



Annual Financial Report

FOR THE YEAR ENDED SEPTEMBER 30, 2025

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NORTHEAST ALABAMA COMMUNITY COLLEGE

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Independent Auditor's Report

Jimmy Baker, Chancellor – Alabama Community College System
Dr. David Campbell, President – Northeast Alabama Community College

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Northeast Alabama Community College (the “College”), a component unit of the State of Alabama, and its discretely presented component unit, Northeast Alabama Community College Foundation, Inc. (“the Foundation”), 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 accompanying financial statements referred to above present fairly, in all material respects, the financial position of the College as of September 30, 2025, and the respective changes in financial position and, where applicable, its cash flows, 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 Foundation, which represent 100% of the assets, net position, and revenues of the discretely presented component unit as of December 31, 2024. Those statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as they relate to the amounts included for Northeast Alabama Community College Foundation, Inc., are based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial 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 Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*. 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 opinions.

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.

Auditor's Responsibility 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 auditor's report that includes our opinions. 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 GAAS 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 GAAS 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, the schedule of proportionate share of the net pension liability, the schedule of pension contributions, the schedule of proportionate share of the net OPEB liability, and the schedule of OPEB contributions, as listed in the table of contents, 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 GAAS, 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.

Other Information

Management is responsible for the other information included in the report. The other information comprises the Listing of College Officials, as listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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.

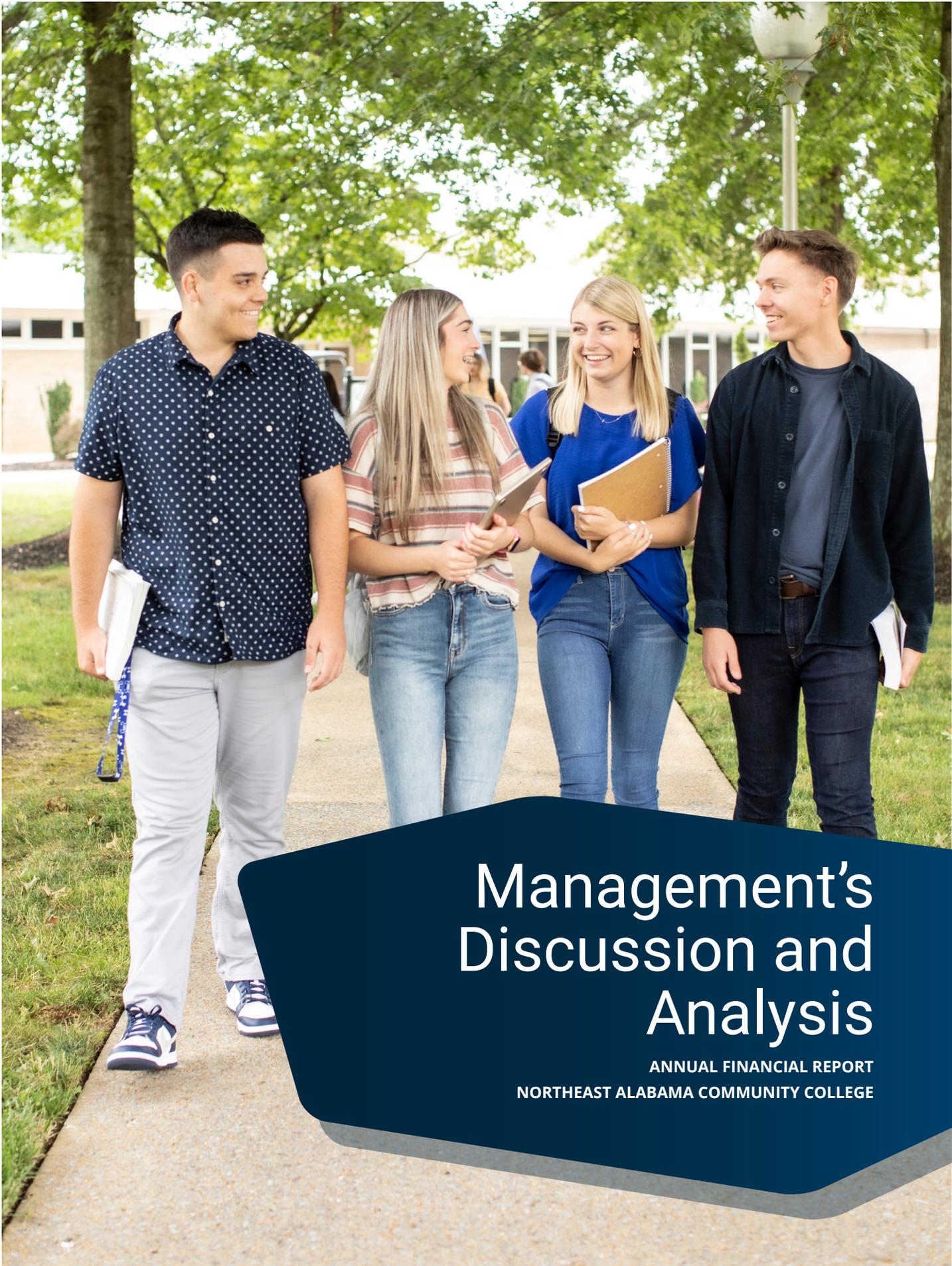
Mauldin & Jenkins, LLC

Athens, AL
January 15, 2026





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Management's Discussion and Analysis

ANNUAL FINANCIAL REPORT
NORTHEAST ALABAMA COMMUNITY COLLEGE



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Management's Discussion and Analysis

Overview of the Financial Statements and Financial Analysis

Introduction

The objective of Management's Discussion and Analysis is to help the readers of Northeast Alabama Community College's financial statements to better understand the financial condition and activities that have occurred during the fiscal year ended September 30, 2025. This document has been prepared by management and should be read in conjunction with the financial statements and the notes to the financial statements.

Northeast Alabama Community College's financial report consists of the following statements:

- The Statement of Net Position
- The Statement of Revenues, Expenses, and Changes in Net Position
- The Statement of Cash Flows

These statements are intended to present the financial position, operating activities, and cash flows of the College. This report on the College's financial statements provides an overview of financial activities and emphasizes current year data. There are three financial statements presented: Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows. The Notes to the Financial Statements provide additional information that is needed to fully understand the financial statements.

Statement of Net Position

The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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 Northeast Alabama Community College. The Statement of Net Position presents end-of-year data concerning Assets (current and noncurrent), Deferred Outflows of Resources, Liabilities (current and noncurrent), Deferred Inflows of Resources, and Net Position (Assets + Deferred Outflows minus Liabilities + Deferred Inflows). The difference between current and noncurrent assets are discussed in the financial statement disclosures.

From the data presented, readers of the Statement of Net Position can determine the assets available to continue the operations of the institution. They are also able to determine how much the institution owes vendors, investors, and lending institutions. Finally, the Statement of Net Position provides a picture of the net assets and their availability for expenditure by the institution.

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

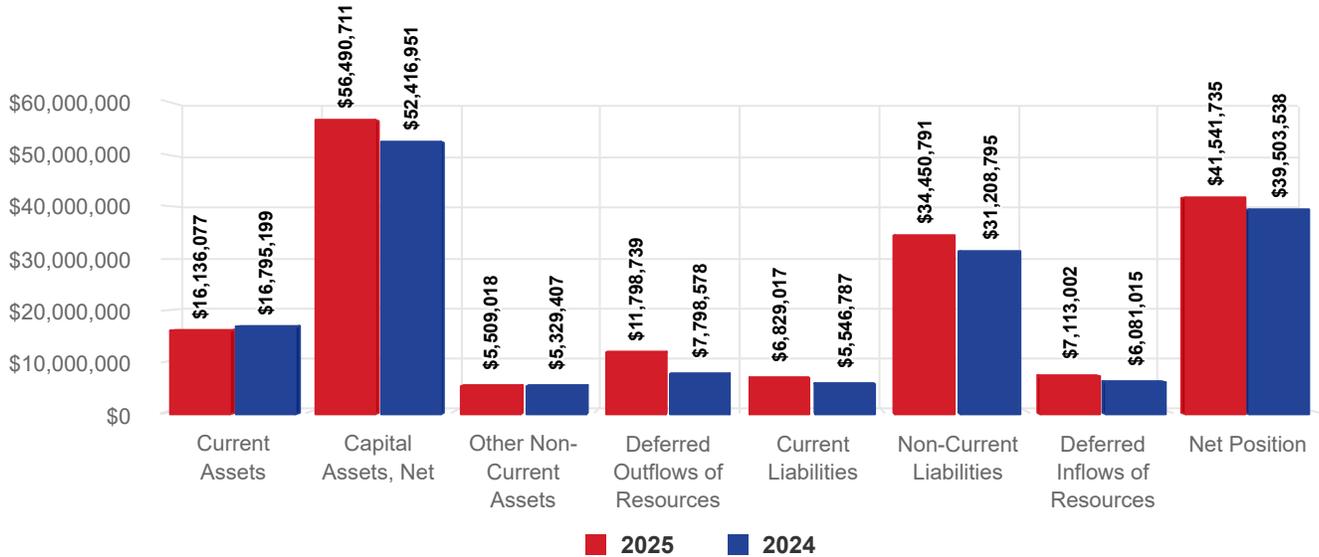
The following schedule summarizes the Statement of Net Position as of September 30, 2025 and 2024:

Statement of Net Position

	<u>2025</u>	<u>2024</u>
Assets		
Current Assets	\$ 16,136,077	\$ 16,795,199
Capital Assets, Net	56,490,711	52,416,951
Other Non-Current Assets	5,509,018	5,329,407
Total Assets	<u>78,135,806</u>	<u>74,541,557</u>
Deferred Outflows of Resources	<u>11,798,739</u>	<u>7,798,578</u>
Liabilities		
Current Liabilities	6,829,017	5,546,787
Non-Current Liabilities	34,450,791	31,208,795
Total Liabilities	<u>41,279,808</u>	<u>36,755,582</u>
Deferred Inflows of Resources	<u>7,113,002</u>	<u>6,081,015</u>
Net Position		
Net Investment in Capital Assets	47,956,844	43,774,000
Restricted (Expendable)	3,464,947	3,208,612
Unrestricted	(9,880,056)	(7,479,074)
Total Net Position	<u><u>\$ 41,541,735</u></u>	<u><u>\$ 39,503,538</u></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



The total assets of the institution as presented on the Statement of Net Position increased in fiscal 2025 over the previous year, primarily due to the increase in capital assets. While total assets and deferred outflows increased approximately \$7.6 million, the liabilities and deferred inflows increased by approximately \$5.6 million, providing an increase in net position of a little over \$2.0 million over the previous year. This provided a positive change in the overall net position of the College. Northeast Alabama Community College completed the fiscal year with an increase of approximately \$4.1 million in available capital assets, boosting the Net Position of the institution. This increase primarily consisted of the completion of three large construction projects, the new Workforce Development Skills Training Center, a softball field, and a softball practice facility. Also adding to this number was the construction of a new soccer field and upgrading of an existing building to house the new medical programs to be offered at the College.

