



LBWTM
COMMUNITY COLLEGE



Annual Financial Report

FOR THE YEAR ENDED SEPTEMBER 30, 2025

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Management's Discussion and Analysis

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LURLEEN B. WALLACE COMMUNITY COLLEGE



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Management's Discussion and Analysis

Introduction

Lurleen B. Wallace Community College (the "College") is a public, two-year institution in the Alabama Community College System under the governance of the Alabama Community College Board of Trustees. The College was created following the merger and consolidation of Lurleen B. Wallace Junior College and MacArthur State Technical College with final approval being granted on December 9, 2004 by the Alabama State Board of Education.

The College offers career-oriented certificates and associate degrees, as well as university transfer courses and associate degrees. In addition, the College provides workforce development through specialized training for business and industry, non-credit and continuing education, adult education, and community services to the residents of its service area. With fundamental principles affirming the value of education, the freedom of teaching and learning, and the worth, dignity and personal development of each individual, the College provides an environment that emphasizes student success and achievement. All programs are supported and offer viable opportunities for educational and professional growth and the College is accredited by the Southern Association of Colleges and Schools Commission on Colleges.

Overview of the Financial Statements and Financial Analysis

The College is proud to present its financial statements for fiscal year 2024-2025. There are three financial statements presented: the *Statement of Net Position*; the *Statement of Revenues, Expenses, and Changes in Net Position*; and the *Statement of Cash Flows*. This discussion and analysis of the College's financial statements provide an overview of its financial activities for the year and comparative amounts for the prior year. The institution received an unmodified opinion upon examination of the fiscal year 2023-2024 records by Carr, Riggs & Ingram, LLC.

Statement of Net Position

The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the College as of the end of the fiscal year. The Statement of Net Position is a point in time financial statement with comparison between current and prior year information. The purpose of the Statement of Net Position is to present to the readers of the financial statements a fiscal snapshot of the College. The Statement of Net Position presents end-of-year data concerning Assets (current and noncurrent), Deferred Outflows of Resources, Liabilities (current and noncurrent), Deferred Inflows of Resources, and Net Position (assets plus deferred outflows of resources minus liabilities and deferred inflows of resources).

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. This includes capital assets held by the College net of depreciation. Readers are also able to determine the College liabilities or how much the College owes vendors, investors, and lending institutions. Finally, the Statement of Net Position provides a picture of the net position and their availability 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 owned by the College. The next category is restricted, which is divided into two categories, permanently and temporarily restricted. Permanently restricted resources are subject to externally imposed stipulations that they be maintained permanently by the College. Temporarily restricted net assets are 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. The final category is unrestricted which are available to the College for any appropriate purpose of the College.

The following schedule is prepared from the College's statement of net position which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

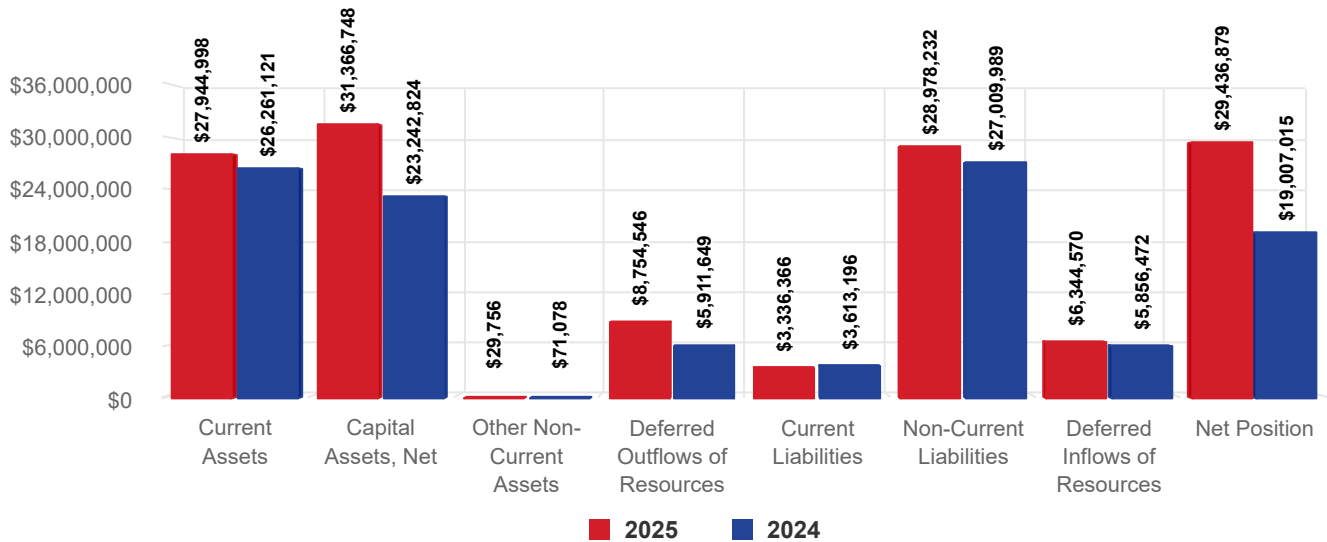
Statement of Net Position

	<u>2025</u>	<u>2024</u>
Assets		
Current Assets	\$ 27,944,998	\$ 26,261,121
Capital Assets, Net	31,366,748	23,242,824
Other Non-Current Assets	29,756	71,078
Total Assets	<u>59,341,502</u>	<u>49,575,023</u>
Deferred Outflows of Resources	<u>8,754,546</u>	<u>5,911,649</u>
Liabilities		
Current Liabilities	3,336,366	3,613,196
Non-Current Liabilities	28,978,232	27,009,989
Total Liabilities	<u>32,314,598</u>	<u>30,623,185</u>
Deferred Inflows of Resources	<u>6,344,570</u>	<u>5,856,472</u>
Net Position		
Net Investment in Capital Assets	22,748,430	14,291,959
Restricted	9,913,704	9,375,410
Unrestricted	(3,225,255)	(4,660,354)
Total Net Position	<u>\$ 29,436,879</u>	<u>\$ 19,007,015</u>

Total assets and total liabilities consist of both current and noncurrent portions. Total current assets increased by \$1,683,877, largely due to a \$762,051 increase in cash and a \$869,743 increase in accounts receivable. The increase in accounts receivable is largely due to ACCS funding for construction projects.

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



Noncurrent assets consist of Unamortized Bond Insurance. Net capital assets consist of capital assets and related accumulated depreciation. Net Capital Assets increased by \$8,123,924. The increase is due to a combination of equipment and several capital renovation projects.

Current liabilities consist of deposits, accounts payable, unearned revenue, the current portion of compensated absences, the current portion of long-term liabilities, and other current liabilities. Total current liabilities had a decrease of \$276,830. The decrease is largely due to a \$483,079 decrease in accounts payable and accrued liabilities, a decrease of \$105,000 in Bonds Payable, and a \$346,707 increase in unearned revenue.

Noncurrent liabilities consist of principal amounts due on bonds and lease payables, unfunded pensions and OPEB, and the noncurrent portion of compensated absences. Noncurrent liabilities increased by \$1,968,243. The increase is largely due to a decrease of \$210,918 in Bonds Payable, a \$15,920 decrease in Lease Payable, and an increase of \$2,172,700 in Net Pension and OPEB Liabilities.

At September 30, 2025, the College reported a liability of \$13,235,007 for its proportionate share of the collective net pension liability. The System’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 System’s proportion was 0.101746%, which was a decrease of 0.001131% from its proportion measured as of September 30, 2023.

At September 30, 2025 the College reported a liability of \$6,852,976 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 a projection of the College’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2024, the College’s proportion was 0.074542%, which was a decrease of 0.003406% from its proportion measured as of September 30, 2023.

Capital assets include those with an acquisition cost of \$10,000 or more. The consumption of assets follows the institutional philosophy to use available resources to acquire and improve all areas of the institution to better serve the instruction and public service missions of the institution.

Statement of Revenues, Expenses, and Changes in Net Position

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

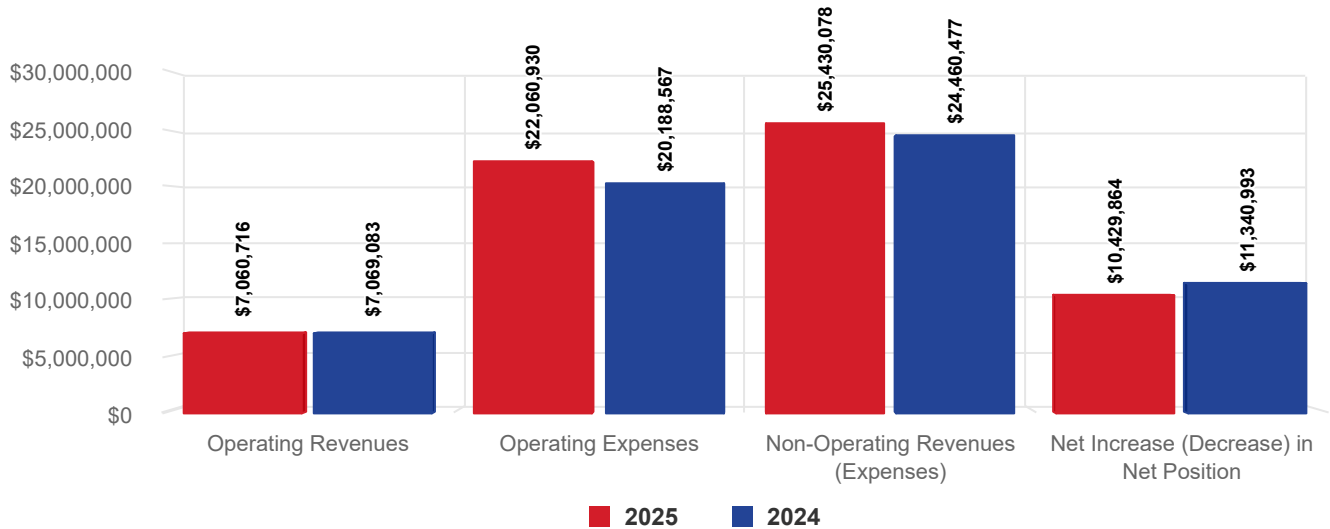
A condensed Statement of Revenues, Expenses, and Changes in Net Position for the year ended September 30, 2025 and 2024 is presented below.

