

Report on the

T. A. Lawson State Community College

Birmingham, Alabama

October 1, 2007 through September 30, 2008

Filed: March 13, 2009



Department of Examiners of Public Accounts

50 North Ripley Street, Room 3201

P.O. Box 302251

Montgomery, Alabama 36130-2251

Website: www.examiners.alabama.gov

Ronald L. Jones, Chief Examiner



Ronald L. Jones
Chief Examiner

State of Alabama
Department of
Examiners of Public Accounts

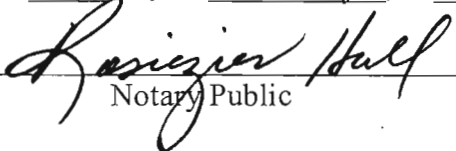
P.O. Box 302251, Montgomery, AL 36130-2251
50 North Ripley Street, Room 3201
Montgomery, Alabama 36104-3833
Telephone (334) 242-9200
FAX (334) 242-1775

Honorable Ronald L. Jones
Chief Examiner of Public Accounts
Montgomery, Alabama 36130

Dear Sir:

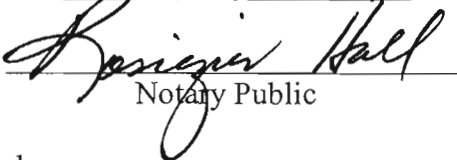
Under the authority of the *Code of Alabama 1975*, Section 41-5-21, we submit this report on the results of the audit of T. A. Lawson State Community College, Birmingham, Alabama, for the period October 1, 2007 through September 30, 2008.

Sworn to and subscribed before me this
the 25th day of February, 2009.



Notary Public

Sworn to and subscribed before me this
the 25th day of February, 2009.



Notary Public

rb

Respectfully submitted,



Kasim Al-zoubi
Examiner of Public Accounts



Terry Wilhite
Examiner of Public Accounts

Table of Contents

	<i>Page</i>
Summary	A
<p>Contains items pertaining to state and federal legal compliance, agency operations, and other matters.</p>	
Independent Auditor's Report	C
<p>Reports on whether the financial information constitutes a fair presentation of the financial position and results of financial operations in accordance with generally accepted accounting principles (GAAP).</p>	
Management's Discussion and Analysis	F
<p>Provides information required by the Governmental Accounting Standards Board (GASB) that is prepared by management of the College introducing the basic financial statements and providing an analytical overview of the College's financial activities for the year. This information has not been audited, and no opinion is provided about the information.</p>	
<u>Basic Financial Statements</u>	1
<p>Provide the minimum combination of financial statements and notes to the financial statements that is required for the fair presentation of the College's financial position and results of operations in accordance with GAAP.</p>	
T. A. Lawson State Community College	
Exhibit #1 Statement of Net Assets	2
Exhibit #2 Statement of Revenues, Expenses and Changes in Net Assets	4
Exhibit #3 Statement of Cash Flows	5
Notes to the Financial Statements	7
<u>Supplementary Information</u>	22
<p>Contains financial information and notes relative to federal financial assistance.</p>	
Exhibit #4 Schedule of Expenditures of Federal Awards	23
Notes to the Schedule of Expenditures of Federal Awards	29

Table of Contents

	<i>Page</i>
<u>Additional Information</u>	30
Provides basic information related to the College, including reports and items required by generally accepted government auditing standards and/or U. S. Office of Management and Budget (OMB) Circular A-133 for federal compliance audits.	
Exhibit #5 College Officials – a listing of the College officials	31
Exhibit #6 Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> – a report on internal controls related to the financial statements and on whether the College complied with laws and regulations which could have a direct and material effect on the College’s financial statements.	32
Exhibit #7 Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 – a report on internal controls over compliance with requirements of laws, regulations, contracts, and grants applicable to major federal programs and an opinion on whether the College complied with laws, regulations, and the provisions of contracts or grant agreements which could have a direct and material effect on each major program.	34
Exhibit #8 Schedule of Findings and Questioned Costs – a schedule summarizing the results of audit findings relating to the financial statements as required by <i>Government Auditing Standards</i> and findings and questioned costs for federal awards as required by OMB Circular A-133.	36



Department of
Examiners of Public Accounts

SUMMARY

**T. A. Lawson State Community College
October 1, 2007 through September 30, 2008**

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 object 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 was given 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.

T. A. Lawson State Community 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: Horticulture; Radio and TV Broadcasting; Graphics and Printing; Computer Science; Cosmetology; Barbering; Electronic Engineering Technology; Air Conditioning/Refrigeration; Automotive Technology; Drafting and Design Technology; Culinary Arts; Interior Design; Child Development; Commercial Sewing; 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; and Insurance Marketing.

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 State Board of Education through the Department of Postsecondary Education.

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 41-5-14.

An unqualified 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 of its operations for the fiscal year ended September 30, 2008.

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 the audit: Dr. Perry W. Ward, President; Ms. Sharon Crews, Vice-President of Administrative and Student Services; Bradley R. Byrne, Chancellor of the Department of Postsecondary Education; Ms. Ethel H. Hall, District IV Board Member. The following individuals attended the exit conference: Dr. Perry W. Ward, President; Ms. Sharon Crews, Vice-President of Administrative and Student Services; Ms. Taveneka Turner, Director of Accounting; Ms. Rosa Spencer, Staff Auditor of Internal Audit of the Department of Postsecondary Education. Representing the Department of Examiners of Public Accounts were Samuel J. Harris, III, Audit Manager; Kasim Al-zoubi and Terry Wilhite, Examiners.

Independent Auditor's Report

Independent Auditor's Report

We have audited the accompanying basic financial statements of T. A. Lawson State Community College, as of and for the year ended September 30, 2008, as listed in the table of contents as Exhibits 1 through 3. These basic financial statements are the responsibility of T. A. Lawson State Community College's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

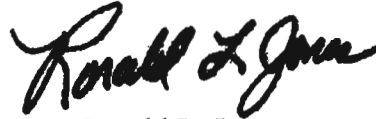
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, 2008, and its changes in financial position, including cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2009 on our consideration of T. A. Lawson State Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying Management's Discussion and Analysis (MD&A) is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of T. A. Lawson State Community College, taken as a whole. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 4) is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

February 19, 2009

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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 accessible quality educational opportunities, promote economic growth and enhance the quality of life for people in its service area. The College is dedicated to providing affordable and accessible lifelong learning opportunities in order to prepare students for employment or career advancement, enable students to transfer to senior colleges and universities, and provide customized training needs for business and industry.

