



Annual Financial Report

FOR THE YEAR ENDED SEPTEMBER 30, 2025

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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, 2025, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the College, as of September 30, 2025, and the 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.

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.

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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.

Board of Trustees
H. Council Trenholm Community College

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

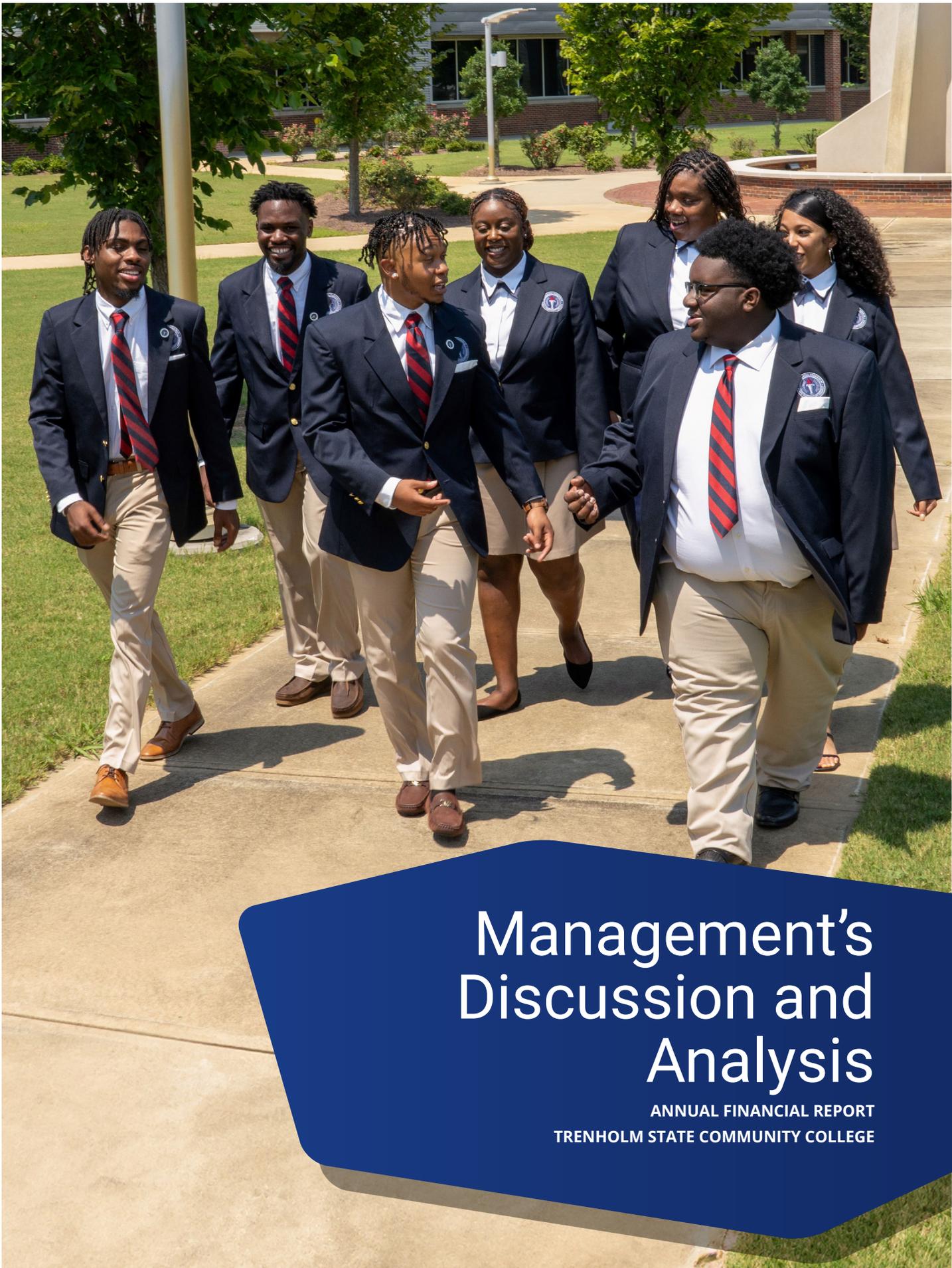
In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2026, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and 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 14, 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

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, 2025, with comparative information for 2024. 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

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 2025. 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, 2025 and 2024.

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, 2025. 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.

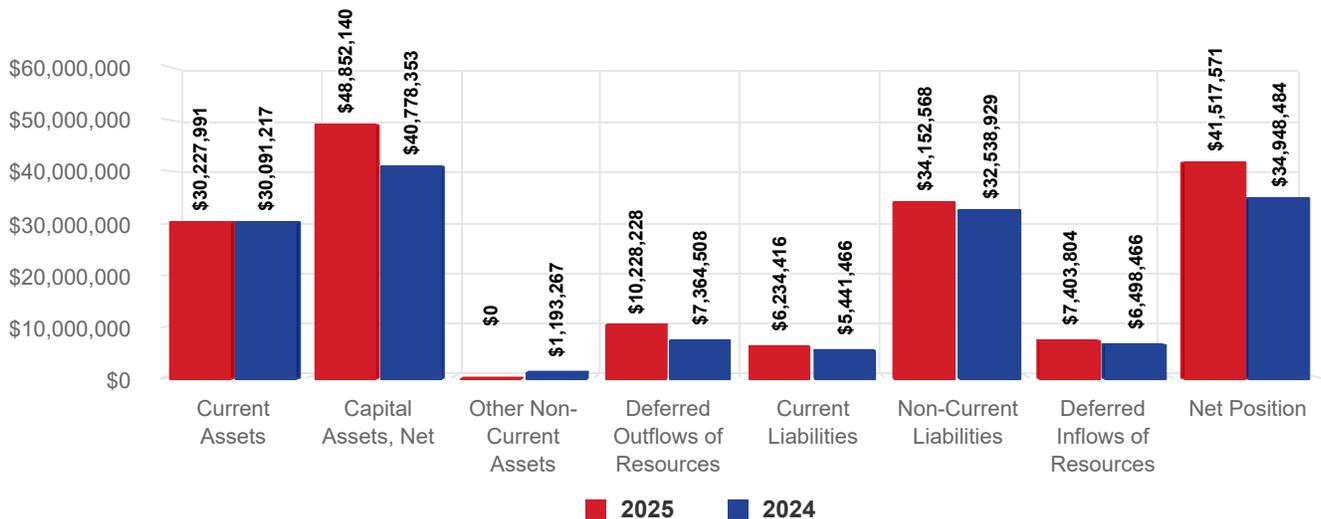
The following schedule, summarizes the Statement of Net Position as of September 30, 2025 and 2024:

Statement of Net Position

	2025	2024
Assets		
Current Assets	\$ 30,227,991	\$ 30,091,217
Capital Assets, Net	48,852,140	40,778,353
Other Non-Current Assets	-	1,193,267
Total Assets	79,080,131	72,062,837
Deferred Outflows of Resources	10,228,228	7,364,508
Liabilities		
Current Liabilities	6,234,416	5,441,466
Non-Current Liabilities	34,152,568	32,538,929
Total Liabilities	40,386,984	37,980,395
Deferred Inflows of Resources	7,403,804	6,498,466
Net Position		
Net Investment in Capital Assets	42,551,290	36,159,453
Unrestricted	(1,033,719)	(1,210,969)
Total Net Position	\$ 41,517,571	\$ 34,948,484

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

Statement of Net Position



Changes in Assets, Liabilities and Net Position

The College's total Net Position increased by \$6,569,087 during the year ended September 30, 2025. The increase is attributable to a year over year increase in cash/cash equivalents and liquid investments of \$353,000, along with an increase in net capital assets of \$8.0 million. Accounts Receivable (net) decreased by \$1,895,000 during the year, due mainly to a decrease to the receivable from the federal Pell grant at year end. 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 is adding a new campus in a location known as Executive Park, and the majority of ending construction-in-progress costs are related to the renovations to the buildings on that new campus. Accounts Payable increased by \$541,000 due to normal fluctuations in payment processing time from year to year, while Bonds Payable accounts decreased by \$382,000 due to annual principal payments on the bonds along with annual adjustments to bond premiums and related accrued liabilities. The actuarial adjustments required by GASB pronouncements for Pension and Other Post-Employment Benefits had a minimal impact on Net Position of (\$107,000).

