

Report on the

T. A. Lawson State Community College

Birmingham, Alabama

October 1, 2004 through September 30, 2005

Filed: September 8, 2006



Department of Examiners of Public Accounts

50 North Ripley Street, Room 3201

P.O. Box 302251

Montgomery, Alabama 36130-2251

Website: www.examiners.state.al.us

Ronald L. Jones, Chief Examiner

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State of Alabama
Department of
Examiners of Public Accounts

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

Ronald L. Jones
Chief Examiner

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

Dear Sir:

Under the authority of the *Code of Alabama 1975*, Section 41-5-14, we submit this report on T. A. Lawson State Community College for the period October 1, 2004 through September 30, 2005.

SCOPE AND OBJECTIVES

This report encompasses an audit of the financial statements of T. A. Lawson State Community College (the "College") and a review of compliance by the College with applicable laws and regulations of the State of Alabama and federal financial assistance programs. The audit was conducted in accordance with government auditing standards generally accepted in the United States of America for financial audits. The objectives of the audit were to determine whether the financial statements present fairly the financial position and results of financial operations and whether the College has complied with applicable laws and regulations.

CONTENTS OF REPORT

This report includes the following segments:

1. **Report to the Chief Examiner** – contains items pertaining to state legal compliance, agency operations and other matters.
2. **Independent Auditor's Report** – reports on whether the financial information constitutes a fair presentation of the financial position and results of financial operations.
3. **Management's Discussion and Analysis (MD&A)** – a component of Required Supplementary Information (RSI) prepared by the management of the College introducing the basic financial statements and providing an analytical overview of the College's financial activities for the year. This information is supplementary information required by the Governmental Accounting Standards Board (GASB). This information has not been audited, and as a result, no opinion is provided about the fairness of the information in accordance with generally accepted accounting principles.
4. **Financial Statements** – includes basic financial statements (Exhibits 1 through 3) and Notes to the Financial Statements.

5. **Supplementary Information** – includes the Schedule of Expenditures of Federal Awards (Exhibit 4), which details federal awards expended for the Birmingham and Bessemer campuses during the audit period, Schedule 1 which details federal awards expended for the Birmingham campus, Schedule 2 which details federal awards expended for the Bessemer campus and, Notes to the Schedule of Expenditures of Federal Awards.
6. **Additional Information** – contains basic information related to the College (Exhibit 5) and the following reports and items required by generally accepted government auditing standards and/or U. S. Office of Management and Budget (OMB) Circular A-133 for federal compliance audits:

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 (Exhibit 6) – a report on internal control related to the financial statements and on whether the College has complied with laws and regulations which could have a direct and material effect on the College's financial statements.

Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 (Exhibit 7) – a report on internal control over compliance with requirements of laws, regulations, contracts and grants applicable to major federal programs and an opinion on whether the College complied with laws, regulations, and the provisions of contracts or grant agreements which could have a direct and material effect on each major program.

Schedule of Findings and Questioned Costs (Exhibit 8) – a report summarizing the results of the audit findings relating to the financial statements as required by **Government Auditing Standards** and findings and questioned costs for federal awards as required by OMB Circular A-133.

Auditee Response (Exhibit 9) – a response by the College on the results of the audit.

AUDIT COMMENTS

T. A. Lawson State Community College is a comprehensive, public, two-year college serving the metropolitan area of Birmingham, Alabama. College programs and services provide accessible, affordable, high-quality, postsecondary education that prepares students to enter the job market, allows them to transfer to senior colleges and universities, and assists them in achieving their professional and personal goals. Through its programs and services, the College provides higher education opportunities and supports the economic growth of the community.

AUDIT FINDING

Due to the merger of Bessemer State Technical College with T. A. Lawson State Community College, the College made adjustments to the accounting records without proper supporting documentation.

RECOMMENDATION

All adjustments to the accounting records should have proper supporting documentation.

Sworn to and subscribed before me this
the 9th day of August, 2006.

Jemie W. Egeert
Notary Public

Sworn to and subscribed before me this
the 11 day of August, 2006.

Sherron R. Rodenberg
Notary Public

rb

My Commission Expires 08/18/2009

Respectfully submitted,

Rodney J. Landrum

Rodney J. Landrum
Examiner of Public Accounts

Andera M. Anderson

Andera M. Anderson
Examiner of Public Accounts

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Independent Auditor's Report

We have audited the accompanying basic financial statements of T. A. Lawson State Community College, as of and for the year ended September 30, 2005, as listed in the table of contents as Exhibits 1 through 3. These basic financial statements are the responsibility of T. A. Lawson State Community College's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of T. A. Lawson State Community College, as of September 30, 2005, and its changes in financial position, including cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with ***Government Auditing Standards***, we have also issued our report dated April 18, 2006 on our consideration of T. A. Lawson State Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of T. A. Lawson State Community College, taken as a whole. The accompanying Schedules of Expenditures of Federal Awards (Exhibit 4, Schedules 1 and 2) are presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

April 18, 2006

Management's Discussion and Analysis
(Required Supplementary Information)

LAWSON STATE COMMUNITY COLLEGE

Management's Discussion and Analysis

Lawson State Community College is a multi-campus, public, two-year college serving the metropolitan area of Birmingham, Alabama. The college's programs and service provide accessible, affordable, high quality educational opportunities that prepare students to enter the job market, transfer to senior institutions and assist them in achieving their professional and personal goals.

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

On January 27, 2005, the Alabama State Board of Education adopted the Statement of Intent to Merge T. A. Lawson State Community College and Bessemer State Technical College, to form one institution, T. A. Lawson State Community College in accordance with its policy on Consolidation or Merger of Postsecondary Institutions. Lawson State Community and Bessemer State Technical College were merged effective July 1, 2005. The financial statements present the financial data for both institutions for fiscal year 2004-2005.

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

The merger will enhance access to quality instructional services and activities, redistribute resources away from duplicative administrative functions, courses, and student activities; allowing for efficiency in operation.

Overview of the Financial Statements and Financial Analysis

Lawson State Community College is proud to present its financial statements for fiscal year 2005. The emphasis of discussions about these statements will be on current year data. There are three financial statements presented: The Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

The discussion and analysis of the College's financial statements provide an overview of its financial activities for the year ending September 30, 2005, as a merged college.

Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities, and net assets of the College as of the end of the fiscal year. The Statement of Net Assets is a point of time financial statement. The purpose of the Statement of Net Assets is to present to the readers of the financial statements a fiscal snapshot of Lawson State Community College. The Statement of Net Assets presents end-of year data concerning Assets (current and noncurrent), Liabilities (current and noncurrent), and Net Assets (Assets minus Liabilities). The difference between current and noncurrent assets will be discussed in the financial statement disclosures.

From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the operations of the institution. They are also able to determine how much the institution owes vendors, investors and lending institutions. Finally, the Statement of Net Assets provides a picture of the net assets (assets minus liabilities) and their availability for expenditure by the institution.

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

Statement of Net Assets (thousand of dollars)

| | | |
|--|-----------------|-----------------|
| Assets: | 2004 | 2005 |
| Current assets | \$15,175 | \$ 8,784 |
| Capital Assets, net | 14,445 | 23,023 |
| Other assets | <u>353</u> | <u>341</u> |
| Total Assets | 29,973 | 32,148 |
| Liabilities: | | |
| Current Liabilities | 3,321 | 3,244 |
| Noncurrent Liabilities | <u>10,126</u> | <u>9,788</u> |
| Total Liabilities | 13,447 | 13,032 |
| Net Assets: | | |
| Invested in capital assets, net of debt | 11,510 | 11,415 |
| Restricted -expendable | 699 | 1,279 |
| Restricted -nonexpendable | | |
| Unrestricted | <u>4,317</u> | <u>6,422</u> |
| Total Net Assets | <u>\$16,526</u> | <u>\$19,116</u> |

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

Lawson State Community College made numerous repairs and maintenance to its 25 buildings and grounds on 3 campuses. Improvements/repairs to the existing facilities and grounds included Department of Transportation funded landscaping projects on the Birmingham and Bessemer Campuses. The Bessemer Campus completed renovations of the Jess Lanier Building during this fiscal year of approximately \$311,000. Renovations were funded by PSCA and local funds. The construction of the Alabama Center for Advanced Technology initiated during the last fiscal year is in progress. Regular deferred maintenance has been consistently performed by painting classrooms and building exteriors, widening the campus entrance, repairing roofs, gutters, down spouts and general drainage issues campus wide.