Statement of Revenues, Expenses, and Changes in Net Position

	2025	2024
Operating Revenues	\$ 7,060,716	\$ 7,069,083
Operating Expenses	22,060,930	20,188,567
Operating Income (Loss)	<u>(15,000,214)</u>	<u>(13,119,484)</u>
Non-Operating Revenues (Expenses)	<u>25,430,078</u>	<u>24,460,477</u>
Net Increase (Decrease) in Net Position	10,429,864	11,340,993
Net Position - Beginning of Year	19,007,015	7,666,022
Net Position - End of Year	<u>\$ 29,436,879</u>	<u>\$ 19,007,015</u>

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

Statement of Revenues, Expenses, and Changes in Net Position



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

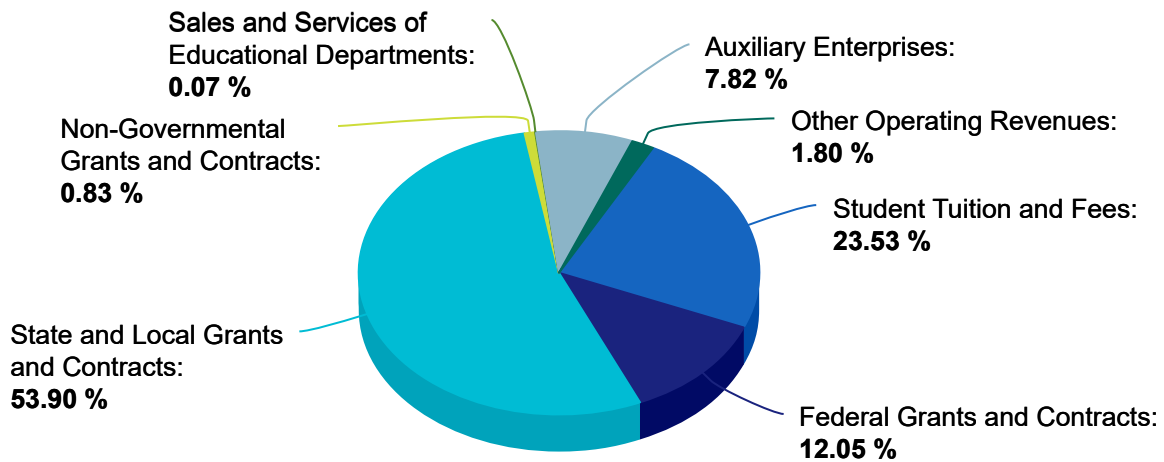
The *Statement of Revenues, Expenses, and Changes in Net Assets* reflect an increase of \$10,429,864 in net position at the end of the fiscal year.

Operating Revenues

	2025	2024
Operating Revenues		
Student Tuition and Fees	\$ 1,661,510	\$ 1,740,199
Federal Grants and Contracts	851,120	711,809
State and Local Grants and Contracts	3,805,507	3,947,266
Non-Governmental Grants and Contracts	58,778	71,851
Sales and Services of Educational Departments	4,627	5,775
Auxiliary Enterprises	552,105	391,872
Other Operating Revenues	127,069	200,311
Total Operating Revenues	\$ 7,060,716	\$ 7,069,083

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

Operating Revenues by Type



State and local contracts represent the largest portion of operating revenue at 53.9 percent. The College received State grants in Adult Education to cover Covington, Butler, and Crenshaw Counties. LBWCC also received funds to assist students through the Alabama Student Assistant Program, Ready to Work Program, Career Pathways, ACCCP Initiative, ALAMAP, and Success Coach Grants. The College continued to receive money for Career Tech Dual Enrollment in excess of \$1,625,000. LBWCC received \$8,120,500 in Capital Appropriations for renovations and improvements to existing buildings. Additional funding was received for the Workforce Development Initiative and for Healthcare Simulation Equipment.

During the academic year of 2024-2025, tuition and fees were \$173 per credit hour for in-state students (\$129/credit hour tuition, \$9/credit hour facility fee, \$9/credit hour technology fee, \$15 credit hour special building fee, \$10 credit hour enhancement fee, and \$1/credit hour bond reserve fee). During the terms of Fall 2024, Spring 2025, and Summer 2025, the facility, technology, special building fee and bond reserve fee remained the same. Beginning with the Fall term of 2025, the facility fee and the technology fee increased to \$15 per credit hour. The College is in line with the ACCS tuition and fee guidelines and is at the maximum that can be charged under Board of Trustee Policy.

Auxiliary services are comprised of two bookstores, a Dormitory that houses up to 92 students, and vending services on all four campuses. All Auxiliary services are self-supporting and stable. During Fall 2025, the college purchased an additional dormitory, which will house up to 60 students. The dormitory is currently under renovations and will become available Fall 2026.

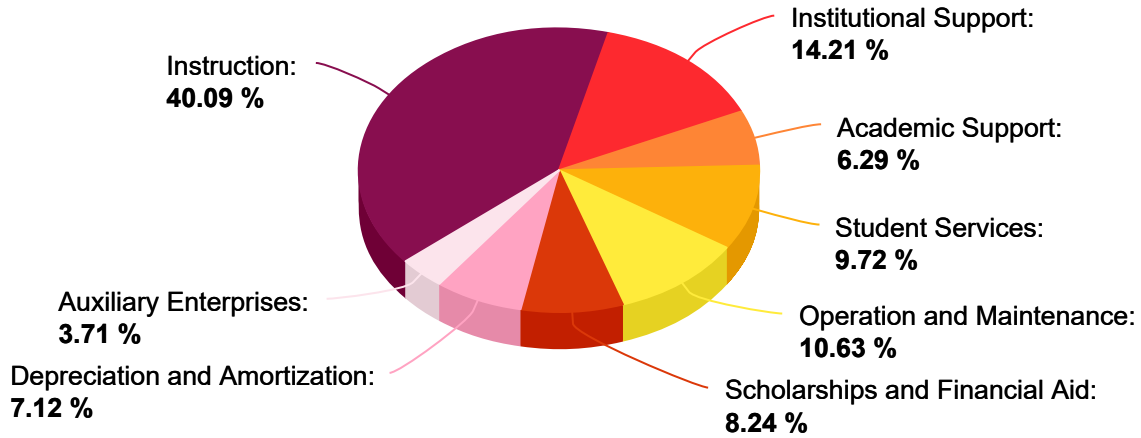
The operating expenses by function stated are displayed in the following exhibit.

Operating Expenses

	<u>2025</u>	<u>2024</u>
Operating Expenses		
Instruction	\$ 8,843,775	\$ 8,083,257
Institutional Support	3,135,733	3,057,812
Academic Support	1,386,572	1,121,092
Student Services	2,144,511	2,185,439
Operation and Maintenance	2,345,246	2,190,970
Scholarships and Financial Aid	1,817,445	1,546,155
Depreciation and Amortization	1,570,236	1,417,493
Auxiliary Enterprises	817,412	586,349
Total Operating Expenses	<u>\$ 22,060,930</u>	<u>\$ 20,188,567</u>

As reflected in the following chart, operating expenses are divided into functional areas that represent the college’s total operating expenses of \$22,060,930:

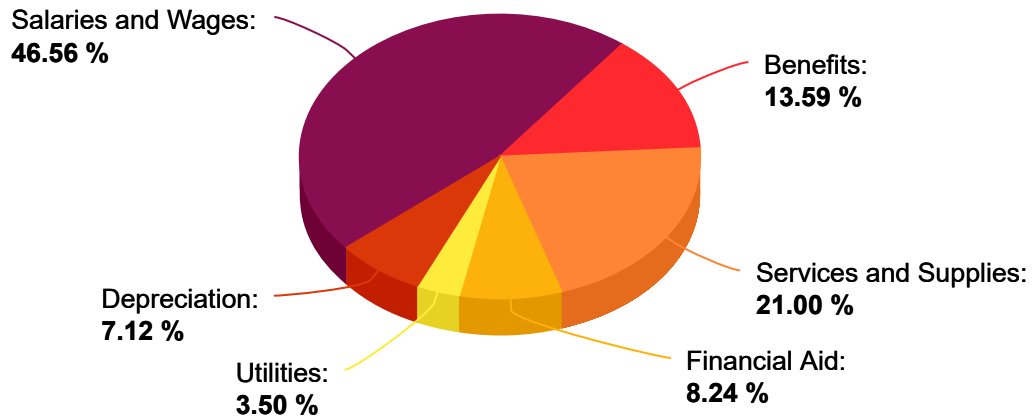
Operating Expenses by Function



Operating expenses by functional area increased by \$1,872,363 as compared to the prior fiscal year. The overall increase is due to an increase in expenditures in all areas of services other than Student Services. Non-Operating cost increased by \$226,187 for the fiscal year. The increase is due to bond interest payments.

Operating expenses are summarized here by natural classification.

