportionate share of the Net OPEB liability of the Trust calculated using the discount rate of 4.32%, as well as what the Net OPEB liability would be if calculated using one-percentage point lower or one-percentage point higher than the current rate:

	1% Decrease (3.32%)	Current Rate (4.32%)	1% Increase (5.32%)
Net OPEB Liability	\$ 17,928,277	\$ 14,758,587	\$ 12,225,658

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan’s Fiduciary Net Position is in the Trust’s financial statements for the fiscal year ended September 30, 2024. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2024. Additional financial and actuarial information is available at www.rsa-al.gov.

Note 7. Significant Commitments

As of September 30, 2025, the College had been awarded approximately \$12,017,812 in contracts and grants on which performance had not been accomplished and funds had not been received. These awards, which represent commitments of sponsors to provide funds for specific purposes, have not been reflected in the financial statements.

Note 8. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities represent amounts due at September 30, 2025, for goods and services received prior to the end of the fiscal year.

Description	Amount
Salaries and benefits	\$ 1,762,074
Interest payable	175,618
Supplies	3,398,680
Total	\$ 5,336,372

Note 9. Long-Term Liabilities

Long-term liabilities activity for the year ended September 30, 2025, was as follows:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable					
2018A Series Revenue Bonds	\$ 8,335,000	\$ -	\$ -	\$ 8,335,000	\$ -
2018B Series Revenue Bonds	945,000	-	465,000	480,000	480,000
Bond Premium/Discount	166,777	-	10,151	156,626	10,151
Total Bonds Payable	9,446,777	-	475,151	8,971,626	490,151
Lease Payable	118,612	29,691	43,717	104,586	50,737
Subscriptions Payable	85,005	132,538	118,093	99,450	55,282
Compensated Absences	963,427	44,820	-	1,008,247	55,360
Total Long-Term Liabilities	\$ 10,613,821	\$ 207,049	\$ 636,961	\$ 10,183,909	\$ 651,530

Bonds

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

A trustee holds sinking fund deposits, including earnings on investments of these deposits. Revenue from student tuition and fees sufficient to pay the annual debt service are pledged to secure the bonds.

Bond Debt

Principal and interest maturity requirements on bond debt are as follows:

Fiscal Year(s)	2018A Series Refunding Revenue Bonds		2018B Series Refunding Revenue Bonds		Total
	Principal	Interest	Principal	Interest	
2026	\$ -	\$ 329,648	\$ 480,000	\$ 8,520	\$ 818,168
2027	495,000	319,748	-	-	814,748
2028	515,000	296,973	-	-	811,973
2029	540,000	270,598	-	-	810,598
2030	570,000	245,698	-	-	815,698
2031-2035	3,195,000	867,945	-	-	4,062,945
2036-2040	3,020,000	232,041	-	-	3,252,041
2041-2045	-	-	-	-	-
2046-2050	-	-	-	-	-
2051-2055	-	-	-	-	-
Total	\$ 8,335,000	\$ 2,562,651	\$ 480,000	\$ 8,520	\$ 11,386,171

Bond Premium and Discount

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

Description	Premium	Discount	Total
Total Premium/Discount	\$ 238,360	\$ (12,368)	\$ 225,992
Amount Amortized Prior Years	(67,755)	8,540	(59,215)
Total	170,605	(3,828)	166,777
Current Amount Amortized	(11,918)	1,767	(10,151)
Total	\$ 158,687	\$ (2,061)	\$ 156,626

Pledged Revenues

The College has pledged tuition and building fee revenues for the payment of debt service on the Series 2018 Bonds. The approximate amount of the pledge is \$11,386,169. The pledged revenue will not be available for other purposes until October 1, 2039. The principal and interest payments made during fiscal year 2025 were \$819,709. Therefore, of the \$9,805,848 in tuition and building fee revenue recognized by the College during fiscal year 2025, 8.4% of total tuition and fees revenue pledged was needed for debt service on the Series 2018 Bonds.