The Colleges invested \$145,000 in transportation equipment purchases, and \$50,000 in Library Books. The College began construction of a new baseball field and athletic field complex and stadium. These projects are in process and are projected to be completed in the next fiscal year.

The total assets of the two institutions increased by \$2,590,000.00 from 2004 to 2005. The increase was primarily due to construction in process assets and accounts receivables due the college at year-end from federal and local grants and contracts and training initiatives.

The total liabilities decreased primarily from the payment of bond debt service. Deferred revenue decreased because of the merger affect on the financial aid students on the Bessemer Campus.

Statement of Revenues, Expenses and Changes in Net Assets

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

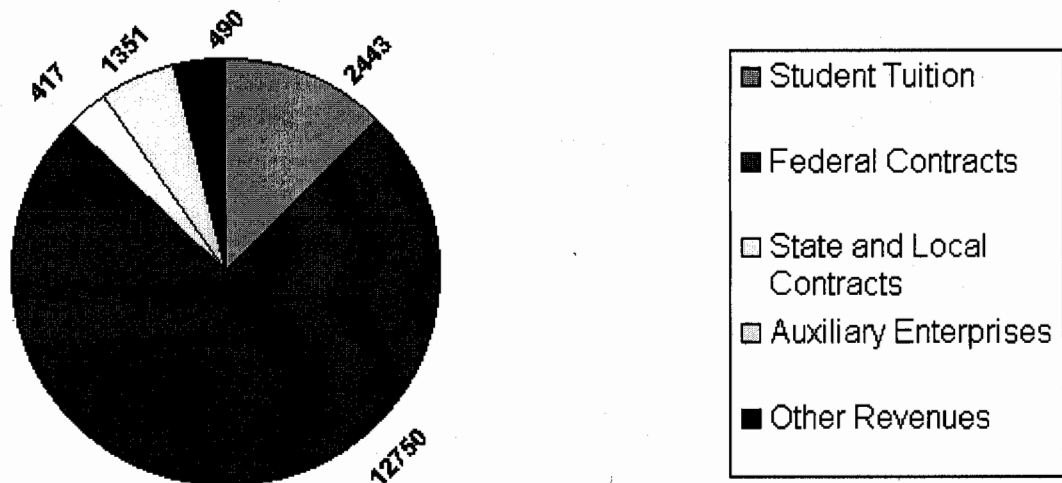
Generally speaking operating revenues are received for providing goods and services to the various customers and constituencies of the institution. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the institution. Nonoperating revenues received for which goods and services are not provided. For example, state appropriations are nonoperating because they are provided by the Legislature to the institution without the Legislature directly receiving commensurate goods and services for those revenues. Sales tax revenues are also nonoperating because the College receives those resources without providing any services to those who paid the tax.

Statement of Revenue, Expenses and Changes in Net Assets
(thousands of dollars)

| | 2004* | 2005* |
|---|------------------|-------------------|
| Operating revenues | \$ 16,401 | \$ 17,451 |
| Operating expenses | <u>28,954</u> | <u>30,500</u> |
| Operating loss | (12,553) | (13,049) |
| Nonoperating revenues and expenses | <u>13,521</u> | <u>15,727</u> |
| Income (Loss) Before Other Revenues | | |
| Expenses, Gains or Loss | 968 | 2,678 |
| Other revenues, expenses, gains or losses | <u>131</u> | <u> </u> |
| Increase in Net Assets | 1,099 | 2,678 |
| Net Assets at Beginning of Year | <u>15,427</u> | <u>16,438</u> |
| Net Assets at End of Year | <u>\$ 16,526</u> | <u>\$ 19,116</u> |

*Net Assets prior to Restatements

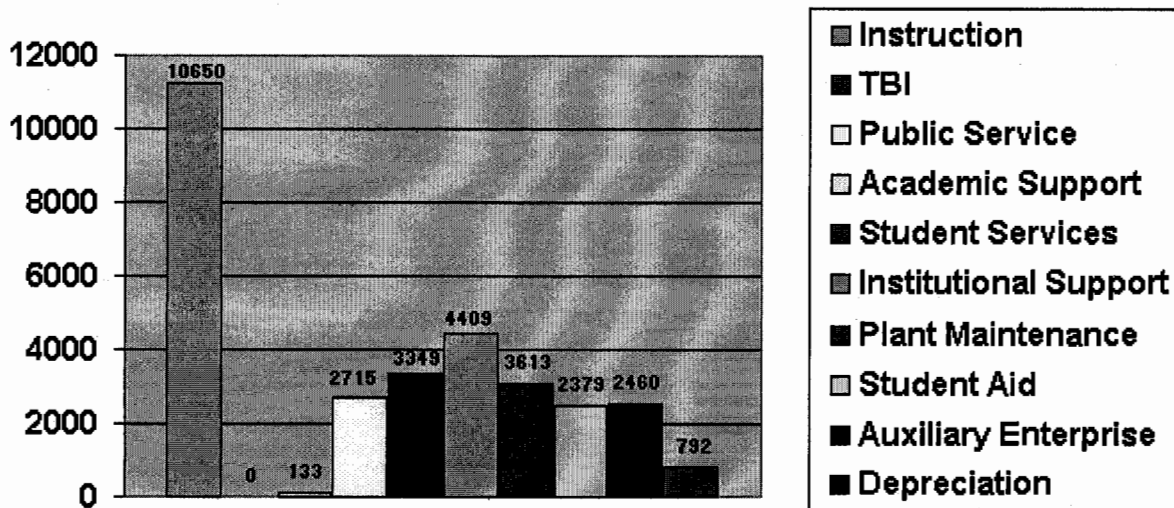
The Statement of Revenues, Expenses, and Changes in Net Assets reflects an increase at the end of the year. The increase indicates that the college's financial position was strengthened by the use of available resources to acquire and improve all areas of the institution to better serve the instruction and public service missions of the institution. The increase can be attributed to the reduction of expenses in excess of revenues. The announcement of the merger upset trends in revenue and expenditures at both institutions. Expenses for merger costs not originally budgeted must be considered in this unusual trend.



The above chart, displayed in thousand of dollars, shows the operating revenues by type and their relationship with one another. Federal grants represent the largest type of revenue followed by student tuition. Other revenue types include State & Local Grants and Contracts and auxiliary services.

The auxiliary services are self-supporting with the exception of food service. Vending revenues are used to offset deficits. Although this service has not been self-supporting, the college has only operated the food service since 2000 and has increased revenues each year. Athletics and student activities, two other auxiliary services, are supported through transfers from the general operating resources.

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



The college had operating expenses of over 30.5 million displayed by function in the exhibit above.

The colleges reduced costs in some functions compared to the combined expenditures for the old colleges. Merger costs for computer connectivity between campuses became a major expenditure.

Statement of Cash Flows

The final statement presented by Lawson State Community College is the Statement of Cash Flows, which presents detailed information about the cash activity of the institution during the year. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the institution. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section deals with the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Assets.

Cash Flows for the Year end September 30
(thousand of dollars)

| | 2004 | 2005 |
|--|-----------------|-----------------|
| Cash provided (used) by | | |
| Operating activities | \$(12,172) | \$(13,270) |
| Noncapital financing activities | 13,839 | 15,975 |
| Capital and related financing activities | 4,956 | (10,259) |
| Investing Activities | <u>93</u> | <u>91</u> |
| Net Change in Cash | 6,716 | (7,463) |
| Cash, beginning of year | <u>4,217</u> | <u>10,933</u> |
| Cash, end of year | <u>\$10,933</u> | <u>\$ 3,470</u> |

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

State appropriations are the primary source of noncapital financing. This source of revenue is categorized as noncapital even though the colleges budget depend on this to continue the current level of operations.

Investing activities reflect interest income on investments.

The construction of the Alabama Center of Advanced Technology and the construction of the Baseball Complex is the primary use of cash during this fiscal year.

The Colleges overall financial position is strong. The College anticipates Fiscal Year 2006 will provide many opportunities and challenges. Managing resources efficiently will be crucial as we venture to provide accessible, affordable, high quality educational opportunities that prepares students to enter the job market or transfer to senior colleges and universities, and assist them in achieving their professional and personal goals.

