



**Northwest Shoals**  
COMMUNITY COLLEGE



# Annual Financial Report

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FOR THE YEAR ENDED SEPTEMBER 30, 2025



# TABLE OF CONTENTS

NORTHWEST-SHOALS COMMUNITY COLLEGE

<b>Independent Auditor's Report .....</b>	<b>I</b>
<b>Management's Discussion and Analysis .....</b>	<b>1</b>
<b>Financial Statements</b>	
Statement of Net Position .....	16
Statement of Revenues, Expenses and Changes in Net Position.....	18
Statement of Cash Flows .....	20
Statement of Financial Position – Discretely Presented Component Unit .....	22
Statement of Activities – Discretely Presented Component Unit.....	23
Notes to the Financial Statements .....	27
<b>Required Supplementary Information</b>	
Schedule of the Proportionate Share of the Net Pension Liability .....	68
Schedule of the Contributions Pension .....	69
Notes to Required Supplementary Information for Pension Benefits .....	70
Schedule of the Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability .....	72
Schedule of the Contribution Other Postemployment Benefits (OPEB).....	73
Notes to Required Supplementary Information for Other Postemployment Benefits (OPEB).....	74
<b>Supplementary Information</b>	
Schedule of Expenditures of Federal Awards .....	78
Notes to the Schedule of Expenditures of Federal Awards.....	80
<b>Additional Information</b>	
Officials.....	84
<b>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 .....</b>	<b>88</b>
<b>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 <i>Uniform Guidance</i> .....</b>	<b>90</b>
<b>Schedule of Findings and Questioned Costs .....</b>	<b>93</b>
<b>Schedule of Prior Year Findings and Questioned Costs .....</b>	<b>94</b>



**Northwest Shoals**  
COMMUNITY COLLEGE

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## Independent Auditors' Report

Jimmy Baker, Chancellor – Alabama Community College System  
Dr. Jeff Goodwin, President – Northwest Shoals Community College  
Muscle Shoals and Phil Campbell, Alabama

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the financial statements of Northwest Shoals Community College (the “College”), a component unit of the State of Alabama, and its discretely presented component unit, Northwest Shoals Community College Foundation (“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 March 31, 2025. 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 Northwest Shoals Community College Foundation, 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, Alabama  
January 15, 2026





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# Management's Discussion and Analysis

ANNUAL FINANCIAL REPORT  
NORTHWEST-SHOALS COMMUNITY COLLEGE



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## Management's Discussion and Analysis

### Overview of the Financial Statements and Financial Analysis

This section of Northwest Shoals Community College's Annual Financial Report represents management's discussion and analysis of the College's financial activity during the fiscal years ended September 30, 2024, and September 30, 2025. There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

### Statement of Net Position

The Statement of Net Position presents the assets, deferred outflows of resources, deferred inflows of resources, liabilities, and net position of the College. 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 Northwest-Shoals Community College. The Statement of Net Position presents end-of-year data concerning Assets (current and non-current), Liabilities (current and non-current), deferred outflows of resources, deferred inflows of resources, and Net Position (Assets and deferred outflows of resources minus deferred inflows of resources and Liabilities). The difference between current and non-current assets will be discussed in the financial statement disclosures.

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

Net position is divided into three major categories. The first category, invested in capital assets, net of debt, 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, non-expendable and expendable (which are both restricted by external sources). The corpus of non-expendable restricted resources is only available for investment purposes. Expendable restricted net position is available for expenses of 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 is available to the institution for any appropriate purpose of the institution.

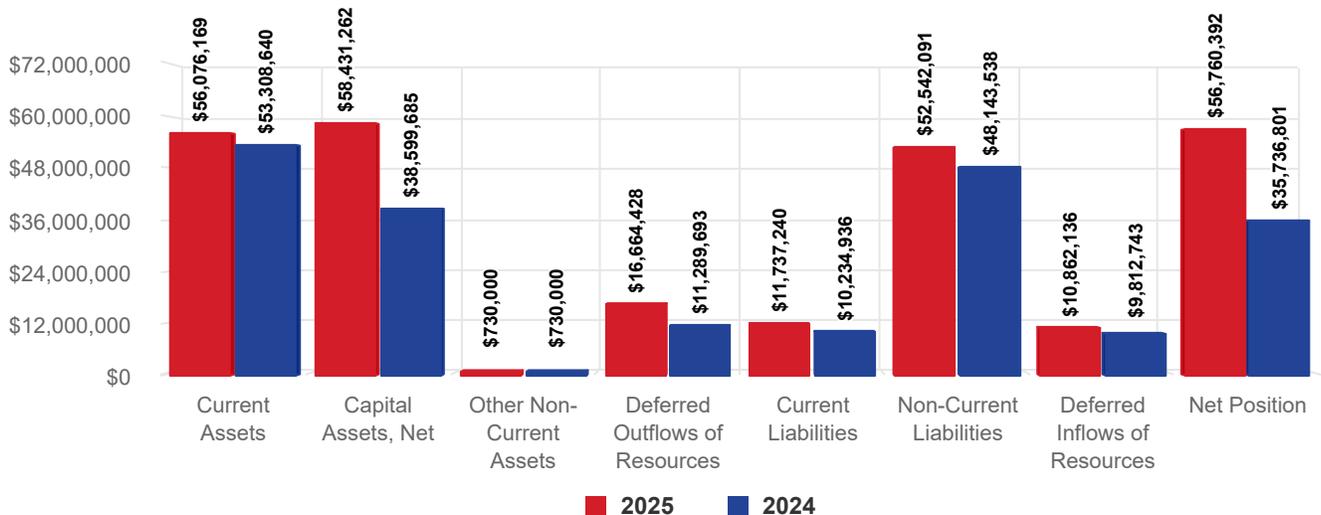
The following schedule summarizes the Statement of Net Position as of September 30, 2025 and 2024:

### Statement of Net Position

	2025	2024
<b>Assets</b>		
Current Assets	\$ 56,076,169	\$ 53,308,640
Capital Assets, Net	58,431,262	38,599,685
Other Non-Current Assets	730,000	730,000
<b>Total Assets</b>	<b>115,237,431</b>	<b>92,638,325</b>
<b>Deferred Outflows of Resources</b>	<b>16,664,428</b>	<b>11,289,693</b>
<b>Liabilities</b>		
Current Liabilities	11,737,240	10,234,936
Non-Current Liabilities	52,542,091	48,143,538
<b>Total Liabilities</b>	<b>64,279,331</b>	<b>58,378,474</b>
<b>Deferred Inflows of Resources</b>	<b>10,862,136</b>	<b>9,812,743</b>
<b>Net Position</b>		
Net Investment in Capital Assets	43,929,264	23,723,975
Restricted	1,180,378	1,166,965
Unrestricted	11,650,750	10,845,861
<b>Total Net Position</b>	<b>\$ 56,760,392</b>	<b>\$ 35,736,801</b>

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



**Assets**

Current assets consist of cash and cash equivalents, short term investments, accounts receivable, deposits with bond trustees, and other current assets. Total assets increased \$22.6 million, consisting of \$2,768,000 from current assets and \$19,832,000 from noncurrent assets. The largest change in assets was \$20 million Construction in Progress which included \$19 million for the Phil Campbell campus renovations and \$1 million for the CDL training lot. Other significant increases include \$5.12 million Accounts Receivable which was due to an increase of \$3 million in Title IV funds, \$1.5 million in state appropriations, and an increase of \$1.5 million due from ACCS for construction projects.. The largest decrease in assets was \$2.5 million in Cash. This was mainly due to the timing of several funding sources being received in prior fiscal years, and the related expenses not occurring until fiscal year 2025.

**Deferred Outflows of Resources**

Deferred outflows of resources are defined as a consumption of net assets by the government that is applicable to a future reporting period. The approximate \$5 million increase in Deferred Outflow of Resources is due to a decrease in pensions (\$2.6 million) and an increase in other post- employment benefits (\$7.9 million) . The increase in deferred outflows related to pensions and other post-employment benefits are due to the change in values during the 2024-2025 fiscal year. This deferred outflow of resources represents the portion of the pension liability already paid by the College for the fiscal year 2025-2026. The deferred outflows of resources related to OPEB resulting from College contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ended September 30, 2026.

**Current Liabilities**

Current liabilities consist of deposits, accounts payable, unearned revenue, the current portion of compensated absences, the current portion of long-term liabilities, and other current liabilities. Current liabilities increased by \$1,502,000 with the largest increase in unearned revenue (\$897,483).

**Non-Current Liabilities**

Non-current liabilities consist of principal amounts due on bonds, notes, and leases, unfunded pensions, and the non-current portion of compensated absences. Non-current liabilities increased by \$4.4 million due mainly to a \$5 million decrease in Net Pension. The net Pension and OPEB liability, required by GASB 68 and 75, was measured as of September 30, 2024 and the total Pension and OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2023. The College's proportion of the net Pension and OPEB liability was based on a projection of the College's long- term share of contributions to the Pension and OPEB plan relative to the projected contributions of all participating employers, actuarially determined. The net OPEB liability increased \$10. million. Bonds Payable decreased by \$440,965 for the year as principal payments were paid.

**Deferred Inflows of Resources**

Deferred inflows of resources are defined as an acquisition of net assets by the government that is applicable to a future reporting period. The Deferred Inflow of Resources increased by \$1,049,000 due to a \$3.5 million increase in pensions and a \$2 million decrease in post-employment benefits. Pension

related assets and liabilities are based on the annual actuarial valuation which may fluctuate significantly for such factors as changes in plan experience or changes in economic or demographic assumptions.

**Net Position**

Net position represents the residual value in the College’s assets and deferred outflows of resources after all deferred inflows of resources and liabilities are deducted. Overall net position increased by \$21 million due to several factors including an increase in capital assets net of depreciation and related debt, a net increase in unrestricted net position, and an increase in restricted net position related to debt service liability.