The College’s reserves represent over 4 months of operating costs for the institution. The Alabama Community College System requires a minimum of 2 months reserves for each institution.

Statement of Revenues, Expenses and Changes in Net Position

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

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

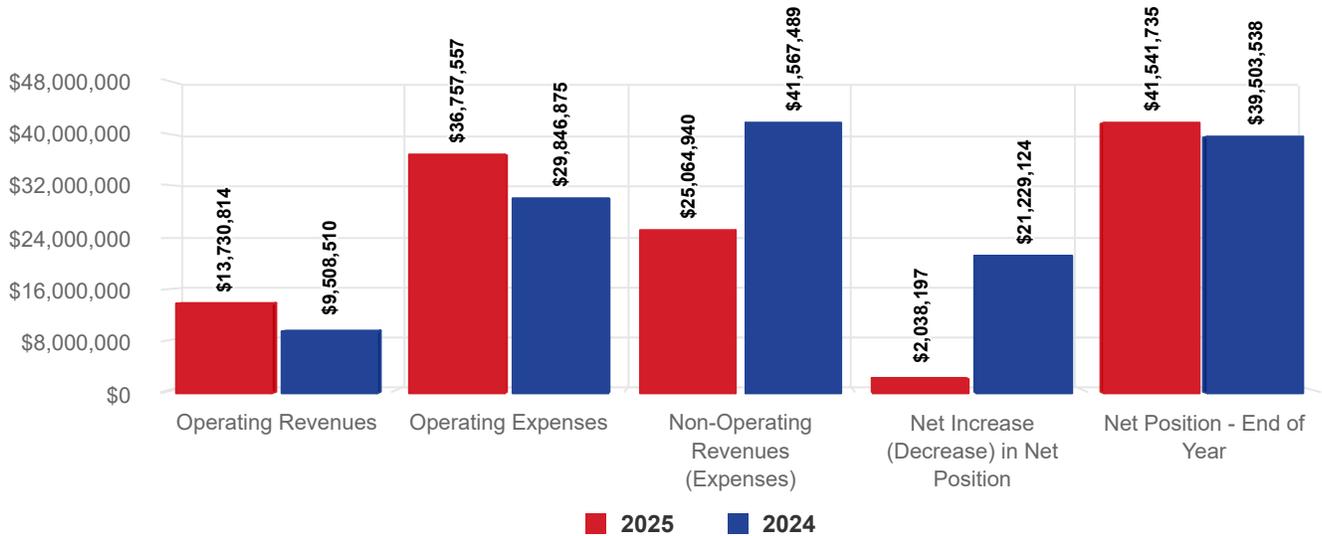
A condensed Statement of Revenues, Expenses and Changes in Net Position for the year ended September 30, 2025 and 2024 is presented below.

Statement of Revenues, Expenses, and Changes in Net Position

	<u>2025</u>	<u>2024</u>
Operating Revenues	\$ 13,730,814	\$ 9,508,510
Operating Expenses	36,757,557	29,846,875
Operating Income (Loss)	<u>(23,026,743)</u>	<u>(20,338,365)</u>
Non-Operating Revenues (Expenses)	25,064,940	41,567,489
Net Increase (Decrease) in Net Position	<u>2,038,197</u>	<u>21,229,124</u>
Net Position - Beginning of Year	39,503,538	18,274,414
Restatements	-	-
Net Position - End of Year	<u>\$ 41,541,735</u>	<u>\$ 39,503,538</u>

The following is a graphic presentation of the College’s Statement of Revenues, Expenses & Changes in Net Position for the years ended September 30, 2025 and 2024:

Statement of Revenues, Expenses, and Changes in Net Position



The Statement of Revenues, Expenses, and Changes in Net Position reflects a year resulting in a net increase in the Net Position at the end of the year. The College experienced an increase in other revenue compared to the previous year. Approximately \$2.4 million in federal monies was awarded to the college through the Employee Retention Credit established under the CARES act for maintaining the College’s workforce during the COVID-19 pandemic.. The Net Position of the institution increased by approximately \$2.0 million for the year.

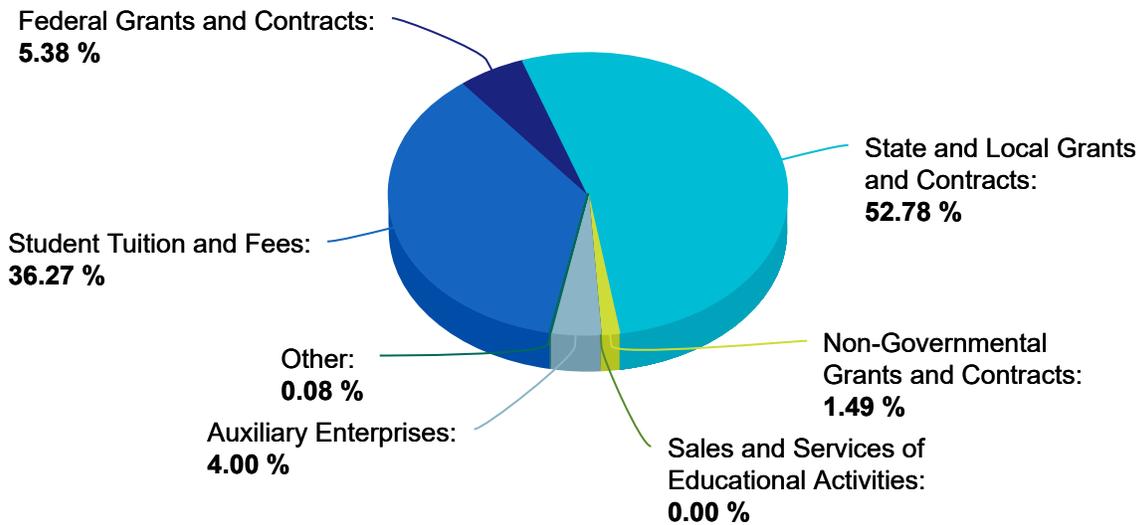
Some highlights of the information presented on the Statement of Revenues, Expenses, and Changes in Net Position are presented below.

Operating Revenues

	<u>2025</u>	<u>2024</u>
Operating Revenues		
Student Tuition and Fees	\$ 4,980,476	\$ 1,157,213
Federal Grants and Contracts	738,256	846,597
State and Local Grants and Contracts	7,247,556	7,022,514
Non-Governmental Grants and Contracts	205,033	67,500
Sales and Services of Educational Activities	250	152
Auxiliary Enterprises	548,898	405,714
Other	10,345	8,820
Total Operating Revenues	<u>\$ 13,730,814</u>	<u>\$ 9,508,510</u>

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

Operating Revenues by Source



State and local grants and contracts represent the largest type of operating revenue followed by Student tuition and fees. It should be noted that the gross amount of tuition and fees did increase over the prior year but the prior year did also have an increase in scholarship allowances and an increase in deferred revenue which contributed to a decreased net number displayed in the prior year. Bookstore operations provide the most significant source of auxiliary revenues. The other types of operating revenue, not including the top two, represent only about eleven percent of the total operating revenue.

The auxiliary services are self-supporting except for student activities, which are supported by transfers from the general operating resources. The cafeteria is leased. Northeast Alabama Community College

operates its own campus bookstore. The other major resource within auxiliary services at the College is drama productions, which enjoy popular local support from the community. Ticket sales and community patron donations help support the productions. The above table displays, in thousands of dollars, the operating revenues by type.

Within the non-operating revenues, the most significant sources were state appropriations and federal grants and contracts for student aid. For some years, the College has been benefiting from an appropriations distribution formula approved by the state. Northeast Alabama Community College will continue to benefit with additional state funds from this funding formula change in future appropriations. Pell grants are the primary source of non-operating federal revenues. The investment income is primarily from Certificates of Deposit.

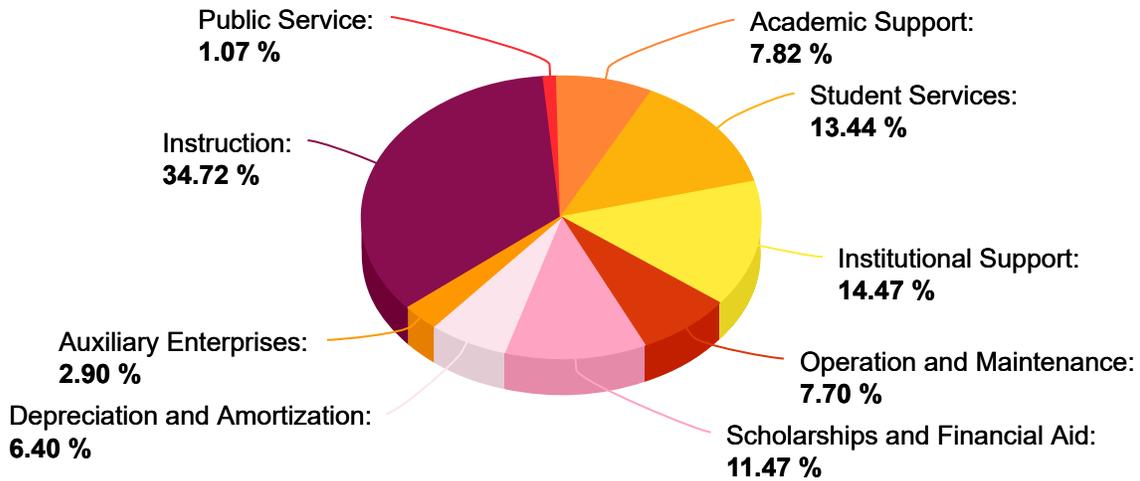
The operating expenses by function are in the following exhibit.