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, 2025.

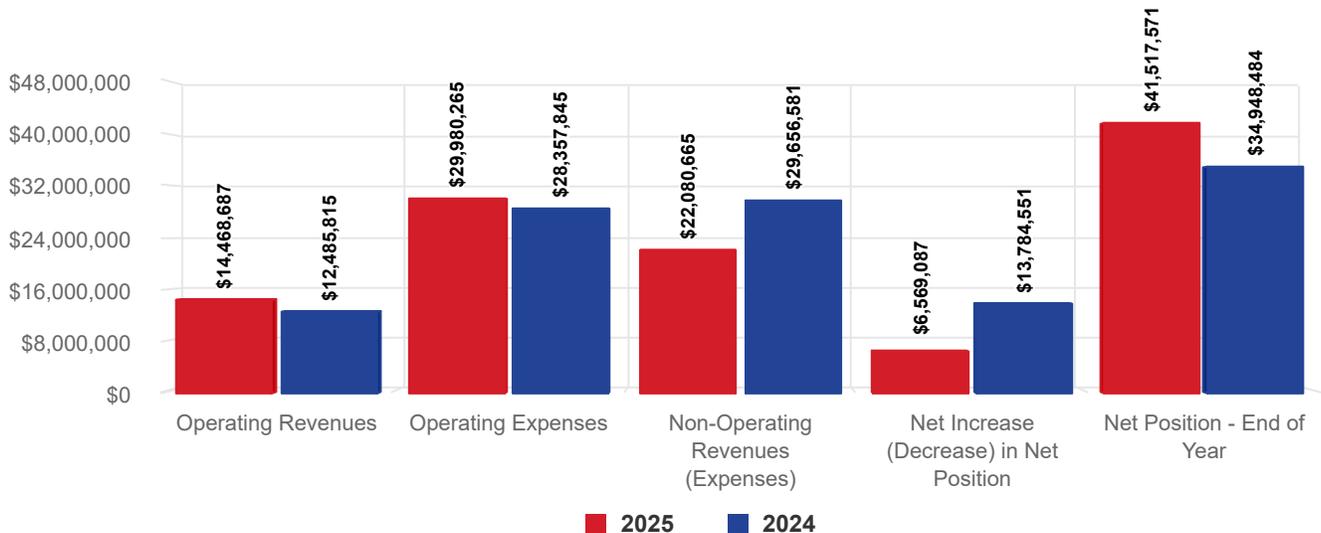
A condensed Statement of Revenues, Expenses and Changes in Net Position for the year ended September 30, 2025 and 2024 is presented below.

Statement of Revenues, Expenses, and Changes in Net Position

	2025	2024
Operating Revenues	\$ 14,468,687	\$ 12,485,815
Operating Expenses	29,980,265	28,357,845
Operating Income (Loss)	(15,511,578)	(15,872,030)
Non-Operating Revenues (Expenses)	22,080,665	29,656,581
Net Increase (Decrease) in Net Position	6,569,087	13,784,551
Net Position - Beginning of Year	34,948,484	21,163,933
Net Position - End of Year	<u>\$ 41,517,571</u>	<u>\$ 34,948,484</u>

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

Statement of Revenues, Expenses, and Changes in Net Position



Operating Revenues for the year ended September 30, 2025, increased approximately \$1,983,000 compared to the previous year. State grants and contracts increased over the previous year approximately \$1,423,000, primarily due to grants to fund capital improvements and an increase in dual enrollment funding from the state. In addition, federal operating grants increased by approximately \$1,039,000, primarily due to an increase in revenues from the U.S. Department of Education Title III grant. Net student tuition and fees decreased slightly by approximately \$170,000, due to an increase in allowances for scholarships netted

against gross tuition and fee revenues. All other operating revenue sources were relatively stable for the year.

Operating Expenses for the year ended September 30, 2025, increased approximately 5.72% 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 increase in enrollment) and a related increase in Student Services expenses. Expenses for the nine major functions presented changed as follows: Instruction decreased 1%; Academic Support increased 4%; Student Services increased 15%; Institutional Support increased 3%; Operation and Maintenance of Plant expenses increased 28%; Student Aid increased 24%; and Depreciation decreased 7%. The College’s enrollment increased slightly again in 24-25, as impacts from the COVID-19 pandemic continue to subside.

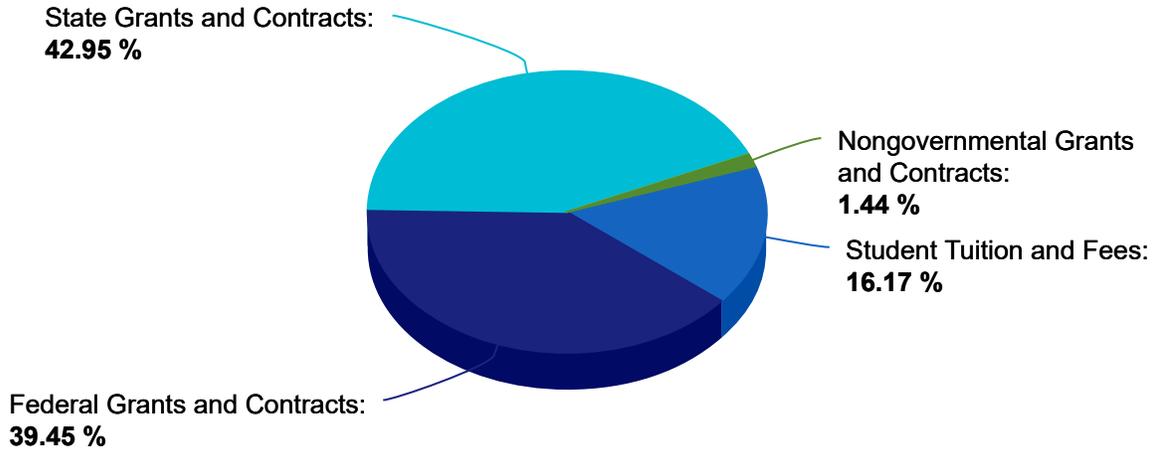
The College’s total Net Position increased by \$6,569,087 during the year ended September 30, 2025. The increase was fueled by an improvement in Operating Revenues and Expenses year over year of \$360,000. Net Nonoperating Revenues remained strong, in spite of the expiration of COVID-19 HEERF funding in the previous fiscal year. Federal Pell grant revenue of \$8,974,000 and State Appropriations of \$12,216,000 were the overwhelming primary sources of Nonoperating Revenues for the current fiscal year.