Lease Liability

The College leases office equipment from one external party for various terms under long-term non-cancelable lease agreements. The leases expire in 2027. In accordance with GASB Statement No. 87, the College records right-to-use assets and lease liabilities based on the present value of expected

payments over the lease term of the respective leases. The expected payments are discounted using the interest rate charged on the lease, if available, or are otherwise discounted using the College's incremental borrowing rate. The interest rate is 1.21% to 3.22%.

Future minimum payments under the lease agreements and the present value of the minimum payments as of September 30, 2025, are as follows:

<u>Fiscal Year(s)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 50,737	\$ 2,529	\$ 53,266
2027	48,791	919	49,710
2028	5,058	52	5,110
Total	\$ 104,586	\$ 3,500	\$ 108,086

Subscriptions Payable

The College has subscription-based technology arrangements which expire in 2027. In accordance with GASB Statement No. 96, the College records a right-to-use asset and a subscription payable based on the present value of expected payments over the subscription. The expected payments are discounted using the interest rate charged on the subscription which is 3.3780%.

<u>Fiscal Year(s)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 55,282	\$ 2,554	\$ 57,836
2027	44,168	1,268	45,436
Total	\$ 99,450	\$ 3,822	\$ 103,272

Note 10. Risk Management

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

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

amount monthly to the PEEHIF for each employee and this amount is applied against the employee's premiums for the coverage selected and the employee pays any remaining premium.

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

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

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. This amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the College expects such amounts, if any, to be immaterial.

Note 11. Component Unit

Fair Value Measurement

The Foundation follows the provisions of the FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurement*, for fair value measurement of financial assets and liabilities. These provisions define fair value, establish a framework for measuring fair value and expand disclosure about fair value measurement. These provisions also emphasize that fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted prices in active markets. Under the provisions of the FASB ASC 820, fair value measurements are disclosed by level within that hierarchy.

For each asset and liability required to be reported at fair value, management has identified the unit of account and valuation premise to be applied for purposes of measuring fair value. The unit of account is the level at which an asset or liability is aggregated or disaggregated for purposes of applying these provisions. The valuation premise is a concept that determines whether an asset is measured on a stand-alone basis or in combination with other assets. For purposes of applying these provisions, the Foundation measures its assets and liabilities on a stand-alone basis then aggregates assets and liabilities with similar characteristics for disclosure purposes.

The provisions of the FASB ASC 820 establish a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Foundation. Unobservable inputs are inputs that reflect the Foundation's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

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

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

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

All of the Foundation's investments at December 31, 2024 were classified as Level 1.

Income Tax Status

The Foundation follows the provisions of FASB ASC guidance relating to uncertainty in income taxes. This guidance requires entities to assess their uncertain tax positions for the likelihood that they would be overturned upon Internal Revenue Service (IRS) examination or upon examination by state taxing authorities. In accordance with this guidance, the Foundation has determined that there are no positions at December 31, 2024, which it would be unable to substantiate. The Foundation has filed its tax returns through 2024. The tax returns for years ended 2020 and thereafter are subject to audit by the taxing authorities.



Required Supplementary Information

ANNUAL FINANCIAL REPORT
BEVILL STATE COMMUNITY COLLEGE



BEVILL STATE Community College

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Schedule of the College's Proportionate Share of the Net Pension Liability (Unaudited) Teachers' Retirement Plan of Alabama For the Year Ended September 30

(Dollar Amounts in Thousands)	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
College's Proportion as a percentage of the Net Pension Liability	0.213373%	0.217155%	0.228303%	0.236680%	0.243369%	0.239735%	0.261257%	0.273328%	0.253672%	0.255263%
College's Proportionate Share of the Net Pension Liability	\$ 27,756	\$ 34,653	\$ 35,480	\$ 22,296	\$ 30,104	\$ 26,507	\$ 25,976	\$ 26,864	\$ 27,463	\$ 26,715
College's Covered Payroll	\$ 18,521	\$ 17,812	\$ 17,270	\$ 16,984	\$ 17,147	\$ 17,007	\$ 17,374	\$ 18,046	\$ 16,119	\$ 16,148
College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	149.86%	194.55%	205.44%	131.28%	175.56%	155.86%	149.51%	148.86%	170.38%	165.44%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.41%	63.57%	62.21%	76.44%	67.72%	69.85%	72.29%	71.50%	67.93%	67.51%

Notes to schedule:

Note 1: Per GASB 82, which amends GASB 68, covered payroll is defined as the payroll on which contributions to a pension plan are based. The covered payroll for this RSI Schedule (GASB 68 paragraph 81a) is for the measurement period, which for the September 30, 2025 year is October 1, 2023 through September 30, 2024.