Statement of Net Assets
September 30, 2005

ASSETS

Current Assets

| | |
|---------------------------|---------------------|
| Cash and Cash Equivalents | \$ 3,470,285.29 |
| Deposit with Bond Trustee | 1,148,004.08 |
| Accounts Receivable, Net | 3,349,085.99 |
| Inventories | 801,680.40 |
| Bond Issuance Cost | 15,339.17 |
| Total Current Assets | <u>8,784,394.93</u> |

Noncurrent Assets

| | |
|---|-------------------------|
| Loans Receivable | 93,185.46 |
| Bond Issuance Cost | 248,075.84 |
| Capital Assets: | |
| Land | 379,996.72 |
| Buildings | 19,707,659.67 |
| Improvements Other Than Buildings | 4,420,630.17 |
| Equipment and Furniture | 2,648,257.32 |
| Library Holdings | 1,309,497.61 |
| Construction in Progress | 10,009,273.28 |
| Less: Accumulated Depreciation | <u>(15,452,778.11)</u> |
| Total Capital Assets, Net of Depreciation | <u>23,022,536.66</u> |
| Total Noncurrent Assets | <u>23,363,797.96</u> |
| Total Assets | <u>\$ 32,148,192.89</u> |

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

LIABILITIES**Current Liabilities**

| | | |
|--|----|---------------------|
| Deposits | \$ | 154,524.09 |
| Accounts Payable and Accrued Liabilities | | 847,775.61 |
| Deferred Revenue | | 1,747,273.69 |
| Compensated Absences | | 79,765.30 |
| Bonds Payable | | 415,000.00 |
| Total Current Liabilities | | <u>3,244,338.69</u> |

Noncurrent Liabilities

| | | |
|------------------------------|--|---------------------|
| Compensated Absences | | 717,887.69 |
| Bonds Payable | | 9,070,000.00 |
| Total Noncurrent Liabilities | | <u>9,787,887.69</u> |

| | | |
|-------------------|--|----------------------|
| Total Liabilities | | <u>13,032,226.38</u> |
|-------------------|--|----------------------|

NET ASSETS

| | | |
|---|----|----------------------|
| Invested in Capital Assets, Net of Related Debt | | 11,414,975.44 |
| Restricted for: | | |
| Expendable: | | |
| Scholarships and Fellowships | | 194,803.89 |
| Loans | | 89,903.52 |
| Debt Service | | 993,816.85 |
| Unrestricted | | <u>6,422,466.81</u> |
| Total Net Assets | \$ | <u>19,115,966.51</u> |

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Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended September 30, 2005

OPERATING REVENUES

| | |
|--|----------------------|
| Student Tuition and Fees (Net of Scholarship Allowances of \$5,973,215.25) | \$ 2,429,458.58 |
| Federal Grants and Contracts | 12,778,415.59 |
| State and Local Grants and Contracts | 417,026.94 |
| Auxiliary Enterprises: | |
| Bookstore (Net of Scholarship Allowances of \$628,667.04) | 1,351,047.90 |
| Other Operating Revenues | 475,296.80 |
| Total Operating Revenues | <u>17,451,245.81</u> |

OPERATING EXPENSES

| | |
|--------------------------------|------------------------|
| Instruction | 10,649,624.08 |
| Institutional Support | 4,408,507.98 |
| Public Service | 132,632.40 |
| Academic Support | 2,715,123.19 |
| Student Services | 3,349,324.40 |
| Operation and Maintenance | 3,613,080.18 |
| Scholarships and Financial Aid | 2,379,250.61 |
| Depreciation | 791,544.68 |
| Auxiliary Enterprises: | |
| Bookstore | 1,966,874.57 |
| Food Service | 494,307.47 |
| Total Operating Expenses | <u>30,500,269.56</u> |
| Operating Income (Loss) | <u>(13,049,023.75)</u> |

NONOPERATING REVENUES (EXPENSES)

| | |
|---|-------------------------|
| State Appropriations | 16,061,543.65 |
| Investment Income | 91,409.24 |
| Interest on Capital Asset Related Debt | (412,728.88) |
| Bond Issue Cost | (15,339.17) |
| Other Nonoperating Revenues (Expenses) | 1,803.33 |
| Net Nonoperating Revenues | <u>15,726,688.17</u> |
| Changes in Net Assets | 2,677,664.42 |
| Total Net Assets - Beginning of Year, as Restated (See Note 12) | 16,438,302.09 |
| Total Net Assets - End of Year | <u>\$ 19,115,966.51</u> |

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

Statement of Cash Flows
For the Year Ended September 30, 2005

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|--|------------------------|
| Tuition and Fees | \$ 1,395,154.72 |
| Grants and Contracts | 13,195,442.53 |
| Payments to Suppliers | (8,149,789.93) |
| Payments for Utilities | (955,236.02) |
| Payments for Employees | (14,388,200.84) |
| Payments for Employee Benefits | (3,811,336.66) |
| Payments for Scholarships | (2,379,250.61) |
| Sales and Services of Educational Activities | |
| Auxiliary Enterprise Charges: | |
| Bookstore | 1,351,047.90 |
| Other Receipts (Payments) | 472,014.86 |
| Net Cash Provided (Used) by Operating Activities | <u>(13,270,154.05)</u> |

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

| | |
|---|----------------------|
| State Appropriations | 16,061,543.65 |
| Other Receipts (Payments) | (86,055.43) |
| Net Cash Provided (Used) by Noncapital Financing Activities | <u>15,975,488.22</u> |

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

| | |
|--|------------------------|
| Deposit with Trustees | (72,427.43) |
| Purchases of Capital Assets | (9,369,048.23) |
| Principal Paid on Capital Debt and Leases | (405,000.00) |
| Interest Paid on Capital Debt and Leases | (412,728.88) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(10,259,204.54)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|--|------------------------|
| Interest on Investments | 91,409.24 |
| Net Cash Provided (Used) by Investing Activities | <u>91,409.24</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (7,462,461.13) |
| Cash and Cash Equivalents - Beginning of Year | 10,932,746.42 |
| Cash and Cash Equivalents - End of Year | <u>\$ 3,470,285.29</u> |

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

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

Operating Income (Loss) \$ (13,049,023.75)

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

Depreciation Expense 791,544.68
Changes in Assets and Liabilities:
(Increase)/Decrease in Receivables, Net (1,021,607.35)
(Increase)/Decrease in Loans Receivables, Net (3,281.94)
(Increase)/Decrease in Inventories 20,392.98
(Increase)/Decrease in Other Assets 1,700.00
Increase/(Decrease) in Accounts Payable (150,015.99)
Increase/(Decrease) in Deferred Revenue (12,696.51)
Increase/(Decrease) in Deposits Held for Others 30,427.60
Increase/(Decrease) in Compensated Absences 122,406.23

Net Cash Provided (Used) by Operating Activities \$ (13,270,154.05)

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Notes to the Financial Statements

For the Year Ended September 30, 2005

Note 1 – Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

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

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

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2005

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

C. Assets, Liabilities, and Net Assets

1. Cash and Cash Equivalents

The College has defined cash to include currency on hand and demand deposits with financial institutions. Cash also includes deposits in other kinds of accounts or cash management pools that have the general characteristics of demand deposit accounts in that the College may deposit additional cash at any time and also effectively may withdraw cash at any time without prior notice or penalty.

Cash equivalents are defined as short-term, highly liquid investments that are both (a) readily convertible to known amounts of cash and (b) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition.

2. Investments

Investments are reported at fair value based on quoted market prices.

3. Receivables

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

4. Inventories

The inventories are comprised of (1) consumable supplies and (2) items held for resale. Inventories are valued using the (FIFO) method.

Notes to the Financial Statements
For the Year Ended September 30, 2005

5. Capital Assets

Capital assets with a unit cost of over \$5,000 and an estimated useful life in excess of one year, and all library books, are recorded at historical cost or estimated historical cost if purchased or constructed. In addition, works of art and historical treasures and similar assets are recorded at their historical cost. Donated capital assets are recorded at fair market value at the date of donation. Land and Construction in Progress are the only capital assets that are not depreciated. Depreciation is not allocated to a functional expense category. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized.

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

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

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

| Assets | Depreciation Method | Useful Lives |
|-----------------------------------|---------------------|--------------|
| Buildings and Improvements | Straight-Line | 50 years |
| Improvements Other Than Buildings | Composite | 25 years |
| Equipment | Composite | 5-10 years |
| Library Materials | Composite | 20 years |

6. Long-Term Obligations

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

7. 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.

Notes to the Financial Statements

For the Year Ended September 30, 2005

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.

8. Deferred Tuition and Fee Revenues

Tuition and fee revenues received but related to the period after September 30, 2005, have been deferred.

9. Net Assets

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

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

- ◆ **Restricted:**
 - ✓ **Nonexpendable** - Net assets subject to externally imposed stipulations that they be maintained permanently by the College.