Operating Revenues

	<u>2025</u>	<u>2024</u>
Operating Revenues		
Student Tuition and Fees	\$ 2,339,131	\$ 2,508,980
Federal Grants and Contracts	5,707,442	4,668,651
State Grants and Contracts	6,214,414	4,791,487
Local Grants and Contracts	-	140,631
Nongovernmental Grants and Contracts	207,700	376,066
Total Operating Revenues	<u>\$ 14,468,687</u>	<u>\$ 12,485,815</u>

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

Operating Revenues by Source



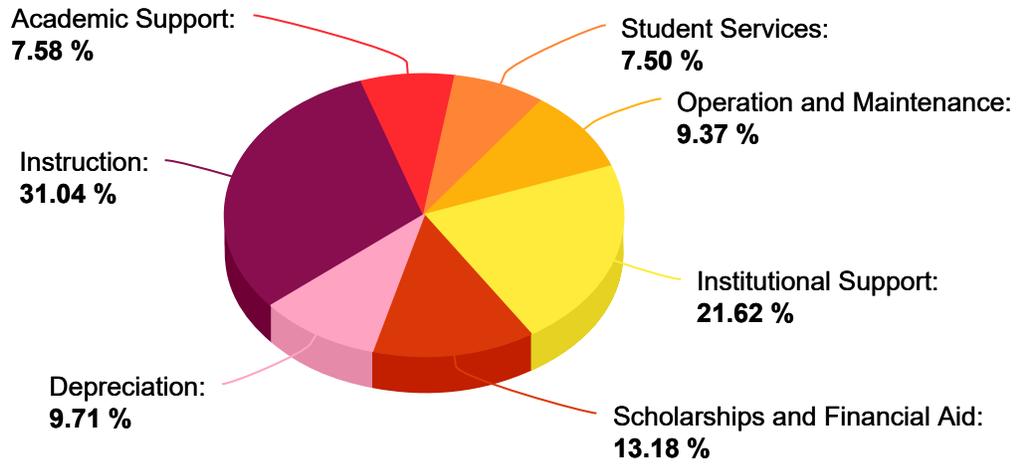
The operating expenses by function stated are displayed in the following exhibit.

Operating Expenses

	<u>2025</u>	<u>2024</u>
Operating Expenses		
Instruction	\$ 9,304,901	\$ 9,377,353
Academic Support	2,271,133	2,181,173
Student Services	2,249,403	1,964,221
Operation and Maintenance	2,808,775	2,198,811
Institutional Support	6,480,950	6,304,888
Scholarships and Financial Aid	3,952,526	3,195,552
Depreciation	2,912,577	3,135,847
Total Operating Expenses	<u>\$ 29,980,265</u>	<u>\$ 28,357,845</u>

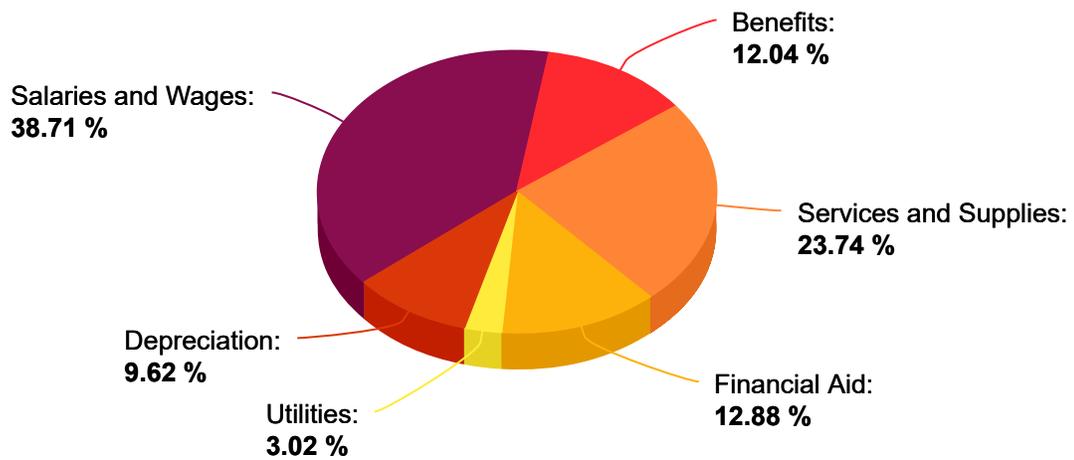
The following is a graphic presentation of operating expenses by function for the fiscal year ended September 30, 2025.

Operating Expenses by Function



Operating expenses are summarized here by natural classification.

Operating Expenses by Natural Classification

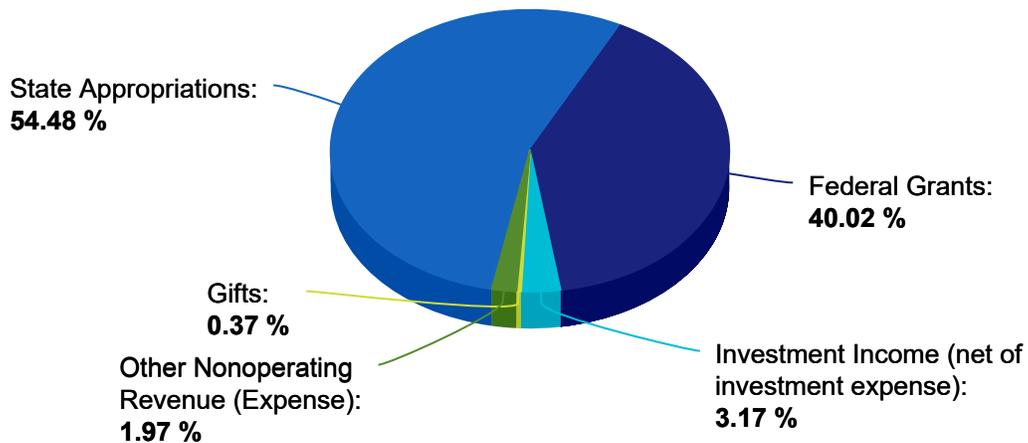


Comparison of Non-Operating Revenue

	<u>2025</u>	<u>2024</u>
Non-Operating Revenue		
State Appropriations	\$ 12,216,088	\$ 13,111,694
Federal Grants	8,973,801	13,128,410
Investment Income (net of investment expense)	709,949	416,867
Gifts	83,065	65,447
Other Nonoperating Revenue (Expense)	441,773	3,074,806
Total Non-Operating Revenue	<u>\$ 22,424,676</u>	<u>\$ 29,797,224</u>

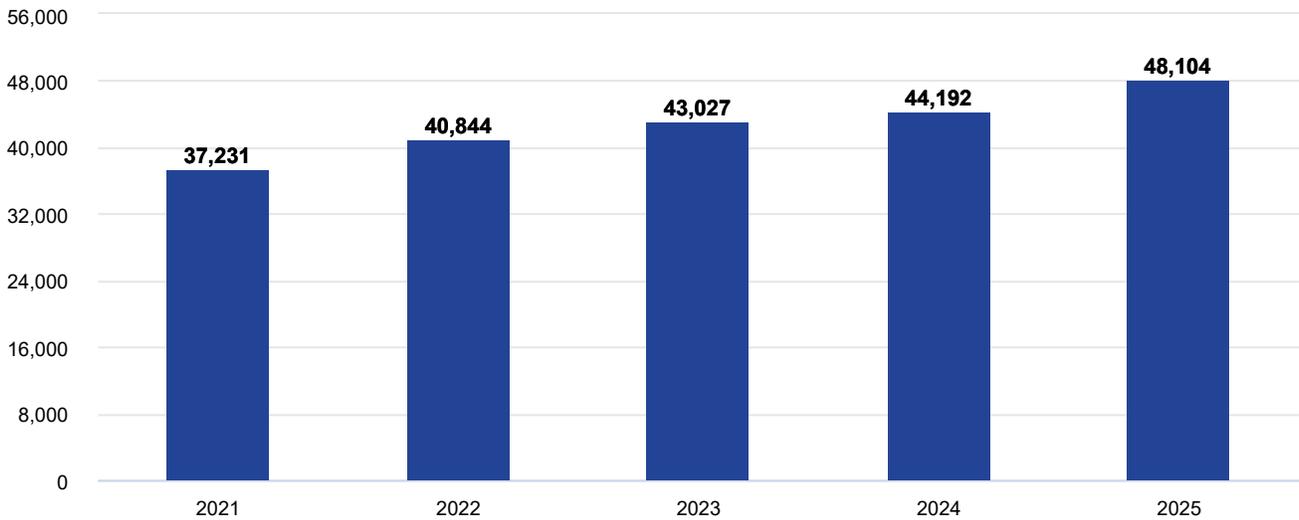
The following chart displays the non-operating revenues by type and their relationship with one another for the fiscal year ended September 30, 2025.