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 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 College - Bessemer Campus. The college also teaches classes at W. J. Donaldson Correctional Facility. The merger has enhanced access to quality instructional services and activities and redistributed resources away from duplicative administrative functions, courses, and student activities allowing for efficiency in operation. After three years into the merger the college has unified services between the two campuses. The local area network, administrative and student accounting system and a new VOIP telephone system have created a "two campus, one college" concept.

The upgrades to the local area network to initiate the telephone system also provided growth to the physical plant. The college paid off the Capital lease on the 60 room Residence hall with a 20 year bond issue. The Capital lease for the VOIP telephone system was also extinguished with federal funds received from the Department of Education. The college made major renovations to instructional facilities on both campuses and purchased instructional equipment to enhance the teaching and learning environment at the college.

Overview of the Financial Statements and Financial Analysis

Lawson State Community College is proud to present its financial statements for fiscal year 2008. The emphasis of discussions about these statements will be on current year data. There are three financial statements presented: The Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; 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, 2008.

Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities, and net assets of the College as of the end of the fiscal year. The Statement of Net Assets is a point in time financial statement. The purpose of the Statement of Net Assets is to present to the readers of the financial statements a fiscal snapshot of Lawson State Community College. The Statement of Net Assets presents end-of-year data concerning Assets (current and noncurrent), Liabilities (current and noncurrent), and Net Assets (Assets minus Liabilities). 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 Assets are able to 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 Assets provides a picture of the net assets (assets minus liabilities) and their availability for expenditure by the institution.

Net assets are divided into three major categories. The first category, invested in capital assets, net of debt, provides the institution's equity in property, plant and equipment owned by the institution. The next asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net assets are 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 on the use of the assets. The final category is unrestricted net assets. Unrestricted net assets which are available to the institution for any appropriate the purpose of the institution.

**Statement of Net Assets
As of September 30,**

Assets:	2007	2008
Current assets	\$ 8,173,966	\$10,958,612
Capital assets, net	30,456,563	29,735,606
Other assets	309,975	418,838
Total Assets	<u>38,940,504</u>	<u>41,113,056</u>
Liabilities:		
Current Liabilities	4,113,420	3,902,027
Noncurrent Liabilities	13,950,168	13,398,083
Total Liabilities	<u>18,063,588</u>	<u>17,300,110</u>
Net Assets:		
Invested in capital assets, net of debt	17,008,635	17,109,169
Restricted:		
Nonexpendable	255,000	305,000
Expendable	1,646,463	1,739,458
Unrestricted	1,966,818	4,659,319
Total Net Assets	<u>\$ 20,876,916</u>	<u>\$ 23,812,946</u>

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 2007/2008, the college completed a project that was considered construction in progress during the last fiscal year. A new roof along with a heating and air conditioning unit were installed and completed during the year costing \$689,062.00.

The college invested \$130,885 in instructional equipment purchases, \$36,445 in Library books and \$172,983 in improvements other than buildings.

The total assets of the institution increased from 2007 to 2008 by \$2,172,552. An increase in accounts receivable accounts for the majority of the increase in net assets. Total liabilities decreased by \$763,478. The college made debt service payments during the fiscal year that reduced the existing bond debt while converting the existing Capital lease to a Capital bond with a lower interest rate and a reduction in payment life.

Statement of Revenues, Expenses and Changes in Net Assets

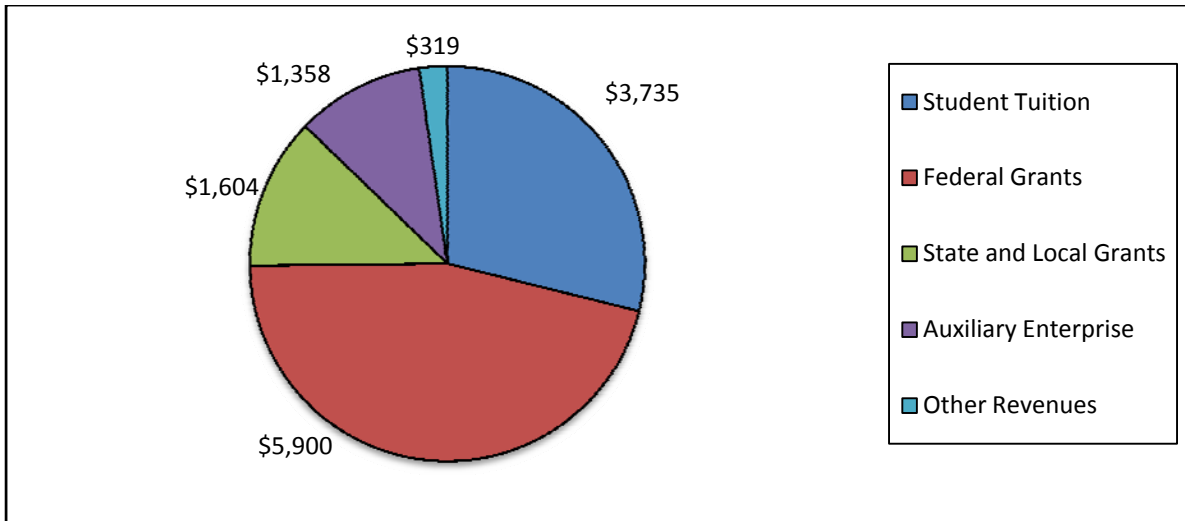
Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Assets. The purpose of the statement is to present the revenues received by the institution, both operating and non operating, and other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

Generally speaking, 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 received for which goods and services are not provided. For example, state appropriations are non-operating because they are provided by the Legislature to the institution without the Legislature directly receiving commensurate goods and services for those revenues. Sales tax revenues are also non-operating because the College receives those resources without providing any services to those who paid the tax.

