Report on the

T. A. Lawson State Community College

Birmingham, Alabama

October 1, 2018 through September 30, 2019

Filed: October 16, 2020

Department of Examiners of Public Accounts

401 Adams Avenue, Suite 280
Montgomery, Alabama 36104-4338
P.O. Box 302251
Montgomery, Alabama 36130-2251
Website: www.examiners.alabama.gov

Rachel Laurie Riddle, Chief Examiner

20-568

State of Alabama
Department of
Examiners of Public Accounts
P.O. Box 302251, Montgomery, AL 36130-2251
401 Adams Avenue, Suite 280
Montgomery, Alabama 36104-4338
Telephone (334) 242-9200
FAX (334) 242-1775

Rachel Laurie Riddle
Chief Examiner

Honorable Rachel Laurie Riddle
Chief Examiner of Public Accounts
Montgomery, Alabama 36130

Dear Madam:

An audit was conducted on T. A. Lawson State Community College, Birmingham, Alabama, for the period October 1, 2018 through September 30, 2019, by Examiners Tahomah Blackmon and Denise Clark-Owens. I, Tahomah Blackmon, served as Examiner-in-Charge on the engagement, and under the authority of the ***Code of Alabama 1975***, Section 41-5A-19, I hereby swear to and submit this report to you on the results of the audit.

Respectfully submitted,

Tahomah Blackmon

Tahomah Blackmon
Examiner of Public Accounts

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SUMMARY

T. A. Lawson State Community College
October 1, 2018 through September 30, 2019

T. A. Lawson State Community College (the "College") provides general education at the freshman and sophomore levels leading to the Associate in Arts and Associate in Science degrees that is designated to facilitate transfer to a senior college or university. T. A. Lawson State Community College also provides the following technical, vocational and career education programs that prepare students for employment in an occupational field and leads to certificates and/or Associate in Applied Science degrees: Media Production Broadcasting; Graphics and Printing; Computer Science; Cosmetology; Barbering; Electronic Engineering Technology; Air Conditioning/Refrigeration; Automotive Technology; Drafting and Design Technology; Culinary Arts; Child Development; Criminal Justice; Fire Science; Social Work Technician; Geographic Information Systems; Masonry; Carpentry; Electrical Technology; Building Construction; Plumbing and Pipefitter; Consumer Electronics; Industrial Electronics; Industrial Maintenance Technology; Auto Body Repair; Auto Mechanics; Diesel Mechanics; Machine Tool Technology; Welding; Cabinet and Furniture Restoration; Commercial Art; Dental Assisting; Emergency Medical Services; Associate Degree Nursing; Practical Nursing; Nursing Assistant; Home Health Aide; Management and Supervision; Business; Accounting Technology; Office Administration; Clerical Technology; Banking and Finance; Real Estate; Fashion Merchandising; Insurance Marketing and Diagnostic Medical Sonography.

T. A. Lawson State Community College is a publicly supported institution in the Alabama Community College System. The College is under the direction and control of the Alabama Community College System Board of Trustees through the Chancellor of the Alabama Community College System Office.

This report presents the results of an audit, the objectives of which were to determine whether the financial statements present fairly the financial position and results of financial operations and whether the College complied with applicable laws and regulations, including those applicable to its major federal financial assistance programs. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States, as well as, the requirements of the Department of Examiners of Public Accounts under the authority of the ***Code of Alabama 1975***, Section 41-5A-12.

An unmodified opinion was issued on the basic financial statements, which means the College's financial statements present fairly, in all material respects, its financial position and the results its operations for the fiscal year ended September 30, 2019.

The prior year audit finding has been resolved.

Tests performed during the audit did not disclose any significant instances of noncompliance with applicable state laws and regulations.

The following officials/employees were invited to an exit conference to discuss the results of this audit: Dr. Perry W. Ward, President; Sharon Crews, Vice-President for Administrative and Fiscal Services; Jimmy Baker, Chancellor of the Alabama Community College System and Bryan Helms, Vice-Chancellor of the Alabama Community College System. The following individuals attended the exit conference via teleconference: Dr. Perry W. Ward, President; Sharon Crews, Vice-President for Administrative and Fiscal Services; Darren Allen, Acting Dean of Students; Cassandra Hollins, Director of Financial Aid; and Monique Silas, Director of Accounting. Representing the Alabama Community College System via teleconference were: Sara Calhoun, Executive Director of Fiscal Services; Billy Merrill, Associate Director of Financial Services – Special Projects; Brian Harrison, Associate Director of Financial Services – System Support and Julia Dennis, Financial Compliance Accountant. Representing the Department of Examiners of Public Accounts via teleconference were: Peter Fisher, Audit Manager, and Tahomah Blackmon and Denise Clark-Owens, Examiners.

Department of
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COMMENTS

T. A. Lawson State Community College
October 1, 2018 through September 30, 2019

T. A. Lawson State Community College (the "College") in Birmingham was formed on October 1, 1973, by the merger of two separate, publicly funded institutions. One of the institutions was the Wenonah State Technical Institute, established in 1949 as a result of the Wallace-Patterson Trade School Act of 1947. The other institution, Lawson State Junior College, was established in 1965 under Act Number 93 of the 1963 Alabama State Legislature. Act Number 93 on page 259 authorized the Governor, the Director of Finance, and the State Superintendent of Education to become a corporation, to be known as the Alabama Trade and Junior College Authority, for the objective of providing for the construction and equipment of educational institutions within the state known as junior colleges and trade schools. Act Number 94 on page 268 vested in the Alabama State Board of Education the authority and responsibility for the operation, management, control, supervision, maintenance, regulation, upkeep, improvement, equipment, and enlargement of, and additions to, educational institutions known as trade schools and junior colleges.

The College had been originally designated as Wenonah State Technical College, but was renamed after its first president, Dr. T. A. Lawson, to T. A. Lawson State Community College consisting of two locations referred to as the "East Campus" and the "West Campus." On January 27, 2005, the Alabama State Board of Education adopted the *Statement of Intent to Merge T. A. Lawson State Community College* and *Bessemer State Technical College*, to form one institution, T. A. Lawson State Community College. Final approval for the merger was given by the Alabama State Board of Education on June 23, 2005. The Southern Association of Colleges and Schools also granted approval of the merger on June 23, 2005.

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Independent Auditor’s Report

Independent Auditor's Report

Jimmy Baker, Chancellor – Alabama Community College System
Dr. Perry W. Ward, President – T. A. Lawson State Community College
Birmingham, Alabama 35221

Report on the Financial Statements

We have audited the accompanying basic financial statements of T. A. Lawson State Community College, a component unit of the State of Alabama, as of and for the year ended September 30, 2019, and related notes to the financial statements which collectively comprise T. A. Lawson State Community College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

<u>Opinion</u>

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of T. A. Lawson State Community College, as of September 30, 2019, and its changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

<u>Other Matters</u>

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedule of the College's Proportionate Share of the Collective Net Pension Liability, the Schedule of the College's Contributions – Pension, the Schedule of the College's Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability and the Schedule of the College's Contributions – Other Postemployment Benefits (OPEB) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise T. A. Lawson State Community College's basic financial Statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 8), is presented for the purposes of additional analysis as required by Title 2 U. S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*** *(Uniform Guidance)*, and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and directly relates to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with ***Government Auditing Standards***, we have also issued our report dated August 26, 2020, on our consideration of T. A. Lawson State Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of T. A. Lawson State Community College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering T. A. Lawson State Community College's internal control over financial reporting and compliance.

Rachel Laurie Riddle

Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

August 26, 2020

Management's Discussion and Analysis
(Required Supplementary Information)

LAWSON STATE COMMUNITY COLLEGE
Management's Discussion and Analysis

Lawson State Community College is a comprehensive, public, two-year, multi-campus college, which seeks to provide affordable and accessible quality educational opportunities, promote economic growth, and enhance the quality of life for the diverse communities it serves. Through varied instructional modes and lifelong learning opportunities, the College prepares students for gainful employment, career advancement, college transfer, and workforce development.

Lawson State Community College, located in the southwestern section of Birmingham, is composed of two main divisions--an academic division and a career/technical division.

Lawson State Community College has experienced three name changes. Formally known as Wenonah State Technical Junior College, Wenonah Junior College, Theodore A. Lawson State Junior College and in 1973 changed in honor of the incumbent president to T.A. Lawson State Community College.

On January 27, 2005, the Alabama State Board of Education adopted the Statement of Intent to merge Lawson State Community College and Bessemer State Technical College, to form one institution, Lawson State Community College in accordance with its policy on consolidation or merger of postsecondary institutions. Lawson State Community College and Bessemer State Technical College were merged effective July 2005.

Lawson State Community College is providing a diverse, challenging and relevant academic program on two campuses. The merger resulted in the college becoming Lawson State Community College Birmingham Campus and Lawson State Community Bessemer Campus.

Lawson State is an institution with a rich history of academic achievement and an unmatched record of community leadership and service. The college is proud of its ability to provide seamless administrative processes and educational support services for students and other constituents. The college offers an affordable and flexible education that is comprehensive, innovative, technology rich and designed to meet the diverse education needs of constituents in Jefferson County.

