



Annual Financial Report

FOR THE YEAR ENDED SEPTEMBER 30, 2025

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REID STATE TECHNICAL COLLEGE

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INDEPENDENT AUDITOR'S REPORT

Jimmy Baker, Chancellor – Alabama Community College System
Dr. Coretta Boykin, President – Reid State Technical College
100 Hwy 83 Evergreen, Alabama 36401

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Reid State Technical 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 as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College, as of September 30, 2025, and the changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial 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. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 – 14, schedules of the employer's proportionate share of the net pension liability and OPEB liability, schedules of employer's pension and OPEB contributions, and related notes, on pages 54 – 61, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

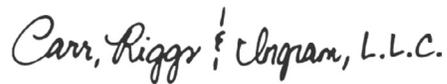
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Listing of College Officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do 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 College's internal control over financial reporting and compliance.



CARR, RIGGS & INGRAM, L.L.C.
Enterprise, Alabama
January 15, 2026

Management's Discussion and Analysis

ANNUAL FINANCIAL REPORT
REID STATE TECHNICAL COLLEGE





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Management's Discussion and Analysis

Overview of the Financial Statements and Financial Analysis

Reid State Technical College ("the College") is a public technical community college dedicated to serving students and the surrounding communities by providing affordable educational opportunities that enhance the quality of life and promote both economic and workforce development. By offering a broad spectrum of programs, the College provides students with opportunities for educational, personal, and professional advancement. A wide range of technical and academic courses prepares students for the workplace and a successful career. Technical programs equip students to master certain skills and become contributing members of the workforce.

Presented in this document are the financial statements for fiscal year 2024-2025. 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.

The report of the College's financial statements provides an overview of its financial activities and emphasizes the current year data.

Statement of Net Position

The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the College as of the end of the fiscal year. The Statement of Net Position is a point in time financial statement with comparison between current year and prior year information. The purpose of the Statement of Net Position is to present to the readers of the financial statements a fiscal snapshot of the College. The Statement of Net Position presents end-of-year data concerning Assets (current and non-current), Liabilities (current and non-current), Deferred Outflows and Inflows of Resources and the Net Position. 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 can determine the assets available to continue the operations of the College. They are also able to determine how much the College 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 liabilities and deferred inflows of resources) and their availability for expenditure by the College.

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

A condensed Statement of Net Position on September 30, 2025 and 2024 is presented below.

Statement of Net Position

	<u>2025</u>	<u>2024</u>
Assets		
Current Assets	\$ 10,216,393	\$ 8,615,585
Capital Assets, Net	21,051,788	13,634,758
Other Non-Current Assets	500,000	500,000
Total Assets	<u>31,768,181</u>	<u>22,750,343</u>
Deferred Outflows of Resources	<u>4,515,250</u>	<u>2,667,246</u>
Liabilities		
Current Liabilities	1,753,719	1,961,065
Non-Current Liabilities	9,672,130	8,051,694
Total Liabilities	<u>11,425,849</u>	<u>10,012,759</u>
Deferred Inflows of Resources	<u>2,715,091</u>	<u>2,343,808</u>
Net Position		
Net Investment in Capital Assets	21,051,070	13,629,580
Unrestricted (Deficit)	1,091,421	(568,558)
Total Net Position	<u><u>\$ 22,142,491</u></u>	<u><u>\$ 13,061,022</u></u>

It is important to note that the balance in Total Net Position for fiscal year 2025 is largely due to the impact of the Governmental Accounting Standards Board (GASB) 68, which became effective for the first time in 2015 and (GASB) 75, which became effective in 2018. GASB 68 requires state and local governments and their related entities that participate in defined benefit pension plans to disclose their proportionate share of any unfunded pension liability on their financial statements. GASB 75 established accounting and financial reporting requirements for governmental employers who provide Other Post-Employment Benefits (OPEB) to their employees through a trust. GASB 68 was effective with the 2014-2015 financial statements and must be reported annually thereafter. GASB 75 became effective with the 2017-2018 financial statements and must also be reported annually thereafter. Both affect four-year and two-year colleges, municipal governments, state agencies and any other entity that participates in this type of pension plans and other post-employment benefits that are not fully funded. To comply with GASB 68, the college had to record their proportionate share of the Teachers' Retirement Systems of Alabama's (TRS) unfunded pension liability. This liability had previously been reported in the TRS financial statements and not on each participating College's statements. The establishment of this liability on the College's statements in 2015 had a negative impact on the total reported Net Position. Also, to comply with GASB 75, the college had to record the required amounts of the unfunded OPEB as provided by consultants and calculated internally. Readers of the financial statements must understand that these reporting requirements do not change the College's cash position, credit worthiness or overall financial health. The College's financial ability to fund daily operations, meet debt obligations and allocate necessary resources to achieve stated goals and objectives has not changed. GASB 68 and 75 simply shifts the reporting of these existing liabilities to the College. The College's annual expenditures allocated for pension expenses and other post-employment benefits did not increase due to GASB 68 and 75, nor did its future obligations for such. GASB 68 and 75 also did not change the College's credit rating. More detailed information regarding the calculation and reporting requirements of GASB 68 and GASB 75 can be found in the Notes to the Financial Statements.

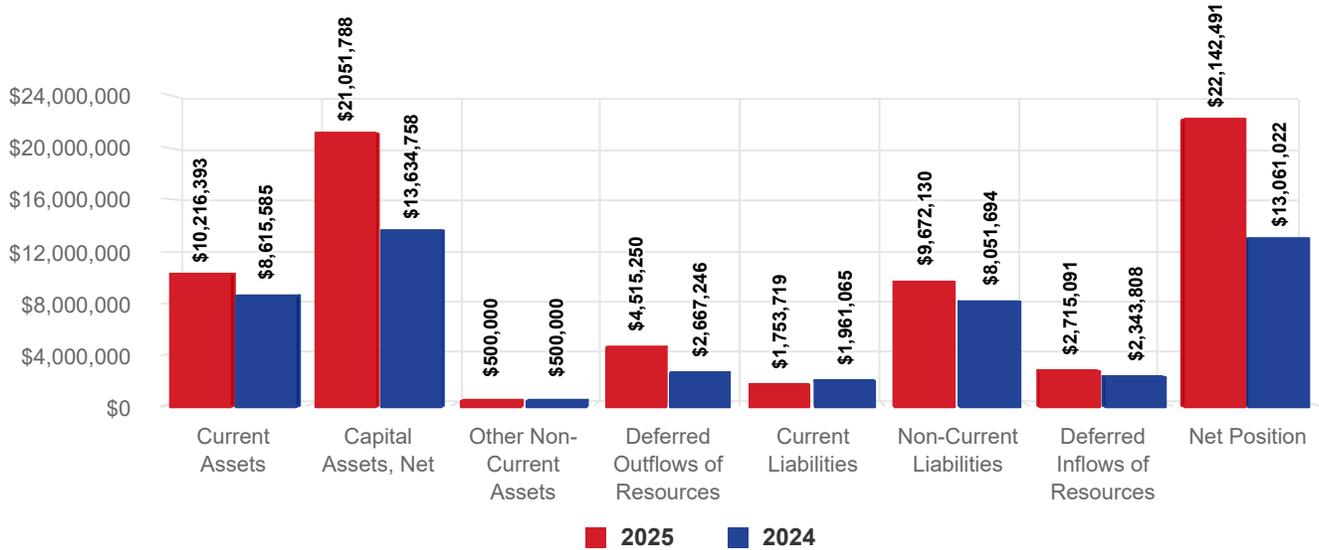
The total assets and liabilities at Reid State Technical College consist of both current and non-current portions. Current assets at year-end included cash and cash equivalents of \$3,135,937 and accounts receivables, inventory, prepaid and deferred charges and deposits with Bond Trustee of \$6,990,412, \$88,991 and \$1,053 respectively. Non-current assets consist of \$500,000 in long term investments.

Capital assets include those with an acquisition cost of \$10,000 or more. The consumption of assets follows the College's philosophy to use available resources to acquire and improve all areas of the College to better serve the mission of the College.

Liabilities for the fiscal year 2025, including current and non-current are made up mostly of the required reporting of unfunded pension liability in the amount of \$6,227,827 OPEB liability of \$3,192,683 and unearned revenue and compensated absences of \$930,376 and \$295,844 respectively.