 - ✓ **Expendable** - Net assets whose use by the College is subject to externally imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time. These include funds held in federal loan programs.

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

10. Federal Financial Assistance Programs

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

Notes to the Financial Statements

For the Year Ended September 30, 2005

11. Scholarship Allowances and Student Aid

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

Note 2 – Deposits and Investments

Deposits

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

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

Trustee

At September 30, 2005, the College had \$1,148,004.08 in deposits administered by its bond trustees, \$963,349.51 with the Series 2003 Revenue Bonds trustee and \$184,654.57 with the Series 1998 Revenue Bonds trustee. In accordance with the covenants of the College's Revenue Bonds, the trustees are permitted to invest these funds in direct general obligations of the United States or securities, the payment of which is unconditionally guaranteed by the United States.

The balance on deposit with trustee for the Series 2003 Revenue Bonds is invested in the trustee's Treasury Money Market Fund (the "Fund"), an external investment pool. The Fund invests in U. S. Treasury obligations maturing in 397 days or less and in repurchase agreements collateralized by U. S. Treasury Obligations.

Notes to the Financial Statements

For the Year Ended September 30, 2005

The balance on deposit with trustee for the Series 1998 Revenue Bonds is invested in the trustee's U. S. Treasury Cash Reserves (the "Fund"), an external investment pool. The Fund invests in U. S. Treasury obligations maturing in 397 days or less.

The Funds are consistently rated AAA by Standard and Poor's.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Funds maintain an average maturity of 60 days or less.

Note 3 – Receivables

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

| | |
|--------------------------------|---------------------|
| <u>Accounts Receivable</u> | |
| Private | \$1,120,099.92 |
| Federal | 2,228,986.07 |
| Total Accounts Receivable, Net | <u>3,349,085.99</u> |
| <u>Loan Receivables</u> | |
| Noncurrent | 93,185.46 |
| Total Student Receivables, Net | <u>\$ 93,185.46</u> |

Note 4 – Capital Assets

Capital asset activity for the year ended September 30, 2005, was as follows:

| | Beginning Balance | Additions | Deductions | Adjustments | Ending Balance |
|-----------------------------------|------------------------|-----------------------|------------|---------------------|------------------------|
| Land | \$ 143,031.35 | \$ 236,965.37 | \$ | \$ | \$ 379,996.72 |
| Improvements Other Than Buildings | 4,018,440.57 | 533,567.15 | | (131,377.55) | 4,420,630.17 |
| Buildings | 19,396,345.08 | 107,322.87 | | 203,991.72 | 19,707,659.67 |
| Equipment | 2,658,783.61 | 159,635.64 | | (170,161.93) | 2,648,257.32 |
| Library Holdings | 1,255,875.34 | 53,622.27 | | | 1,309,497.61 |
| Construction in Progress | 1,830,318.73 | 8,178,954.55 | | | 10,009,273.28 |
| Total | <u>29,302,794.68</u> | <u>9,270,067.85</u> | | <u>(97,547.76)</u> | <u>38,475,314.77</u> |
| Less: Accumulated Depreciation | | | | | |
| Improvements Other Than Buildings | 1,624,195.42 | 176,825.21 | | (5,255.30) | 1,795,765.33 |
| Buildings | 10,501,720.79 | 331,037.80 | | (.01) | 10,832,758.58 |
| Equipment | 2,185,609.85 | 221,581.50 | | (191,272.83) | 2,215,918.52 |
| Library Holdings | 546,235.51 | 62,100.17 | | | 608,335.68 |
| Total Accumulated Depreciation | <u>14,857,761.57</u> | <u>791,544.68</u> | | <u>(196,528.14)</u> | <u>15,452,778.11</u> |
| Total Capital Assets, Net | <u>\$14,445,033.11</u> | <u>\$8,478,523.17</u> | \$ | <u>\$ 98,980.38</u> | <u>\$23,022,536.66</u> |

Notes to the Financial Statements

For the Year Ended September 30, 2005

Note 5 – Defined Benefit Pension Plan

A. Plan Description

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

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

The Teachers' Retirement System was established as of October 1, 1941, under the provisions of Act Number 419, Acts of Alabama 1939, for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by state-supported educational institutions. The responsibility for general administration and operation of the Teachers' Retirement System is vested in the Board of Control (currently 14 members). Benefit provisions are established by the *Code of Alabama 1975*, Sections 16-25-1 through 16-25-113, as amended, and Sections 36-27B-1 through 36-27B-6, as amended.

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

Notes to the Financial Statements

For the Year Ended September 30, 2005

B. Funding Policy

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

| Fiscal Year Ended September 30, | 2005 | 2004 (*) | 2003 (*) |
|--|-----------------------|---------------------|---------------------|
| Total Percentage of Covered Payroll | 12.03% | 11.56% | 10.02% |
| Contributions: | | | |
| Percentage Contributed by the College | 7.03% | 6.56% | 5.02% |
| Percentage Contributed by the Employees | 5.00% | 5.00% | 5.00% |
| Contributed by the College | \$ 867,335.29 | \$506,701.00 | \$378,089.00 |
| Contributed by the Employees | 616,881.43 | 386,205.00 | 376,583.00 |
| Total Contributions | <u>\$1,484,216.72</u> | <u>\$892,906.00</u> | <u>\$754,672.00</u> |
| (*) Fiscal years 2004 and 2003 do not contain contributions for Bessemer State Technical College. During fiscal year 2005 T. A. Lawson State Community and Bessemer State Technical Colleges merged to become T. A. Lawson Community College; therefore, 2005 contains contributions of both Colleges as a merged Institution. | | | |

Note 6 – Other Postemployment Benefits (OPEB)

The Public Education Employees' Health Insurance Fund (PEEHIF) was established in 1983 under the provisions of Act Number 455 to provide a uniform plan of health insurance for current and retired employees of state educational institutions. The plan is administered by the Public Education Employees' Health Insurance Board (PEEHIB). The employer's share of premiums for retired College employees health insurance is included as part of the premium for active employees and is funded on a pay-as-you go basis. Retirees who are eligible for Medicare benefits must pay \$1.14 per month for coverage while those who are not eligible must pay \$78.00 per month for the coverage. The estimated portion of health insurance premiums paid by the College for retired employees was approximately \$604,443.37 for fiscal year 2005. The College has no responsibility for the payment of health care benefits, beyond the payment of the premium, for retired employees.

Notes to the Financial Statements

For the Year Ended September 30, 2005

Note 7 – Construction and Other Significant Commitments

The College is in the process of completing the construction of the Alabama Center for Advanced Technology and Training Building.

As of September 30, 2005, T. A. Lawson State Community College had been awarded approximately \$4,392,165.00 in contracts and grants on which performance had not been accomplished and funds had not been received. These awards, which represent commitments of sponsors to provide funds for specific purposes, have not been reflected in the financial statements.

Note 8 – Accounts Payable

Accounts payable and accrued liabilities represent amounts due at September 30, 2005, for goods and services received prior to the end of the fiscal year.

| | |
|--------------------|---------------------|
| Salaries and Wages | \$420,208.33 |
| Benefits | 127,452.91 |
| Interest Payable | 147,593.07 |
| Supplies | 152,521.30 |
| Total | <u>\$847,775.61</u> |

Note 9 – Long-Term Liabilities

Long-term liabilities activity for the year ended September 30, 2005, was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Current Portion |
|-----------------------------|------------------------|---------------------|-----------------------|------------------------|---------------------|
| Bonds Payable: | | | | | |
| Revenue Bonds | \$ 9,890,000.00 | \$ | \$(405,000.00) | \$ 9,485,000.00 | \$415,000.00 |
| Other Liabilities | | | | | |
| Compensated Absences | 675,246.76 | 122,406.23 | | 797,652.99 | 79,765.30 |
| Total Long-Term Liabilities | <u>\$10,565,246.76</u> | <u>\$122,406.23</u> | <u>\$(405,000.00)</u> | <u>\$10,282,652.99</u> | <u>\$494,765.30</u> |