Statement of Revenue, Expenses and Changes in Net Assets For the year ended September 30,

	<u>2007</u>	<u>2008</u>
Operating revenues	\$ 17,221,906	\$ 12,916,741
Operating expenses	<u>33,470,830</u>	<u>35,467,261</u>
Operating loss	(16,248,924)	(22,550,520)
Non operating revenues and expenses	<u>16,567,142</u>	<u>25,834,755</u>
Income (Loss) Before other Revenues, Expenses, Gains or Losses	318,218	3,284,235
Additions to Permanent Endowment		50,000
Net Assets at Beginning of Year, As Restated	<u>20,558,698</u>	<u>20,478,710</u>
Net Assets at End of Year	<u>\$ 20,876,916</u>	<u>\$ 23,812,945</u>

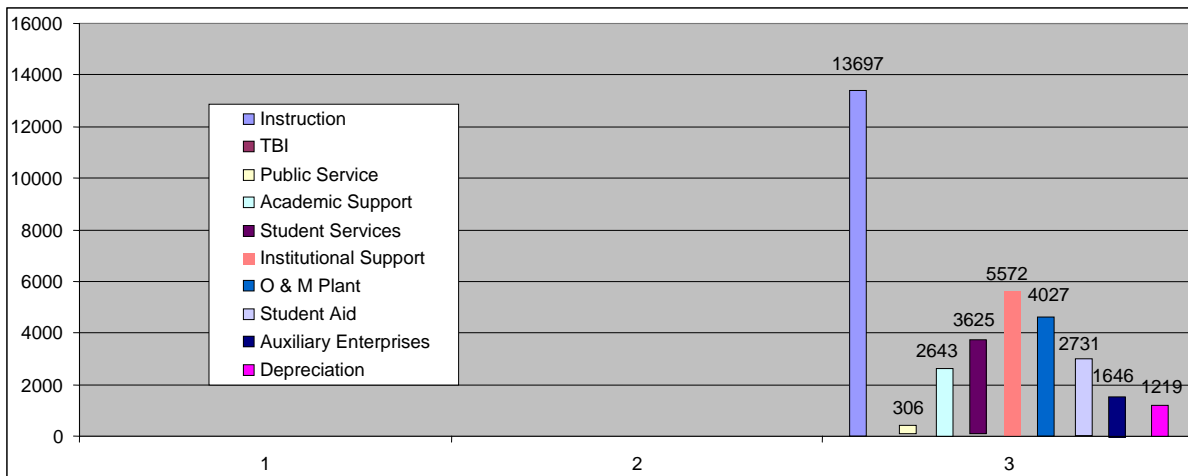
The Statement of Revenues, Expenses, and Changes in Net Assets reflect an increase at the end of the year. The increase indicates that the college's financial position was strengthened by the use of available resources to acquire and improve all areas of the institution to better serve the instruction 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 represent the largest type of revenue followed by student tuition. Other revenue types include State and local 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 on campus residence has created additional expenditures. The college has operated the food service for several years and low enrollment on the Bessemer campus attributes to the deficits in operations. Athletics and student activities, two other auxiliary services, 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 expense of over 35.5 million displayed by function in the exhibit above.

The College's overall operating revenue decreased by 4,305,165 and expenses increased by 1,996,431 from 2007 to 2008. A reclassification of Pell Revenues from Operating to Nonoperating for the 2008 fiscal year accounts for the decrease in operating revenues. The College has had to expend funds to provide similar services on both campuses on the newly merged college. The college has seen an increase in enrollment, specifically on the Bessemer Campus from the increased offerings of academic classes in addition to aggressive recruiting efforts. Increased enrollment has facilitated the need to increase personnel costs in the Instructional Services unit.

Statement of Cash Flows

The final statement presented by Lawson State Community College is the Statement of Cash Flows. This statement 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 Assets.

Cash Flows for the Year Ended September 30,

	<u>2008</u>
Cash provided (used) by	
Operating activities	(\$22,514,846)
Non capital financing activities	25,015,541
Capital and related financing activities	(1,928,618)
Investing activities	<u>40,602</u>
Net Change in Cash	612,679
Cash, Beginning of Year	<u>3,615,482</u>
Cash, End of Year	<u><u>\$4,228,161</u></u>

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

State appropriations are the primary source of non-capital financing. This source of revenue is categorized as non capital 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.

Economic Outlook

The College's overall financial position is strong. The College anticipates fiscal year 2009 will provide many opportunities and challenges. 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.

Basic Financial Statements

Statement of Net Assets
September 30, 2008

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 4,228,161.21
Deposit with Bond Trustee	1,281,921.56
Accounts Receivable	4,567,512.27
Inventories	857,032.01
Bond Issuance Cost	22,240.39
Other Assets	1,745.00
Total Current Assets	<u>10,958,612.44</u>

Noncurrent Assets

Loans Receivable	92,557.46
Bond Issuance Cost	326,280.26
Capital Assets:	
Land	455,825.22
Improvements Other Than Buildings	6,509,923.28
Buildings	36,511,968.08
Equipment and Furniture	3,558,077.33
Library Holdings	1,458,225.56
Less: Accumulated Depreciation	<u>18,758,413.60</u>
Total Capital Assets, Net of Depreciation	<u>29,735,605.87</u>
Total Noncurrent Assets	<u>30,154,443.59</u>
Total Assets	<u>\$ 41,113,056.03</u>

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

LIABILITIES**Current Liabilities**

Deposits	\$	113,969.12
Accounts Payable and Accrued Liabilities		1,049,553.05
Deferred Revenue		2,064,509.94
Compensated Absences		109,712.08
Bonds Payable		555,000.00
Gain on Extinguishment of Capital Lease		9,282.68
Total Current Liabilities		<u>3,902,026.87</u>

Noncurrent Liabilities

Compensated Absences		987,408.70
Bonds Payable		12,290,000.00
Gain on Extinguishment of Capital Lease		120,674.75
Total Noncurrent Liabilities		<u>13,398,083.45</u>

Total Liabilities		<u>17,300,110.32</u>
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NET ASSETS

Invested in Capital Assets, Net of Related Debt		17,109,169.09
Restricted for:		
Nonexpendable:		
Endowment		305,000.00
Expendable:		
Scholarships and Fellowships		533,601.51
Loans		102,570.48
Debt Service		1,103,285.73
Unrestricted		<u>4,659,318.90</u>
Total Net Assets	\$	<u>23,812,945.71</u>

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***Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended September 30, 2008***

OPERATING REVENUES

Student Tuition and Fees (Net of Scholarship Allowances of \$5,503,413.30)	\$ 3,735,263.35
Federal Grants and Contracts	5,900,232.54
State and Local Grants and Contracts	1,604,181.66
Nongovernmental Grants and Contracts	24,531.00
Sales and Services of Educational Activities	258,810.10
Auxiliary Enterprises	1,357,586.29
Other Operating Revenue	36,135.75
Total Operating Revenues	<u>12,916,740.69</u>

