



Annual Financial Report

FOR THE YEAR ENDED SEPTEMBER 30, 2024

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TRENHOLM STATE COMMUNITY COLLEGE

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Independent Auditor's Report

Board of Trustees
H. Councill Trenholm Community College
Montgomery, Alabama

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of H. Councill Trenholm Community College (the "Council Trenholm Community College or "College"), a component unit of the State of Alabama, as of and for the year ended September 30, 2024, 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 accompanying financial statements referred to above present fairly, in all material respects, the financial position of the College, as of September 30, 2024, and the changes in financial position and its cash flows 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 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.

Emphasis of Matter – Reissuance of Report

The independent auditor's report replaces our previously issued report dated January 17, 2025. As discussed in note 12, to the financial statements, the 2024 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America 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 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Forvis Mazars, LLP is an independent member of Forvis Mazars Global Limited

Board of Trustees
H. Council Trenholm Community College

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the College's basic financial statements. The schedule of expenditures of federal awards and related notes is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements. This information is the responsibility of management and is derived from and relate 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 and related notes, 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 financial report. The other information comprises the schedule of officials but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

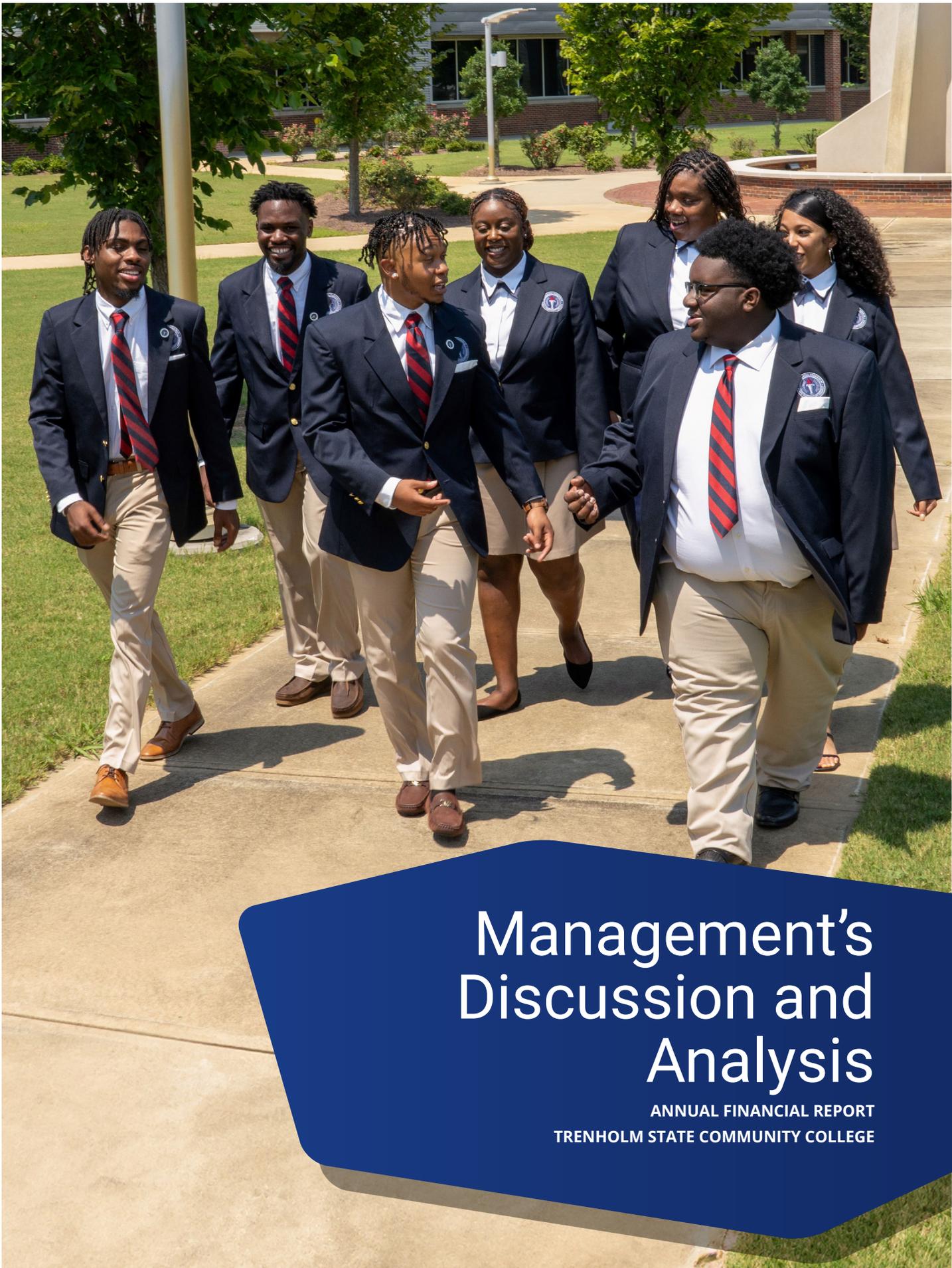
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2026, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Forvis Mazars, LLP**Memphis, Tennessee
January 12, 2026**



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Management's Discussion and Analysis

ANNUAL FINANCIAL REPORT
TRENHOLM STATE COMMUNITY COLLEGE



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Management's Discussion and Analysis - Restated

Introduction

The following discussion presents an overview of the financial position and financial performance of H. Council Trenholm State Community College during the fiscal year ended September 30, 2024, with comparative information for 2023. This discussion and analysis has been prepared by management along with the financial statements and related footnote disclosures. This discussion should be read in conjunction with, and is qualified in its entirety by, the financial statements and footnotes. The discussion and analysis is designed to focus on current activities, resulting change and currently known facts. The financial statements, footnotes and this discussion are the responsibility of management.

History, Mission and Governance

H. Council Trenholm State Community College (hereinafter "Trenholm State Community College" or "the College") is an associate degree granting institution committed to provide accessible educational opportunities for career preparation, advancement, and lifelong learning in Central Alabama. The College is dedicated to providing a dynamic learner-centric environment where excellence in teaching, learning, and serving improves the lives of its students and the community it serves. The College seeks to maintain a sound fiscal foundation to support its mission in addition to providing responsible stewardship of public funds in compliance with state laws.

The College is accredited by the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) to award the Associate in Arts, Associate in Science, and Associate in Applied Science degrees. The Associate Degree and Practical Nursing Programs are approved by the ABN and the ACEN. Its Health Information Technology Program is accredited by the CAHIIM and its Respiratory Therapy Program holds continuing accreditation from the CoARC.

The College provides programs in the areas of academics, health services, technical, corporate partnerships and apprenticeships, e-learning, high school programs, workforce development, adult education, and community education programs.

The College is governed by the Alabama Community College System Board of Trustees, who play a critical role in the education of hundreds of thousands of adults each year. The Trustees serve as guardians for the Alabama Community College System's missions and goals, with the Governor serving as chair of the Board by virtue of elected office. Remaining board members are appointed from eight districts, with one statewide member and an ex-officio liaison from the State Board of Education.

The board member duties include:

- designating rules and regulations for the government of community and technical colleges,
- prescribing the course of study to be offered and the conditions for granting certificates, diplomas and/or degrees,
- accepting gifts, donations, property, and devices for the benefit of community and technical colleges, and;

- establishing a performance-based allocation process that is equitable and compatible with the services and programs offered by each individual campus.

Overview of the Financial Statements and Financial Analysis

As further discussed in footnote 12, to the financial statements, the September 30, 2024 financial statements were previously issued on January 17, 2025. Subsequent to this date, management discovered that Pell grants of approximately \$3.2 million were inadvertently excluded from accounts receivable at September 30, 2024, resulting in an understatement in accounts receivable and grant revenue. The supplemental schedule of expenditures of federal awards was also understated by this amount. The 2024 financial statements and management discussion and analysis have been restated and reissued to reflect the correction of the misstatement.

The basic financial statements consist of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*. These financial statements focus on the financial position, results of operations, and cash flows of the College as a whole.

The accompanying documentation presents the College's financial statements for fiscal year 2024. Three financial statements are presented: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. This discussion and analysis of the College's financial statements provides an overview of financial activities for the years ended September 30, 2024 and 2023.

An overview of each statement for the College is presented herein along with a financial analysis of the transactions impacting each statement. When appropriate, comparative financial information is presented in the understanding of this analysis.

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 at September 30, 2024. 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) and deferred outflows of resources, as well as liabilities (current and non-current) and deferred inflows of resources with the difference between the two reported as 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 are able to determine the assets available to continue the operations of the College. Readers are able to determine the consumption of net position in one period attributable to future periods, deferred outflows of resources. They are also able to determine how much the College owes vendors, investors, and lending institutions. Readers are able to determine the acquisition of net position in one period attributable to future periods, deferred inflows of resources. In summary, the Statement of Net Position provides a picture of the College's assets and deferred outflows of resources in excess of its liabilities and deferred inflows of resources and the availability of the excess for expenditure by the College.