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

Statement of Net Position



Statement of Revenues, Expenses and Changes in Net Position

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

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

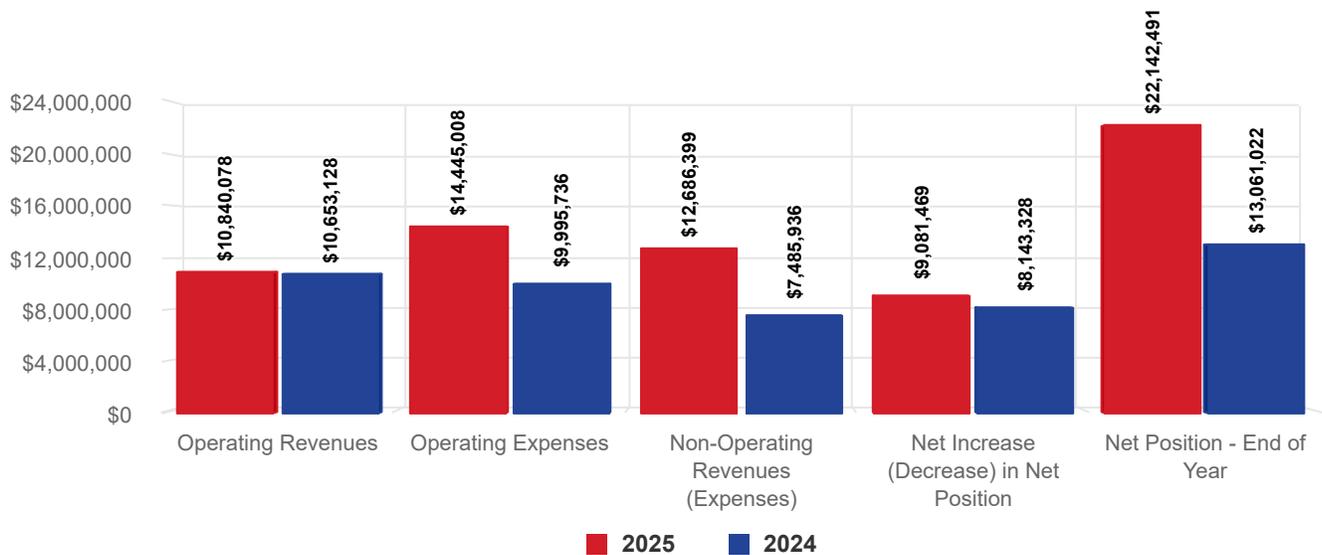
A condensed Statement of Revenues, Expenses and Changes in Net Position for the year ended September 30, 2025 and 2024 is presented below.

Statement of Revenues, Expenses, and Changes in Net Position

	2025	2024
Operating Revenues	\$ 10,840,078	\$ 10,653,128
Operating Expenses	14,445,008	9,995,736
Operating Income (Loss)	(3,604,930)	657,392
Non-Operating Revenues (Expenses)	12,686,399	7,485,936
Net Increase (Decrease) in Net Position	9,081,469	8,143,328
Net Position - Beginning of Year	13,061,022	4,917,694
Net Position - End of Year	\$ 22,142,491	\$ 13,061,022

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

Statement of Revenues, Expenses, and Changes in Net Position



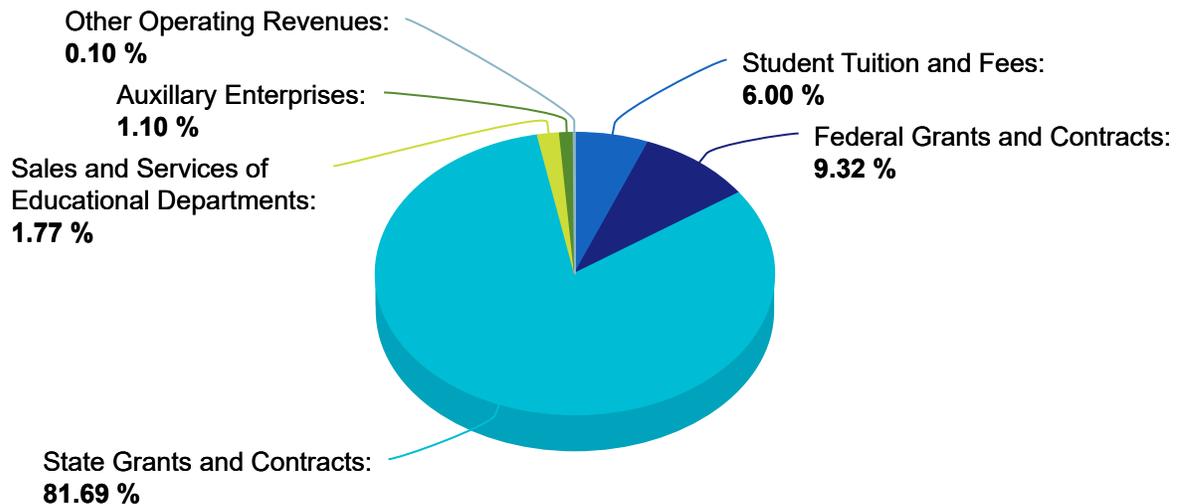
The Statement of Revenues, Expenses, and Changes in Net Fund Position reflects an increase in Net Position at end of year. Some highlights of the information presented on the Statement of Revenues, Expenses, and Changes in Net Position are as follows:

Operating Revenues

	<u>2025</u>	<u>2024</u>
Operating Revenues		
Student Tuition and Fees	\$ 650,892	\$ 780,099
Federal Grants and Contracts	1,010,698	487,371
State Grants and Contracts	8,855,617	9,235,171
Sales and Services of Educational Departments	192,250	58,000
Auxillary Enterprises	119,312	55,004
Other Operating Revenues	11,309	37,483
Total Operating Revenues	<u>\$ 10,840,078</u>	<u>\$ 10,653,128</u>

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 previous chart displays operating revenues by type and their relationship with one another. State Grants and Contracts represent the largest type of operating revenue accounting for eighty-two percent of total operating revenues, federal contracts which represent nine percent, followed by student tuition and fees which represent six percent, and all other revenue types represent only three percent of the total operating revenue.

The Adult Education Grant comprises approximately \$78,000 of the \$1,093,433 in Federal Grants and Contracts received. U.S. Department of Labor passed through the Alabama Department of Commerce (WIOA) comprise approximately \$182,400, Basic Vocational Education comprise approximately \$180,824, AmeriCorp \$82,739 with the remaining \$569,358 being attributed to Supplemental Education Grant, SNAP, College Work Study, U.S. Treasury - V.A. administrative allowances and Federal Pell Grant administrative allowance.

The auxiliary services are self-supporting, with the exception of the GED and Student Activities programs. Although the GED program has not been self-supporting, it is a vital service to the community. Student Activities is supported through transfer from general operating resources.

Fall 2025 tuition and fee rates were \$173 per credit hour, which includes \$15 per credit hour for a special building fee. These rates are subject to increase annually pending approval by the Alabama Community College System Board of Trustees.

Non-operating revenues consisted of State Appropriations, Federal Grants and Contracts, State Appropriation - Other (truck driving allocation), investment income, and gifts. The non-operating revenues were \$10,135,185, \$2,316,245, \$226,628, \$7,600 and \$769 respectively.

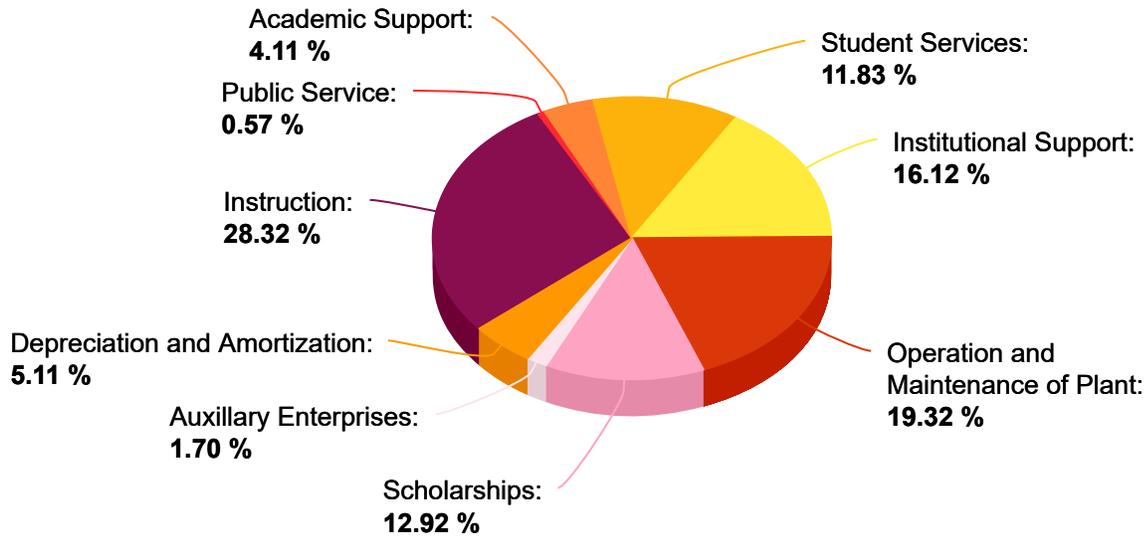
The operating expenses by function stated are displayed in the following exhibit.

Operating Expenses

	<u>2025</u>	<u>2024</u>
Operating Expenses		
Instruction	\$ 4,091,350	\$ 3,483,456
Public Service	82,909	-
Academic Support	593,410	471,186
Student Services	1,708,527	1,067,742
Institutional Support	2,328,313	2,021,201
Operation and Maintenance of Plant	2,791,204	1,277,055
Scholarships	1,865,650	863,932
Auxillary Enterprises	245,230	173,764
Depreciation and Amortization	738,415	637,400
Total Operating Expenses	<u>\$ 14,445,008</u>	<u>\$ 9,995,736</u>

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

Operating Expenses by Function

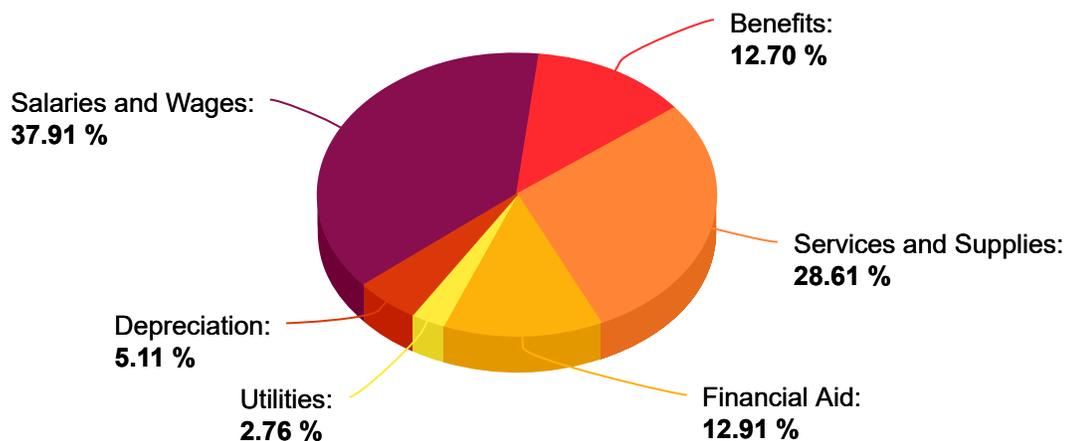


The above chart displays operating expenses by function. Expenditures in the area of instruction represent the largest group of expenditures accounting for twenty-seven percent of total operating expenditures, followed by operation and maintenance of plant at twenty percent, institutional support at seventeen percent, scholarships at thirteen percent, student service at twelve percent, depreciation and amortization at five percent, and academic support at four percent respectfully. Auxiliary enterprises and Public Service account for the balance at approximately two percent of operating expenditures.

