Lawson State Community College

Annual Financial Report

FOR THE YEAR ENDED SEPTEMBER 30, 2024

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LAWSON STATE COMMUNITY COLLEGE

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Warren Averett
CPAs AND ADVISORS

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INDEPENDENT AUDITORS' REPORT

To the Alabama Community College System Board of Trustees
and the President of Lawson State Community College

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Lawson State Community College (the College), a component unit of the State of Alabama, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College, as of September 30, 2024, and the changes in financial position and, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statement audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 13 and the supplementary information on pages 52 through 59 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the College's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*,

is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic 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 January 15, 2025, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

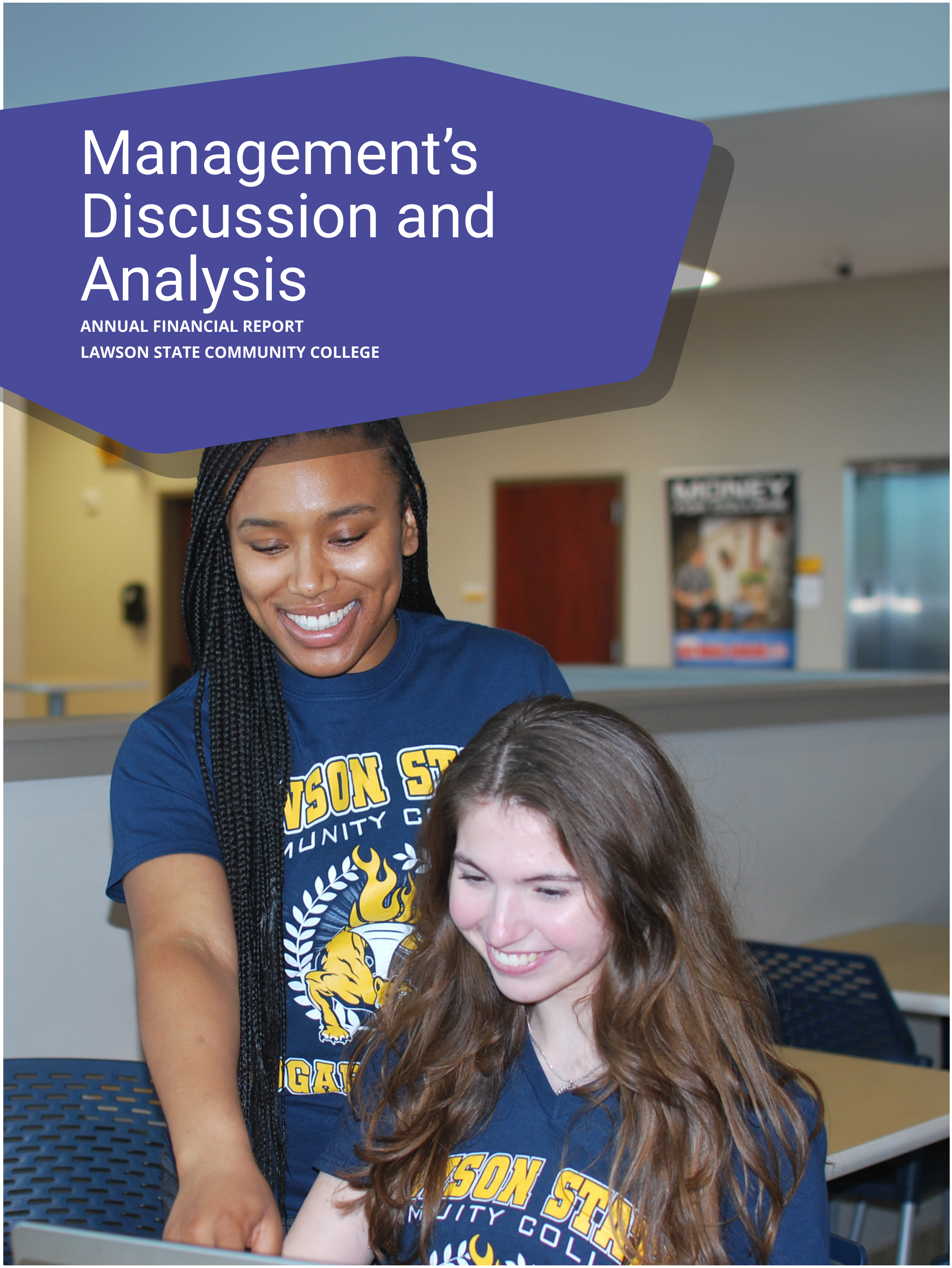
Warren Averett, LLC

Montgomery, Alabama
January 15, 2025

Management's Discussion and Analysis

ANNUAL FINANCIAL REPORT

LAWSON STATE COMMUNITY COLLEGE



Lawson State
COMMUNITY COLLEGE

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Management's Discussion and Analysis (Unaudited)

Introduction

Lawson State Community College (the College) is a comprehensive, public, two-year, multi-campus college. With a focus on student success, the College provides affordable and accessible quality educational opportunities, promotes economic growth, and enhances the quality of life for the diverse communities it serves. Through innovative instruction and lifelong learning opportunities, the College prepares students for college transfer, gainful employment, and career advancement.

The College, with campuses in Bessemer and Birmingham, is composed of two main divisions – an academic division and a career/technical division. The College 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.

During fiscal year 2024, the College completed building renovations that cost over $ 37 million, over multiple years. These renovations will promote a first class learning environment that will assist the students and faculty in achieving the mission of Lawson State. The College seeks to provide educational experiences for students to expose them to current trends in technology as they matriculate into the workforce. The College's focus is on the use of technology, and acquisition of instructional and non-instructional equipment to enhance services and increase its ability to attract future students.

In keeping with the mission statement, the Fall 2024 term experienced a ten percent (10%) increase in student enrollment by headcount resulting in a twelve percent (12%) increase in credit hour production. The college continues to work to improve retention and persistence rates in order to help students open opportunities and achieve their goals. The College also continues to increase its community outreach efforts to provide students, prospective students and the community it serves with events that embody stewardship, service and unity.

Overview of the Financial Statements and Financial Analysis

The purpose of the financial statements is to provide readers with financial information about the activities and financial condition of the College. 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. These statements should be read in conjunction with the notes to the financial statements. The following summary and management discussion of the results is intended to provide the readers with an overview of the financial statements.

Statement of Net Position

The Statement of Net Position presents the assets, deferred outflows, liabilities, deferred inflows and net position of the College as of the end of the fiscal year. The Statement of Net Position is a point of 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 the College. The College's net position (the difference between assets plus deferred outflows and liabilities plus deferred inflows) is one indicator of the College's financial health. Over time, increases or decreases in net position are an indicator of the improvement or erosion of the College's financial health when considered with non-financial facts such as enrollment levels and the condition of the facilities.

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

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

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

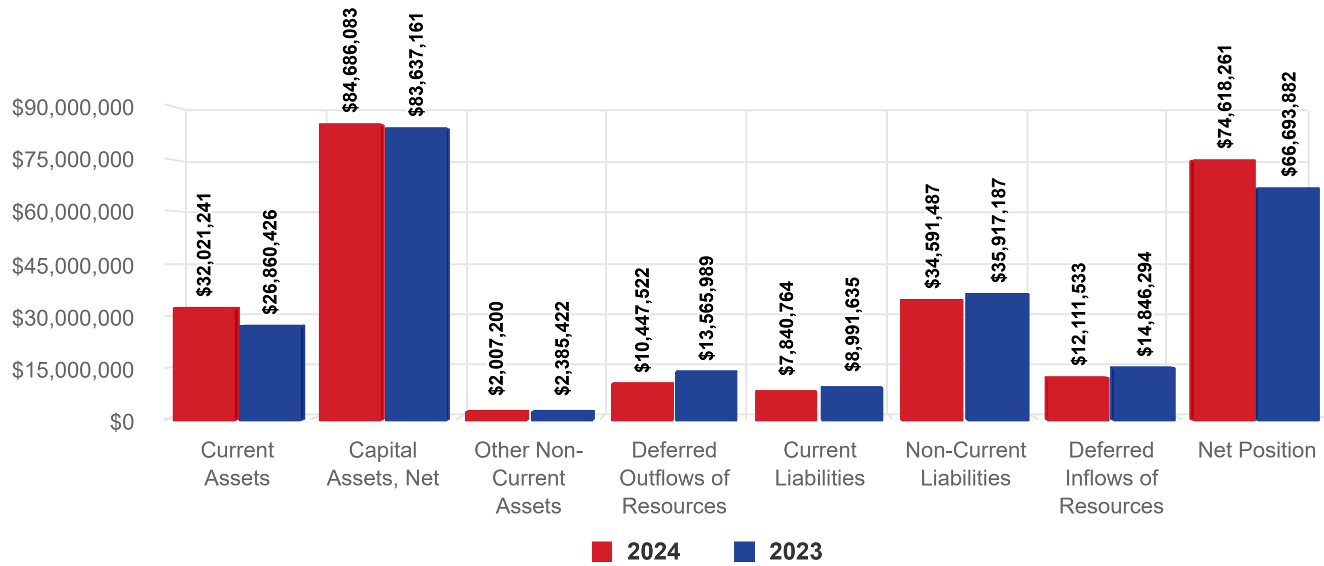
Statement of Net Position

	2024	2023
Assets		
Current Assets	$ 32,021,241	$ 26,860,426
Capital Assets, Net	84,686,083	83,637,161
Other Non-Current Assets	2,007,200	2,385,422
Total Assets	**118,714,524**	**112,883,009**
Deferred Outflows of Resources	**10,447,522**	**13,565,989**
Liabilities		
Current Liabilities	7,840,764	8,991,635
Non-Current Liabilities	34,591,487	35,917,187
Total Liabilities	**42,432,251**	**44,908,822**
Deferred Inflows of Resources	**12,111,533**	**14,846,294**
Net Position		
Net Investment in Capital Assets	82,056,299	80,586,593
Restricted	4,127,759	1,926,666
Unrestricted	(11,565,797)	(15,819,377)
Total Net Position	**$ 74,618,261**	**$ 66,693,882**

The condensed statement of net position shows that total assets and deferred outflows increased by $2,713,048. This is a result of operations along with capital assets increased in the amount of $1,048,922. Liabilities decreased $2,476,570 with $586,589 attributable to a decrease in pension and OPEB liabilities. These were a result of changes from the actuarial calculations for Governmental Accounting Standards Board (GASB) Statements 68 and 75. These estimates affected the deferred outflows of resources, deferred inflows of resources and noncurrent liabilities.

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

Statement of Net Position



The chart shows the changes in net position compared to the prior year. Total net position increased $7,924,379. Of this amount, unrestricted net position an increase of $4,253,580.