A focus on students was employed to develop strategies to encourage students to persist each semester until graduation. Lawson State has launched its 15 to Finish Campaign to encourage students to enroll in 15 credit hours each semester. Over the last three (3) years the college has been preparing for its On-Site Reaffirmation visit from the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC). Lawson State developed a Focused Report and the Quality Enhancement Plan (QEP).

The College worked tirelessly to evaluate its processes and/or develop processes that would ensure SACSCOC Compliance upon its review in November 2019. Because of this review, the College was required to upgrade instructional technology, review student processes and upgrade facilities to ensure adequacy.

The College continued work to complete the construction of the new Academic Student Success Center on the Birmingham campus, renovate the Automotive Instructional Facility on the Bessemer Campus, and repurpose the student learning living facility on the Birmingham Campus. These construction projects have received the certificate of substantial completion and were open for services during the 2018/2019 academic year. The costs have been updated to the Plant Investment section of the financial statements. The College also used its Title III funds provided by the U. S. Department of Education to upgrade the network connectivity between the campuses, in addition to upgrading the network from a 100 MB network to a 10 GB network. This upgrade will include increasing/upgrading the campus security system coverage and the wireless coverage as well create redundancy of connectivity between the campuses.

The College continues to focus on the use of technology, and acquisition of instructional and non-instructional equipment to enhance services and increase its ability to attract future students.

Overview of the Financial Statements and Financial Analysis

Lawson State Community College is proud to present its financial statements for fiscal year 2019. The emphasis of discussion about these statements will be on current year data. There are three financial statements presented: The Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

The report of the College's financial statements provides an overview of its financial activities for the year-end September 30, 2019.

Statement of Net Position

The Statement of Net Position presents the assets, deferred outflow of resources, liabilities, deferred inflow 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. The purpose of the Statement of Net Position is to present to the readers of the financial statements a fiscal snapshot of Lawson State Community College. The Statement of Net Position presents end-of-year data concerning Assets (current and noncurrent), Deferred Outflow of Resources, Liabilities (current and noncurrent), Deferred Inflow of Resources, and Net Position (Assets and Deferred Outflows minus Liabilities and Deferred Inflows). The difference between current and noncurrent assets will be discussed in the financial statement disclosure.

From the data presented, readers of the Statement of Net Position can determine the assets available to continue the operations of the institution. They are also able to determine how much the institution owes vendors, investors and lending institutions. Finally, the Statement of Net Position provides a picture of the net position and its availability for expenditure by the institution.

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

Statement of Net Position

	2019	**2018**
Assets:		
Current Assets	11,332,677	13,124,948
Capital Assets, Net	55,775,191	54,006,519
Other Assets	2,807,176	2,736,247
Total Assets	69,915,044	69,867,714
Deferred Outflow of Resources	4,870,358	4,136,409
Liabilities:		
Current Liabilities	6,178,970	6,460,549
Noncurrent Liabilities	63,365,172	60,026,791
Total Liabilities	69,544,142	66,487,340
Deferred Outflow of Resources	3,841,998	4,809,223
Net Position:		
Net Investment in Capital Assets	30,123,246	29,920,787
Restricted – Expendable	917,363	754,665
Restricted – Nonexpendable	585,000	585,000
Unrestricted	(30,226,347)	(28,552,892)
Total Net Position	**1,399,262**	**$2,707,560**

Capital assets include assets with an acquisition cost of $5,000 or more. The capitalization of building and improvements/repairs follows the institutional policy depending on scope and cost of projects.

For fiscal year 2018/2019, total assets increased by approximately $47,330 attributable to an increase in capital assets and deferred outflows of resources. Noncurrent assets which includes plant and fixed equipment increased by more than $1.8 million attributable to renovation and upgrades to existing facilities and the recording of the new Academic Success Center. The College acquired over $400,000 of equipment whose acquisition costs of 5,000 or more.

The College acquired an additional acreage adjacent to the campus as part of the ongoing Facility Master Plan.

Statement of Revenues, Expenses and Changes in Net Position

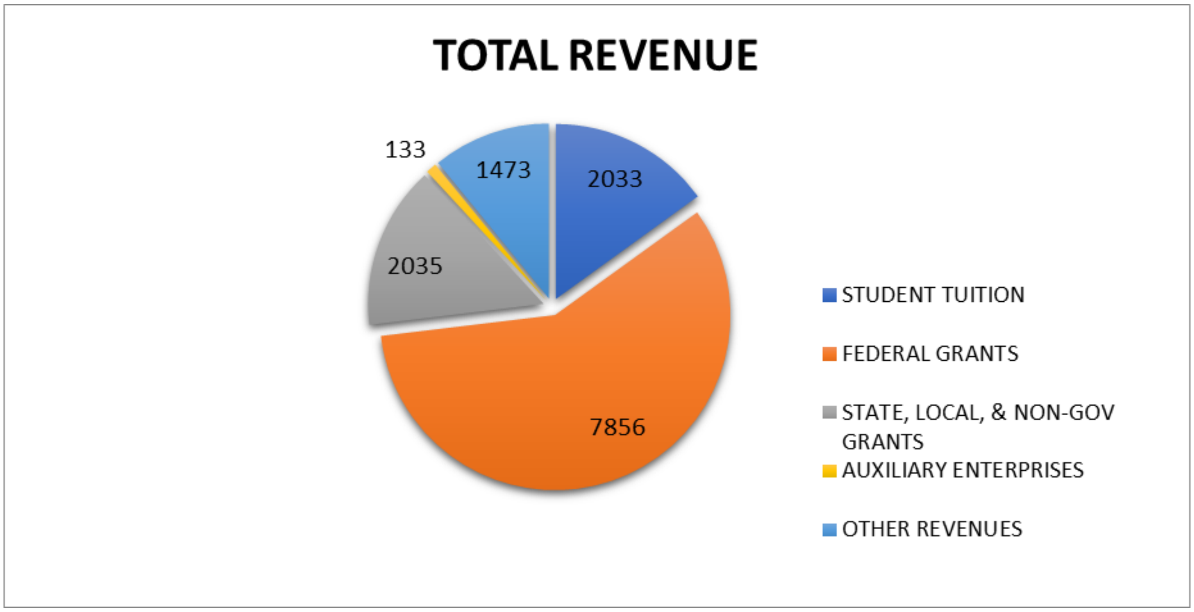
Changes in total net position as presented on the Statement of Net Position is based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of the statement is to present the revenues received by the institution, both operating and non operating, and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

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

Statement of Revenue, Expenses and Changes in Net Position

	2019	**2018**
Operating Revenues	13,530,533	14,342,574
Operating Expenses	(39,591,409)	(39,407,575)
Operating Loss	(26,060,876)	(25,065,001)
Nonoperating Revenues and Expenses	24,752,578	23,766,012
Decrease in Net Position	(1,308,298)	(1,298,989)
Net Position at Beginning of Year	2,707,560	19,874,890
Restatements	0	(15,868,341)
Net Position at End of Year	**$ 1,399,262**	**$ 2,707,560**

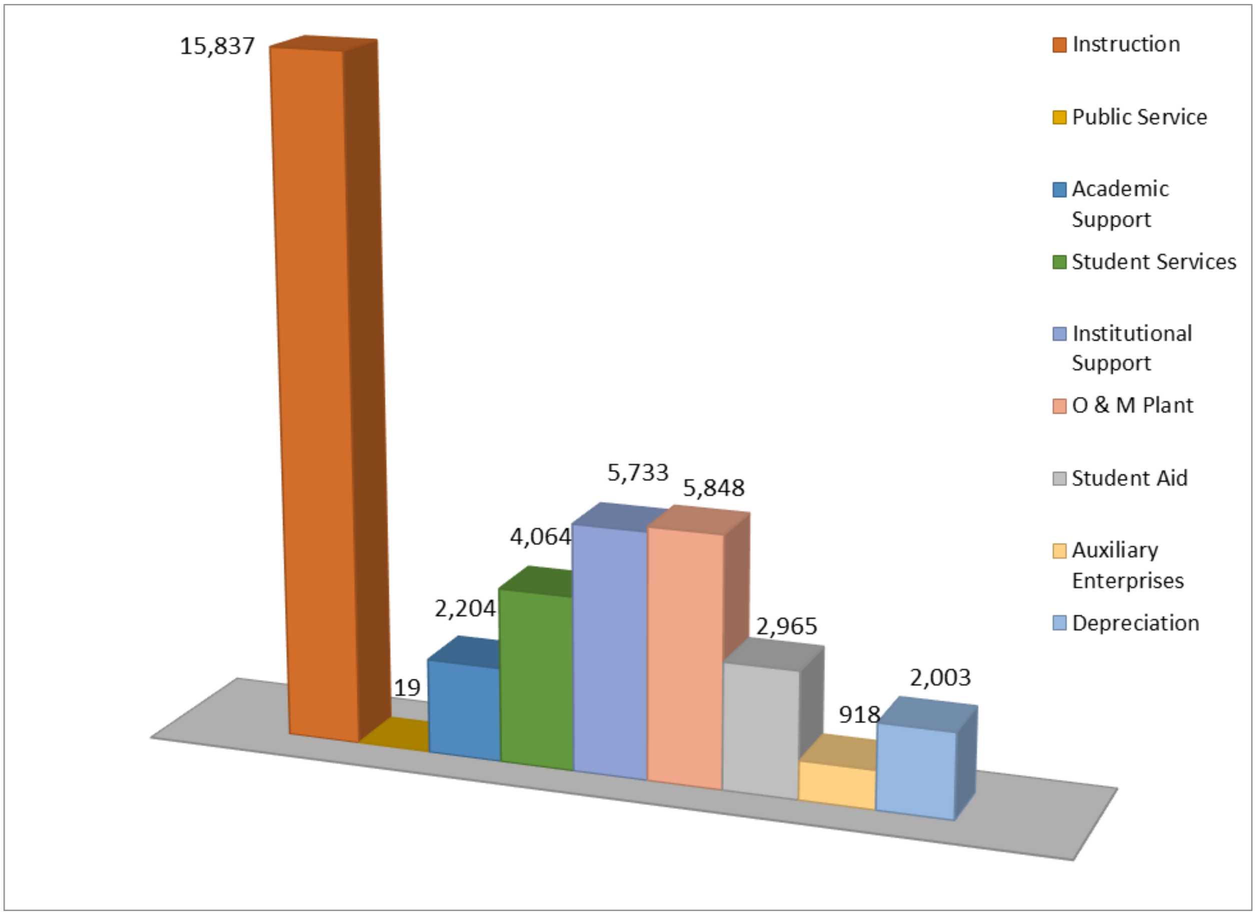
The Statement of Revenues, Expenses, and Changes in Net Position reflect a decrease at the end of the year. The decrease in the net positon at the end of the year is attributable to a decrease in operating revenues from federal grants and contract and tuition and fees. Operating expenditures were managed and controlled to reduce the impact of the reductions in operating revenues. The college continues to use its available resources to provide services and improve all areas of the institution to better serve the instruction and community service missions of the institution.