Schedule of the College’s Contributions Pension (Unaudited) Teachers’ Retirement Plan of Alabama For the Year Ended September 30

(Dollar Amounts in Thousands)	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually Required Contribution	\$ 2,542	\$ 2,276	\$ 2,188	\$ 2,099	\$ 2,061	\$ 2,099	\$ 2,084	\$ 2,098	\$ 2,140	\$ 1,851
Contributions in Relation to the Contractually Required Contribution	\$ 2,542	\$ 2,276	\$ 2,188	\$ 2,099	\$ 2,061	\$ 2,099	\$ 2,084	\$ 2,098	\$ 2,140	\$ 1,851
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College’s Covered Payroll	\$ 19,166	\$ 18,521	\$ 17,812	\$ 17,270	\$ 16,984	\$ 17,147	\$ 17,007	\$ 17,374	\$ 18,046	\$ 16,119
Contributions as a Percentage of Covered Payroll	13.26%	12.29%	12.28%	12.15%	12.13%	12.24%	12.25%	12.08%	11.86%	11.48%

Notes to Schedule:

Note 1: Per GASB 82, which amends GASB 68, covered payroll is defined as the payroll on which contributions to a pension plan are based, also known as pensionable payroll. The covered payroll for this RSI Schedule (GASB 68 paragraph 81b) is for the most recent fiscal year end, which for the September 30, 2025 year is October 1, 2024 through September 30, 2025.

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

Notes to Required Supplementary Information for Pension Benefits

Note 1. Changes of Benefit Terms

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

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

In 2021 the plan was amended to allow sick leave conversion for Tier 2 members and to increase the members contribution rates for Tier 2 members to 6.20% for regular members and 7.20% for police officers, firefighters, and correctional officers effective on October 1, 2021.

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

- 1) A service retirement allowance is payable upon the request of any member who has attained age 62 and completed at least 10 years of creditable service (age 56 with 10 years of creditable service for a full-time certified firefighter, police officer or correctional officer).
- 2) Upon service or disability retirement a member receives a retirement allowance equal to 1.65% of the member's average final compensation multiplied by the number of years of creditable service. The benefit is capped at 80% of the member's average final compensation (the 5 highest years in the last 10 years of Creditable Service).
- 3) Regular members contribute 6% of salary and full-time certified firefighters, police officers and correctional officers contribute 7% of salary.

Note 2. Changes of Assumptions

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

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

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

Note 3. Method and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the schedule of employer contributions are calculated three years prior to the end of the fiscal year in which contributions are reported (September 30, 2021 for the fiscal year 2024 amounts). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	26.9 years
Asset Valuation Method	5-year smoothed market
Inflation	2.50 percent
Salary Increase	3.25 percent to 5.00 percent, including inflation
Investment Rate of Return	7.45 percent, net of pension plan investment expense, including inflation

**Schedule of the College's Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability (Unaudited)
Alabama Retired Employees' Health Care Trust
For the Year Ended September 30***

(Dollar Amounts in Thousands)	2025	2024	2023	2022	2021	2020	2019	2018
College's Proportion as a percentage of the Net OPEB Liability	0.160533%	0.166497%	0.190199%	0.178000%	0.187607%	0.215319%	0.219873%	0.226946%
College's Proportionate Share of the Net OPEB Liability	\$ 14,759	\$ 3,200	\$ 3,314	\$ 9,197	\$ 12,175	\$ 8,123	\$ 18,071	\$ 16,858
College's Covered Payroll	\$ 18,434	\$ 17,700	\$ 17,112	\$ 16,998	\$ 16,540	\$ 16,268	\$ 16,696	\$ 15,726
College's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	80.06%	18.08%	19.37%	54.11%	73.61%	49.94%	108.24%	107.19%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	20.41%	49.42%	48.39%	27.11%	19.80%	28.14%	14.81%	15.37%

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

Note to Schedule: Per GASB 75, covered payroll is defined as the payroll of employees that are provided with OPEB through the OPEB plan. The covered payroll for this RSI Schedule (GASB 75 paragraph 97) is for the reporting period (i.e., the measurement period), which for the 9/30/2023 year is 10/1/2021 - 9/30/2022.