Operating Expenses

	<u>2025</u>	<u>2024</u>
Operating Expenses		
Instruction	\$ 12,762,334	\$ 11,931,343
Public Service	391,673	70,639
Academic Support	2,874,299	1,844,725
Student Services	4,941,653	4,382,308
Institutional Support	5,319,786	5,010,487
Operation and Maintenance	2,829,747	2,654,296
Scholarships and Financial Aid	4,217,696	1,425,198
Depreciation and Amortization	2,353,191	1,662,987
Auxiliary Enterprises	1,067,178	864,892
Total Operating Expenses	<u>\$ 36,757,557</u>	<u>\$ 29,846,875</u>

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

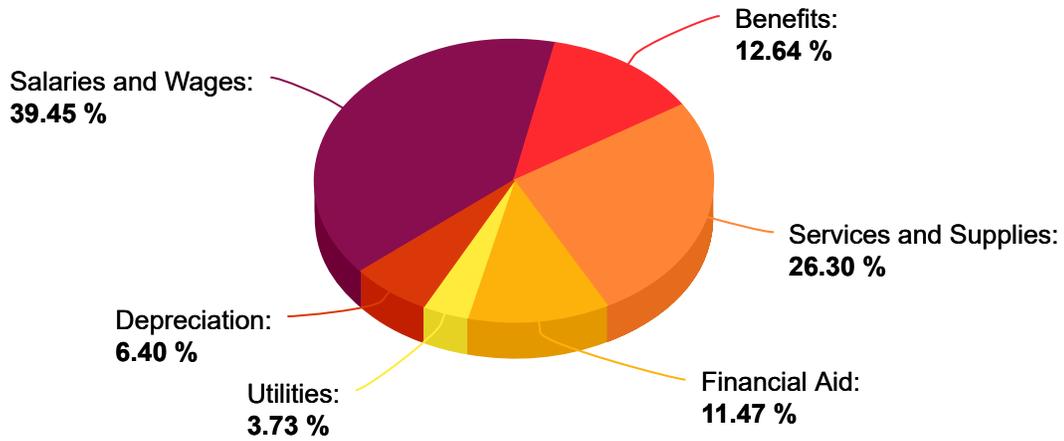
Operating Expenses by Function



During the fiscal year ending September 30, 2025, Northeast Alabama Community College increased in overall operating expenditures and increased in every category. The College hired five instructors during the year to replace full-time personnel or fill new full-time positions. Faculty were hired to open positions in Adult Education, Diagnostic Medical Sonography, Emergency Medical Services, Mathematics, and Medical Laboratory Technology.

Operating expenses are summarized here by natural classification.

Operating Expenses by Natural Classification

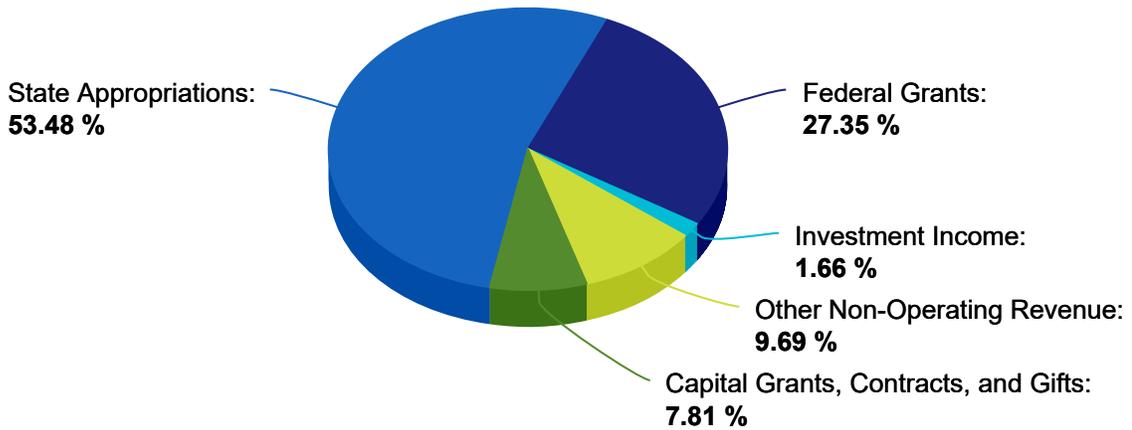


Comparison of Non-Operating Revenue

	2025	2024
Non-Operating Revenue		
State Appropriations	\$ 13,535,043	\$ 13,158,043
Federal Grants	6,922,422	6,326,305
Investment Income	420,019	464,514
Other Non-Operating Revenue	2,453,426	138,588
Capital Grants, Contracts, and Gifts	1,976,173	21,729,819
Total Non-Operating Revenue	\$ 25,307,083	\$ 41,817,269

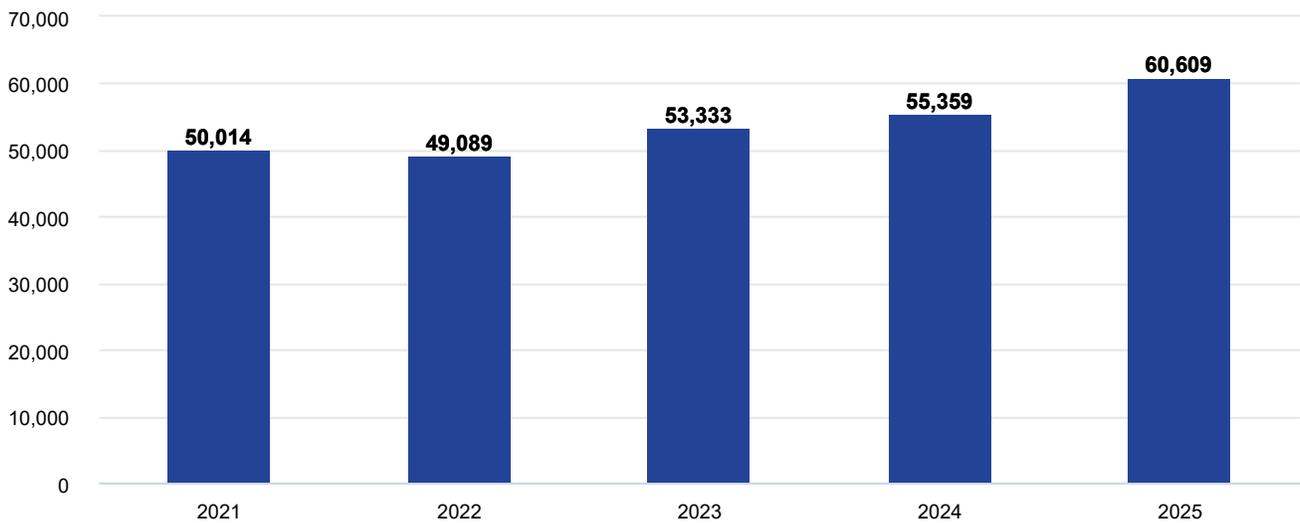
The following chart displays the non-operating revenues by type and their relationship with one another for the fiscal year ended September 30, 2025.

Comparison of Non-Operating Revenue

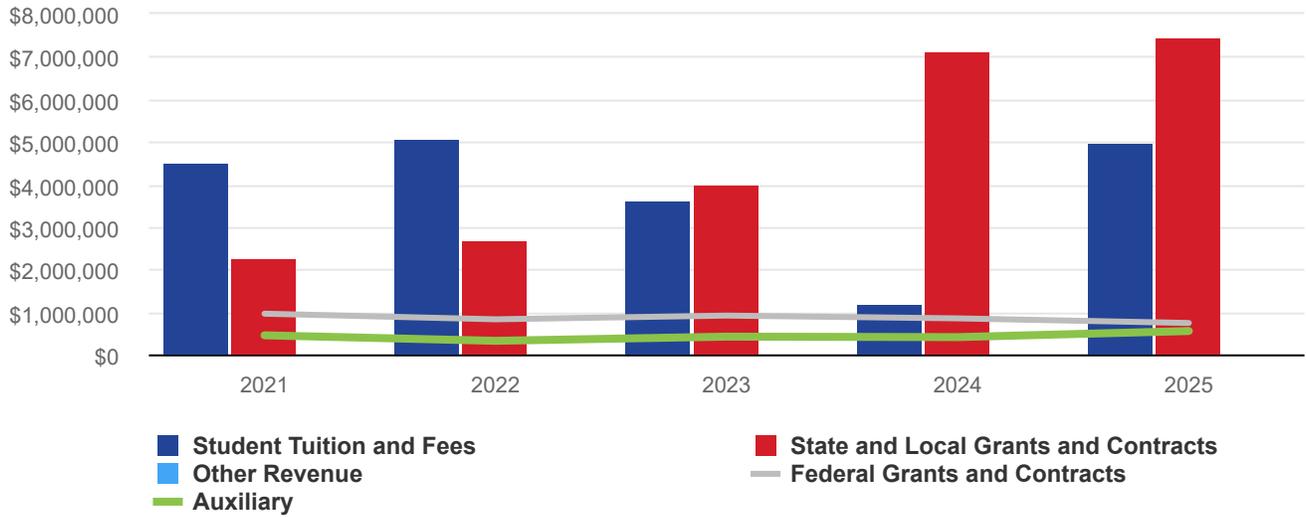


The following chart displays the 5 Year Comparison of Credit Hours for the fiscal year ended September 30, 2025.