OPERATING EXPENSES

Instruction	13,696,997.72
Institutional Support	5,572,130.16
Public Service	305,809.61
Academic Support	2,643,418.13
Student Services	3,624,909.24
Operation and Maintenance	4,027,900.43
Scholarships and Financial Aid	2,730,580.83
Depreciation	1,219,468.36
Auxiliary Enterprises	1,646,046.36
Total Operating Expenses	<u>35,467,260.84</u>

Operating Income (Loss)	<u>(22,550,520.15)</u>
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NONOPERATING REVENUES (EXPENSES)

State Appropriations	20,055,916.00
Federal Grants	6,395,091.76
Local Appropriations	86,083.50
Noncash Gifts	10,000.00
Investment Income	40,601.75
Gain on Capital Lease	9,282.67
Interest on Capital Asset Related Debt	(631,905.43)
Bond Surety Fee Expense	(60,321.42)
Refund to Grantor	(69,993.38)
Net Nonoperating Revenues	<u>25,834,755.45</u>
Income Before Other Revenues, Expenses, Gains, or Losses	<u>3,284,235.30</u>
Additions to Permanent Endowments	50,000.00
Total Net Assets - Beginning of Year, as Restated (See Note 11)	<u>20,478,710.41</u>
Total Net Assets - End of Year	<u>\$ 23,812,945.71</u>

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

Statement of Cash Flows

For the Year Ended September 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and Fees	\$ 3,448,313.19
Grants and Contracts	6,846,273.71
Payments to Suppliers	(9,346,138.39)
Payments to Utilities	(1,460,612.12)
Payments to Employees	(16,176,952.78)
Payments for Employees Benefits	(5,718,461.24)
Payments for Scholarships	(1,784,647.83)
Sales and Services of Educational Activities	258,810.10
Auxiliary Enterprise Charges:	
Residence Halls	221,865.92
Bookstore	829,469.67
Food Services	263,362.58
Students Activities	67,735.54
Other Receipts (Payments)	36,135.75
Net Cash Provided (Used) by Operating Activities	(22,514,845.90)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Appropriations	20,055,916.00
Federal Grants	5,044,903.62
Local Appropriations	86,083.50
Bond Surety Fee	(60,321.42)
Deposits Held for Others	(91,067.03)
Additions to Permanent Endowment	50,000.00
Federal Direct Loan Receipts	20.00
Other Nonoperating Revenues	(69,993.38)
Net Cash Provided (Used) by Noncapital Financing Activities	25,015,541.29

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from Capital Debt	4,740,000.00
Extinguishment of Capital Lease	(4,896,424.08)
Purchases of Capital Assets	(488,511.29)
Principal Paid on Capital Debt	(540,000.00)
Bond Issuance Cost	(138,024.37)
Interest Paid on Capital Debt and Leases	(566,648.89)
Deposits with Trustees	(39,009.64)
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,928,618.27)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on Investments	40,601.75
Net Cash Provided (Used) by Investing Activities	40,601.75
Net Increase (Decrease) in Cash and Cash Equivalents	612,678.87
Cash and Cash Equivalents - Beginning of Year	3,615,482.34
Cash and Cash Equivalents - End of Year	\$ 4,228,161.21

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) \$ (22,550,520.15)

Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:

Depreciation Expense 1,219,468.36
Changes in Assets and Liabilities:
(Increase)/Decrease in Receivables, Net (687,255.53)
(Increase)/Decrease in Inventories (86,867.64)
(Increase)/Decrease in Prepaid Sales Taxes (1,745.00)
Increase/(Decrease) in Accounts Payable (178,527.25)
Increase/(Decrease) in Deferred Revenue (257,518.70)
Increase/(Decrease) in Compensated Absences 28,120.01

Net Cash Provided (Used) by Operating Activities \$ (22,514,845.90)

Notes to the Financial Statements

For the Year Ended September 30, 2008

Note 1 – Summary of Significant Accounting Policies

The financial statements of T. A. Lawson State Community 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 T. A. Lawson State Community College are described below.

A. Reporting Entity

For financial reporting purposes, T. A. Lawson State Community College is part of the primary government of the State of Alabama. The State of Alabama, through the State Board of Education, governs the Department of Postsecondary Education. The Department of Postsecondary Education, through its Chancellor, has the authority and responsibility for the operation, management, supervision and regulation of T. A. Lawson State Community College.

Fiscal year 2005 saw a merger of T. A. Lawson State Community College and Bessemer State Technical College located in Bessemer effective as of July 1, 2005. On January 27, 2005, the Alabama State Board of Education adopted the “Statement of Intent to Merge” the two Colleges to form one institution, T. A. Lawson State Community College, in accordance with its policy on Consolidation or Merger of Postsecondary Institutions.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of T. A. Lawson State Community 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.

T. A. Lawson State Community College follows all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs).

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 net assets are available.

Notes to the Financial Statements

For the Year Ended September 30, 2008

The Statement of Revenues, Expenses, and Changes in Net Assets 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, Liabilities, and Net Assets

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 appropriations, third party tuition, auxiliary enterprise sales, such as food service, bookstore and residence halls. Notes receivable relate to amounts due from students for tuition and fee billings.

3. Inventories

The inventories are comprised of consumable supplies and items held for resale. Inventories are valued using the first in/first out (FIFO) method.

Notes to the Financial Statements
For the Year Ended September 30, 2008

4. Capital Assets

Capital assets 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. In addition, works of art and historical treasures and similar assets are recorded at their historical cost. Donated capital assets are recorded at fair market value at the date of donation. Land and Construction in Progress 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	Composite	5–10 years
Library Materials	Composite	20 years

5. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond issuance costs are deferred and amortized over the life of the bonds.

Notes to the Financial Statements

For the Year Ended September 30, 2008

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 Tuition and Fee Revenue

Tuition and fee revenues received but related to the period after September 30, 2008, have been deferred.

8. Net Assets

Net assets are required to be classified for accounting and reporting purposes into the following net asset categories:

- ◆ **Invested in Capital Assets, Net of Related Debt** – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Any significant unspent related debt proceeds at year-end related to capital assets are not included in this calculation.

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

 - ✓ **Expendable** – Net assets 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. These include funds held in federal loan programs.

- ◆ **Unrestricted** – Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the State Board of Education.

Notes to the Financial Statements
For the Year Ended September 30, 2008

9. Federal Financial Assistance Programs

The College participates in various federal programs. Federal programs are audited in accordance with the Single Audit Act Amendments of 1996, the U. S. Office of Management and Budget Revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the Office of Management and Budget (OMB) Compliance Supplement.