Comparison of Non-Operating Revenue



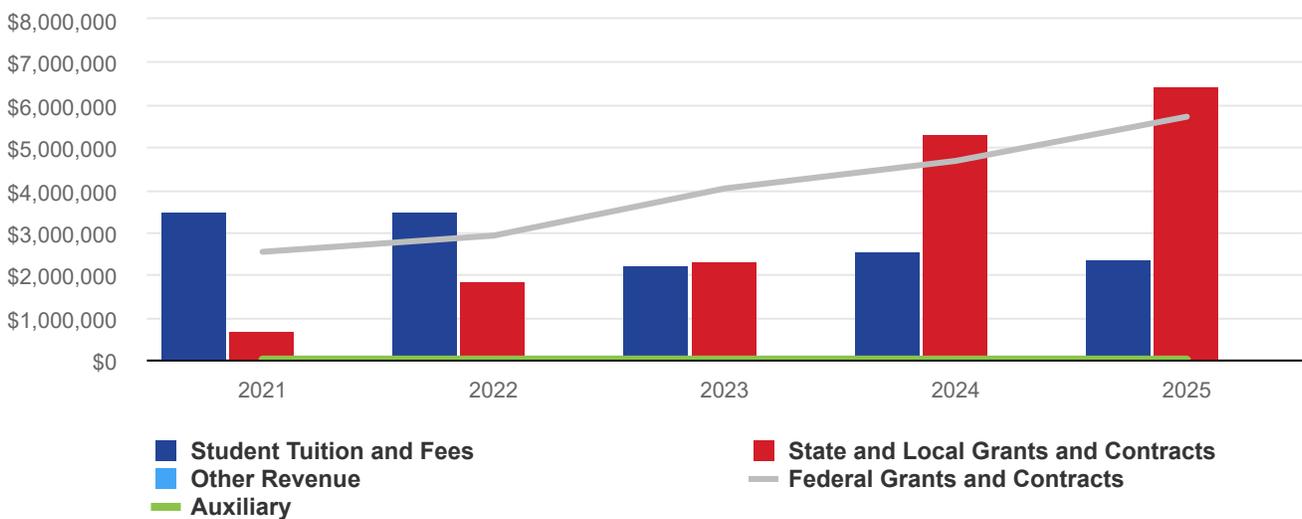
The following chart displays the 5 Year Comparison of Credit Hours for the fiscal year ended September 30, 2025.

5 Year Comparison of Credit Hours



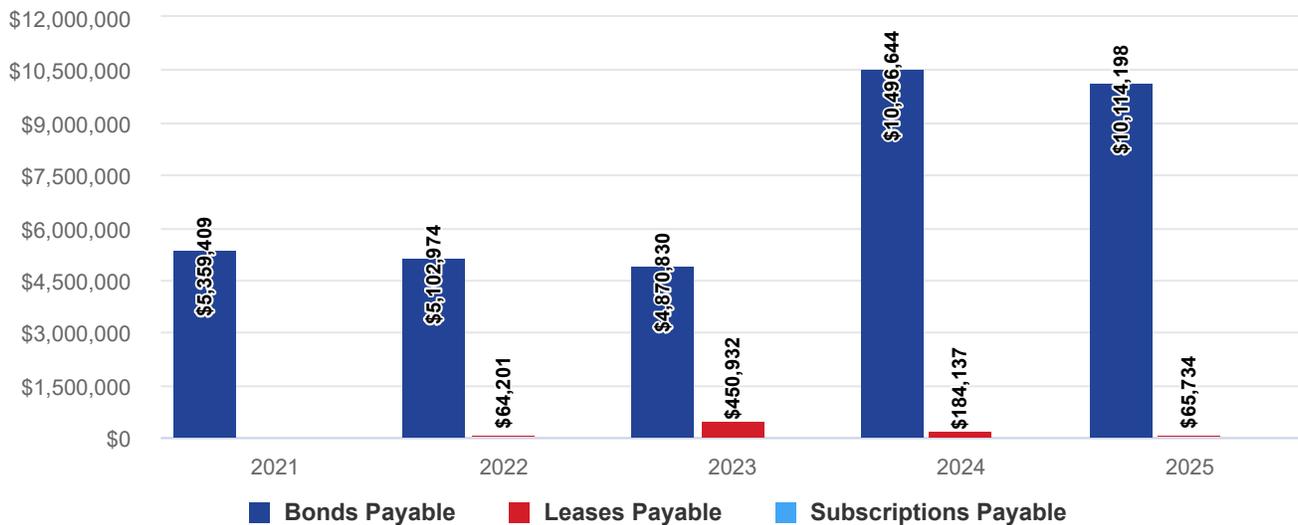
The following chart displays the 5 Year Comparison of Operating Revenue for the fiscal year ended September 30, 2025.

5 Year Comparison of Operating Revenue



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

5 Year Comparison of Long-Term Debt Principal



Statement of Cash Flows

The final statement presented 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.

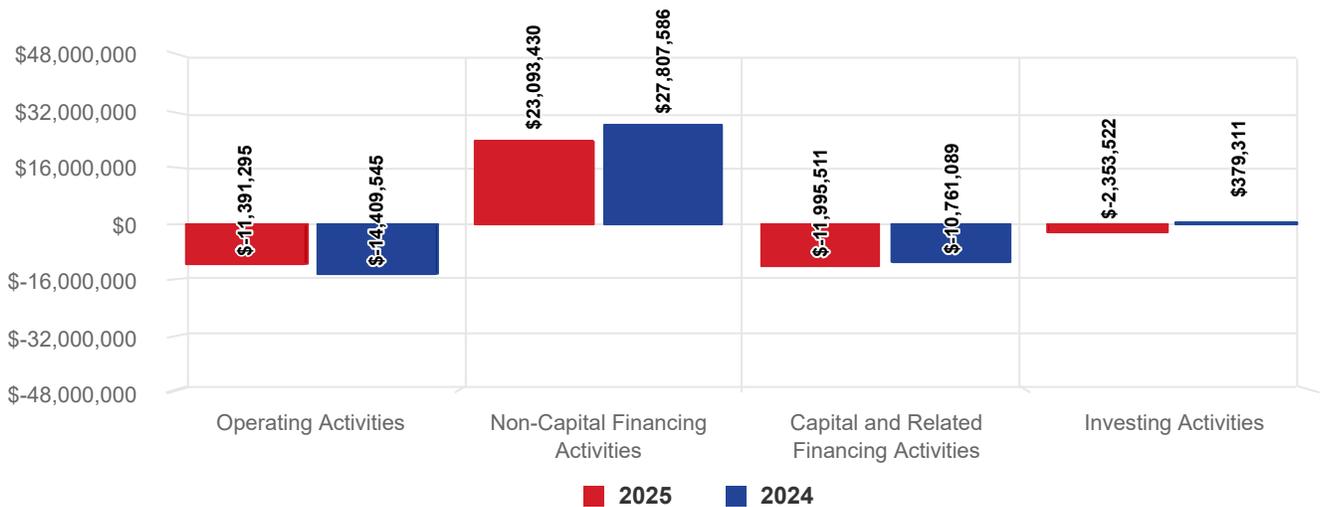
A condensed Statement of Cash Flows for the years ended September 30, 2025 and 2024 is presented below.