Statement of Revenues, Expenses and Changes in Net Position

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

Operating revenues are received for providing goods and services to the various customers and constituencies of the College. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the College.

Non-operating revenues are revenues received for which goods and services are not provided. For example, state appropriations are non-operating because they are provided by the Legislature to the College without the Legislature directly receiving commensurate goods and services for those revenues. This will normally result in a public college showing an operating deficit because GASB Statement 35 classifies state appropriations and gifts as non-operating revenues.

The Statement of Revenues, Expenses and Changes in Net Position reflects an increase in net position of $7,924,379. This is due primarily to the HEERF grant funds along with state capital grant funds that were received for fiscal year 2024.

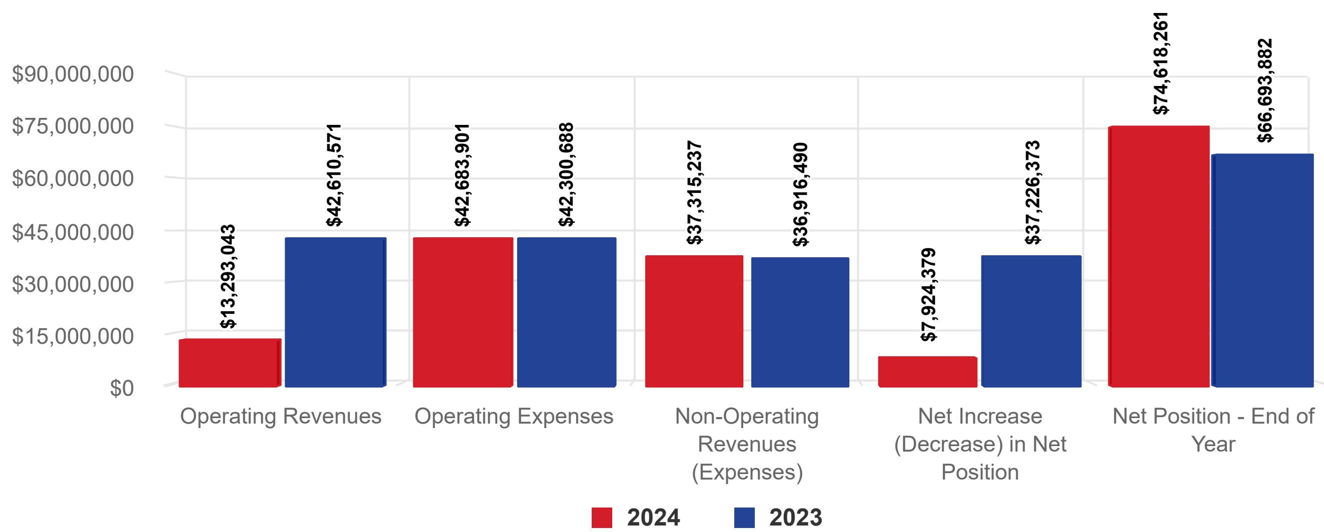
A condensed Statement of Revenues, Expenses and Changes in Net Position for the years ended September 30, 2024 and 2023 is presented below.

Statements of Revenues, Expenses and Changes in Net Position

	2024	2023
Operating Revenues	$ 13,293,043	$ 42,610,571
Operating Expenses	42,683,901	42,300,688
Operating Income (Loss)	(29,390,858)	309,883
Non-Operating Revenues (Expenses)	37,315,237	36,916,490
Net Increase (Decrease) in Net Position	7,924,379	37,226,373
Net Position - Beginning of Year	66,693,882	29,467,509
Net Position at Begining of Year, Restated	66,693,882	29,467,509
Net Position - End of Year	**$ 74,618,261**	**$ 66,693,882**

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

Statement of Revenues, Expenses, and Changes in Net Position

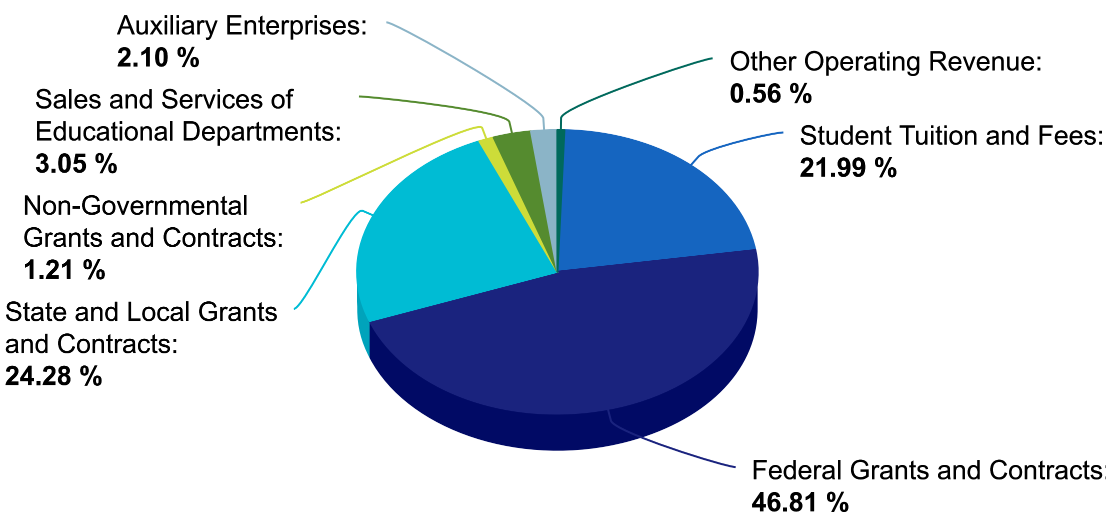


Operating Revenues

	2024	2023
Operating Revenues		
Student Tuition and Fees	$ 2,922,675	$ 2,380,694
Federal Grants and Contracts	6,222,636	37,058,567
State and Local Grants and Contracts	3,226,957	1,767,838
Non-Governmental Grants and Contracts	160,721	242,900
Sales and Services of Educational Departments	406,019	388,637
Auxiliary Enterprises	279,005	267,873
Other Operating Revenue	75,030	504,062
Total Operating Revenues	**$ 13,293,043**	**$ 42,610,571**

The below chart displayed the operating revenues by type and their relationship with one another. Some highlights of the information presented on the Statement of Revenues, Expenses, and Changes in Net Position are the following:

Operating Revenues by Source



The chart illustrates revenues by source and their relationship with one another. Federal grants and contracts represent the largest type of operating revenue, followed by student tuition and fees. State appropriations represent the largest type of non-operating revenue, followed by Federal grants and contracts. All other types of revenue represent 9% of the total revenue.

The following graph represents a comparison of fiscal years 2024 and 2023 operating expenses by function. Instructional expense represents about 37% of all operating expenses.

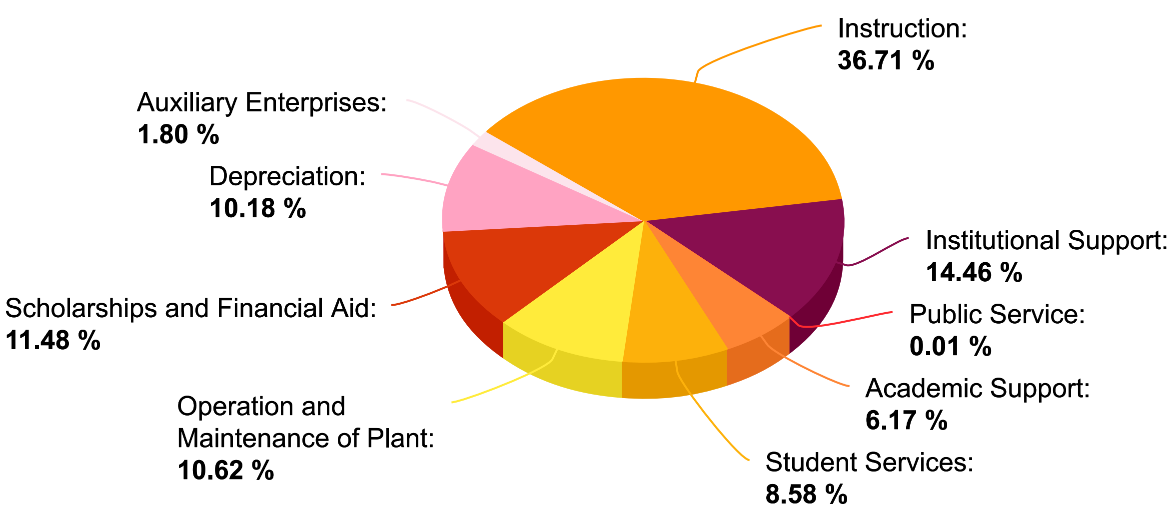
The operating expenses by function stated are displayed in the following exhibit.

Operating Expenses

	2024	2023
Operating Expenses		
Instruction	$ 15,668,336	$ 15,068,905
Institutional Support	6,172,546	8,832,734
Public Service	2,425	-
Academic Support	2,633,747	2,341,164
Student Services	3,660,688	4,105,649
Operation and Maintenance of Plant	4,534,067	4,633,352
Scholarships and Financial Aid	4,899,264	3,987,929
Depreciation	4,343,117	2,766,552
Auxiliary Enterprises	769,711	564,403
Total Operating Expenses	**$ 42,683,901**	**$ 42,300,688**

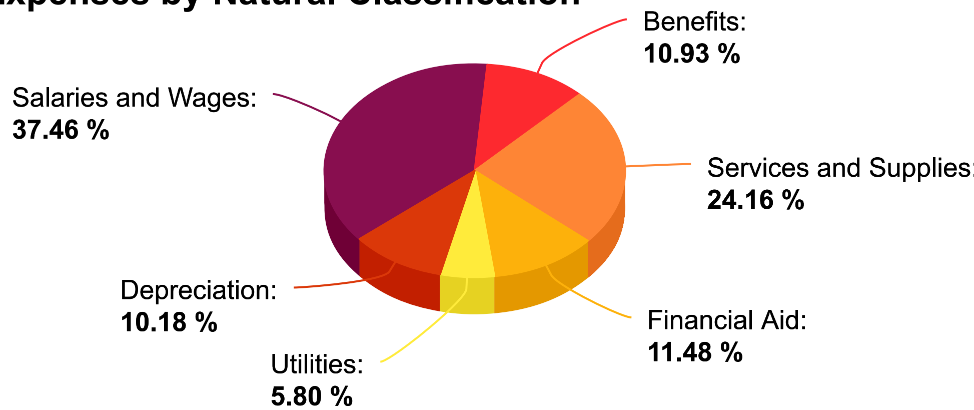
The following is a graphic presentation of operating expenses by function for the fiscal year ended September 30, 2024.