**Statement of Revenues, Expenses and Changes in Net Position**

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

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

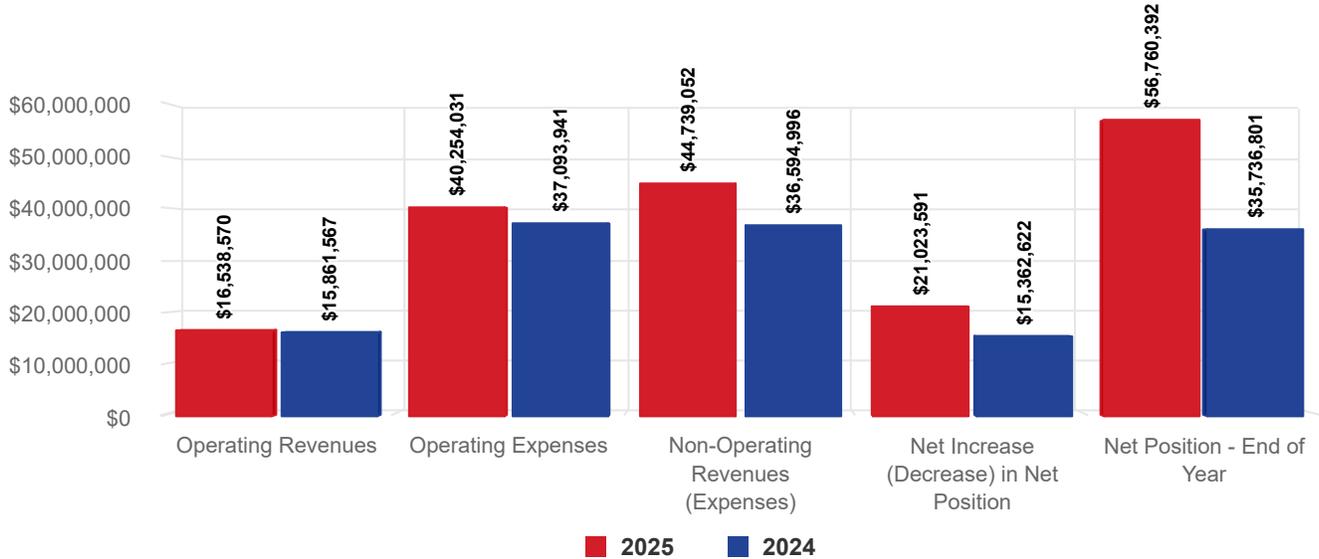
The below chart displays the operating revenues by type and their relationship with one another. Some highlights of the information presented on the Statement of Revenues, Expenses, and Changes in Net Position are the following:

**Statements of Revenues, Expenses and Changes in Net Position**

	<b>2025</b>	<b>2024</b>
Operating Revenues	\$ 16,538,570	\$ 15,861,567
Operating Expenses	40,254,031	37,093,941
Operating Income (Loss)	<u>(23,715,461)</u>	<u>(21,232,374)</u>
Non-Operating Revenues (Expenses)	44,739,052	36,594,996
Net Increase (Decrease) in Net Position	<u>21,023,591</u>	<u>15,362,622</u>
Net Position - Beginning of Year	35,736,801	20,374,179
Restatements	-	-
<b>Net Position - End of Year</b>	<b><u>\$ 56,760,392</u></b>	<b><u>\$ 35,736,801</u></b>

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**



**Operating Revenues**

Total Operating Revenue increased by \$677,000, largely due to a \$589,180 increase in State grants, which represents the largest type of Operating Revenue at \$5.75 million, followed by Student Tuition which also increased \$297,314 and totaled \$4.09 million for the year. Gross tuition revenue actually increased by \$1 million due to increased enrollment and increased tuition and fees, however a larger portion of the tuition (\$685,795 more) and fees being paid by financial aid sources had to be listed as an allowance.

**Operating Expenses**

Operating expenses increased by \$3.2 million due to several factors listed below. Salary, wages and benefits increased by \$1.5 million mainly due to built in step raises, higher employers fringe costs for health insurance and increased faculty and staff hires to accommodate rising enrollment. Scholarships increase by \$1.1 million due to an increase in institutional Dual Enrollment awards.

**Non-Operating Expenses**

Non-Operating Expenses increased by \$373,213 with interest on debt increasing by \$28,549 and Loss on Disposed Assets increased by \$340,336 mainly due to the demolition of a building at the Phil Campbell campus.

**Non-Operating Revenues**

State Appropriations increased by \$404,662, with State Appropriations increasing by \$631,901 from the previous year while federal grants decreased by \$305,652. Federal Grants decreased by \$305,651 mainly

due to an almost \$1.2 million decrease in CARES ACT funding, offset by an increase of \$889,000 in Title IV funds. Investment income increased by \$104,000 due to more funds being invested in money market and certificates of deposits.

**Other Revenues**

Other Revenues increased by \$8.1 million from the previous year, mainly due to a \$8.98 million increase in Capital Grants including a \$9.8 million increase in state funding for various projects at the Phil Campbell campus.

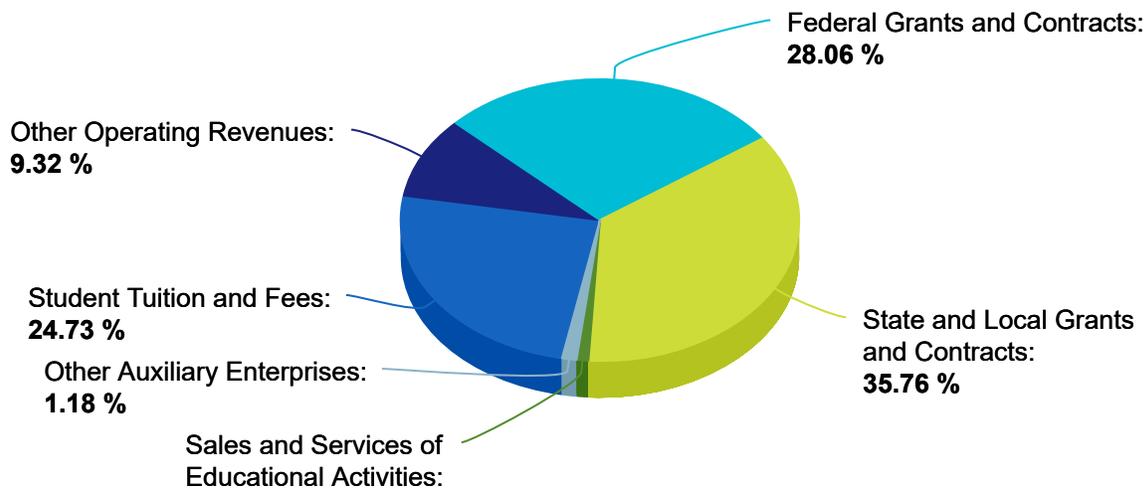
The below chart displayed in thousands of dollars, the operating revenues by type and their relationship with one another. Some highlights of the information presented on the Statement of Revenues, Expenses, and Changes in Net Position are the following:

**Operating Revenues**

	<u>2025</u>	<u>2024</u>
<b>Operating Revenues</b>		
Student Tuition and Fees	\$ 4,089,941	\$ 3,792,626
Other Operating Revenues	1,541,383	1,758,840
Federal Grants and Contracts	4,640,586	4,780,695
State and Local Grants and Contracts	5,914,775	5,185,509
Sales and Services of Educational Activities	157,348	115,728
Other Auxiliary Enterprises	194,537	228,169
<b>Total Operating Revenues</b>	<b><u>\$ 16,538,570</u></b>	<b><u>\$ 15,861,567</u></b>

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

**Operating Revenues by Source**



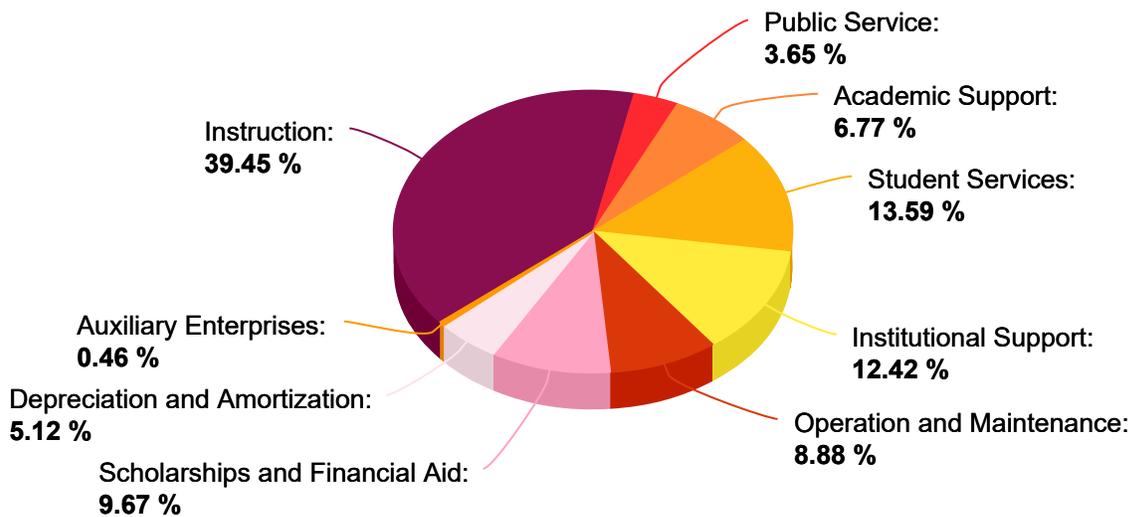
The operating expenses by function stated are displayed in the following exhibit.

### Operating Expenses

	<u>2025</u>	<u>2024</u>
<b>Operating Expenses</b>		
Instruction	\$ 15,878,385	\$ 15,015,628
Public Service	1,468,430	1,553,306
Academic Support	2,725,649	1,900,554
Student Services	5,468,944	5,162,859
Institutional Support	4,999,619	5,373,531
Operation and Maintenance	3,572,740	3,090,198
Scholarships and Financial Aid	3,892,307	2,790,991
Depreciation and Amortization	2,061,409	2,046,675
Auxiliary Enterprises	186,548	160,199
<b>Total Operating Expenses</b>	<b><u>\$ 40,254,031</u></b>	<b><u>\$ 37,093,941</u></b>

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

### Operating Expenses by Function

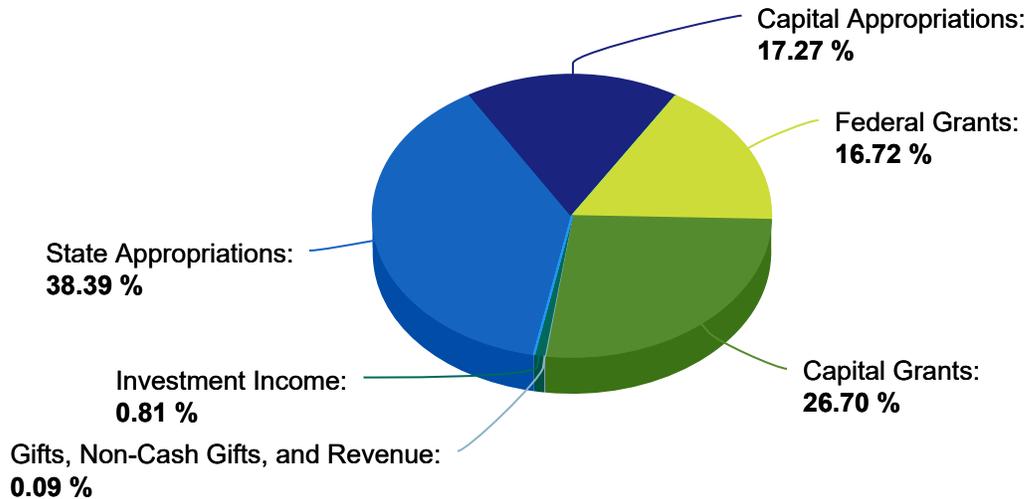


### Comparison of Non-Operating Revenue

	<u>2025</u>	<u>2024</u>
<b>Non-Operating Revenue</b>		
State Appropriations	\$ 17,541,074	\$ 16,909,173
Capital Appropriations	7,890,833	8,757,240
Local Appropriations	-	46,315
Federal Grants	7,641,568	7,947,220
Capital Grants	12,201,744	3,222,731
Gifts, Non-Cash Gifts, and Revenue	41,465	33,137
Investment Income	367,955	263,792
Other Non-Operating Revenue	12,237	-
<b>Total Non-Operating Revenue</b>	<b><u>\$ 45,696,876</u></b>	<b><u>\$ 37,179,608</u></b>