Statement of Cash Flows

	<u>2025</u>	<u>2024</u>
Cash Provided by (Used in):		
Operating Activities	\$ (11,391,295)	\$ (14,409,545)
Non-Capital Financing Activities	23,093,430	27,807,586
Capital and Related Financing Activities	(11,995,511)	(10,761,089)
Investing Activities	(2,353,522)	379,311
Net Change in Cash and Cash Equivalents	<u>(2,646,898)</u>	<u>3,016,263</u>
Cash and Cash Equivalents, Beginning of Year	12,324,815	9,308,552
Cash and Cash Equivalents, End of Year	<u>\$ 9,677,917</u>	<u>\$ 12,324,815</u>

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

Statement of Cash Flows

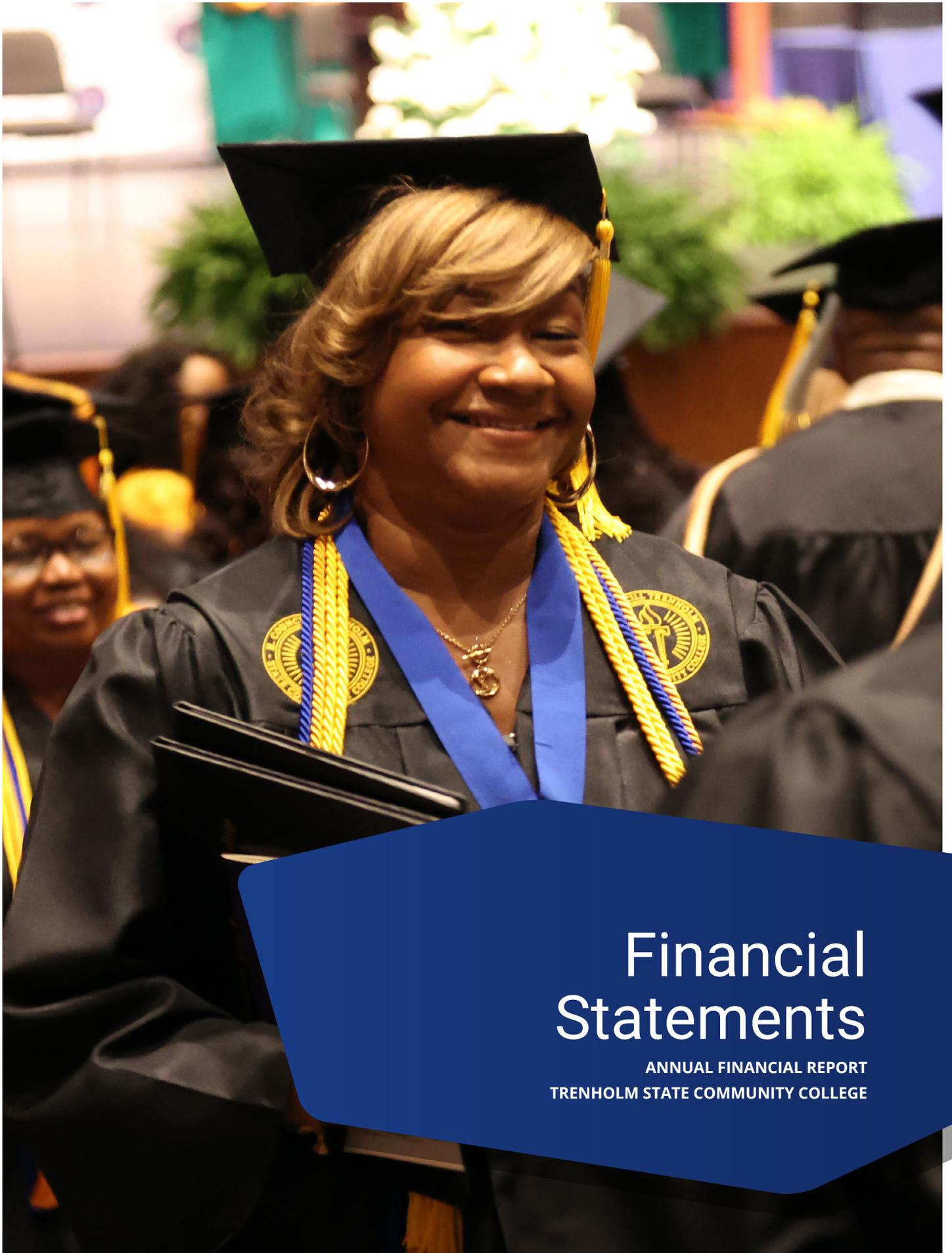


Economic Outlook

The effects of the COVID-19 pandemic have finally subsided. For the first time since the beginning of the pandemic, both headcount and credit hours for Fall 2025 exceeded the same amounts for Fall 2019 (the semester immediately before the start of the COVID-19 pandemic). Every fall semester prior to Fall 2025 had numbers lower than Fall 2019 in both categories, with the only exception being Fall 2024 (where headcount exceeded Fall 2019 but credit hours did not). The state budget estimates for fiscal year 2025 for Education Trust Fund tax revenues again appear to be promising, with a slight growth in total ETF revenues of 2.49% when compared to FY24 (where FY24 growth was 2.2% over FY23). The general economic outlook is somewhat mixed. Much of the prior years' growth in the ETF was fueled by higher sales tax revenues that were the result of higher costs due to inflation. Inflation appears to have cooled, but consumer prices remain relatively high in spite of slower increases. Given the state budget estimates for fiscal year 2025, it is expected that state appropriations will at least remain static and may very well increase slightly for the coming fiscal year. The College administration is keeping a conservative approach at the forefront of its fiscal 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. Historically, downturns in the economy lead to increases in the College's enrollment, and this could be beneficial in increasing enrollment numbers over pre-pandemic levels. In fact, this could very well be a contributing factor to the current improvements in headcount and credit hours mentioned above. Despite the uncertain economic outlook, the College administration expects to sustain positive financial stability during the years ahead. As evidenced by the comparative financial statements presented in this Management Discussion & Analysis (as well as complete financial statements from recent prior years), the College administration continues to emphasize 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. In addition and as mentioned earlier, the College is currently renovating a property known as Executive Park that will house a new campus for the College. This will allow the College to enhance and expand its current programs, beginning with its Health Services and Culinary programs which will move there in January 2027 upon completion of the renovation work. 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 Ended September 30, 2025

	<u>2025</u>
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 9,677,917
Short-Term Investments	4,256,738
Accounts Receivable, Net	9,750,529
Deposit with Bond Trustee	5,975,356
Other Current Assets	567,451
Total Current Assets	<u>30,227,991</u>
Non-Current Assets	
Capital Assets, Net of Depreciation and Amortization	48,852,140
Total Non-Current Assets	<u>48,852,140</u>
Total Assets	<u>79,080,131</u>
Deferred Outflows of Resources	
Pension	3,258,530
Other Postemployment Benefits (OPEB)	6,969,698
Total Deferred Outflows of Resources	<u>\$ 10,228,228</u>

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

Statement of Net Position (Continued)

Ended September 30, 2025

	<u>2025</u>
Liabilities	
Current Liabilities	
Accounts Payable and Accrued Liabilities	\$ 2,941,750
Deposit Liabilities	267,763
Unearned Revenue	2,496,028
Compensated Absences	47,623
Lease Payable	41,169
Bonds Payable	440,083
Total Current Liabilities	<u>6,234,416</u>
Non-Current Liabilities	
Compensated Absences	685,039
Lease Payable	24,565
Bonds Payable	9,674,115
Net Pension Liability	15,883,000
Net OPEB Liability	7,885,849
Total Non-Current Liabilities	<u>34,152,568</u>
Total Liabilities	<u>40,386,984</u>
Deferred Inflows of Resources	
Pension	3,397,000
Other Postemployment Benefits (OPEB)	4,006,804
Total Deferred Inflows of Resources	<u>7,403,804</u>
Net Position	
Net Investment in Capital Assets	42,551,290
Unrestricted	(1,033,719)
Total Net Position	<u>\$ 41,517,571</u>