**Schedule of the College’s Contributions Other Postemployment Benefits(OPEB)
(Unaudited)
Alabama Retired Employees’ Health Care Trust
For the Year Ended September 30***

(Dollar Amounts in Thousands)	2025	2024	2023	2022	2021	2020	2019	2018
Contractually Required Contribution	\$ 463	\$ 230	\$ 260	\$ 358	\$ 310	\$ 480	\$ 775	\$ 692
Contributions in Relation to the Contractually Required Contribution	\$ 463	\$ 230	\$ 260	\$ 358	\$ 310	\$ 480	\$ 775	\$ 692
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College’s Covered Payroll	\$ 19,873	\$ 18,434	\$ 17,700	\$ 17,112	\$ 16,998	\$ 16,540	\$ 16,268	\$ 16,696
Contributions as a Percentage of Covered Payroll	2.33%	1.25%	1.47%	2.09%	1.82%	2.90%	4.76%	4.15%

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

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

Note 1. Changes in Actuarial Assumptions

In 2024, assumptions regarding aging factors were adjusted to reflect actual and anticipated experience more closely. Additionally, future healthcare trend rates for the Medicare Advantage Plan were updated.

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

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

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

Note 2. Recent Plan Changes

The September 30, 2022 valuation reflects the impact of Act 2022-222.

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

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

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

Note 3. Method and Assumptions Used in Calculations of Actuarially Determined Contributions

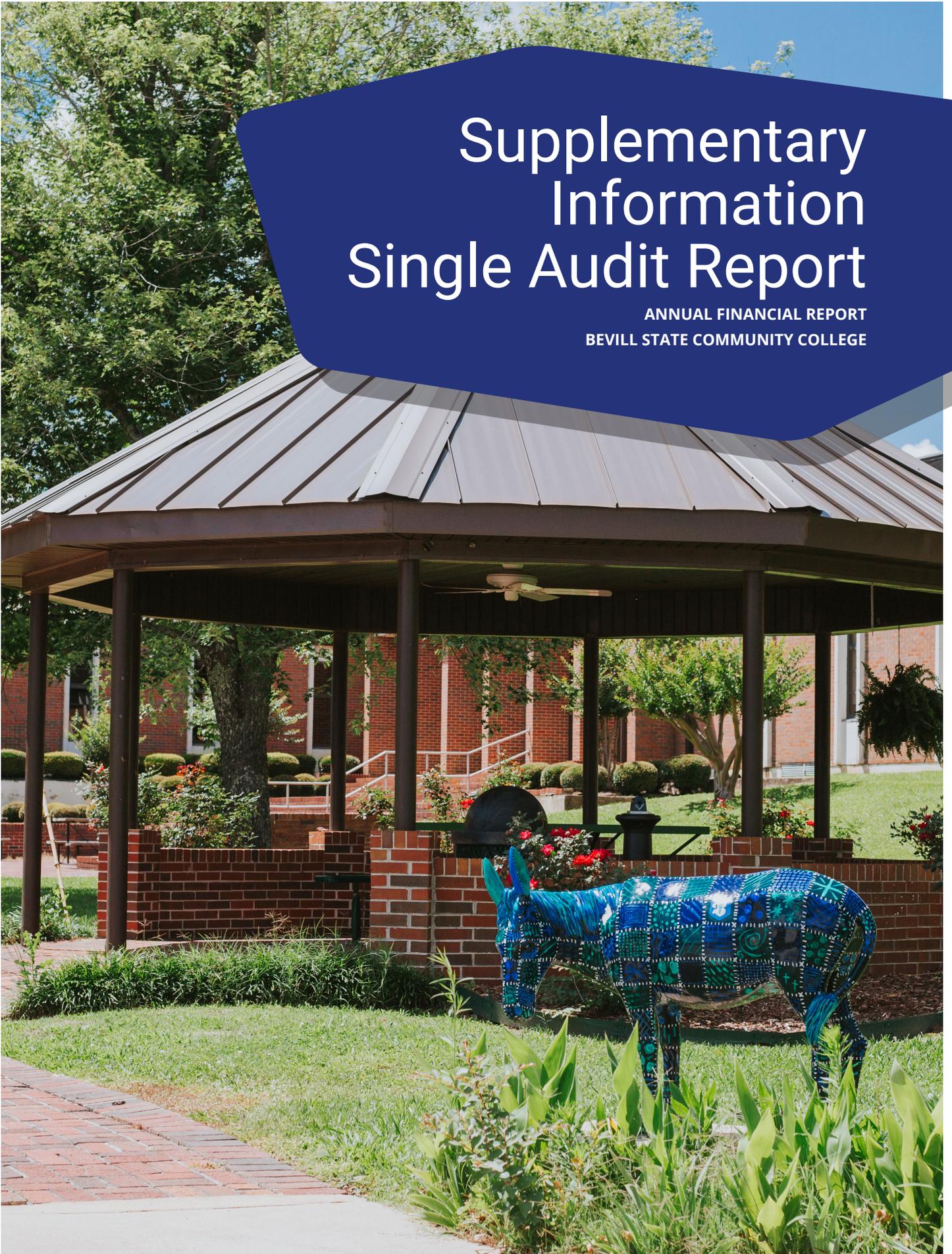
The actuarially determined contribution rates in the schedule of employer contributions are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Therefore, the actuarially determined employer contribution for fiscal year ending September 30, 2024 is determined based on the actuarial valuation as of September 30, 2021. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay, Closed
Remaining Amortization Period	20 years
Asset Valuation Method	Market Value of Assets
Inflation	2.50%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	6.50%
Medicare Eligible *	*
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.50%
Medicare Eligible	4.50%
Year of Ultimate Trend Rate	2031 for Pre-Medicare Eligible 2027 for Medicare Eligible
Optional Plans Trend Rate	2.00%
Investment Rate of Return	5.00%, including inflation