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

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

Notes to the Financial Statements
For the Year Ended September 30, 2005

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

| Fiscal Year | 1998 Revenue Bonds | | 2003 Revenue Bonds | | Totals |
|-------------|-----------------------|---------------------|-----------------------|-----------------------|------------------------|
| | Principal | Interest | Principal | Interest | |
| 2005-2006 | \$ 100,000.00 | \$ 79,165.00 | \$ 315,000.00 | \$ 311,623.76 | \$ 805,788.76 |
| 2006-2007 | 100,000.00 | 74,790.00 | 325,000.00 | 304,063.76 | 803,853.76 |
| 2007-2008 | 105,000.00 | 70,253.75 | 335,000.00 | 296,451.26 | 806,705.01 |
| 2008-2009 | 110,000.00 | 65,415.00 | 345,000.00 | 282,213.76 | 802,628.76 |
| 2009-2010 | 115,000.00 | 60,238.75 | 355,000.00 | 271,676.26 | 801,915.01 |
| 2010-2011 | 120,000.00 | 54,745.00 | 370,000.00 | 260,671.26 | 805,416.26 |
| 2011-2012 | 130,000.00 | 48,837.50 | 380,000.00 | 248,183.76 | 807,021.26 |
| 2012-2013 | 135,000.00 | 42,375.00 | 395,000.00 | 234,105.00 | 806,480.00 |
| 2013-2014 | 140,000.00 | 35,500.00 | 410,000.00 | 218,792.50 | 804,292.50 |
| 2014-2015 | 150,000.00 | 28,250.00 | 425,000.00 | 202,905.00 | 806,155.00 |
| 2015-2016 | 155,000.00 | 20,625.00 | 445,000.00 | 185,905.00 | 806,530.00 |
| 2016-2017 | 165,000.00 | 12,625.00 | 460,000.00 | 166,660.00 | 804,285.00 |
| 2017-2018 | 170,000.00 | 4,250.00 | 480,000.00 | 147,340.00 | 801,590.00 |
| 2018-2019 | | | 500,000.00 | 126,700.00 | 626,700.00 |
| 2019-2020 | | | 525,000.00 | 104,700.00 | 629,700.00 |
| 2020-2021 | | | 550,000.00 | 81,075.00 | 631,075.00 |
| 2021-2022 | | | 575,000.00 | 55,225.00 | 630,225.00 |
| 2022-2023 | | | 600,000.00 | 28,200.00 | 628,200.00 |
| Totals | <u>\$1,695,000.00</u> | <u>\$597,070.00</u> | <u>\$7,790,000.00</u> | <u>\$3,526,491.32</u> | <u>\$13,608,561.32</u> |

Bond Issuance Costs

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

| | 1998 Issuance Costs | 2003 Issuance Costs | Total Issuance Costs |
|------------------------------|---------------------------|---------------------------|----------------------------|
| Total Issuance Costs | \$42,300.00 | \$264,483.35 | \$306,783.35 |
| Amount Amortized Prior Years | 14,805.00 | 13,224.17 | 28,029.17 |
| Balance Issuance Costs | 27,495.00 | 251,259.18 | 278,754.18 |
| Current Amount Amortized | 2,115.00 | 13,224.17 | 15,339.17 |
| Balance Issuance Costs | <u>\$25,380.00</u> | <u>\$238,035.01</u> | <u>\$263,415.01</u> |

Notes to the Financial Statements

For the Year Ended September 30, 2005

Note 10 – Risk Management

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

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

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.

Notes to the Financial Statements
For the Year Ended September 30, 2005

Note 11 – Related Parties

T. A. Lawson State Community College Foundation, Inc.
Bessemer State Technical College Endowment and Trust, Inc.

During the fiscal year 2004-2005, T. A. Lawson State Community College and Bessemer State Technical College merged as one institution and was redesignated as T. A. Lawson State Community College with a Birmingham Campus and a Bessemer campus. However, each campus retained separate Foundations.

T. A. Lawson State Community College Foundation, Inc., and Bessemer State Technical College Endowment and Trust, Inc., were incorporated as non-profit corporations to raise funds for scholarships, program improvement, and professional development for faculty and staff, the advancement of T. A. Lawson State Community College and Bessemer State Technical College and for the encouragement and support of its students and faculty. This report contains no financial statements of T. A. Lawson State Community College Foundation, Inc., or Bessemer State Technical College Endowment and Trust, Inc.

Note 12 – Restatement of Beginning Net Assets

| | |
|---|------------------------|
| Prior Period Adjustments | |
| Adjustments Made by the College | \$ (172,265.41) |
| Capital Assets | 83,611.17 |
| Accounts Payable | 795.48 |
| Total Adjustments | <u>(87,858.76)</u> |
| Net Assets Reported at September 30, 2004 | 16,526,160.85 |
| Net Assets October 1, 2004, as Restated | <u>\$16,438,302.09</u> |

Supplementary Information

***Schedule of Expenditures of Federal Awards
Birmingham and Bessemer Campuses Combined
For the Year Ended September 30, 2005***

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number |
|---|------------------------------------|
|---|------------------------------------|

Student Financial Assistance Cluster

U. S. Department of Education

Direct Programs

| | |
|---|--------|
| Federal Supplemental Educational Opportunity Grants | 84.007 |
| Federal Supplemental Educational Opportunity Grants | 84.007 |
| Federal Supplemental Educational Opportunity Grants | 84.007 |
| Federal Work-Study Program | 84.033 |
| Federal Work-Study Program | 84.033 |
| Federal Work-Study Program | 84.033 |
| Federal Work-Study Program | 84.033 |
| Federal Pell Grant Program | 84.063 |
| Federal Pell Grant Program | 84.063 |
| Federal Pell Grant Program | 84.063 |
| Federal Pell Grant Program | 84.063 |
| Federal Pell Grant Program Administrative Allowance | 84.063 |
| Federal Pell Grant Program Administrative Allowance | 84.063 |
| Federal Pell Grant Program Administrative Allowance | 84.063 |
| Total U. S. Department of Education | |

U. S. Department of Health and Human Services

Direct Program

| | |
|--|--------|
| Scholarships for Health Professions Students from Disadvantaged Backgrounds | 93.925 |
| Total Student Financial Assistance Cluster (M) | |

TRIO Cluster

U. S. Department of Education

Direct Programs

| | |
|---------------------------------|--------|
| TRIO - Student Support Services | 84.042 |
| TRIO - Student Support Services | 84.042 |
| TRIO - Student Support Services | 84.042 |
| TRIO - Student Support Services | 84.042 |
| TRIO - Upward Bound | 84.047 |
| TRIO - Upward Bound | 84.047 |
| TRIO - Upward Bound | 84.047 |
| TRIO - Upward Bound | 84.047 |
| TRIO - Upward Bound | 84.047 |
| TRIO - Upward Bound | 84.047 |
| Total TRIO Cluster | |

| Assistance Period | Budget | | Revenue Recognized | Expenditures |
|-----------------------|---------------|------------------|------------------------|------------------------|
| | Total | Federal Share | | |
| 07/01/2005-06/30/2006 | \$ 158,300.00 | \$ 158,300.00 | \$ 5,555.62 | \$ 5,555.62 |
| 07/01/2004-06/30/2005 | 77,139.00 | 77,139.00 | 77,139.00 | 77,139.00 |
| 07/01/2004-06/30/2005 | 71,437.00 | 71,437.00 | 6,755.00 | 6,755.00 |
| 07/01/2005-06/30/2006 | 264,506.00 | 264,506.00 | 10,788.88 | 10,788.88 |
| 07/01/2004-06/30/2005 | 185,208.00 | 185,208.00 | 173,247.00 | 173,247.00 |
| 07/01/2004-06/30/2005 | 75,548.00 | 75,548.00 | 64,362.43 | 64,362.43 |
| 07/01/2003-06/30/2004 | 185,208.00 | 185,208.00 | 15,020.00 | 15,020.00 |
| 07/01/2005-06/30/2006 | 5,563,871.00 | 5,563,871.00 | 2,113,320.21 | 2,113,320.21 |
| 07/01/2005-06/30/2006 | 1,525,300.00 | 1,525,300.00 | 591,925.41 | 591,925.41 |
| 07/01/2004-06/30/2005 | 5,397,452.88 | 5,397,452.88 | 3,124,330.34 | 3,124,330.34 |
| 07/01/2004-06/30/2005 | 1,714,896.00 | 1,714,896.00 | 1,113,767.80 | 1,113,767.80 |
| 07/01/2004-06/30/2005 | 9,765.00 | 9,765.00 | 9,765.00 | 9,765.00 |
| 07/01/2004-06/30/2005 | 4,850.00 | 4,850.00 | 4,850.00 | 4,850.00 |
| 07/01/2003-06/30/2004 | 780.00 | 780.00 | 780.00 | 780.00 |
| | | | <u>7,311,606.69</u> | <u>7,311,606.69</u> |
| 07/01/2004-06/30/2005 | 35,040.00 | 35,040.00 | 14,668.00 | 14,668.00 |
| | | | <u>7,326,274.69</u> | <u>7,326,274.69</u> |
| 09/01/2005-08/31/2006 | 277,218.00 | 277,218.00 | 20,783.43 | 20,783.43 |
| 09/01/2004-08/31/2005 | 299,808.00 | 299,808.00 | 284,253.96 | 284,253.96 |
| 09/01/2004-08/31/2005 | 269,241.00 | 269,241.00 | 228,312.10 | 228,312.10 |
| 09/01/2003-08/31/2004 | 299,808.00 | 299,808.00 | 86,479.23 | 86,479.23 |
| 09/01/2005-08/31/2006 | 329,329.00 | 329,329.00 | 13,772.97 | 13,772.97 |
| 07/01/2004-08/31/2005 | 438,801.00 | 438,801.00 | 379,003.10 | 379,003.10 |
| 07/01/2003-06/30/2004 | 329,329.00 | 329,329.00 | 247.63 | 247.63 |
| 09/01/2005-08/31/2006 | 222,916.00 | 222,916.00 | 14,327.31 | 14,327.31 |
| 09/01/2004-08/31/2005 | 222,916.00 | 222,916.00 | 210,832.13 | 210,832.13 |
| 09/01/2003-08/31/2004 | \$ 222,916.00 | \$ 222,916.00 | 5,058.95 | 5,058.95 |
| | | | <u>\$ 1,243,070.81</u> | <u>\$ 1,243,070.81</u> |