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

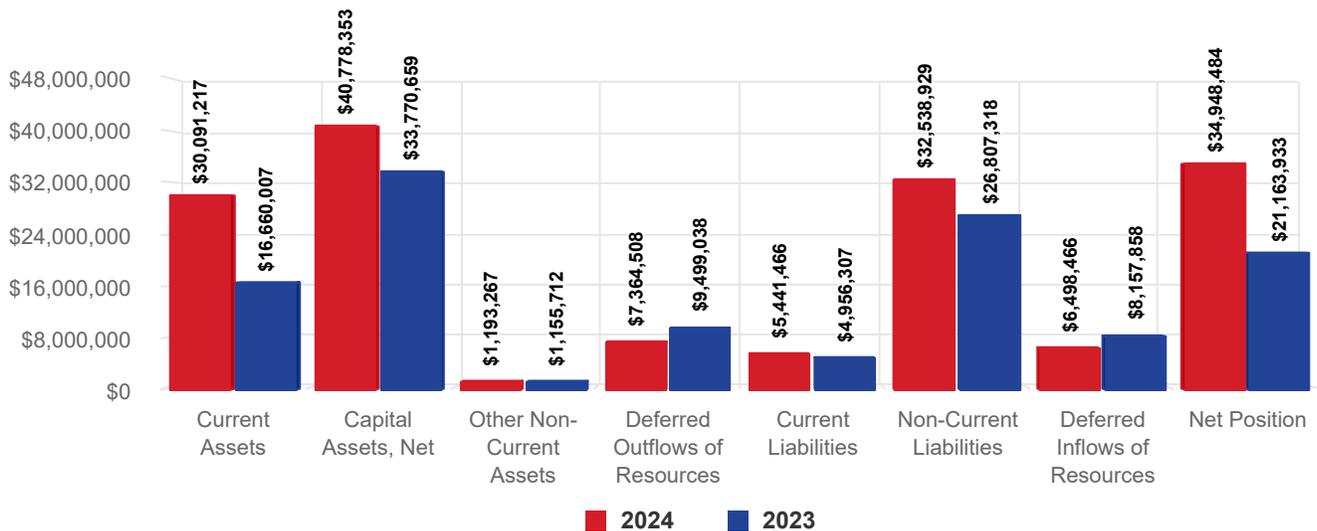
The following schedule, summarizes the Statement of Net Position as of September 30, 2024 and 2023:

Statement of Net Position

	<u>2024</u>	<u>2023</u>
Assets		
Current Assets	\$ 30,091,217	\$ 16,660,007
Capital Assets, Net	40,778,353	33,770,659
Other Non-Current Assets	1,193,267	1,155,712
Total Assets	<u>72,062,837</u>	<u>51,586,378</u>
Deferred Outflows of Resources	<u>7,364,508</u>	<u>9,499,038</u>
Liabilities		
Current Liabilities	5,441,466	4,956,307
Non-Current Liabilities	32,538,929	26,807,318
Total Liabilities	<u>37,980,395</u>	<u>31,763,625</u>
Deferred Inflows of Resources	<u>6,498,466</u>	<u>8,157,858</u>
Net Position		
Net Investment in Capital Assets	36,159,453	28,607,152
Unrestricted	(1,210,969)	(7,443,219)
Total Net Position	<u>\$ 34,948,484</u>	<u>\$ 21,163,933</u>

The following is a graphic presentation of the College’s Statements of Net Position as of September 30, 2024 and 2023:

Statement of Net Position



Changes in Assets, Liabilities and Net Position

The College's total Net Position increased by \$13,784,551 during the year ended September 30, 2024. The increase is attributable to a year over year increase in cash and cash equivalents of \$3.0 million, along with an increase in net capital assets of \$7.0 million. The increase in net capital assets was the result of multiple projects college-wide either in progress or completed during the year. These projects were funded from state and federal grant funds, along with the College's plant funds. The College also continued to receive support from the Higher Education Emergency Relief Fund (HEERF) in response to the adverse effects of the COVID-19 pandemic. This support provided funding for several large capital projects during the fiscal year, as well as support for operations.

Statement of Revenues, Expenses and Changes in Net Position

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

Generally speaking, 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. Readers of these financial statements should gain an understanding of the impact of the presentation of state appropriations as non-operating revenues as required by the Governmental Accounting Standards Board. The impact of the presentation is that the College continuously generates an operating loss. Typically, an operating loss suggests fiscal concerns which should be addressed by the College's administration. The operating loss presented in these financial statements should be viewed in the appropriate context.

The College considers state appropriations to be an integral component of the fiscal viability of the College for without these appropriations the College would have severe difficulty in achieving its mission of providing accessible educational opportunities. The Statement of Revenues, Expenses, and Changes in Net Position presents a net increase in the Net Position for the year ending September 30, 2024.

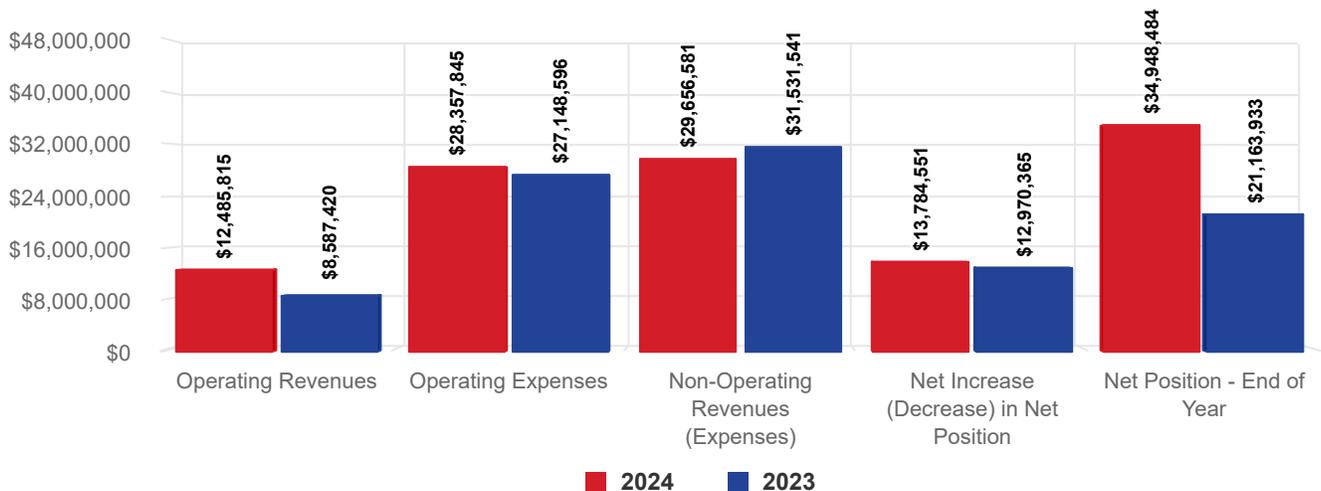
A condensed Statement of Revenues, Expenses and Changes in Net Position for the year ended September 30, 2024 and 2023 is presented below.

Statement of Revenues, Expenses, and Changes in Net Position

	2024	2023
Operating Revenues	\$ 12,485,815	\$ 8,587,420
Operating Expenses	28,357,845	27,148,596
Operating Income (Loss)	<u>(15,872,030)</u>	<u>(18,561,176)</u>
Non-Operating Revenues (Expenses)	<u>29,656,581</u>	<u>31,531,541</u>
Net Increase (Decrease) in Net Position	13,784,551	12,970,365
Net Position - Beginning of Year	21,163,933	8,193,568
Net Position - End of Year	<u>\$ 34,948,484</u>	<u>\$ 21,163,933</u>

The following is a graphic presentation of the College’s Statement of Revenues, Expenses & Changes in Net Position for the years ended September 30, 2024 and 2023:

Statement of Revenues, Expenses, and Changes in Net Position



Operating Revenues for the year ended September 30, 2024, increased approximately \$3,899,000 compared to the previous year. State and local grants and contracts increased over the previous year approximately \$2,657,000, primarily due to grants to fund capital improvements. In addition, federal operating grants increased by approximately \$648,000. Net student tuition and fees increased slightly by approximately \$299,000. All other operating revenue sources were relatively stable for the year.

Operating Expenses for the year ended September 30, 2024, increased approximately 4.45% in comparison to the prior year. Overall, function-specific operating expenses fluctuated randomly compared to the prior year, with the notable changes being a slight increase in Student Aid (due to the increase in tuition and fee revenue) and an increase in Depreciation expense due to the capitalization of completed construction projects. Expenses for the nine major functions presented changed as follows: Instruction increased 14%; Academic Support decreased 1%; Student Services increased 12%; Institutional Support decreased 20%; Operation and Maintenance of Plant expenses increased 11%; Student Aid increased 17%; and Depreciation increased 34%. The College's enrollment increased slightly in 23-24, as impacts from the COVID-19 pandemic continue to subside.

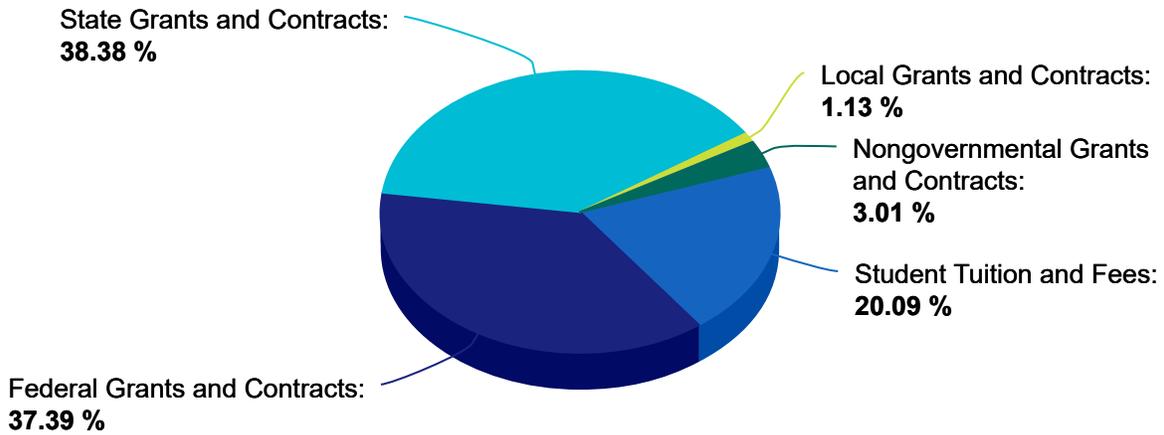
The College's total Net Position increased by \$13,784,551 during the year ended September 30, 2024. The increase was fueled by an improvement in Operating Revenues and Expenses year over year of \$2.7 million. The College also continued to receive support from the Higher Education Emergency Relief Fund (HEERF) in response to the adverse effects of the COVID-19 pandemic, as well as state grant support for capital improvement projects.