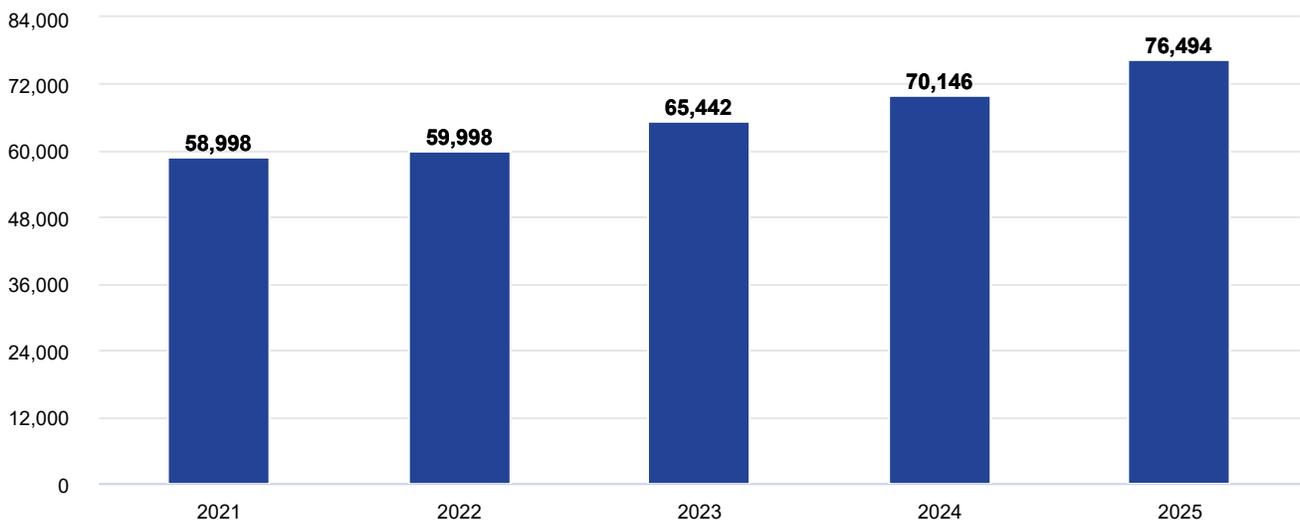
The following chart displays the non-operating revenues by type and their relationship with one another for the fiscal year ended September 30, 2025.

### Comparison of Non-Operating Revenue



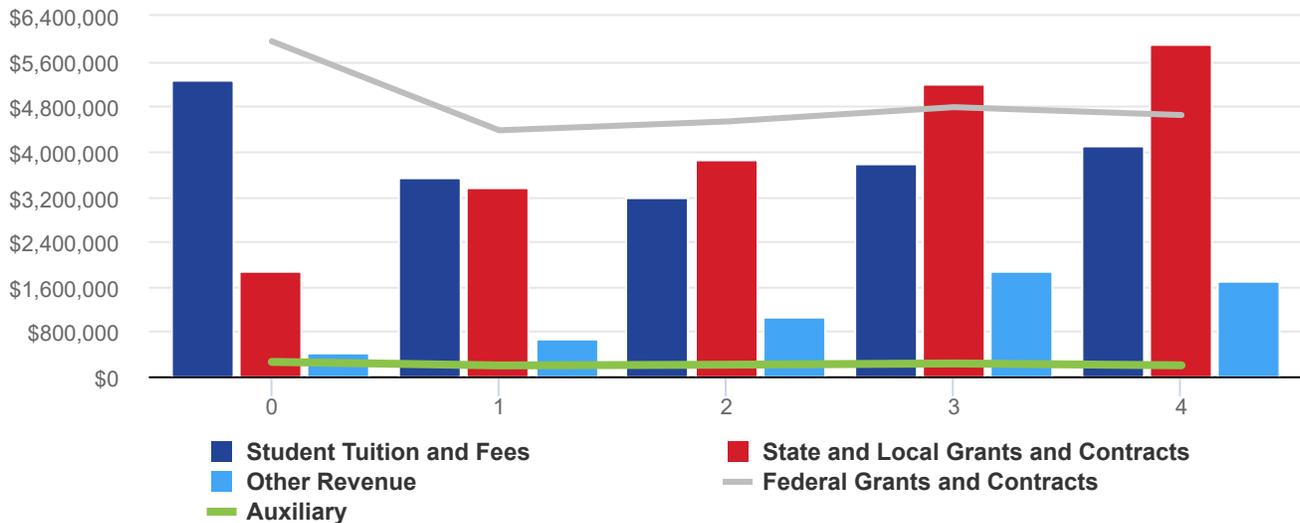
The following chart displays the 5 Year Comparison of Credit Hours for the fiscal year ended September 30, 2025.

### 5 Year Comparison of Credit Hours



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

### 5 Year Comparison of Operating Revenue



### Statement of Cash Flows

The final statement presented is the Statement of Cash Flows which presents detailed information about the cash activity of the institution during the year. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the institution. The second section reflects cash flows from non-operating activities. This section reflects the cash received and spent for non-operating (state appropriations plus federal grants and loans), non-investing, and non-capital purposes. The third section reflects the cash flows from the purchase of capital buildings and equipment and any borrowings (Bond Issues) used for the funding those capital purchases. The fourth section deals with cash flows from investing activities. The fifth section summarizes any cash transactions that would impact any prior year adjustments made during the current fiscal year.

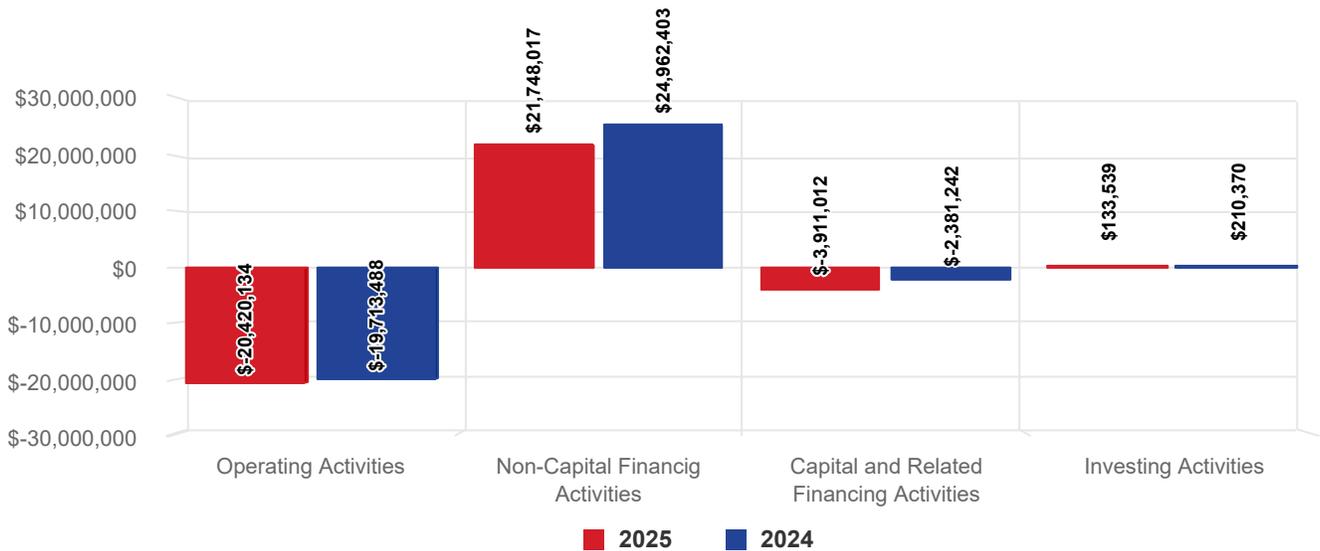
A condensed Statement of Cash Flows for the years ended September 30, 2025 and 2024 is presented below.

### Statement of Cash Flows

	2025	2024
<b>Cash Provided by (Used in):</b>		
Operating Activities	\$ (20,420,134)	\$ (19,713,488)
Non-Capital Financig Activities	21,748,017	24,962,403
Capital and Related Financing Activities	(3,911,012)	(2,381,242)
Investing Activities	133,539	210,370
<b>Net Change in Cash and Cash Equivalents</b>	<b>(2,449,590)</b>	<b>3,078,043</b>
Cash and Cash Equivalents, Beginning of Year	27,037,793	23,959,750
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 24,588,203</b>	<b>\$ 27,037,793</b>

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

### Statement of Cash Flows



### Operating Activities

The largest cash receipts from operating activities consist of State and Local Grants at \$6.3 million and Federal Grants and Contracts \$5.1 million. The largest cash outlays include wages and benefits at \$25.5 million , supplies (\$7 million), and scholarships (\$4 million).

Cash used for operating activities of \$20.4 million increased by \$747,249 mainly due to an increase in payments to Employees of \$1.93 million due to built in step raises, merit raises, increased health insurance costs and higher staffing due to increases in enrollment. There was also a \$1.6 million increase in scholarship expenditure, mainly due to an increase of \$1.1 million in Dual Enrollment scholarships. The

College also took in \$2.1 million more in cash from Tuition and Fees due to an increase in tuition rates and higher enrollment. Appropriations cash received increased by \$969,815.

### **Non-capital Financing Activities**

Cash from non-operating activities decreased by \$3.17 million mainly due to a \$3.3 million decrease in Federal Grants funding including a decrease in CARES Act funds. There was also a \$731,282 increase in State Appropriations offset by a \$703,293 decrease in Federal Direct Loan receipts, because more funds were receivable at the end of the fiscal year than the previous year.

### **Capital and related Financing Activities**

Cash used for capital and related financing activities increased by \$1.5 million mostly due to a \$12.9 increase in Purchases of Capital Assets and \$3.77 million less received in Capital Appropriations, offset by a \$15.19 million increase in Capital Grants received. This was due to heavy construction activity at the Phil Campbell Campus

### **Investing Activities**

Cash from Investing Activities remained pretty stable, decreasing by only \$76,831, as investment income rose by \$104,163 and investments purchased increased by \$234,416 and proceeds from maturing investments rose \$53,422.

## **Economic Outlook**

The College is not aware of any other currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during this upcoming fiscal year.

### **Contacting Northwest-Shoals 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 Business Office, at 800 George Wallace Blvd, Muscle Shoals, AL 35661.