***Schedule of Expenditures of Federal Awards
Birmingham and Bessemer Campuses Combined
For the Year Ended September 30, 2005***

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number |
|--|------------------------------------|
| <u>Child Nutrition Cluster</u> | |
| <u>U. S. Department of Agriculture</u> | |
| <u>Passed Through State Department of Education</u> | |
| Summer Food Service Program for Children | 10.559 |
| <u>WIA Cluster</u> | |
| <u>U. S. Department of Labor</u> | |
| <u>Passed Through the Jefferson County Commission</u> | |
| WIA Adult Program | 17.258 |
| <u>Highway Planning and Construction Cluster</u> | |
| <u>U. S. Department of Transportation</u> | |
| <u>Passed Through the Alabama Department of Transportation</u> | |
| Highway Planning and Construction | 20.205 |
| Highway Planning and Construction | 20.205 |
| Highway Planning and Construction | 20.205 |
| Total Highway Planning and Construction Cluster | |
| <u>OTHER FEDERAL AWARDS</u> | |
| <u>U. S. Department of Education</u> | |
| <u>Direct Programs</u> | |
| Higher Education - Institutional Aid | 84.031 |
| Higher Education - Institutional Aid | 84.031 |
| Total Higher Education - Institutional Aid | |
| Gaining Early Awareness and Readiness for Undergraduate Programs | 84.334 |
| Gaining Early Awareness and Readiness for Undergraduate Programs | 84.334 |
| Total Gaining Early Awareness and Readiness for Undergraduate Programs | |
| <u>Passed Through State Department of Education</u> | |
| Vocational Education - Basic Grants to States | 84.048 |
| Vocational Education - Basic Grants to States | 84.048 |
| Adult Education - State Grant Program | 84.002 |
| Adult Education - State Grant Program | 84.002 |
| Even Start - State Educational Agencies | 84.213 |
| <u>Passed Through Jefferson State Community College</u> | |
| Tech-Prep Education | 84.243 |
| <u>Passed Through J. F. Ingram State Technical College</u> | |
| Adult Education - State Grant Program | 84.002 |

| Assistance Period | Budget | | Revenue Recognized | Expenditures |
|-----------------------|--------------|------------------|-----------------------|---------------------|
| | Total | Federal Share | | |
| 06/01/2005-07/08/2005 | \$ 31,024.38 | \$ 31,024.38 | \$ 30,731.10 | \$ 30,731.10 |
| 03/01/2005-06/30/2005 | 80,770.00 | 80,770.00 | 65,776.86 | 65,776.86 |
| 09/08/2004-09/08/2006 | 109,938.80 | 109,938.80 | 109,938.80 | 109,938.80 |
| 01/20/2003-01/15/2007 | 100,000.00 | 100,000.00 | 100,000.00 | 100,000.00 |
| 05/11/2004-05/11/2006 | 39,493.84 | 39,493.84 | 39,493.84 | 39,493.84 |
| | | | <u>249,432.64</u> | <u>249,432.64</u> |
| 10/01/2004-09/30/2005 | 2,141,014.00 | 2,141,014.00 | 1,555,103.85 | 1,555,103.85 |
| 10/01/2003-09/30/2004 | 1,836,242.00 | 1,836,242.00 | 416,915.83 | 416,915.83 |
| | | | <u>1,972,019.68</u> | <u>1,972,019.68</u> |
| 09/15/2005-09/14/2006 | 1,120,875.00 | 511,920.00 | 14,597.50 | 14,597.50 |
| 09/15/2004-09/14/2005 | 1,120,875.00 | 511,920.00 | 467,175.71 | 467,175.71 |
| | | | <u>481,773.21</u> | <u>481,773.21</u> |
| 10/01/2004-09/30/2005 | 306,419.50 | 306,419.50 | 306,419.50 | 306,419.50 |
| 10/01/2004-09/30/2005 | 217,424.24 | 217,424.24 | 217,424.24 | 217,424.24 |
| 07/01/2005-06/30/2006 | 755,610.00 | 755,610.00 | 124,284.37 | 124,284.37 |
| 07/01/2004-06/30/2005 | 548,180.00 | 548,180.00 | 507,310.61 | 507,310.61 |
| 08/04/2003-09/30/2004 | 152,923.00 | 152,923.00 | 4,752.00 | 4,752.00 |
| 06/13/2005-06/20/2005 | 2,000.00 | 2,000.00 | 2,000.00 | 2,000.00 |
| 10/01/2004-09/30/2005 | \$ 17,576.00 | \$ 17,576.00 | \$ 17,576.00 | \$ 17,576.00 |

***Schedule of Expenditures of Federal Awards
Birmingham and Bessemer Campuses Combined
For the Year Ended September 30, 2005***

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number |
|--|------------------------------------|
| <u>Passed Through Southern Union State Community College</u> Adult Education - State Grant Program | 84.002 |
| <u>Passed Through Alabama Department of Postsecondary Education</u> Adult Education - State Grant Program | 84.002 |
| <u>Passed Through Alabama College System Microelectronics Consortium</u> Fund for the Improvement of Postsecondary Education | 84.116 |
| <u>U. S. Department of Housing and Urban Development</u> <u>Direct Program</u> Historically Black Colleges and Universities Program | 14.520 |
| <u>U. S. Department of Labor</u> <u>Direct Program</u> Employment and Training Administration Pilots, Demonstrations and Research Projects | 17.261 |
| <u>Passed Through Lurleen B. Wallace Community College</u> Employment and Training Administration Pilots, Demonstrations and Research Projects | 17.261 |
| <u>U. S. Department of the Treasury</u> <u>Direct Programs</u> Low-Income Taxpayer Clinics Low-Income Taxpayer Clinics Total Low-Income Taxpayer Clinics | 21.008 21.008 |
| <u>National Aeronautics and Space Administration</u> <u>Direct Programs</u> Aerospace Education Services Program Aerospace Education Services Program Aerospace Education Services Program Total Aerospace Education Services Program | 43.001 43.001 43.001 |
| <u>National Science Foundation</u> <u>Direct Program</u> Education and Human Resources | 47.076 |
| <u>Passed Through Lurleen B. Wallace Community College</u> Education and Human Resources | 47.076 |

| Assistance Period | Budget | | Revenue Recognized | Expenditures |
|-----------------------|--------------|------------------|-----------------------|------------------|
| | Total | Federal Share | | |
| 10/01/2004-09/30/2005 | \$ 7,700.00 | \$ 7,700.00 | \$ 7,308.34 | \$ 7,308.34 |
| 10/01/2004-09/30/2005 | 130,000.00 | 130,000.00 | 130,000.00 | 130,000.00 |
| 05/01/2004-04/30/2005 | 12,522.52 | 12,522.52 | 12,522.52 | 12,522.52 |
| 10/16/2003-10/16/2006 | 1,472,073.00 | 550,000.00 | 112,627.82 | 112,627.82 |
| 02/01/2005-01/31/2006 | 238,290.00 | 238,290.00 | 50,170.65 | 50,170.65 |
| 10/01/2004-09/30/2005 | 10,875.74 | 10,875.74 | 10,875.74 | 10,875.74 |
| 01/01/2005-12/31/2005 | 30,000.00 | 30,000.00 | 19,498.97 | 19,498.97 |
| 01/01/2004-12/31/2004 | 60,000.00 | 60,000.00 | 25,745.30 | 25,745.30 |
| | | | <u>45,244.27</u> | <u>45,244.27</u> |
| 07/01/2005-06/30/2008 | 100,000.00 | 100,000.00 | 7,392.89 | 7,392.89 |
| 11/01/2004-10/31/2007 | 60,000.00 | 60,000.00 | 41,223.32 | 41,223.32 |
| 11/14/2003-11/13/2004 | 39,700.00 | 39,700.00 | 5,019.73 | 5,019.73 |
| | | | <u>53,635.94</u> | <u>53,635.94</u> |
| 09/01/2005-08/31/2008 | 784,878.00 | 784,878.00 | 646.69 | 646.69 |
| 08/01/2003-07/31/2004 | \$ 17,978.19 | \$ 17,978.19 | \$ 17,978.19 | \$ 17,978.19 |