Operating Revenues

	<u>2024</u>	<u>2023</u>
Operating Revenues		
Student Tuition and Fees	\$ 2,508,980	\$ 2,210,428
Federal Grants and Contracts	4,668,651	4,021,299
State Grants and Contracts	4,791,487	1,986,112
Local Grants and Contracts	140,631	288,804
Sales and Services of Educational Departments	-	41,814
Auxiliary Enterprises	-	113
Nongovernmental Grants and Contracts	376,066	38,850
Total Operating Revenues	<u>\$ 12,485,815</u>	<u>\$ 8,587,420</u>

The following is a graphic presentation of the total revenues by source for the fiscal year ended September 30, 2024.

Operating Revenues by Source



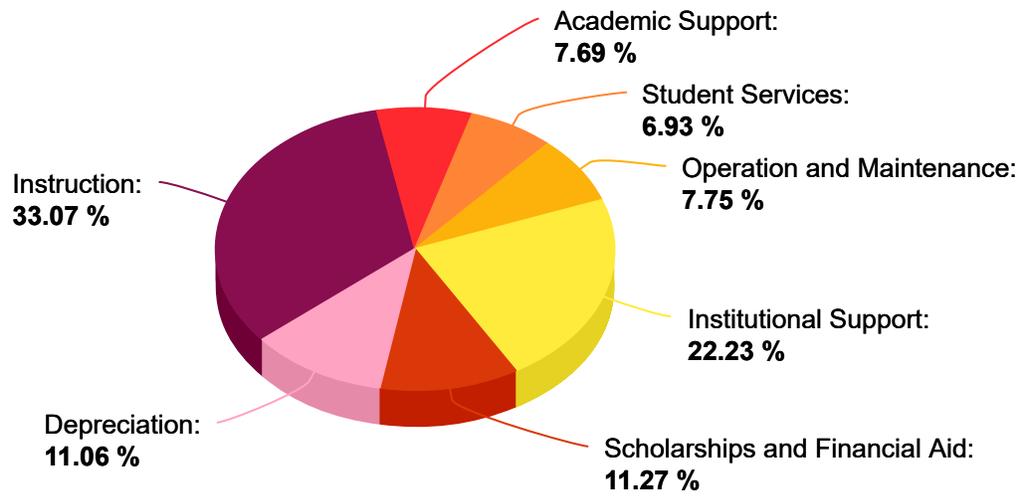
The operating expenses by function stated are displayed in the following exhibit.

Operating Expenses

	<u>2024</u>	<u>2023</u>
Operating Expenses		
Instruction	\$ 9,377,353	\$ 8,212,988
Academic Support	2,181,173	2,208,248
Student Services	1,964,221	1,755,831
Operation and Maintenance	2,198,811	1,981,422
Institutional Support	6,304,888	7,914,073
Scholarships and Financial Aid	3,195,552	2,735,124
Depreciation	3,135,847	2,340,910
Total Operating Expenses	<u>\$ 28,357,845</u>	<u>\$ 27,148,596</u>

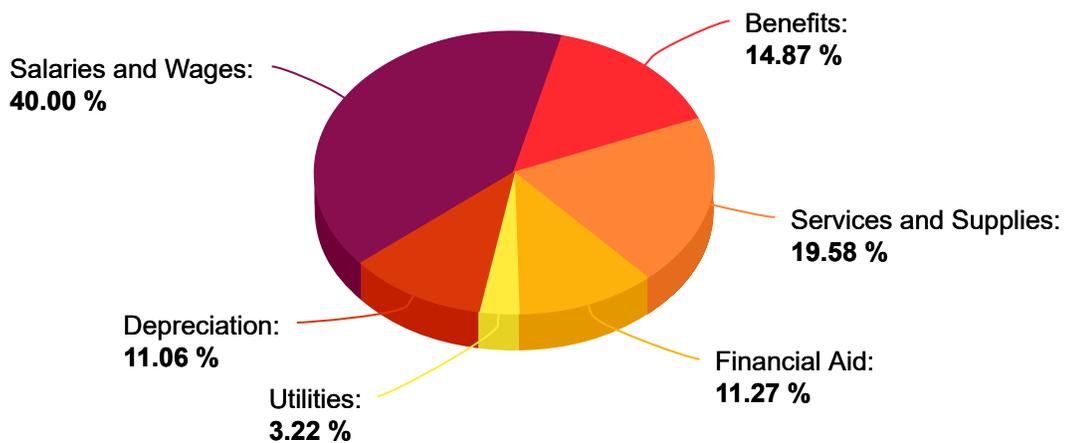
The following is a graphic presentation of operating expenses by function for the fiscal year ended September 30, 2024.

Operating Expenses by Function



Operating expenses are summarized here by natural classification.

Operating Expenses by Natural Classification

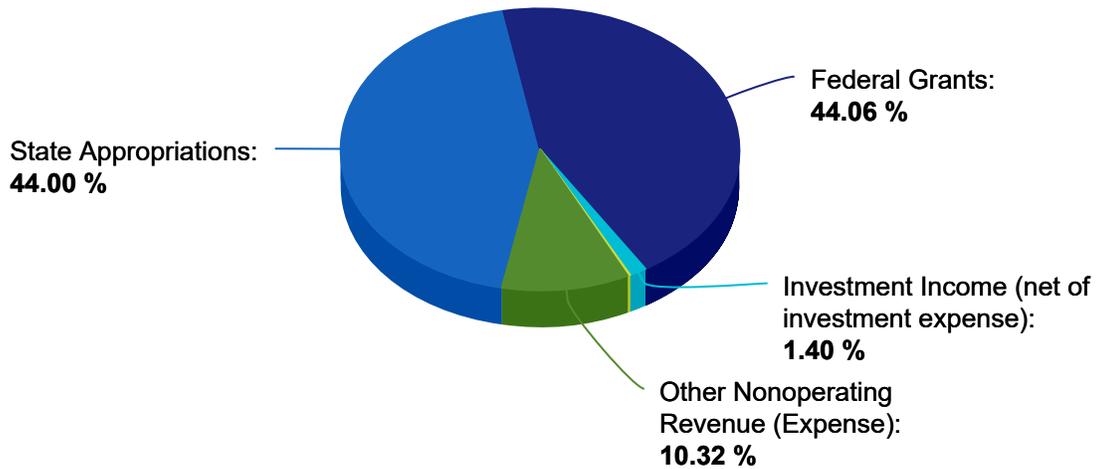


Comparison of Non-Operating Revenue

	<u>2024</u>	<u>2023</u>
Non-Operating Revenue		
State Appropriations	\$ 13,111,694	\$ 11,897,508
Federal Grants	13,128,410	19,557,805
Investment Income (net of investment expense)	416,867	205,324
Gifts	65,447	500
Other Nonoperating Revenue (Expense)	3,074,806	13,611
Total Non-Operating Revenue	<u>\$ 29,797,224</u>	<u>\$ 31,674,748</u>

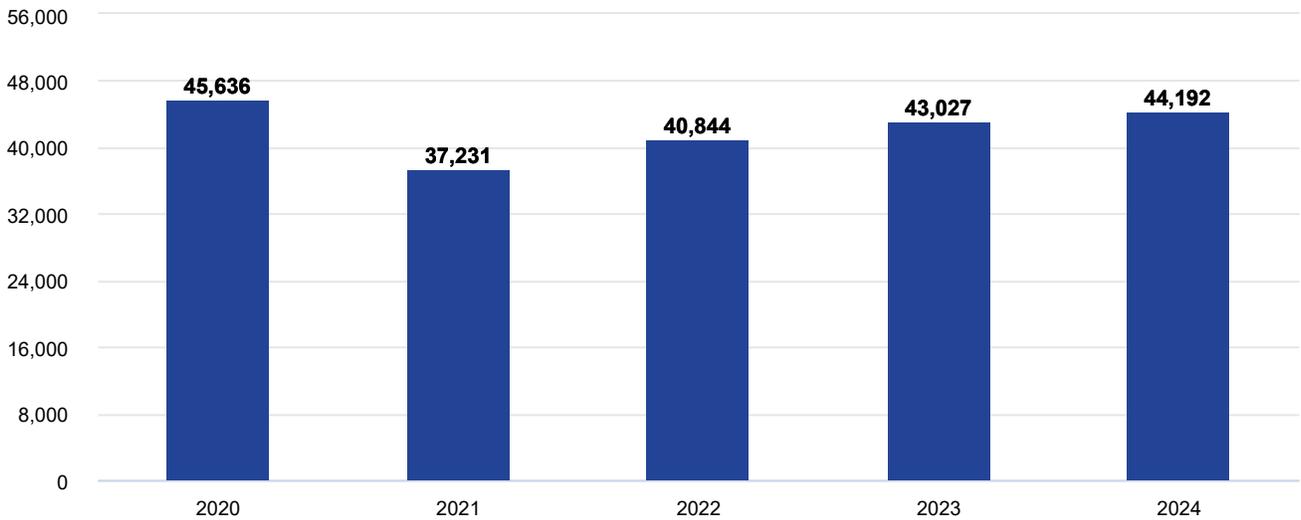
The following chart displays the non-operating revenues by type and their relationship with one another for the fiscal year ended September 30, 2024.