Operating Expenses by Natural Classification



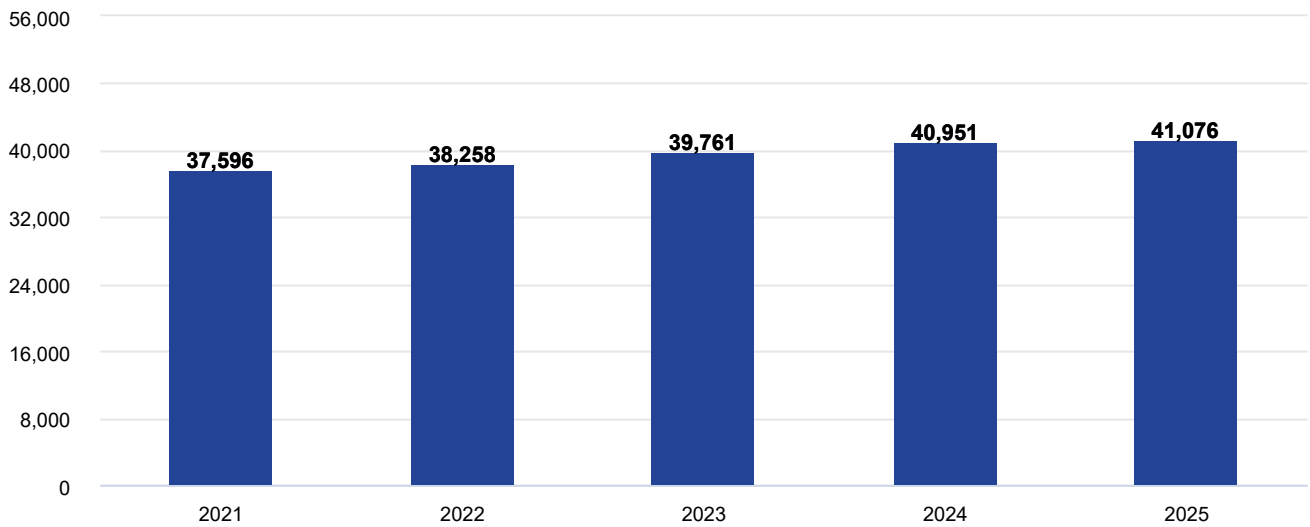
Comparison of Non-Operating Revenues (Expenses)

	2025	2024
Non-Operating Revenues (Expenses)		
State Appropriations	\$ 11,226,693	\$ 10,502,949
Federal Grants	4,955,124	4,312,506
Gifts	376,000	126,000
Local Appropriation	354,790	384,889
Investment Income (Expense), Net	94,622	107,608
Interest Expense	(315,239)	(90,277)
Non-Cash Gifts	409,200	20,573
Other Non-Operating Revenues (Expenses)	(26,413)	(26,704)
Realized Gain/Loss on Investments	234,801	-
Capital Appropriations	8,120,500	9,122,933
Total Non-Operating Revenues (Expenses)	\$ 25,430,078	\$ 24,460,477

Within the non-operating revenues, the College received \$19,625,882 in State appropriations for O&M and Capital grants. The College received \$354,790 in local appropriations. The balance of non-operating revenue was generated from federal grants and contracts, investing activities, gifts, and sale of surplus property.

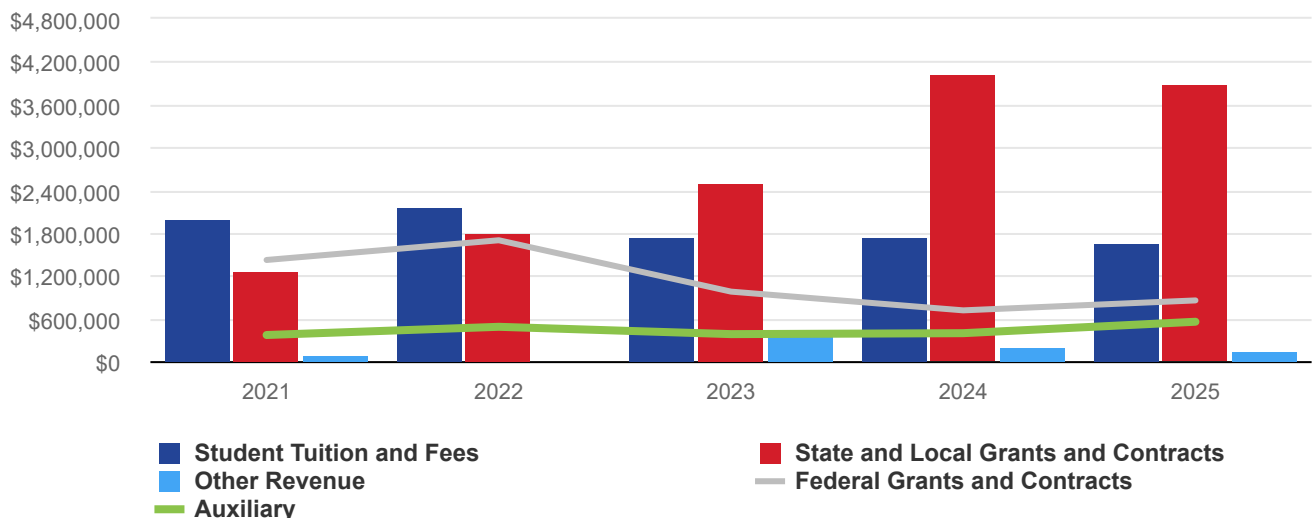
The following chart displays the 5 Year Comparison of Credit Hours for the fiscal year ended September 30, 2025.

5 Year Comparison of Credit Hours



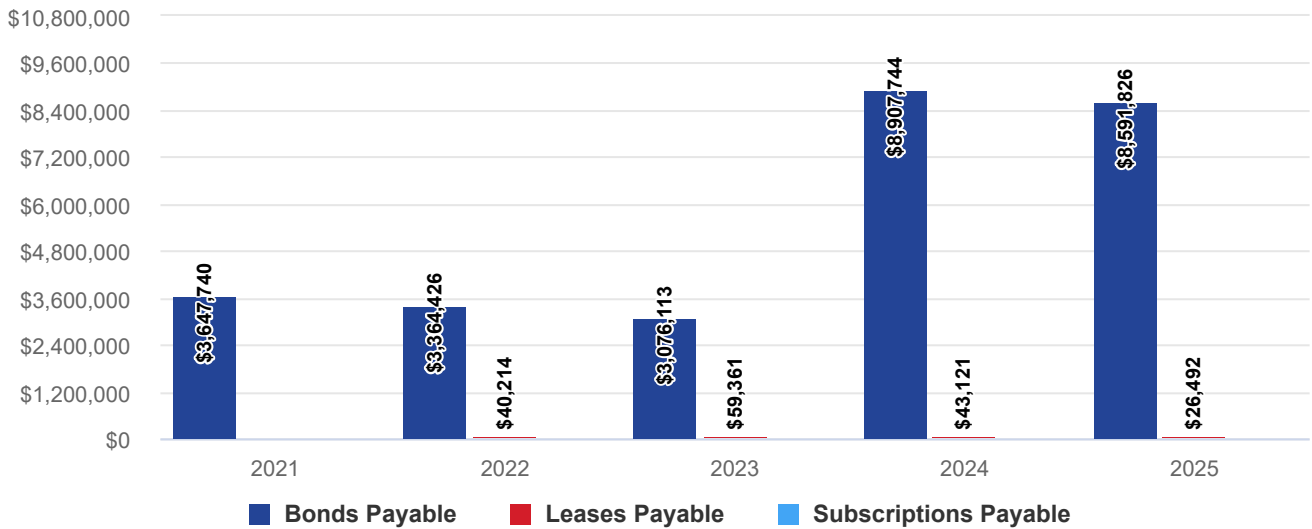
The following chart displays the 5 Year Comparison of Operating Revenue for the fiscal year ended September 30, 2025.

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 purposes. The third section reflects the 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 deals with 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.

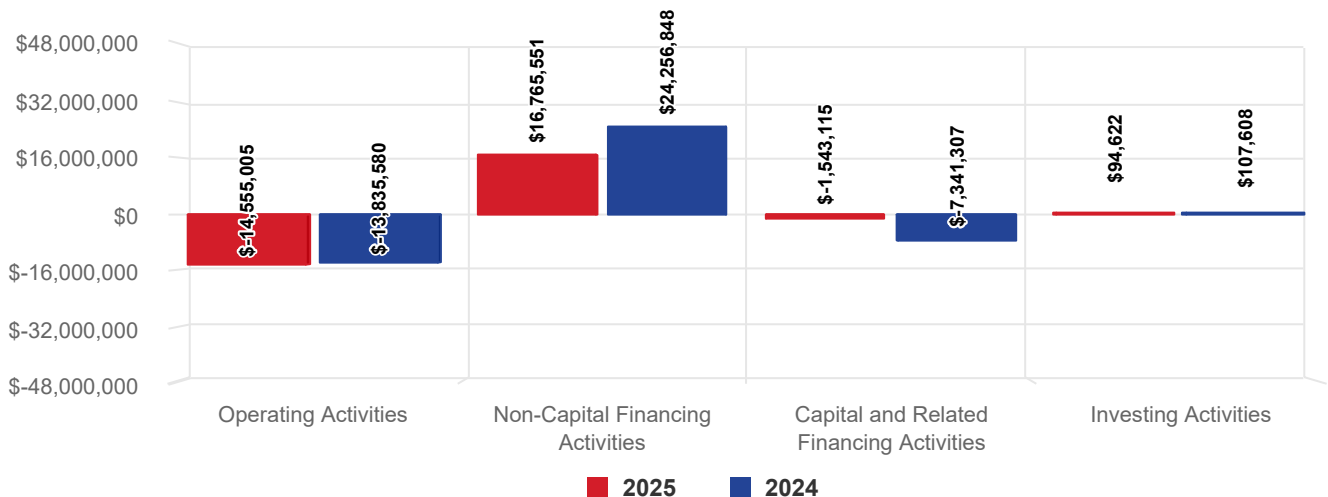
A condensed Statement of Cash Flows for the years ended September 30, 2025 and 2024 is presented below.