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# Financial Statements

ANNUAL FINANCIAL REPORT  
NORTHWEST-SHOALS COMMUNITY COLLEGE





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## Statement of Net Position September 30, 2025

	<u>2025</u>
<b>Assets</b>	
<b>Current Assets</b>	
Cash and Cash Equivalents	\$ 24,588,203
Short-Term Investments	5,589,127
Accounts Receivable (net of allowance for doubtful accounts of \$1,190,956)	16,784,098
Inventories	194,648
Deposit with Bond Trustee	8,233,592
Other Current Assets	686,501
<b>Total Current Assets</b>	<u><b>56,076,169</b></u>
<b>Non-Current Assets</b>	
Long-Term Investments	730,000
Capital Assets, Net of Depreciation and Amortization	58,431,262
<b>Total Non-Current Assets</b>	<u><b>59,161,262</b></u>
<b>Total Assets</b>	<u><b>115,237,431</b></u>
<b>Deferred Outflows of Resources</b>	
Deferred Outflows of Resources Related to Pensions	5,366,532
Deferred Outflows of Resources Related to OPEB	11,297,896
<b>Total Deferred Outflow of Resources</b>	<u><b>16,664,428</b></u>

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

## Statement of Net Position (Continued)

### September 30, 2025

	<u>2025</u>
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Deposits	\$ 126,277
Accounts Payable and Accrued Liabilities	6,757,995
Unearned Revenue	4,219,941
Compensated Absences	100,035
Lease Liabilities - Current	3,735
Subscriptions Liabilities - Current	62,477
Bonds Payable	454,377
Reserve Fee Payable	12,403
<b>Total Current Liabilities</b>	<u>11,737,240</u>
<b>Non-Current Liabilities</b>	
Deposits	726,001
Compensated Absences	900,311
Bonds Payable	13,932,330
Net Pension Liability	24,172,000
Net OPEB Liability	12,763,546
Subscriptions Payable	47,903
<b>Total Non-Current Liabilities</b>	<u>52,542,091</u>
<b>Total Liabilities</b>	<u>64,279,331</u>
<b>Deferred Inflows of Resources</b>	
Deferred Inflows of Resources Related to Pensions	4,498,000
Deferred Inflows of Resources Related to OPEB	6,334,388
Deferred Inflows of Resources Other	29,748
<b>Total Deferred Inflow of Resources</b>	<u>10,862,136</u>
<b>Net Position</b>	
Net Investment in Capital Assets	43,929,264
Restricted Expendable:	
Debt Service	454,377
Scholarships and Fellowships	726,001
Unrestricted	11,650,750
<b>Total Net Position</b>	<u>\$ 56,760,392</u>

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

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

	<u>2025</u>
<b>Operating Revenues</b>	
Student Tuition and Fees (net of scholarship allowances of \$8,646,588)	\$ 4,089,941
Other Operating Revenues	1,541,383
Federal Grants and Contracts	4,640,586
State and Local Grants and Contracts	5,914,775
Sales and Services of Educational Activities	157,348
Other Auxiliary Enterprises	194,537
<b>Total Operating Revenues</b>	<u><b>16,538,570</b></u>
<b>Operating Expenses</b>	
Instruction	15,878,385
Public Service	1,468,430
Academic Support	2,725,649
Student Services	5,468,944
Institutional Support	4,999,619
Operation and Maintenance	3,572,740
Scholarships and Financial Aid	3,892,307
Depreciation and Amortization	2,061,409
Auxiliary Enterprises	186,548
<b>Total Operating Expenses</b>	<u><b>40,254,031</b></u>
<b>Operating Loss</b>	<u><b>(23,715,461)</b></u>

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

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

	<u>2025</u>
<b>Non-Operating Revenues (Expenses)</b>	
State Appropriations	17,541,074
Capital Appropriations	7,890,833
Federal Grants	7,641,568
Capital Grants	12,201,744
Gifts, Non-Cash Gifts, and Revenue	41,465
Investment Income	367,955
Bond Surety Fee Expense	(73,257)
Other Non-Operating Revenue	12,237
Interest on Debt	(540,118)
Loss on Disposal of Capital Assets	(340,336)
Other Non-Operating Expense	(4,113)
<b>Total Non-Operating Revenues (Expenses)</b>	<b><u>44,739,052</u></b>
<b>Net Increase in Net Position</b>	<b><u>21,023,591</u></b>
Net Position - Beginning of Year	<u>35,736,801</u>
<b>Net Position - End of Year</b>	<b><u>\$ 56,760,392</u></b>

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

## Statement of Cash Flow

### For the Year Ended September 30, 2025

	<u>2025</u>
<b>Cash Flows from Operating Activities</b>	
Tuition and Fees	\$ 4,010,119
Grants and Contracts	11,405,163
Payments to Suppliers	(6,969,616)
Payments for Utilities	(1,273,916)
Payments for Employees	(19,655,751)
Payments for Benefits	(5,839,719)
Payments for Scholarships	(3,989,682)
Sales and Service of Educational Services	157,348
Other Receipts (Payments)	1,541,383
Auxiliary Enterprises	194,537
<b>Net Cash Used in Operating Activities</b>	<u><b>(20,420,134)</b></u>
<b>Cash Flows from Non-Capital Financing Activities</b>	
State and Local Appropriations	17,640,455
Bond Surety Fees	(73,439)
Gifts and Grants for Other than Capital Purposes	41,465
Federal Grants	4,653,084
Federal Direct Loan Receipts	1,255,263
Federal Direct Loan Disbursements	(1,764,698)
Other Non-Operating Revenues and Expenditures	(4,113)
<b>Net Cash Provided by Non-Capital Financing Activities</b>	<u><b>21,748,017</b></u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Purchase of Capital Assets and Construction	(21,649,488)
Interest Paid on Capital Debt and Lease Liabilities	(539,329)
Principal Payments on Capital Debt and Leases	(374,888)
Capital Grants and Gifts Received	18,412,452
Deposits with Trustees	228,004
Proceeds from Sale of Capital Assets	12,237
<b>Net Cash Used in Capital and Related Financing Activities</b>	<u><b>(3,911,012)</b></u>

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

## Statement of Cash Flow (Continued)

### For the Year Ended September 30, 2025

	<u>2025</u>
<b>Cash Flows from Investing Activities</b>	
Proceeds from Sales and Maturities of Investments	6,084,711
Purchase of Investments	(6,319,127)
Investment Income	367,955
<b>Net Cash Provided by Investing Activities</b>	<u><b>133,539</b></u>
<b>Net Decrease in Cash and Cash Equivalents</b>	<u><b>(2,449,590)</b></u>
Cash and Cash Equivalents - Beginning of the Year	27,037,793
<b>Cash and Cash Equivalents - End of Year</b>	<u><b>\$ 24,588,203</b></u>
<b>Reconciliation of Net Operating Loss to Net Cash Used in Operating Activities</b>	
Operating Loss	\$ (23,715,461)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities	
Depreciation and Amortization Expense	2,061,409
Changes in Assets, Deferred Outflows/Inflows, and Liabilities:	
Increase/Decrease in Receivables	(41,771)
Increase/Decrease in Inventory	30,232
Increase/Decrease in Other Assets	(120,506)
Increase/Decrease in Accounts Payable and Accrued Liabilities	27,169
Increase/Decrease in Deferred Outflows	(5,374,735)
Increase/Decrease in Unearned Revenue	897,483
Increase/Decrease in Deposits	(63,275)
Increase/Decrease Compensated Absence	53,190
Increase/Decrease Pension and OPEB Liabilities	4,776,738
Increase/Decrease in Deferred Inflows	1,049,393
<b>Net Cash Used in Operating Activities</b>	<u><b>\$ (20,420,134)</b></u>

### Non-Cash Investing, Capital, and Financing Activities

The College recorded \$40,394 in right-of-use leased and software subscription assets during the year.

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

## Northwest-Shoals Community College Foundation

### Statement of Financial Position – Discretely Presented Component Unit For the Year Ended March 31, 2025

	<u>2025</u>
<b>Assets</b>	
<b>Current Assets</b>	
Cash and Cash Equivalents	\$ 154,821
Cash and Cash Equivalents - Restricted in Use	378,443
Unconditional Promises to Give (Net)	10,000
Accrued Interest Receivable	2,316
<b>Total Current Assets</b>	<u><b>545,580</b></u>
<b>Non-Current Assets</b>	
Unconditional Promises to Give (Net)	60,002
Investments	1,498,025
<b>Total Non-Current Assets</b>	<u><b>1,558,027</b></u>
<b>Total Assets</b>	<u><b>\$ 2,103,607</b></u>
<b>Liabilities and Net Assets</b>	
<b>Current Liabilities</b>	
Accounts Payable	17,936
<b>Total Liabilities</b>	<u><b>17,936</b></u>
<b>Net Assets</b>	
Without Donor Restrictions	154,821
With Donor Restrictions	1,930,850
<b>Total Net Assets</b>	<u><b>2,085,671</b></u>
<b>Total Liabilities and Net Assets</b>	<u><b>\$ 2,103,607</b></u>

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

## Northwest-Shoals Community College Foundation

### Statement of Activities – Discretely Presented Component Unit For the Year Ended March 31, 2025

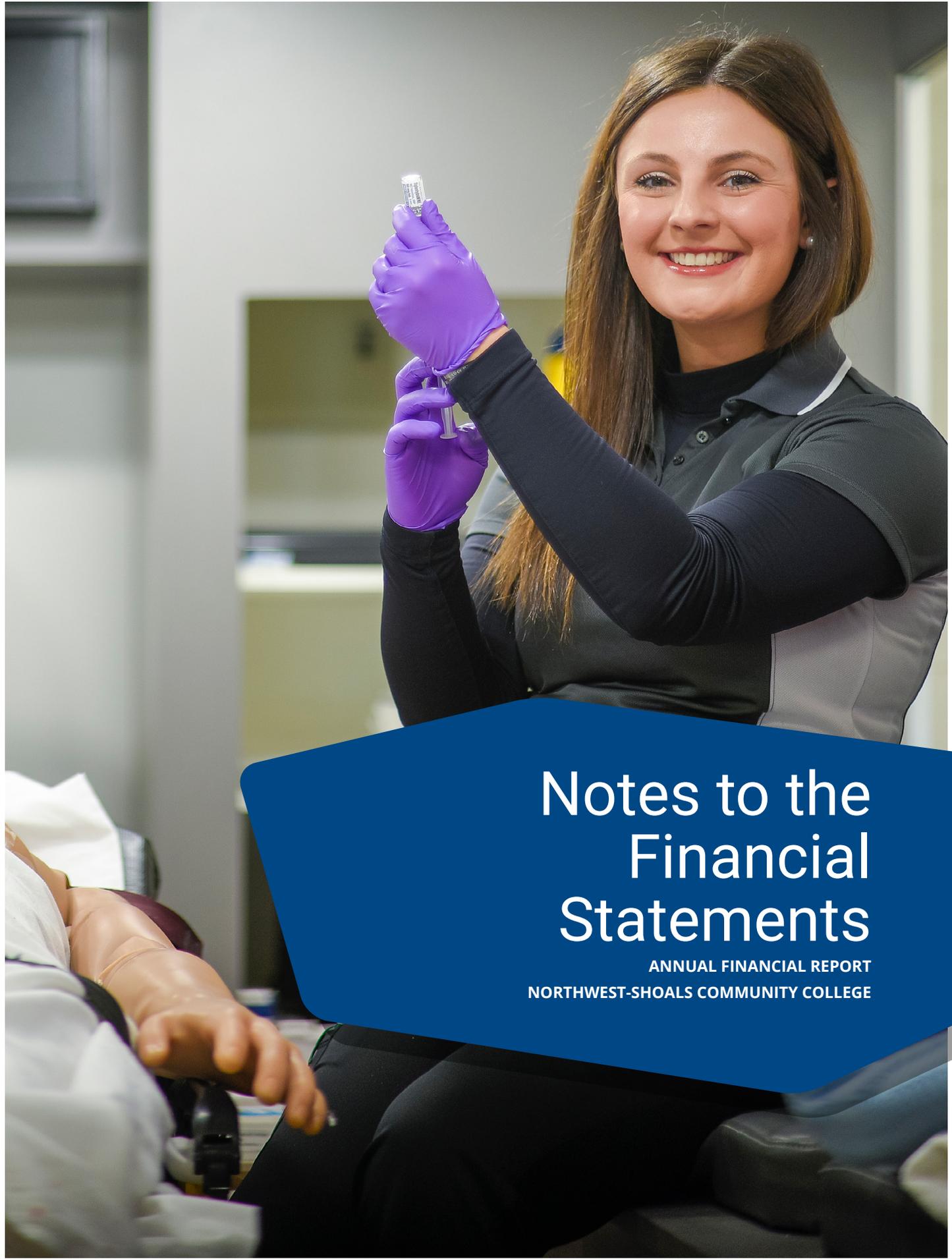
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Activities</b>			
<b>Revenue and Support</b>			
Cash Contributions	\$ 2,415	\$ 217,012	\$ 219,427
Contributed Non-Financial Assets	58,706	-	58,706
Special Events Income	6,104	26,296	32,400
Interest and Dividends	-	39,406	39,406
Investment Return, Net	-	23,930	23,930
Net Assets Released from Restrictions	307,423	(307,423)	-
<b>Total Support and Revenue</b>	<b>374,648</b>	<b>(779)</b>	<b>373,869</b>
<b>Expenses</b>			
Program Support	294,444		294,444
Fundraising	21,367		21,367
Management & General	96,684		96,684
<b>Total Expenses</b>	<b>412,495</b>	<b>-</b>	<b>412,495</b>
<b>Change in Net Assets</b>	<b>(37,847)</b>	<b>(779)</b>	<b>(38,626)</b>
Net Assets at Beginning of Year	271,394	1,780,594	2,051,988
Prior Period Adjustment	\$ (78,726)	\$ 151,035	72,309
Net Assets at Beginning of Year, as restated	<b>\$ 192,668</b>	<b>\$ 1,931,629</b>	2,124,297
<b>Net Assets at End of Year</b>	<b>\$ 154,821</b>	<b>\$ 1,930,850</b>	<b>\$ 2,085,671</b>