Comparison of Non-Operating Revenue



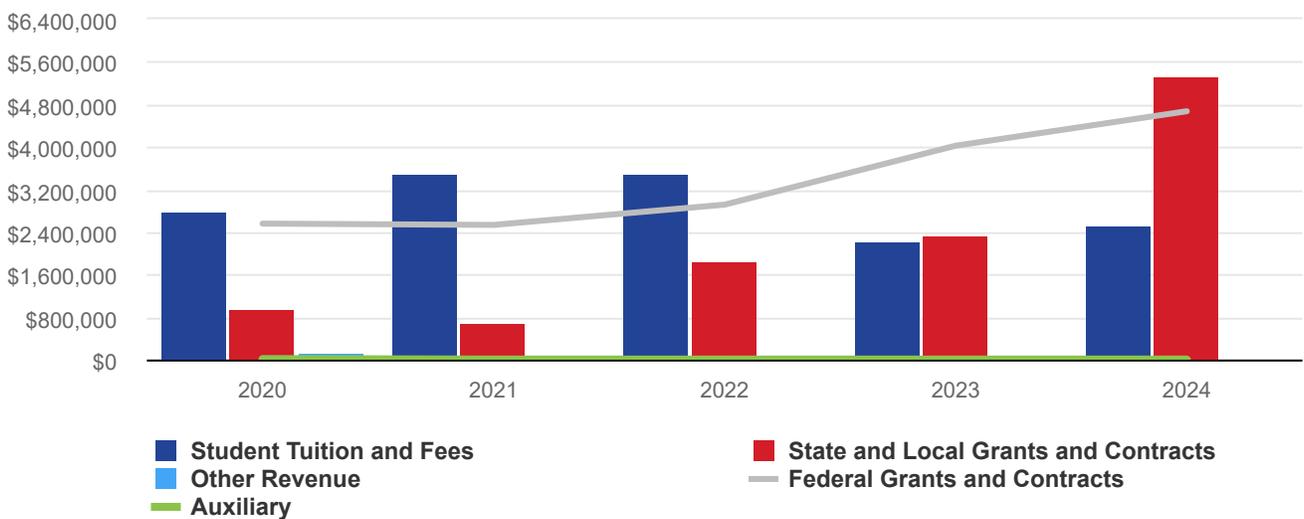
The following chart displays the 5 Year Comparison of Credit Hours for the fiscal year ended September 30, 2024.

5 Year Comparison of Credit Hours



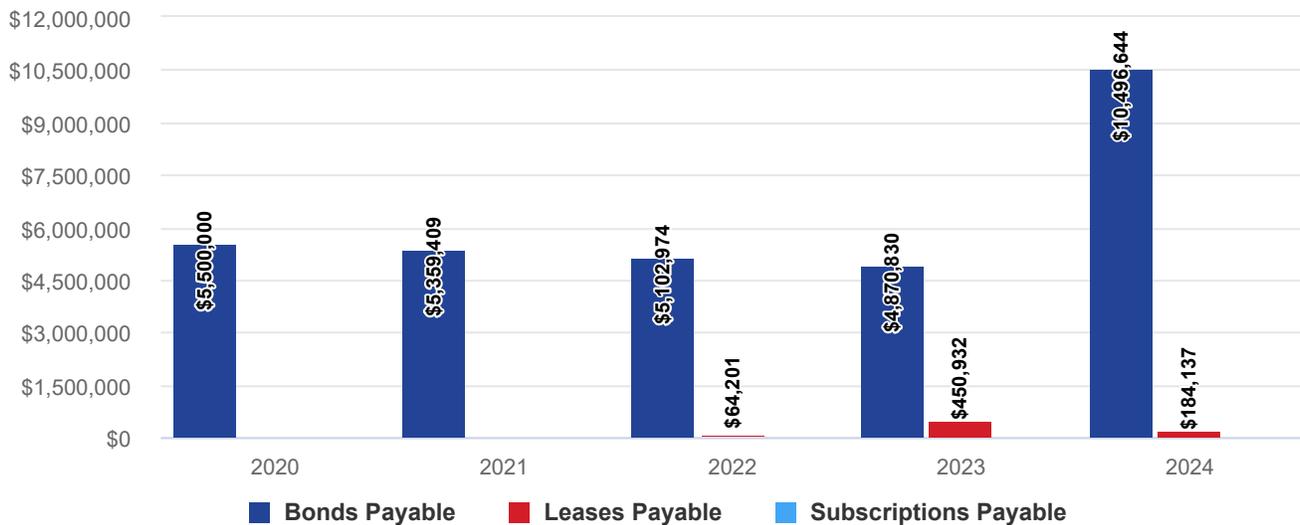
The following chart displays the 5 Year Comparison of Operating Revenue for the fiscal year ended September 30, 2024.

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, 2024.

5 Year Comparison of Long-Term Debt Principal



Statement of Cash Flows

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

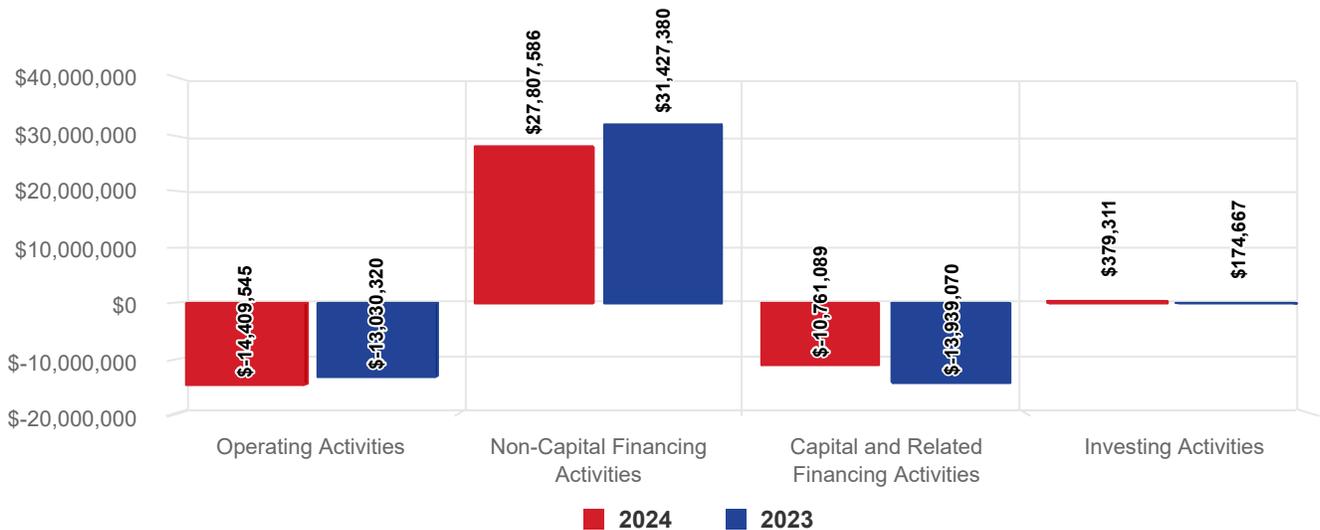
A condensed Statement of Cash Flows for the years ended September 30, 2024 and 2023 is presented below.

Statement of Cash Flows

	<u>2024</u>	<u>2023</u>
Cash Provided by (Used in):		
Operating Activities	\$ (14,409,545)	\$ (13,030,320)
Non-Capital Financing Activities	27,807,586	31,427,380
Capital and Related Financing Activities	(10,761,089)	(13,939,070)
Investing Activities	379,311	174,667
Net Change in Cash and Cash Equivalents	<u>3,016,263</u>	<u>4,632,657</u>
Cash and Cash Equivalents, Beginning of Year	9,308,552	4,675,895
Cash and Cash Equivalents, End of Year	<u>\$ 12,324,815</u>	<u>\$ 9,308,552</u>

The following chart visually depicts the cash flow figures used to generate the net change in cash for the year 2024-2023.

Statement of Cash Flows



Economic Outlook

The effects of the COVID-19 pandemic seem to finally be subsiding, although secondary effects of the pandemic (such as inflation) still linger. The state budget estimates for fiscal year 2024 for Education Trust Fund tax revenues again appear to be promising, with a slight growth in total ETF revenues of 2.2% when compared to FY23. However, the general economic outlook is less optimistic. Much of the prior years' growth in ETF was fueled by higher sales tax revenues that were the result of higher costs due to inflation. Inflation continued to be persistently high for the majority of calendar year 2024, and a recession and/or deflation appears to be imminent. Given the state budget estimates for fiscal year 2024, it is expected that state appropriations will at least remain static and may very well increase slightly for the coming fiscal year. However, given the current inflation pressures and fears of a looming recession, the College administration is keeping this risk of static or decreased state funding in the forefront of its planning. During this period of increased state funding, the College has been very intentional in budgeting responsibly and has used this period to improve its reserves in anticipation of an economic downturn. Federal pandemic support through the Higher Education Emergency Relief Fund (HEERF) expired on June 30, 2023, but the College was granted a 12 month extension on expending these funds for non-capital projects and a longer extension for capital projects in progress at the expiration date. An additional extension after June 30, 2024 was not requested, and the College had exhausted all of its available HEERF funding by the end of FY24. While the College anticipates that enrollment numbers will slowly rebound as the public returns to normal operations in the midst of a post-pandemic world, it is anticipated that enrollment numbers will be below the pre-pandemic levels for several years to come. Historically, downturns in the economy lead to increases in the College's enrollment, and this could be beneficial in returning enrollment numbers to pre-pandemic levels. Despite the potential negative economic outlook, the College administration expects to sustain positive financial stability during the years ahead. As evidenced by the comparative financial statements presented (as well as financial statements from recent prior years), the College administration emphasizes fiscal responsibility in preparing its budgets and adhering to those budgets throughout the year. As the College continues to grow with the SACSCOC accreditation, operating costs will increase to meet the demand of increased enrollment and additional program offerings. The College plans to utilize funds from the Title III-B grant to initially develop new program offerings. With rebounding enrollments and the continued support of state appropriations and federal grant funding, the College has a sound fiscal plan to operate without the use of its reserves to meet the College's needs in the next two years. The College is not aware of any currently known acts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during the current fiscal year. The College anticipates the next two fiscal years will be challenging; however, the administration will maintain a close watch over resources to ensure the College's ability to respond proactively to internal and external issues, particularly as related to funding.