5 Year Comparison of Credit Hours

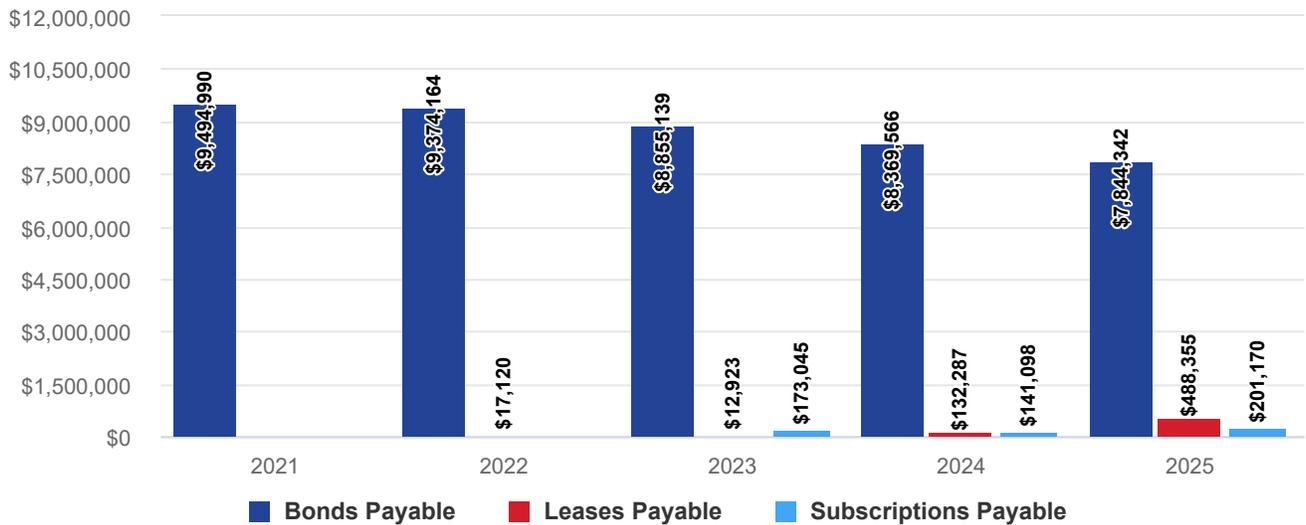


5 Year Comparison of Operating Revenue



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



Statement of Cash Flows

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

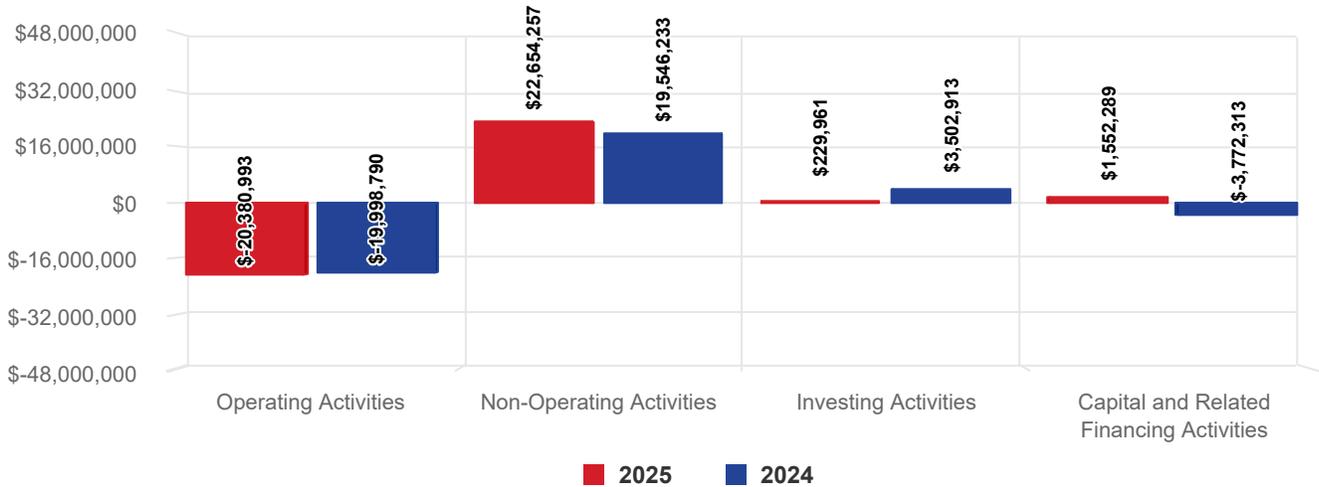
A condensed Statement of Cash Flows for the years ended September 30, 2025 and 2024 is presented below.

Statement of Cash Flows

	<u>2025</u>	<u>2024</u>
Cash Provided by (Used in):		
Operating Activities	\$ (20,380,993)	\$ (19,998,790)
Non-Operating Activities	22,654,257	19,546,233
Investing Activities	229,961	3,502,913
Capital and Related Financing Activities	<u>1,552,289</u>	<u>(3,772,313)</u>
Net Change in Cash and Cash Equivalents	<u>4,055,514</u>	<u>(721,957)</u>
Cash and Cash Equivalents, Beginning of Year	<u>6,219,769</u>	<u>6,941,726</u>
Cash and Cash Equivalents, End of Year	<u>\$ 10,275,283</u>	<u>\$ 6,219,769</u>

The following chart visually depicts the cash flow figures used to generate the net change in cash for the year 2025 and 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 an adverse effect on the financial position or results of operations during the next fiscal year beyond those unknown variations having a global effect on all types of business operations. The College’s enrollment has experienced increases and expects this trend to continue into the near future. Through budgetary controls and careful spending, the College has continued to maintain reserve funds sufficient for operational security, as well as provide construction projects and facility support. As of September 30, 2025, the College had over 4 months of operating reserves. Increased recruiting efforts, greater community and business participation, off-campus dual enrollment classes, and more effective class scheduling have continued to help increase student population and revenues. Budgetary controls continue to minimize spending and more effectively utilize available funds. Northeast Alabama Community College will continue to benefit from the new state funding formula, workforce development projects with state grants and contracts, and tuition and fee increases mandated by the state.

The local economy is expected to follow the state and national economic trends for the near future. Northeast Alabama Community College continues to meet the demands of students with increased faculty, new course and program offerings, workforce development training, career counseling, scholarships, financial aid assistance, and physical resources.

Contacting Northeast Alabama Community College Financial Management

This financial report is designed to provide our stakeholders with a general overview of the College's finances and to show the College's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Northeast Alabama Community College Business Office (Wallace Building 125) located at 138 AL Hwy 35, Rainsville, Alabama 35986.

MATHEMATICS, SCIENCE, AND ENGINEERING TECHNOLOGY CENTER

Financial Statements

ANNUAL FINANCIAL REPORT
NORTHEAST ALABAMA COMMUNITY COLLEGE





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Statement of Net Position September 30, 2025

	<u>2025</u>
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 10,275,283
Short Term Investments	1,096,883
Accounts Receivable (net of allowance for doubtful accounts of \$251,011)	4,204,307
Inventories	272,749
Deposit with Bond Trustee	8,509
Other Current Assets	278,346
Total Current Assets	<u>16,136,077</u>
Non-Current Assets	
Long-Term Investments	5,509,018
Capital Assets, Net of Depreciation and Amortization	56,490,711
Total Non-Current Assets	<u>61,999,729</u>
Total Assets	<u>78,135,806</u>
Deferred Outflows of Resources	
Deferred Outflows of Resources Related to Pensions	4,131,311
Deferred Outflows of Resources Related to OPEB	7,667,428
Total Deferred Outflow of Resources	<u>11,798,739</u>

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

Statement of Net Position (Continued)

September 30, 2025

	<u>2025</u>
Liabilities	
Current Liabilities	
Deposits	\$ 129,265
Accounts Payable and Accrued Liabilities	3,030,231
Bond Surety Payable	10,828
Unearned Revenue	2,824,489
Compensated Absences	45,858
Lease Payable	208,098
Bonds Payable	530,572
Current Portion - Subscription Liabilities	49,676
Total Current Liabilities	<u>6,829,017</u>
Non-Current Liabilities	
Bonds Payable	7,313,770
Lease Payable	280,257
Net Pension Liability	17,476,000
Net OPEB Liability	8,631,024
Compensated Absences	598,246
Subscription Liabilities	151,494
Total Non-Current Liabilities	<u>34,450,791</u>
Total Liabilities	<u>41,279,808</u>
Deferred Inflows of Resources	
Deferred Inflows of Resources Related to Pensions	3,250,000
Deferred Inflows of Resources Related to OPEB	3,863,002
Total Deferred Inflow of Resources	<u>7,113,002</u>
Net Position	
Net Investment in Capital Assets	47,956,844
Restricted Expendable	
Instructional Use	3,464,947
Unrestricted	(9,880,056)
Total Net Position	<u><u>\$ 41,541,735</u></u>

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

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

	<u>2025</u>
Operating Revenues	
Student Tuition and Fees (net of scholarship allowances of \$6,102,908)	\$ 4,980,476
Federal Grants and Contracts	738,256
State and Local Grants and Contracts	7,247,556
Non-Governmental Grants and Contracts	205,033
Sales and Services of Educational Activities	250
Auxiliary Enterprises	
Bookstore (net of scholarship allowances of \$449,368)	446,885
Vending	8,435
Other Auxiliary Enterprises	93,578
Other	10,345
Total Operating Revenues	<u>13,730,814</u>
Operating Expenses	
Instruction	12,762,334
Public Service	391,673
Academic Support	2,874,299
Student Services	4,941,653
Institutional Support	5,319,786
Operation and Maintenance	2,829,747
Scholarships and Financial Aid	4,217,696
Depreciation and Amortization	2,353,191
Auxiliary Enterprises	1,067,178
Total Operating Expenses	<u>\$ 36,757,557</u>
Operating Loss	<u>\$ (23,026,743)</u>

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

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

	<u>2025</u>
Non-Operating Revenues (Expenses)	
State Appropriations	\$ 13,535,043
Federal Grants	6,922,422
Investment Income	420,019
Bond Surety Fee Expense	(62,710)
Other Non-Operating Revenue	2,453,426
Other Non-Operating Expense	(10,252)
Interest on Debt	(169,181)
Capital Grants, Contracts, and Gifts	1,976,173
Total Non-Operating Revenues (Expenses)	<u>25,064,940</u>
Net Increase in Net Position	<u>2,038,197</u>
Net Position - Beginning of Year	39,503,538
Net Position - End of Year	<u><u>\$ 41,541,735</u></u>

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

Statement of Cash Flows

For the Years Ended September 30, 2025

	<u>2025</u>
Cash Flows from Operating Activities	
Tuition and Fees	\$ 5,279,396
Grants and Contracts	6,653,927
Payments to Suppliers	(7,325,632)
Payments for Utilities	(1,372,282)
Payments for Employees	(14,500,634)
Payments for Benefits	(4,337,919)
Payments for Scholarships	(4,217,698)
Sales and Service of Educational Services	250
Other Receipts (Payments)	10,349
Auxiliary Enterprises	(570,750)
Net Cash Used in Operating Activities	<u>(20,380,993)</u>
Cash Flows from Non-Capital Financing Activities	
State and Local Appropriations	13,535,043
Deposit Liabilities	(196,025)
Gifts and Other	2,392,817
Federal Grants	6,922,422
Federal Direct Loan Receipts	1,426,587
Federal Direct Loan Disbursements	(1,426,587)
Net Cash Provided by Non-Capital Financing Activities	<u>22,654,257</u>
Cash Flows from Capital and Related Financing Activities	
Purchase of Capital Assets and Construction	(6,439,042)
Proceeds from Disposal	1,840
Capital Gifts and Grants	8,267,757
Principal Paid on Capital Debt and Leases	(109,085)
Interest Paid on Capital Debt and Leases	(169,181)
Net Cash Used in/Provided in Capital and Related Financing Activities	<u>1,552,289</u>
Cash Flows from Investing Activities	
Proceeds from Sale and Maturity of Investments	500,000
Purchase of Investments	(690,058)
Investment Income	420,019
Net Cash Provided by Investing Activities	<u>229,961</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>4,055,514</u>
Cash and Cash Equivalents - Beginning of Year	6,219,769
Cash and Cash Equivalents - End of Year	<u>\$ 10,275,283</u>

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

Statement of Cash Flows (Continued)

For the Years Ended September 30, 2025

	<u>2025</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating Income (Loss)	\$ (23,026,743)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used in Operating Activities:	
Depreciation and Amortization Expense	2,353,191
Bad Debt Expense	53,553
Pension and OPEB Expense	460,575
Changes in Assets and Liabilities	
Receivables	(1,610,870)
Inventory	(50,603)
Other Asset	41,424
Accounts Payable and Accrued Liabilities	940,376
Unearned Revenue	458,104
Net Cash Used in Operating Activities	<u>\$ (20,380,993)</u>

Non-Cash Capital and Related Financing Activities

The College recorded \$432,372 in right-of-use lease assets and \$188,379 in right-of-use software agreements during the year.