* Initial Medicare claims are set based on scheduled increases through plan year 2025.

Supplementary Information Single Audit Report

ANNUAL FINANCIAL REPORT
BEVILL STATE COMMUNITY COLLEGE





BEVILL STATE Community College

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**BEVILL STATE COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Federal Grantor/Program or Cluster Title/ Pass-Through Grantor/ Grant Name	Federal Assistance Listing Number	Grant or Pass-through Number	Federal Expenditures	Passed through to Subrecipients
Department of Education				
Student Financial Assistance Cluster:				
Direct:				
Federal Pell Grant Program	84.063	P063P242775	\$ 8,251,490	\$ -
Federal Work Study Program	84.033	P033A244619	40,305	-
Federal Supplemental Educational Opportunity Grants	84.007	P007A244619	122,906	-
Total Student Financial Assistance Cluster			8,414,701	-
TRIO Cluster:				
		P042A200079/P042A200 137/P042A200273/P042 A200520/P042A250157/ P042A250168/P042A250 283/P042A250749		
TRIO-Student Support Services	84.042	P044A210014/P044A210 120	1,230,537	-
TRIO-Talent Search	84.044	P047A220048/P047A220 120/P047A220372/P047 M220066	747,222	-
TRIO-Upward Bound	84.047	P066A210034	1,620,302	-
TRIO-Educational Opportunity Centers	84.066		309,105	-
Total TRIO Cluster			3,907,166	-
Pass-through Alabama Community College System:				
Adult Education – Basic Grants to States	84.002	0925AE082	321,803	-
Pass-through Alabama Department of Education:				
Career and Technical Education – Basic Grants to States	84.048	V048240001	220,237	-
Total Pass-through Programs			542,040	-
Total Department of Education			12,863,907	-
Department of Energy				
Pass-through Alabama Community College System				
Weatherization Assistance of Low-income Persons	81.042	DE-EE0009885	194,143	-
Department of Labor				
Direct:				
Mine Health and Safety Grants	17.600	MS000072M24	199,698	-
Pass-through Alabama Department of Commerce				
WIOA Youth Activities	17.259	44100001	92,612	-
Total WIOA Cluster			92,612	-
Total Department of Labor			292,310	-
Appalachian Regional Commission				
Pass-through Alabama Department of Economic and Community Affairs				
Appalachian Area Development	23.002	AL-20332-21	26,683	-
Appalachian Area Development	23.002	AL-21706-2024	500,000	-
Total Appalachian Regional Commission			526,683	-
Department of Health and Human Services				
Direct:				
477 Cluster: Temporary Assistance for Needy Families	93.558		73,025	-
Department of Agriculture				
Supplemental Nutrition Assistance Program	10.561		19,924	-
Total Federal Expenditures			\$ 13,969,992	\$ -