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Financial Statements

ANNUAL FINANCIAL REPORT
TRENHOLM STATE COMMUNITY COLLEGE



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Statement of Net Position - Restated September 30, 2024

	<u>2024</u>
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 12,324,815
Accounts Receivable, Net	11,645,134
Deposit with Bond Trustee	5,729,886
Other Current Assets	391,382
Total Current Assets	<u>30,091,217</u>
Non-Current Assets	
Long-Term Investments	1,193,267
Capital Assets, Net of Depreciation and Amortization	40,778,353
Total Non-Current Assets	<u>41,971,620</u>
Total Assets	<u>72,062,837</u>
Deferred Outflows of Resources	
Pension	5,176,820
Other Postemployment Benefits (OPEB)	2,187,688
Total Deferred Outflows of Resources	<u>\$ 7,364,508</u>

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

Statement of Net Position - Restated (Continued)

September 30, 2024

	<u>2024</u>
Liabilities	
Current Liabilities	
Accounts Payable and Accrued Liabilities	\$ 2,400,693
Deposit Liabilities	290,708
Unearned Revenue	2,137,745
Compensated Absences	49,863
Lease Payable	118,403
Bonds Payable	444,054
Total Current Liabilities	<u>5,441,466</u>
Non-Current Liabilities	
Compensated Absences	717,260
Lease Payable	65,734
Bonds Payable	10,052,590
Net Pension Liability	19,925,000
Net OPEB Liability	1,778,345
Total Non-Current Liabilities	<u>32,538,929</u>
Total Liabilities	<u>37,980,395</u>
Deferred Inflows of Resources	
Pension	945,000
Other Postemployment Benefits (OPEB)	5,553,466
Total Deferred Inflows of Resources	<u>6,498,466</u>
Net Position	
Net Investment in Capital Assets	36,159,453
Unrestricted	(1,210,969)
Total Net Position	<u><u>\$ 34,948,484</u></u>

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

Statement of Revenues, Expenses, and Changes in Net Position - Restated For the Year Ended September 30, 2024

	<u>2024</u>
Operating Revenues	
Student Tuition and Fees (net of scholarship allowances of \$5,560,281)	\$ 2,508,980
Federal Grants and Contracts	4,668,651
State Grants and Contracts	4,791,487
Local Grants and Contracts	140,631
Nongovernmental Grants and Contracts	376,066
Total Operating Revenues	<u>12,485,815</u>
Operating Expenses	
Instruction	9,377,353
Academic Support	2,181,173
Student Services	1,964,221
Operation and Maintenance	2,198,811
Institutional Support	6,304,888
Scholarships and Financial Aid	3,195,552
Depreciation	3,135,847
Total Operating Expenses	<u>28,357,845</u>
Operating (Loss)	<u>(15,872,030)</u>
Non-Operating Revenues (Expenses)	
State Appropriations	13,111,694
Federal Grants	13,128,410
Investment Income (net of investment expense)	416,867
Gifts	65,447
Bond Surety Fee	(17,495)
Other Nonoperating Revenue (Expense)	3,074,806
Interest on Indebtedness	(123,148)
Total Non-Operating Revenues (Expenses)	<u>29,656,581</u>
Net Increase in Net Position	<u>13,784,551</u>
Net Position - Beginning of Year	21,163,933
Net Position - End of Year	<u><u>\$ 34,948,484</u></u>

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

Statement of Cash Flows

For the Year Ended September 30, 2024

	<u>2024</u>
Cash Flows from Operating Activities	
Tuition and Fees	\$ 1,234,697
Federal Grants and Contracts	8,664,350
Payments to Suppliers	(5,326,902)
Payments for Utilities	(912,507)
Payments to Employees	(11,342,699)
Payments for Benefits	(3,420,233)
Payments for Scholarships	(3,306,251)
Net Cash Used in Operating Activities	<u>(14,409,545)</u>
Cash Flows from Non-Capital Financing Activities	
State Appropriations	12,762,381
Federal Grants	11,813,101
Bond Surety Fee	(17,495)
Other Nonoperating Revenue	3,249,599
Net Cash Provided by Non-Capital Financing Activities	<u>27,807,586</u>
Cash Flows from Capital and Related Financing Activities	
Purchase of Capital Assets	(10,144,659)
Principal Paid on Capital Debt	(608,939)
Interest Paid on Capital Debt	(127,582)
Bond Issue Costs Paid on New Debt Issue	(62,307)
Deposits with Trustees	(5,729,886)
Proceeds from Capital Debt	5,914,336
Other Capital and Related Financing	(2,052)
Net Cash Used in Capital and Related Financing Activities	<u>(10,761,089)</u>
Cash Flows from Investing Activities	
Investment Income	416,867
Purchase of Investments	(37,556)
Net Cash Provided by Investing Activities	<u>379,311</u>
Net Increase in Cash and Cash Equivalents	<u>3,016,263</u>
Cash and Cash Equivalents - Beginning of the Year	<u>9,308,552</u>
Cash and Cash Equivalents - End of Year	<u>\$ 12,324,815</u>

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

Statement of Cash Flows (Continued)

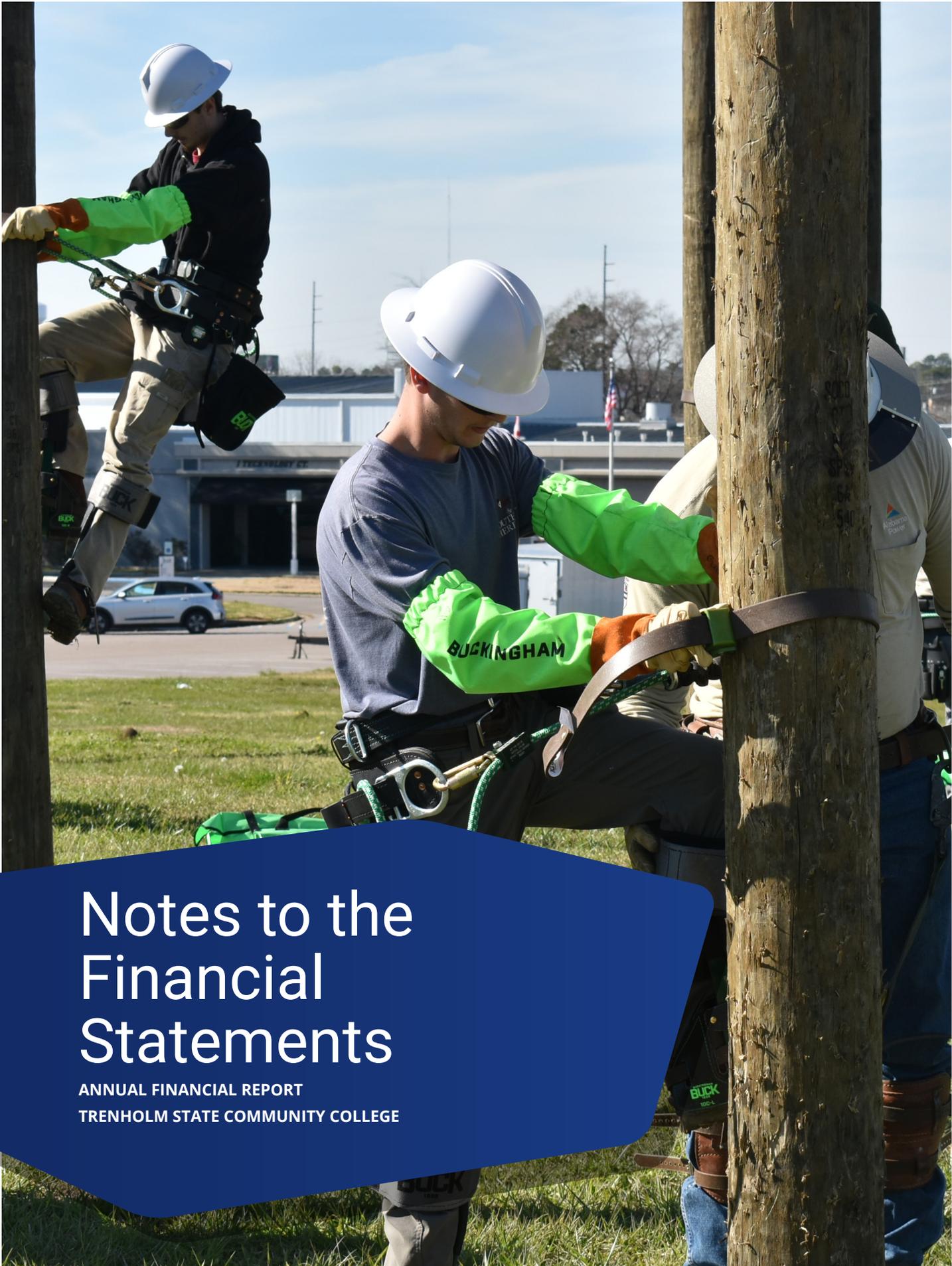
For the Year Ended September 30, 2024

	<u>2024</u>
Reconciliation of Net Operating Income to Net Cash Used in Operating Activities	
Operating Loss	\$ (15,872,030)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	3,135,847
Changes in Assets and Liabilities:	
Receivables, Net	(2,895,553)
Other Assets	(110,699)
Deferred Outflows	2,134,530
Accounts Payable	226,695
Deposits Held for Others	42,741
Unearned Revenue	266,044
Compensated Absences	15,735
Net Pension Liability	313,000
Net OPEB Liability	(6,463)
Deferred Inflows	(1,659,392)
Net Cash Used in Operating Activities	<u>\$ (14,409,545)</u>

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



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Notes to the Financial Statements

ANNUAL FINANCIAL REPORT
TRENHOLM STATE COMMUNITY COLLEGE



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Note 1. Summary of Significant Accounting Policies

Nature of Operations

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

Reporting Entity

The College is a component unit of the State of Alabama. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. The Governmental Accounting Standards Board (GASB) in Statement Number 14, *The Financial Reporting Entity*, states that a primary government is financially accountable for a component unit if it appoints a voting majority of an organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or to 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. 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.