Operating Expenses by Function



Operating expenses are summarized here by natural classification.

Operating Expenses by Natural Classification

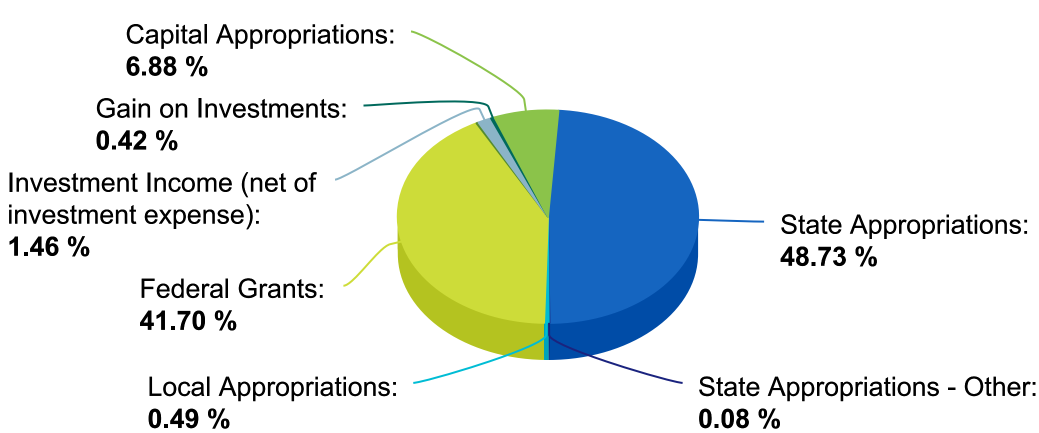


The following chart displays the non-operating revenues by type and their relationship with one another for the fiscal year ended September 30, 2024.

Comparison of Non-Operating Revenues

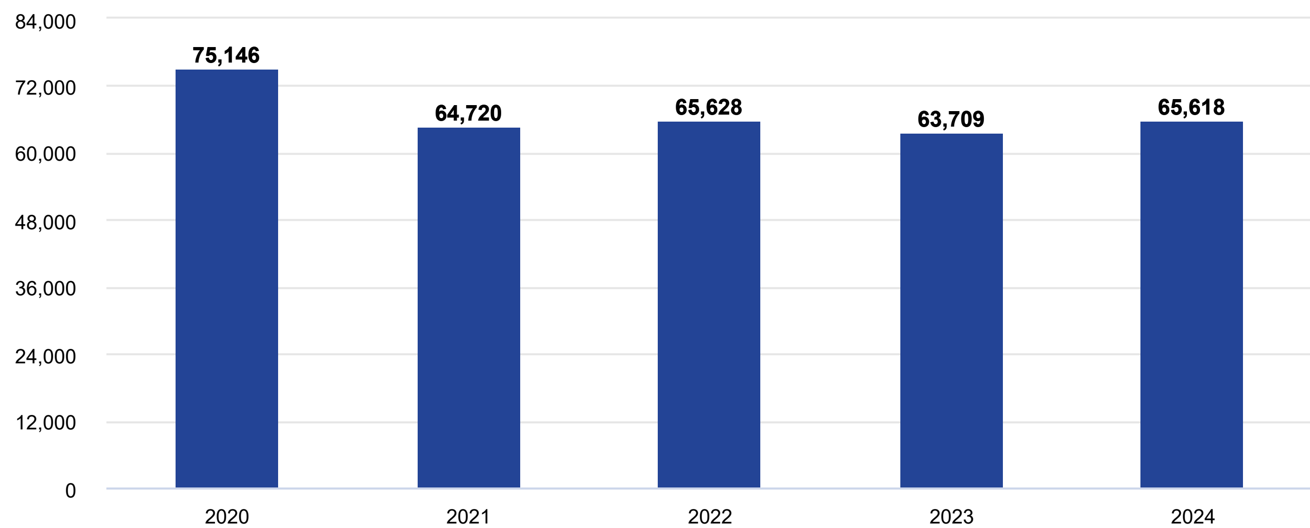
	2024	2023
Non-Operating Revenue		
State Appropriations	$ 18,240,738	$ 17,552,987
State Appropriations - Other	31,813	-
Local Appropriations	181,756	-
Federal Grants	15,613,274	11,127,318
Gifts	91,147	-
Investment Income (net of investment expense)	545,103	425,014
Gain on Investments	155,857	31,476
Other Non-Operating Revenues (Expense)	(2,200)	9,193
Capital Appropriations	2,576,565	7,913,091
Total Non-Operating Revenue	**$ 37,434,053**	**$ 37,059,079**

Comparison of Non-Operating Revenues



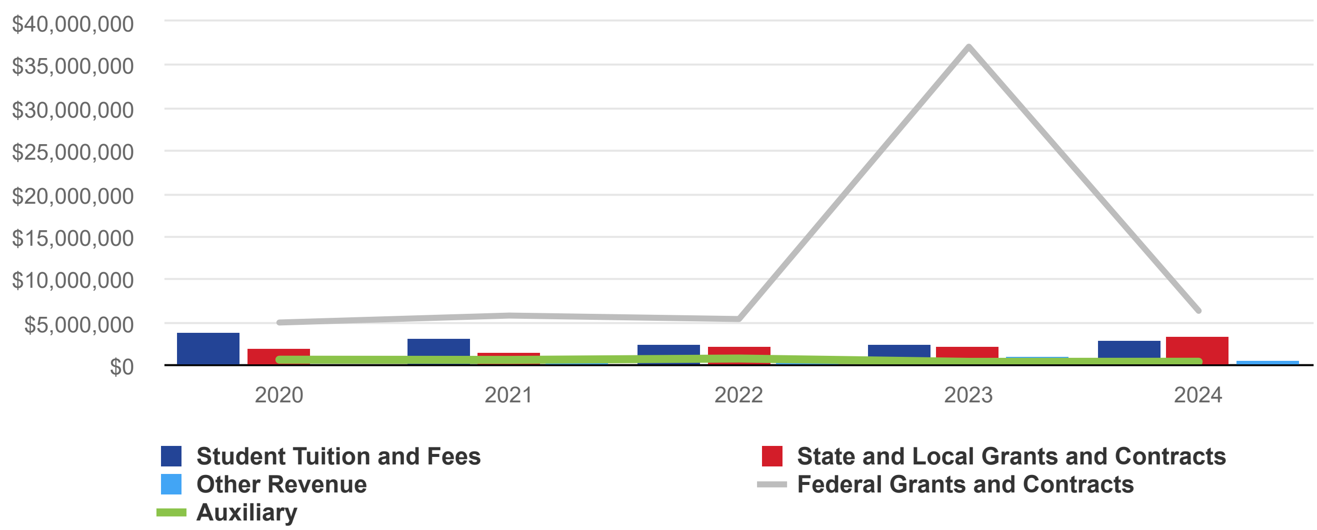
The following chart displays the 5 Year Comparision of Credit Hours for the fiscal year ended September 30, 2024.

5 Year Comparision of Credit Hours



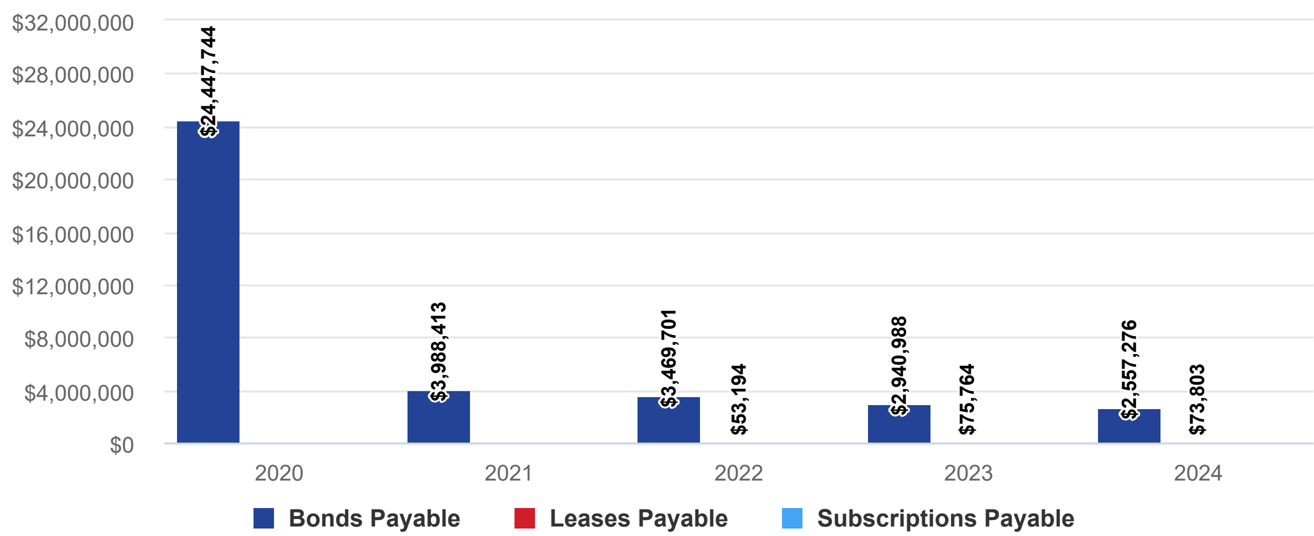
The following chart displays the 5 Year Comparison of Operating Revenue for the fiscal year ended September 30, 2024.

5 Year Comparison of Operating Revenue



The following chart displays 5 Year Comparison of Long-Term Debt Principal for the fiscal year ended September 30, 2024.

5 Year Comparison of Long-Term Debt Principal



Statement of Cash Flows

The final statement presented by the College is the Statement of Cash Flows which presents detailed information about the cash activity of the College during the year. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the College. The second section shows cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, non-investing and noncapital financing purposes. The third section reflects cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds and interest received from investing activities. The fifth section reconciles the net cash used for the operating income or loss reflected on the Statement of Revenues, Expenses and Changes in Net Position. Cash and cash equivalents increased $7,205,599 during the current fiscal year. This is a result of cash receipts from capital grants from the previous year.