Non-operating expenses consist of interest paid for the operating leases and subscriptions.

Although the College’s operating expenses are reported by functional classification, the operating expenses restated by their natural classification prove to be interesting. Operating expenses are summarized below by natural classification. Natural classification displays the type of expense regardless of program:

Operating Expenses by Natural Classification



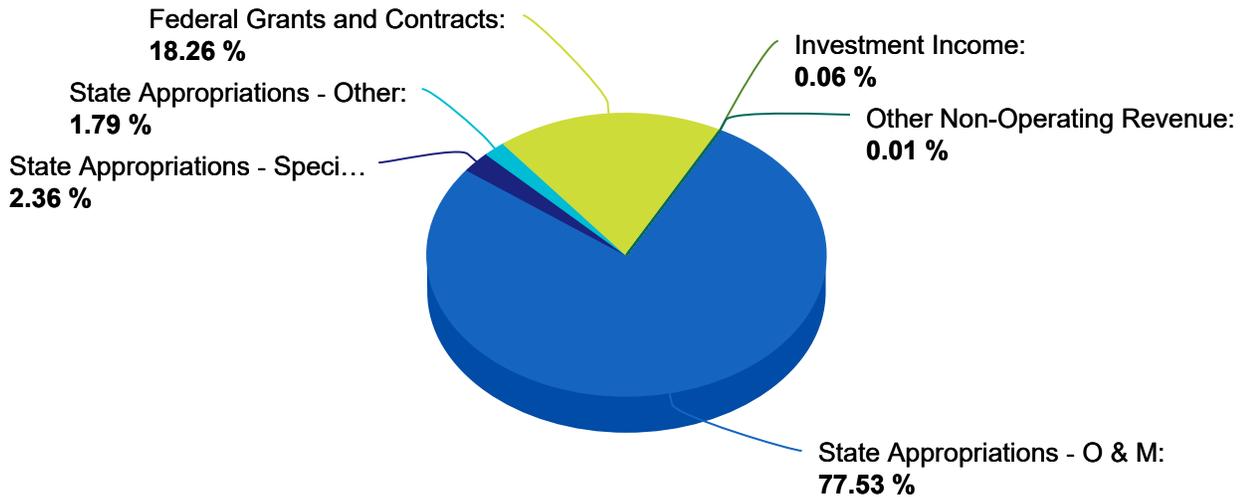
Almost half of the College’s \$14.445 million in operating expenses were expended for salaries and wages. When benefits are combined with salaries and wages, the total is fifty-one percent of the College’s total operating expenses. The amount the College pays to its vendors to acquire supplies, goods, and services accounts for twenty-eight percent of the College’s operating expenses. Scholarships and fellowships represent thirteen percent of the College’s operating expenses. Utilities and depreciation combined comprise only eight percent of the operating expense.

Comparison of Non-Operating Revenue

	2025	2024
Non-Operating Revenue		
State Appropriations - O & M	\$ 9,835,185	\$ 5,703,698
State Appropriations - Special	300,000	-
State Appropriations - Other	226,628	230,088
Federal Grants and Contracts	2,316,245	1,550,084
Investment Income	7,600	7,621
Capital Grants, Contracts, and Gifts	-	7,500
Other Non-Operating Revenue	769	-
Total Non-Operating Revenue	\$ 12,686,427	\$ 7,498,991

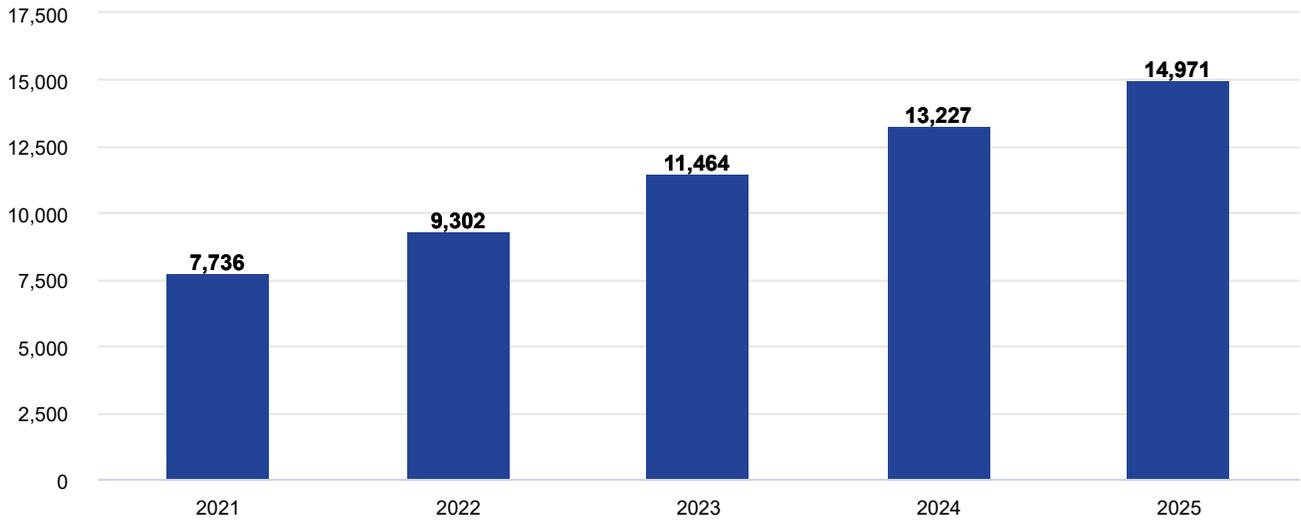
The following chart displays the non-operating revenues by type and their relationship with one another for the fiscal year ended September 30, 2025.

Comparison of Non-Operating Revenue



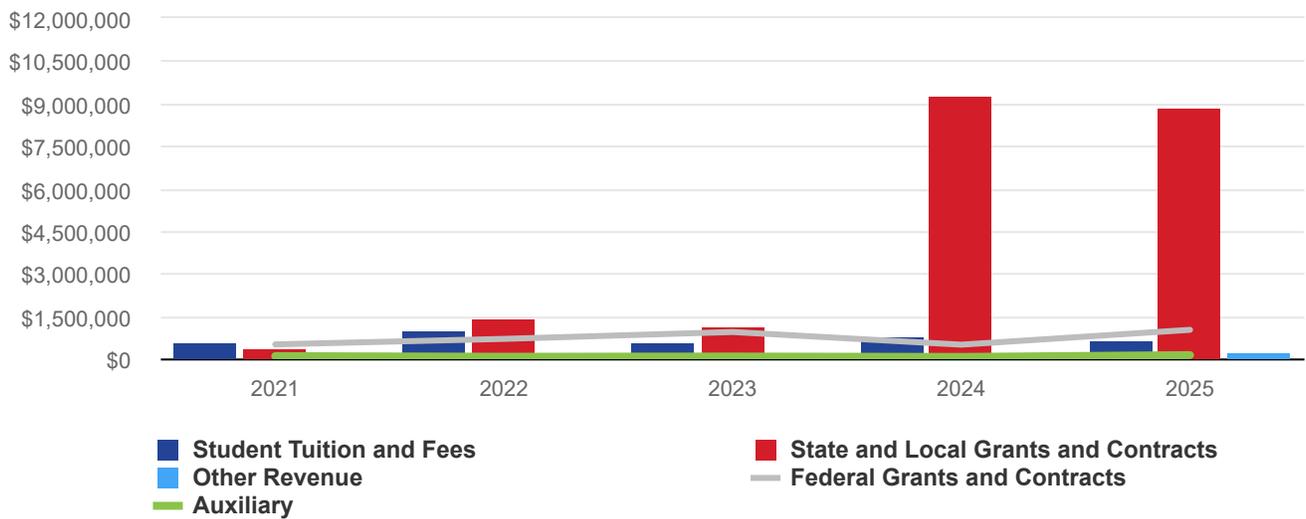
The following chart displays the 5 Year Comparison of Credit Hours for the fiscal year ended September 30, 2025.