Statement of Cash Flows

	<u>2025</u>	<u>2024</u>
Cash Provided (Used) by:		
Operating Activities	\$ (14,555,005)	\$ (13,835,580)
Non-Capital Financing Activities	16,765,551	24,256,848
Capital and Related Financing Activities	(1,543,115)	(7,341,307)
Investing Activities	94,622	107,608
Net Change in Cash and Cash Equivalents	<u>762,053</u>	<u>3,187,569</u>
Cash and Cash Equivalents, Beginning of Year	14,347,401	11,159,832
Cash and Cash Equivalents, End of Year	<u>\$ 15,109,454</u>	<u>\$ 14,347,401</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



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

State appropriations are the primary source of non-operating activities. This source of revenue is categorized as non-operating even though the College's budget depends on this to continue the current level of operations. Other non-operating activities include Pell Grant, donations/gifts, local tax appropriations, and other miscellaneous revenues.

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

Economic Outlook

The College's overall financial position is currently strong. However, based on state and national economic conditions, the College is concerned about the potential of future proration which could result in reductions in the state allocation. Other concerns include the increasing cost of maintenance and restoration of the College's aging buildings.

The College will maintain a close guard over resources to preserve the College's ability to react to unknown internal and external issues. The College will adhere to established ACCS guidelines, which are based on sound financial judgments. The College will take steps to meet the needs of students and the community while remaining financially conservative.

The College is not aware of any other currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during the fiscal year beyond those unknown variations having a global effect on virtually all types of business operations.

Financial Statements

ANNUAL FINANCIAL REPORT
LURLEEN B. WALLACE COMMUNITY COLLEGE





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Statement of Net Position September 30, 2025

	<u>2025</u>
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 15,109,454
Accounts Receivable, Net	6,566,824
Investments	5,973,893
Inventories	240,586
Other Current Assets	54,241
Total Current Assets	<u>27,944,998</u>
Non-Current Assets	
Other Non-Current Assets	29,756
Capital Assets, Net of Depreciation and Amortization	31,366,748
Total Non-Current Assets	<u>31,396,504</u>
Total Assets	<u>59,341,502</u>
Deferred Outflows of Resources	
Deferred Outflows Related to Pension	2,724,120
Deferred Outflows Related to OPEB	6,030,426
Total Deferred Outflows of Resources	<u>\$ 8,754,546</u>

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

Statement of Net Position (Continued)

September 30, 2025

	<u>2025</u>
Liabilities	
Current Liabilities	
Deposits Held for Others	\$ 95,918
Accounts Payable and Accrued Liabilities	1,304,256
Unearned Revenue	1,623,933
Compensated Absences	55,670
Lease Liabilities	18,180
Bonds Payable, Due in One Year	210,919
Other Current Liabilities	27,490
Total Current Liabilities	<u>3,336,366</u>
Non-Current Liabilities	
Compensated Absences	501,030
Lease Liabilities	8,312
Bonds Payable	8,380,907
Net Pension	13,235,007
Net OPEB Liability	6,852,976
Total Non-Current Liabilities	<u>28,978,232</u>
Total Liabilities	<u>32,314,598</u>
Deferred Inflow of Resources	
Deferred Inflows Related to Pension	2,753,662
Deferred Inflows Related to OPEB	3,590,908
Total Deferred Inflow of Resources	<u>6,344,570</u>
Net Position	
Net Investment in Capital Assets	22,748,430
Restricted For:	
Debt Service	6,728,030
Loans	6,180
Other	3,179,494
Unrestricted (deficit)	(3,225,255)
Total Net Position	<u>\$ 29,436,879</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 \$5,243,123)	\$ 1,661,510
Federal Grants and Contracts	851,120
State and Local Grants and Contracts	3,805,507
Non-Governmental Grants and Contracts	58,778
Sales and Services of Educational Departments	4,627
Auxiliary Enterprises	
Bookstore (net of scholarship allowances)	179,634
Campus Housing (net of scholarship allowances)	368,173
Vending	4,298
Other Operating Revenues	127,069
Total Operating Revenues	<u>7,060,716</u>
Operating Expenses	
Instruction	8,843,775
Institutional Support	3,135,733
Academic Support	1,386,572
Student Services	2,144,511
Operation and Maintenance	2,345,246
Scholarships and Financial Aid	1,817,445
Depreciation and Amortization	1,570,236
Auxiliary Enterprises	
Bookstore	424,683
Campus Housing	392,729
Total Operating Expenses	<u>22,060,930</u>
Operating Income (Loss)	<u>\$ (15,000,214)</u>
Non-Operating Revenues (Expenses)	
State Appropriations	\$ 11,226,693
Federal Grants	4,955,124
Gifts	376,000
Local Appropriation	354,790
Investment Income (Expense), Net	94,622
Interest Expense	(315,239)
Non-Cash Gifts	409,200
Other Non-Operating Revenues (Expenses)	(26,413)
Realized Gain/Loss on Investments	234,801

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

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

	<u>2025</u>
Capital Appropriations	<u>8,120,500</u>
Total Non-Operating Revenues (Expenses)	<u>25,430,078</u>
Net Increase (Decrease) in Net Position	<u>10,429,864</u>
Net Position - Beginning of Year	<u>19,007,015</u>
Net Position - End of Year	<u>\$ 29,436,879</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>
Operating Activities	
Cash Received for Tuition and Fees	2,043,271
Cash Received for Grants and Contracts	3,883,106
Cash Payments to Suppliers for Goods and Services	(5,346,169)
Cash Payments for Utilities	(655,293)
Cash Payments to Employees	(10,250,662)
Cash Payments for Employee Benefits	(3,154,392)
Cash Payments for Scholarships	(1,817,445)
Cash Received from Auxiliary Enterprise Charges:	
Bookstore	179,634
Campus Housing	368,173
Vending	4,298
Sales and Services of Educational Activities	4,627
Other Receipts	185,847
Net Cash Provided by (Used in) Operating Activities	<u>(14,555,005)</u>
Non-Capital Financing Activities	
Cash Received from State Appropriations	11,226,693
Cash Received from Federal Grants	4,872,463
Cash Payments for Bond Surety Fees	(42,005)
Cash Received from Gifts and Grants for Other than Capital Purposes	385,200
Other Noncapital Financing	323,200
Net Cash Provided by (Used in) Non-Capital Financing Activities	<u>16,765,551</u>
Capital and Related Financing Activities	
Proceeds from Sale of Capital Assets	15,592
Purchases of Capital Assets	(9,695,618)
Principal Paid on Capital Debt and Leases	(316,629)
Interest Paid on Capital Debt and Leases	(335,741)
Deposits with Trustees	33,980
Appropriations for Capital Projects	8,120,500
Capital Gifts	400,000
Other Capital and Related Finance	234,801
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(1,543,115)</u>
Investing Activities	
Investment Income	94,622
Net Cash Provided by (Used in) Investing Activities	<u>94,622</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>762,053</u>
Cash and Cash Equivalents - Beginning of Year	14,347,401
Cash and Cash Equivalents - End of Year	<u>\$ 15,109,454</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 Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating Income (Loss)	\$ (15,000,214)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Depreciation and Amortization	1,570,236
Change in Assets, Deferred Outflows, Liabilities and Deferred Inflows:	
(Increase) Decrease in Assets and Deferred Outflows	
Receivables, Net	(747,084)
Inventory	(73,287)
Other Assets	(12,773)
Deferred Outflows	(2,842,897)
Increase (Decrease) in Liabilities and Deferred Inflows	
Accounts Payable and Accrued Liabilities	(483,079)
Unearned Revenue	355,324
Compensated Absences	17,971
Pension Liability	(3,182,000)
OPEB Liability	5,354,700
Deferred Inflows	488,098
Total Adjustments	445,209
Net Cash Provided by (Used in) Operating Activities	\$ (14,555,005)

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

Statement of Financial Position – Discretely Presented Component Unit For the Year Ended December 31,2024