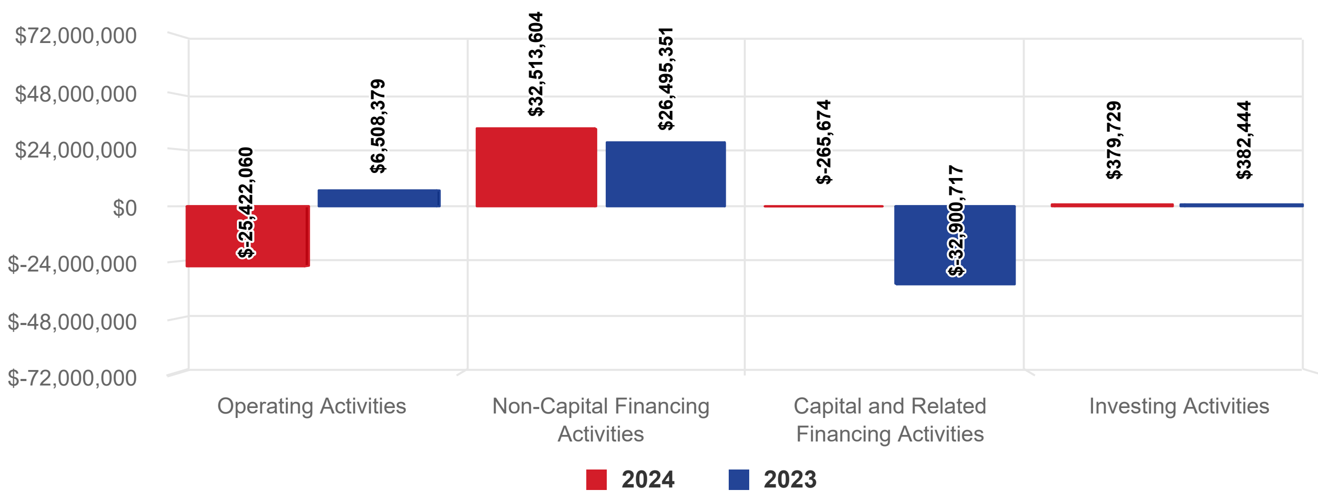
A condensed Statement of Cash Flows for the years ended September 30, 2024 and 2023 is presented below.

Statement of Cash Flows

	2024	2023
Cash Provided by (Used in):		
Operating Activities	$ (25,422,060)	$ 6,508,379
Non-Capital Financing Activities	32,513,604	26,495,351
Capital and Related Financing Activities	(265,674)	(32,900,717)
Investing Activities	379,729	382,444
Net Change in Cash and cash equivalents	**7,205,599**	**485,457**
Cash and Cash Equivalents at Beginning of Year	9,111,631	8,626,174
Cash and Cash Equivalents at End of Year	**$ 16,317,230**	**$ 9,111,631**

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

Statement of Cash Flows



Economic Outlook

The College's overall financial position is strong. The College anticipates fiscal year 2025 will provide many opportunities and challenges as it seeks to increase student enrollment. The College continually positions itself to fulfill the in-demand occupations of our service area including office and administrative support, healthcare, food service industry, and construction and manufacturing. The College continues its commitment to use available resources to improve the College's ability to accomplish its missions of instruction and public service.

Leon Dowe Jr.

Executive Director of Fiscal Services

Lawson State Community College

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Financial Statements

ANNUAL FINANCIAL REPORT

LAWSON STATE COMMUNITY COLLEGE

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Statement of Net Position
September 30, 2024

Assets		
Current Assets		
Cash and Cash Equivalents	$	16,317,230
Deposit with Bond Trustee		1,519
Short-Term Investments		1,935,331
Accounts Receivable, Net		13,767,161
Total Current Assets		**32,021,241**
Non-Current Assets		
Long-Term Investments		2,007,200
Capital Assets, Net of Depreciation and Amortization		84,686,083
Total Non-Current Assets		**86,693,283**
Total Assets		**118,714,524**
Deferred Outflows of Resources		
Pension Related Items		7,220,697
OPEB Related Items		3,225,530
Loss on Bond Refunding		1,295
Total Deferred Outflows of Resources	**$**	**10,447,522**

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

Statement of Net Position (Continued)
September 30, 2024

Liabilities	
Current Liabilities	
Accounts Payable and Accrued Liabilities	$ 3,622,812
Unearned Revenue	3,602,225
Compensated Absences	156,754
Bonds Payable	398,713
Lease Payable	35,948
Bond Surety Fee Payable	24,313
Total Current Liabilities	**7,840,765**
Non-Current Liabilities	
Compensated Absences	938,357
Deposit Liabilities	269,575
Bonds Payable	2,158,563
Lease Payable	37,855
Net Pension Liability	28,481,000
OPEB Liability	2,706,137
Total Non-Current Liabilities	**34,591,487**
Total Liabilities	**42,432,252**
Deferred Inflows of Resources	
Pension Related Items	2,582,000
OPEB Related Items	9,529,533
Total Deferred Inflows of Resources	**12,111,533**
Net Position	
Net Investment in Capital Assets	82,056,299
Restricted:	
Non-Expendable:	
Scholarships and Fellowships	688,647
Expendable:	
Loans	12,282
Capital Projects	1,495,619
Debt Service	315,197
Instructional Department Uses	1,616,014
Unrestricted	(11,565,797)
Total Net Position	**$ 74,618,261**

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

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

Operating Revenues		
Student Tuition and Fees (net of scholarships of $8,567,185)	$	2,922,675
Federal Grants and Contracts		6,222,636
State and Local Grants and Contracts		3,226,957
Non-Governmental Grants and Contracts		160,721
Sales and Services of Educational Departments		406,019
Auxiliary Enterprises		279,005
Other Operating Revenue		75,030
Total Operating Revenues		**13,293,043**
Operating Expenses		
Instruction		15,668,336
Institutional Support		6,172,546
Public Service		2,425
Academic Support		2,633,747
Student Services		3,660,688
Operation and Maintenance of Plant		4,534,067
Scholarships and Financial Aid		4,899,264
Depreciation		4,343,117
Auxiliary Enterprises		769,711
Total Operating Expenses		**42,683,901**
Operating Income (Loss)	**$**	**(29,390,858)**

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

Statement of Revenues, Expenses and Changes in Net Position (Continued)
For the Year Ended September 30, 2024

Non-Operating Revenues (Expenses)	
State Appropriations	$ 18,240,738
State Appropriations - Other	31,813
Local Appropriations	181,756
Federal Grants	15,613,274
Gifts	91,147
Investment Income (net of investment expense)	545,103
Gain on Investments	155,857
Interest on Capital Assets Related Debt	(53,658)
Bond Surety Fee Expense	(65,158)
Other Non-Operating Revenues (Expense)	(2,200)
Capital Appropriations	2,576,565
Total Non-Operating Revenues (Expenses)	**37,315,237**
Net Increase (Decrease) in Net Position	**7,924,379**
Net Position - Beginning of Year, as Previously Reported	66,693,882
Net Position - Beginning of Year, as Restated	66,693,882
Net Position - End of Year	**$ 74,618,261**

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

Statement of Cash Flows
For the Year Ended September 30, 2024

Cash Flows from Operating Activities	
Tuition and Fees	$ 2,659,167
Grants and Contracts	8,193,437
Payments to Suppliers	(9,076,483)
Payments for Utilities	(2,453,396)
Payments for Employees	(16,034,683)
Payments for Employee Benefits	(4,380,952)
Payments for Scholarships	(4,899,264)
Auxiliary Enterprises	255,043
Sales and Services of Educational Activities	406,020
Other Receipts (Payments)	(90,949)
Net Cash Used in Operating Activities	**(25,422,060)**
Cash Flows from Non-Capital Financing Activities	
State Appropriations	18,206,372
Gifts and Grants for Other than Capital Purposes	91,147
Bond Surety Fee Expenses	(53,707)
Federal Grant Revenue - Non-Operating	4,042,275
Pell Revenue	10,045,761
Other Non-Capital Financing	181,756
Net Cash Provided by Non-Capital Financing Activities	**32,513,604**
Cash Flows from Capital and Related Financing Activities	
Appropriations for Capital Projects	9,044,494
Purchases of Capital Assets	(8,784,629)
Principal Paid on Capital Debt and Leases	(430,049)
Interest Paid on Capital Debt and Leases	(91,887)
Other Capital and Related Financing	(2,200)
Deposits with Trustees	(1,403)
Net Cash Used in Capital and Related Financing Activities	**(265,674)**
Cash Flows from Investing Activities	
Proceeds from Sale of Investments	2,027,368
Purchase of Investments	(2,160,951)
Investment Income	513,312
Net Cash Provided by Investing Activities	**379,729**
Net Increase in Cash and Cash Equivalents	**$ 7,205,599**

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

Statement of Cash Flows (Continued)
For the Year Ended September 30, 2024

Cash and Cash Equivalents - Beginning of the Year	$ 9,111,631
Cash and Cash Equivalents - End of Year	**16,317,230**
Reconciliation of Net Operating Income to Net Cash Used in Operating Activities	
Operating Income (Loss)	$ (29,390,858)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used in Operating Activities:	
Depreciation	4,343,117
Changes in Assets and Liabilities:	
Accounts Receivable, Net	(2,130,643)
Inventory	62,190
Deferred Outflows	3,118,037
Accounts Payable and Accrued Liabilities	1,746,884
Unearned Revenue	405,567
Deposits Held for Others	(177,400)
Compensated Absences	(77,604)
Pension Liability	(435,000)
OPEB Liability	(151,589)
Deferred Inflows	(2,734,761)
Net Cash Used in Operating Activities	**$ (25,422,060)**

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

Notes to the Financial Statements

ANNUAL FINANCIAL REPORT
LAWSON STATE COMMUNITY COLLEGE

Lawson State
COMMUNITY COLLEGE

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Note 1. Summary of Significant Accounting Policies

Nature of Operations

The financial statements of 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.

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.

Component Units

Lawson State Community College Foundation, Inc. (the "Foundation") was incorporated as a non-profit corporation to promote scientific, literary, educational purposes, the advancement of the College, and for the encouragement and support of its students and faculty. This report contains no financial statements of the Foundation. Unaudited financial statements of the Foundation reported net assets of $911,870 at September 30, 2024.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the College have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

It is the policy of the College to first apply restricted resources when an expense is incurred and then apply unrestricted resources when both restricted and unrestricted resources are available.

The Statement of Revenues, Expenses and Changes in Net Position distinguishes between operating and non-operating revenues. Operating revenues, such as tuition and fees, result from exchange transactions associated with the principal activities of the College. Exchange transactions are those in which each party to the transactions receives or gives up essentially equal values. Non-operating revenues arise from exchange transactions not associated with the College's principal activities, such as investment income and from all non-exchange transactions, such as state appropriations.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through January 17, 2025 , which is the date the financial statements were issued.

Cash, Cash Equivalents and Investments

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

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

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

Receivables

Accounts receivable relate to amounts due from students, 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. During fiscal year 2024, the Alabama Community College System adopted a standard method of calculating the allowance for doubtful accounts, which was implemented by the College.

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. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized.