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

**Northeast Alabama Community College Foundation, Inc.
Statement of Financial Position – Discretely Presented Component Unit
For the Year Ended December 31, 2024**

	<u>2024</u>
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 547,718
Certificate of Deposit	2,287,787
Accounts Receivable	8,200
Total Assets	<u><u>\$ 2,843,705</u></u>
Net Assets	
Without Donor Restrictions	\$ 1,664,666.00
With Donor Restrictions	1,179,039
Total Net Assets	<u><u>2,843,705</u></u>
Total Liabilities and Net Assets	<u><u>\$ 2,843,705</u></u>

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

Northeast Alabama Community College Foundation, Inc.
Statement of Activities – Discretely Presented Component Unit
For the Year Ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Activities			
Revenue and Support			
Scholarship Contributions	\$ -	\$ 300,428	\$ 300,428
Golf Tournament Income	38,362		38,362
Gala Income	41,130	-	41,130
Interest Income	65,285	-	65,285
Contributions	61,284	-	61,284
Total Revenue and Support	206,061	300,428	506,489
Net Assets Released from Restrictions	34,651	(34,651)	-
Expenses			
Program Services	49,876	-	49,876
Fundraising Expenses	49,305	-	49,305
General and Administrative	25,151	-	25,151
Total Expenses	124,332	-	124,332
Nonoperating Activities			
Settlement Income	1,300,000	-	1,300,000
Insurance Proceeds	2,000	-	2,000
Total Nonoperating Activities	1,302,000	-	1,302,000
Change in Net Assets	1,418,380	265,777	1,684,157
Net Assets at Beginning of Year	246,286	913,262	1,159,548
Net Assets at End of Year	\$ 1,664,666	\$ 1,179,039	\$ 2,843,705

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

Notes to the Financial Statements

ANNUAL FINANCIAL REPORT
NORTHEAST ALABAMA COMMUNITY COLLEGE





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Note 1. Summary of Significant Accounting Policies

Nature of Operations

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

Component Units

Northeast Alabama Community College Foundation (the "Foundation" or "NACCF") is a legally separate, tax-exempt organization that 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. Organizations that are legally separate, tax-exempt entities and that meet all of the following criteria should be discretely presented as component units. These criteria are:

- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
- The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
- The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

Although the College does not control the timing or amount of receipts from NACCF, the majority of resources, or income thereon that NACCF holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by NACCF can only be used by, or for the benefit of, the College, NACCF is discretely presented as a component unit of the College. NACCF is reported in

its original format on separate financial statements because of the difference in its reporting model as further described below. Complete financial statements for NACCF are available from the Foundation's director upon request.

The Foundation is a not-for-profit organization that reports its financial results under the Financial Accounting Standard Board (FASB) Statements. Most significant to the Foundation's operations and reporting model is Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences; however, significant note disclosures (see Note 11) to the Foundation's financial statements have been incorporated into the College's notes to the financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

It is the policy of the College to first apply restricted resources when an expense is incurred and then apply unrestricted resources when both restricted and unrestricted net position 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 certain reported amounts and disclosures. Accordingly, 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 measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the Statement of Net Position at the end of each reporting period.

Receivables

Accounts receivable relate to amounts due from students, federal grants, state grants, third party tuition, and auxiliary enterprise sales, such as food service, bookstore, and residence halls. The receivables are shown net of allowance for doubtful accounts.

Capital Assets

Capital assets, which include property, collections, and equipment other than intangible assets, 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. Right-to-use assets are defined as assets resulting from a lease or subscription-based information technology arrangements. The capitalization threshold for intangible assets such as capitalized software and internally generated computer software is \$1 million and \$100,000 for easements and land use rights and patents, trademarks and copyrights. In addition, works of art and historical treasures and similar assets are recorded at their historical cost. Donated capital assets are recorded at fair market value at the date of donation. Land, construction in progress, and intangible assets with indefinite lives are the only capital assets that are not depreciated. Depreciation is not allocated to a functional expense category. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized.

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

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

Assets	Depreciation Method	Useful Lives
Buildings	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
Right-to-Use Leased Equipment	Straight Line	5-10 Years
Library Materials	Composite	20 years
Capitalized Software	Straight Line	10 years
Easement and Land Use Rights	Straight Line	20 years
Patents, Trademarks, and Copyrights	Straight Line	20 years

Deferred Outflow 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/Warrant premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds/Warrants payable are reported net of the applicable bond/warrant premium or discount.

Unearned Tuition and Fee Revenue

Unearned revenue consists primarily of amounts received for fall student tuition and fees that are not earned until the next fiscal year. Unearned revenue also includes amounts received from grant and contract sponsors that have not yet been earned.

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 vacation leave, including salary-related payments directly and incrementally associated with that leave.

Deferred Inflow 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

The Teachers' Retirement System of Alabama (the "Plan") financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to plan requirements. Benefits and refunds are recognized as revenues when due and payable in accordance with the terms of the plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made.

Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's 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. Subsequent events were evaluated by management through the date the financial statements were issued.

Net Position

Net position is defined as is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. 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 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. These include funds held in federal loan programs.
 - *Non-expendable* – Net position subject to externally imposed stipulations that it be maintained permanently by the College. Such assets would include 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 the 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 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.

Prepaid Expenses and Unearned Scholarships

Prepaid expenses are composed predominantly of prepaid insurance. Unearned scholarship expense results from the Fall academic term spanning across the fiscal year end. The College prorates scholarship expense to recognize only the amounts incurred in each fiscal year.

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.

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 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 Depository 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 invests its funds in securities and investments in accordance with the **Code of Alabama 1975, Section 16-13-2, Sections 27-1-8 and 27-1-9, and Sections 27-41-1 through 27-41-41**. These laws provide that the College may invest in the same type of instruments as allowed by Alabama law for domestic life insurance companies. This includes a wide range of investments, such as direct obligations of the United States of America, obligations issued or guaranteed by certain federal agencies, and bonds of any state, county, city, town, village, municipality, district or other political subdivision of any state or any instrumentality or board thereof of the United States of America that meet specified criteria.

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 including Collateralized Mortgage Obligations (CMOs) and Real Estate Mortgage Investment Conduits (REMIC) securities;
6. Repurchase agreements; and
7. Stocks and Bonds which have been donated to the institution.

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

1. U.S. Treasury bills, notes and bonds can be held without limitation as to amount. Stripped Treasuries shall never exceed 50 percent of the institution's total investment portfolio. Maximum maturity of these securities shall be ten years.
2. U.S. Agency securities shall have limitations of 50 percent of the College's total investment portfolio for each Agency, with two exceptions: TVA and SLMA shall be limited to ten percent of total investments. Maximum maturity of these securities shall be ten years.
3. CDs with savings and loan associations, mutual savings banks, or commercial banks may be held without limit provided the depository is a QPD under the SAFE Program. CD maturity shall not exceed five years.
4. The aggregate total of all MBSs may not exceed 50 percent of the institution's total investment portfolio. The aggregate average life maturity for all holdings of MBS shall not exceed seven years, while the maximum average life maturity of any one security shall not exceed ten years.
5. The total portfolio of mortgage related securities shall not exceed 50 percent of the institution's total investment portfolio. The aggregate average life maturity for all holdings shall not exceed seven years while the average life maturity of one security shall not exceed ten years.

6. The College may enter into a repurchase agreement so long as:
 - a) the repurchase securities are legal investments under state law for colleges;
 - b) the College receives a daily assessment of the market value of the repurchase securities, including accrued interest, and maintains an adequate margin that reflects a risk assessment of the repurchase securities and the term of the transaction; and
 - c) the College has entered into signed contracts with all approved counterparties.
7. The College has discretion to determine if it should hold or sell other investments that it may receive as a donation.

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

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

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

Certificates of Deposit totaling \$6,009,018 and a Money Market Account totaling \$596,883 are included in the amounts reported as Investments on the Statement of Net Position. These accounts are covered under the SAFE program and not subject to risk categorization or disclosure.

At year end, the College had the following investments and maturities:

Investments Type	Investment Maturities		
	0-5 years	6-10 years	Thereafter
Certificates of Deposit	\$ 6,009,018	\$ -	\$ -
Money Market Accounts	596,883	-	-
Total	\$ 6,605,901	\$ -	\$ -

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The College does not have a formal investment policy that specifically addresses its investment choices related to this risk.

Custodial Credit Risk – For an investment, this is the risk that, in the event of the failure of a 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 does not have an investment policy that limits the amount of securities that can be held by counterparties.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The College does not have a formal investment policy that places limits on the amount the College may invest in any one issuer to less than 5%. Instead, the College’s policy was to limit investments by type to the percentages shown below:

<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%

Note 3. Receivables

Receivables are reported and summarized as follows:

<u>Description</u>	<u>Amount</u>
Federal	\$ 230,134
Student	13,498
State	3,970,598
Third-Party	173,264
General	1,479
Interest	65,771
Other	574
Less: Allowance for Doubtful Accounts	(251,011)
Total Accounts Receivable	<u>\$ 4,204,307</u>

Note 4. Capital Assets

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

Description	Beginning Balance	Additions	Deductions & Adjustments	Transfers	Ending Balance
Nondepreciable Capital Assets					
Land	\$ 388,083	\$ -	\$ -	\$ -	\$ 388,083
Construction in Progress	28,556,895	3,434,869	(12,687)	(29,635,362)	2,343,715
Total Nondepreciable Capital Assets	28,944,978	3,434,869	(12,687)	(29,635,362)	2,731,798
Other Capital Assets					
Buildings	32,868,580	-	-	29,635,362	62,503,942
Building Alterations	401,869	-	-	-	401,869
Improvements other than Buildings and Infrastructure	2,400,864	43,342	-	-	2,444,206
Furniture and Equipment greater than \$25,000	4,338,206	1,910,598	(34,174)	-	6,214,630
Furniture and Equipment \$25,000 or less	2,738,525	420,208	(608,700)	-	2,550,033
Library Materials	893,308	20,122	(80,559)	-	832,871
Right to Use Assets - Buildings and Equipment	211,206	432,372	-	-	643,578
Right to Use Assets - Software Subscriptions	300,537	188,379	(100,400)	-	388,516
Total Other Capital Assets	44,153,095	3,015,021	(823,833)	29,635,362	75,979,645
Less Accumulated Depreciation/Amortization					
Buildings	14,177,714	1,199,791	-	-	15,377,505
Building Alterations	36,821	16,075	-	-	52,896
Improvements other than Buildings and Infrastructure	1,256,382	96,582	-	-	1,352,964
Furniture and Equipment greater than \$25,000	2,296,048	550,599	(23,922)	-	2,822,725
Furniture and Equipment \$25,000 or less	2,188,246	303,709	(608,700)	-	1,883,255
Library Materials	529,381	20,123	(80,558)	-	468,946
Right to Use Assets - Buildings and Equipment	72,119	79,714	-	-	151,833
Right to Use Assets - Software Subscriptions	124,411	86,598	(100,401)	-	110,608
Total Accumulated Depreciation/Amortization	20,681,122	2,353,191	(813,581)	-	22,220,732
Total Capital Assets, Net	\$ 52,416,951	\$ 4,096,699	\$ (22,939)	\$ -	\$ 56,490,711

The College follows 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 governments' 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. As of 09/30/2025, Northeast Alabama Community College had 8 active subscriptions. The subscriptions have payments that range from \$2,400 to \$45,875 and interest rates that range from 2.4670% to 3.7640%. As of 09/30/2025, the total combined value of the subscription liability is \$201,170, and the total combined value of the short-term subscription liability is \$49,676. The combined value of the right to use asset, as of 09/30/2025 of \$388,516 with accumulated amortization of \$110,608 is included within the Subscription Class activities table found below. The subscriptions had \$0 of Variable Payments and \$0 of Other Payments, not included in the Subscription Liability, within the Fiscal Year.