Cash, Cash Equivalents, and Investments

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

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

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

Receivables

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

Capital Assets

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

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

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

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

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

Leases

As lessee, the College recognizes a lease liability and an intangible right-to-use lease asset in the financial statements and recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the College initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the College determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The College uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the College uses its estimated incremental borrowing rate as the discount rate for leases.

The College's estimated incremental borrowing rate is based on historical market data and credit spread based on market data points compared to the lease commencement date. The lease term includes the non-cancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the College is reasonably certain to exercise.

The College monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Deferred Outflows of Resources

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

Long-Term Obligations

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

Unearned Tuition and Fee Revenue

Tuition and fee revenues received for Fall Term but related to the portion of the Term that occurs in the subsequent fiscal year have been disclosed as unearned revenues.

Compensated Absences

No liability is recorded for sick leave. Substantially all employees of the College earn 12 days of sick leave each year with unlimited accumulation. Payment is not made to employees for unpaid sick leave at termination or retirement.

All non-instructional employees earn annual leave at a rate which varies from 12 to 24 days per year depending on duration of employment, with accumulation limited to 60 days. Instructional employees do not earn annual leave. Payment is made to employees for unused leave at termination or retirement.

Deferred Inflows of Resources

Deferred inflows of resources are reported in the Statement of Net Position. Deferred inflows of resources are defined as an acquisition of net assets by the government that is applicable to a future reporting period. Deferred inflows of resources decrease net position, similar to liabilities.

Pensions

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

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

Postemployment Benefits Other than Pensions (OPEB)

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

when due pursuant to plan requirements. Benefits are recognized when due and payable in accordance with the terms of the plan. Subsequent events were evaluated by management through the date the financial statements were issued.

Net Position

Net position is required to be classified for accounting and reporting purposes into the following categories:

- **Net Investment in Capital Assets** – Capital assets, including restricted capital assets, reduced by accumulated depreciation and by outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. Any 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 as prescribed by the National Association of College and University Business Officers (NACUBO) in their Advisory Report 2000-05 to determine the amount of scholarship allowances and discounts.

New Accounting Pronouncements

In June 2022, GASB issued Statement No. 100, Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62, effective for reporting periods beginning after June 15, 2023. Statement No. 100 defines accounting changes and prescribes the accounting and financial reporting for each type of

accounting change and error corrections. The adoption of this statement by the State System had no impact on the previously reported beginning net position at September 30, 2023.

Note 2. Deposits and Investments

Deposits

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

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

The Statement of Net Position classification "Deposit with Bond Trustee", with a year-end balance of \$5,729,886, includes the proceeds remaining at year end from the issuance of the H. Council Trenholm State Community College Revenue Bonds - Series 2024. Per the bond documents, these proceeds are restricted in use specifically for capital improvements on the College's Executive Park campus.

Investments

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

Permissible investments include:

1. U.S. Treasury bills, notes, bonds, and stripped Treasuries;
2. U.S. Agency notes, bonds, debentures, discount notes and certificates;
3. Certificates of Deposits (CDs), checking and money market accounts of savings and loan associations, mutual savings banks, or commercial banks whose accounts are insured by FDIC/FSLIC, and who are designated a Qualified Public Depository (QPD) under the SAFE Program;
4. Mortgage Backed Securities (MBSs);

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

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

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

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

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

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

The Statement of Net Position investment classification consists of a non-negotiable certificate of deposit in the amount of \$1,193,267. Certificates of deposit are not subject to risk categorization because they are considered deposits for the purpose of this note.

Note 3. Receivables

Receivables are reported and summarized as follows:

Description	2024
Federal	\$ 5,754,322
Student	2,445,298
State	3,665,333
Third Party	662,079
Other	135,393
Less: Allowance for Doubtful Accounts	(1,017,291)
Total Accounts Receivable	11,645,134

Note 4. Capital Assets

Capital asset activity for the year ended September 30, 2024, was as follows:

Description	Beginning Balance	Additions	Deductions	Adjustments	Ending Balance
Nondepreciable Capital Assets					
Land	\$ 3,502,564	\$ 220,075	\$ -	\$ -	\$ 3,722,639
Construction in Progress	10,336,929	8,632,632	(16,006,802)	-	2,962,759
Total Nondepreciable Capital Assets	13,839,493	8,852,707	(16,006,802)	-	6,685,398
Other Capital Assets					
Buildings	14,737,803	-	-	-	14,737,803
Building Alterations	12,075,746	13,290,831	-	-	25,366,577
Improvements other than Buildings and Infrastructure	6,588,335	908,897	-	-	7,497,232
Furniture and Equipment greater than \$25,000	7,719,930	2,521,841	(227,605)	-	10,014,166
Furniture and Equipment \$25,000 or less	4,291,735	455,043	(298,947)	-	4,447,831
Library Materials	774,147	-	-	-	774,147
Right to Use Assets - Buildings and Equipment	1,049,710	122,143	-	-	1,171,853
Total Other Capital Assets	47,237,406	17,298,755	(526,552)	-	64,009,609
Less Accumulated Depreciation/Amortization					
Buildings	9,438,078	338,531	-	-	9,776,609
Building Alterations	5,114,669	1,064,008	-	-	6,178,677
Improvements other than Buildings and Infrastructure	3,505,282	263,778	-	-	3,769,060
Furniture and Equipment greater than \$25,000	4,499,877	743,843	(227,605)	-	5,016,115
Furniture and Equipment \$25,000 or less	3,558,714	337,528	(297,828)	-	3,598,414
Library Materials	587,849	-	-	-	587,849
Right to Use Assets - Buildings and Equipment	601,771	388,159	-	-	989,930
Total Accumulated Depreciation/Amortization	27,306,240	3,135,847	(525,433)	-	29,916,654
Total Capital Assets, Net	\$ 33,770,659	\$ 23,015,615	\$ (16,007,921)	\$ -	\$ 40,778,353

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

Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further

performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending June 30 are paid to a qualified beneficiary.

Contributions

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

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

Participating employers' contractually required contribution rate for the fiscal year ended September 30, 2023 was 12.59% of annual pay for Tier 1 members and 11.57% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the College were \$1,326,820 for the year ended September 30, 2024.

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

At September 30, 2024, the College reported a liability of \$19,925,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2022. 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, 2023, the College's proportion was 0.124862% which was a decrease of 0.001334% from its proportion measured as of September 30, 2022.

For the year ended September 30, 2024, the College recognized pension expense of \$2,984,000. At September 30, 2024, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 1,782,000	\$ 269,000
Changes of Assumptions	561,000	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	1,366,000	-
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	141,000	676,000
Employer Contributions Subsequent to the Measurement Date	1,326,820	-
Total	\$ 5,176,820	\$ 945,000

\$1,326,820 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, 2025.

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
2025	\$ 960,000
2026	528,000
2027	1,482,000
2028	(65,000)
2029	-
Thereafter	-

Actuarial Assumptions

The total pension liability as of September 30, 2023 was determined by an actuarial valuation as of September 30, 2022, 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, 2022, 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%	2.50%
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%)
Proportionate Share of the Collective Net Pension Liability	\$ 26,030,000	\$ 19,925,000	\$ 14,791,000

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, 2023. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2023. 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, 2024, the College reported a liability of \$1,778,345 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, 2022. The College's proportion of the Net OPEB liability was based on the College's share of contributions to the OPEB plan relative to the total employer contributions of all participating PEEHIP employers. At September 30, 2023, the College's proportion was 0.09251852% which was a decrease of 0.00991251% from its proportion measured as of September 30, 2022.

For the year ended September 30, 2024, the College recognized OPEB expense/(income) of (\$751,561), with no special funding situations. At September 30, 2024, 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	\$ 34,772	\$ 2,806,176
Changes of Assumptions	1,498,195	1,759,264
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	60,745	-
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	473,220	988,026
Employer Contributions Subsequent to the Measurement Date	120,756	
Total	<u>\$ 2,187,688</u>	<u>\$ 5,553,466</u>

The \$120,756 reported as deferred outflows of resources related to OPEB resulting from the College's contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB liability in the year ending September 30, 2025.

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
2025	\$ (1,118,282)
2026	(636,900)
2027	(573,603)
2028	(700,963)
2029	(438,517)
Thereafter	(18,269)

Actuarial Assumptions

The Total OPEB Liability as of September 30, 2022, was determined based on an actuarial valuation prepared as of September 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of September 30, 2022:

Inflation	2.50%
Salary Increases	3.25 - 5.00%, including 2.75% wage inflation
Long-term Investment Rate of Return	7.00% compounded annually, net of investment expense, and including inflation
Municipal Bond Index Rate at the Measurement Date	4.53%
Municipal Bond Index Rate at the Prior Measurement Date	4.40%
Year Fiduciary Net Position (FNP) is Projected to be Depleted	N/A
Single Equivalent Interest Rate at Measurement Date	7.00%
Single Equivalent Interest Rate at Prior Measurement Date	7.00%
Healthcare Cost Trend Rates:	
Initial Trend Rate	
Pre-Medicare Eligible	7.00%
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 scheduled increases through plan year 2025.

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, 2022 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 7.00%. 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, 11.051% of the employer contributions were used to assist in funding retiree benefit payments in 2023 and it is assumed that the 11.051% 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 \$940 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 2121.

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 (6.00% decreasing to 3.50% for pre-Medicare, Known decreasing to 3.50% for Medicare eligible)	Current Healthcare Trend Rate (7.00% decreasing to 4.50% for pre-Medicare, Known decreasing to 4.50% for Medicare eligible)	1% Increase (8.00% decreasing to 5.50% for pre-Medicare, Known decreasing to 5.50% for Medicare eligible)
Net OPEB Liability	\$ 1,347,967	\$ 1,778,345	\$ 2,300,912

The following table presents the College’s proportionate share of the Net OPEB liability of the Trust calculated using the discount rate of 7.00%, 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 (6.00%)	Current Rate (7.00%)	1% Increase (8.00%)
Net OPEB Liability	\$ 2,195,363	\$ 1,778,345	\$ 1,423,408

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, 2023. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2023. Additional financial and actuarial information is available at www.rsa-al.gov.