5 Year Comparison of Credit Hours



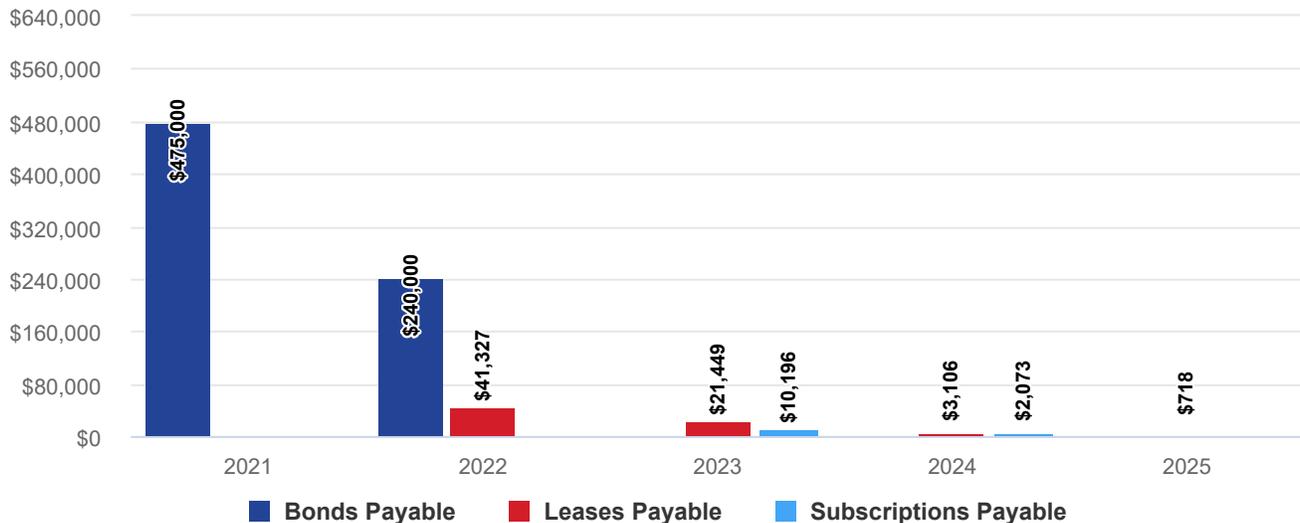
The following chart displays the 5 Year Comparison of Operating Revenue for the fiscal year ended September 30, 2025.

5 Year Comparison of Operating Revenue



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

5 Year Comparison of Long-Term Debt Principal



Statement of Cash Flows

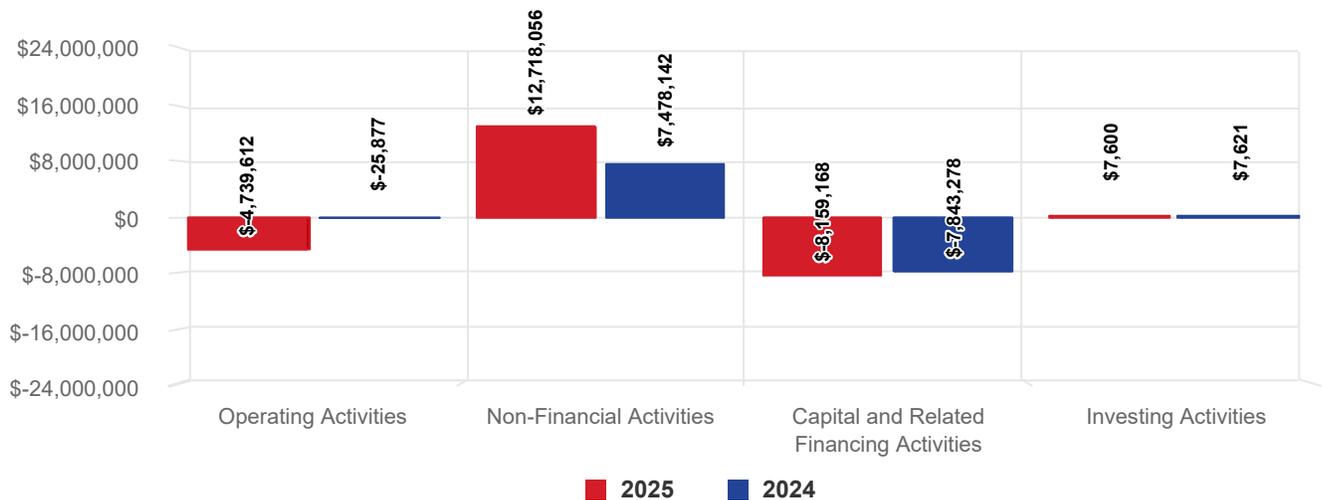
The final statement presented is the Statement of Cash Flows, which presents detailed information about the cash activity of the College during the year. The statement is divided into five components. The first component deals with operating cash flows and shows the net cash used by the operating activities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

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

Statement of Cash Flows

	2025	2024
Cash Provided (Used) By:		
Operating Activities	\$ (4,739,612)	\$ (25,877)
Non-Financial Activities	12,718,056	7,478,142
Capital and Related Financing Activities	(8,159,168)	(7,843,278)
Investing Activities	7,600	7,621
Net Change in Cash and Cash Equivalents	(173,124)	(383,392)
Cash and Cash Equivalents, Beginning of Year	3,309,061	3,692,453
Cash and Cash Equivalents, End of Year	\$ 3,135,937	\$ 3,309,061

Statement of Cash Flows



The primary cash receipts from operating activities consist of grants and contracts and tuition and fees. Cash outlays include payments for employees, benefits, supplies, utilities and scholarships.

State appropriations are the primary source of non-operating activities. This source of revenue is categorized as non-operating even though the College's budget depends on this to continue the current level of operations. Federal Pell Grants are also significant non-operating revenue sources.

Investing activities reflect purchases, sales and interest income earned on investments. Investments identified in the cash flow statement as investing activities include both short-term and long-term investments when applicable.

Capital and related financing activities include the purchases and construction of capital assets during the year and the College's annual bond payments consisting of principal and interest paid.

Economic Outlook

Reid State Technical College has a regional economic impact of \$33.6 million based on an independent labor market report utilizing FY2023-2024 data. The Alabama Community College System released this information on February 12th of 2025. The report indicates a significant return on investment for stakeholders, with students gaining \$6.50, taxpayers gaining \$6.60, and society gaining \$3.80 for every dollar invested. Reid State continues to grow with additional investments of \$40 million planned over a 5 year period for construction and renovation. Projects to include a new student cafeteria, renovations to the welding department building and ILT building, a new sports facility, and a new administration building.

Reid State Technical College is now accredited by the Southern Association on Colleges (SACSCOC) for the awarding of Associate level Degrees. Reid State Technical College also may offer credentials such as certificates and diplomas at approved degree levels. Questions about the accreditation of Reid State Technical College may be directed in writing to the Southern Association of Colleges and Schools Commission on Colleges at 1866 Southern Lane, Decatur, Georgia 30033-4097, by calling (404) 679-4500, or by using information available on SACSCOC's website.

The College will continue to safeguard all assets while operating in regard to the policies as required. The College is not aware of any other known facts, decisions or conditions that are expected to have a significant impact on the financial position or results of operations in the next fiscal year.



Financial Statements

ANNUAL FINANCIAL REPORT
REID STATE TECHNICAL COLLEGE



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Statement of Net Position September 30, 2025

	<u>2025</u>
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 3,135,937
Accounts Receivable, Net	6,990,412
Inventories	88,991
Other Current Assets	1,053
Total Current Assets	<u>10,216,393</u>
Non-Current Assets	
Long-Term Investments	500,000
Capital Assets, Net of Depreciation and Amortization	21,051,788
Total Non-Current Assets	<u>21,551,788</u>
Total Assets	<u>31,768,181</u>
Deferred Outflows of Resources	
Deferred Outflows Related to Pensions	1,647,582
Deferred Outflows Related to OPEB	2,867,668
Total Deferred Outflows of Resources	<u>4,515,250</u>

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

Statement of Net Position (Continued)

September 30, 2025

	<u>2025</u>
Liabilities	
Current Liabilities	
Deposits Held for Others	\$ 18,071
Accounts Payable and Accrued Liabilities	760,330
Unearned Revenue	930,376
Compensated Absences	44,942
Total Current Liabilities	<u>1,753,719</u>
Non-Current Liabilities	
Compensated Absences	250,902
Lease Liabilities	718
Net Pension Liability	6,227,827
Net OPEB Liability	3,192,683
Total Non-Current Liabilities	<u>9,672,130</u>
Total Liabilities	<u>11,425,849</u>
Deferred Inflows of Resources	
Deferred Inflows Related to Pensions	1,216,466
Deferred Inflows Related to OPEB	1,498,625
Total Deferred Inflows of Resources	<u>2,715,091</u>
Net Position	
Net Investment in Capital Assets	21,051,070
Unrestricted	1,091,421
Total Net Position	<u>\$ 22,142,491</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>
Operating Revenues	
Student Tuition and Fees (net of scholarship allowances of \$2,004,508)	\$ 650,892
Federal Grants and Contracts	1,010,698
State Grants and Contracts	8,855,617
Sales and Services of Educational Departments	192,250
Auxillary Enterprises	
Bookstore (net of scholarship allowances of \$139,510)	72,347
Vending	5,323
Other Auxiliary Enterprises	1,115
Student Housing	40,527
Other Operating Revenues	11,309
Total Operating Revenues	<u>10,840,078</u>
Operating Expenses	
Instruction	4,091,350
Public Service	82,909
Academic Support	593,410
Student Services	1,708,527
Institutional Support	2,328,313
Operation and Maintenance of Plant	2,791,204
Scholarships	1,865,650
Auxillary Enterprises	245,230
Depreciation and Amortization	738,415
Total Operating Expenses	<u>14,445,008</u>
Operating Income (Loss)	<u>(3,604,930)</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>
Non-Operating Revenues (Expenses)	
State Appropriations - O & M	9,835,185
State Appropriations - Special	300,000
State Appropriations - Other	226,628
Federal Grants and Contracts	2,316,245
Investment Income	7,600
Other Non-Operating Revenues (Expenses)	769
Interest Expense	(28)
Total Non-Operating Revenues (Expenses)	<u>12,686,399</u>
Net Increase (Decrease) in Net Position	<u>9,081,469</u>
Net Position, Beginning of Year	13,061,022
Net Position, End of Year	<u><u>\$ 22,142,491</u></u>