As of 09/30/2025, Northeast Alabama Community College, AL had 4 active leases. The leases have payments that range from \$671 to \$67,256 and interest rates that range from 1.2960% to 6.8800%. As of 09/30/2025, the total combined value of the lease liability is \$488,355, the total combined value of the short-term lease liability is \$208,098. The combined value of the right to use asset, as of 09/30/2025 of \$643,578 with accumulated amortization of \$151,833 is included within the Lease Class activities table found below. The leases had \$0 of Variable Payments and \$0 of Other Payments, not included in the Lease Liability, within the Fiscal Year.

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. Pre retirement 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 \$1,681,311 for the year ended September 30, 2025.

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

At September 30, 2025, the College reported a liability of \$17,476,000 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 .134343%, which was an increase of .00343% from its proportion measured as of September 30, 2023.

For the year ended September 30, 2025, the College recognized pension expense of \$2,455,684. 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	\$ 1,738,000	\$ 126,000
Changes of Assumptions	268,000	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	0	2,866,000
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	444,000	258,000
Employer Contributions Subsequent to the Measurement Date	1,681,311	-
Total	\$ 4,131,311	\$ 3,250,000

\$1,681,311 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2026.

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

Year Ended September 30	Amount
2026	(54,000.00)
2027	865,000
2028	(792,000)
2029	(819,000)
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:

	<u>1% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
College’s Proportionate Share of the Collective Net Pension Liability	\$ 24,298,000	\$ 17,476,000	\$ 11,733,000

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 and 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 (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 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 Teachers' Retirement System of Alabama (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, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At September 30, 2025, the Northeast Alabama Community College reported a liability of \$8,631,024 for its proportionate share of the Net OPEB liability. The 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 Northeast Alabama Community College proportion of the Net OPEB liability was based on the Northeast Alabama Community College long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2024, the Northeast Alabama Community College

proportion was 0.09298299%, which was a decrease of 0.00884105% from its proportion measured as of September 30, 2023.

For the year ended September 30, 2025, the College recognized an OPEB benefit of \$812,781, with no special funding situations. At September 30, 2025, the System 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	\$ 4,025,156	\$ 1,862,812
Changes of Assumptions	2,972,462	1,221,150
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	-	212,942
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	332,125	566,098
Employer Contributions Subsequent to the Measurement Date	337,685	-
Total	<u>\$ 7,667,428</u>	<u>\$ 3,863,002</u>

The \$337,685 reported as deferred outflows of resources related to OPEB resulting from the Northeast Alabama Community College contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB liability in the year ended 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 Ended September 30	Amount
2026	\$ 485,788
2027	532,897
2028	363,433
2029	616,536
2030	1,108,471
Thereafter	359,616

Actuarial Assumptions

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

Inflation	2.50%
Salary Increases	5.00 - 3.25%, 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 negotiation 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 college members are paid by the Colleges 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	\$ 6,942,928	\$ 8,631,024	\$ 10,807,823

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	\$ 10,484,701	\$ 8,631,024	\$ 7,149,732

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. Other Significant Commitments

As of September 30, 2025, the College had been awarded approximately \$999,633 in federal and state 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, Wages & Benefits	\$ 1,011,416
Interest Payable	24,992
Other	1,993,823
Total	\$ 3,030,231

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
Revenue Bonds					
2015 Issue - Direct Placement	\$ -	\$ -	\$ -	\$ -	-
2021 Issue	7,860,000	-	455,000	7,405,000	460,000
Bond Premium	509,566	-	70,224	439,342	70,572
Total Bonds	8,369,566	-	525,224	7,844,342	530,572
Right of Use - Lease Liability	132,287	432,372	76,304	488,355	208,098
Subscription Liabilities	141,098	188,379	128,307	201,170	49,676
Compensated Absences	604,753	39,351	-	644,104	45,858
Total Long-Term Liabilities	\$ 9,247,704	\$ 660,102	\$ 729,835	\$ 9,177,971	\$ 834,204

In August 2015, the Board of Trustees of the Alabama Community College System issued \$3,459,000 in Series 2015 revenue bonds for the refunding of the Series 2005 Revenue bonds. The 2015 Revenue bonds were paid in full as of September 30, 2025; interest ranged from 2% to 4% and was amortized over 10 years and matured September 2024.

In July 2021, the Board of Trustees of the Alabama Community College System issued \$3,459,000 in Series 2021 revenue bonds for the refunding of the Series 2012 Revenue bonds. The balance of the 2021 Revenue bonds was \$7,405,000 as of September 30, 2025; interest ranges from 2% to 4% and is being amortized over 15 years and scheduled to mature September 2038.

Bond Debt

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

Fiscal Year(s)	Revenue Bonds		Total
	Principal	Interest	
2026	\$ 460,000	\$ 217,350	\$ 677,350
2027	480,000	203,550	683,550
2028	495,000	189,150	684,150
2029	510,000	169,350	679,350
2030	535,000	148,950	683,950
2031-2035	2,340,000	448,850	2,788,850
2036-2040	2,585,000	79,000	2,664,000
Total	\$ 7,405,000	\$ 1,456,200	\$ 8,861,200

Pledged Revenues

The College has pledged student tuition and fee revenue to repay the Series 2021 Revenue Bonds. Future revenues in the approximate amount of \$8,861,200 are pledged to repay principal and interest. During the fiscal year 2025, pledged tuition and fee revenue in the amount of \$3,335,817 was received with \$231,000 or 7% of pledged revenues, being used to pay principal and interest. These bonds are scheduled to mature in fiscal year 2038.

Lease Payable

See Note 4 for further information on the Lease Liabilities. The College has implemented GASB Statement No. 87, Leases, which resulted in the College recording leases. These assets will be amortized over the lease term of the lease since it is shorter than the useful life and the College is not taking ownership of the assets. There are no residual value guarantees in the lease provisions. The leases will end in 2027. A summary of the principal and interest amounts for the remaining lease is as follows:

Fiscal Year(s)	Lease Payable		Total
	Principal	Interest	
2026	\$ 208,098	\$ 14,228	\$ 222,326
2027	144,638	5,921	150,559
2028	135,619	1,881	137,500
Total	\$ 488,355	\$ 22,030	\$ 510,385

Subscriptions Payable

See Note 4 for further information on the Subscription Liabilities. The future subscription payments under these SBITA agreements are as follows:

Fiscal Year(s)	Subscriptions Payable		
	Principal	Interest	Total
2026	\$ 49,676	\$ 2,634	\$ 52,310
2027	70,175	4,813	74,988
2028	44,802	2,196	46,998
2029	36,517	983	37,500
Total	\$ 201,170	\$ 10,626	\$ 211,796

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 and business officer, as well as on all other college personnel who handle funds.

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

Settled claims resulting from these risks have not exceeded the College's coverage in any of the past three fiscal years. Claims which occur as a result of employee job-related injuries may be brought before the State of Alabama Board of Adjustment. The Board of Adjustment serves as an arbitrator and its decision is binding. If the Board of Adjustment determines that a claim is valid, it decides the proper amount of compensation (subject to statutory limitations) and the funds are paid by the College.

Note 11. Northeast Alabama Community College Foundation

Organization and Summary of Significant Accounting Policies

Nature of Organization

The Northeast Alabama Community College Foundation, Inc. (the Foundation) was organized in 2002. The Foundation's purpose is to provide funding for scholarships to deserving students attending Northeast Alabama Community College and for raising additional funding for the college.

Cash and Cash Equivalents

For the purpose of cash flows, the Foundation considers all highly liquid debt instruments and restricted cash purchased with a maturity of three months or less to be cash equivalents.

Deposits

The Foundation maintains its cash balances in one financial institution located in Stevenson, Alabama. The balance is insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2024, the Foundation's uninsured cash balance totaled \$2,585,505.

Use of 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.

Basis of Accounting

The accrual basis of accounting is used to recognize service revenues as they are earned and expenses as they are incurred.

Contributions

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which contributions are recognized. All other donor-restricted contributions are reported as increases in assets with donor restrictions depending on the nature of restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Income Taxes

There is no provision for income taxes since the Foundation is a nonprofit organization exempt from both federal and state income tax. The Foundation has received an exemption letter from the Internal Revenue Service granting it tax-exempt status under Internal Revenue Code Section 501(c)(3).

ASC 740-10 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The standard also provides guidance on derecognition, classification, treatment of interest and penalties, and disclosure of such positions. The Foundation has adopted the provisions of ASC 740-10 "Accounting for Uncertainty in Income Taxes" as required. There are no uncertain tax positions requiring recognition for the years ended December 31, 2024.

Basis of Presentation

The Foundation has adopted FASB ASC 958-205, "Presentation of Financial Statements for Not-for-Profit Entities." Under FASB ASC 958-205, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: Net Assets with Donor Restrictions and Net Assets Without Donor Restrictions.

Net assets with donor restrictions: The part of net assets of a not-for-profit entity that is subject to donor-imposed restrictions. At December 31, 2024, net assets with donor restrictions were \$1,179,039.

Net assets without donor restrictions: The part of net assets of a not-for-profit entity that is not subject to donor-imposed restrictions. At December 31, 2024, net assets without donor restrictions were \$1,664,666.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program expenses, fundraising expenses, and general and administrative expenses.

Accounts Receivable

Accounts receivable are presented at face value, net of the allowance for doubtful accounts. The allowance for doubtful accounts is established through provisions charged against income and is maintained at a level believed adequate by management to absorb estimated bad debts based on current economic conditions. The Foundation had accounts receivable of \$8,200 for the year ended December 31, 2024. The Foundation had no bad debt as of December 31, 2024.

Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or occurrences of other events specified by donors during the years ended December 31, 2024.

<u>Description</u>	<u>Amount</u>
Purpose Restrictions Accomplished	
Scholarships and Award Expenses	\$ 34,651
Total Temporarily Restricted Net Assets	\$ 34,651

Settlement Income

The Foundation was involved in a litigation in regards to the Golf Course. During the year ended December 31, 2024, the case was concluded in favor of the Foundation. The settlement income to the Foundation was \$1,300,000.