10. Scholarship Allowances and Student Aid

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

Note 2 – Deposits and Investments

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 Depository 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 Assets 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.

Notes to the Financial Statements

For the Year Ended September 30, 2008

Deposits with Trustees

At September 30, 2008, the College had \$1,281,921.56 in accounts administered by its bond trustees, of which \$99,899.05 pertains to Series 2007 Revenue Bonds, \$947,704.97 pertains to Series 2003 Revenue Bonds and \$234,317.54 pertains to Series 1998 Revenue Bonds.

In accordance with the covenants of the Series 2007 and Series 2003 Revenue 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 and the Series 1998 Revenue Bonds are invested in Government Obligations Fund (the "Fund"), which is a Money Market Fund. The Fund invests primarily in a portfolio of short-term U. S. Treasury securities. The Fund is rated AAAM by Standard & Poor's and Aaa by Moody's.

The balance on deposit with the trustee for the Series 2003 Revenue Bonds is invested in the trustee's Treasury Money Market Fund, an external investment pool.

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 Fund that pertains to Series 2003 Revenue Bonds invests in U. S. Treasury Obligations Maturing in 397 days or less and in repurchase agreements collateralized by U. S. Treasury Obligations. The fund maintains an average maturity of 60 days or less.

The Fund that pertains to Series 2007 Revenue Bonds and Series 1998 Revenue Bonds invest in a portfolio that maintains a dollar-weighted maturity of 90 days or less.

Notes to the Financial Statements
For the Year Ended September 30, 2008

Note 3 – Receivables

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

<u>Accounts Receivable</u>	
Federal	\$3,074,948.11
Private	749,541.04
Total Accounts Receivable	<u>3,824,489.15</u>
<u>Student Receivables</u>	
Current	743,023.12
Total Student Receivables	<u>743,023.12</u>
<u>Student Loan Receivables</u>	
Noncurrent	92,557.46
Total Loan Receivables	<u>\$ 92,557.46</u>

Note 4 – Capital Assets

Capital asset activity for the year ended September 30, 2008, was as follows:

	Beginning Balance	Additions	Reclassification/ Adjustment	Ending Balance
Land	\$ 455,825.22	\$	\$	\$ 455,825.22
Improvements Other Than Buildings	6,336,940.28		172,983.00	6,509,923.28
Buildings	35,822,906.08		689,062.00	36,511,968.08
Equipment	3,427,191.92	130,885.41		3,558,077.33
Library Holdings	1,421,779.86	36,445.70		1,458,225.56
Construction in Progress	530,864.82	331,180.18	(862,045.00)	
Total	<u>47,995,508.18</u>	<u>498,511.29</u>		<u>48,494,019.47</u>
Less: Accumulated Depreciation				
Improvements Other Than Buildings	2,173,033.42	257,687.69		2,430,721.11
Buildings	11,962,558.21	664,885.67		12,627,443.88
Equipment	2,663,746.98	229,060.36		2,892,807.34
Library Holdings	739,606.63	67,834.64		807,441.27
Total Accumulated Depreciation	<u>17,538,945.24</u>	<u>1,219,468.36</u>		<u>18,758,413.60</u>
Capital Assets, Net	<u>\$30,456,562.94</u>	<u>\$ (720,957.07)</u>	\$	<u>\$29,735,605.87</u>

Notes to the Financial Statements

For the Year Ended September 30, 2008

Note 5 – Defined Benefit Pension Plan

A. Plan Description

The College contributes to the Teachers' Retirement System of Alabama, a cost-sharing multiple-employer public employee retirement system for the various state-supported educational agencies and institutions. This plan is administered by the Retirement Systems of Alabama.

Substantially all employees of the College are members of the Teachers' Retirement System. Membership is mandatory for covered or eligible employees of T. A. Lawson State Community College. Benefits vest after 10 years of creditable service. Vested employees may retire with full benefits at age 60 or after 25 years of service. Retirement benefits are calculated by two methods with the retiree receiving payment under the method which yields the highest monthly benefit. The methods are (1) Minimum Guaranteed, or (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death are provided to plan members.

The Teachers' Retirement System was established as of October 1, 1941, 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 general administration and operation of the Teachers' Retirement System is vested in the Board of Control (currently 14 members). Benefit provisions are established by the *Code of Alabama 1975*, Sections 16-25-1 through 16-25-113, as amended, and Sections 36-27B-1 through 36-27B-6, as amended.

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Teachers' Retirement System of Alabama. That report may be obtained by writing to The Retirement Systems of Alabama, 135 South Union Street, Montgomery, Alabama 36130-2150.

Notes to the Financial Statements
For the Year Ended September 30, 2008

B. Funding Policy

Employees, with the exception of full-time law enforcement officers, are required by statute to contribute 5 percent of their salary to the Teachers' Retirement System. As of January 1, 2001, full-time law enforcement officers (as defined by Act Number 2000-669, Acts of Alabama, page 1335) are required by statute to contribute 6 percent of their salary to the Teachers' Retirement System. T. A. Lawson State Community College is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. Each year the Teachers' Retirement System recommends to the Legislature the contribution rate for the following fiscal year, with the Legislature setting this rate in the annual appropriation bill. The percentages of the contributions and the amount of contributions made by T. A. Lawson State Community College and its employees equal the required contributions for each year as follows:

Fiscal Year Ended September 30,	2008	2007	2006
Total Percentage of Covered Payroll	16.75%	14.36%	13.17%
Contributions:			
Percentage Contributed by the College	11.75%	9.36%	8.17%
Percentage Contributed by the Employees	5.00%	5.00%	5.00%
Contributed by the College	\$1,765,941.45	\$1,233,282.63	\$1,195,328.21
Contributed by the Employees	751,464.45	658,804.82	731,535.01
Total Contributions	\$2,517,405.90	\$1,892,087.45	\$1,926,863.22

Note 6 – Other Postemployment Benefits (OPEB)

A. Plan Description

The College contributes to the Alabama Retired Education Employees' Health Care Trust (the "Trust"), a cost-sharing multiple-employer defined benefit postemployment healthcare plan. The Trust provides health care benefits to state and local school system retirees and was established in 2007 under the provisions of Act Number 2007-16 as an irrevocable trust fund. Responsibility for general administration and operations of the Trust is vested with the Public Education Employees' Health Insurance Board (PEEHIB) members. The *Code of Alabama 1975*, Section 16-25-A provides the PEEHIB with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years. The Trust issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at the Public Education Employees' Health Insurance Plan website, <http://www.rsa-al.gov/PEEHIP/peehip.html> under the Trust Fund Financials tab.