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

Statement of Cash Flows

For the Year Ended September 30, 2025

	<u>2025</u>
Cash Flows from Operating Activities	
Cash Received for Tuition and fees	\$ 832,417
Cash Received for Grants and Contracts	7,988,683
Cash Payments to Suppliers for Goods and Services	(4,756,186)
Cash Payments for Utilities	(324,459)
Cash Payments to Employees	(5,409,099)
Cash Payments for Employee Benefits	(1,768,263)
Cash Payments for Scholarships	(1,619,598)
Cash Received from Auxiliary Enterprise Charges:	
Bookstore	72,347
Vending	5,323
Other Auxiliary Enterprise	41,642
Sales and Services of Educational Activities	192,250
Other Receipts	11,309
Other Payments	(5,978)
Net Cash Used in Operating Activities	<u>(4,739,612)</u>
Cash Flows from Non-Capital Financing Activities	
Cash Received from State Appropriations	10,361,814
Cash Payments for Bond Surety Fees	39,997
Cash Received from Federal Grants	2,316,245
Net Cash Provided by Non-Capital Financing Activities	<u>12,718,056</u>
Cash Flows from Capital and Related Financing Activities	
Purchases of Capital Assets	(8,154,679)
Principal Paid on Capital Debt and Leases	(4,461)
Interest Paid on Capital Debt and Leases	(28)
Net Cash Used in Capital and Related Financing Activities	<u>(8,159,168)</u>

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

Statement of Cash Flows (Continued)

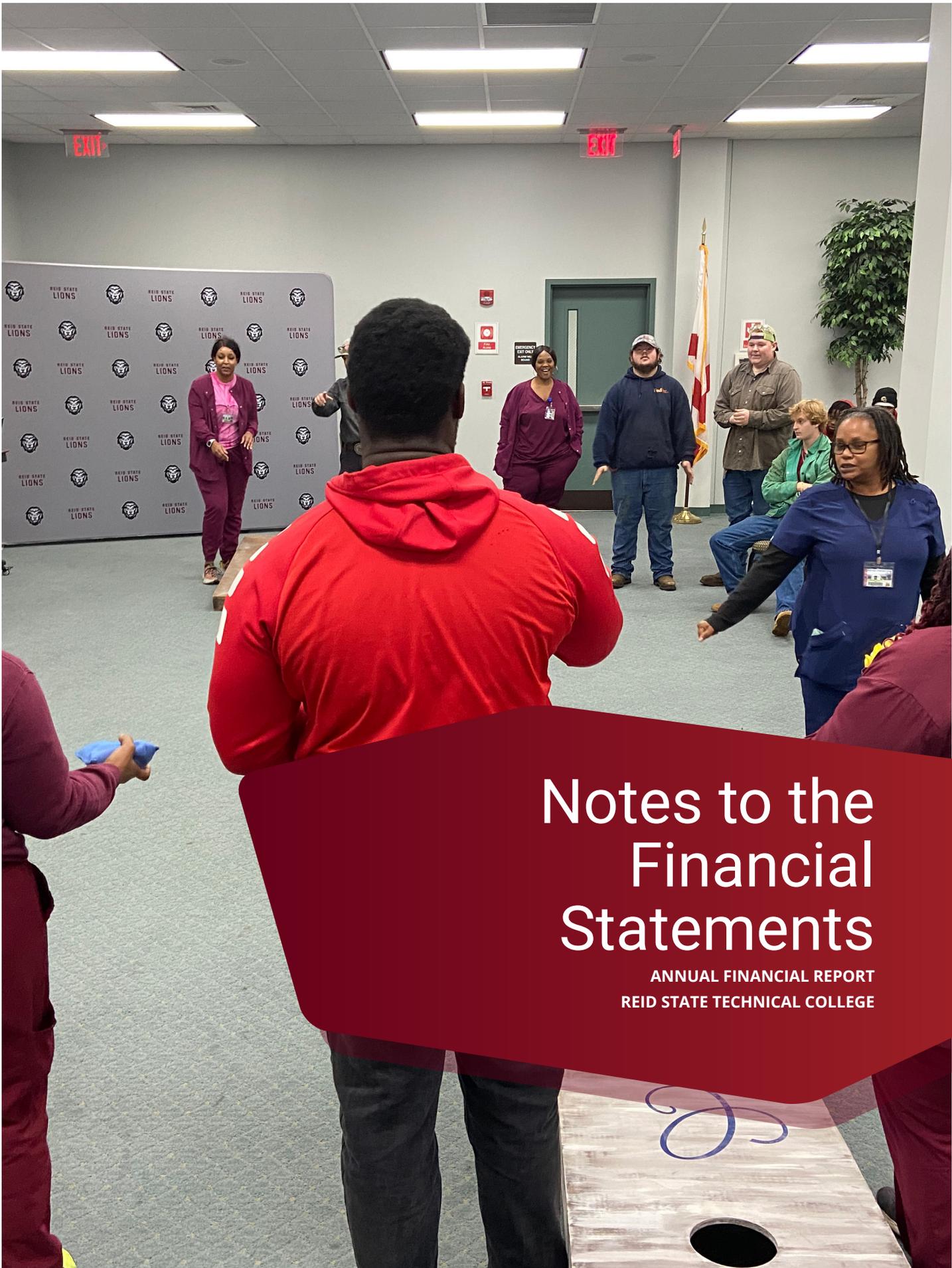
For the Year Ended September 30, 2025

	<u>2025</u>
Cash Flows from Investing Activities	
Investment Income	7,600
Net Cash Provided by Investing Activities	<u>7,600</u>
Net Decrease in Cash and Cash Equivalents	<u>(173,124)</u>
Cash and Cash Equivalents, Beginning of Year	3,309,061
Cash and Cash Equivalents, End of Year	<u>\$ 3,135,937</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating Income (Loss)	\$ (3,604,930)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Depreciation and Amortization	738,415
Change in Assets, Deferred Outflows, Liabilities and Deferred Inflows:	
(Increase) Decrease in Assets and Deferred Outflows:	
Receivables, net	(1,995,103)
Inventory	(24,881)
Other Assets	246,052
Deferred Outflows	(1,848,004)
Increase (Decrease) in Liabilities and Deferred Inflows:	
Accounts Payable and Accrued Liabilities	(530,209)
Unearned Revenue	298,971
Deposits Held for Others	(5,975)
Compensated Absences	19,903
Pension Liability	(971,000)
OPEB Liability	2,565,866
Deferred Inflows	371,283
Total Adjustments	<u>(1,134,682)</u>
Net Cash Used in Operating Activities	<u>\$ (4,739,612)</u>

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



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Notes to the Financial Statements

ANNUAL FINANCIAL REPORT
REID STATE TECHNICAL COLLEGE



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Note 1. Summary of Significant Accounting Policies

Nature of Operations

The financial statements of Reid State Technical College (the "College") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the College are described below.

Reporting Entity

The College is a component unit of the State of Alabama. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. The Governmental Accounting Standards Board (GASB) in Statement No. 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.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

The Statement of Revenues, Expenses and Changes in Net Position distinguishes between operating and non-operating revenues. Operating revenues, such as tuition and fees, result from exchange transactions associated with the principal activities of the College. Exchange transactions are those in which each party to the transactions receives or gives up essentially equal values. The College has determined that all federal grant and contracts (excluding Pell grants), state grants and contracts, local grants and contracts and non-governmental grants and contracts, which are not designated for the purchase of capital assets, will be considered operating revenue. 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 GAAP requires management to make various estimates. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to the remaining useful life of property and equipment, the identification of allowable versus unallowable costs, the timing of revenue recognition, pension liability, and OPEB liability.

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 made up solely of certificates of deposits at September 30, 2025 and are reported at amortized cost.

Receivables

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

Capital Assets

Capital assets, other than intangibles, with a unit cost of over \$10,000 (increased from \$5,000, effective October 1, 2024) and an estimated useful life in excess of one year, and all library books, are recorded at historical cost or estimated historical cost if purchased or constructed. The capitalization threshold for intangible assets such as capitalized software and internally generated computer software is \$1 million and \$100,000 for easements and land use rights and patents, trademarks and copyrights. In addition, works of art and historical treasures and similar assets are recorded at their historical cost. Donated capital assets are recorded at acquisition value (an entry price) 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. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized.

Capital assets are defined as assets with an initial unit cost of \$10,000 or more and an estimated useful life of one year or more. Physical plant and equipment are stated at cost at date of acquisition or fair market value at date of donation in the case of gifts.