Note 7. Construction and Other Significant Commitments

As of September 30, 2024, the College had been awarded approximately \$11,736,008 in contracts and grants on which performance had not been accomplished and funds had not been received. These awards, which represent commitments of sponsors to provide funds for specific purposes, have not been reflected in the financial statements.

Note 8. Leases

Lease Liability

For the years ended September 30, 2024 and 2023, the College's financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The College leases a building, office space and certain items of office equipment. These assets are recognized as right of use leased assets with a corresponding lease liability. The lease liability has been discounted ranging 0.25% - 2.87%, the stated interest rates on the lease contracts. Details for the assets and liabilities are as follows:

Description	2024
Right of Use Assets	\$ 1,171,853
Less: Accumulated Amortization	(989,930)
Net Right of Use Assets	\$ 181,923

Minimum lease payments under capital leases together with the present value of the net minimum lease payments are shown in the table below:

Fiscal Year(s)	Principal	Interest	Total
2025	\$ 118,403	\$ 2,861	\$ 121,264
2026	41,169	1,345	42,514
2027	24,565	235	24,800
Total	\$ 184,137	\$ 4,441	\$ 188,578

Note 9. Long-Term Debt Liabilities

Long-term liabilities activity for the year ended September 30, 2024 , was as follows:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable					
Revenue Bonds - 2020	\$ 4,735,000	\$ -	\$ 220,000	\$ 4,515,000	\$ 225,000
Revenue Bonds - 2024	-	5,660,000	-	5,660,000	105,000
Premium	135,830	228,141	42,327	321,644	114,054
Total Bonds Payable	4,870,830	5,888,141	262,327	10,496,644	444,054
Leases Payable	450,932	122,144	388,939	184,137	118,403
Compensated Absences	751,388	15,735	-	767,123	49,863
Total Long-Term Liabilities	\$ 6,073,150	\$ 6,026,020	\$ 651,266	\$ 11,447,904	\$ 612,320

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

Fiscal Year(s)	Principal	Interest	Total
2025	\$ 330,000	\$ 348,339	\$ 678,339
2026	330,000	369,646	699,646
2027	340,000	355,446	695,446
2028	350,000	340,846	690,846
2029	365,000	325,846	690,846
2030-2034	2,010,000	1,440,828	3,450,828
2035-2039	2,350,000	1,102,028	3,452,028
2040-2044	1,330,000	743,023	2,073,023
2045-2049	1,250,000	481,814	1,731,814
2050-2054	1,520,000	199,113	1,719,113
Total	\$ 10,175,000	\$ 5,706,929	\$ 15,881,929

Pledged Revenues

The College has pledged student tuition and fee revenue to repay \$5,150,000 in Revenue Bonds Series 2020 issued in November 2020, for the purpose of redemption and prepayment of Revenue Bonds, Series 1995 and 2010. The Series 1995 and 2010 bonds were originally issued in aggregate principal amounts of \$2,000,000 and \$5,550,000, respectively. The outstanding principal of the Series 1995 and 2010 bonds were \$590,000 and \$4,910,000, respectively, at the time of their redemption and prepayment.

Future revenues in the amount of \$5,519,295, are pledged to repay principal and interest on the Series 2020 bonds at September 30, 2024. These bonds are scheduled to mature in 2040.

The College has pledged student tuition and fee revenue to repay \$5,660,000 in Revenue Bonds Series 2024 issued in August 2024, for the purpose of providing funding to make certain improvements at the College's Executive Park campus, including demolition and abatement gutting of existing buildings to repurpose for classrooms, labs, offices, and support services, as well as installation of new electrical, IT, lighting, HVAC, windows and roofing; paying a premium for a policy of municipal bond insurance; and paying the expenses of issuing the bonds.

Future revenues in the amount of \$10,362,634, are pledged to repay principal and interest on the Series 2024 bonds at September 30, 2024. These bonds are scheduled to mature in 2054.

Note 10. Risk Management

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College has insurance for its buildings and contents through the State Insurance Fund (SIF), part of the State of Alabama, Department of Finance; Division of Risk Management which operates as a common risk management and insurance program for state owned properties.

The College pays an annual premium based on the amount of coverage requested. The SIF provides coverage up to \$2 million per occurrence and is self-insured up to a maximum of \$6 million in aggregate claims. The SIF purchases commercial insurance for claims which in the aggregate exceed \$6 million. The College purchases commercial insurance for its automobile coverage, general liability, and professional legal liability coverage. In addition, the College has fidelity bonds on the College's President, Dean of Business Services, Financial Aid Director, and all other college personnel who handle funds.

Note 11. Health Insurance and Unemployment Compensation

Health Insurance

Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF) administered by the Public Education Employees' Health Insurance Board (PEEHIB). The Fund was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are determined annually by the plan's actuary and 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.

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

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

Unemployment Compensation

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.

Note 12. Restatement of Financial Statements

The September 30, 2024 financial statements were previously issued on January 17, 2025. Subsequent to this date, management discovered that Pell grants of approximately \$3.2 million were inadvertently excluded from accounts receivable at September 30, 2024, resulting in an understatement in accounts receivable and grant revenue. These 2024 financials have been restated and reissued to reflect the correction of error as follows:

	Previously Reported	Adjustment	Restated
Statement of Net Position:			
Receivables, Net	8,432,616	3,212,518	11,645,134
Statement of Revenue, Expenses, and Changes in Net Position:			
Federal Grants Revenue - non-operating	9,915,892	3,212,518	13,128,410

A photograph of two men, one with dreadlocks and a beard, the other with curly hair and a beard, both wearing white t-shirts. They are focused on sorting through several large grey tote bags filled with various food items, including boxes of cereal and bags of snacks. The setting appears to be a kitchen or a food storage area with wooden cabinets in the background. A dark blue banner is overlaid on the bottom right of the image, containing the title and subtitle.

Required Supplementary Information

ANNUAL FINANCIAL REPORT
TRENHOLM STATE COMMUNITY 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)	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
College's Proportion of the Net Pension Liability	0.124862%	0.126196%	0.130099%	0.137489%	0.130856%	0.129024%	0.122133%	0.116333%	0.127394%	0.133789%
College's Proportionate Share of the Net Pension Liability	\$ 19,925	\$ 19,612	\$ 12,256	\$ 17,007	\$ 14,469	\$ 12,828	\$ 12,004	\$ 12,594	\$ 13,333	\$ 12,154
College's Covered Payroll	\$ 10,279	\$ 9,816	\$ 9,446	\$ 9,651	\$ 9,312	\$ 8,601	\$ 8,125	\$ 7,387	\$ 8,034	\$ 8,479
College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	193.84%	199.80%	129.75%	176.24%	155.38%	149.16%	147.74%	170.49%	165.96%	143.34%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.57%	62.21%	76.44%	67.72%	69.85%	72.29%	71.50%	67.93%	67.51%	71.01%

Notes to schedule:

Note 1: Per GASB 82, which amends GASB 68, covered payroll is defined as the payroll on which contributions to a pension plan are based. The covered payroll for this RSI Schedule (GASB 68 paragraph 81a) is for the measurement period, which for the September 30, 2024 year is October 1, 2022 through September 30, 2023.

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

(Dollar Amounts in Thousands)	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 1,327	\$ 1,259	\$ 1,141	\$ 1,134	\$ 1,168	\$ 1,138	\$ 1,037	\$ 952	\$ 877	\$ 910
Contributions in Relation to the Contractually Required Contribution	\$ 1,327	\$ 1,259	\$ 1,141	\$ 1,134	\$ 1,168	\$ 1,138	\$ 1,037	\$ 952	\$ 877	\$ 910
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College's Covered Payroll	\$ 10,692	\$ 10,279	\$ 9,816	\$ 9,446	\$ 9,651	\$ 9,312	\$ 8,601	\$ 8,125	\$ 7,387	\$ 8,034
Contributions as a Percentage of Covered Payroll	12.41%	12.25%	11.62%	12.01%	12.10%	12.22%	12.06%	11.72%	11.87%	11.33%

Notes to Schedule

Note 1: Per GASB 82, which amends GASB 68, covered payroll is defined as the payroll on which contributions to a pension plan are based, also known as pensionable payroll. The covered payroll for this RSI Schedule (GASB 68 paragraph 81b) is for the most recent fiscal year end, which for the September 30, 2024 year is October 1, 2023 through September 30, 2024.

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

Notes to Required Supplementary Information for Pension Benefits

Note 1. Changes of Benefit Terms

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

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

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

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

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 total pension liability as of September 30, 2023 was determined by an actuarial valuation as of September 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent closed
Remaining Amortization Period	24.9 years
Asset Valuation Method	Five-year market related value
Inflation	2.50 percent
Salary Increase	3.25 percent to 5.00 percent, including inflation
Investment Rate of Return	7.45 percent, net of pension plan investment expense, including inflation

The actuarial assumptions used in the actuarial valuation as of September 30, 2022, 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.