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



**Northwest Shoals**  
COMMUNITY COLLEGE

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# Notes to the Financial Statements

ANNUAL FINANCIAL REPORT  
NORTHWEST-SHOALS COMMUNITY COLLEGE



**Northwest Shoals**  
COMMUNITY COLLEGE

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## Note 1. Summary of Significant Accounting Policies

### Nature of Operations

The financial statements of Northwest-Shoals Community College (the "College" or "NWSCC") 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 Northwest-Shoals 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

Northwest-Shoals Community College Foundation (the "Foundation" or "NWSCCF") 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 NWSCCF, the majority of resources, or income thereon that NWSCCF holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by NWSCCF can only be used by, or for the benefit of, the College, CCF is discretely presented as a component unit of the College. NWSCCF 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 NWSCCF 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**

Northwest-Shoals Community College follows all applicable GASB pronouncements. The financial statements of Northwest-Shoals 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, gifts, and Pell grants.

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

### 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, 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. 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.

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

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

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

<b>Assets</b>	<b>Depreciation Method</b>	<b>Useful Lives</b>
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 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 to include Collateralized Mortgage Obligations (CMOs) and Real Estate Mortgage Investment Conduits (REMIC) securities;
6. Repurchase agreements; and
7. Stocks and Bonds which have been donated to the 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.

To the extent available, the College’s investments are recorded at fair value as of September 30, 2025. GASB Statement Number 72 – *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity’s assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

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

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

Investments’ fair value measurements are as follows at September 30, 2025:

Investments	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
<b>Debt Securities</b>				
Certificates of Deposit	\$ 6,319,127	\$ 6,319,127	\$ -	\$ -
Deposits with Trustee	8,233,592	8,233,592	-	-
<b>Total Investments</b>	<b>\$ 14,552,719</b>	<b>\$ 14,552,719</b>	<b>\$ -</b>	<b>\$ -</b>

**Interest Rate Risk** – This risk pertains to changes in interest rates that adversely affect the fair value of an investment. While there is an active market for the below investments, generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the College's investment policy limits its investment maturities as follows:

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

\* Aggregate life

\*\* Average life maturity of any one security

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

Investment Type	Investment Maturities			
	Fair Value	1-5 years	6-10 years	Thereafter
Certificates of Deposit	\$ 6,319,127	\$ 6,319,127	\$ -	\$ -
Other Cash Equivalent	8,233,592	8,233,592	-	-
<b>Total</b>	<b>\$ 14,552,719</b>	<b>\$ 14,552,719</b>	<b>\$ -</b>	<b>\$ -</b>

**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. The College's investments in Federal National Mortgage Association and Federal Home Loan Banks are rated Aaa by Moody's Investor Services and AA+ by Standard and Poor's Fitch Ratings.

**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	\$ 4,524,905
Student	3,705,784
State and Local	698,645
Third-Party	208,723
Interest	161,326
Agency Receivable	-
Other	8,675,671
Less: Allowance for Doubtful Accounts	(1,190,956)
<b>Total Accounts Receivable</b>	<b><u>\$ 16,784,098</u></b>

## 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
<b>Nondepreciable Capital Assets</b>					
Land	\$ 935,553	\$ -	\$ -	\$ -	\$ 935,553
Construction in Progress	12,778,179	21,514,365	-	(1,222,969)	33,069,575
<b>Total Nondepreciable Capital Assets</b>	<b>13,713,732</b>	<b>21,514,365</b>	<b>-</b>	<b>(1,222,969)</b>	<b>34,005,128</b>
<b>Other Capital Assets</b>					
Buildings	36,082,113	-	(8,543)	-	36,073,570
Building Alterations	8,404,184	-	(481,711)	-	7,922,473
Improvements other than Buildings and Infrastructure	3,555,918	-	(3,672)	1,222,969	4,775,215
Furniture and Equipment greater than \$25,000	9,583,291	419,085	(369,118)	-	9,633,258
Furniture and Equipment \$25,000 or less	5,121,607	151,536	(1,354,849)	-	3,918,294
Library Materials	840,791	3,090	(589)	-	843,292
Capitalized Software	19,990	-	-	-	19,990
Right to Use Assets	90,078	-	(75,556)	-	14,522
Subscription Based on IT Arrangements	82,513	145,246	(35,997)	-	191,762
<b>Total Other Capital Assets</b>	<b>63,780,485</b>	<b>718,957</b>	<b>(2,330,035)</b>	<b>1,222,969</b>	<b>63,392,376</b>
<b>Less Accumulated Depreciation/Amortization</b>					
Buildings	23,075,279	579,350	(605,605)	-	23,049,024
Building Alterations	2,356,334	316,899	455,689	-	3,128,922
Improvements other than Buildings and Infrastructure	1,614,740	140,781	(3,673)	-	1,751,848
Furniture and Equipment greater than \$25,000	6,495,025	671,108	(369,119)	-	6,797,014
Furniture and Equipment \$25,000 or less	4,428,228	281,766	(1,354,849)	-	3,355,145
Library Materials	805,504	5,446	(590)	-	810,360
Capitalized Software	15,992	1,999	-	-	17,991
Right to Use Assets	72,039	14,723	(75,557)	-	11,205
Subscription Based on IT Arrangements	31,391	49,337	(35,995)	-	44,733
<b>Total Accumulated Depreciation/Amortization</b>	<b>38,894,532</b>	<b>2,061,409</b>	<b>(1,989,699)</b>	<b>-</b>	<b>38,966,242</b>
<b>Total Capital Assets, Net</b>	<b>\$ 38,599,685</b>	<b>\$ 20,171,913</b>	<b>\$ (340,336)</b>	<b>\$ -</b>	<b>\$ 58,431,262</b>

## 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](http://www.rsa-al.gov).

#### Benefits Provided

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

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

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

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

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

### **Contributions**

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

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

Participating employers' contractually required contribution rate for the fiscal year ended September 30, 2025 was 13.57% of annual pay for Tier 1 members and 12.60% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the College were \$2,270,532 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 \$24,172,000 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 0.185820%, which was an increase of 0.001395% from its proportion measured as of September 30, 2023.

For the year ended September 30, 2025, the College recognized pension expense of \$3,161,095. At September 30, 2025 the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 2,404,000	\$ 174,000
Changes of Assumptions	371,000	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	3,964,000
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	321,000	360,000
Employer Contributions Subsequent to the Measurement Date	2,270,532	-
<b>Total</b>	<b><u>\$ 5,366,532</u></b>	<b><u>\$ 4,498,000</u></b>

\$2,270,532 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	\$ (136,000)
2027	1,110,000
2028	(1,171,000)
2029	(1,205,000)
2030	-
Thereafter	-
	<b><u>\$ (1,402,000)</u></b>

**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

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:

<b>Group</b>	<b>Membership Table</b>	<b>Set Forward (+) / Set Back (-)</b>	<b>Adjustment to Rates</b>
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%
<b>Total</b>	<b>100.00%</b>	

\* 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:

	<b>1% Decrease (6.45%)</b>	<b>Current Discount Rate (7.45%)</b>	<b>1% Increase (8.45%)</b>
College’s Proportionate Share of the Collective Net Pension Liability	\$ 33,609,000	\$ 24,172,000	\$ 16,228,000

**Pension Plan Fiduciary Net Position**

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

**Note 6. Other Postemployment Benefits (OPEB)**

**Summary of Significant Accounting Policies**

**General Information about the OPEB Plan**

**Plan Description**

The Alabama Retired Education Employees’ Health Care Trust (Self - Trust) is a cost-sharing multiple-employer defined benefit postemployment healthcare plan that administers healthcare benefits to the retirees of participating state and local educational institutions. The Trust was established under the Alabama Retiree Health Care Funding Act of 2007 which authorized and directed the Public Education Employees’ Health Insurance Board (Board) to create an irrevocable trust to fund postemployment healthcare benefits to retirees participating in the Public Education Employees’ Health Insurance Plan (PEEHIP). Active and retiree health insurance benefits are paid through PEEHIP. In accordance with GASB, the 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 College reported a liability of \$12,763,546 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 College's proportion of the Net OPEB liability was based on the College's share of contributions to the OPEB plan relative to the total employer contributions of all participating PEEHIP employers. At September 30, 2024, the College's proportion was 0.13883266%, which was a decrease of 0.0031333% from its proportion measured as of September 30, 2023.

For the year ended September 30, 2025, the College recognized an OPEB benefit of \$1,757,826, with no special funding situations. At September 30, 2025, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<b>Source</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between Expected and Actual Experience	\$ 5,952,396	\$ 2,754,724
Changes of Assumptions	4,395,672	1,805,835
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	-	314,898
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	464,747	1,458,931
Employer Contributions Subsequent to the Measurement Date	485,081	-
<b>Total</b>	<b>\$ 11,297,896</b>	<b>\$ 6,334,388</b>

The \$485,081 reported as deferred outflows of resources related to OPEB resulting from the Northwest-Shoals 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:

<b>Year Ended September 30</b>	<b>Amount</b>
2026	\$ 553,123
2027	630,946
2028	404,849
2029	794,130
2030	1,575,172
Thereafter	520,207
	<b>\$ 4,478,427</b>

**Actuarial Assumptions**

The total OPEB liability 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%
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%
<b>Total</b>	<b>100.00%</b>	

\* Geometric mean, includes 2.50% inflation.