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

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

	<u>2025</u>
Operating Revenues	
Student Tuition and Fees (net of scholarship allowances of \$6,695,890)	\$ 2,339,131
Federal Grants and Contracts	5,707,442
State Grants and Contracts	6,214,414
Nongovernmental Grants and Contracts	207,700
Total Operating Revenues	<u>14,468,687</u>
Operating Expenses	
Instruction	9,304,901
Academic Support	2,271,133
Student Services	2,249,403
Operation and Maintenance	2,808,775
Institutional Support	6,480,950
Scholarships and Financial Aid	3,952,526
Depreciation	2,912,577
Total Operating Expenses	<u>29,980,265</u>
Operating Loss	<u>(15,511,578)</u>
Non-Operating Revenues (Expenses)	
State Appropriations	12,216,088
Federal Grants	8,973,801
Investment Income (net of investment expense)	709,949
Gifts	83,065
Bond Surety Fee	(48,119)
Other Nonoperating Revenue (Expense)	441,773
Interest on Indebtedness	(295,892)
Total Non-Operating Revenues (Expenses)	<u>22,080,665</u>
Net Increase in Net Position	<u>6,569,087</u>
Net Position - Beginning of Year	34,948,484
Net Position - End of Year	<u>\$ 41,517,571</u>

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

Statement of Cash Flows

For the Year Ended September 30, 2025

	<u>2025</u>
Cash Flows from Operating Activities	
Tuition and Fees	\$ 2,703,094
Federal, State and Local Grants and Contracts	12,535,650
Payments to Suppliers	(6,296,353)
Payments for Utilities	(914,366)
Payments to Employees	(11,718,907)
Payments for Benefits	(3,571,818)
Payments for Scholarships	(4,128,595)
Net Cash Used in Operating Activities	<u>(11,391,295)</u>
Cash Flows from Non-Capital Financing Activities	
State Appropriations	12,208,503
Federal Grants	10,441,273
Bond Surety Fee	(48,119)
Other Nonoperating Revenue	491,773
Net Cash Provided by Non-Capital Financing Activities	<u>23,093,430</u>
Cash Flows from Capital and Related Financing Activities	
Purchase of Capital Assets	(10,953,300)
Principal Paid on Capital Debt	(448,403)
Interest Paid on Capital Debt	(348,338)
Deposits with Trustees	(245,470)
Net Cash Used in Capital and Related Financing Activities	<u>(11,995,511)</u>
Cash Flows from Investing Activities	
Proceeds from Sales and Maturities of Investments	1,193,267
Investment Income	709,949
Purchase of Investments	(4,256,738)
Net Cash Used in Investing Activities	<u>(2,353,522)</u>
Net Decrease in Cash and Cash Equivalents	<u>(2,646,898)</u>
Cash and Cash Equivalents - Beginning of the Year	<u>12,324,815</u>
Cash and Cash Equivalents - End of Year	<u>\$ 9,677,917</u>

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

Statement of Cash Flows (Continued)

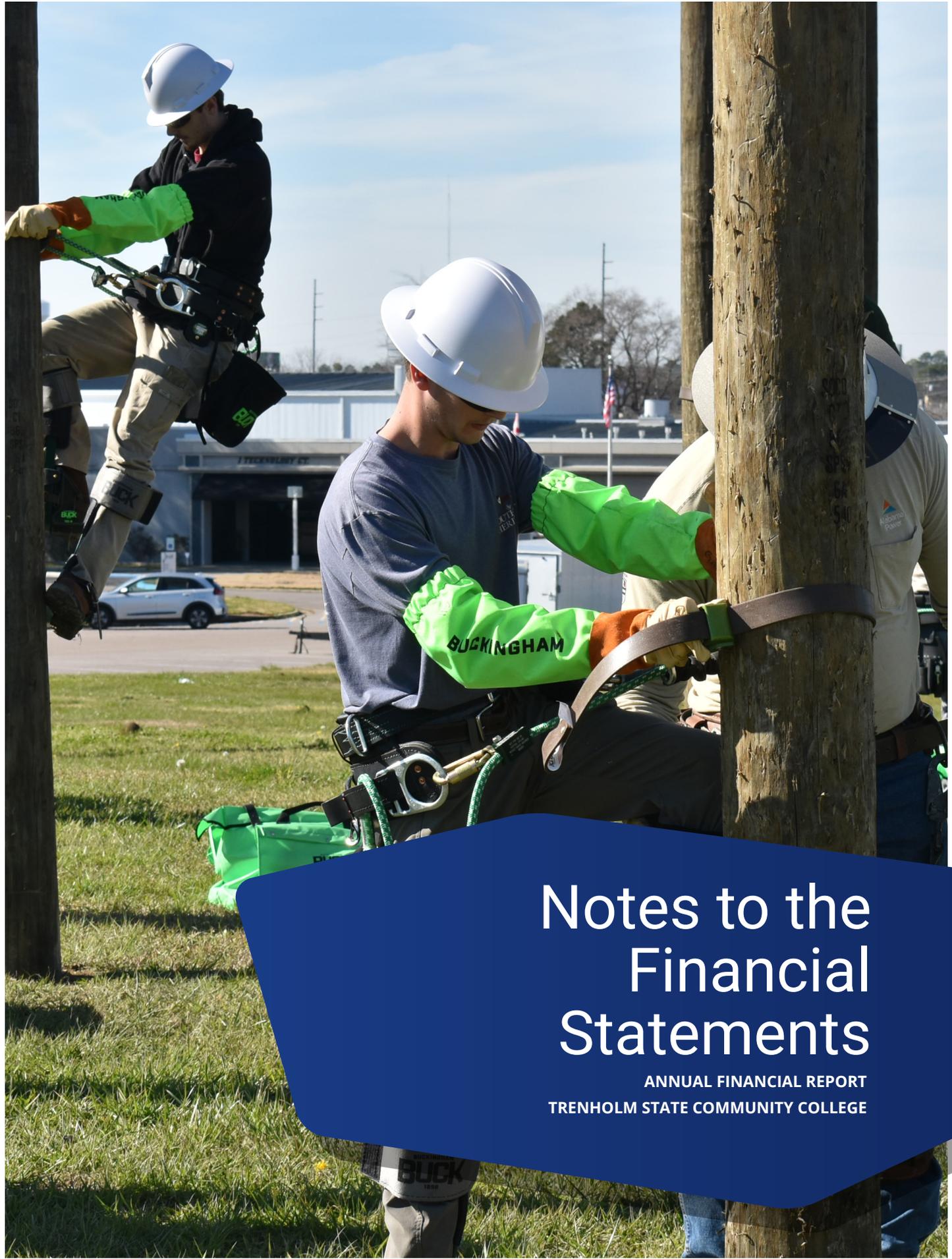
For the Year Ended September 30, 2025

	<u>2025</u>
Reconciliation of Net Operating Income to Net Cash Used in Operating Activities	
Operating Loss	\$ (15,511,578)
Adjustments to Reconcile Net Operating Loss to Net Cash Used in Operating Activities:	
Depreciation Expense	2,912,577
Changes in Assets and Liabilities:	
Receivables, Net	434,719
Other Assets	(176,068)
Deferred Outflows	(2,863,720)
Accounts Payable	541,057
Deposits Held for Others	(22,945)
Unearned Revenue	358,283
Compensated Absences	(34,462)
Net Pension Liability	(4,042,000)
Net OPEB Liability	6,107,504
Deferred Inflows	905,338
Net Cash Used in Operating Activities	<u>\$ (11,391,295)</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 \$10,000 (increased from \$5,000, effective October 1, 2024) and an estimated useful life in excess of one year, and all library books, are recorded at historical cost or estimated historical cost if purchased or constructed. The capitalization threshold for intangible assets such as capitalized software and internally generated computer software is \$1 million and \$100,000 for easements and land use rights and patents, trademarks and copyrights. In addition, works of art and historical treasures and similar assets are recorded at their historical cost. Donated capital assets are recorded at acquisition value (an entry price). 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 \$10,000 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

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

Deferred 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.