The above chart, displayed in thousands of dollars, shows the operating revenues by type and their relationship with one another. Federal grants and contracts represent the largest type of revenue followed by student tuition and fees net of scholarship allowance. Other revenue types include state, local, and non-government grants and contracts and auxiliary services.

The Auxiliary Services are self-supporting with the exception of food service. Vending revenues have been used to offset deficits in prior years. The operation of food service for the campus residential facility has created additional expenditures that has caused deficits. Therefore, management has made the decision to outsource food service operations during the year in an effort to focus on educational activities. Student activities are supported through transfers from the general operating resources.

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



The college had operating expenses of over $39.5 million displayed by function in the exhibit above.

The College placed its focus on enhancing instructional programs and held expenditures to necessary purchases to support all programs. The College made every effort to maximize funds received from grants and contracts. Deferred maintenance measures were implemented to help maintain facilities on both campuses that are appropriate for educational programs and administrative services.

Statement of Cash Flows

The final statement presented by Lawson State Community 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 activities of the institution. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for non-operating, non-investing, and non-capital financing purposes. The third section deals with the cash used for the acquisition and construction of capital and related items.

The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds and interest received from investing activities. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

	2019	**2018**
Cash from Cash Flows:		
Cash Provided (Used) By:		
Operating Activities	$(25,066,203)	$(22,342,984)
Nonoperating activities	26,087,699	26,088,792
Capital and Related Financing Activities	(3,427,745)	(3,193,305)
Investing activities	66,244	35,820
Net Change in Cash	(2,340,005)	588,323
Cash, Beginning of Year	5,184,595	4,596,272
Cash, End of Year	$ 2,844,590	$ 5,184,595

The primary cash receipts from operating activities consist of tuition and fees, and grants and contracts. Cash outlays include payment of wages, benefits, supplies, utilities and scholarships. State appropriations and student financial revenue are the primary sources of non-capital financing. This source of revenue is categorized as noncapital even though the college's budget depends on this to continue the current level of operations.

Investing activities reflect interest income on investments. Cash was used for capital and related financing activities to complete the construction projects. The college met its debt service requirements in a timely manner.

Lawson State Community College's towering presence on the western side of the City of Birmingham is attribute to the leadership of the President. The increase in the physical footprint of both campuses is a testament to the vision of the President.

The College's overall financial position is strong. College facilities are a continuous resource for the community with the college hosting community events and public service functions on each campus. The College anticipates fiscal year 2020 will provide many opportunities and challenges with potential declining state and federal funding. Even though enrollment has stabilized, the college is making a concerted effort to manage and conserve resources, reduce expenditures and maintain an operating contingency, while providing accessible, affordable, high quality educational opportunities that will prepare students to enter the job market or transfer to senior colleges and universities, and assist them in achieving their professional and personal goals.

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Basic Financial Statements

Statement of Net Position
September 30, 2019

ASSETS		
Current Assets		
Cash and Cash Equivalents	$	2,844,589.71
Short-Term Investments		986,394.12
Deposit with Bond Trustee		1,432,197.15
Accounts Receivable, Net (Note 3)		5,527,211.22
Inventories		69,072.80
Prepaid Expenses		473,211.91
Total Current Assets		11,332,676.91
Noncurrent Assets		
Long-Term Investments		2,807,176.02
Capital Assets:		
Land		2,469,208.62
Improvements Other Than Buildings		7,260,102.76
Buildings		70,442,852.64
Equipment and Furniture		7,318,430.23
Library Holdings		1,455,196.19
Construction in Progress		1,255,665.16
Less: Accumulated Depreciation		(34,426,264.66)
Total Capital Assets, Net of Depreciation		55,775,190.94
Total Noncurrent Assets		58,582,366.96
Total Assets		69,915,043.87
DEFERRED OUTFLOW OF RESOURCES		
Pension		3,974,523.00
Other Postemployment Benefit (OPEB)		843,984.00
Loss on Bond Refunding		51,851.34
Total Deferred Outflow of Resources	$	4,870,358.34

The accompanying Notes to the Financial Statements are an integral part of this statement.

LIABILITIES	
Current Liabilities	
Deposits	$ 142,488.49
Accounts Payable and Accrued Liabilities	2,071,356.71
Bond Surety Fee Payable	30,114.00
Unearned Revenue	2,661,806.46
Compensated Absences	45,000.00
Bonds Payable	1,228,204.34
Total Current Liabilities	6,178,970.00
Noncurrent Liabilities	
Pension Liability	21,622,000.00
OPEB Liability	15,603,416.00
Compensated Absences	1,225,494.77
Deposits	466,517.21
Bonds Payable	24,447,743.95
Total Noncurrent Liabilities	63,365,171.93
Total Liabilities	69,544,141.93
DEFERRED INFLOW OF RESOURCES	
Pension	2,372,000.00
Other Postemployment Benefit (OPEB)	1,442,150.00
Gain on Extinguishment of Capital Lease	27,848.06
Total Deferred Inflow of Resources	3,841,998.06
NET POSITION	
Net Investment in Capital Assets	30,123,245.93
Restricted for:	
Nonexpendable:	
Endowment	585,000.00
Expendable:	
Other	384,758.79
Loans	102,570.72
Debt Service	430,033.77
Unrestricted	(30,226,346.99)
Total Net Position	$ 1,399,262.22

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Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended September 30, 2019

OPERATING REVENUES	
Student Tuition and Fees (Net of Scholarship Allowances of $9,968,696.98)	$ 2,033,461.97
Federal Grants and Contracts	7,855,532.57
State and Local Grants and Contracts	1,828,086.74
Nongovernmental Grants and Contracts	207,247.49
Sales and Services of Educational Activities	452,503.04
Auxiliary Enterprises (Net of Scholarship Allowances of $777,770.02)	133,470.54
Other Operating Revenue	1,020,230.25
Total Operating Revenues	13,530,532.60
OPERATING EXPENSES	
Instruction	15,837,380.72
Institutional Support	5,732,843.01
Public Service	18,765.22
Academic Support	2,203,692.50
Student Services	4,064,240.22
Operation and Maintenance	5,847,806.88
Scholarships and Financial Aid	2,965,456.60
Depreciation	2,003,129.32
Auxiliary Enterprises	918,094.04
Total Operating Expenses	39,591,408.51
Operating Income (Loss)	(26,060,875.91)
NONOPERATING REVENUES (EXPENSES)	
State Appropriations	14,233,096.01
Federal Grants	11,070,966.41
Investment Income	128,611.76
Realized Gain/Loss on Investments	4,811.35
Unrealized Gain/Loss on Investments	98,481.23
Interest on Capital Asset Related Debt	(734,586.06)
Bond Surety Fee Expense	(65,107.33)
Other Nonoperating Expenses	(70,757.03)
Net Nonoperating Revenues	24,665,516.34
Income Before Other Revenue, Expenses, Gains, or Losses	(1,395,359.57)
Capital Grants, Contracts, and Gifts	149,224.93
Disposal	(62,163.40)
Changes in Net Position	(1,308,298.04)
Total Net Position - Beginning of Year	2,707,560.26
Total Net Position - End of Year	$ 1,399,262.22

The accompanying Notes to the Financial Statements are an integral part of this statement.