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

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

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

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

Deferred Outflows of Resources

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

Long-Term Obligations

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

Unearned Tuition and Fee Revenue

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

Compensated Absences

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

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

Deferred Inflows of Resources

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

Pensions

Employees of the College are covered by a cost sharing multiple-employer defined benefit pension plan administered by the Teachers Retirement System of Alabama (the "Plan"). The TRS financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the Plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made.

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

Postemployment Benefits Other than Pensions (OPEB)

The Alabama Retired Education Employees' Health Care Trust (the "Trust") financial statements are prepared 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.

Net Position

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

- **Net Investment in Capital Assets** – Capital assets, including restricted capital assets, reduced by accumulated depreciation and by outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt are also included in this component of net position. Any significant unspent related debt proceeds or inflows of resources at year-end related to capital assets are not included in this calculation.
- **Restricted**:
    - *Expendable* – Net position whose use by the College is subject to externally imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time. These include funds held in federal loan programs.

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

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

Federal Financial Assistance Programs

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

Scholarship Allowances and Student Aid

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

Note 2. Deposits and Investments

Deposits

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

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

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 ratings as described by nationally recognized statistical rating organizations (NRSROs). Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are excluded from this requirement.

Permissible investments include:

1. U.S. Treasury bills, notes, bonds, and stripped Treasuries;
2. U.S. Agency notes, bonds, debentures, discount notes and certificates;
3. Certificates of Deposits (CDs), checking and money market accounts of savings and loan associations, mutual savings banks, or commercial banks whose accounts are insured by FDIC/FSLIC, and who are designated a Qualified Public Depository (QPD) under the SAFE Program;
4. Mortgage Backed Securities (MBSs);
5. Mortgage related securities to include Collateralized Mortgage Obligations (CMOs) and Real Estate Mortgage Investment Conduits (REMIC) securities
6. Repurchase agreements; and
7. Stocks and Bonds which have been donated to the College.

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 College'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 College'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 College's total investment portfolio. The aggregate average life maturity for all holdings shall not exceed seven years while the average life maturity of one security shall not exceed ten years.
6. The College may enter into a repurchase agreement so long as:
    a) the repurchase securities are legal investments under state law for Colleges;
    b) the College receives a daily assessment of the market value of the repurchase securities, including accrued interest, and maintains an adequate margin that reflects a risk assessment of the repurchase securities and the term of the transaction; and
    c) the College has entered into signed contracts with all approved counterparties.

7. The College has discretion to determine if it should hold or sell other investments that it may receive as a donation.

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

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

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

The College's investments consisted of the following as of September 30, 2024:

Investment Type	Amount
U.S. Treasuries	$ 3,559,466
Money Market Funds	383,065
Total	**$ 3,942,531**

Investment Risk Factors – Many factors can affect the value of investments. Some, such as custodial credit risk, concentration of credit risk and foreign currency risk, may affect both equity and fixed income securities. Equity securities respond to such factors as economic conditions, individual company earnings performance and market liquidity, while fixed income securities are particularly sensitive to credit risks and changes in interest rates.

Credit Risk – Fixed income securities are subject to credit risk, which is the chance that a bond issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. These circumstances may arise due to a variety of factors such as financial weakness, bankruptcy, litigation and/or adverse political developments. Certain fixed income securities, primarily obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are not considered to have significant credit risk.

The College's investments in U. S. Treasury Notes held a Moody's rating of "AAA" and a Standard & Poor's rating of "AA+."

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

At September 30, 2024, the maturity dates of the College's debt instruments were as follows:

	Investment Maturities			
Investments Type	**Less Than 1**	**1 - 5 Years**	**More Than 5**	**Totals**
U.S. Treasuries	$ 1,552,266	$ 2,007,200	$ -	$ 3,559,466
Total	**$ 1,552,266**	**$ 2,007,200**	**$ -**	**$ 3,559,466**

The College's Endowment Fund does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increased interest rates. 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 Type	Maximum Maturity
Stripped Treasuries	10 years
U.S. Agencies (except for TVA and SLMA)	10 years
TVA and SLMA	10 years
Mortgage-Backed Securities and Mortgage Related Securities	7 years*/ 10 years**

* Aggregate life

** Average life maturity of any one security

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 has no formal policy limiting the amount of securities that can be held by counterparties.

Concentration 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 does not have a formal investment policy which limits investment in any one issuer to less than 5%. However, the College's investments are in investment pools.

Investment Type	% of Investment
Stripped Treasuries	50%
U.S. Agencies (except for TVA and SLMA)	50%
TVA and SLMA	10%
Certificate of Deposit	No limit
Mortgage Backed Securities and Mortgage Related Securities	50%

Deposits with Trustees

At September 30, 2024, the College had $1,519 in accounts administered by its bond trustees. The funds were invested in a Fidelity Money Market Fund which is rated "Aaa-mf" by Moody's and "AAAm" by Standard & Poor's.

Fair Value Measurements

GASB Statement No. 72, *Fair Value Measurement and Application*, sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB 72 are described as follows:

- 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 judgment.

		Assets at Fair Value as of September 30, 2024		
Investments by Fair Value Level	**Fair Value**	**Quoted Prices in Active Markets Identical for Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Debt Securities				
U.S. Government Guaranteed	$ 3,559,466	**$ 3,559,466**	**$ -**	**$ -**
Money Market Account	383,065			
Other Cash Equivalents	**$ 1,519**			
Total	**$ 3,944,050**			

Note 3. Receivables

Receivables are reported and summarized as follows:

Description	Amount
Federal	$ 7,760,927
Student	3,273,490
State	3,456,732
Third-Party	1,532,173
Other	195,233
Less: Allowance for Doubtful Accounts	(2,451,394)
Total Accounts Receivable	**$ 13,767,161**

Note 4. Capital Assets

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

Description	Beginning Balance	Prior Period Adjustments	10/1/23 as Restated	Additions	Reductions/ Transfers	Adjustments	Ending Balance
Nondepreciable Capital Assets							
Land	$ 2,628,595	$ -	$ 2,628,595	$ -	$ -	$ -	$ 2,628,595
Construction in Progress	33,634,136	-	33,634,136	4,339,390	(37,973,526)	-	-
Total Nondepreciable Capital Assets	**36,262,731**	**-**	**36,262,731**	**4,339,390**	**(37,973,526)**	**-**	**2,628,595**
Other Capital Assets							
Buildings	51,140,783	-	51,140,783	-	-	-	51,140,783
Building Alterations	21,441,423	-	21,441,423	-	37,973,526	-	59,414,949
Improvements other than Buildings and Infrastructure	7,225,147	-	7,225,147	273,588	-	-	7,498,735
Furniture and Equipment greater than $25,000	6,236,117	-	6,236,117	49,200	-	-	6,285,317
Furniture and Equipment $25,000 or less	4,154,030	-	4,154,030	667,955	(5,858)	-	4,816,127
Library Materials	1,460,683	-	1,460,683	-	-	-	1,460,683
Right to Use Assets - Buildings and Equipment	176,178	-	176,178	14,360	(9,654)	-	180,884
Right to Use Assets - Software Subscriptions	71,604	-	71,604	-	-	-	71,604
Total Other Capital Assets	**91,905,966**	**-**	**91,905,965**	**1,005,103**	**37,958,014**	**-**	**130,869,082**
Less Accumulated Depreciation/Amortization							
Buildings	30,883,460	-	30,883,460	3,165,032	-	-	34,048,492
Improvements other than Buildings and Infrastructure	6,043,878	-	6,043,878	181,438	-	-	6,225,316
Furniture and Equipment greater than $25,000	2,879,401	-	2,879,401	453,380	-	-	3,332,781
Furniture and Equipment $25,000 or less	3,273,986	-	3,273,986	424,591	(5,859)	-	3,692,718
Library Materials	1,322,506	-	1,322,506	22,428	-	-	1,344,934
Right to Use Assets - Buildings and Equipment	100,792	-	100,792	64,078	(57,201)	-	107,669
Right to Use Assets - Software Subscriptions	27,513	-	27,513	32,171	-	-	59,684
Total Accumulated Depreciation/ Amortization	**44,531,536**	**-**	**44,531,536**	**4,343,118**	**(63,060)**	**-**	**48,811,594**
Total Capital Assets, Net	**$ 83,637,160**	**$ -**	**$ 83,637,160**	**$ 1,001,375**	**$ 47,548**	**$ -**	**$ 84,686,083**

Note 5. Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description

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

Benefits Provided

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

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

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

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

Contributions

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

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

Participating employers' contractually required contribution rate for the fiscal year ended September 30, 2023 was 12.59% of annual pay for Tier 1 members and 11.57% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the College were $1,816,697 for the year ended September 30, 2024.

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

At September 30, 2024, the College reported a liability of $28,481,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2022. The College's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2023, the College's proportion was 0.17848%, which was a decrease of 0.0076% from its proportion measured as of September 30, 2022.

For the year ended September 30, 2024, the College recognized pension expense of $3,568,148. At September 30, 2024, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	$ 2,547,000	$ 385,000
Changes of Assumptions	801,000	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	1,953,000	-
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	103,000	2,197,000
Employer Contributions Subsequent to the Measurement Date	1,816,697	-
Total	**$ 7,220,697**	**$ 2,582,000**

$1,816,697 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 ending September 30, 2025.

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

Year Ending September 30	Amount
2025	$ 780,000
2026	332,000
2027	1,918,000
2028	(208,000)
2029	-
Thereafter	-

Actuarial Assumptions

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

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

* Net of pension plan investment expense, including inflation

The actuarial assumptions used in the actuarial valuation as of September 30, 2022, were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2020. The Board of Control accepted and approved these changes in September 2021 which became effective at the beginning of fiscal year 2021.

Mortality Rate

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

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

Long-Term Expected Rate of Return

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	15.00%	2.80%
U.S. Large Stocks	32.00%	8.00%
U.S. Mid Stocks	9.00%	10.00%
U.S. Small Stocks	4.00%	11.00%
Int'l Developed Mkt Stocks	12.00%	9.50%
Int'l Emerging Mkt Stocks	3.00%	11.00%
Alternatives	10.00%	9.00%
Real Estate	10.00%	6.50%
Cash Equivalents	5.00%	2.50%
Total	**100.00%**	

* Includes assumed rate of inflation of 2.00%.

Discount Rate

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

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

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
College 's Proportionate Share of the Collective Net Pension Liability	$ 37,207,000	$ 28,481,000	$ 21,142,000

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Annual Comprehensive Financial Report for the fiscal year ended September 30, 2023. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2023. The auditor's report on the Schedule of Employer Allocations and Pension Amounts by Employer and accompanying notes detail by employer and in aggregate information needed to comply with GASB 68. The additional financial and actuarial information is available at http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/.