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

Assets	Depreciation Method	Useful Lives
Buildings	Straight Line	50 years
Building Alterations	Straight Line	25 years
Collections	Not depreciated	
Improvements other than Buildings and Infrastructure	Straight Line	25 years
Construction in Progress	Not depreciated	
Furniture and Equipment	Straight Line	5-10 years
Library Materials	Composite	20 years
Capitalized Software	Straight Line	10 years
Internally Generated Computer Software	Straight Line	10 years
Easement and Land Use Rights	Straight Line	20 years
Patents, Trademarks, and Copyrights	Straight Line	20 years

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The College has two items reported in this category, deferred outflows related to pension and deferred outflows related to OPEB. The deferred outflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Codification Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. Deferred outflows related to OPEB result from OPEB contributions related to normal and accrued employer liability (net of any refunds or error service payments) subsequent to the measurement date, the net difference between projected and actual earnings on plan investments, changes in proportion and differences between employer contributions and proportionate share of contributions, and differences between actual and expected experience. The deferred outflows related to pensions and OPEB will be recognized as either pension or OPEB expense or a reduction in the net pension or OPEB liability in future reporting years.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The College has two items that qualify for reporting in this category, deferred inflows related to pension, and deferred inflows related to OPEB. The deferred inflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Codification Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. Deferred inflows related to pension and OPEB result from differences between expected

and actual experience, changes in assumptions, the net difference between projected and actual earnings on plan investments, and changes in proportion and differences between employer contributions and proportionate share of contributions. The deferred inflows related to pensions or OPEB will be recognized as a reduction to pension or OPEB expense in future reporting years.

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond/Warrant premiums and discounts are deferred and amortized over the life of the bonds.

Unearned Tuition and Fee Revenue

The College records unearned revenue for tuition and fee revenues received for the Fall Term but related to the portion of the Term that occurs in the subsequent fiscal year.

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.

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. Trust member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due pursuant to Trust requirements. Benefits are recognized when due and payable in accordance with the terms of the Trust.

Net Position

Net position is defined as the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net position is required to be classified for accounting and reporting purposes into the following categories:

- **Net Investment in Capital Assets** – Capital assets, including restricted capital assets, reduced by accumulated depreciation and by outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. Any significant unspent related debt proceeds or inflows of resources at year-end related to capital assets are not included in this calculation.
- **Restricted:**
 - *Expendable* – Net position whose use by the College is subject to externally imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time.
 - *Non-expendable* – Net position subject to externally imposed stipulations that they be maintained permanently by the College.
- **Unrestricted** – Net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. Unrestricted resources may be designated for specific purposes by action of management or the Alabama Community College System Board of Trustees.

Federal Financial Assistance Programs

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

Scholarship Allowances and Student Aid

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

Change in Accounting Estimate: Capitalization Threshold

On October 1, 2024, the College increased its capitalization threshold for tangible capital assets from \$5,000 to \$10,000. This change was implemented to align with federal regulations and enhance administrative efficiency. It is accounted for as a change in accounting estimate, applied prospectively in accordance with GASB Statement No. 100, which mandates that changes in estimates be recognized in the current and future periods only, without restating prior-period financial statements.

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

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

Revenues and Expenses

The College distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the College is tuition and fees. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, January 15, 2026.

On October 16, 2025, after the close of Fiscal Year 25, the college received a bond issuance of \$5,000,000. The Board of Trustees approved the bond issuance for the purpose of improvements at the college campus, including construction and equipping of a Baseball/Softball campus and a Technology Center on the Evergreen Campus.

Note 2. Deposits and Investments

Deposits

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

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

Permissible investments include:

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

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

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

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

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

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

Note 3. Receivables

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

Description	Amount
Federal Grants and Contracts	\$ 6,152,215
Student Tuition and Fees	530,690
State Grants and Contracts	364,563
Third-Party Tuition and Fees	182,585
Less: Allowance for Doubtful Accounts	(239,641)
Total Account Receivable	\$ 6,990,412

Note 4. Capital Assets

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

Description	Beginning Balance	Additions	Deductions	Adjustments	Ending Balance
Nondepreciable Capital Assets					
Land	\$ 8,000	\$ 881,772	\$ -	\$ -	\$ 889,772
Construction in Progress	7,934,711	4,770,815	-	-	12,705,526
Total Nondepreciable Capital Assets	7,942,711	5,652,587	-	-	13,595,298
Other Capital Assets					
Buildings	4,471,130	1,072,058	-	-	5,543,188
Building Alterations	2,133,232	-	-	-	2,133,232
Improvements other than Buildings and Infrastructure	952,786	-	-	-	952,786
Furniture and Equipment greater than \$25,000	3,413,969	1,336,678	(25,980)	-	4,724,667
Furniture and Equipment \$25,000 or less	1,460,284	93,355	(248,090)	-	1,305,549
Library Materials	282,547	-	(269,927)	-	12,620
Right to Use Assets - Buildings and Equipment	15,474	-	(8,012)	-	7,462
Right to Use Assets - Software Subscriptions	18,078	-	(18,078)	-	-
Total Other Capital Assets	12,747,500	2,502,091	(570,087)	-	14,679,504
Less Accumulated Depreciation/Amortization					
Buildings	3,612,418	101,294	-	(1,280,481)	2,433,231
Building Alterations	-	59,095	-	1,279,712	1,338,807
Improvements other than Buildings and Infrastructure	495,666	33,521	-	-	529,187
Furniture and Equipment greater than \$25,000	1,452,162	432,997	(25,980)	(8,579)	1,850,600
Furniture and Equipment \$25,000 or less	1,184,307	109,422	(248,090)	8,579	1,054,218
Library Materials	282,547	-	(269,926)	-	12,621
Right to Use Assets - Buildings and Equipment	28,353	-	(2,088)	(21,915)	4,350
Total Accumulated Depreciation/Amortization	7,055,453	736,329	(546,084)	(22,684)	7,223,014
Total Capital Assets, Net	\$ 13,634,758	\$ 7,418,349	\$ (24,003)	\$ 22,684	\$ 21,051,788

Note 5. Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description

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

Benefits Provided

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

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

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

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

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

Contributions

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

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

Participating employers' contractually required contribution rate for the fiscal year ended September 30, 2025 was 13.57% of annual pay for Tier 1 members and 12.60% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the System were \$659,460 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 \$6,227,827 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, 2024. 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 0.047878%, which was an increase of 0.002767% from its proportion measured as of September 30, 2023.

For the year ended September 30, 2025, the College recognized pension expense of \$813,594. 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	\$ 619,000	\$ 45,000
Changes of Assumptions	96,000	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	1,021,000
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	291,000	150,000
Employer Contributions Subsequent to the Measurement Date	641,582	-
Total	<u>\$ 1,647,582</u>	<u>\$ 1,216,000</u>

\$641,582 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	\$ (30,000.00)
2027	326,000
2028	(251,000)
2029	(255,000)
2030	-
Thereafter	-

Actuarial Assumptions

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

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

* Net of pension plan investment expense, including inflation

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

Mortality Rate

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

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

Long-Term Expected Rate of Return

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

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

* Includes assumed rate of inflation of 2.00%.

Discount Rate

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

actuarially determined contribution rates and the member rate. Based on those assumptions, components of the pension plan’s fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following table presents the College’s proportionate share of the net pension liability calculated using the discount rate of 7.45%, as well as what the College’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.45%) or 1-percentage-point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
College’s Proportionate Share of the Collective Net Pension Liability	\$ 8,660,000	\$ 6,228,000	\$ 4,181,000

Pension Plan Fiduciary Net Position

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

Note 6. Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan

Plan Description

The Alabama Retired Education Employees’ Health Care Trust (Self - Trust) is a cost-sharing multiple-employer defined benefit postemployment healthcare plan that administers healthcare benefits to the retirees of participating state and local educational institutions. The Trust was established under the Alabama Retiree Health Care Funding Act of 2007 which authorized and directed the Public Education Employees’ Health Insurance Board (Board) to create an irrevocable trust to fund postemployment healthcare benefits to retirees participating in the Public Education Employees’ Health Insurance Plan (PEEHIP). Active and retiree health insurance benefits are paid through PEEHIP. In accordance with GASB, the 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 \$3,192,683 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 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 .03472771% which was a Increase of 0.00211750% from its proportion measured as of September 30, 2023.

For the fiscal year ended September 30, 2025, the College recognized OPEB expense of \$83,789, with no special funding situations. At September 30, 2025, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 1,488,937	\$ 689,069
Changes of Assumptions	1,099,537	451,713
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	-	78,769
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	159,416	279,074
Employer Contributions Subsequent to the Measurement Date	119,778	-
Total	\$ 2,867,668	\$ 1,498,625

The \$119,778 reported as deferred outflows of resources related to OPEB resulting from the College’s contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB liability in the year ended September 30, 2026.

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

Year Ended September 30	Amount
2026	\$ 163,106
2027	178,926
2028	122,828
2029	225,821
2030	420,913
Thereafter	137,670

Actuarial Assumptions

The Total OPEB Liability as of September 30, 2024, was determined based on an actuarial valuation prepared as of September 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of September 30, 2024:

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

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

Mortality Rate

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

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

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

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

Long-Term Expected Rate of Return

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

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

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

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

* Geometric mean, includes 2.50% inflation.

Discount Rate

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

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

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

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

	1% Decrease (5.75% decreasing to 3.50% for pre-Medicare, Known decreasing to 3.50% for Medicare eligible)	Current Healthcare Trend Rate (6.75% decreasing to 4.50% for pre-Medicare, Known decreasing to 4.50% for Medicare eligible)	1% Increase (7.75% decreasing to 5.50% for pre-Medicare, Known decreasing to 5.50% for Medicare eligible)
Net OPEB Liability	\$ 2,568,244	\$ 3,192,683	\$ 3,997,899

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

	1% Decrease (3.32%)	Current Rate (4.32%)	1% Increase (5.32%)
Net OPEB Liability	\$ 3,878,373	\$ 3,192,683	\$ 2,644,742

OPEB Plan Fiduciary Net Position

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

Note 7. Commitments and Contingencies

The College is liable for unemployment claims paid by the Unemployment Compensation Trust Fund which are attributable to service in the employ of the College. The College makes advance payment to this fund to meet this liability in accordance with the Unemployment Compensation Act of Alabama *Code of Alabama 1975, #25-4-1 through #25-4-148*. At September 30th of each year, excess of advance payments over net unemployment compensation paid is due to the College from the Unemployment Compensation

Trust Fund. Any excess of net unemployment compensation paid over advance payments results in a liability to the College which must be satisfied within ten days after the College is notified of the amount of the liability.