Statement of Cash Flows
For the Year Ended September 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees	$ 1,878,680.73
Grants and Contracts	9,292,399.42
Payments to Suppliers	(10,991,896.40)
Payments to Utilities	(1,643,373.91)
Payments to Employees	(16,775,055.83)
Payments for Employees Benefits	(5,381,168.34)
Payments for Scholarships	(2,960,856.32)
Sales and Services of Educational Activities	452,503.04
Auxiliary Enterprise Charges	42,334.46
Other Receipts (Payments)	1,020,230.25
Net Cash Provided (Used) by Operating Activities	(25,066,202.90)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	14,233,096.01
Federal Grants	11,913,169.16
Bond Surety Fee	(60,419.49)
Deposits Held for Others	65,938.33
Other Receipts (Payments)	(64,085.16)
Net Cash Provided (Used) by Noncapital Financing Activities	26,087,698.85
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of Capital Assets and Construction Cost	(891,146.47)
Principal Paid on Capital Debt	(1,234,051.71)
Interest Paid on Capital Debt	(734,586.06)
Deposit with Trustees	(567,960.81)
Net Cash Provided (Used) by Capital and Related Financing Activities	(3,427,745.05)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Investments	(165,660.03)
Interest on Investments	231,904.34
Net Cash Provided (Used) by Investing Activities	66,244.31
Net Increase (Decrease) in Cash and Cash Equivalents	(2,340,004.79)
Cash and Cash Equivalents - Beginning of Year	5,184,594.50
Cash and Cash Equivalents - End of Year	$ 2,844,589.71

The accompanying Notes to the Financial Statements are an integral part of this statement.

Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities:

Operating Income (Loss)	$ (26,060,875.91)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	2,003,129.32
Changes in Assets and Liabilities:	
(Increase)/Decrease in Receivables, Net	(748,908.52)
(Increase)/Decrease in Inventory	21,663.73
Increase/(Decrease) in Accounts Payable	(362,443.93)
Increase/(Decrease) in Unearned Revenue	(29,470.91)
Increase/(Decrease) in Compensated Absences	61,088.32
(Increase)/Decrease in Deferred Outflows	(746,915.00)
Increase/(Decrease) in Pension Liability	296,000.00
Increase/(Decrease) in OPEB Liability	1,458,472.00
Increase/(Decrease) in Deferred Inflows	(957,942.00)
Net Cash Provided (Used) by Operating Activities	$ (25,066,202.90)

Note 1 – Summary of Significant Accounting Policies

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

A. Reporting Entity

The College is a component unit of the State of Alabama. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. The Governmental Accounting Standards Board (GASB) in Statement Number 14, "The Financial Reporting Entity," states that a primary government is financially accountable for a component unit if it appoints a voting majority of an organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. In this case, the primary government is the State of Alabama which through the Alabama Community College System Board of Trustees governs the Alabama Community College System. The Alabama Community College System through its Chancellor has the authority and responsibility for the operation, management, supervision and regulation of the College. In addition, the College receives a substantial portion of its funding from the State of Alabama (potential to impose a specific financial burden). Based on these criteria, the College is considered for financial reporting purposes to be a component unit of the State of Alabama.

B. 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 nonoperating 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. Nonoperating revenues arise from exchange transactions not associated with the College's principal activities, such as investment income and from all nonexchange transactions, such as state appropriations.

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

1. Deposits and Investments

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

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

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

2. Receivables

Accounts receivable relate to amounts due from federal grants, state grants, third party tuition, and auxiliary enterprise sales, such as food service, and residence halls. The receivables are shown net of allowance for doubtful accounts.

3. Capital Assets

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

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

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

Assets	Depreciation Method	Useful Lives
Buildings and Improvements	Straight-Line	50 years
Improvements Other Than Buildings	Composite	25 years
Equipment > $25,000	Composite	10 years
Equipment < $25,000	Composite	5 years
Library Materials	Composite	20 years
Capitalized Software	Straight-Line	10 years
Easement and Land Use Rights	Straight-Line	20 years
Patents, Trademarks, and Copyrights	Straight-Line	20 years

4. Deferred Outflows of Resources

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

5. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bonds are carried net of applicable premiums and discounts. Bond premiums and discounts are amortized over the life of the bonds.

6. Compensated Absences

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

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

7. Deferred Inflows of Resources

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

8. Unearned Tuition and Fee Revenue

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

9. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, the Teachers' Retirement System of Alabama (the "Plan") financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to plan requirements. Benefits and refunds are recognized as revenues when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

10. Postemployment Benefits Other Than Pensions (OPEB)

The Alabama Retired Education Employees' Health Care Trust (the "Trust") financial statements are prepared by using the economic resources measurement focus and accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Trust and additions to/deductions from the Trust's fiduciary net position. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due pursuant to plan requirements. Benefits are recognized when due and payable in accordance with the terms of the plan. Subsequent events were evaluated by management through the date the financial statements were issued.

11. Net Position

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

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

- ***Restricted:***

  - ✓ ***Nonexpendable*** – Net position subject to externally imposed stipulations that they be maintained permanently by the College. Such assets include the College's permanent endowment funds.

  - ✓ ***Expendable*** – Net position whose use by the College is subject to externally imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time.

- ***Unrestricted*** – Net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. Unrestricted resources may be designated for specific purposes by action of management or the Alabama Community College System Board of Trustees.

12. 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*).

13. Scholarship Allowances and Student Aid

Student tuition and fees are reported net of scholarship allowances and discounts. The amount for scholarship allowances and discounts is the difference between the stated charge for goods and services provided by the College and the amount that is paid by the student and/or third parties making payments on behalf of the student. The College uses the case-by-case method as prescribed by the National Association of College and University Business Officers (NACUBO) in their Advisory Report 2000-05 to determine the amount of scholarship allowances and discounts.

Note 2 – Deposits and Investments

A. Deposits

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

B. Investments

The College may invest its funds in a manner consistent with all applicable state and federal 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 rating 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 deposit (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 including collateralized mortgage obligations (CMOs) and real estate mortgage investment conduits (REMIC) securities, 6) repurchase agreements; and 7) stocks and bonds which have been donated to the institution.

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

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

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

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

The $3,793,570.14 reported as investments on the Statement of Net Position for the College is described below along with the $1,432,197.15 reported as Deposits with Trustees. As of September 30, 2019, the College had the following investments and maturities:

Investment Type	Fair Value	Less Than 1 Year	1 – 5 Years	No Maturity
U. S. Treasuries	$2,785,640.11	$ 659,794.91	$2,125,845.20	$
Certificates of Deposit and Cash Equivalents	1,007,930.03	394,998.25	553,998.38	58,933.40
Money Market Funds	1,432,197.15			1,432,197.15
Total	$5,225,767.29	$1,054,793.16	$2,679,843.58	$1,491,130.55

Interest Rate Risk – is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the College's investment policy limits its investment maturities as follows:

Investment	Maximum Maturity
U. S. Treasury Bills, Notes, Bonds and Stripped Treasuries	10 yrs.
U. S. Agencies	10 yrs.
Certificates of Deposit	5 yrs.
Mortgage Backed Securities and Mortgage-Related Securities	7 yrs. (aggregate average life) 10 yrs. (average life maturity of any one security)

Credit Risk – is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The College does not have a formal credit risk investment policy.

Of the College's fixed income investments of $3,793,570.14, 36% was rated AA by S&P Credit Rating Source.

Of the College's $1,432,197.15 in accounts administered by its bond trustees, $152,356.86 pertains to Series 2007 Revenue Bonds, $277,676.91 pertains to Series 2012 Revenue Bonds, and $1,002,163.38 pertains to Series 2015 Future Advance Funding Bonds. In accordance with the covenants of the Series 2007, Series 2012, and Series 2015 Bonds, the trustee is permitted to invest in direct general obligations of the United States or securities, the payment of which is unconditionally guaranteed by the United States.

The balances on deposit with trustee for the Series 2007 Revenue Bonds, the Series 2012 Revenue Bonds, and the Series 2015 Future Advance Funding Bonds are invested in Fidelity Money Market Funds Fidelity Investments Money Market Treasury Only – Class III and Class I which are Money Market Fund. These funds invest primarily in a portfolio of short-term U. S. Treasury securities whose interest is exempt from state and local income taxes. These funds are rated AAAm by Standard & Poor's and AAA-mf by Moody's.

Concentrations of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The College did not have a formal investment policy which limited investment in any one issuer to less than 5%.

Custodial Credit Risk – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to cover the value of its investments or collateral securities that are in the possession of an outside party. The College had no formal policy limiting the amount of securities that can be held by counterparties; however, at September 30, 2019, the College did not hold any investments subject to custodial credit risk.

To the extent available, the College's investments are recorded at fair value as of September 30, 2019. GASB Statement Number 72 – ***Fair Value Measurement and Application***, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

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

Level 1 – Investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date.

Level 2 – Investments with inputs – other than quoted prices included within Level 1 – that are observable for an asset either directly or indirectly.