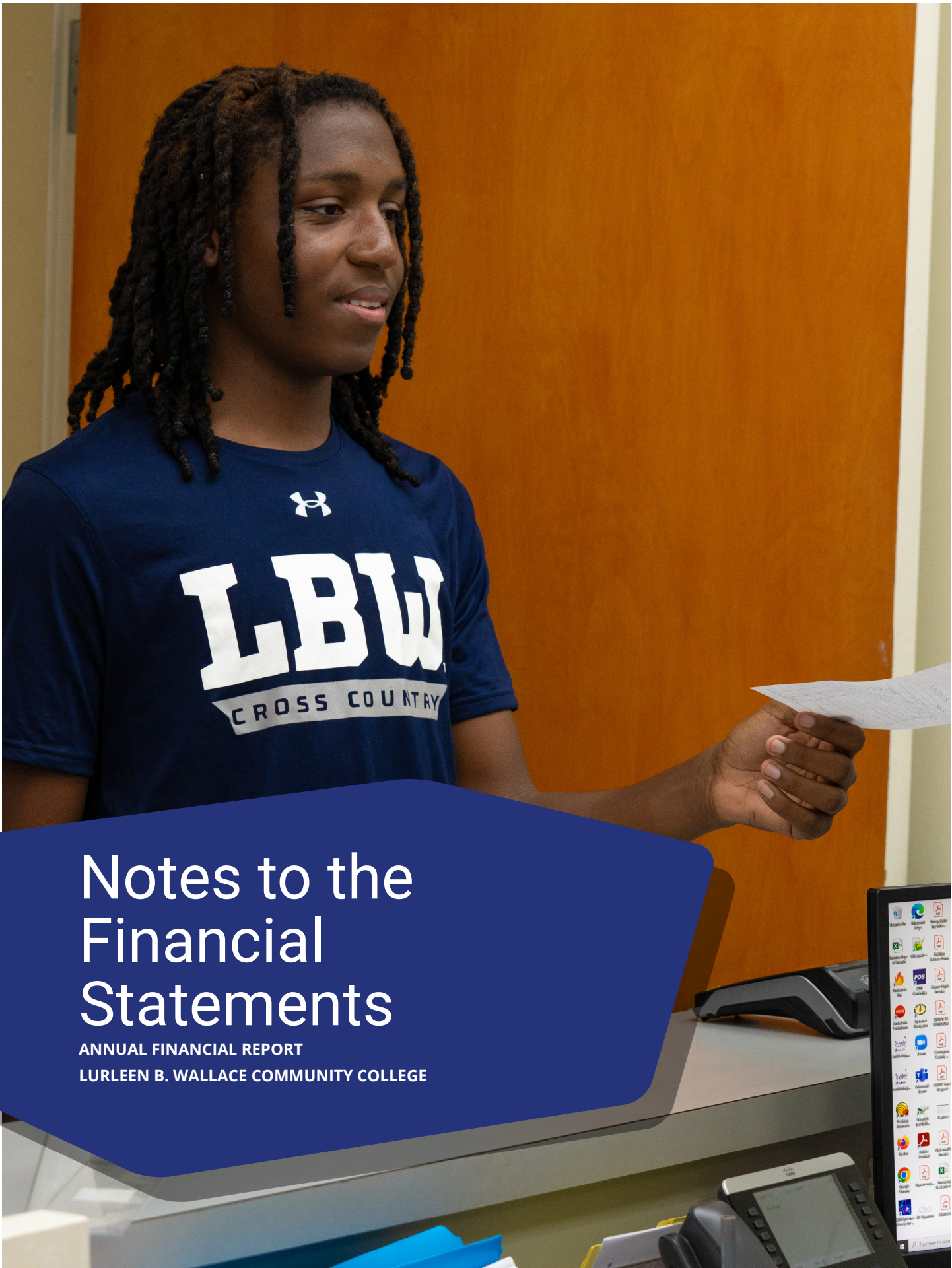
	<u>2024</u>
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 142,446
Investments	7,796,913
Promises to Give	18,000
Total Current Assets	<u>7,957,359</u>
Non-Current Assets	
Capital Assets	243
Total Capital Assets, Net	<u>243</u>
Total Non-Current Assets	<u>243</u>
Total Assets	<u>7,957,602</u>
Net Position	
Net Investment in Capital Assets	243
Restricted for:	
Donor Restrictions	3,179,813
Unrestricted (deficit)	4,777,546
Total Net Position	<u>\$ 7,957,602</u>

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

Statement of Activities – Discretely Presented Component Unit For the Year Ended December 31, 2024

	<u>2024</u>
Operating Revenues	
Contributions	\$ 743,691
Other Operating Revenues	
Total Operating Revenues	<u>743,691</u>
Operating Expenses	
Operation and Maintenance	421,738
Total Operating Expenses	<u>421,738</u>
Operating Income (Loss)	<u>321,953</u>
Non-Operating Revenues (Expenses)	
Investment Income (Expense), Net	426,193
Total Non-Operating Revenues (Expenses)	<u>426,193</u>
Net Increase in Net Position	<u>748,146</u>
Net Position - Beginning of Year	7,209,456
Net Position - End of Year	<u><u>\$ 7,957,602</u></u>

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



Notes to the Financial Statements

ANNUAL FINANCIAL REPORT

LURLEEN B. WALLACE COMMUNITY COLLEGE



LBWTM
COMMUNITY COLLEGE

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Note 1. Summary of Significant Accounting Policies

Nature of Operations

The financial statements of Lurleen B. Wallace Community College (the “College” or the “Primary Government”) have been prepared in conformity 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 GASB in Statement No. 14, *The Financial Reporting Entity*, states that a primary government is financially accountable for a component unit if it appoints a voting majority of an organization’s governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. In this case, the primary government is the State of Alabama which through the Alabama Community College System Board of Trustees governs the Alabama Community College System. The Alabama Community College System through its Chancellor has the authority and responsibility for the operation, management, supervision and regulation of the College. In addition, the College receives a substantial portion of its funding from the State of Alabama (potential to impose a specific financial burden). Based on these criteria, the College is considered for financial reporting purposes to be a component unit of the State of Alabama.

Component Units

The Lurleen B. Wallace Community College Foundation (the “Foundation”) is organized exclusively for charitable, scientific and educational purposes for the benefit of the College. Because of the significance of the relationship between the College and the Foundation, the Foundation is considered a component unit of the College. The Foundation’s financial statements are presented in a separate discrete column in accordance with GASB, as this is the presentation of the Primary Government. No modifications have been made to the Foundation’s financial statements to conform to this presentation. Separate financial statements of the Lurleen B. Wallace Community College Foundation can be obtained from the Foundation’s auditors, Rabren, Odom, Pierce & Hayes, P.C., 1600 Dr. Martin Luther King, Jr. Expressway, Andalusia, Alabama 36420.

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, gifts, and Pell grants.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to the remaining useful life of property and equipment, the identification of allowable versus unallowable costs, the timing of revenue recognition, pension liability, and OPEB liability.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, January 16, 2026, and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Cash, Cash Equivalents, and Investments

The College's cash and cash equivalents are considered to be 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 for the College are reported at fair value, based on quoted market prices, except for money market investments and repurchase agreements, which are reported at amortized cost.

Receivables

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

Inventories and Prepaid Items

Inventories are valued at the lower of cost or market using the first-in/first-out (FIFO) method and consist primarily of books. The cost of such inventories is recorded as expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The cost of prepaid items is recorded as expenses when consumed rather than when purchased.

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, land use rights and patents, trademarks and copyrights. In addition, works of art and historical treasures and similar assets are recorded at their historical cost. Donated capital assets are recorded at acquisition value (an entry price) at the date of donation.

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. Land, construction in progress and intangible assets with indefinite lives are the only capital assets that are not depreciated. The other property, plant, and equipment are depreciated using the methods below over the estimated useful lives of the assets, ranging from five to fifty years. Improvements that extend the useful life of the assets are capitalized and depreciated over the remaining useful life of the asset.

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
Internally Generated Computer Software	Straight Line	10 years
Easement and Land Use Rights	Straight Line	20 years
Patents, Trademarks, and Copyrights	Straight Line	20 years

Deferred Outflows of Resources and Deferred Inflows of Resources

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

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

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the applicable Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds and are recorded as an adjustment to interest expense. Bonds payable are reported net of the applicable bond premium or discount. In accordance with GASB Codification Section I30: *Interest Costs – Imputation*, bond issuance costs are expensed in the period incurred except for prepaid insurance costs.

Unearned Tuition and Fee Revenues

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

Compensated Absences

The College records liabilities for compensated absences in accordance with GASB Statement No. 101, *Compensated Absences*. A liability is recognized when leave is (1) attributable to services already rendered,

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

Pension

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 the Plan requirements. Benefits and refunds are recognized 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 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. For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due pursuant to plan requirements. Subsequent events were evaluated by management through the date the financial statements were issued.

Net Position

Net Position Flow Assumption – Sometimes the College will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the College's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

The College's net position is divided into three components:

- **Net Investment in Capital Assets** – Capital assets, net of accumulated depreciation, and is reduced by the outstanding balances of any bonds, notes or other borrowings that are 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 should also be 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** – Net position consists of assets that are restricted by debt covenants, contributors, contractual provisions, or enabling legislation, reduced by liabilities and deferred inflows of resources related to those assets.
- **Unrestricted** – Net amount of the assets, deferred outflows or resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position. Unrestricted resources may be designated for specific purposes by action of management or the Alabama Community College System Board of Trustees.

Federal Financial Assistance Programs

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

Scholarship Allowances and Student Aid

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

Change in Accounting Estimate: Capitalization Threshold

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

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

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

Revenues and Expenses

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

New Accounting Pronouncements

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

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

Note 2. Deposits and Investments

Deposits

Deposits at year-end were held by financial institutions in the State of Alabama's Security for Alabama Funds Enhancement (SAFE) Program. The SAFE Program was established by the Alabama State Legislature and is governed by the provisions contained in the **Code of Alabama 1975, Sections 41-14A-1 through 41-14A-14**. Under the SAFE Program, all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by the financial institution would be liquidated by the State Treasurer to

replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC). If the securities pledged failed to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

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

Investments

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

Permissible investments include:

1. U.S. Treasury bills, notes, bonds, and stripped Treasuries;
2. U.S. Agency notes, bonds, debentures, discount notes and certificates;
3. Certificates of Deposits (CDs), checking and money market accounts of savings and loan associations, mutual savings banks, or commercial banks whose accounts are insured by FDIC/FSLIC, and who are designated a Qualified Public Depository (QPD) under the SAFE Program;
4. Mortgage Backed Securities (MBSs);
5. Mortgage related securities to include Collateralized Mortgage Obligations (CMOs) and Real Estate Mortgage Investment Conduits (REMIC) securities;
6. Repurchase agreements; and
7. Stocks and Bonds which have been donated to the 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 institution'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 institutions 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 institution may enter into a repurchase agreement so long as:
 - a) the repurchase securities are legal investments under state law for institutions;
 - b) the institution receives a daily assessment of the market value of the repurchase securities, including accrued interest, and maintains adequate margin that reflects a risk assessment of the repurchase securities and the term of the transaction; and
 - c) the institution has entered into signed contracts with all approved counterparties.
7. The institution 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 institution 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.