The College had made excess advance payment to the Unemployment Compensation Trust Fund of \$1,360. This excess was allowed to remain in the fund to be applied to future quarterly advance payments.

The College has active construction projects as of September 30, 2025. At year-end, the College’s commitments with contractors are as follows:

Description	Amount
Construction Contracts Renovation of Building 200	\$ 70,519
Construction Contracts Renovation of Building 600	58,150
Construction Contracts Renovation of Dorms	69,175
Total Outstanding Commitments	\$ 197,844

Note 8. Accounts Payable and Accrued Liabilities

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

Description	Amount
Accounts Payable	\$ 570,124
Wages Payable	148,558
Other Payables	41,648
Total	\$ 760,330

Note 9. Long-Term Liabilities

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

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Lease Obligations	\$ 3,106	\$ -	\$ 2,388	\$ 718	\$ -
Subscription Liabilities	2,073	-	2,073	-	-
Compensated Absences	275,941	72,506	52,603	295,844	44,942
Total Long-term Liabilities	\$ 281,120	\$ 72,506	\$ 57,064	\$ 296,562	\$ 44,942

Leases Payable

As of September 30, 2025, Reid State Technical College had 1 active lease. Lease payments range from \$678 to \$1,794, and the associated interest rates range from 0.6080% to 1.0820%. As of September 30, 2025, the total combined value of the lease liability is \$718, the total combined value of the short-term lease liability is \$718. As of September 30, 2025, the combined value of the right to use asset of \$7,462 with accumulated amortization of \$6,976 is included within the Lease Class activities table found below. The

leases had \$0 of Variable Payments and \$0 of Other Payments, not included in the Lease Liability, within the Fiscal Year.

Subscription-Based Information Technology Arrangements

As of September 30, 2025, Reid State Technical College had 1 active subscription. The subscription had a payment of \$2,073 and an interest rate of 3.3470%. As of September 30, 2025, the subscription liability is \$0, and the value of the short-term subscription liability is \$0. As of September 30, 2025, the value of the right to use asset of \$18,078 with accumulated amortization of \$18,078 is included within the Subscription Class activities table found below. The subscription had \$0 of Variable Payment and \$0 of Other Payments, not included in the Subscription Liability, within the Fiscal Year.

Note 10. Net Investment in Capital Assets

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

The elements of this calculation are as follows:

<u>Description</u>	<u>Amount</u>
Capital Assets, Net	\$ 21,051,788
Outstanding Debt Related to Capital Assets	(718)
Net investment in Capital Assets	<u>\$ 21,051,070</u>

Note 11. Risk Management

The College is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The College has insurance for its buildings and contents through the State Insurance Fund (SIF), part of the State of Alabama Department of Finance, Division of Risk Management, 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 colleges and is self-sustaining. Monthly premiums for employee and dependent coverage are determined annually by the plan's actuary and are 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 employees' premiums for the coverage selected and the employee pays any remaining premium.

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



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Required Supplementary Information

ANNUAL FINANCIAL REPORT
REID STATE TECHNICAL COLLEGE





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

(Dollar Amounts in Thousands)	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
College's Proportion of the Net Pension Liability	0.047878%	0.045111%	0.045128%	0.047672%	0.049870%	0.047048%	0.047219%	0.046374%	0.051689%	0.060817%
College's Proportionate Share of the Net Pension Liability	\$ 6,228	\$ 7,199	\$ 7,013	\$ 4,491	\$ 6,169	\$ 5,202	\$ 4,695	\$ 4,558	\$ 5,596	\$ 6,365
College's Covered Payroll*	\$ 4,182	\$ 3,710	\$ 3,464	\$ 3,440	\$ 3,608	\$ 3,344	\$ 3,150	\$ 3,049	\$ 3,287	\$ 3,943
College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	149.00%	194.00%	202.00%	131.00%	171.00%	156.00%	149.00%	149.00%	170.00%	161.00%
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%

* College's covered payroll during the measurement period is the total covered payroll (see GASB 82). For FY2025, the measurement period is October 1, 2023 - September 30, 2024.

Schedule of the Employer's Contributions Pension Teachers' Retirement Plan of Alabama For the Year Ended September 30

(Dollar Amounts in Thousands)	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually Required Contribution	\$ 642	\$ 511	\$ 455	\$ 421	\$ 417	\$ 430	\$ 409	\$ 379	\$ 360	\$ 389
Contributions in Relation to the Contractually Required Contribution	\$ 642	\$ 511	\$ 455	\$ 421	\$ 417	\$ 430	\$ 409	\$ 379	\$ 360	\$ 389
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College's Covered Payroll	\$ 5,076	\$ 4,182	\$ 3,710	\$ 3,464	\$ 3,440	\$ 3,608	\$ 3,344	\$ 3,150	\$ 3,049	\$ 3,287
Contributions as a Percentage of Covered Payroll	12.65%	12.22%	12.26%	12.15%	12.12%	11.92%	12.23%	12.03%	11.81%	11.83%

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, 2020 for the fiscal year 2023 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	27.1 years
Asset Valuation Method	5-year smoothed market
Inflation	2.75 percent
Salary Increase	3.25 percent to 5.00 percent, including inflation
Investment Rate of Return	7.70 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 Year Ended September 30***

(Dollar Amounts in Thousands)	2025	2024	2023	2022	2021	2020	2019	2018
College's Proportion of the Net OPEB Liability	0.034728%	0.032610%	0.037260%	0.035726%	0.035812%	0.040277%	0.037479%	0.036032%
College's Proportionate Share of the Net OPEB Liability	\$ 3,193	\$ 627	\$ 649	\$ 1,845	\$ 2,324	\$ 1,520	\$ 3,080	\$ 2,676
College's Covered Payroll**	\$ 4,182	\$ 3,710	\$ 3,464	\$ 3,440	\$ 3,608	\$ 3,344	\$ 3,150	\$ 3,048
College's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	76.35%	16.90%	18.74%	53.63%	64.41%	45.45%	97.78%	87.79%
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.

** College's covered payroll during the measurement period is the total covered payroll (see GASB 82). For FY2025, the measurement period is October 1, 2023 - September 30, 2024.

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

(Dollar Amounts in Thousands)	2025	2024	2023	2022	2021	2020	2019	2018
Contractually Required Contribution	\$ 120	\$ 67	\$ 66	\$ 71	\$ 62	\$ 70	\$ 115	\$ 93
Contributions in Relation to the Contractually Required Contribution	\$ 120	\$ 67	\$ 66	\$ 71	\$ 62	\$ 70	\$ 115	\$ 93
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College’s Covered Payroll**	\$ 5,076	\$ 4,182	\$ 3,710	\$ 3,464	\$ 3,440	\$ 3,608	\$ 3,344	\$ 3,150
Contributions as a Percentage of Covered Payroll	2.36%	1.60%	1.78%	2.05%	1.80%	1.94%	3.44%	2.94%

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

** Per GASB 75, covered payroll is defined as the payroll of employees that are provided with OPEB through the OPEB plan. The covered payroll for this Required Supplementary Information Schedule (GASB 75 paragraph 97) is for the most recent year end, which for the 9/30/2025 year is 10/1/2023-9/30/2024.

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 9/30/2022 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 ACA 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 OPEB Contributions were calculated as of September 30, 2021, which is three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

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

* Initial Medicare claims are set based on scheduled increases through plan year 2022.



Supplementary Information

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Schedule 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
U.S. Department of Education Student Financial Assistance Cluster				
Direct Programs				
Federal Pell Grant Program	84.063	NA	\$ -	\$ 2,316,245
Federal Supplemental Educational Opportunity Grant	84.007	NA	-	69,092
Federal Work-Study Program	84.033	NA	-	15,408
Total Student Financial Assistance Cluster (M)			-	2,400,745
U.S. Department of Justice Direct Programs Office of Community Oriented Policing Services (COPS)				
Public Safety Partnership and Community Policing Grants	16.710	15JCOPS-23-GG- 05096-UHPX	-	62,058
Delta Regional Authority Direct Programs				
Positively Impacting Nursing Student Success (PINSS)	90.200	DRA24DWPAL-5913	-	189,599
U.S. Department of Labor Direct Program Workforce Innovation and Opportunity Act				
WIOA Dislocated Worker National Reserve Demonstration Grants	17.280	24A60WO000062- 01-00	-	217,314
Passed through Southwest Alabama Partnership for Training and Employment, Inc.				
WIOA Adult Program	17.258	34700408	-	38,832
WIOA Adult Program	17.258	44700408	-	148
WIOA Adult Program	17.258	NA	-	135,342
Total WIOA Adult Program			-	174,322
WIOA Youth Activities	17.259	34700408	-	139,623
WIOA Youth Activities	17.259	44700408	-	3,797
WIOA Youth Activities	17.259	NA	-	26,024

**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
Total WIOA Youth Activities			-	169,444
Total WIOA Cluster				343,766
US Department of Helath and Human Services				
Passed Through Alabama Department of Human Resources				
Temporary Assistance for Needy Families	93.558	7013	-	15,888
U.S. Department of Education				
Passed Through Alabama Community College System				
Adult Education-Basic Grants to State	84.002	0924AE100	-	78,112
U.S. Department of Education				
Passed Through Alabama Department of Education				
Career and Technical Education-Basic Grants to States	84.048A	V048A19001	-	180,824
Corporation for National and Community Service				
Passed Through the Alabama Governor's Office of Volunteer Services				
Empower ED Conecuh AmeriCorps	94.006	NA	-	82,739
Total Federal Expenditures			\$ -	\$ 3,571,045

(M) = Major Program

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

Notes to Schedule Expenditures of Federal Awards

Note 1. Basis of Presentation

Expenditures reported on the Schedule of Expenditures of Federal Awards (“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 accompanying Schedule includes the federal award activity of 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. Indirect Cost Rate

The College has elected not to use the de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3. Loan / Loan Guarantee Outstanding Balances

The College did not have any federal loans or loan guarantees outstanding during the year ended September 30, 2025.