Level 3 – Investments classified as Level 3 have unobservable inputs for an asset and may require a degree of professional judgement.

Investments by Fair Value Level	At 09/30/2019	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Debt Securities:				
U. S. Government Guaranteed	$2,785,640.11	$	$2,785,640.11	$
Total Debt Securities	2,785,640.11	$	$2,785,640.11	$
Certificates of Deposit and Cash Equivalents	1,007,930.03			
Money Market Accounts	1,432,197.15			
Total	$5,225,767.29			

Additional Information for Level 2 Inputs

U. S. Treasury Bills, Bonds and Notes

Interactive Data evaluates U. S. Treasury securities by obtaining feeds continuously from a number of live data sources including active market makers and inter-dealer brokers. Sources are reviewed on the basis of their historical accuracy for individual issues and maturity ranges. Evaluations are available throughout the day, as well as, being marked at 15:00 and 16:00 (ET) daily using a variety of real-time sources. Contributors to those sources include active market makers in Treasury securities and inter-dealer brokers. Evaluated prices for U. S. TIPS are "clean", meaning that the evaluated price does not include an adjustment factor for inflation.

Note 3 – Receivables

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

Accounts Receivable:	
Federal	$ 2,370,218.88
State	504,931.73
Local	150,251.02
Third-Party	1,185,017.15
Auxiliary	184,293.00
Loans	90,289.21
Sub-Total Accounts Receivable, Net	4,485,000.99
Student Receivable:	
Current	4,316,271.48
Less: Allowance for Doubtful Accounts	(3,274,061.25)
Total Students Receivable, Net	1,042,210.23
Total Accounts Receivable, Net	$ 5,527,211.22

Note 4 – Capital Assets

Capital asset activity for the year ended September 30, 2019, was as follows:

	Beginning Balance	Additions	Deductions	Adjustments	Ending Balance
Land	$ 2,433,576.62	$ 35,632.00	$	$	$ 2,469,208.62
Improvements Other Than Buildings	7,225,147.02			34,955.74	7,260,102.76
Buildings	48,255,925.52	2,036,538.22		20,150,388.90	70,442,852.64
Equipment	6,924,201.86	429,184.11		(34,955.74)	7,318,430.23
Library Holdings	1,505,970.14	11,389.45	(62,163.40)		1,455,196.19
Construction in Process	20,150,388.90	1,255,665.16		(20,150,388.90)	1,255,655.16
Total	86,495,210.06	3,768,408.94	(62,163.40)		90,201,455.60
Less: Accumulated Depreciation					
Improvements Other Than Buildings	5,044,061.44	223,507.68		34,955.74	5,302,524.86
Buildings	20,389,967.53	1,307,217.42			21,697,184.95
Equipment	5,709,257.80	409,293.06		(34,955.72)	6,083,595.14
Library Holdings	1,345,403.76	63,111.16	(62,163.40)	(3,391.81)	1,342,959.71
Total Accumulated Depreciation	32,488,690.53	2,003,129.32	(62,163.40)	(3,391.79)	34,426,264.66
Capital Assets, Net	$54,006,519.53	$1,765,279.62	$	$ 3,391.79	$55,775,190.94

Note 5 – Defined Benefit Pension Plan

A. Plan Description

The Teachers' Retirement System of Alabama (TRS), a cost-sharing multiple-employer public employee retirement plan (the "Plan"), was established as of September 15, 1939, under the provisions of Act Number 419, Acts of Alabama 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. The TRS Board of Control consists of 15 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The ***Code of Alabama 1975***, Section 16-25-2, 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.

B. 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 are eligible for retirement 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 Number 2012-377, Acts of Alabama, 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 guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. 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. Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary based on the member's age, service credit, employment status and eligibility for retirement.

C. Contributions

Covered 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.

Tier 2 covered members of the TRS contribute 6% of earnable compensation to the TRS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 7% of earnable compensation.

Participating employers' contractually required contribution rate for the year ended September 30, 2019, was 12.41% of annual pay for Tier 1 members and 11.35% 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 $1,826,190.60 for the year ended September 30, 2019.

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

At September 30, 2019, the College reported a liability of $21,622,000.00 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2017. 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, 2018, the College's proportion was 0.217470%, which was an increase of 0.000488% from its proportion measured as of September 30, 2017.

For the year ended September 30, 2019, the College recognized pension expense of $1,602,261.93. At September 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 467,000.00	$ 659,000.00
Changes of assumptions	1,202,000.00	
Net difference between projected and actual earnings on pension plan investments		1,632,000.00
Changes in proportion and differences between employer contributions and proportionate share of contributions	479,000.00	81,000.00
Employer contributions subsequent to the measurement date	1,826,000.00	
Total	$3,974,000.00	$2,372,000.00

The $1,826,000.00 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension will be recognized in pension expense as follows:

Year Ending:	
September 30, 2020	$ 283,000.00
2021	$(263,000.00)
2022	$(298,000.00)
2023	$ 16,000.00
2024	$ 38,000.00
Thereafter	$ 0.00

E. Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of September 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Investment Rate of Return (*)	7.75%
Projected Salary Increases	3.25-5.00%

(*) Net of pension plan investment expense

The actuarial assumptions used in the September 30, 2017 valuation were based on the results of an actual experience study for the period October 1, 2010 through September 30, 2015.

Mortality rates were based on the RP-2000 White Collar Mortality Table Projected to 2020 using Scale BB and adjusted of 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table Projected to 2020 using Scale BB and adjusted 105% for males and 120% for females.

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:

	Target Allocation	Long-Term Expected Rate of Return (*)
Fixed Income	17.00%	4.40%
U. S. Large Stocks	32.00%	8.00%
U. S. Mid Stocks	9.00%	10.00%
U. S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash Equivalents	3.00%	1.50%
Total	100.00%	

(*) Includes assumed rate of inflation of 2.50%

F. Discount Rate

The discount rate used to measure the total pension liability was 7.70%. 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.

G. Sensitivity of the College's Proportionate Share of the Collective Net Pension Liability to Changes in the Discount Rate

The following table presents the College's proportionate share of the collective net pension liability calculated using the discount rate of 7.70%, as well as what the College's proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.70%) or 1-percentage point higher (8.70%) than the current rate:

	1% Decrease (6.70%)	Current Rate (7.70%)	1% Increase (8.70%)
College's proportionate share of collective net pension liability	$30,098,000	$21,622,000	$14,453,000

H. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2018. The supporting actuarial information is included in the GASB Statement Number 67 Report for the TRS prepared as of September 30, 2018. The auditor's report dated August 16, 2019, on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, total pension expense for the sum of all participating entities as of September 30, 2018, along with supporting schedules is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

Note 6 – Other Postemployment Benefits (OPEB)

A. Plan Description

The Alabama Retired Education Employees' Health Care Trust (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 (PEEHIB) 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 Comprehensive Annual Financial Report.

The PEEHIP was established in 1983 pursuant to the provisions of the ***Code of Alabama 1975***, Section 16-25A-4, (Act Number 83-455, Acts of Alabama) 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 PEEHIB. The PEEHIB is a corporate body for purposes of management of the health insurance plan. The ***Code of Alabama 1975***, Section 16-25A-4, provides the PEEHIB 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 PEEHIP are held in trust for the payment of health insurance benefits. The Teachers' Retirement System of Alabama (TRS) has been appointed as the administrator of the PEEHIP and, consequently, serves as the administrator of the Trust.

B. Benefits Provided

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

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

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

PEEHIP members may opt to elect the PEEHIP Supplemental Plan as their hospital medical coverage in lieu of the PEEHIP Hospital Medical Plan. The PEEHIP Supplemental Plan provides secondary benefits to the member's primary plan provided by another employer. Only active and non-Medicare retiree members and dependents are eligible for the PEEHIP Supplemental Plan. There is no premium required for this plan, and the plan covers most out-of-pocket expenses not covered by the primary plan. The plan cannot be used as a supplement to Medicare, the PEEHIP Hospital Medical Plan, or the State or Local Governmental Plans administered by the State Employees' Insurance Board (SEIB).

Effective January 1, 2017, Medicare eligible members and Medicare eligible dependents who are covered on a retiree contract were enrolled in the UnitedHealthcare Group Medicare Advantage plan for PEEHIP retirees. The MAPDP plan is fully insured by UnitedHealthcare 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 UnitedHealthcare 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.

C. Contributions

The ***Code of Alabama 1975***, Section 16-25A-8, and the ***Code of Alabama 1975***, Section 16-25A-8.1, provide the PEEHIB 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 PEEHIB 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 PEEHIB 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 PEEHIB 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 PEEHIB 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 PEEHIB 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 PEEHIB 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 PEEHIB. This reduction in the employer contribution ceases upon notification to the PEEHIB of the attainment of Medicare coverage.

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

At September 30, 2019, the College reported a liability of $15,603,416.00 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2017. The College's proportion of the collective 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, 2018, the College's proportion was .189852%, which was a decrease of .000590% from its proportion measured as of September 30, 2017.