Custodial Credit Risk – Custodial credit risk for deposits is the risk in the event of the failure of a depository financial institution a government may not be able to recover deposits. Monies placed on deposit with financial institutions in the form of demand deposits, time deposits or certificate of deposits are defined as public deposits. The financial institutions in which the City places its deposits are certified as "qualified public depositories," as required under the SAFE program. For an investment, this is the risk that, in the

event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Interest Rate Risk – Interest rate risk is the possibility that interest rates will rise and reduce the fair value of an investment. The College’s investment policy limits interest rate risk by requiring that an attempt be made to match investment maturities with known cash needs and anticipated cash flow requirements. In addition, investments of current operating funds are required to have maturities of no longer than twelve months.

Credit Risk – Section 150: *Investments* of the GASB Codification requires that governments provide information about credit risk associated with their investments by disclosing the credit rating of investments in debt securities as described by nationally recognized statistical rating organizations. The College’s investment policy limits investments to securities with specific ranking criteria.

Concentration Risk – Section 150: *Investments* of the GASB Codification requires disclosures of investments in any one issuer that represents five percent or more of total investments, excluding investments issued or explicitly guaranteed by the U.S government, investments in mutual funds, external investments pools and other pooled investments. The College investment policy diversifies its exposure to this risk with specific portfolio requirements.

Fair Value Disclosure for Investments – Section 3100: *Fair Value Measurements* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under the codification are described as follows:

Level 1 (L1): Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the College has the ability to access.

Level 2 (L2): Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 (L3): Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

The College’s assets valued at fair value within the fair value hierarchy consist of BlackRock Liquidity Funds Treasury Trust totaling \$5,973,893 and are valued using market prices (Level 1 inputs).

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the College believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 3. Receivables

Accounts receivables are reported net of uncollectible amounts, and as of September 30, 2025, consist of the following:

Description	Accounts Receivable
Federal Grants and Contracts	\$ 1,497,408
Tuition and Fees	282,839
State Grants and Contracts	3,915,053
Third-Party	118,062
Definitive Project Agreement	40,000
Other	891,713
Less: Allowance for Doubtful Accounts	(178,251)
Total Accounts Receivable	<u>\$ 6,566,824</u>

Note 4. Capital Assets

The following is a summary of changes in capital assets during the year ended September 30, 2025:

Description	Beginning Balance	Increases	Decreases	Adjustments	Ending Balance
Nondepreciable Capital Assets					
Land	\$ 530,893	\$ -	\$ -	\$ -	\$ 530,893
Collections	-	-	-	-	-
Construction in Progress	6,142,547	5,733,692	(9,235)	-	11,867,004
Total Nondepreciable Capital Assets	6,673,440	5,733,692	(9,235)	-	12,397,897
Other Capital Assets					
Buildings	18,999,727	2,764,584	-	-	21,764,310
Building Alterations	2,752,785	223,925	-	-	2,976,710
Improvements other than Buildings and Infrastructure	4,019,246	145,736	(40,551)	-	4,124,431
Furniture and Equipment greater than \$25,000	5,876,934	746,909	(469,550)	-	6,154,293
Furniture and Equipment \$25,000 or less	3,393,667	78,800	(554,929)	-	2,917,538

Library Materials	498,269	567	(1,458)	-	497,378
Capitalized Software	-	-	-	-	-
Internally Generated Computer Software	-	-	-	-	-
Easement and Land Use Rights	-	-	-	-	-
Patents, Trademarks, and Copyrights	-	-	-	-	-
Right to Use Assets - Buildings and Equipment	93,771	10,642	(14,583)	-	89,830
Right to Use Assets - Software Subscriptions	-	-	-	-	-
Total Other Capital Assets	35,634,399	3,971,163	(1,081,072)	-	38,524,491
Less Accumulated Depreciation/Amortization					
Buildings	10,219,191	377,637	-	-	10,596,828
Building Alterations	942,816	115,687	-	-	1,058,503
Improvements other than Buildings and Infrastructure	1,566,084	129,793	(40,551)	-	1,655,326
Furniture and Equipment greater than \$25,000	3,491,490	420,968	(469,550)	-	3,442,907
Furniture and Equipment \$25,000 or less	2,338,681	464,731	(554,929)	-	2,248,483
Library Materials	455,987	34,247	-	-	490,235
Capitalized Software	-	-	-	-	-
Internally Generated Computer Software	-	-	-	-	-
Easement and Land Use Rights	-	-	-	-	-
Patents, Trademarks, and Copyrights	-	-	-	-	-
Right to Use Assets - Buildings and Equipment	50,766	27,174	(14,583)	-	63,358
Right to Use Assets - Software Subscriptions	-	-	-	-	-
Total Accumulated Depreciation/Amortization	19,065,015	1,570,237	(1,079,613)	-	19,555,639
Total Capital Assets, Net	\$23,242,824	\$ 8,134,618	\$ (10,693)	\$ -	\$ 31,366,749

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 \$1,205,000 for the year ended September 30, 2025.

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

At September 30, 2025, the College reported a liability of \$13,235,007 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 0.101746%, which was a decrease of 0.001131% from its proportion measured as of September 30, 2023.

For the year ended September 30, 2025, the College recognized pension expense of \$1,395,018. At September 30, 2025, the College reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 1,316,000	\$ 95,000
Changes of Assumptions	203,000	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	2,170,000
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	-	489,000
Employer Contributions Subsequent to the Measurement Date	1,205,000	-
Total	<u>\$ 2,724,000</u>	<u>\$ 2,754,000</u>

\$1,205,000 reported as deferred outflows of resources related to pension 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 pension will be recognized in pension expense as follows:

Year Ended September 30	Amount
2026	\$ (242,000)
2027	488,000
2028	(780,000)
2029	(701,000)
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 System’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.45%) or 1-percentage-point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
College’s Proportionate Share of the Collective Net Pension Liability	\$ 18,403,000	\$ 13,235,007	\$ 8,886,000

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 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 (the “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 (the “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 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 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.

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% 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 \$6,852,976 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 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 0.0745417% which was a decrease of 0.003406% from its proportion measured as of September 30, 2023.

For the fiscal year ended September 30, 2025, the College recognized OPEB expense of (\$92,319), 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	\$ 3,195,948	\$ 1,479,061
Changes of Assumptions	2,360,115	969,585
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	-	169,074
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	246,999	973,188
Employer Contributions Subsequent to the Measurement Date	227,364	-
Total	<u>\$ 6,030,426</u>	<u>\$ 3,590,908</u>

The \$227,364 reported as deferred outflows of resources related to OPEB resulting from the College's contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB liability in the year ended September 30, 2026.

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

Year Ended September 30	Amount
2026	\$ 189,316
2027	271,692
2028	200,720
2029	438,248
2030	837,354
Thereafter	274,824

Actuarial Assumptions

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 to 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	\$ 5,512,640	\$ 6,852,976	\$ 8,581,342

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	\$ 8,324,784	\$ 6,852,976	\$ 5,676,841

OPEB Plan Fiduciary Net Position

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

Note 7. Commitments and Contingencies

As of September 30, 2025, the College had been awarded approximately \$8,155,396 in contracts, grants, and bonds 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.

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

Construction Contracts	Contract Amount
MacArthur Campus Roof Restorations	\$ 59,644
Administration Building Renovation	157,868
Construction Trades Lab	130,707
ILT Renovation	746,791
Athletic Facility	6,440,793
Flag Football Field	619,593
Total outstanding commitments	\$ 8,155,396

Definitive Project Agreement

The College entered into a Definitive Project Agreement with the City of Greenville for \$800,000. The City of Greenville will pay the sum of forty thousand dollars per year to the College beginning January 1, 2007, and on the first day of January each year thereafter for a period of twenty years. These payments are to be made for the purpose of offsetting a portion of the indebtedness incurred by the College in constructing the technology building on the Greenville campus and for the use thereof by the City, its departments, agencies, and public corporations created by and within the City. Amounts due are presented in the chart below:

Year Ended September 30	Amount
2026	\$ 40,000
Total	\$ 40,000

Note 8. Accounts Payable and Accrued Liabilities

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

Description	Amount
Accounts Payable	\$ 855,527
Salaries and Wages Payable	373,563
Benefits Payable	75,166
Total	\$ 1,304,256

Note 9. Long-Term Liabilities

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

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable					
Revenue Bonds	\$ 8,525,000	\$ -	\$ 300,000	\$ 8,225,000	\$ 195,000
Bond Premium	382,744	-	15,919	366,826	15,919
Total Bonds Payable	8,907,744	-	315,919	8,591,826	210,919
Leases Payable	43,121	10,642	27,270	26,492	18,180
Compensated Absences	538,729	17,971	-	556,700	55,670
Total Long-Term Liabilities	\$ 9,489,594	\$ 28,613	\$ 343,189	\$ 9,175,018	\$ 284,769

Bonds Payable

Revenue Bonds Series 2021 with a 3.0% interest rate were issued on May 18, 2021 totaling \$3,460,000 to refund the 2005 Revenue Bonds and to purchase leased property, owned by the Lurleen B. Wallace Foundation, by prepaying a loan from the U. S. Department of Agriculture (USDA). The 2005 Bonds were considered to be defeased and the lease liability was paid in full. The related liabilities have been removed. The maturity date for the 2021 bonds is September 1, 2044.

Revenue Bonds Series 2024 with a 4.125% to 5.000% interest rate were issued on September 17, 2024 totaling \$5,810,000 to renovate multiple buildings located on the College's campuses.

The College has bond premiums in connection with both issuances. The bond premiums are being amortized using the interest method over the life of the bonds. Revenue from student tuition and fees and a special building fee sufficient to pay the annual debt service are pledged to secure the bonds.