Notes to the Financial Statements

For the Year Ended September 30, 2008

B. Funding Policy

The Public Education Employees' Health Insurance Fund (PEEHIF) was established in 1983 under the provisions of Act Number 255 to provide a uniform plan of health insurance for current and retired employees of state educational institutions. The plan is administered by the PEEHIB. Any Trust fund assets used in paying administrative costs and retiree benefits are transferred to and paid from the PEEHIF. The PEEHIB periodically reviews the funds available in the PEEHIF and if excess funds are determined to be available, the PEEHIB authorizes a transfer of funds from the PEEHIF to the Trust. Retirees are required to contribute monthly as follows:

	Fiscal Year 2008 (Effective 10/1/2007-2/29/2008)	Fiscal Year 2008 (Effective 3/1/2008-9/30/2008)
Individual Coverage – Non-Medicare Eligible	\$ 90.00	\$ 97.54
Individual Coverage – Medicare Eligible	\$ 1.14	\$ 1.14
Family Coverage – Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	\$222.00	\$284.94
Family Coverage – Non-Medicare Eligible Retired Member and Dependent Medicare Eligible	\$181.00	\$188.54
Family Coverage – Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	\$133.14	\$188.54
Family Coverage – Medicare Eligible Retired Member and Dependent Medicare Eligible	\$ 92.14	\$ 92.14
Surviving Spouse – Non-Medicare Eligible	\$581.00	\$581.00
Surviving Spouse – Non-Medicare Eligible and Dependent Non-Medicare Eligible	\$713.00	\$713.00
Surviving Spouse – Non-Medicare Eligible and Dependent Medicare Eligible	\$672.00	\$672.00
Surviving Spouse – Medicare Eligible	\$299.00	\$299.00
Surviving Spouse – Medicare Eligible and Dependent Non-Medicare Eligible	\$431.00	\$431.00
Surviving Spouse – Medicare Eligible and Dependent Medicare Eligible	\$390.00	\$390.00

For employees that retire other than for disability, for each year under 25 years of service, the retiree pays two percent of the employer premium and for each year over 25 years of service, the retiree premium is reduced by two percent of the employer premium.

Notes to the Financial Statements
For the Year Ended September 30, 2008

The College is required to contribute at a rate specified by the State for each active employee. The College's share of premiums for retired employees health insurance is included as part of the premium for active employees. The following shows the required contributions in dollars and the percentage of that amount contributed for retirees:

Fiscal Year Ended September 30,	Active Health Insurance Premiums Paid by College	Amount of Premium Attributable to Retirees	Percentage of Active Employee Premiums Attributable to Retirees	Total Amount Paid Attributable to Retirees	Percentage of Required Amount Contributed
2008	\$775.00	\$212.35	27.4%	\$687,157.71	100%
2007	\$717.00	\$217.25	30.3%	\$746,013.89	100%

Each year the PEEHIB certifies to the Governor and to the Legislature the contribution rates based on the amount needed to fund coverage for benefits for the following fiscal year and the Legislature sets the premium rate in the annual appropriation bill. This results in a pay-as-you-go funding method.

Note 7 – Construction and Other Significant Commitments

As of September 30, 2008, T. A. Lawson State Community College had been awarded approximately \$2,683,347.48 in contracts and grants on which performance had not been accomplished and funds had not been received. These awards, which represent commitments of sponsors to provide funds for specific purposes, have not been reflected in the financial statements.

Note 8 – Accounts Payable

Accounts payable and accrued liabilities represent amounts due at September 30, 2008, for goods and services received prior to the end of the fiscal year.

Salaries and Wages	\$ 297,945.79
Benefits	57,023.55
Interest Payable	178,635.83
Supplies	515,947.88
Total	<u>\$1,049,553.05</u>

Notes to the Financial Statements
For the Year Ended September 30, 2008

Note 9 – Long-Term Liabilities

Long-term liabilities activity for the year ended September 30, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Leases and Bonds Payable:					
Revenue Bonds	\$ 8,645,000	\$4,740,000	\$ (540,000)	\$12,845,000	\$555,000
Lease Obligations	5,035,664		(5,035,664)		
Total Leases and Bonds	<u>13,680,664</u>	<u>4,740,000</u>	<u>(5,575,664)</u>	<u>12,845,000</u>	<u>555,000</u>
Other Liabilities					
Compensated Absences	1,069,001	28,120		1,097,121	109,712
Total Other Liabilities	<u>1,069,001</u>	<u>28,120</u>		<u>1,097,121</u>	<u>109,712</u>
Total Long-Term Liabilities	<u>\$14,749,665</u>	<u>\$4,768,120</u>	<u>\$(5,575,664)</u>	<u>\$13,942,121</u>	<u>\$664,712</u>

The Revenue Bonds issued in February 1998 provided funds for the construction of a new wing for an existing building and to acquire a classroom building.

The Revenue Bonds issued in November 2003 provided funds for the construction of the Alabama Center for Advanced Technology and Training Building.

The Revenue Bonds issued in October 2007 provided funds for paying off capital lease.

Notes to the Financial Statements

For the Year Ended September 30, 2008

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:

Fiscal Year	1998 Revenue Bonds		2003 Revenue Bonds		2007 Revenue Bonds		Totals
	Principal	Interest	Principal	Interest	Principal	Interest	
2008-2009	\$ 110,000.00	\$ 65,415.00	\$ 345,000.00	\$ 282,213.76	\$ 100,000.00	\$ 198,908.76	\$ 1,101,537.52
2009-2010	115,000.00	60,238.75	355,000.00	271,676.26	100,000.00	194,908.76	1,096,823.77
2010-2011	120,000.00	54,745.00	370,000.00	260,671.26	100,000.00	190,908.76	1,096,325.02
2011-2012	130,000.00	48,837.50	380,000.00	248,183.76	100,000.00	186,908.76	1,093,930.02
2012-2013	135,000.00	42,375.00	395,000.00	234,105.00	100,000.00	183,158.76	1,089,638.76
2013-2014	140,000.00	35,500.00	410,000.00	218,792.50	105,000.00	179,408.76	1,088,701.26
2014-2015	150,000.00	28,250.00	425,000.00	202,905.00	110,000.00	175,208.76	1,091,363.76
2015-2016	155,000.00	20,625.00	445,000.00	185,905.00	115,000.00	170,808.76	1,092,338.76
2016-2017	165,000.00	12,625.00	460,000.00	166,660.00	120,000.00	166,208.76	1,090,493.76
2017-2018	170,000.00	4,250.00	480,000.00	147,340.00	125,000.00	161,408.76	1,087,998.76
2018-2019			500,000.00	126,700.00	205,000.00	156,408.76	988,108.76
2019-2020			525,000.00	104,700.00	210,000.00	147,952.50	987,652.50
2020-2021			550,000.00	81,075.00	220,000.00	139,290.00	990,365.00
2021-2022			575,000.00	55,225.00	230,000.00	129,940.00	990,165.00
2022-2023			600,000.00	28,200.00	240,000.00	120,050.00	988,250.00
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	\$1,390,000.00	\$372,861.25	\$6,815,000.00	\$2,614,352.54	\$4,640,000.00	\$2,841,516.36	\$18,673,730.15