For the year ended September 30, 2019, the College recognized OPEB expense of $838,938.00 with no special funding situations. At September 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$293,765.00	$
Changes of assumptions		760,030.00
Net difference between projected and actual earnings on OPEB plan investments		83,603.00
Changes in proportion and differences between employer contributions and proportionate share of contributions		598,517.00
Employer contributions subsequent to the measurement date	550,219.00	
Total	$843,984.00	$1,442,150.00

The $550,219.00 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, 2020.

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 Ending:	
September 30, 2020	$(306,942.00)
2021	$(306,942.00)
2022	$(306,942.00)
2023	$(288,173.00)
2024	$ 35,812.00)
Thereafter	$ 24,802.00

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Projected Salary Increases (1)	3.25% - 5.00%
Long-Term Investment Rate of Return (2)	7.25%
Municipal Bond Index Rate at the Measurement Date	4.18%
Municipal Bond Index Rate at the Prior Measurement Date	3.57%
Projected Year for Fiduciary Net Position (FNP) to be Depleted	2029
Single Equivalent Interest Rate at the Measurement Date	4.44%
Single Equivalent Interest Rate at the Prior Measurement Date	4.63%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	7.00%
Medicare Eligible	5.00%, beginning in 2019
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.75% in 2026
Medicare Eligible	4.75% in 2024

(1) Includes 3.00% wage inflation.
(2) Compounded annually, net of investment expense, and includes inflation.

Mortality rates for the period after service retirement are according 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. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using Scale BB and adjusted 105% for males and 120% for females.

The decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2015, submitted to and adopted by the Teachers' Retirement System of Alabama Board on September 13, 2016.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the September 30, 2017 valuation were based on a review of recent plan experience done concurrently with the September 30, 2017 valuation.

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 Teachers' Retirement System of Alabama. 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 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 Equivalents	5.00%	1.50%
Total	100.00%	

(*) Geometric mean, includes 2.5% inflation

F. Discount Rate

The discount rate, also known as the Single Equivalent Interest Rate (SEIR), as described by GASB Statement Number 74, used to measure the total OPEB liability at September 30, 2018, was 4.44%. The discount rate used to measure the total OPEB liability at the prior measurement date was 4.63%. 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. Approximately, 20.307% of the employer contributions were used to assist in funding retiree benefit payments in 2018 and it is assumed that the amount will increase by 2.75% per year and continue into the future. 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. The rate used for this purpose is the monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. Therefore, the projected future benefit payments for all current plan members were projected through 2116. The long-term rate of return is used until the assets are expected to be depleted in 2029, after which the municipal bond rate is used.

G. Sensitivity of the College's Proportionate Share of the Collective Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

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

	1% Decrease (6.00% Decreasing to 3.75% for Pre-Medicare, 4.00% Decreasing to 3.75% for Medicare Eligible)	Current Healthcare Trend Rate (7.00% Decreasing to 4.75% for Pre-Medicare, 5.00% Decreasing to 4.75% for Medicare Eligible)	1% Increase (8.00% Decreasing to 5.75% for Pre-Medicare, 6.00% Decreasing to 5.75% for Medicare Eligible)
College's proportionate share of collective net OPEB liability	$12,826,364	$15,603,416	$19,138,992

H. Sensitivity of the College's Proportionate Share of the Collective Net OPEB Liability to Changes in the Discount Rate

The following table presents the College's proportionate share of the collective net OPEB liability of the Trust calculated using the discount rate of 4.44%, as well as what the collective net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (3.44%)	Current Discount Rate (4.44%)	1% Increase (5.44%)
College's proportionate share of collective net OPEB liability	$18,639,461	$15,603,416	$13,154,410

I. OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is located in the Trust's financial statements for the fiscal year ended September 30, 2018. The supporting actuarial information is included in the GASB Statement Number 74 Report for PEEHIP prepared as of September 30, 2018. Additional financial and actuarial information is available at www.rsa-al.gov

Note 7 – Significant Commitments

As of September 30, 2019, the College had been awarded approximately $19,640,553.26 in federal grants and $1,277,629.00 in state grants on which performance had not been accomplished and funds had not been received. These awards, which represent commitments of sponsors to provide funds for specific purposes, have not been reflected in the financial statements.

Note 8 – Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities represent amounts due at September 30, 2019, for goods and services received prior to the end of the fiscal year.

Salaries and Wages	$ 675,899.60
Taxes and Withholdings	33,698.35
Bookstore	263,825.73
Supplies	1,097,933.03
Total	$2,071,356.71

Note 9 – Long-Term Liabilities

Long-term liabilities activity for the year ended September 30, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable:					
Revenue Bonds	$ 5,910,000.00	$	$ 650,000.00	$ 5,260,000.00	$ 670,000.00
Future Advance Funding Bond	18,203,417.94	2,796,582.06	584,051.71	20,415,948.29	558,204.34
Total Bonds Payable	24,113,417.94	2,796,582.06	1,234,051.71	25,675,948.29	1,228,204.34
Other Liabilities:					
Compensated Absences	1,209,406.45	61,088.32		1,270,494.77	45,000.00
Total Other Liabilities	1,209,406.45	61,088.32		1,270,494.77	45,000.00
Total Long-Term Liabilities	$25,322,824.39	$2,857,670.38	$1,234,051.71	$26,946,443.06	$1,273,204.34

Revenue Bonds

On October 1, 2007, the State Board of Education issued $4,740,000.00 in limited obligation revenue bonds payable over 20 years. The bonds were issued to provide funding to finance a portion of the costs of acquiring, constructing, and equipping various capital improvements to facilities of the College and paying the expenses of issuing the bonds.

On November 1, 2012, the State Board of Education issued $5,690,000 in limited obligation revenue bonds payable over 10 years with an interest rate of 2.0% to 2.625% to advance refund the 2003A revenue bonds and the 1998A revenue bonds.

A trustee holds sinking fund deposits, including earnings on investments of these deposits. Revenue from student tuition and fees sufficient to pay the annual debt service are pledged to secure the bonds. Principal and interest maturity requirements on bond debt are as follows:

	Direct Placement				
	2007 Revenue Bonds		2012 Revenue Bonds		
Fiscal Year	Principal	Interest	Principal	Interest	Totals
2019-2020	$ 210,000.00	$147,952.50	$ 460,000.00	$ 45,800.00	$ 863,752.50
2020-2021	220,000.00	139,290.00	470,000.00	36,025.00	865,315.00
2021-2022	230,000.00	129,940.00	480,000.00	24,862.50	864,802.50
2022-2023	240,000.00	120,050.00	490,000.00	12,862.50	862,912.50
2023-2024	450,000.00	109,550.00			559,550.00
2024-2025	470,000.00	89,862.50			559,862.50
2025-2026	490,000.00	69,300.00			559,300.00
2026-2027	515,000.00	47,250.00			562,250.00
2027-2028	535,000.00	24,075.00			559,075.00
Totals	$3,360,000.00	$877,270.00	$1,900,000.00	$119,550.00	$6,256,820.00

Future Advance Funding Bonds

On July 16, 2015, the College entered into a new Capital Project Loan Agreement with Rice Capital Access Program, LLC, under the Historically Black Colleges and Universities (HBCU) Capital Financing program in the amount of $21,000,000 at various effective fixed annual rates of interest determined at the time of the advances. The first advance of $442,105.23 was received during the fiscal year 2015 and has a fixed interest rate of 2.797%. The purpose of the Agreement was to provide funds to construct the Academic Success Center, to construct the Automotive Training Center, and to renovate the One-Stop Center.

The Agreement requires the establishment of an escrow account, into which a deposit, amounting to 5% of each advance is required to be made. The College has assigned all rights and interest to the escrow account to the trustee for the Lender. The use of the escrow funds are governed, in part, by a trust indenture, which provides for claims against the escrow account for a share of defaulted loans of other borrowers participating in the HBCU Capital Financing Program.

The Agreement also requires the College to make certain deposits into a debt service account held by the trustee for the periodic payment of bond interest and retirement of bond principal and the creation of other specific reserve accounts. The balances held in these accounts are included in deposits held with bond trustees in the statements of financial position. Principal and interest maturity requirements on bond debt are as follows:

	2015 Future Advance Funding Bonds		
Fiscal Year	Principal	Interest	Totals
2019-2020	$ 558,204.34	$ 560,153.88	$ 1,118,358.22
2020-2021	579,740.76	538,617.46	1,118,358.22
2021-2022	595,616.64	522,741.58	1,118,358.22
2022-2023	610,551.10	507,807.12	1,118,358.22
2023-2024	626,032.34	492,325.88	1,118,358.22
2024-2025	644,526.09	473,832.13	1,118,358.22
2025-2026	659,849.04	458,509.18	1,118,358.22
2026-2027	681,815.20	436,543.02	1,118,358.22
2027-2028	699,375.16	418,983.06	1,118,358.22
2028-2029	718,608.40	399,749.82	1,118,358.22
2029-2030	738,416.45	379,941.77	1,118,358.22
2030-2031	758,690.21	359,668.01	1,118,358.22
2031-2032	777,824.16	340,534.06	1,118,358.22
2032-2033	804,037.97	317,395.32	1,121,433.29
2033-2034	823,262.95	295,554.61	1,118,817.56
2034-2035	845,972.48	272,385.74	1,118,358.22
2035-2036	868,645.84	249,712.38	1,118,358.22
2036-2037	890,038.45	226,319.77	1,116,358.22
2037-2038	918,513.41	199,844.81	1,118,358.22
2038-2039	943,753.47	174,604.75	1,118,358.22
2039-2040	968,911.81	149,446.41	1,118,358.22
2040-2041	996,052.73	122,305.49	1,118,358.22
2041-2042	1,023,473.08	94,885.14	1,118,358.22
2042-2043	1,051,455.43	66,902.79	1,118,358.22
2043-2044	1.081,031.48	37,326.74	1,118,358.22
2044-2045	551,549.19	7,629.24	559,178.43
2045-2046	0.11		0.11
Totals	$20,415,948.29	$8,103,720.16	$28,519,668.45

Pledged Revenues

For the payment of debt service on the 2007 Series Tuition Revenue Bonds, the College has pledged general tuition and fees. The approximate amount of the pledge is $4,237,270.00. The principal and interest payments made during the period were $390,086.02. Therefore, of the $8,992,808.39 in tuition and fee revenue recognized by the College during fiscal year 2019, 4.34% of total tuition and fee revenue pledged was needed for debt service on the 2007 Series Tuition Revenue Bonds.