***Schedule of Expenditures of Federal Awards
Birmingham and Bessemer Campuses Combined
For the Year Ended September 30, 2005***

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number |
|--|------------------------------------|
| <u>U. S. Department of Energy</u> | |
| <u>Passed Through Luna Community College</u> | |
| Minority Undergraduate Training for Energy Related Careers | 81 |
| Minority Undergraduate Training for Energy Related Careers | 81 |
| Total Minority Undergraduate Training for Energy Related Careers | |
| <u>U. S. Department of Health and Human Services</u> | |
| <u>Direct Programs</u> | |
| Community Services Block Grant - Discretionary Awards | 93.570 |
| Community Services Block Grant - Discretionary Awards | 93.570 |
| Community Services Block Grant - Discretionary Awards | 93.570 |
| Community Services Block Grant - Discretionary Awards | 93.570 |
| Total Community Services Block Grant - Discretionary Awards | |
| <u>Passed Through Alabama Department of Postsecondary Education</u> | |
| Temporary Assistance for Needy Families | 93.558 |
| <u>Passed Through the University of Alabama at Birmingham</u> | |
| Biomedical Research and Research Training | 93.859 |
| Total Federal Awards | |

(M) = Denotes Major Program

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

| Assistance Period | Budget | | Revenue Recognized | Expenditures |
|-----------------------|--------------|------------------|-------------------------|-------------------------|
| | Total | Federal Share | | |
| 09/01/2004-09/18/2005 | \$ 42,000.00 | \$ 42,000.00 | \$ 34,970.46 | \$ 34,970.46 |
| 09/19/2001-09/18/2004 | 205,545.00 | 205,545.00 | 2,676.45 | 2,676.45 |
| | | | <u>37,646.91</u> | <u>37,646.91</u> |
| 2005 | 100,000.00 | 100,000.00 | 100,000.00 | 100,000.00 |
| 2004 | 100,000.00 | 100,000.00 | 1,540.51 | 1,540.51 |
| 2003 | 83,887.00 | 83,887.00 | 260.79 | 260.79 |
| 2002 | 83,887.00 | 83,887.00 | 100.00 | 100.00 |
| | | | <u>101,901.30</u> | <u>101,901.30</u> |
| 10/01/2004-09/30/2005 | 130,000.00 | 130,000.00 | 130,000.00 | 130,000.00 |
| 02/01/2004-01/31/2005 | \$ 28,632.00 | \$ 28,632.00 | 28,632.00 | 28,632.00 |
| | | | <u>\$ 13,288,036.08</u> | <u>\$ 13,288,036.08</u> |

Schedule of Expenditures of Federal Awards
Birmingham Campus - Schedule 1
For the Year Ended September 30, 2005

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number |
|---|------------------------------------|
|---|------------------------------------|

Student Financial Assistance Cluster

U. S. Department of Education

Direct Programs

| | |
|---|--------|
| Federal Supplemental Educational Opportunity Grants | 84.007 |
| Federal Work-Study Program | 84.033 |
| Federal Work-Study Program | 84.033 |
| Federal Work-Study Program | 84.033 |
| Federal Pell Grant Program | 84.063 |
| Federal Pell Grant Program | 84.063 |
| Federal Pell Grant Program Administrative Allowance | 84.063 |
| Federal Pell Grant Program Administrative Allowance | 84.063 |
| Total U. S. Department of Education | |

U. S. Department of Health and Human Services

Direct Programs

| | |
|--|--------|
| Scholarships for Health Professions Students from Disadvantaged Backgrounds | 93.925 |
| Total Student Financial Assistance Cluster (M) | |

TRIO Cluster

U. S. Department of Education

Direct Programs

| | |
|---------------------------------|--------|
| TRIO - Student Support Services | 84.042 |
| TRIO - Student Support Services | 84.042 |
| TRIO - Upward Bound | 84.047 |
| TRIO - Upward Bound | 84.047 |
| TRIO - Upward Bound | 84.047 |
| TRIO - Upward Bound | 84.047 |
| TRIO - Upward Bound | 84.047 |
| TRIO - Upward Bound | 84.047 |
| Total TRIO Cluster | |

| Assistance Period | Budget | | Revenue Recognized | Expenditures |
|-----------------------|---------------|------------------|-----------------------|----------------------|
| | Total | Federal Share | | |
| 07/01/2004-06/30/2005 | \$ 77,139.00 | \$ 77,139.00 | \$ 77,139.00 | \$ 77,139.00 |
| 07/01/2005-06/30/2006 | 264,506.00 | 264,506.00 | 10,788.88 | 10,788.88 |
| 07/01/2004-06/30/2005 | 185,208.00 | 185,208.00 | 173,247.00 | 173,247.00 |
| 07/01/2003-06/30/2004 | 185,208.00 | 185,208.00 | 15,020.00 | 15,020.00 |
| 07/01/2005-06/30/2006 | 5,563,871.00 | 5,563,871.00 | 2,113,320.21 | 2,113,320.21 |
| 07/01/2004-06/30/2005 | 5,397,452.88 | 5,397,452.88 | 3,124,330.34 | 3,124,330.34 |
| 07/01/2004-06/30/2005 | 9,765.00 | 9,765.00 | 9,765.00 | 9,765.00 |
| 07/01/2003-06/30/2004 | 780.00 | 780.00 | 780.00 | 780.00 |
| | | | <u>5,524,390.43</u> | <u>5,524,390.43</u> |
| 07/01/2004-06/30/2005 | 35,040.00 | 35,040.00 | 14,668.00 | 14,668.00 |
| | | | <u>5,539,058.43</u> | <u>5,539,058.43</u> |
| 09/01/2004-08/31/2005 | 299,808.00 | 299,808.00 | 284,253.96 | 284,253.96 |
| 09/01/2003-08/31/2004 | 299,808.00 | 299,808.00 | 86,479.23 | 86,479.23 |
| 09/01/2005-08/31/2006 | 329,329.00 | 329,329.00 | 13,772.97 | 13,772.97 |
| 07/01/2004-08/31/2005 | 438,801.00 | 438,801.00 | 379,003.10 | 379,003.10 |
| 07/01/2003-06/30/2004 | 329,329.00 | 329,329.00 | 247.63 | 247.63 |
| 09/01/2005-08/31/2006 | 222,916.00 | 222,916.00 | 14,327.31 | 14,327.31 |
| 09/01/2004-08/31/2005 | 222,916.00 | 222,916.00 | 210,832.13 | 210,832.13 |
| 09/01/2003-08/31/2004 | \$ 222,916.00 | \$ 222,916.00 | 5,058.95 | 5,058.95 |
| | | | <u>\$ 993,975.28</u> | <u>\$ 993,975.28</u> |

Schedule of Expenditures of Federal Awards
Birmingham Campus - Schedule 1
For the Year Ended September 30, 2005