Change in Accounting Estimate: Capitalization Threshold

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

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

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

New Accounting Pronouncements

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

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

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 \$5,975,356, 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 \$1,256,738 and a repurchase agreement in the amount of \$3,000,000. Certificates of deposit are not subject to risk categorization because they are considered deposits for the purpose of this note. Repurchase agreements are valued at contract value, which approximates fair value due to their short-term nature.

Note 3. Receivables

Receivables are reported and summarized as follows:

Description		2025
Federal	\$	4,679,866
Student		3,181,596
State		2,475,298
Third Party		642,263
Other		155,081
Less: Allowance for Doubtful Accounts		(1,383,575)
Total Accounts Receivable		9,750,529

Note 4. Capital Assets

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

Description	Beginning Balance	Additions	Deductions	Adjustments	Ending Balance
Nondepreciable Capital Assets					
Land	\$ 3,722,639	\$ -	\$ -	\$ -	\$ 3,722,639
Construction in Progress	2,962,759	10,363,602	(37,690)	-	13,288,671
Total Nondepreciable Capital Assets	6,685,398	10,363,602	(37,690)	-	17,011,310
Other Capital Assets					
Buildings	14,737,803	-	-	-	14,737,803
Building Alterations	25,366,577	-	-	-	25,366,577
Improvements other than Buildings and Infrastructure	7,497,232	52,690	-	-	7,549,922
Furniture and Equipment greater than \$25,000	10,014,166	416,480	-	-	10,430,646
Furniture and Equipment \$25,000 or less	4,447,831	187,321	-	-	4,635,152
Library Materials	774,147	3,962	-	-	778,109
Right to Use Assets - Buildings and Equipment	1,171,853	-	-	-	1,171,853
Total Other Capital Assets	64,009,609	660,453	-	-	64,670,062
Less Accumulated Depreciation/Amortization					
Buildings	9,776,609	329,947	-	-	10,106,556
Building Alterations	6,178,677	1,064,009	-	-	7,242,686
Improvements other than Buildings and Infrastructure	3,769,060	265,885	-	-	4,034,945
Furniture and Equipment greater than \$25,000	5,016,115	785,492	-	-	5,801,607
Furniture and Equipment \$25,000 or less	3,598,414	345,824	-	-	3,944,238
Library Materials	587,849	3,962	-	-	591,811
Right to Use Assets - Buildings and Equipment	989,930	117,459	-	-	1,107,389
Total Accumulated Depreciation/Amortization	29,916,654	2,912,578	-	-	32,829,232
Total Capital Assets, Net	\$ 40,778,353	\$ 8,111,477	\$ (37,690)	\$ -	\$ 48,852,140

Note 5. Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description

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

Benefits Provided

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

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

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

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

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

Contributions

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

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

Participating employers' contractually required contribution rate for the fiscal year ended September 30, 2024 was 13.57% of annual pay for Tier 1 members and 12.60% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the College were \$1,435,530 for the year ended September 30, 2025.

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

At September 30, 2025, the College reported a liability of \$15,883,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2023. The College's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2024, the College's proportion was 0.122099% which was a decrease of 0.002763% from its proportion measured as of September 30, 2023.

For the year ended September 30, 2025, the College recognized pension expense of \$1,739,000. At September 30, 2025, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 1,579,000	\$ 114,000
Changes of Assumptions	244,000	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	2,605,000
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	-	678,000
Employer Contributions Subsequent to the Measurement Date	1,435,530	-
Total	<u>\$ 3,258,530</u>	<u>\$ 3,397,000</u>

\$1,435,530 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2026.

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

Year Ended September 30	Amount
2026	\$ (354,000)
2027	582,000
2028	(930,000)
2029	(872,000)
2030	-
Thereafter	-

Actuarial Assumptions

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

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

* Net of pension plan investment expense, including inflation

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

Mortality Rate

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

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

Long-Term Expected Rate of Return

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

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

* Includes assumed rate of inflation of 2.00%.

Discount Rate

The discount rate used to measure the total pension liability was 7.45%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Proportionate Share of the Collective Net Pension Liability	\$ 22,084,000	\$ 15,883,000	\$ 10,663,000

Pension Plan Fiduciary Net Position

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

Note 6. Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan

Plan Description

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

The PEEHIP was established in 1983 pursuant to the provisions of the **Code of Alabama 1975, Title 16, Chapter 25A** (Act 83-455) to provide a uniform plan of health insurance for active and retired employees of state and local educational institutions which provide instruction at any combination of grades K-14 (collectively, eligible employees), and to provide a method for funding the benefits related to the plan. The four-year universities participate in the plan with respect to their retired employees and are eligible and may elect to participate in the plan with respect to their active employees. Responsibility for the establishment of the health insurance plan and its general administration and operations is vested in the

Board. The Board is a corporate body for purposes of management of the health insurance plan. The **Code of Alabama 1975, Section 16-25A-4** provides the Board with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years for the plan. All assets of the Alabama Retired Education Employees' Health Care Trust are held in trust for the payment of health insurance benefits. The Teachers' Retirement System of Alabama (TRS) has been appointed as the administrator of the PEEHIP and, consequently, serves as the administrator of the Trust.

Benefits Provided

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

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

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

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

Effective January 1, 2023, United Health Care (UHC) Group replaced the Humana contract for Medicare eligible retirees and Medicare eligible dependents of retirees. The Medicare Advantage Prescription Drug

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

Contributions

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

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

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

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

At September 30, 2025, the College reported a liability of \$7,885,849 for its proportionate share of the Net OPEB liability. The Net OPEB liability was measured as of September 30, 2024, and the total OPEB liability used to calculate the Net OPEB liability was determined by an actuarial valuation as of September 30, 2023. The College's proportion of the Net OPEB liability was based on the College's share of contributions to the OPEB plan relative to the total employer contributions of all participating PEEHIP employers. At September 30, 2024, the College's proportion was 0.08577659% which was a decrease of 0.00674193% from its proportion measured as of September 30, 2023.

For the year ended September 30, 2025, the College recognized OPEB expense/(income) of \$72,848, with no special funding situations. At September 30, 2025, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 3,677,638	\$ 1,701,983
Changes of Assumptions	2,715,829	1,115,720
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	-	194,557
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	284,365	994,544
Employer Contributions Subsequent to the Measurement Date	291,866	
Total	\$ 6,969,698	\$ 4,006,804

The \$291,866 reported as deferred outflows of resources related to OPEB resulting from the College's contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB liability in the year ending September 30, 2026.

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

Year Ended September 30	Amount
2026	\$ 301,005
2027	364,673
2028	254,013
2029	495,910
2030	946,512
Thereafter	308,915

Actuarial Assumptions

The Total OPEB Liability as of September 30, 2023, 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	3.89%
Municipal Bond Index Rate at the Prior Measurement Date	4.53%
Year Fiduciary Net Position (FNP) is Projected to be Depleted	2040
Single Equivalent Interest Rate at Measurement Date	4.32%
Single Equivalent Interest Rate at Prior Measurement Date	7.00%
Healthcare Cost Trend Rates:	
Initial Trend Rate	
Pre-Medicare Eligible	6.75%
Medicare Eligible	**
Ultimate Trend Rate	
Pre-Medicare Eligible	4.50% in 2033 FYE
Medicare Eligible	4.50% in 2033 FYE

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

Mortality Rate

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

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

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

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

Long-Term Expected Rate of Return

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

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

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

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

* Geometric mean, includes 2.50% inflation.