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**BEVILL STATE COMMUNITY COLLEGE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Bevill State Community College (the College) under programs of the federal government for the year ended September 30, 2025. 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* (the Uniform Guidance).

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.

3. INDIRECT COST RATE

The College did not elect to charge the de minimis rate for all federal awards.



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Chancellor of the Alabama Community College System
and the President of Bevill State Community College

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Bevill State Community College (the College), as of and for the year ended September 30, 2025, and the related notes to the financial statements, and have issued our report thereon dated January 15, 2026. Our report includes a reference to other auditors who audited the financial statements of the Bevill State Community College Foundation, Inc. (the Foundation), as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the Foundation that are reported on separately by those auditors who audited the financial statements of the Foundation.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) 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 the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College'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 College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Warren Averett, LLC

Montgomery, Alabama
January 15, 2026



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Chancellor of the Alabama Community College System
and the President of Bevill State Community College

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Bevill State Community College's (the College) compliance with the types of compliance requirements identified as subject to audit in the Office of Management and Budget's (OMB) *Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended September 30, 2025. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2025.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the College's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the College's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the College's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the College's compliance with the requirements of each major federal program as a whole.

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

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

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2025-001. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the College's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the other auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2025-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the College's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the other auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Warren Averett, LLC

Montgomery, Alabama
January 15, 2026

**BEVILL STATE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	_____ No
Significant deficiency(ies) identified	_____ Yes	_____ None reported
Noncompliance material to the financial statements noted?	_____ Yes	_____ No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	_____ Yes	_____ No
Significant deficiency(ies) identified	_____ x Yes	_____ None reported

Type of auditors’ 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)? _____ x Yes _____ No

Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program Cluster</u>
84.007, 84.033, 84.063	Student Financial Assistance Cluster
84.042, 84.044, 84.047, 84.066	TRIO Cluster

Dollar threshold used to distinguish between type A and type B programs: \$1,000,000

Auditee qualified as low-risk auditee? _____ Yes _____ x No

**BEVILL STATE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Section II – Financial Statement Findings

No findings to report.

Section III – Federal Award Findings and Questioned Costs

Finding 2025-001 – Allowable Costs (Significant Deficiency and Noncompliance)

Information on the Federal Program: U.S. Department of Education, TRIO Cluster

Criteria: 2 CFR 200 Subpart E establishes cost principles to apply in determining costs under federal awards. Nonfederal entities are also required to establish controls over the disbursement process to ensure compliance with allowable cost requirements.

Condition: We selected a sample of 25 payroll charges, containing 57 employees. Of those 57, 2 exceptions were noted related to documentation. One employee's last letter of appointment indicated the position was 100% TRIO; however, the employee was allocated only at 50%, and their new allocation was not documented in a new letter of appointment. And one employee had more than one position but the additional position added letter of appointment or change of status was not provided.

Cause: The College has established policies and procedures to prepare letters of appointment and change of status forms to ensure payroll is properly documented as to amount and funding source. These forms are approved by the College President. Letters of appointment were not updated per policy to align with actual grant charges and other records such as emails and spreadsheets were provided contemporaneously to support the allowability of the costs.

Effect: Key controls over payroll documentation and adherence to policies and procedures were not operating effectively.

Questioned Costs: none

Recommendation: We recommend the College adhere to its policies and procedures surrounding the payroll process. Payroll costs funded by federal funds should be adequately documented as to allowability and employees' total pay documented, reviewed and approved.