Bond Issuance Costs

The College has bond issuance costs in connection with the issuance of its 1998, 2003, and 2007 Series Tuition Revenue Bonds. The issuance costs and bond premium are being amortized using the straight-line method over the life of the bonds.

	1998 Issuance Costs	2003 Issuance Costs	2007 Issuance Costs	Total Issuance Costs
Total Issuance Costs	\$42,300.00	\$264,483.35	\$138,024.37	\$444,807.72
Amount Amortized Prior Years	21,150.00	52,896.68		74,046.68
Balance Issuance Costs	21,150.00	211,586.67	138,024.37	370,761.04
Current Amount Amortized	2,115.00	13,224.17	6,901.22	22,240.39
Balance Issuance Costs	\$19,035.00	\$198,362.50	\$131,123.15	\$348,520.65

Notes to the Financial Statements
For the Year Ended September 30, 2008

Gain on the Extinguishment of Capital Lease

The College had a gain in connection with the extinguishment of capital lease. The gain is being amortized using the straight-line method over the remaining life of the lease.

	Total Gain on Capital Lease
Total Gain on Capital Lease	\$139,240.10
Amount Amortized Prior Years	
Balance Gain on Capital Lease	139,240.10
Current Amount Amortized	9,282.67
Balance Gain on Capital Lease	<u>\$129,957.43</u>

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 of business and administrative affairs, and financial aid director as well as on all other college personnel who handle funds.

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

Notes to the Financial Statements
For the Year Ended September 30, 2008

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 – Net Asset Restatement

Beginning Net Assets September 30, 2007	\$20,876,915.48
<u>Other Prior Period Adjustments</u>	
Adjustments to Revenue Recognized in Wrong Period	<u>(398,205.07)</u>
Net Assets October 1, 2007, as Restated	<u>\$20,478,710.41</u>

Supplementary Information

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2008***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
<u>Student Financial Assistance Cluster</u>		
<u>U. S. Department of Education</u>		
<u>Direct Programs</u>		
Federal Supplemental Educational Opportunity Grants	84.007	
Federal Supplemental Educational Opportunity Grants	84.007	
Federal Supplemental Educational Opportunity Grants	84.007	
Federal Work-Study Program	84.033	
Federal Work-Study Program	84.033	
Federal PELL Grant Program	84.063	
Federal PELL Grant Program	84.063	
Federal PELL Grant Program Administrative Allowance	84.063	
Academic Competitiveness Grants	84.375	
Total Student Financial Assistance Cluster (M)		
<u>TRIO CLUSTER</u>		
<u>U. S. Department of Education</u>		
<u>Direct Programs</u>		
TRIO - Student Support Services	84.042	
TRIO - Student Support Services	84.042	
TRIO - Student Support Services	84.042	
TRIO - Upward Bound	84.047	
Total TRIO Cluster		
<u>OTHER FEDERAL AWARDS</u>		
<u>U. S. Department of Education</u>		
<u>Direct Programs</u>		
Higher Education - Institutional Aid	84.031	
Higher Education - Institutional Aid	84.031	
Higher Education - Institutional Aid	84.031	
Higher Education - Institutional Aid	84.031	
Total Higher Education - Institutional Aid		
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
07/01/2008-06/30/2009	\$ 195,000.00	\$ 195,000.00	\$ 15,110.24	\$ 15,110.24
07/01/2007-06/30/2008	157,932.00	157,932.00	142,186.78	142,186.78
07/01/2006-06/30/2007	75,987.00	75,987.00	1,732.54	1,732.54
07/01/2008-06/30/2009	249,714.00	249,714.00	11,276.14	11,276.14
07/01/2007-06/30/2008	249,714.00	249,714.00	168,253.34	168,253.34
07/01/2008-06/30/2009	4,311,419.00	4,311,419.00	3,428,223.93	3,428,223.93
07/01/2007-06/30/2008	6,000,062.50	6,000,062.50	3,335,696.65	3,335,696.65
07/01/2007-06/30/2008	11,765.00	11,765.00	11,765.00	11,765.00
07/01/2007-06/30/2008	3,115.00	3,115.00	3,115.00	3,115.00
			<u>7,117,359.62</u>	<u>7,117,359.62</u>
09/01/2008-08/31/2009	616,891.00	616,891.00	53,801.76	53,801.76
09/01/2007-08/31/2008	586,120.00	586,120.00	520,090.75	520,090.75
09/01/2006-08/31/2007	586,120.00	586,120.00	23,852.07	23,852.07
12/01/2007-11/30/2008	340,009.00	340,009.00	198,304.59	198,304.59
			<u>796,049.17</u>	<u>796,049.17</u>
10/01/2007-09/30/2008	2,737,018.00	2,737,018.00	967,688.53	967,688.53
10/01/2006-09/30/2007	2,340,311.00	2,340,311.00	944,486.34	944,486.34
10/01/2005-09/30/2006	2,284,732.00	2,284,732.00	580,491.82	580,491.82
10/01/2004-09/30/2005	2,141,014.00	2,141,014.00	188,842.91	188,842.91
			<u>2,681,509.60</u>	<u>2,681,509.60</u>
09/15/2007-09/14/2008	\$ 1,120,875.00	\$ 511,920.00	\$ 475,715.59	\$ 475,715.59