For the payment of debt service on the 2012 Series Tuition Revenue Bonds, the College has pledged general tuition and fees with the exception of technology fees. The approximate amount of the pledge is $2,019,550.00. The principal and interest payments made during the period were $544,391.62. Therefore, of the $8,357,683.04 in tuition and fee revenue recognized by the College during fiscal year 2019, 6.51% of total tuition and fee revenue pledged was needed for debt service on the 2012 Series Tuition Revenue Bonds.

For the payment of debt service on the 2015 Series Future Advance Funding Bonds, the College has pledged general tuition and fees with the exception of technology and facility renewal fees. The approximate amount of the pledge is $28,519,668.45. The principal and interest payments made during the period were $1,504,546.72. Therefore, of the $7,689,851.00 in tuition and fee revenue recognized by the College during fiscal year 2019, 19.57% of total tuition and fee revenue pledged was needed for debt service on the 2015 Series Future Advance Funding Bonds.

The College's outstanding series 2007, 2012, and 2015 bonds from direct placement contain a provision that in the event of default, the Bondholder shall have the right by mandamus or other lawful remedy in any court of competent jurisdiction to enforce his or their rights against the Issuer to fix and collect the Pledged Revenues, in amounts sufficient to meet the provisions of the Bond Resolution and carry out any other covenants contained in the resolution and to perform its duties under the resolution and Section 16-3-28, ***Code of Alabama***, as amended.

Note 10 – Risk Management

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

Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF) administered by the Public Education Employees' Health Insurance Board (PEEHIB). The Fund was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are determined annually by the plan's actuary and based on anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims. The College contributes a specified amount monthly to the PEEHIF for each employee and this amount is applied against the employee's premiums for the coverage selected and the employee pays any remaining premium.

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

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

Note 11 – Subsequent Events

Recently, the United States has encountered a COVID-19 pandemic which is adversely affecting the nation. On March 13, 2020, the President of the United States declared a state of emergency in response to the COVID-19 pandemic. Subsequently, on the same day, the Governor of Alabama declared a state of emergency. As a result, the operations of federal, state, and local governments including educational institutions have been modified to ensure the safety of its citizenry as well as its employees. It is highly anticipated that revenues from all sources, including taxes and federal grants that are received by the College will be severely impacted by this pandemic. Additionally, it is anticipated that there will be a significant increase in costs associated with the aftermath of COVID-19. Because so much is unknown at this time, it will be extremely difficult for the College to prepare budgets for the upcoming fiscal year to anticipate the impact of the pandemic. The College anticipates that its financial operations will be adversely impacted by this pandemic; however, the duration and severity of its effects is indeterminable at this time.

Subsequent to September 30, 2019, the College received $7,892,098.00 in funding authorized by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, Sections 18004(a)(l) and 18004(a)(2). The funding is intended to cover costs incurred by students and the College based on guidance in the Act.

Required Supplementary Information

Schedule of the College's Proportionate Share of the Collective Net Pension Liability
For the Year Ended September 30, 2019
(Dollar amounts in thousands)

	2019	2018	2017	2016	2015
College's proportion of the collective net pension liability	0.217470%	0.216982%	0.213816%	0.208198%	0.208347%
College's proportionate share of the collective net pension liability	$ 21,622	$ 21,326	$ 23,148	$ 21,789	$ 18,927
College's covered payroll during the measurement period (*)	$ 14,358	$ 14,375	$ 13,627	$ 13,177	$ 13,215
College's proportionate share of the collective net pension liability as a percentage of its covered payroll	150.59%	148.35%	169.87%	165.36%	143.22%
Plan fiduciary net position as a percentage of the total collective pension liability	72.29%	71.50%	67.93%	67.51%	71.01%

(*) 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. For fiscal year 2019, the measurement period for covered payroll is October 1, 2017 through September 30, 2018.

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

Schedule of the College's Contributions - Pension
For the Year Ended September 30, 2019
(Dollar amounts in thousands)

	2019	2018	2017	2016	2015
Contractually required contribution	$ 1,826	$ 1,728	$ 1,699	$ 1,608	$ 1,489
Contributions in relation to the contractually required contribution	$ 1,826	$ 1,728	$ 1,699	$ 1,608	$ 1,489
Contribution deficiency (excess)	$	$	$	$	$
College's covered payroll	$ 14,955	$ 14,358	$ 14,375	$ 13,627	$ 13,177
Contributions as a percentage of covered payroll	12.21%	12.04%	11.82%	11.80%	11.30%

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

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. For fiscal year 2019, the covered payroll is for the reporting fiscal year October 1, 2018 through September 30, 2019.

The amount of contractually required contributions is equal to the amount that would be recognized as additions from the College's contributions in the pension plan's schedule of changes in fiduciary net position during the period that coincides with the College'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.

Schedule of the College's Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability Alabama Retired Education Employees' Health Care Trust For the Year Ended September 30, 2019 (Dollar amounts in thousands)

	2019	2018
College's proportion of the collective net OPEB liability	0.189852%	0.190442%
College's proportionate share of the collective net OPEB liability	$ 15,603	$ 14,145
College's covered-employee payroll during the measurement period (*)	$ 14,185	$ 14,238
College's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	110.00%	99.35%
Plan fiduciary net position as a percentage of the total collective OPEB liability	14.81%	15.37%

(*) Per GASB 75, covered payroll is defined as the payroll of employees that are provided with OPEB through the OPEB plan. The covered payroll for this RSI Schedule (GASB 75 paragraph 97) is for the reporting period (i.e. the measurement period), which for the September 30, 2019 year is October 1, 2017 through September 30, 2018.

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

Schedule of the College's Contributions - Other Postemployment Benefits (OPEB) Alabama Retired Education Employees' Health Care Trust For the Year Ended September 30, 2019 (Dollar amounts in thousands)

	2019	2018
Contractually required contribution	$ 550	$ 466
Contributions in relation to the contractually required contribution	$ 550	$ 466
Contribution deficiency (excess)	$	$
College's covered-employee payroll	$ 14,137	$ 14,185
Contributions as a percentage of covered-employee payroll	3.89%	3.29%

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

Changes in Actuarial Assumptions

In 2016, rates of withdrawal, retirement, disability, mortality, spouse coverage, and tobacco usage 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. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using Scale BB and adjusted 105% for males and 120% for females.

Recent Plan Changes

Effective January 1, 2017, Medicare eligible medical and prescription drug benefits are provided through the UnitedHealthcare Medicare Advantage Plan with Prescription Drug Coverage (MAPD).

The Plan is changed periodically to reflect the Affordable Care Act (ACA) maximum annual out-of-pocket amounts.