Note 6. Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan

Plan Description

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

The PEEHIP was established in 1983 pursuant to the provisions of the ***Code of Alabama 1975***, *Title 16, Chapter 25A* (Act 83-455) to provide a uniform plan of health insurance for active and retired employees of state and local educational institutions which provide instruction at any combination of grades K-14 (collectively, eligible employees), and to provide a method for funding the benefits related to the plan. The four-year universities participate in the plan with respect to their retired employees and are eligible and may elect to participate in the plan with respect to their active employees. Responsibility for the establishment of the health insurance plan and its general administration and operations is vested in the Board. The Board is a corporate body for purposes of management of the health insurance plan. The ***Code of Alabama 1975***, *Section 16-25A-4* provides the Board with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years for the plan. All assets of the Alabama Retired Education Employees' Health Care Trust are held in trust for the payment of health insurance benefits. The Teachers' Retirement System of Alabama (TRS) has been appointed as the administrator of the PEEHIP and, consequently, serves as the administrator of the Trust.

Benefits Provided

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

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

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

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

Effective January 1, 2023, United Health Care (UHC) Group replaced the Humana contract for Medicare eligible retirees and Medicare eligible dependents of retirees. The Medicare Advantage Prescription Drug Plan (MAPDP) is fully insured by UHC, and members are able to have all of their Medicare Part A, Part B, and Part D (prescription drug coverage) in one convenient plan. With the UHC plan for PEEHIP, retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Retirees have the same benefits in and out-of-network and there is no additional retiree cost share if a retiree uses an out-of-network provider and no balance billing from the provider.

Contributions

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

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

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

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

At September 30, 2024, the College reported a liability of $2,706,137 for its proportionate share of the collective Net OPEB liability. The Net OPEB liability was measured as of September 30, 2023, and the total OPEB liability used to calculate the Net OPEB liability was determined by an actuarial valuation as of September 30, 2022. The College’s proportion of the collective Net OPEB liability was based on the College’s share of contributions to the OPEB plan relative to the total employer contributions of all participating PEEHIP employers. At September 30, 2023, the College’s proportion was 0.14079% which was a decrease of 0.02322% from its proportion measured as of September 30, 2022.

For the year ended September 30, 2024, the College recognized OPEB expense of ($1,888,616), with no special funding situations. At September 30, 2024, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	$ 52,914	$ 4,270,204
Changes of Assumptions	2,279,827	2,677,100
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	92,437	-
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	613,696	2,582,229
Employer Contributions Subsequent to the Measurement Date	186,656	-
Total	**$ 3,225,530**	**$ 9,529,533**

The $186,656 reported as deferred outflows of resources related to OPEB resulting from the College's contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB liability in the year ending September 30, 2025.

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

Year Ending September 30	Amount
2025	$ (2,095,078)
2026	(1,252,221)
2027	(1,117,468)
2028	(1,242,581)
2029	(734,180)
Thereafter	(49,131)

Actuarial Assumptions

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

Inflation	2.50%
Salary Increases	5.00 - 3.25%, including 2.75% wage inflation
Long-term Investment Rate of Return	7.00% compounded annually, net of investment expense, and including inflation
Municipal Bond Index Rate at the Measurement Date	4.53%
Municipal Bond Index Rate at the Prior Measurement Date	4.40%
Year Fiduciary Net Position (FNP) is Projected to be Depleted	N/A
Single Equivalent Interest Rate at Measurement Date	7.00%
Single Equivalent Interest Rate at Prior Measurement Date	7.00%
Healthcare Cost Trend Rates:	
Initial Trend Rate	
Pre-Medicare Eligible	7.00%
Medicare Eligible	**
Ultimate Trend Rate	
Pre-Medicare Eligible	4.50% in 2033 FYE
Medicare Eligible	4.50% in 2033 FYE

** Initial Medicare claims are set based on scheduled increases through plan year 2025.

Mortality Rate

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

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

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

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) were based on the September 30, 2022 valuation.

Long-Term Expected Rate of Return

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

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

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

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

* Geometric mean, includes 2.50% inflation.

Discount Rate

The discount rate (also known as the Single Equivalent Interest Rate (SEIR), as described by GASB 74) used to measure the total OPEB liability was 7.00%. Premiums paid to the Public Education Employees' Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Currently, the monthly employer rate is $800 per non-university active member. Approximately, 11.051% of the employer contributions were used to assist in funding retiree benefit payments in 2023, and it is assumed that the 11.051% will increase or decrease at the same rate as expected benefit payments for the closed group with a cap of 20.00%. It is assumed the $800 rate will remain flat until, based on budget projections, it increases to $940 in fiscal year 2027 and then will increase with inflation at 2.50% starting in 2028. Retiree benefit payments for university members are paid by the Universities and are not included in the cash flow projections. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. Therefore, the projected future benefit payments for all current plan members are projected through 2121.

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

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

	1% Decrease (6.00% decreasing to 3.50% for pre-Medicare, Known decreasing to 3.50% for Medicare eligible)	Current Healthcare Trend Rate (7.00% decreasing to 4.50% for pre-Medicare, Known decreasing to 4.50% for Medicare eligible)	1% Increase (8.00% decreasing to 5.50% for pre-Medicare, Known decreasing to 5.50% for Medicare eligible)
Net OPEB Liability	$ 2,051,222	$ 2,706,137	$ 3,501,335

The following table presents the College's proportionate share of the Net OPEB liability of the Trust calculated using the discount rate of 7.00%, as well as what the Net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (6.00%)	Current Rate (7.00%)	1% Increase (8.00%)
Net OPEB Liability	$ 3,340,720	$ 2,706,137	$ 2,166,023

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's Fiduciary Net Position is in the Trust's financial statements for the fiscal year ended September 30, 2023. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2023. Additional financial and actuarial information is available at www.rsa-al.gov.

Note 7. Significant Commitments

As of September 30, 2024, the College had been awarded approximately $9,411,805 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 and Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following at September 30, 2024:

Description	Amount
Payroll Expense	$ 726,063
Interest Payable	28,666
Trade Payables	1,773,228
Other Accrued Expenses	1,094,855
Total	**$ 3,622,812**

Note 9. Long-Term Liabilities

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

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable					
2021 Series Revenue Bonds	$ 2,670,000	$ -	$ 345,000	$ 2,325,000	$ 360,000
Bond Premium	270,988	-	38,712	232,276	38,713
Total Bonds Payable	**2,940,988**	**-**	**383,712**	**2,557,276**	**398,713**
Leases Payable	75,764	47,547	49,508	73,803	35,948
Subscriptions Payable	35,541	-	35,541	-	-
Compensated Absences	1,172,715	113,717	191,321	1,095,111	156,754
Total Long-Term Liabilities	**$ 4,225,008**	**$ 161,264**	**$ 660,082**	**$ 3,726,190**	**$ 591,415**

On July 21, 2021, the College issued the 2021 Series Revenue Bonds in the amount of $2,670,000. The 2021 Series Revenue Bonds are payable over 10 years with an interest rate of 3.0% to 4.0%. The proceeds were used to refund the 2007 Series Bonds. The 2007 Series 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.

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 is pledged to secure the bonds.

Bond Debt

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

	Revenue Bonds		
Fiscal Year(s)	Principal	Interest	Total
2025	$ 360,000	$ 81,900	$ 441,900
2026	370,000	71,100	441,100
2027	380,000	60,000	440,000
2028	390,000	48,600	438,600
2029	405,000	33,000	438,000
2030-2034	420,000	16,800	436,800
Total	**$ 2,325,000**	**$ 311,400**	**$ 2,636,400**

Pledged Revenues

The College has pledged tuition, facility renewal, and building fees for the payment of debt service on the 2021 Series Revenue Bonds. The principal and interest payments made during the period were $437,250. Therefore, of the $7,599,398 in tuition and fee revenue pledged by the College during fiscal year 2024, 5.8% was needed for debt service on the 2021 Series Revenue Bonds.

Lease Liability

The College leases office equipment from external parties for various terms under long-term non-cancelable lease agreements. The leases expire at various dates through 2025. In accordance with GASB Statement No. 87, the College records right-to-use assets and lease liabilities based on the present value of expected payments over the lease term of the respective leases. The expected payments are discounted using the interest rate charged on the lease, if available, or are otherwise discounted using the College's incremental borrowing rate. The interest rates range from 0.00% percent to 3.6510%.

Future minimum payments under the lease agreements and the present value of the minimum payments as of September 30, 2024, are as follows:

Fiscal Year(s)	Principal	Interest	Total
2025	$ 35,948	$ 1,574	$ 37,522
2026	15,849	1,040	16,889
2027	9,941	638	10,579
2028	10,310	269	10,579
2029	1,755	8	1,763
2030-2034	-	-	-
2035-2039	-	-	-
2040-2044	-	-	-
2045-2049	-	-	-
2050-2054	-	-	-
Total	**$ 73,803**	**$ 3,529**	**$ 77,332**

Note 10. Risk Management and Contingencies

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, Director of Accounting and Finance and Financial Aid Director as well as other College personnel who handle funds.

Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF) administered by the 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.