Liquidity and Availability

The Foundation's financial assets available within one year of the balance sheet date for general expenditures are as follows:

<u>Description</u>	<u>Amount</u>
Cash	\$ 547,718
Certificates of Deposit	2,287,787
Accounts Receivable	8,200
Total	2,843,705
Donor-Imposed Restrictions	(1,179,039)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 1,664,666

Functional Allocation of Expenses

Certain costs have been allocated among the programs and supporting services benefited based on estimates of time and effort, and usage of assets. For 2024, natural expense accounts were allocated as follows:

Functional Expenses	Program Services	Supporting Services		Total
	Programs	Fundraising	Management and General	
Scholarships and Award Expenses	\$ 49,876	\$ -	\$ -	\$ 49,876
Gala Expenses	-	26,441	-	26,441
Golf Tournament Expenses	-	22,864	-	22,864
General and Administrative Expenses	-	-	13,374	13,374
Professional Fees	-	-	11,777	11,777
Home and Garden Expenses	-	-	-	-
Insurance Expense	-	-	-	-
Dog Show Expenses	-	-	-	-
Total Expenses	\$ 49,876	\$ 49,305	\$ 25,151	\$ 124,332

The Foundation is a separately incorporated 501(c)(3) supporting organization and is responsible for identifying and nurturing relationships with potential donors and friends of the Northeast Alabama Community College (the College); soliciting cash securities, real and intellectual property, and other private resources to support the College, and acknowledging and stewarding gifts in accordance with donor intent and its fiduciary responsibilities.

The Foundation plans for and manages private contributions and works with the College to assist and advise in such activities.

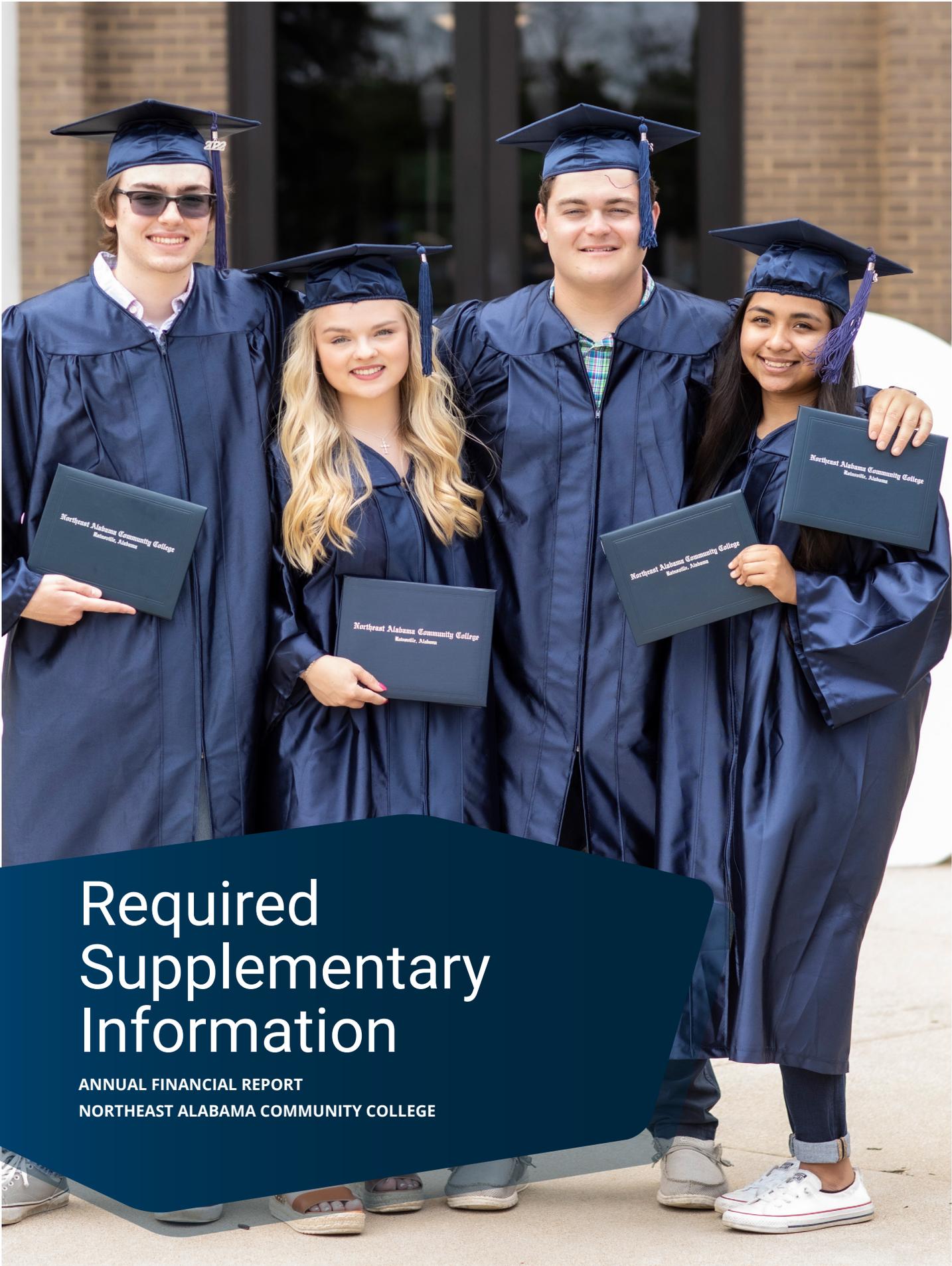
The Foundation was organized and incorporated in 2002 for the purpose of stimulating voluntary private support from alumni, parents, friends, corporations, foundations, and others for the benefit of the College. The Foundation has provided the College \$49,876 in scholarships and awards during the year ended December 31, 2024.

Note 12. Subsequent Events

In preparing these financial statements, the College has evaluated events and transactions for potential recognition or disclosure through the date of the auditor's report, which was the date the financial statements were available to be issued.



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Required Supplementary Information

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Schedule of the Proportionate Share of the Net Pension Liability Teachers' Retirement Plan of Alabama For the Measurement Period Ended September 30

(Dollar Amounts in Thousands)	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
College's Proportion of the Net Pension Liability	0.134343%	0.130913%	0.129682%	0.134933%	0.137122%	0.127724%	0.131887%	0.131810%	0.130644%	0.128976%
College's Proportionate Share of the Net Pension Liability	\$ 17,476	\$ 20,891	\$ 20,154	\$ 12,711	\$ 16,962	\$ 14,122	\$ 13,113	\$ 12,955	\$ 14,144	\$ 13,498
College's Covered Payroll	\$ 11,725	\$ 10,839	\$ 10,034	\$ 9,837	\$ 9,830	\$ 9,101	\$ 8,783	\$ 8,689	\$ 8,305	\$ 8,150
College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	149.05%	192.74%	200.86%	129.22%	172.55%	155.17%	149.30%	149.10%	170.31%	165.62%
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 Contributions Pension Teachers' Retirement Plan of Alabama For the Measurement Period Ended September 30

(Dollar Amounts in Thousands)	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually Required Contribution	\$ 1,681	\$ 1,441	\$ 1,320	\$ 1,224	\$ 1,161	\$ 1,167	\$ 1,110	\$ 1,058	\$ 986	\$ 940
Contributions in Relation to the Contractually Required Contribution	\$ (1,681)	\$ (1,441)	\$ (1,320)	\$ (1,224)	\$ (1,161)	\$ (1,167)	\$ (1,110)	\$ (1,058)	\$ (986)	\$ (940)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College's Covered Payroll	\$ 12,786	\$ 11,725	\$ 10,839	\$ 10,034	\$ 9,837	\$ 9,830	\$ 9,101	\$ 8,783	\$ 8,689	\$ 8,305
Contributions as a Percentage of Covered Payroll	13.15%	12.29%	12.18%	12.20%	11.80%	11.87%	12.20%	12.05%	11.35%	11.32%

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 II 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 II members and to increase the member contribution rates for Tier II members to 6.20% for regular members and 7.20% for police officers, firefighters, and correctional officers effective on October 1, 2021.

The member 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 Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability
Alabama Retired Employees' Health Care Trust
For the Measurement Period Ended September 30**

(Dollar Amounts in Thousands)	2024	2023	2022	2021	2020	2019	2018	2017
College's Proportion of the Net OPEB Liability	0.093882%	0.092983%	0.101824%	0.096579%	0.094052%	0.104702%	0.102230%	0.099338%
College's Proportionate Share of the Net OPEB Liability	\$ 8,631	\$ 1,787	\$ 1,774	\$ 4,990	\$ 6,104	\$ 3,950	\$ 8,408	\$ 7,378
College's Covered Payroll	\$ 10,797	\$ 9,971	\$ 9,342	\$ 9,143	\$ 8,972	\$ 8,449	\$ 8,347	\$ 8,259
College's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	79.94%	17.92%	18.99%	54.58%	68.03%	46.75%	100.73%	89.33%
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.

**Schedule of the Contribution Other Postemployment Benefits (OPEB)
Alabama Retired Employees' Health Care Trust
For the Measurement Period Ended September 30**

(Dollar Amounts in Thousands)	2024	2023	2022	2021	2020	2019	2018	2017
Contractually Required Contribution	\$ 338	\$ 135	\$ 145	\$ 194	\$ 166	\$ 186	\$ 298	\$ 251
Contributions in Relation to the Contractually Required Contribution	\$ (338)	\$ (135)	\$ (145)	\$ (194)	\$ (166)	\$ (186)	\$ (298)	\$ (251)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College's Covered Payroll	\$ 11,708	\$ 10,797	\$ 9,971	\$ 9,342	\$ 9,143	\$ 8,972	\$ 8,449	\$ 8,347
Contributions as a Percentage of Covered Payroll	2.88%	1.25%	1.46%	2.08%	1.82%	2.07%	3.53%	3.01%