Pledged Revenues

The Alabama Community College Board of Trustees has pledged student tuition fee revenues and special building fee revenues to repay \$8,225,000 in Lurleen B. Wallace Community College Revenue Bonds, Series 2021 issued on May 18, 2021, to refund the Series 2005 Bonds which were issued to construct and equip a Technology Building on the Greenville campus and a Child Development and Child Care Center on the Andalusia Campus and Revenue Bonds Series 2024 issued on September 17, 2024 for the purposes of providing funding for certain capital improvements at the College's Andalusia campus, including indoor athletic training facility, locker rooms, fitness center and student center, and for general capital improvement projects across all four campuses of the College.

Pledge revenues in the amount of \$6,100,822 were received during the fiscal year ended September 30, 2025, with \$628,663 of pledged revenues being used to pay principal and interest during this fiscal year. These bonds are scheduled to mature in fiscal year 2044.

Net Investment In Capital Assets

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

The elements of this calculation are as follows:

Description	Amount
Capital Assets (Net)	\$ 31,366,748
Outstanding Debt Related to Capital Assets	(8,618,318)
Net Investment in Capital Assets	<u>\$ 22,748,430</u>

The following is a schedule of the bond payable for the year ended September 30, 2025:

Year Ending September 30	Bonds Payable		
	Principal	Interest	Total
2026	\$ 195,000	\$ 331,738	\$ 526,738
2027	195,000	323,888	518,888
2028	205,000	316,038	521,038
2029	210,000	307,788	517,788
2030	225,000	299,288	524,288
2031-2035	1,260,000	1,351,988	2,611,988
2036-2040	1,535,000	1,078,819	2,613,819
2041-2045	1,690,000	763,069	2,453,069
2046-2050	1,380,000	459,812	1,839,812
2051-2055	1,330,000	144,500	1,474,500
Total	<u>\$ 8,225,000</u>	<u>\$ 5,376,928</u>	<u>\$ 13,601,928</u>
Current Portion	195,000	331,738	526,738
Payable After One Year	<u>\$ 8,030,000</u>	<u>\$ 5,045,190</u>	<u>\$ 13,075,190</u>

Leases Payable

On June 1, 2023, the College entered into a 36 month lease as lessee for the use of a business office copier. An initial lease liability was recorded in the amount of \$9,021. As of September 30, 2025, the value of the lease liability is \$2,059. The College is required to make monthly fixed payments of \$260. The lease has an interest rate of 2.3630%. The equipment's estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of September 30, 2025 of \$9,021 with accumulated amortization of \$7,016 is included in the capital assets table above.

On June 1, 2023, the College entered into a 36 month lease as lessee for the use of a copier in the mailroom academic admin. An initial lease liability was recorded in the amount of \$5,996. As of September 30, 2025, the value of the lease liability is \$1,529. The College is required to make monthly fixed payments of \$198.

The lease has an interest rate of 10.0000%. The equipment's estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of September 30, 2025 of \$5,996 with accumulated amortization of \$4,664 is included in the capital assets table above.

On June 1, 2023, the College entered into a 36 month lease as lessee for the use of the LRC Copier. An initial lease liability was recorded in the amount of \$5,996. As of September 30, 2025, the value of the lease liability is \$1,529. The College is required to make monthly fixed payments of \$198. The lease has an interest rate of 10.0000%. The equipment's estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of September 30, 2025 of \$5,996 with accumulated amortization of \$4,664 is included in the capital assets table above.

On October 1, 2024, the College entered into a 36 month lease as lessee for the use of a copier in the Workforce Development department. An initial lease liability was recorded in the amount of \$3,553. As of September 30, 2025, the value of the lease liability is \$2,151. The College is required to make monthly fixed payments of \$112. The lease has an interest rate of 10.0000%. The equipment's estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of September 30, 2025 of \$3,553 with accumulated amortization of \$1,536 is included in the capital assets table above.

On October 6, 2022, the College entered into a 36 month lease as lessee for the use of a copier in the Nursing department. An initial lease liability was recorded in the amount of \$7,101. As of September 30, 2025, the value of the lease liability is \$198. The College is required to make monthly fixed payments of \$198. The lease has an interest rate of 0.3560%. The equipment's estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of September 30, 2025 of \$7,101 with accumulated amortization of \$7,068 is included in the capital assets table above.

On October 6, 2022, the College entered into a 36 month lease as lessee for the use of a copier on the MacArthur campus. An initial lease liability was recorded in the amount of \$7,101. As of September 30, 2025, the value of the lease liability is \$198. The College is required to make monthly fixed payments of \$198. The lease has an interest rate of 0.3560%. The equipment's estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of September 30, 2025 of \$7,101 with accumulated amortization of \$7,068 is included in the capital assets table above.

On August 18, 2022, the College entered into a 36 month lease as lessee for the use of a copier in the HR Suite. An initial lease liability was recorded in the amount of \$1,612. As of September 30, 2025, the value of the lease liability is \$0. The College is required to make monthly fixed payments of \$48. The lease has an interest rate of 2.0380%. The equipment's estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of September 30, 2025 of \$0 with accumulated amortization of \$0 is included in the capital assets table above. The College has 1 extension option for 36 months.

On October 17, 2022, the College entered into a 36 month lease as lessee for the use of a copier in the Greenville-Technology department. An initial lease liability was recorded in the amount of \$7,326. As of September 30, 2025, the value of the lease liability is \$204. The College is required to make quarterly fixed payments of \$205. The lease has an interest rate of 0.3480%. The equipment's estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of

September 30, 2025 of \$7,326 with accumulated amortization of \$7,217 is included in the capital assets table above.

On February 1, 2022, the College entered into a 36 month lease as lessee for the use of a copier at the Luverne Center. An initial lease liability was recorded in the amount of \$6,117. As of September 30, 2025, the value of the lease liability is \$0. The College is required to make monthly fixed payments of \$172. The lease has an interest rate of 0.8610%. The equipment's estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of September 30, 2025 of \$0 with accumulated amortization of \$0 is included in the capital assets table above.

On February 1, 2022, the College entered into a 36 month lease as lessee for the use of a copier on the Greenville campus. An initial lease liability was recorded in the amount of \$6,854. As of September 30, 2025, the value of the lease liability is \$0. The College is required to make monthly fixed payments of \$193. The lease has an interest rate of 0.8610%. The equipment's estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of September 30, 2025 of \$0 with accumulated amortization of \$0 is included in the capital assets table above.

On March 22, 2022, the College entered into a 60 month lease as lessee for the use of postage machines. An initial lease liability was recorded in the amount of \$25,932. As of September 30, 2025, the value of the lease liability is \$6,629. The College is required to make monthly fixed payments of \$1,340. The lease has an interest rate of 1.3830%. The equipment's estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of September 30, 2025 of \$25,932 with accumulated amortization of \$18,282 is included in the capital assets table above.

On August 1, 2024, the College entered into a 36 month lease as lessee for the use of copier in the AE classroom. An initial lease liability was recorded in the amount of \$4,369. As of September 30, 2025, the value of the lease liability is \$2,708. The College is required to make monthly fixed payments of \$126. The lease has an interest rate of 2.8510%. The equipment's estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of September 30, 2025 of \$4,369 with accumulated amortization of \$1,582 is included in the capital assets table above.

On June 1, 2024, the College entered into a 36 month lease as lessee for the use of copier in the AE classroom. An initial lease liability was recorded in the amount of \$2,628. As of September 30, 2025, the value of the lease liability is \$1,543. The College is required to make monthly fixed payments of \$84. The lease has an interest rate of 10%. The equipment's estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of September 30, 2025 of \$2,628 with accumulated amortization of \$1,097 is included in the capital assets table above.

On November 1, 2023, the College entered into a 36 month lease as lessee for the use of copier in the Student Service area. An initial lease liability was recorded in the amount of \$3,717. As of September 30, 2025, the value of the lease liability is \$1,427. The College is required to make monthly fixed payments of \$112. The lease has an interest rate of 3.6310%. The equipment's estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of September 30, 2025 of \$3,317 with accumulated amortization of \$2,375 is included in the capital assets table above.

On June 1, 2025, the College entered into a 36 month lease as lessee for the use of a copier on the Greenville campus. An initial lease liability was recorded in the amount of \$7,089. As of September 30, 2025, the

value of the lease liability is \$6,316. The College is required to make monthly fixed payments of \$205. The lease has an interest rate of 2.723%. The equipment's estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of September 30, 2025 of \$7,089 with accumulated amortization of \$788 is included in the capital assets table above.

The following is a schedule the lease obligations for the year ended September 30, 2025:

Year Ending September 30	Lease Obligations		
	Principal	Interest	Total
2026	\$ 18,180	\$ 706	\$ 18,886
2027	6,690	166	6,856
2028	1,622	17	1,639
Total	\$ 26,492	\$ 889	\$ 27,381
Current Portion	18,180	706	18,886
Payable After One Year	\$ 8,312	\$ 183	\$ 8,495

Subscription-Based Information Technology Arrangements

For the year ended September 30, 2025, the financial statements include the adoption of GASB Statement No. 96, Subscription-Based Information Technology Arrangements. The primary objective of this statement is to enhance the relevance and consistency of information about governments' subscription activities. This Statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset. For additional information, refer to the disclosures below.

As of September 30, 2024, the College had 0 active subscriptions.

Note 10. Risk Management

The College is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The College has insurance for its buildings and contents through the State Insurance Fund (SIF), part of the State of Alabama Department of Finance, Division of Risk Management, a public entity risk pool, which operates as a common risk management and insurance program for state owned properties. The College pays an annual premium based on the amount of coverage requested. The SIF provides coverage up to \$2 million per occurrence and is self-insured up to a maximum of \$6 million in aggregate claims. The SIF purchases commercial insurance for claims which in the aggregate exceed \$6 million. The College purchases commercial insurance for its automobile coverage, general liability, and professional legal liability coverage. In addition, the College has fidelity bonds on the College's President, Chief Financial Officer and Senior Personnel Officer, Director of Financial Aid, as well as on all other college personnel who handle funds.

Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF) administered by the Public Education Employees' Health Insurance Board (PEEHIB). The Fund was established to provide a uniform plan of health insurance for current and retired employees of state

educational institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are determined annually by the plan's actuary and 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.



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Required Supplementary Information

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Schedule of the Employer's 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	0.101746%	0.102877%	0.105758%	0.108274%	0.111954%	0.113842%	0.119501%	0.119474%	0.116715%	0.122140%
College's Proportionate Share of the Net Pension Liability	\$ 13,235	\$ 16,417	\$ 16,436	\$ 10,200	\$ 13,848	\$ 12,587	\$ 11,881	\$ 11,742	\$ 12,636	\$ 12,783
College's Covered Payroll	\$ 9,028	\$ 8,665	\$ 8,302	\$ 7,869	\$ 7,931	\$ 8,121	\$ 7,993	\$ 7,888	\$ 7,400	\$ 7,670
College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	146.60%	189.46%	197.98%	129.62%	174.61%	154.99%	148.64%	148.86%	170.76%	166.66%
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 Employer’s Contributions - Pension Teachers’ Retirement Plan of Alabama For the Year Ended September 30

(Dollar Amounts in Thousands)	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually Required Contribution	\$ 1,205	\$ 1,085	\$ 1,038	\$ 987	\$ 947	\$ 965	\$ 990	\$ 959	\$ 935	\$ 877
Contributions in Relation to the Contractually Required Contribution	\$ 1,205	\$ 1,085	\$ 1,038	\$ 987	\$ 947	\$ 965	\$ 990	\$ 959	\$ 935	\$ 877
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College’s Covered Payroll	\$ 10,243	\$ 9,028	\$ 8,665	\$ 8,302	\$ 7,869	\$ 7,931	\$ 8,121	\$ 7,993	\$ 7,888	\$ 7,400
Contributions as a Percentage of Covered Payroll	11.76%	12.02%	11.98%	11.89%	12.03%	12.17%	12.19%	12.00%	11.85%	11.85%

Notes to Schedule

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

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

Notes to Required Supplementary Information for Pension Benefits

Note 1. Changes of Benefit Terms

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

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

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

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

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

Note 2. Changes of Assumptions

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

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

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

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

The actuarially determined contribution rates in the schedule of employer contributions are calculated three years prior to the end of the fiscal year in which contributions are reported (September 30, 2020 for the fiscal year 2023 amounts). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	27.1 years
Asset Valuation Method	5-year smoothed market
Inflation	2.75 percent
Salary Increase	3.25 percent to 5.00 percent, including inflation
Investment Rate of Return	7.70 percent, net of pension plan investment expense, including inflation

**Schedule of the Employer's 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	0.074542%	0.077948%	0.088513%	0.082332%	0.085332%	0.101056%	0.101481%	0.098289%
College's Proportionate Share of the Net OPEB Liability	\$ 6,853	\$ 1,498	\$ 1,542	\$ 4,254	\$ 5,538	\$ 3,813	\$ 8,340	\$ 7,300
College's Covered Payroll	\$ 8,658	\$ 8,239	\$ 7,924	\$ 7,730	\$ 7,792	\$ 7,939	\$ 7,855	\$ 7,733
College's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	79.15%	18.19%	19.46%	55.03%	71.08%	48.02%	106.18%	94.41%
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 Employer’s Contributions - 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	\$ 227	\$ 107	\$ 121	\$ 167	\$ 142	\$ 168	\$ 287	\$ 249
Contributions in Relation to the Contractually Required Contribution	\$ 227	\$ 107	\$ 121	\$ 167	\$ 142	\$ 168	\$ 287	\$ 249
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College’s Covered Payroll	\$ 9,164	\$ 8,658	\$ 8,239	\$ 7,924	\$ 7,730	\$ 7,792	\$ 7,939	\$ 7,855
Contributions as a Percentage of Covered Payroll	2.48%	1.24%	1.47%	2.11%	1.84%	2.16%	3.62%	3.17%

* 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.



Supplementary Information

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

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass Through Grantor's Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Education Student Financial Assistance Cluster Direct Programs				
Federal Pell Grant Program	84.063		\$ -	\$ 4,955,124
Federal Supplemental Educational Opportunity Grants	84.007		-	83,702
Federal Work-Study Program	84.033		-	111,450
Subtotal Student Financial Assistance Cluster			-	5,150,276
U.S. Department of Agriculture Direct Program				
Partnership Agreements - Forestry Service Grant	10.699	22-CS-11330145-19	-	64,177
Passed Through Alabama Community College System				
Adult Education - Basic Grants to States	84.002	V002A2000001	-	158,786
Adult Education - Summer Conference	84.002	V002A170001	-	9,254
Subtotal for 84.002			-	168,040
Passed Through Alabama State Department of Education				
Career and Technical Education - Basic Grants to States	84.048	V048A120001	-	267,067
U.S. Department of Labor Passed Through Alabama Department of Commerce WIOA Cluster				
WIOA Adult Program	17.258		-	17,321
WIOA Youth Activities	17.259		-	156,681
Subtotal WIOA Cluster			-	174,002
Total Expenditures of Federal Awards			\$ -	\$ 5,823,562

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

Notes to Schedule of Expenditures of Federal Awards

Note 1. Basis of Accounting

This Schedule of Expenditures of Federal Awards (the “schedule”) was prepared on the modified accrual basis of accounting. The modified accrual basis differs from the full accrual basis of accounting in that expenditures for property and equipment are expensed when incurred, rather than being capitalized and depreciated over their useful lives, and expenditures for the principal portion of debt service are expensed when incurred, rather than being applied to reduce the outstanding principal portion of debt, which conforms to the basis of reporting to grantors for reimbursement under the terms of Lurleen B. Wallace Community College’s (the “College”) federal grants.

Note 2. De Minimis

The College has elected to not use the 10% de Minimis indirect cost rate.

Note 3. Basis of Presentation

The accompanying schedule summarizes the federal expenditures of the College under programs of the federal government for the year ended September 30, 2025. The amount reported as federal expenditures were obtained from the College’s general ledger. Because the schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net margins and cash flows of the College.

For purposes of the schedule, federal awards include all grants, contracts, and similar agreements entered into directly with the federal government and other pass through entities. Payments received for goods or services provided as a vendor do not constitute federal awards for purposes of the schedule. The College has obtained Assistance Listing Numbers (ALN) to ensure that all programs have been identified in the Schedule. ALN have been appropriately listed by applicable programs. Federal programs with different ALNs that are closely related because they share common compliance requirements are defined as a cluster by the Uniform Guidance. Two clusters were identified in the schedule as follows:

Student Financial Aid Cluster - This cluster includes awards that assist agencies in providing financial assistance to eligible students attending eligible institutions of postsecondary education.

Workforce Innovation and Opportunity Act (WIOA) Cluster - This cluster includes awards designed to help job seekers access employment, education, training, and support services to succeed in the labor market and to match employers with the skilled workers they need to compete in the global economy

Note 4. Relationship of the Schedule to Program Financial Reports

The amounts reflected in the financial reports submitted to the awarding federal and/or pass-through agency and the schedule may differ. Some of the factors that may account for any difference include the following:

- The College's fiscal year end may differ from the program's year end.
- Accruals recognized in the schedule, because of year end procedures, may not be reported in the program financial reports until the next program reporting period.
- Fixed asset purchases and the resultant depreciation charges are recognized as property and equipment, net in the College's financial statements and as expenditures in the program financial reports.

Note 5. Federal Pass-through Funds

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

Note 6. Contingencies

Grant monies received and disbursed by the College are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon experience, the College does not believe that such disallowance, if any, would have a material effect on the financial position of the College. As of September 30, 2025, there were no known material questioned or disallowed costs as a result of grant audits in process or completed.

Note 7. Noncash Assistance

The College did not receive any federal noncash assistance for the fiscal year ended September 30, 2025.

Note 8. Subrecipients

The College did not provide federal funds to subrecipients for the fiscal year ended September 30, 2025.

Note 9. Loans and Loan Guarantees

The College did not have any loans or loan guarantee programs required to be reported on the schedule.

Note 10. Federally Funded Insurance

The College did not have any federally funded insurance required to be reported on the schedule for the fiscal year ending September 30, 2025.

Additional Information

ANNUAL FINANCIAL REPORT

LURLEEN B. WALLACE COMMUNITY COLLEGE





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Listing of College Officials

Jimmy H. Baker

Chancellor

Dr. Brock Kelley

President

Lisa Carnley

Dean of Finance and Administrative Services



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Independent Auditor Reports

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

Section I – Summary of Auditor’s Results

Financial Statements

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

Federal Awards

1. Type of auditor’s report issued on compliance for major programs
 Unmodified Qualified Adverse Disclaimer
2. Internal control over major programs:
 - Material weaknesses identified? Yes No
 - Significant deficiencies identified not considered to be material weaknesses? Yes None reported
3. Any audit findings disclosed that are required to be reported in accordance with 2CFR section 200.516(a)? Yes No
4. Identification of major programs

**Assistance Listing
Number**

Name of Federal Program or Cluster

84.007
84.033
84.063

Student Financial Assistance Cluster
Federal Supplemental Educational Opportunity Grants
Federal Work-Study Program
Federal Pell Grant Program

5. Dollar threshold used to distinguish between type A and type B programs \$750,000
6. Auditee qualified as low-risk under 2CFR 200.520 Yes No



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