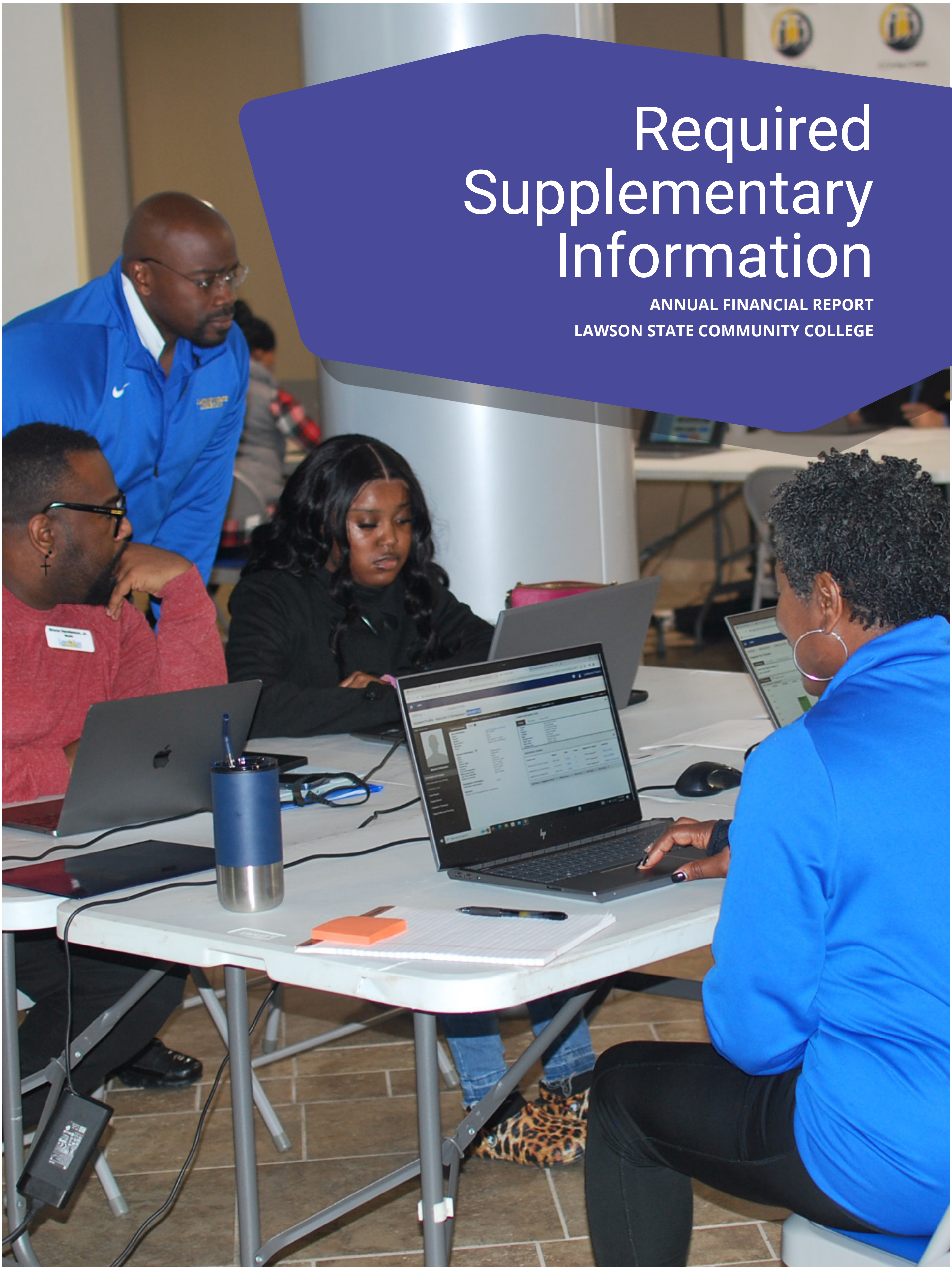
Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. This amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the College expects such amounts, if any, to be immaterial.

Note 11. Effect of New Pronouncements

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections* – an amendment of GASB Statement No. 62, effective for reporting periods beginning after June 15, 2023. Statement No. 100 defines accounting changes and prescribes the accounting and financial reporting for each type of accounting change and error corrections. The adoption of this statement by the College had no impact on the previously reported beginning net position at September 30, 2023.

Required Supplementary Information

ANNUAL FINANCIAL REPORT
LAWSON STATE COMMUNITY COLLEGE



Lawson State
COMMUNITY COLLEGE

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Schedule of the Proportionate Share of the Net Pension Liability
Teachers' Retirement Plan of Alabama
For the Year Ended September 30
(Unaudited)

(Dollar Amounts in Thousands)	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
College's Proportion of the Net Pension Liability	0.178475%	0.186070%	0.194760%	0.217340%	0.212460%	0.217460%	0.216980%	0.212820%	0.208980%	0.208350%
College's Proportionate Share of the Net Pension Liability	$ 28,481	$ 28,916	$ 18,347	$ 26,884	$ 23,491	$ 21,622	$ 21,326	$ 23,148	$ 21,789	$ 18,927
College's Covered Payroll	$ 14,790	$ 14,252	$ 14,405	$ 15,314	$ 15,834	$ 14,358	$ 14,375	$ 15,892	$ 15,221	$ 15,353
College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	192.57%	202.89%	127.37%	175.55%	148.36%	150.59%	148.35%	145.66%	143.15%	123.28%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.57%	62.21%	76.44%	67.72%	69.85%	72.29%	71.50%	67.93%	67.51%	71.01%

Notes to schedule:

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

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

(Dollar Amounts in Thousands)	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	$ 1,817	$ 1,799	$ 1,732	$ 1,708	$ 1,847	$ 1,826	$ 1,728	$ 1,699	$ 1,607	$ 1,408
Contributions in Relation to the Contractually Required Contribution	$ 1,817	$ 1,799	$ 1,732	$ 1,708	$ 1,847	$ 1,826	$ 1,728	$ 1,699	$ 1,607	$ 1,408
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College's Covered Payroll	$ 14,727	$ 14,790	$ 14,252	$ 14,094	$ 14,955	$ 15,836	$ 14,357	$ 14,375	$ 15,892	$ 15,221
Contributions as a Percentage of Covered Payroll	12.34%	12.16%	12.15%	12.12%	12.35%	11.53%	12.04%	11.82%	10.11%	9.25%

Notes to Schedule

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

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

Notes to Required Supplementary Information for Pension Benefits

Note 1. Changes of Benefit Terms

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

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

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

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

Note 2. Changes of Assumptions

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

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

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

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

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

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

Schedule of the Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability
Alabama Retired Employees' Health Care Trust
For the Year Ended September 30*
(Unaudited)

(Dollar Amounts in Thousands)	2024	2023	2022	2021	2020	2019	2018
College's Proportion of the Net OPEB Liability	0.14079%	0.16401%	0.01531%	0.16577%	0.19358%	0.18985%	0.19044%
College's Proportionate Share of the Net OPEB Liability	$ 2,706	$ 2,858	$ 7,908	$ 10,758	$ 7,303	$ 15,603	$ 14,145
College's Covered Payroll	$ 15,171	$ 14,702	$ 14,275	$ 14,741	$ 14,363	$ 14,185	$ 14,238
College's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	17.84%	19.44%	55.40%	72.98%	50.85%	110.00%	99.34%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	49.42%	48.39%	27.11%	19.80%	28.14%	14.84%	15.37%

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

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),

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

(Dollar Amounts in Thousands)	2024	2023	2022	2021	2020	2019	2018
Contractually Required Contribution	$ 187	$ 219	$ 313	$ 261	$ 323	$ 551	$ 466
Contributions in Relation to the Contractually Required Contribution	$ 187	$ 219	$ 313	$ 261	$ 323	$ 551	$ 466
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College's Covered Payroll	$ 14,027	$ 15,171	$ 14,702	$ 14,702	$ 14,741	$ 14,363	$ 14,185
Contributions as a Percentage of Covered Payroll	1.33%	1.44%	2.13%	1.77%	2.19%	3.83%	3.29%

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

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

Note 1. Changes in Actuarial Assumptions

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

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

In 2019, the anticipated rates or participation, spouse coverage, and tobacco use were adjusted to reflect actual experience more closely.

Note 2. Recent Plan Changes

The 9/30/2022 valuation reflects the impact of Act 2022-222.

Beginning in plan year 2021, the MAPD plan premium rates exclude the ACA Health Insurer Fee which was repealed on December 20, 2019.

Effective January 1, 2017, Medicare eligible medical and prescription drug benefits are provided through the MAPD plan.

The Health Plan is changed each year to reflect the Affordable Care Act maximum annual out-of-pocket amounts.

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

The actuarially determined contribution rates in the Schedule of OPEB Contributions were calculated as of September 30, 2020, which is three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

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

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

Supplementary Information Single Audit Report

ANNUAL FINANCIAL REPORT

LAWSON STATE COMMUNITY COLLEGE

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

Federal Grantor/ Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass Through/ Grantor's Number	Total Federal Expenditures	Total Passed Through to Subrecipients
Department of Education				
Student Financial Aid Cluster				
Federal Pell Grant Program	84.063	P063P211058	$ 11,135,537	$ -
Federal Work Study Program	84.033	P033A210045	158,531	-
Federal Supplemental Educational Opportunity Grants	84.007	P007A210045	247,133	-
Total Student Financial Aid Cluster			11,541,201	-
Trio Cluster				
TRIO-Student Support Services	84.042	P042A200958/ P042A200821	642,406	-
TRIO-Upward Bound	84.047	P047A171051	439,615	-
Total Trio Cluster			1,082,021	-
Other Direct Programs:				
Higher Education Institutional Aid	84.031	P031B170021	4,347,173	-
COVID-19 HEERF Historically Black Colleges and Universities (HBCUs)	84.425J	P425J200089	3,904,025	-
COVID-19 HEERF Supplemental Support Under American Rescue Plan (SSARP) Program	84.425T	P425T220194	161,655	-
Total Higher Education Emergency Relief Fund			4,065,680	-
Pass-Through Alabama Community College System:				
Adult Education-Basic Grants to States	84.002	V002A210001/ V002A220001	226,678	-
Pass-Through Alabama Department of Education:				
Career and Technical Education-Basic Grants to States	84.048	V048A210001	296,199	-
Pass-Through University of Montevallo:				
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	NA	3,529	-
Total Pass-Through Programs			526,406	-
Total Department of Education			$ 21,562,481	$ -

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

Federal Grantor/ Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass Through/ Grantor's Number	Total Federal Expenditures	Total Passed Through to Subrecipients
Department of Labor				
Women in Apprenticeship and Nontraditional Occupations (WANTO)				
Technical Assistance Grant Program	17.701	NA	$ 43,665.00	$ -
Pass-Through Central Alabama Partnership for Training and Employment				
WIOA Adult Program	17.258	0-1-40-24-22	2,012	-
Total Department of Labor			45,677	-
Research and Development Cluster				
National Science Foundation				
STEM Education	47.076	1719329	134,840	-
Pass-Through Clark Atlanta University		RSP-2018-		
STEM Education	47.076	215051-004	51,171	-
Total National Science Foundation			186,011	-
Department of Veteran Affairs				
Post-9/11 Veterans Education Assistance	64.027	NA	2,864	-
Department of Health and Human Services				
Temporary Assistance for Needy Families	93.558	NA	38,876	-
Total Federal Expenditures			$ 21,835,909	$ -

* See accompanying Notes to the Schedule of Expenditures of Federal Awards.

Notes to the Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Lawson State Community College (the College) and is presented on the accrual basis of accounting. 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* (the Uniform Guidance).

Note 2. Indirect Cost Rate

The College did not elect to charge a de minimis rate of 10% for all federal awards.

Warren Averett
CPAs AND ADVISORS

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INDEPENDENT AUDITORS' 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*

To the Alabama Community College System Board of Trustees
and the President of Lawson State Community College

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Lawson State Community College (the College), as of and for the year ended September 30, 2024, and the related notes to the financial statements, and have issued our report thereon dated January 15, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Warren Averett, LLC

Montgomery, Alabama
January 15, 2025

Warren Averett
CPAs AND ADVISORS

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE AND ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the Alabama Community College System Board of Trustees
and the President of Lawson State Community College

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Lawson State Community College's (the College) compliance with the types of compliance requirements identified as subject to audit in the Office of Management and Budget's (OMB) *Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended September 30, 2024. The College's major federal programs are identified in the Summary of Auditors' Results section of the accompanying schedule of findings and questioned costs.