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2008***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
<u>Passed Through Alabama Department of Education</u>		
Career and Technical Education - Basic Grants to States	84.048	N.A.
Title I Program For Neglected and Delinquent Children	84.013	N.A.
<u>Passed Through Alabama Department of Postsecondary Education</u>		
Adult Education - Basic Grants to States	84.002	N.A.
Adult Education - Basic Grants to States	84.002	N.A.
Adult Education - Basic Grants to States	84.002	N.A.
Total Adult Education - Basic Grants to States		
<u>U. S. Department of Housing and Urban Development</u>		
<u>Direct Program</u>		
Historically Black Colleges and Universities Program	14.520	
<u>U. S. Department of the Treasury</u>		
<u>Direct Program</u>		
Low-Income Taxpayer Clinics	21.008	
Low-Income Taxpayer Clinics	21.008	
Total Low-Income Taxpayer Clinics		
<u>National Science Foundation</u>		
<u>Direct Program</u>		
Education and Human Resources	47.076	
<u>National Aeronautics and Space Administration</u>		
<u>Direct Program</u>		
Aerospace Education Services Program	43.001	
Aerospace Education Services Program	43.001	
Total Aerospace Education Services Program		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
10/01/2007-09/30/2008	\$ 486,192.42	\$ 486,192.42	\$ 486,192.42	\$ 486,192.42
10/01/2007-09/30/2008	44,432.00	44,432.00	44,432.00	44,432.00
07/01/2008-06/30/2009	801,096.00	801,096.00	173,888.80	173,888.80
10/01/2007-09/30/2008	150,502.00	150,502.00	150,502.00	150,502.00
09/03/2008-09/05/2008	2,625.00	2,625.00	2,625.00	2,625.00
			<u>327,015.80</u>	<u>327,015.80</u>
10/16/2003-10/16/2006	1,472,073.00	550,000.00	82,086.36	82,086.36
01/01/2008-12/31/2008	25,000.00	25,000.00	12,325.92	12,325.92
01/01/2007-12/31/2007	25,000.00	25,000.00	12,235.11	12,235.11
			<u>24,561.03</u>	<u>24,561.03</u>
09/01/2005-08/31/2008	1,028,839.00	1,028,839.00	285,801.12	285,801.12
07/01/2005-06/30/2008	100,000.00	100,000.00	15,912.40	15,912.40
11/01/2004-10/31/2007	\$ 180,000.00	\$ 180,000.00	44.05	44.05
			<u>\$ 15,956.45</u>	<u>\$ 15,956.45</u>

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2008***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
<u>U. S. Department of Health and Human Services</u>		
<u>Passed Through University of Alabama</u>		
Nursing Workforce Diversity	93.178	07-045
Nursing Workforce Diversity	93.178	07-045
Total Nursing Workforce Diversity		
<u>U. S. Department of Labor</u>		
<u>Passed Through Alethia House</u>		
Youthbuild	17.274	N.A.
Total Federal Awards		

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

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

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
07/01/2008-06/30/2009	\$ 42,200.00	\$ 42,200.00	\$ 8,682.64	\$ 8,682.64
07/01/2007-06/30/2008	30,650.00	30,650.00	22,611.26	22,611.26
			<u>31,293.90</u>	<u>31,293.90</u>
10/01/2007-09/30/2008	\$ 53,000.00	\$ 53,000.00	30,403.44	30,403.44
			<u>\$ 12,398,376.50</u>	<u>\$ 12,398,376.50</u>

***Notes to the Schedule of Expenditures
of Federal Awards
For the Year Ended September 30, 2008***

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of T. A. Lawson State Community College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

Note 2 - Loans Outstanding

T. A. Lawson State Community College had the following loan balances outstanding at September 30, 2008. These loan balances outstanding are not included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	Amount Outstanding
Federal Perkins Loan Program – Federal Capital Contributions	84.038	\$40,297.56
Nursing Student Loans	93.364	\$49,605.96

Additional Information

College Officials
October 1, 2007 through September 30, 2008

Officials

Dr. Perry W. Ward	President	T. A. Lawson State Community College 3060 Wilson Road, Southwest Birmingham, AL 35221
Mrs. Sharon S. Crews, C.P.A.	Vice-President for Administrative and Student Services	T. A. Lawson State Community College 3060 Wilson Road, Southwest Birmingham, AL 35221

***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***

We have audited the financial statements of T. A. Lawson State Community College as of and for the year ended September 30, 2008, and have issued our report thereon dated February 19, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered T. A. Lawson State Community College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purposes of expressing an opinion on the effectiveness of T. A. Lawson State Community College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of T. A. Lawson State Community College's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

***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***

Compliance and Other Matters

As part of obtaining reasonable assurance about whether T. A. Lawson State Community College's financial statements are free of 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***.

This report is intended solely for the information and use of management, President of the College, Chancellor of the Department of Postsecondary Education, others within the entity, other state officials, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

February 19, 2009

Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Compliance

We have audited the compliance of T. A. Lawson State Community College with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2008. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of T. A. Lawson State Community College's management. Our responsibility is to express an opinion on T. A. Lawson State Community College's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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. Our audit does not provide a legal determination of T. A. Lawson State Community College's compliance with those requirements.

In our opinion, T. A. Lawson State Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2008.

Internal Control Over Compliance

The management of T. A. Lawson State Community College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered T. A. Lawson State Community College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 the T. A. Lawson State Community College's internal control over compliance.

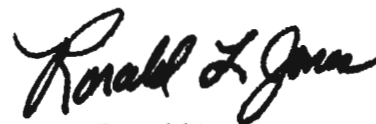
***Report on Compliance With Requirements Applicable to Each
Major Program and on Internal Control Over Compliance in
Accordance With OMB Circular A-133***

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, President of the College, Chancellor of the Department of Postsecondary Education, others within the entity, other State officials, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

February 19, 2009

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2008

Section I – Summary of Examiner's Results

Financial Statements

Type of opinion issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes X None reported

Type of opinion issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.007	<u>Student Financial Assistance Cluster</u> Federal Supplemental Educational Opportunity Grants
84.033	Federal Work-Study Program
84.063	Federal Pell Grant Program
84.375	Academic Competitiveness Grants
84.038	Federal Perkins Loan Program–Federal Capital Contributions
93.364	Nursing Student Loans

Dollar threshold used to distinguish between Type A and Type B programs: \$371,951.29

Auditee qualified as low-risk auditee? X Yes No

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2008

Section II – Financial Statement Findings (GAGAS)

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
		The audit did not disclose any findings or questioned costs required to be reported.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
			The audit did not disclose any findings or questioned costs required to be reported.	