**Discount Rate**

The discount rate (also known as the Single Equivalent Interest Rate (SEIR), as described by GASB 74) used to measure the total OPEB liability was 4.32%. Premiums paid to the Public Education Employees’ Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Currently, the monthly employer rate is \$800 per non-university active member. Approximately, 9.751% of the employer contributions were used to assist in funding retiree benefit payments in 2024 and it is assumed that the 9.751% will increase or decrease at the same rate as expected benefit payments for the closed group with a cap of 20.00%. It is assumed the \$800 rate will remain flat until, based on budget projections, it increases to \$904 in fiscal year 2026, \$1,114 in fiscal year 2027 and then will increase with inflation at 2.50% starting in 2028. Retiree benefit payments for university members are paid by the Universities and are not included in the cash flow projections. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. Therefore, the projected future benefit payments for all current plan members are projected through 2122.

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

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

	<b>1% Decrease (5.75% decreasing to 3.50% for pre-Medicare, Known decreasing to 3.50% for Medicare eligible)</b>	<b>Current Healthcare Trend Rate (6.75% decreasing to 4.50% for pre-Medicare, Known decreasing to 4.50% for Medicare eligible)</b>	<b>1% Increase (7.75% decreasing to 5.50% for pre-Medicare, Known decreasing to 5.50% for Medicare eligible)</b>
Net OPEB Liability	\$ 10,267,194	\$ 12,763,546	\$ 15,982,596

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 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:

	<b>1% Decrease (3.32%)</b>	<b>Current Rate (4.32%)</b>	<b>1% Increase (5.32%)</b>
Net OPEB Liability	\$ 15,504,762	\$ 12,763,546	\$ 10,573,014

**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](http://www.rsa-al.gov).

## Note 7. Construction and Other Significant Commitments

As of September 30, 2025, the College had been awarded approximately \$2,948,773 in federal, state, and local 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.

As of September 30, 2025, the College has awarded 19 contracts in the amount of \$36,607,442 in projects related to building renovations.

## Note 8. Accounts Payable

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

Description	Amount
Salaries and Wages	\$ 854,485
Payroll Withholding	435,614
Interest Payable	76,468
Supplies and Other Payables	5,391,428
<b>Total</b>	<b>\$ 6,757,995</b>

## 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
<b>Bonds Payable</b>					
2022 Public/Private Bonds	\$ 12,735,000	\$ -	\$ -	\$ 12,735,000	\$ -
2014 Series Direct Placement	2,092,673	-	440,966	1,651,707	454,377
<b>Total Bonds Payable</b>	<b>14,827,673</b>	<b>-</b>	<b>440,966</b>	<b>14,386,707</b>	<b>454,377</b>
Leases Payable	17,933		14,198	3,735	3,735
Subscriptions Payable	30,105	145,246	64,971	110,380	62,477
Compensated Absences	947,156	53,190	-	1,000,346	100,035
<b>Total Long-Term Liabilities</b>	<b>\$ 15,822,867</b>	<b>\$ 198,436</b>	<b>\$ 520,135</b>	<b>\$ 15,501,168</b>	<b>\$ 620,624</b>

### Bonds Payable

The Northwest-Shoals Community College Revenue Bond Series 2014 was issued in the original amount of \$6,000,000 in February 2014 by the Alabama State Board of Education to provide funds to finance the acquisition, construction or renovation and equipping of certain buildings located at the College's Shoals

and Phil Campbell campuses, for use by the College, and paying the expenses of issuing the Bonds and accrues interest 4.44% per annum.

On May 14, 2022, the Board of Trustees of the Alabama Community College System issued \$12,735,000 in revenue bonds. The bonds were issued to provide funding to make certain improvements at the College's Phil Campbell campus, including demolition, construction and remodeling of buildings and related facilities for use by the College and accrues interest at 4% per annum.

### Bond Debt

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

Fiscal Year(s)	Direct Placement		Revenue Bond		Total
	Principal	Interest	Principal	Interest	
2026	\$ 454,377	\$ 43,337	\$ -	\$ 452,550	\$ 950,264
2027	468,198	29,517	-	452,550	950,265
2028	482,438	15,276	-	452,550	950,264
2029	246,694	2,163	255,000	447,450	951,307
2030	-	-	360,000	435,150	795,150
2031-2035	-	-	2,005,000	1,959,025	3,964,025
2036-2040	-	-	2,385,000	1,582,901	3,967,901
2041-2045	-	-	2,825,000	1,134,407	3,959,407
2046-2050	-	-	3,375,000	590,625	3,965,625
2051-2055	-	-	1,530,000	56,007	1,586,007
<b>Total</b>	<b>\$ 1,651,707</b>	<b>\$ 90,293</b>	<b>\$ 12,735,000</b>	<b>\$ 7,563,215</b>	<b>\$ 22,040,215</b>

### Pledged Revenues

The College has pledged tuition, facility renewal, and building fees to repay \$6,000,000 in Northwest Shoals Community College Revenue Bond, Series 2014, issued in February 2014, for the purpose of providing funding to finance the acquisition, construction or renovation and equipping of certain buildings located at the College's Shoals and Phil Campbell campuses, for use by the College, and paying the expenses of issuing the Bonds. The revenue pledged for the bond issue will not be available for other purposes until the bonds are paid in full during the fiscal year 2028-2029. The relationship of the pledged tuition and fees to total tuition and fees varies from year to year. The relationship changes due to variations in several revenue components, including but not limited to total enrollment, tuition discounts, and refunds. Future revenues in the approximate amount of \$1,742,000 are pledged to repay principal and interest. Pledged revenues in the amount of \$7,187,258 were received by the College during fiscal year 2025, with \$497,714 or 6.92% of pledged revenue was needed for debt service on the Revenue Bond Series 2014. These bonds are scheduled to mature in fiscal year 2029.

The College has pledged tuition and certain fee revenues for the payment of debt service on the Series 2022 Bonds. The debt was issued to provide funding to make certain improvements at the College's Phil Campbell campus, including demolition, construction and remodeling of buildings and related facilities for use by the College, as well as paying the expenses of issuing the bond. Future revenues in the amount of \$20,298,215 are pledged to repay principal and interest on the bonds on September 30, 2025.

Pledged revenues in the amount of \$7,187,258 were received by the College during fiscal year 2025, with \$452,550 or 6.30% of pledged revenues being used to pay principal and interest during this fiscal year. These bonds are scheduled to mature in fiscal year 2052.

The College's outstanding series 2014 bond from direct placement contain a provision that in the event of default, the Bondholder shall have the right by mandamus or other lawful remedy in any court of competent jurisdiction to enforce his or their rights against the Issuer to fix and collect the Pledged Revenues, in amounts sufficient to meet the provisions of the Bond Resolution and carry out any other covenants contained in the resolution and to perform its duties under the resolution and Section 16-3-28, Code of Alabama, as amended.

### **Subscription Liabilities & Lease Payable**

The \$3,735 has been recorded as Lease Assets. Due to the implementation of GASB Statement No. 87, various leases met the criteria of a lease; thus, requiring it to be recorded by the College. 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 2026.

As of September 30, 2025, the College had 2 active leases. The lease payments range from \$5,039 to \$9,350 and interest rates that range from 0.861% to 2.503%. As of September 30, 2025, the combined value of the lease liability is \$3,735, and the total value of the short-term lease liability is \$3,735. The value of the right to use asset, as of September 30, 2025, is \$14,522 with accumulated amortization of \$11,205 and is included with the Lease Class activities table found below. The leases had no variable payments or other payments, not included in the lease liability, within the year.

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. For additional information, refer to the disclosures below:

As of 09/30/2025, Northwest-Shoals Community College, AL had 6 active subscriptions. The subscriptions have payments that range from \$6,000 to \$26,924 and interest rates that range from 2.4740% to 3.3780%. As of 09/30/2025, the total combined value of the subscription liability is \$110,380, and the total combined value of the short-term subscription liability is \$62,477. The combined value of the right to use asset, as of 09/30/2025 of \$191,762 with accumulated amortization of \$44,733 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.

The future subscription payments under these SBITA agreements are as follows:

<u>Fiscal Year(s)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 62,477	\$ 3,060	\$ 65,537
2027	47,903	1,314	49,217
<b>Total</b>	<b><u>\$ 110,380</u></b>	<b><u>\$ 4,374</u></b>	<b><u>\$ 114,754</u></b>

A summary of the principal and interest amounts for the remaining lease is as follows:

<u>FiscalYear(s)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 3,735	\$ 44	\$ 3,779
<b>Total</b>	<b><u>\$ 3,735</u></b>	<b><u>\$ 44</u></b>	<b><u>\$ 3,779</u></b>

## 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, a public entity risk pool, 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 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. Northwest-Shoals Community College Foundation

### Note A: Nature of Activities and Significant Accounting Policies

*Nature of Activities* – The Northwest – Shoals Community College Foundation, Inc. (the "Foundation") is a nonprofit corporation organized under the laws of the State of Alabama. Its purpose is to receive private gifts, bequests, and donations, and to account for, manage, and appreciate money or property submitted to the Foundation. Funds of the Foundation are distributed to benefit and advance Northwest – Shoals Community College (the "College") and its students.

*Accounting Method* – The financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

*Basis of Presentation* – Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Contributions received and unconditional promises to give are recorded as increases in with donor restriction or without donor restriction net assets, depending on the

existence and/or nature of any donor restrictions. When a restriction expires, with donor restriction net assets are reclassified to without donor restriction net assets and reported in the Statement of Activities as net assets released from restrictions. Accordingly, the net assets of the Foundation and changes therein are classified as follows:

*Net assets without donor restrictions* – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. The Foundation’s board of directors may designate assets without restrictions for specific operational purposes from time to time.

*Net assets with donor restrictions* – Net assets subject to stipulations in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

*Income Taxes* – The Foundation is generally exempt from income taxes under Section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3). The Internal Revenue Service has also determined that the Foundation is not a “private foundation” within the meaning of Section 509(a) of the Internal Revenue Code.

The Foundation follows the standard for uncertain tax positions established in FASB ASC 740, Accounting for Income Taxes. The Foundation has evaluated its tax positions and determined that there are no uncertain tax positions as of March 31, 2025.

Federal tax returns of the Foundation are generally open to examination by the Internal Revenue Service for a period of three years from the date the returns are filed.

*Use of Estimates* – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that could affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Concentrations of Credit and Market Risk* – Financial instruments that potentially expose the Foundation to concentrations of credit and market risk include cash, cash equivalents, and investments in marketable securities. The Foundation only maintains cash and cash equivalent balances with high-quality financial institutions. Concentration of credit risk for investments in marketable securities is mitigated by the overall diversification of professionally managed investment portfolios. Investments in marketable securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain marketable securities, it is at least reasonably possible that changes in the values of the securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

*Cash and Cash Equivalents* - Cash and cash equivalents include bank demand deposit accounts, money market accounts, certificates of deposit, and all highly liquid debt instruments with a maturity of three months or less. The Foundation’s cash and cash equivalents balances may at times exceed federally insured limits. The Foundation has not experienced any losses in these accounts and believes it is not exposed to any significant risk with respect to cash and cash equivalents.