Discount Rate

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

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

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

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

	1% Decrease (5.75% decreasing to 3.50% for pre-Medicare, Known decreasing to 3.50% for Medicare eligible)	Current Healthcare Trend Rate (6.75% decreasing to 4.50% for pre-Medicare, Known decreasing to 4.50% for Medicare eligible)	1% Increase (7.75% decreasing to 5.50% for pre-Medicare, Known decreasing to 5.50% for Medicare eligible)
Net OPEB Liability	\$ 6,343,499	\$ 7,885,849	\$ 9,874,712

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

	1% Decrease (3.32%)	Current Rate (4.32%)	1% Increase (5.32%)
Net OPEB Liability	\$ 9,579,487	\$ 7,885,849	\$ 6,532,448

OPEB Plan Fiduciary Net Position

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

Note 7. Construction and Other Significant Commitments

As of September 30, 2025, the College had been awarded approximately \$7,863,733 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

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 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 at 2.87%, the stated interest rate on the lease contract. Details for the assets and liabilities are as follows:

Description	2025
Right of Use Assets	\$ 1,171,853
Less: Accumulated Amortization	(1,107,389)
Net Right of Use Assets	\$ 64,464

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
2026	\$ 41,169	\$ 1,345	\$ 42,514
2027	24,565	235	24,800
2028	-	-	-
Total	\$ 65,734	\$ 1,580	\$ 67,314

Note 9. Long-Term Debt Liabilities

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

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable					
Revenue Bonds - 2020	\$ 4,515,000	\$ -	\$ 225,000	\$ 4,290,000	\$ 230,000
Revenue Bonds - 2024	5,660,000	-	105,000	5,555,000	100,000
Premium	321,644	-	52,446	269,198	110,083
Total Bonds Payable	10,496,644	-	382,446	10,114,198	440,083
Leases Payable	184,137	-	118,403	65,734	41,169
Compensated Absences	767,123	-	34,461	732,662	47,623
Total Long-Term Liabilities	\$ 11,447,904	\$ -	\$ 535,310	\$ 10,912,594	\$ 528,875

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

Fiscal Year(s)	Principal	Interest	Total
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	375,000	312,796	687,796
2031-2035	2,075,000	1,376,778	3,451,778
2036-2040	2,425,000	1,027,403	3,452,403
2041-2045	1,045,000	685,065	1,730,065
2046-2050	1,300,000	430,251	1,730,251
2051-2054	1,240,000	134,513	1,374,513
Total	\$ 9,845,000	\$ 5,358,590	\$ 15,203,590

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 \$5,173,312, are pledged to repay principal and interest on the Series 2020 bonds at September 30, 2025. 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 \$10,030,275, 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.

A photograph of two men, one with dreadlocks and a beard, the other with curly hair and a beard, both wearing white t-shirts with a blue logo. They are focused on sorting items into several large grey tote bags. The items include boxes of snacks like 'M&M's' and 'MECRAFT'. The background shows a food bank or storage area with wooden cabinets and a whiteboard.

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)	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
College's Proportion of the Net Pension Liability	0.122099%	0.124862%	0.126196%	0.130099%	0.137489%	0.130856%	0.129024%	0.122133%	0.116333%	0.127394%
College's Proportionate Share of the Net Pension Liability	\$ 15,883	\$ 19,925	\$ 19,612	\$ 12,256	\$ 17,007	\$ 14,469	\$ 12,828	\$ 12,004	\$ 12,594	\$ 13,333
College's Covered Payroll	\$ 10,692	\$ 10,279	\$ 9,816	\$ 9,446	\$ 9,651	\$ 9,312	\$ 8,601	\$ 8,125	\$ 7,387	\$ 8,034
College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	148.55%	193.84%	199.80%	129.75%	176.24%	155.38%	149.16%	147.74%	170.49%	165.96%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.41%	63.57%	62.21%	76.44%	67.72%	69.85%	72.29%	71.50%	67.93%	67.51%

Notes to schedule:

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

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

(Dollar Amounts in Thousands)	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually Required Contribution	\$ 1,436	\$ 1,327	\$ 1,259	\$ 1,141	\$ 1,134	\$ 1,168	\$ 1,138	\$ 1,037	\$ 952	\$ 877
Contributions in Relation to the Contractually Required Contribution	\$ 1,436	\$ 1,327	\$ 1,259	\$ 1,141	\$ 1,134	\$ 1,168	\$ 1,138	\$ 1,037	\$ 952	\$ 877
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College's Covered Payroll	\$ 10,909	\$ 10,692	\$ 10,279	\$ 9,816	\$ 9,446	\$ 9,651	\$ 9,312	\$ 8,601	\$ 8,125	\$ 7,387
Contributions as a Percentage of Covered Payroll	13.16%	12.41%	12.25%	11.62%	12.01%	12.10%	12.22%	12.06%	11.72%	11.87%

Notes to Schedule

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

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

Notes to Required Supplementary Information for Pension Benefits

Note 1. Changes of Benefit Terms

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

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

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

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

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

Note 2. Changes of Assumptions

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

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

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

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

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

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)	2025	2024	2023	2022	2021	2020	2019	2018
College's Proportion of the Net OPEB Liability	0.085777%	0.092519%	0.102431%	0.096200%	0.095588%	0.111188%	0.104177%	0.096521%
College's Proportionate Share of the Net OPEB Liability	\$ 7,886	\$ 1,778	\$ 1,785	\$ 4,970	\$ 6,204	\$ 4,195	\$ 8,562	\$ 7,169
College's Covered Payroll	\$ 10,465	\$ 10,141	\$ 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	75.36%	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	20.41%	49.42%	48.39%	27.11%	19.80%	28.14%	14.81%	15.37%

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

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

(Dollar Amounts in Thousands)	2025	2024	2023	2022	2021	2020	2019	2018
Contractually Required Contribution	\$ 292	\$ 121	\$ 141	\$ 193	\$ 162	\$ 202	\$ 315	\$ 263
Contributions in Relation to the Contractually Required Contribution	\$ 292	\$ 121	\$ 141	\$ 193	\$ 162	\$ 202	\$ 315	\$ 263
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College's Covered Payroll	\$ 10,687	\$ 10,465	\$ 10,141	\$ 9,628	\$ 9,447	\$ 9,248	\$ 9,683	\$ 8,762
Contributions as a Percentage of Covered Payroll	2.73%	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 2024, assumptions regarding aging factors were adjusted to reflect actual and anticipated experience more closely. Additionally, future healthcare trend rates for the Medicare Advantage Plan were updated.

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

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

In 2019, the anticipated rates 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, Closed
Remaining Amortization Period	20 years
Asset Valuation Method	Market Value of Assets
Inflation	2.50%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	6.50%
Medicare Eligible *	*
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.50%
Medicare Eligible	4.50%
Year of Ultimate Trend Rate	2031 for Pre-Medicare Eligible 2027 for Medicare Eligible
Optional Plans Trend Rate	2.00%
Investment Rate of Return	5.00%, including inflation

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



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Additional Information

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Chancellor

Dr. Kemba Chambers

President

Brian N. Harrison, CPA

Regional Chief Financial Officer - ACCS

Dr. Christopher Clark

Dean of Financial and Administrative
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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. Councill Trenholm 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. Councill Trenholm Community College (the "Councill Trenholm Community College" or "College"), a component unit of the State of Alabama, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated January 14, 2026.

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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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

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

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

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*.

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 14, 2026



Trenholm State Community College
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