Views of Responsible Officials: See Management's View and Corrective Action Plan included at the end of the report.



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Summary Schedule of Prior Audit Findings

Finding 2024-001 – Cash Management (Material Weakness)

Information on the Federal Program: U.S. Department of Education, TRIO Cluster

Criteria: 2 CFR 200.305 establishes the procedures for receiving federal payments. Non-federal entities must design and implement internal controls to ensure compliance with cash management requirements.

Condition: We selected a sample of 24 reimbursement draw downs made during the year through the G5 payment system. Procedures were in place to accumulate expenses based on approved invoices and draw the reimbursement amount down through G5, however, documentation of review and approval of amounts to be drawn was not available.

Status: Corrective action taken

Finding 2024-002 – Allowable Costs (Significant Deficiency and Noncompliance)

Information on the Federal Program: U.S. Department of Education, TRIO Cluster and Appalachian Regional Commission (ARC), Appalachian Area Development Assistance Listing No. 23.002

Criteria: 2 CFR 200 Subpart E establishes cost principles to apply in determining costs under federal awards. Nonfederal entities are also required to establish controls over the disbursement process to ensure compliance with allowable cost requirements.

Condition: We selected a TRIO sample of 25 payroll charges, containing 56 employee paychecks. Of those 56, five employee's approved pay was not properly documented. The employee had additional pay not on the approved Letter of Appointment (LOA) or the LOA reflected the use of restricted dollars, but the pay was charged to the grant. In addition, of those 56, five employees were charged to a grant that they were not budgeted for.

We selected an ARC sample of 10 nonpayroll disbursements to test for controls. Of those 10, one disbursement of four scholarships was not properly documented as approved for payment.

Status: Corrective action partially implemented; Repeat finding 2025-001

<p><i>Fayette Campus</i> 2631 Temple Avenue North Fayette, AL 35555 205-932-3221/Fax 205-932-3294</p>	<p><i>Hamilton Campus</i> P.O. Drawer 9 Hamilton, AL 35570 205-921-3177/Fax 205-921-4094</p>	<p><i>Jasper Campus</i> 1411 Indiana Avenue Jasper, AL 35501 205-387-0511/Fax 205-387-5191</p>	<p><i>Sumiton Campus</i> P.O. Box 800 Sumiton, AL 35148 205-648-3271/Fax 205-648-2288</p>
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**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDING SEPTEMBER 30, 2025**

Contact:
David Morris, Regional Chief Financial Officer
david.morris@accs.edu
 (205)856-8597

Finding 2025-001 – Allowable Costs (Significant Deficiency and Noncompliance)

Information on the Federal Program: U.S. Department of Education, Trio Cluster

Criteria: 2 CFR 200 Subpart E establishes cost principles to apply in determining costs under federal awards. Nonfederal entities are also required to establish controls over the disbursement process to ensure compliance with allowable cost requirements.

Condition: We selected a sample of 25 payroll charges, containing 57 employees. Of those 57, 2 exceptions were noted related to documentation. One employee’s last letter of appointment indicated the position was 100% Trio; however, the employee was allocated only at 50%, and their new allocation was not documented in a new letter of appointment. And one employee had more than one position but the additional position added letter of appointment or change of status was not provided.

Management’s Response: The 2 exceptions noted were documented and had appropriate approvals. However, the form of the documentation was not the form listed in the local procedures. Bevill State will ensure that the form of the documentation and the local procedures are consistent moving forward.

Anticipated Completion Date: February 28, 2026

<p><i>Fayette Campus</i> 2631 Temple Avenue North Fayette, AL 35555 205-932-3221/Fax 205-932-3294</p>	<p><i>Hamilton Campus</i> P.O. Drawer 9 Hamilton, AL 35570 205-921-3177/Fax 205-921-4094</p>	<p><i>Jasper Campus</i> 1411 Indiana Avenue Jasper, AL 35501 205-387-0511/Fax 205-387-5191</p>	<p><i>Sumiton Campus</i> P.O. Box 800 Sumiton, AL 35148 205-648-3271/Fax 205-648-2288</p>
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