**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)	2024	2023	2022	2021	2020	2019	2018
College's Proportion of the Net OPEB Liability	0.092519%	0.102431%	0.096200%	0.095588%	0.111188%	0.104177%	0.096521%
College's Proportionate Share of the Net OPEB Liability	\$ 1,778	\$ 1,785	\$ 4,970	\$ 6,204	\$ 4,195	\$ 8,562	\$ 7,169
College's Covered Payroll	\$ 10,140	\$ 9,628	\$ 9,447	\$ 9,248	\$ 9,683	\$ 8,762	\$ 8,135
College's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	17.53%	18.54%	52.62%	67.08%	43.32%	97.71%	88.12%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	49.42%	48.39%	27.11%	19.80%	28.14%	14.81%	15.37%

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

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

(Dollar Amounts in Thousands)	2024	2023	2022	2021	2020	2019	2018
Contractually Required Contribution	\$ 121	\$ 141	\$ 193	\$ 162	\$ 202	\$ 315	\$ 263
Contributions in Relation to the Contractually Required Contribution	\$ 121	\$ 141	\$ 193	\$ 162	\$ 202	\$ 315	\$ 263
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College's Covered Payroll	\$ 10,465	\$ 10,141	\$ 9,628	\$ 9,447	\$ 9,248	\$ 9,683	\$ 8,762
Contributions as a Percentage of Covered Payroll	1.16%	1.39%	2.01%	1.72%	2.18%	3.25%	3.00%

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

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

Note 1. Changes in Actuarial Assumptions

In 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 or participation, spouse coverage, and tobacco use were adjusted to reflect actual experience more closely.

Note 2. Recent Plan Changes

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 or participation, spouse coverage, and tobacco use were adjusted to reflect actual experience more closely.

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, 2020, 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
Remaining Amortization Period	21 years, closed
Asset Valuation Method	Market Value of Assets
Inflation	2.75%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	6.50%
Medicare Eligible *	*
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.75%
Medicare Eligible	4.75%
Year of Ultimate Trend Rate	2027 for Pre-Medicare Eligible 2024 for Medicare Eligible
Optional Plans Trend Rate	2.00%
Investment Rate of Return	5.00%, including inflation

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



Supplementary Information

ANNUAL FINANCIAL REPORT
TRENHOLM STATE COMMUNITY COLLEGE



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Schedule Expenditures of Federal Awards - Restated For the Year Ended September 30, 2024

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass Through Grantor's Number	Passed Through to Subrecipients	Total Federal Expenditures
Student Financial Assistance Cluster				
U. S. Department of Education				
Direct Programs				
Federal Pell Grant Program	84.063		\$ -	\$ 8,027,693
Federal Supplemental Educational Opportunity Grants	84.007		-	124,925
Federal Work-Study Program	84.033		-	121,478
Total Student Financial Assistance Cluster			-	8,274,096
Research and Development Cluster				
U. S. Department of Education				
Direct Program				
Higher Education - Institutional Aid	84.031		-	2,993,871
TRIO Cluster				
U. S. Department of Education				
Direct Program				
TRIO - Upward Bound	84.047		-	290,840
Other Federal Awards				
U. S. Department of Education				
Direct Program				
COVID-19 (HEERF) Institutional Aid Portion (M)	84.425F		-	2,416,679
COVID-19 (HEERF) Historically Black Colleges and Universities (HBCUs) (M)	84.425J		-	5,366,834
COVID-19 (HEERF) Historically Black Colleges and Universities (HBCUs) - Supplemental Support Under the American Rescue Plan (SSARP) (M)	84.425J		-	246,777
Total COVID-19 Higher Education Emergency Relief Fund (HEERF)			-	8,030,290
Passed Through Montgomery Public Schools				
Coronavirus State and Local Fiscal Recovery Funds	21.027	9106	-	35,000

**Schedule Expenditures of Federal Awards - Restated (Continued)
For the Year Ended September 30, 2024**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass Through Grantor's Number	Passed Through to Subrecipients	Total Federal Expenditures
Passed Through Alabama Community College System				
Adult Education - Basic Grants to States	84.002	0922AE099	-	323,626
Passed Through Alabama State Department of Education				
Career and Technical Education - Basic Grants to States	84.048	V048A2300001		419,863
TOTAL U.S. DEPARTMENT OF EDUCATION			-	20,367,586
WIOA Cluster U. S. Department of Labor Passed Through Alabama Community College System				
H-1B Job Training Grant (ALAMAP)	17.268	HG-33165-19-60-A-1		64,435
TOTAL U.S. DEPARTMENT OF LABOR			-	64,435
Department of Commerce Direct Program National Telecommunications and Information Administration				
Connecting Minority Communities Pilot Program	11.028			355,511
TOTAL U.S. DEPARTMENT OF COMMERCE			-	355,511
Total Expenditures of Federal Awards			\$ -	\$ 20,787,532

(M) = Major Program

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

Notes to the Schedule of Expenditures of Federal Awards - Restated

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of H. Councill Trenholm State Community College ("the College") under programs of the federal government for the year ended September 30, 2024. 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). The Schedule presents only a selected portion of the operations of the College; therefore, it is not intended to and does not present the financial position, changes in net position or cash flows where applicable of the College.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

The College has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4. Restatement of Schedule of Expenditures of Federal Awards

The Schedule of Expenditures of Federal Awards has been restated for the correction of error as follows:

	Previously Reported	Adjustment	Restated
Federal Pell Grant Program	4,815,175	3,212,518	8,027,693



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Additional Information

ANNUAL FINANCIAL REPORT
TRENHOLM STATE COMMUNITY COLLEGE



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Officials

Jimmy H. Baker

Chancellor

Dr. Kemba Chambers

President

Brian N. Harrison, CPA

Regional Chief Financial Officer - ACCS

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

Independent Auditor's Report

Board of Trustees
H. Council Trenchholm Community College
Montgomery, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States the financial statements of the H. Council Trenchholm Community College (the "Council Trenchholm Community College" or "College"), a component unit of the State of Alabama, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated January 12, 2026, which contained an emphasis of matter paragraph disclosing a correction of a misstatement.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's [consolidated] 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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings questioned costs as item 2024-001 that we consider to be a material weakness.

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Board of Trustees
H. Council Trenholm Community College

Report on Compliance and Other Matters

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

Management's Response to Findings

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

Other Matter – Reissuance of Report

The 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* replaces our previously issued report dated January 17, 2025. As discussed in note 12, to the financial statements, the 2024 financial statements have been restated to correct a misstatement. Our 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* has been reissued to include finding 2024-001.

Purpose of this Report

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

Forvis Mazars, LLP

**Memphis, Tennessee
January 12, 2026**

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Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

Board of Trustees
 H. Councill Trenholm State Community College
 Montgomery, Alabama

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the H. Councill Trenholm State Community College ("Trenholm State Community College" or the "College") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the College's major federal programs for the year ended September 30, 2024. The Colleges' 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 compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended September 30, 2024.

Basis for Opinion on Each Major Federal Programs

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (Government Auditing Standards); 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 the major federal programs. 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.

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Board of Trustees
H. Council H. Trenholm State Community College

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 GAAS, *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 the major federal programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Other Matter – Reissuance of Report

The report on compliance for each major federal program and the report on internal control over compliance, replaces our previously issued report dated January 17, 2025. As discussed in note 4 to the schedule of expenditures of federal awards, the schedule of expenditures of federal awards has been restated for the correction of error. Our report on compliance for each major federal program, our report on internal control over compliance, and the accompanying schedule of findings and questioned costs have been reissued to include the Adult Education – Basic Grants to States program as a major federal program.

Report on Internal Control Over Compliance

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

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

Board of Trustees
H. Council Trenholm State Community College

be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-001 to be material weakness.

A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our 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 management's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The management'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. Management is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. Management's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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.

Forvis Mazars, LLP

**Memphis, Tennessee
January 12, 2026**

**H. Council Trenholm State Community College
Schedule of Findings and Questioned Costs – As Restated
September 30, 2024**

Schedule of Findings and Questioned Costs

Financial Statements

Type of Auditor’s report issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America:

Adverse

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified not considered to be material weaknesses? Yes None reported

Type of Auditor’s report issued on compliance for major programs

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)

Yes No

Assisted Listing Number

84.425
84.002

Name of Federal Program or Cluster

COVID-19 Higher Education Emergency Relief Fund (HEERF)
Adult Education – Basic Grants to States

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

**H. Councill Trenholm State Community College
Schedule of Findings and Questioned Costs – As Restated
September 30, 2024**

SECTION II - FINANCIAL STATEMENT FINDINGS

Current Year Finding

2024-001 – Material Weakness in the Recognition of Grant Revenue

Criteria

Proper revenue recognition under governmental accounting standards is to treat Pell grants as non-exchange grants in the period when eligibility is met or disbursement occurs, whichever comes first.

Conditions

The final Federal Pell Grant drawdowns related to fiscal year 2024, in the amount of \$3,212,518, were earned and receivable as of September 30, 2024; however, were omitted from the financial statements and schedule of expenditures of federal awards for the year ended September 30, 2024. The college failed to reconcile the related draws due to a delay in the receipt of funds 2025, and as such they were not recognized in the previously issued financial statements.

Cause

Material weakness in the controls over grant revenue reconciliation.

Effect

These conditions caused the financial statements to be materially misstated. Management reissued the 2024 after the discovery of the error.

Recommendation

We recommend that the College remediate the controls over grant revenue recognition.

Response

See management's corrective action plan.

Prior Year Findings

None reported

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Current Year Findings

None reported

Prior Year Findings

None reported



**Management Corrective Action Plan
For the Year Ended September 30, 2024**

**Finding: 2024-001
Material Weakness in the Recognition of Grant Revenue**

Corrective Action:

The College will implement processes to ensure grant revenues are recognized during the appropriate period. These processes will focus on drawdowns being initiated in a timely and consistently routine manner, as well as improved reconciliation processes to ensure that all grant revenues are accounted for. This finding was due to a drawdown being initiated after the close of the fiscal year end and subsequent audit period, with the resulting revenue being incorrectly recognized in the subsequent fiscal year. Drawdowns performed on a consistently routine basis will ensure that grant funds are drawn in a timely manner, and improved reconciliations will result in more accurate recording of grant revenues along with better management of grant funds.

Anticipated Completion Date:

Completed – implemented in December 2025

Responsible Party:

Brian Harrison, Regional Chief Financial Officer





Trenholm State Community College
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