Note 4. Sub-Recipients

During the year ended September 30, 2025 the College had no sub-recipients.

Note 5. Noncash Assistance and Other

The College did not receive any noncash assistance or federally funded insurance during the year ended September 30, 2025.

Note 6. Contingencies

Grant monies received and disbursed by the College are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon experience, the College does not believe that such disallowance, if any, would have a material effect on the financial position of the College.

Note 7. Federal Pass-through Funds

The College is also the sub-recipient of federal funds that have been subjected to testing and are reported as expenditures and listed as federal pass-through funds. Federal awards other than those indicated as pass-through are considered to be direct.



Additional Information

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REID STATE TECHNICAL COLLEGE



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Officials

Jimmy H. Baker

Chancellor

Dr. Coretta Boykin

President

Lynne Steadman

Director of Accounting and Facilities



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Independent Auditor Reports

ANNUAL FINANCIAL REPORT
REID STATE TECHNICAL COLLEGE





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

Jimmy Baker, Chancellor – Alabama Community College System
Dr. Coretta Boykin, President – Reid State Technical College
100 Hwy 83, Evergreen, Alabama 36401

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 Reid State Technical 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 Reid State Technical College's basic financial statements, and have issued our report thereon dated January 15, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Reid State Technical 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Reid State Technical College's internal control. Accordingly, we do not express an opinion on the effectiveness of Reid State Technical 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 Reid State Technical 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.



CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama

January 15, 2026



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

Jimmy Baker, Chancellor – Alabama Community College System
Dr. Coretta Boykin, President – Reid State Technical College
100 Hwy 83, Evergreen, Alabama 36401

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Reid State Technical College's compliance (the "College"), a component unit of the State of Alabama, 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; 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control over Compliance

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

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

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

Government Auditing Standards requires the auditor to perform limited procedures on the College's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of

findings and questioned costs. The College's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama

January 15, 2026

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

Section I – Summary of Auditor's Results

Financial Statements

- 1. Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified
- 2. Internal control over financial reporting:
 - a. Material weaknesses identified? No
 - b. Significant deficiencies identified not considered to be material weaknesses? None reported
 - c. Noncompliance material to the financial statements noted? No

Federal Awards

- 1. Type of auditor’s report issued on compliance for major programs: Unmodified
- 2. Internal control over major federal programs:
 - a. Material weaknesses identified? No
 - b. Significant deficiencies identified not considered to be material weaknesses? Yes
- 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? Yes
- 4. Identification of major programs:

Assistance Listing Number	Federal Program
84.063	Student Financial Assistance Cluster
84.007	Federal Pell Grant Program
84.033	Federal Supplemental Education Opportunity Grants
	Federal Work Study Program

- 5. Dollar threshold used to distinguish between type A and type B programs: \$1,000,000
- 6. Auditee qualified as low-risk under 2 CFR 200.520 Yes

Section II – Financial Statements Findings

No matters were reported.

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

Section III - Federal Award Findings and Questioned Costs

Item 2025-001 Eligibility/Program Eligibility
Federal Pell Grant Program ALN# 84.063
U.S. Department of Education
Grant period – 2025-2026 Award Year

Criteria – In accordance with 2 CFR 200.303(a), non-Federal entities must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should follow guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Under 34 CFR Part 690 Pell grants are required to be calculated using a distinct set of criteria based on enrollment.

Condition – 2 of 40 students tested received overpayments of Pell grants. Errors in clock-to-credit-hour conversions resulted in inaccurate enrollment intensities used in the Pell calculations for these students.

Cause – The data file for the clock-to-credit hour conversion was not uploaded into the College's system prior to calculation of the students' enrollment intensity, and the results were not reviewed prior to packaging aid.

Effect – Lack of controls resulted in an overpayment of Pell award to both students. The engagement team notes that for these exceptions, the College appropriately updated the file and corrected student aid. The engagement team further notes this only affected students in a current enrollment period in which all funds for the term had not been drawn from the Department of Education.

Questioned Costs – The total of all overpayments was \$7,821 amount was deemed not material to compliance.

Recommendation – We recommend that adequate controls be put in place to review that files are updated by semester and that clock-to-credit hour conversions are reviewed prior to awarding of federal aid.

Management's Response – The College will strengthen the controls in place to ensure that all procedures have been followed prior to calculation and disbursement of financial aid.

Section IV – Prior Findings and Questioned Costs for Federal Awards

No prior matters were reported.



REID STATE TECHNICAL COLLEGE

"The College That Works"

Management Corrective Action Plan

Finding Reference: 2025-001 — Eligibility / Clock-to-Credit Hour Conversions

Program: Student Financial Aid Cluster (ALN 84.063)

Institution: Reid State Technical College

Corrective Actions Completed

Upon identification of the clock-to-credit hour conversion issue, Reid State Technical College took the following corrective actions:

1. **Immediate System Correction**

The clock-to-credit hour conversion file in Banner (**GTVSDAX**) was reviewed and updated to include all applicable course prefixes, including MAH and PSY. This correction ensured that clock-to-credit hour conversions were calculated accurately for affected technical programs.

2. **Identification and Review of Impacted Students**

Financial Aid reviewed all students enrolled in the affected term (202610) and identified those whose federal aid hours had been overstated due to the conversion omission.

3. **Correction of Federal Aid Awards**

Federal aid awards were recalculated for impacted students. The engagement team noted, and the College confirms, that all affected students were enrolled in a current payment period for which funds had not yet been fully drawn, allowing corrections to be made timely.

4. **Resolution of Financial Impact**

Where recalculations resulted in reduced eligibility, institutional need-based funds were applied to affected student accounts to prevent students from incurring balances due to an internal administrative error. This ensured students were not financially penalized for the control deficiency.

Preventive Actions and Controls to Avoid Recurrence

To address the identified control deficiency and strengthen internal controls over clock-to-credit hour conversions, the College has implemented the following preventive measures:

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1. **Enhanced Curriculum Oversight**

The **Registrar (Tara Dumas) and Director of Financial Aid (Stacia Richerson) now serve as standing members of the Academic/Curriculum Review Committee**. This ensures that Financial Aid and Registrar review all proposed curriculum changes, including:

- New courses
- New course prefixes
- Courses designated as “in degree plan” for technical or clock-hour programs

This review occurs **prior to course approval and implementation**, allowing clock-to-credit hour implications to be addressed in advance.

2. **Formal Notification and Review Process**

Academic Affairs will notify Financial Aid of any curriculum changes that may impact clock-to-credit hour conversions. Financial Aid will review and update Banner conversion tables as needed **before federal aid calculations occur**.

3. **Assigned Responsibility and Monitoring**

Responsibility for maintaining and reviewing clock-to-credit hour conversion tables has been formally assigned to the **Director of Financial Aid (Stacia Richerson)**.

- Conversion tables will be reviewed **each semester** prior to awarding federal aid.
- Discrepancies in ROAENRL will be reviewed promptly to ensure accuracy.

4. **Ongoing Compliance Review**

The College will perform periodic reviews of conversion logic and awarding calculations to ensure continued compliance with federal regulations and internal control standards under 2 CFR 200.303.

Conclusion

Reid State Technical College has corrected the clock-to-credit hour conversion issue, resolved the related questioned costs, and implemented strengthened internal controls. The addition of the Registrar (Tara Dumas) and Director of Financial Aid (Stacia Richerson) to the Academic/Curriculum Review Committee, combined with formalized review and notification procedures, provides reasonable assurance that clock-to-credit hour conversions will be accurately applied prior to federal aid calculation and disbursement.

Finding / Deficiency	Corrective Action Taken (Completed)	Preventive Action (Going Forward)	Responsible Party	Completion Date
<p>Clock-to-credit hour conversion errors occurred due to omitted course prefixes (MAH, PSY) in Banner conversion table (GTVSDAX), resulting in overstated financial aid hours and federal aid over-awards.</p>	<p>• Reviewed Banner clock-to-credit hour conversion table (GTVSDAX).• Added missing MAH and PSY course prefixes.• Identified all impacted students in term 202610.• Recalculated federal aid for affected students.• Applied institutional need-based funds to affected accounts to prevent students from incurring balances due to internal administrative error.</p>	<p>• Registrar (Tara Dumas) and Director of Financial Aid (Stacia Richerson) added as standing members of the Academic/Curriculum Review Committee to review all curriculum changes for financial aid implications prior to implementation. • Academic Affairs will notify Financial Aid of new courses, prefixes, or courses designated as “in degree plan” for technical programs. • Director of Financial Aid (Stacia Richerson) assigned responsibility for maintaining GTVSDAX. • Semester and annual reviews of conversion tables and ROAENRL discrepancies will be conducted to ensure ongoing accuracy.</p>	<p>Director of Financial Aid (Stacia Richerson) Registrar (Tara Dumas) Academic Affairs</p>	<p>Corrective actions completed December 2025. Preventive controls implemented December 2025 and ongoing.</p>



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