In our opinion, the 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, 2024.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the College and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the College's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts, or grant agreements applicable to the College's federal programs.

Auditors' Responsibilities for the Audit of Compliance
Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the College's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the College's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the College's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters
The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as items 2024-001 through 2024-003. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2024-001 through 2024-003 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

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

Warren Averett, LLC

Montgomery, Alabama
January 15, 2025

LAWSON STATE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

SECTION I – Summary of Auditors' Results

Financial Statements

Type of auditors' report 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 the financial statements noted?	______ Yes	x No

Federal Awards

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

Identification of major programs:

Assistance Listing Number(s)	Name of Federal Program Cluster
84.007, 84.033, 84.063	Student Financial Aid Cluster
84.042, 84.047	Trio Cluster
84.031	Higher Education Institutional Aid

Dollar threshold used to distinguish between type A and type B programs:	$750,000	
Auditee qualified as low-risk auditee?	______ Yes	x No

LAWSON STATE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

SECTION II – Financial Statement Findings

No findings to report.

SECTION III – Federal Award Findings and Questioned Costs

Finding 2024-001 – Procurement (Significant Deficiency and Noncompliance)

Information on the Federal Program: U.S. Department of Education, Assistance listing # 84.031 Higher Education Institutional Aid

Criteria: 2 CFR 200.317-327 establishes procurement standards for non-federal entities. This includes different requirements based on the amount of purchases made from the vendor during the year.

Condition: Of ten vendors tested, one vendor's services was not properly bid and one vendor was paid over the micro-purchase threshold and therefore should have obtained price or rate quotes.

Cause: The College contracted with a vendor for consulting and then retained them for on-going services. These services were not bid. The other vendor was paid more than the micro-purchase threshold during the year, but price or rate quotes were not obtained for purchases.

Effect: The College did not comply with federal procurement requirements for these two exceptions.

Questioned Costs: $856,476

Recommendation: We recommend the College strengthen its policies and procedures over procurement to ensure vendors are properly procured.

Views of Responsible Officials: See Management's View and Corrective Action Plan included at the end of the report.

Finding 2024-002 – Allowable Costs & Activities (Significant Deficiency and Noncompliance)

Information on the Federal Program: U.S. Department of Education, Assistance listing # 84.031 Higher Education Institutional Aid and U.S. Department of Education, Trio Cluster

Criteria: 2 CFR Part 200 Subpart E establishes cost principles to apply in determining costs under federal awards. Non-federal entities are also required to establish controls over the disbursement process to ensure compliance with allowable cost requirements.

LAWSON STATE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Condition: We selected a sample of 25 non-payroll disbursements each for Title III and Trio programs and three indirect costs for the Trio program. Of the 25 non-payroll disbursements for Title III, two expenses were allocated but the portion charged to the grant did not tie back to the invoice, two expenses were incurred in the prior fiscal year but recorded as current year expenses, and two types of expenses were not in the applicable budgets.

Of the 25 non-payroll disbursements for the Trio Cluster, one type of expense exceeded the budget amount and of the three indirect cost calculations, one was not calculated correctly.

Cause: On Title III, the College charged a portion of invoices to the grant but the amount could not be recalculated based on the invoice; meals and subscriptions were charged to the grant but the type of expense was not in the budget; and services were performed or orders were placed in the prior year but recognized as current year expenses.

On the Trio Cluster, and equipment expenses were charged to the Trio grant but exceeded the grant budget. The indirect cost calculation included previously recorded indirect costs in the base used to recognize and request reimbursement for allowed percentage.

Effect: The College did not comply with the exceptions noted for allowable cost and activity requirements.

Questioned Costs: Title III $10,261 and Trio Cluster $4,810.

Recommendation: We recommend the College strengthen its policies and procedures surrounding non-payroll grant disbursements to ensure disbursements are approved, allowable, and calculations supported.

Views of Responsible Officials: See Management's View and Corrective Action Plan included at the end of the report.

Finding 2024-003 – Allowable Costs & Activities (Significant Deficiency and Noncompliance)

Information on the Federal Program: U.S. Department of Education, Assistance listing # 84.031 Higher Education Institutional Aid and U.S. Department of Education, Trio Cluster

Criteria: 2 CFR Part 200 Subpart E establishes cost principles to apply in determining costs under federal awards. Non-federal entities are also required to establish controls over the disbursement process to ensure compliance with allowable cost requirements.

Condition: We selected a sample of six payroll disbursements for Title III and eleven payroll disbursements for the Trio programs. Of the six payroll disbursements for Title III, four exceptions were noted related to approved pay rate documentation. In one instance the position was not in the grant budget and in three instances, the approved pay rate did not agree to the actual paycheck amount.

LAWSON STATE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Of the eleven payroll disbursements for the Trio Cluster, thirty-two employees were included. Of these thirty-two, twenty-one exceptions were noted for lack of proper support. Nineteen exceptions were noted in which the actual pay rate did not agree to the budgeted pay rate; two employees' job descriptions did not fall under an allowable position in the grant budget; one journal entry reclassified payroll costs but the support for pay rate and time charged were not provided; and one employee received additional pay over the approved letter of appointment, and there was no support for the percent charged to the program.

Cause: Payroll costs charged to the grants were not properly documented.

Effect: The College did not comply with all allowable cost and activity requirements.
The College did not comply with the exceptions noted for allowable cost and activity requirements.

Questioned Costs: Title III $4,119 and Trio Cluster $25,655.

Recommendation: We recommend the College strengthen its policies and procedures surrounding payroll grant disbursements to ensure expenses are properly approved and allowable under the specific grant budget.

Views of Responsible Officials: See Management's View and Corrective Action Plan included at the end of the report.

Summary Schedule of Prior Audit Findings

Finding 2023-004 – Reporting (Significant Deficiency and Noncompliance)

Information on the federal program: U.S. Department of Education, Assistance listing # 84.425 Education Stabilization Fund

Criteria: 2 CFR 200.328-300 establish requirements for designing and monitoring internal controls over reporting requirements of a non-federal entity. Controls should be implemented to ensure accurate and complete reporting compliance.

Condition: We selected a sample of 2 reports submitted for the HEERF program during the year. For both the annual and quarterly report examined, there was no documentation of a control such as reviewing and approving the report prior to submission. In addition, the annual report programmatic data source documentation varied from the data reported for several items.

Status: Corrective action taken

Birmingham Campus: 3060 Wilson Road, S.W. Birmingham, AL 35221
Bessemer Campus: 1100 9th Avenue S.W. Bessemer, AL 35022
www.lawsonstate.edu

Response/Corrective Action Plan

For the year Ended September 30, 2024

Contact:
Leon Dowe
Executive Director of Fiscal Services
(205) 929-6350
ldowe@lawsonstate.edu

Section II-Federal Award Findings and Questioned Costs

Finding 2024-001 – Procurement (Significant Deficiency and Noncompliance)

Information on the Federal Program: U.S. Department of Education, Assistance listing # 84.031 Higher Education Institutional Aid

Criteria: 2 CFR 200.317-327 establishes procurement standards for non-federal entities. This includes different requirements based on the amount of purchases made from the vendor during the year.

Condition: Ten vendors tested, one vendor's services was not properly bid and one vendor was paid over the micro-purchase threshold and therefore should have obtained price or rate quotes.

Management's Response: The College will strengthen its policies and procedures over procurement to ensure all procurement threshold requirements are identified and all vendors are properly procured.

Anticipated Completion Date: February 28, 2025

Finding 2024-002 – Allowable Costs & Activities (Significant Deficiency and Noncompliance)

Information on the Federal Program: U.S. Department of Education, Assistance listing # 84.031 Higher Education Institutional Aid and U.S. Department of Education, Trio Cluster

Criteria: 2 CFR Part 200 Subpart E establishes cost principles to apply in determining costs under federal awards. Non-federal entities are also required to establish controls over the disbursement process to ensure compliance with allowable cost requirements.

Birmingham Campus: 3060 Wilson Road, S.W. Birmingham, AL 35221
Bessemer Campus: 1100 9th Avenue S.W. Bessemer, AL 35022
www.lawsonstate.edu

Condition: We selected a sample of 25 non-payroll disbursements each for Title III and Trio programs and three indirect costs for the Trio program. Of the 25 non-payroll disbursements for Title III, two expenses were allocated but the portion charged to the grant did not tie back to the invoice, two expenses were incurred in the prior fiscal year but recorded as current year expenses, and two types of expenses were not in the applicable budgets.

Of the 25 non-payroll disbursements for the Trio Cluster, one type of expense exceeded the budget amount and of the three indirect cost calculations, one was not calculated correctly.

Management's Response: The College will strengthen its policies and procedures surrounding non-payroll grant disbursements to ensure disbursements are approved, allowable, and calculations supported. Management will review budgets on a monthly basis to ensure expenses do not exceed the budget. Management will review indirect cost calculations to ensure they are calculated at the correct percentages. Management will review invoices three months past year end to ensure the proper accrual of expenses.
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Anticipated Completion Date: February 28, 2025

Finding 2024-003 – Allowable Costs & Activities (Significant Deficiency and Noncompliance)

Information on the Federal Program: U.S. Department of Education, Assistance listing # 84.031 Higher Education Institutional Aid and U.S. Department of Education, Trio Cluster

Criteria: 2 CFR Part 200 Subpart E establishes cost principles to apply in determining costs under federal awards. Non-federal entities are also required to establish controls over the disbursement process to ensure compliance with allowable cost requirements.

Condition: We selected a sample of six payroll disbursements for Title III and eleven payroll disbursements for the Trio programs. Of the six payroll disbursements for Title III, four exceptions were noted related to approved pay rate documentation. In one instance the position was not in the grant budget and in three instances, the approved pay rate did not agree to the actual paycheck amount.

Of the eleven payroll disbursements for the Trio Cluster, thirty-two employees were included. Of these thirty-two, twenty-one exceptions were noted for lack of proper support. Nineteen exceptions were noted in which the actual pay rate did not agree to the budgeted pay rate; two employees' job descriptions did not fall under an allowable position in the grant budget; one journal entry reclassified payroll costs but the support for pay rate and time charged were not provided; and one employee received additional pay over the approved letter of appointment, and there was no support for the percent charged to the program.

Management's Response: The College will strengthen its policies and procedures surrounding payroll grant disbursements to ensure expenses are properly approved and allowable under the specific grant budget. Management will ensure that budgets are amended when changes in pay rates occur during the grant award periods.

Anticipated Completion Date: February 28, 2025

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