* 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

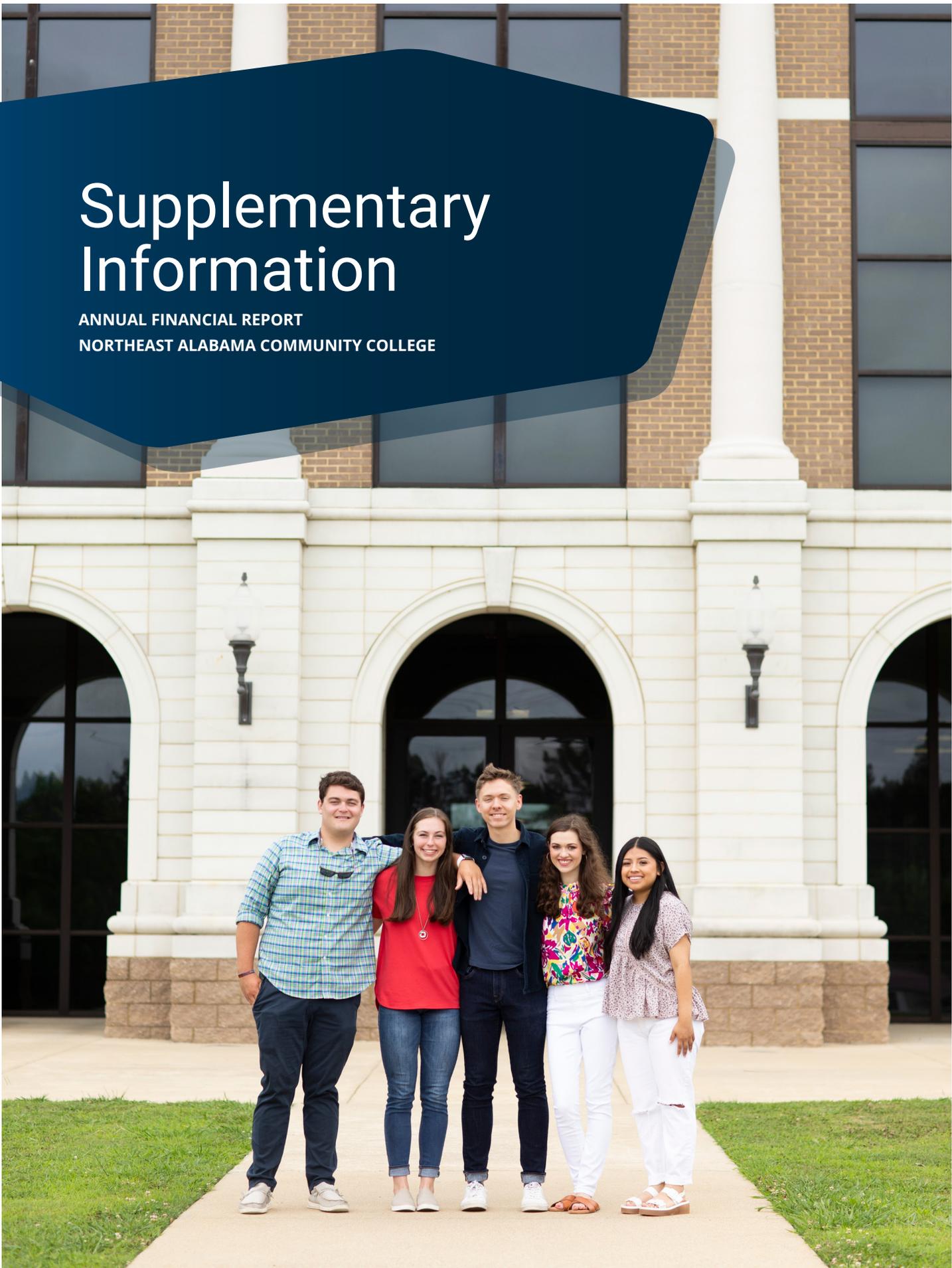
The actuarially determined contribution rates in the schedule of employer contributions are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Therefore, the actuarially determined employer contribution for fiscal year ending September 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 2022.

Supplementary Information

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Schedule Expenditures of Federal Awards For the Year Ended September 30, 2025

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass Through Grantor's Number	Passed Through to Subrecipients	Total Federal Expenditures
Student Financial Assistance Cluster				
U.S. Department of Education - Direct Programs				
Federal Pell Grant Program	84.063	N.A.	\$-	\$ 6,733,635
Federal Direct Student Loans	84.268	N.A.	-	1,426,587
Federal Work-Study Program	84.033	N.A.	-	85,287
Federal Supplemental Education Opportunity Grants	84.007	N.A.	-	103,500
Total Student Financial Assistance Cluster			<u>-</u>	<u>8,349,009</u>
Research and Development Cluster				
National Science Foundation Passed through University of Alabama Huntsville				
Education and Human Resources	47.076	N.A.	-	26,573
WIOA Cluster - U.S. Department of Labor - Passed Through from Alabama Community College System				
WIOA Adult Program	17.258	N.A.	-	53,576
U. S. Department of Education - Passed Through Alabama Community College System				
Adult Education - Basic Grants to States	84.002	0924AE103	-	529,252
Adult Education - IEL/CE	84.002A	N.A.	-	57,249
Total Adult Education			<u>-</u>	<u>586,501</u>
U. S. Department of Education - Passed Through Alabama Department of Education				
Career and Technical Education - Basic Grants to States	84.048	V048A180001	-	125,181
Total Federal Awards			<u>\$-</u>	<u>\$ 9,140,840</u>

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

Notes to the Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Northeast Alabama 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* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position or cash flows of the College.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The College has elected not to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

For purposes of the Schedule, federal awards include all grants, contracts and similar agreements entered into directly between the College and agencies and departments of the federal government and all subawards to the College by nonfederal organizations pursuant to federal grants, contracts and similar agreements. The awards are classified into Type A and Type B categories in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Programs classified as Type A are as follows:

- Student Financial Aid Cluster

Assistance Listing Numbers

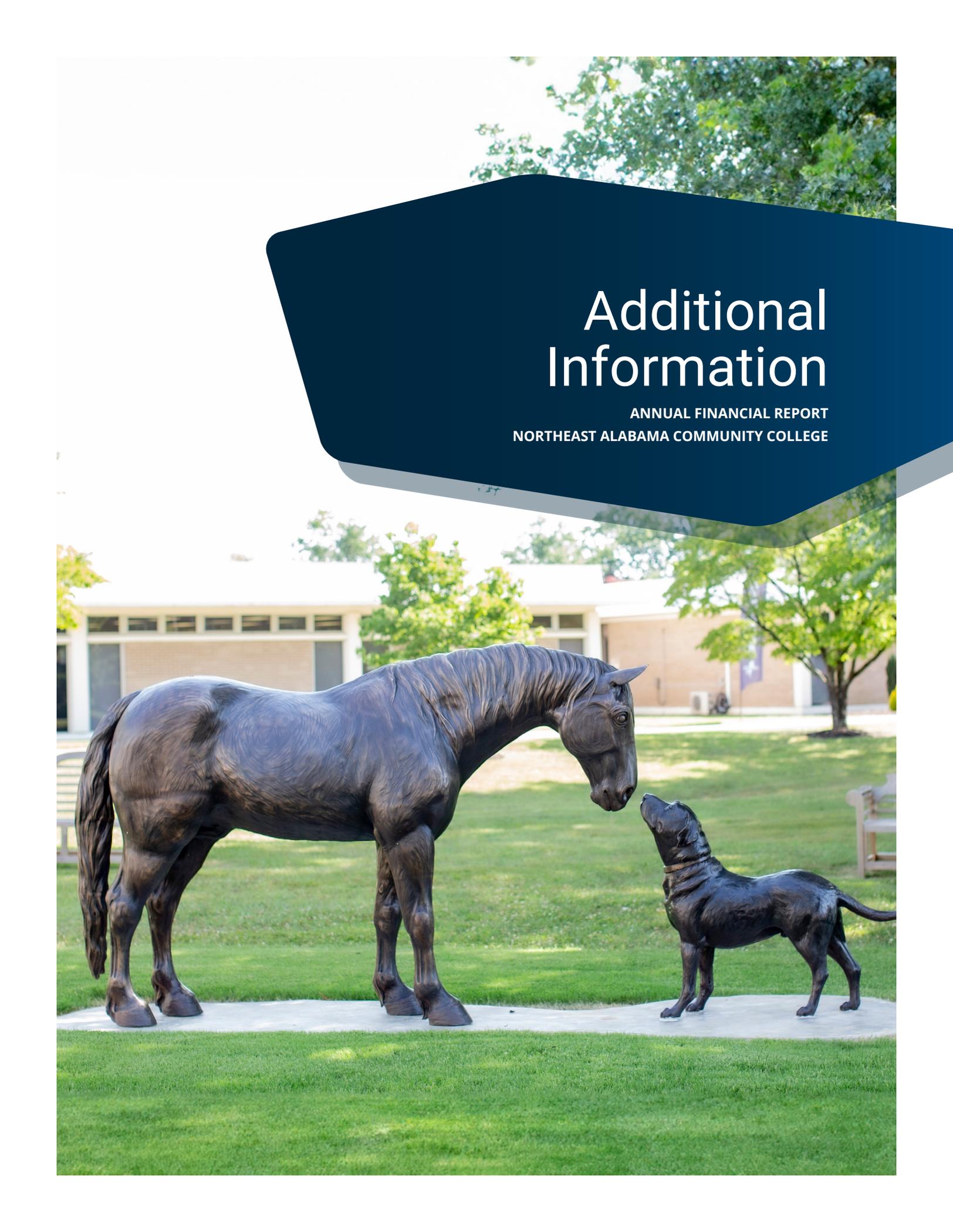
Assistance Listing numbers are assigned to contracts and grants on the basis of program type. Assistance Listing numbers and pass-through numbers are provided when available.

Note 3. Federal Direct Student Loan Program (Assistance Listing Number 84.268)

The Direct Loan program enables an eligible student or parent to obtain a loan to pay for the student's cost of attendance directly through the College rather than through private lenders. As a college qualified to originate loans, the College is responsible for handling the complete loan origination process, including funds management and promissory note functions. During the program year, the College processed approximately \$1,426,587 of student loans under the Direct Loan program.



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A bronze sculpture of a horse and a dog standing on a concrete base in a grassy area with a building in the background. The horse is on the left, and the dog is on the right, looking up at the horse. The background shows a brick building with large windows and green trees under a bright sky.

Additional Information

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Officials

Jimmy Baker

Chancellor

Dr. David Campbell

President

Rodney Bone

Dean of Financial Services



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Independent Auditor Reports

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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***

Jimmy Baker, Chancellor – Alabama Community College System
Dr. David Campbell, President – Northeast Alabama Community College
Rainsville, Alabama

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 Northeast Alabama Community College (the “College”), a component unit of the State of Alabama, 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, and have issued our report thereon dated January 15, 2026. Our report includes a reference to other auditors who audited the financial statements of Northeast Alabama Community College Foundation, Inc. (the “Foundation”), as described in our report on the College’s financial statements. 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.

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) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Athens, AL
January 15, 2026





INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Jimmy Baker, Chancellor – Alabama Community College System
 Dr. David Campbell, President – Northeast Alabama Community College
 Rainsville, Alabama

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Northeast Alabama Community College’s (the “College”) compliance with the types of compliance requirements identified as subject to audit in the 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 auditor’s 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 (GAAS); 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 Auditor’s 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.

Auditor's 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 GAAS, *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.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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.

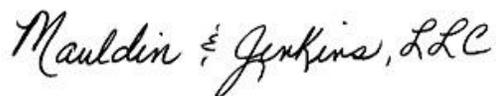
Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the College, 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. We issued our report thereon dated January 15, 2026, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 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.



Athens, Alabama
January 15, 2026

**Schedule of Prior Year Findings and Questioned Costs
For the Year Ended September 30, 2025**

No matters were reported.



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Northeast Alabama Community College
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nacc.edu