Method and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the Schedule of Employer Contributions are calculated as of September 30, 2016, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	25 years, closed
Asset Valuation Method	Market Value of Assets
Inflation	2.875%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	7.75%
Medicare Eligible	5.00%
Ultimate Trend Rate:	
Pre-Medicare Eligible	5.00%
Medicare Eligible	5.00%
Year of Ultimate Trend Rate	2022 for Pre-Medicare Eligible 2018 for Medicare Eligible
Investment Rate of Return	5.00%, including inflation

Supplementary Information

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2019

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Identifying Number	Pass-Through to Subrecipient	Total Federal Expenditures
Student Financial Assistance Cluster				
U. S. Department of Education				
Direct Programs				
Federal Supplemental Educational Opportunity Grants	84.007			$ 118,549.24
Federal Work-Study Program	84.033			253,736.29
Federal Pell Grant Program	84.063			10,712,100.88
Total Student Financial Assistance Cluster (M)				11,084,386.41
Research and Development Cluster				
U. S. Department of Education				
Direct Program				
Higher Education - Institutional Aid	84.031			5,595,538.95
National Science Foundation				
Direct Program				
Education and Human Resources	47.076			228,315.09
Passed Through Clark Atlanta University				
Education and Human Resources	47.076	RSP-2018-215051-004		8,577.12
Passed Through Tuskegee University				
Education and Human Resources	47.076	39 22153 014 76190		65,174.83
U. S. Department of Health and Human Services				
Passed Through University of Alabama at Birmingham				
Biomedical Research and Research Training	93.859	000510064-003-Wil		20,224.35
Total Research and Development Cluster				5,917,830.34
TRIO Cluster				
U. S. Department of Education				
Direct Programs				
TRIO - Student Support Services	84.042			697,488.58
TRIO - Upward Bound	84.047			284,361.17
Total TRIO Cluster				981,849.75
OTHER FEDERAL AWARDS				
U. S. Environmental Protection Agency				
Direct Program				
Environmental Workforce Development and Job Training Cooperative Agreements	66.815			$ 15,911.81

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2019

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Identifying Number	Pass-Through to Subrecipient	Total Federal Expenditures
National Aeronautics and Space Administration				
Direct Program				
Education	43.008			$ 203,383.28
U. S. Department of Education				
Passed Through Alabama State Department of Education				
Career and Technical Education - Basic Grants to States	84.048	V048A180001		232,828.62
Passed Through Alabama Community College System				
Adult Education - Basic Grants to States	84.002	0919AE105		434,212.08
Passed Through Rice Capital Access Program, LLC				
Historically Black Colleges and Universities Capital Financing Program	84.U01	N.A.		20,415,948.29
U. S. Department of Labor				
Passed Through University of Alabama at Birmingham				
H-1B Job Training Grants	17.268	000514368-SC003		37,500.00
U. S. Department of Transportation				
Passed Through Birmingham-Jefferson County Transit Authority				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	AL-2018--006		44,000.00
Total Federal Awards				$ 39,367,850.58

(M) = Major Program
N.A. = Not Available or Not Applicable

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

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2019

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of T. A. Lawson State Community College, under programs of the federal government for the year ended September 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U. S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*** (*Uniform Guidance*). Because the Schedule presents only a selected portion of the operations of T. A. Lawson State Community College, it is not intended to and does not present the financial position, changes in net position, or cash flows of T. A. Lawson State Community College.

Note 2 – Summary of Significant Accounting Policies

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

Note 3 – Indirect Cost Rate

T. A. Lawson State Community College has elected not to use the 10-percent de minimis indirect cost rate allowed under the *Uniform Guidance*.

Note 4 – Balances of Loan and Loan Guarantee Programs

T. A. Lawson State Community College is a participant in the Historically Black Colleges and Universities Capital Financing Program. As of September 30, 2019, the balance of the loan provided through the U. S. Department of Education totals $20,415,948.29.

Additional Information

College Officials

October 1, 2018 through September 30, 2019

Officials	**Position**
Jimmy Baker	Chancellor, Alabama Community College System
Dr. Perry W. Ward	President
Sharon S. Crews	Vice-President for Administrative and Fiscal Services

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

Independent Auditor's Report

Jimmy Baker, Chancellor – Alabama Community College System
Dr. Perry W. Ward, President – T. A. Lawson State Community College
Birmingham, Alabama 35221

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States, the financial statements of T. A. Lawson State Community College, a component unit of the State of Alabama, as of and for the year ended September 30, 2019, and related notes to the financial statements, which collectively comprise T. A. Lawson State Community College's basic financial statements and have issued our report thereon dated August 26, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered T. A. Lawson State Community College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of T. A. Lawson State Community College's internal control. Accordingly, we do not express an opinion on the effectiveness of T. A. Lawson State Community College's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Rachel Laurie Riddle

Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

August 26, 2020

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditor's Report

Jimmy Baker, Chancellor – Alabama Community College System
Dr. Perry W. Ward, President – T. A. Lawson State Community College
Birmingham, Alabama 35221

Report on Compliance for Each Major Federal Program

We have audited T. A. Lawson State Community College's, a component unit of the State of Alabama, compliance with the types of compliance requirements described in the ***OMB Compliance Supplement*** that could have a direct and material effect on each of T. A. Lawson State Community College's major federal programs for the year ended September 30, 2019. T. A. Lawson State Community College's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of T. A. Lawson State Community College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U. S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*** (*Uniform Guidance*). Those standards and the *Uniform Guidance* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about T. A. Lawson State Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of T. A. Lawson State Community College's compliance.

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Opinion on Each Major Federal Program

In our opinion, T. A. Lawson State Community College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.

Report on Internal Control Over Compliance

Management of T. A. Lawson State Community College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered T. A. Lawson State Community College's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major program and to test and report on internal control over compliance in accordance with the *Uniform Guidance,* but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of T. A. Lawson State Community College's internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

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

Rachel Laurie Riddle

Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

August 26, 2020

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Section I – Summary of Examiner's Results

Financial Statements

Type of opinion issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	______ Yes	__X__ No
Significant deficiency(ies) identified?	______ Yes	__X__ None reported
Noncompliance material to financial statements noted?	______ Yes	__X__ No

Federal Awards

Internal control over major federal programs:		
Material weakness(es) identified?	______ Yes	__X__ No
Significant deficiency(ies) identified?	______ Yes	__X__ None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the *Uniform Guidance*?	______ Yes	__X__ No

Identification of major federal programs:

CFDA Numbers	Name of Federal Program or Cluster
	Student Financial Assistance Cluster
84.007	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work-Study Program
84.063	Federal Pell Grant Program

Dollar threshold used to distinguish between Type A and Type B programs:	$1,181,035.52	
Auditee qualified as low-risk auditee?	__X__ Yes	______ No

Section II – Financial Statement Findings (GAGAS)

No matters were reportable.

Section III – Federal Awards Findings and Questioned Costs

No matters were reportable.

Summary Schedule of Prior Audit Findings

LAWSON STATE COMMUNITY COLLEGE
3060 Wilson Road • Birmingham, Alabama 35221
Phone (205) 929-6300 • Fax (205) 923-1390

Office Of The President

Summary Schedule of Prior Audit Findings

For the Year Ended September 30, 2019

As required by the Title 2 U.S. Code of Federal Regulations, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* Lawson State Community College has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of September 30, 2019.

Finding Ref. No.	**Status of Prior Audit Finding**

2018-001

Federal student aid regulations require institutions to return a portion of the financial aid received by a student if the student does not complete at least 60% of the calendar days in a payment period. 34 CFR 668.22 (f) describes that the total number of calendar days in a payment period or period of enrollment includes all days within the period that the student was scheduled to complete, except that scheduled breaks of at least five consecutive days are excluded from the total number of calendar days in a payment period or period of enrollment and the number of calendar days completed in that period.

34 CFR 668.22(g)(1)(ii) and 34 CFR 668.22(g)(2) describes institutional charges as charges for tuition and fees, room and board, and other educational expenses that are paid to the school directly. Expenses for required course materials (books, kits, tools, supplies, etc.) if the student does not have a real and reasonable opportunity to purchase the required course material from any place but the school. Charges for group health insurance and for discretionary, educationally related expenses (e.g., parking of library fines, the cost of athletic or concert tickets, etc.) may be excluded.

The Common Origination and Disbursement (COD) System is the federal system through which Federal Pell Grant (Pell Grant), Teacher Education Assistance for College and Higher Education (TEACH) Grant, and William D. Ford Federal Direct Loan (Direct Loan) awards are processed.

A sample of 40 return of Title IV calculations were randomly and haphazardly selected for testing. Twenty returns were completed incorrectly which resulted in a 50% error rate. The errors noted included, the College incorrectly calculating the number of calendar days in the payment period, the total aid disbursed in the payment period, and institutional charges. The errors caused the sampled award recipient amounts to be under reported in COD by a combined total of $1,124.03. The college returned $1,124.03 more than required.

Eighteen (18) of twenty return of Title IV calculations were incorrect because the number of Calendar days in the payment period were incorrectly calculated.

Seven (7) of twenty return of Title IV calculations were incorrect because some institutional charges were excluded from the calculation.

One (1) of twenty return of Title IV calculations was incorrect because the SEOG awarded was excluded from total aid disbursed.

One (1) of twenty return of Title IV calculations was incorrect because a calculation was completed for a student who withdrew after the 60% point in the payment period and those funds were returned to the U. S. Department of Education.

Recommendation:
The College should perform Title IV refund calculations in accordance with Title 34 of the Code of Federal Regulations, Part 668.22 and the Federal Student Aid Handbook.

Corrective Action Taken
The College has a process for the return of Title IV funds. An Accountant in the Business Office prepare the initial calculation, which is then forwarded to the Office of Student Financial Services for a second review. This process will be expanded to eliminate errors and misstatements. The Director of Student Financial Services will take the lead to implement a check off process to ensure that all R2T4 calculations are reviewed, applying appropriate federal regulations for appropriate calendar dates, listing institutional charges and non-institutional charges, verifying withdrawal dates and the 60% period. This checklist will be prepared and approved by the Vice President of Administrative and Fiscal Services and attached to each review performed to ensure these areas are correctly applied prior to returning funds to the Department of Education.

Sincerely

Perry W. Ward

Perry W. Ward,
President