*Unconditional Promises to Give* - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. The Foundation determines the allowance for uncollectible

promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Unconditional promises to give are written off when deemed uncollectible. Unconditional promises to give not expected to be collected within one year are recorded at net present value using a 4% discount rate.

*Investments* - All investments in publicly traded debt securities, equity securities, exchange traded funds, and mutual funds are reported at readily determinable fair value using quoted market prices. Realized and unrealized gains and losses are included in investment return, net of investment expenses, in the accompanying Statement of Activities. Investment income is reported as restricted and released if the restrictions are met (by use) in the reporting period in which the income and gains are recognized.

Investments in fixed annuity contracts are stated at fair value, which is determined annually, based on the contract value calculated by the contract agent.

The investment in the certificate of deposit is stated at face value, which is not materially different from amortized cost.

Interest income is accrued on fixed income securities based on the current fair market value and yield percentage.

*Endowments* - The Foundation has received various donations to establish permanent endowments to provide scholarships for students. The terms of these endowments require these funds to be segregated from other Foundation funds.

*Contribution Support and Revenue Recognition* – Contributions are recognized in the period received or unconditionally promised. The Foundation does not recognize conditional promises to give until the condition is satisfied.

Contributed non-financial assets are recognized at their fair value at the date of donation and are reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used. The Foundation has estimated the value of these non-financial goods and services to be \$58,706 for the year ended March 31, 2025, which has been reported as both contributed nonfinancial asset revenues and expenses on the Statement of Activities.

*Functional Allocation of Expenses* - The Foundation allocates its expenses on a functional basis among its various programs and supporting activities. Expenses that can be identified with a specific program or supporting activity are allocated directly according to their natural expenditure classification. Program services consist of scholarships and other college program expenditures paid. All other expenses not directly attributable to fundraising are considered general and administrative expenses.

**Note B: Prior Period Adjustments**

A summary of the significant net asset adjustments is as follows:

<u>Explanation</u>	<u>Without Donor Restrictions Amount</u>	<u>With Donor Restrictions Amount</u>
To record an Unconditional Promise to Give that was made in FY2024.	\$ -	\$ 72,309
To correct restriction classification of certain FY2024 activities.	(78,726)	78,726
Total Adjustments	\$ (78,726)	\$ 151,035

Additionally, a certificate of deposit has been reported in the investment balance on the statement of financial position at March 31, 2025, as it has a maturity that is longer than three months. It was reported in cash and cash equivalents at March 31, 2024. This change impacts the beginning cash balance on the statement of cash flows.

Further, a \$61,840 adjustment has been made to the composition of the balance of Net Assets with Donor Restrictions. This adjustment has no total impact on Net Assets with Donor Restrictions and was made for disclosure purposes only. It was made to correct the permanent endowment balance for endowment gifts that had previously been reflected as being restricted for scholarships. This change impacts the beginning balances in Note H and Note K.

**Note C: Availability and Liquidity**

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund scholarships. In addition, the Foundation receives support without donor restrictions from general donations and fundraising events. Because donor restrictions require resources to be used in a particular manner, the Foundation maintains sufficient resources to meet responsibilities to donors and to fund general Expenditures.

The Foundation considers contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, and fundraising expenses.

Financial assets available for general expenditures within one year at March 31, 2025 are as follows:

Financial assets available within one year:

Cash and cash equivalents	\$	533,264
Unconditional promises to give (net)		10,000
Accrued Interest Receivable		2,316
Investments		1,498,025
Total financial assets		<u>2,043,605</u>
Less amounts not available to be used within one year:		
Amounts subject to expenditure for specified purposes		807,366
Amounts relating to endowment funds with restrictions		1,063,482
		<u>1,870,848</u>
Financial assets available to meet general expenditures over the next twelve months	\$	172,757

#### Note D: Economic Dependence and Concentration

The Foundation's operations are substantially dependent on the receipt of support from donations from individuals and small businesses. Significant decreases in giving would have a material impact on the financial position and operations of the Foundation.

#### Note E: Cash and Cash Equivalents

At March 31, 2025, cash and cash equivalents consisted of:

<u>Description</u>	<u>Amount</u>
Checking	\$ 209,586
Certificate of Deposit	-
Money Market	323,678
<b>Total</b>	<b><u>\$ 533,264</u></b>

**Note F: Promises to Give**

Unconditional promises to give:	
With donor restrictions	\$ 70,002
Total	<u>70,002</u>
Reported As:	
Current	10,000
Long-term	60,002
Total	<u>70,002</u>
These pledges are due as follows:	
Due in less than one year	10,000
Due in one to five years	50,000
Due in six to ten years	19,975
Total	<u>79,975</u>
Less: Discounts to present value	(9,973)
Net unconditional promises to give at March 31, 2025	\$ 70,002

**Note G: Investments**

Investments as of March 31, 2025 are summarized as follows:

Stocks	\$ 610,600
Exchange Traded Funds	333,321
Mutual Funds	295,968
Fixed Annuity Contract	158,136
Certificate of Deposit	100,000
Total	<u>1,498,025</u>
With Donor Restrictions	<u>1,498,025</u>
Total	1,498,025

The following schedule summarizes the investment return in the Statement of Activities:

Dividend and Interest income	39,406
Unrealized and Realized Gains/(Losses) (Net)	23,930
Total	<u>\$ 63,336</u>

**Note H: Net Assets**

Net assets with donor restrictions are comprised as follows at March 31, 2025:

	Beginning as Restated	Additions	Release	Ending
Permanent Endowment	\$ 1,063,482	\$ -	\$ -	\$ 1,063,482
Restricted for Scholarships and College Programs	868,147	306,644	(307,423)	867,368
<b>Total</b>	<b>\$ 1,931,629</b>	<b>\$ 306,644</b>	<b>\$ (307,423)</b>	<b>\$ 1,930,850</b>

**Note I: Fair Value Measurements**

The Foundation follows FASB ASC 820, Fair Value Measurements and Disclosure, which defines fair value and establishes a framework for measuring fair value. The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard establishes a hierarchy that prioritizes the inputs to valuation techniques, giving highest priority to observable inputs in the marketplace and lowest priority to unobservable inputs, when measuring fair value. Three levels of input may be used to measure fair values:

Level 1 – Inputs are unadjusted quoted prices for identical assets or liabilities that the reporting entity can access at the measurement date.

Level 2 – Inputs are quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs are unobservable and significant to the fair value measurement.

The estimated fair values of the Foundation's financial assets, none of which are held for trading purposes, are as follows:

The following table sets forth by level, within the fair value hierarchy, the Foundation's investments measured at fair value on a recurring basis as of March 31, 2025:

Description	Level 1	Level 2	Level 3	Total
Financial Assets with Restrictions:				
Unconditional promises to give	\$ -	\$ -	\$ 70,002	\$ 70,002
Stocks	610,600	-	-	610,600
Exchange Traded Funds	333,321	-	-	333,321
Mutual Funds	295,968	-	-	295,968
Fixed Income	-	-	-	-
Fixed Annuity	-	-	158,136	158,136
Certificate of Deposit	-	-	100,000	100,000
<b>Total</b>	<b>\$ 1,239,889</b>	<b>\$ -</b>	<b>\$ 328,138</b>	<b>\$ 1,568,027</b>

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 1 and Level 3 were available to the Foundation.

Level 1 assets were valued based on quoted prices in an active market.

Level 3 assets consist of unconditional promises to give, a fixed annuity contract, and a certificate of deposit. The fixed annuity contract is recorded at its contract value which approximates fair value. Unconditional promises due within one year are recorded net of allowance for bad debts. Unconditional promises due after one year are recorded at net present value using a 4% discount. The certificate of deposit is recorded at face value which materially approximates amortized cost.

### **Note J: Related Party Transactions**

The Foundation provides funds to the College for scholarships and to various vendors for College related programs in accordance with its mission. The funds totaled \$294,444 for the year ended March 31, 2025 and are included in program expenses in the accompanying statement of activities.

The Foundation is managed by an individual that is an employee of the College. The College pays the salary and benefits of the employee on the Foundation's behalf. The College also provides office space and utilities to the Foundation. For the year ended March 31, 2025, salary and related payroll expenses of \$52,806 and occupancy expenses of \$2,400 were recognized. The offset was recorded as contributed non-financial assets.

The members of the Foundation Board of Directors contributed \$625 to the foundation during this fiscal year.

### **Note K: Endowment Net Assets**

The Foundation's endowment is made up of individual donations that were made over the years and was established to provide scholarships. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on existence or absence of donor-imposed restrictions.

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a stable source of perpetual financial support to programs supported by its endowment funds while preserving the purchasing power of those endowment assets over the long term. Accordingly, the investment goals seek to achieve an after-cost total real rate of return, including investment income and capital appreciation, that exceeds the annual program distributions, within acceptable levels of risk. Endowment assets are invested in a diversified portfolio of assets, including both debt and equity securities, which is managed by professional investment advisors.

It is the policy of the Foundation that approximately 45% of cash expenditures consist of scholarships and awards. It shall be the responsibility of the Foundation's Finance Committee to periodically review the spending policy against actual investment returns and make any necessary adjustments.

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or the Uniform Prudent Management of Institutional Funds Act requires due to unfavorable market fluctuations. When this is the case, any such deficiency is reported in net assets without restrictions. At March 31, 2025, there were no deficiencies transferred to net assets without restrictions related to investment losses.

Endowment net asset composition by type as of March 31, 2025 is as follows:

Description	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Endowment Net Assets, beginning of year, as restated	-	1,063,482	1,063,482
Contributions, Net	-	-	-
Endowment Net Assets, end of year	<u>\$ -</u>	<u>\$ 1,063,482</u>	<u>\$ 1,063,482</u>

### Note L : Statement of Funcational Expenses For the Year Ended March 31, 2025

	Total Program Support	Management & General	Fund-Raising	Total Support Services	Total Expenses
Scholarship Payments and College Program Expenses	\$ 294,444	\$ -	\$ -	\$ -	\$ 294,444
Salaries and Payroll Taxes	-	52,806	-	52,806	52,806
Professional Fees	-	24,645	-	24,645	24,645
Insurance	-	1,348	-	1,348	1,348
Miscellaneous	-	1,911	-	1,911	1,911
Event Supplies and Meals	-	-	12,599	12,599	12,599
Occupancy	-	2,400	-	2,400	2,400
Plaques	-	1,230	-	1,230	1,230
Dinner and Meetings	-	10,738	-	10,738	10,738
Donor Stewardship and Promotion	-	-	8,768	8,768	8,768
Office Supplies and Expenses	-	1,606	-	1,606	1,606
Total	<u>\$ 294,444</u>	<u>\$ 96,684</u>	<u>\$ 21,367</u>	<u>\$ 118,051</u>	<u>\$ 412,495</u>

**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

ANNUAL FINANCIAL REPORT  
NORTHWEST-SHOALS COMMUNITY COLLEGE



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COMMUNITY COLLEGE

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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	0.185820%	0.184425%	0.181885%	0.189831%	0.191336%	0.177966%	0.183735%	0.188081%	0.190982%	0.198826%
College's Proportionate Share of the Net Pension Liability	\$ 24,172	\$ 29,430	\$ 28,266	\$ 17,883	\$ 23,668	\$ 19,678	\$ 18,268	\$ 18,486	\$ 20,676	\$ 20,809
College's Covered Payroll	\$ 16,257	\$ 15,221	\$ 14,058	\$ 13,742	\$ 13,540	\$ 12,650	\$ 12,140	\$ 12,378	\$ 12,111	\$ 12,567
College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	148.69%	193.35%	201.07%	130.13%	174.80%	155.56%	150.48%	149.35%	170.72%	165.58%
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	\$ 2,270	\$ 1,982	\$ 1,852	\$ 1,698	\$ 1,661	\$ 1,650	\$ 1,550	\$ 1,467	\$ 1,472	\$ 1,436
Contributions in Relation to the Contractually Required Contribution	\$ (2,270)	\$ (1,982)	\$ (1,852)	\$ (1,698)	\$ (1,661)	\$ (1,650)	\$ (1,550)	\$ (1,467)	\$ (1,472)	\$ (1,436)
Contribution Deficiency (Excess)	-	-	-	-	-	-	-	-	-	-
College's Covered Payroll	\$ 17,260	\$ 16,257	\$ 15,221	\$ 14,058	\$ 13,742	\$ 13,540	\$ 12,650	\$ 12,140	\$ 12,378	\$ 12,111
Contributions as a Percentage of Covered Payroll	13.15%	12.19%	12.17%	12.08%	12.09%	12.19%	12.25%	12.08%	11.89%	11.86%

### 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	0.13883%	0.14197%	0.16563%	0.15527%	0.15408%	0.17235%	0.16644%	0.16866%
College's Proportionate Share of the Net OPEB Liability	\$ 12,764	\$ 2,729	\$ 2,886	\$ 8,022	\$ 9,999	\$ 6,502	\$ 13,679	\$ 12,527
College's Covered Payroll	\$ 14,476	\$ 13,439	\$ 13,251	\$ 12,708	\$ 12,843	\$ 12,158	\$ 11,594	\$ 11,950
College's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	88.17%	20.31%	21.78%	63.13%	77.86%	53.48%	117.98%	104.83%
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\***

<b>(Dollar Amounts in Thousands)</b>	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Contractually Required Contribution	\$ 485	\$ 199	\$ 221	\$ 316	\$ 268	\$ 305	\$ 488	\$ 410
Contributions in Relation to the Contractually Required Contribution	\$ (485)	\$ (199)	\$ (221)	\$ (316)	\$ (268)	\$ (305)	\$ (488)	\$ (410)
Contribution Deficiency (Excess)	-	-	-	-	-	-	-	-
College's Covered Payroll	\$ 15,413	\$ 14,476	\$ 13,439	\$ 13,251	\$ 12,708	\$ 12,843	\$ 12,158	\$ 11,594
Contributions as a Percentage of Covered Payroll	3.15%	1.37%	1.65%	2.39%	2.11%	2.38%	4.02%	3.53%

\* 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.

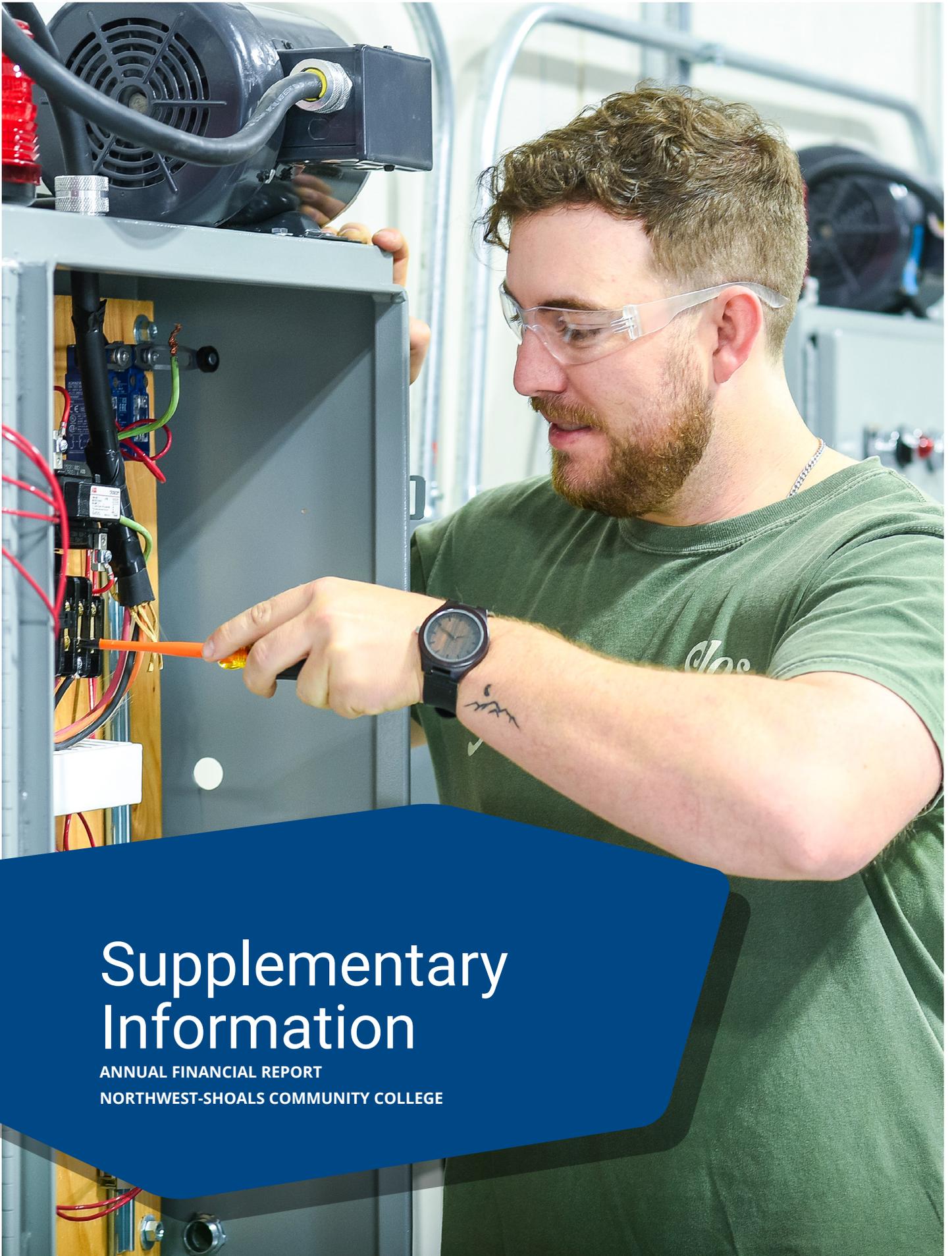
The Health Plan is changed each year to reflect the Affordable Care Act maximum annual out-of-pocket amounts.

### 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
Remaining Amortization Period	20 years, closed
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

ANNUAL FINANCIAL REPORT  
NORTHWEST-SHOALS COMMUNITY COLLEGE



**Northwest Shoals**  
COMMUNITY COLLEGE

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## Schedule of 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
<b>U.S. Department of Education - Direct Programs</b>				
COVID 19 - Education Stabilization Fund - HEERF Institutional Portion	84.425F	N.A.	\$ -	\$ 34,799
<b>Student Financial Assistance Cluster</b>				
<b>U.S. Department of Education - Direct Programs</b>				
Federal Pell Grant Program	84.063	N.A.	-	7,364,709
Federal Work-Study Program	84.033	N.A.	-	95,860
Federal Direct Student Loan	84.268	N.A.	-	1,764,698
Federal Supplemental Education Opportunity Grants	84.007	N.A.	-	146,200
<b>Total Student Financial Assistance Cluster</b>			-	<b>9,371,467</b>
<b>TRIO Cluster - U.S. Department of Education - Direct Programs</b>				
TRIO - Student Support Services	84.042	N.A.	\$ -	\$ 637,506
TRIO - Talent Search	84.044	N.A.	-	1,093,327
TRIO - Upward Bound	84.047	N.A.	-	1,142,884
<b>Total TRIO Cluster</b>			-	<b>2,873,717</b>
<b>Research and Development Cluster</b>				
<b>U.S. Department of Education - Direct Programs</b>				
Child Care Access Means Parents in School	84.335	N.A.	-	73,178
<b>Total Research and Development Cluster</b>			-	<b>73,178</b>

**Schedule of Expenditures of Federal Awards (Continued)  
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
<b>WIOA Cluster - U. S. Department of Labor Passed Through Alabama Department of Commerce</b>				
WIOA Adult Program	17.258	N.A.	-	9,318
WIOA Youth Activities	17.259	3X100008	-	408,730
<b>Total WIOA Cluster</b>			-	<b>418,048</b>
<b>U. S. Department of Education - Direct Programs</b>				
Higher Education Institutional Aid	84.031	N.A.	-	363,000
<b>U. S. Department of Education - Passed Through Alabama Community College System</b>				
Adult Education - Basic Grants to States	84.002	V002A220001	-	481,473
<b>U. S. Department of Education - Passed Through Alabama Department of Education</b>				
Career and Technical Education - Basic Grants to States	84.048	V048A190001	-	298,096
<b>U. S. Department of Education - Direct Programs</b>				
Basic Needs for Postsecondary Students Program	84.116N	N.A.	-	490,708
<b>U.S. Department of Agriculture Passed Through the Alabama State Department of Education</b>				
Child and Adult Care Food Program	10.558	A2J-0000	-	14,685
<b>Total Federal Awards</b>			<b>\$ -</b>	<b>\$ 14,419,171</b>

\* 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 Northwest-Shoals 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 Assistance Cluster
- TRIO 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 \$1.8 million of student loans under the Direct Loan program.



# Additional Information

ANNUAL FINANCIAL REPORT  
NORTHWEST-SHOALS COMMUNITY COLLEGE



**Northwest Shoals**  
COMMUNITY COLLEGE

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## Officials

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**Jimmy H. Baker**

Chancellor

**Dr. Jeff Goodwin**

President

**Jason Morgan**

Dean of Finance



**Northwest Shoals**  
COMMUNITY COLLEGE

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# Independent Auditor Reports

ANNUAL FINANCIAL REPORT  
NORTHWEST-SHOALS COMMUNITY COLLEGE



**Northwest Shoals**  
COMMUNITY COLLEGE

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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***

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Jimmy Baker, Chancellor – Alabama Community College System  
Dr. Jeff Goodwin, President – Northwest Shoals Community College

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Northwest Shoals 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 Northwest Shoals Community College Foundation (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 audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College’s internal control. Accordingly, we do not express an opinion on the effectiveness of the College’s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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**

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Jimmy Baker, Chancellor – Alabama Community College System  
Dr. Jeff Goodwin, President – Northwest Shoals Community College

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

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

We have audited Northwest Shoals 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.

*Mauldin & Jenkins, LLC*

Athens, Alabama  
January 15, 2026





## Schedule of Prior Year Findings and Questioned Costs

No matters were reported.



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COMMUNITY COLLEGE

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COMMUNITY COLLEGE

Northwest-Shoals Community College  
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[nwsc.edu](http://nwsc.edu)