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number |
|--|------------------------------------|
| <u>Child Nutrition Cluster</u> | |
| <u>U. S. Department of Agriculture</u> | |
| <u>Passed Through State Department of Education</u> | |
| Summer Food Service Program for Children | 10.559 |
| <u>WIA Cluster</u> | |
| <u>U. S. Department of Labor</u> | |
| <u>Passed Through the Jefferson County Commission</u> | |
| WIA Adult Program | 17.258 |
| <u>Highway Planning and Construction Cluster</u> | |
| <u>U. S. Department of Transportation</u> | |
| <u>Passed Through the Alabama Department of Transportation</u> | |
| Highway Planning and Construction | 20.205 |
| Highway Planning and Construction | 20.205 |
| Total Highway Planning and Construction Cluster | |
| <u>OTHER FEDERAL AWARDS</u> | |
| <u>U. S. Department of Education</u> | |
| <u>Direct Programs</u> | |
| Higher Education - Institutional Aid | 84.031 |
| Higher Education - Institutional Aid | 84.031 |
| Total Higher Education - Institutional Aid | |
| Gaining Early Awareness and Readiness for Undergraduate Programs | 84.334 |
| Gaining Early Awareness and Readiness for Undergraduate Programs | 84.334 |
| Total Gaining Early Awareness and Readiness for Undergraduate Programs | |
| <u>Passed Through State Department of Education</u> | |
| Vocational Education - Basic Grants to States | 84.048 |
| Adult Education - State Grant Program | 84.002 |
| Adult Education - State Grant Program | 84.002 |
| Even Start - State Educational Agencies | 84.213 |
| <u>Passed Through Jefferson State Community College</u> | |
| Tech-Prep Education | 84.243 |
| <u>Passed Through J. F. Ingram State Technical College</u> | |
| Adult Education - State Grant Program | 84.002 |

| Assistance Period | Budget | | Revenue Recognized | Expenditures |
|-----------------------|--------------|------------------|-----------------------|---------------------|
| | Total | Federal Share | | |
| 06/01/2005-07/08/2005 | \$ 31,024.38 | \$ 31,024.38 | \$ 30,731.10 | \$ 30,731.10 |
| 03/01/2005-06/30/2005 | 80,770.00 | 80,770.00 | 65,776.86 | 65,776.86 |
| 09/08/2004-09/08/2006 | 109,938.80 | 109,938.80 | 109,938.80 | 109,938.80 |
| 01/20/2003-01/15/2007 | 100,000.00 | 100,000.00 | 100,000.00 | 100,000.00 |
| | | | <u>209,938.80</u> | <u>209,938.80</u> |
| 10/01/2004-09/30/2005 | 2,141,014.00 | 2,141,014.00 | 1,555,103.85 | 1,555,103.85 |
| 10/01/2003-09/30/2004 | 1,836,242.00 | 1,836,242.00 | 416,915.83 | 416,915.83 |
| | | | <u>1,972,019.68</u> | <u>1,972,019.68</u> |
| 09/15/2005-09/14/2006 | 1,120,875.00 | 511,920.00 | 14,597.50 | 14,597.50 |
| 09/15/2004-09/14/2005 | 1,120,875.00 | 511,920.00 | 467,175.71 | 467,175.71 |
| | | | <u>481,773.21</u> | <u>481,773.21</u> |
| 10/01/2004-09/30/2005 | 306,419.50 | 306,419.50 | 306,419.50 | 306,419.50 |
| 07/01/2005-06/30/2006 | 755,610.00 | 755,610.00 | 124,284.37 | 124,284.37 |
| 07/01/2004-06/30/2005 | 548,180.00 | 548,180.00 | 507,310.61 | 507,310.61 |
| 08/04/2003-09/30/2004 | 152,923.00 | 152,923.00 | 4,752.00 | 4,752.00 |
| 06/13/2005-06/20/2005 | 2,000.00 | 2,000.00 | 2,000.00 | 2,000.00 |
| 10/01/2004-09/30/2005 | \$ 17,576.00 | \$ 17,576.00 | \$ 17,576.00 | \$ 17,576.00 |

***Schedule of Expenditures of Federal Awards
Birmingham Campus - Schedule 1
For the Year Ended September 30, 2005***

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number |
|--|------------------------------------|
| <u>Passed Through Southern Union State Community College</u> | |
| Adult Education - State Grant Program | 84.002 |
| <u>U. S. Department of Housing and Urban Development</u> | |
| <u>Direct Program</u> | |
| Historically Black Colleges and Universities Program | 14.520 |
| <u>U. S. Department of Labor</u> | |
| <u>Direct Program</u> | |
| Employment and Training Administration Pilots, Demonstrations and Research Projects | 17.261 |
| <u>U. S. Department of the Treasury</u> | |
| <u>Direct Programs</u> | |
| Low-Income Taxpayer Clinics | 21.008 |
| Low-Income Taxpayer Clinics | 21.008 |
| Total Low-Income Taxpayer Clinics | |
| <u>National Aeronautics and Space Administration</u> | |
| <u>Direct Programs</u> | |
| Aerospace Education Services Program | 43.001 |
| Aerospace Education Services Program | 43.001 |
| Aerospace Education Services Program | 43.001 |
| Total Aerospace Education Services Program | |
| <u>National Science Foundation</u> | |
| <u>Direct Program</u> | |
| Education and Human Resources | 47.076 |
| <u>U. S. Department of Energy</u> | |
| <u>Passed Through Luna Community College</u> | |
| Minority Undergraduate Training for Energy Related Careers | 81 |
| Minority Undergraduate Training for Energy Related Careers | 81 |
| Total Minority Undergraduate for Energy Related Careers | |

| Assistance Period | Budget | | Revenue Recognized | Expenditures |
|-----------------------|---------------|------------------|-----------------------|---------------------|
| | Total | Federal Share | | |
| 10/01/2004-09/30/2005 | \$ 7,700.00 | \$ 7,700.00 | \$ 7,308.34 | \$ 7,308.34 |
| 10/16/2003-10/16/2006 | 1,472,073.00 | 550,000.00 | 112,627.82 | 112,627.82 |
| 02/01/2005-01/31/2006 | 238,290.00 | 238,290.00 | 50,170.65 | 50,170.65 |
| 01/01/2005-12/31/2005 | 30,000.00 | 30,000.00 | 19,498.97 | 19,498.97 |
| 01/01/2004-12/31/2004 | 60,000.00 | 60,000.00 | 25,745.30 | 25,745.30 |
| | | | <u>45,244.27</u> | <u>45,244.27</u> |
| 07/01/2005-06/30/2008 | 100,000.00 | 100,000.00 | 7,392.89 | 7,392.89 |
| 11/01/2004-10/31/2007 | 60,000.00 | 60,000.00 | 41,223.32 | 41,223.32 |
| 11/14/2003-11/13/2004 | 39,700.00 | 39,700.00 | 5,019.73 | 5,019.73 |
| | | | <u>53,635.94</u> | <u>53,635.94</u> |
| 09/01/2005-08/31/2008 | 784,878.00 | 784,878.00 | 646.69 | 646.69 |
| 09/01/2004-09/18/2005 | 42,000.00 | 42,000.00 | 34,970.46 | 34,970.46 |
| 09/19/2001-09/18/2004 | \$ 205,545.00 | \$ 205,545.00 | 2,676.45 | 2,676.45 |
| | | | <u>\$ 37,646.91</u> | <u>\$ 37,646.91</u> |

Schedule of Expenditures of Federal Awards
Birmingham Campus - Schedule 1
For the Year Ended September 30, 2005

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number |
|--|------------------------------------|
| <u>U. S. Department of Health and Human Services</u> | |
| <u>Direct Programs</u> | |
| Community Services Block Grant - Discretionary Awards | 93.570 |
| Community Services Block Grant - Discretionary Awards | 93.570 |
| Community Services Block Grant - Discretionary Awards | 93.570 |
| Community Services Block Grant - Discretionary Awards | 93.570 |
| Total Community Services Block Grant - Discretionary Awards | |
| <u>Passed Through Alabama Department of Postsecondary Education</u> | |
| Temporary Assistance for Needy Families | 93.558 |
| <u>Passed Through the University of Alabama at Birmingham</u> | |
| Biomedical Research and Research Training | 93.859 |
| Total Federal Awards | |

(M) = Denotes Major Program

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

| Assistance Period | Budget | | Revenue Recognized | Expenditures |
|-----------------------|---------------|------------------|-------------------------|-------------------------|
| | Total | Federal Share | | |
| 2005 | \$ 100,000.00 | \$ 100,000.00 | \$ 100,000.00 | \$ 100,000.00 |
| 2004 | 100,000.00 | 100,000.00 | 1,540.51 | 1,540.51 |
| 2003 | 83,887.00 | 83,887.00 | 260.79 | 260.79 |
| 2002 | 83,887.00 | 83,887.00 | 100.00 | 100.00 |
| | | | <u>101,901.30</u> | <u>101,901.30</u> |
| 10/01/2004-09/30/2005 | 130,000.00 | 130,000.00 | 130,000.00 | 130,000.00 |
| 02/01/2004-01/31/2005 | \$ 28,632.00 | \$ 28,632.00 | 28,632.00 | 28,632.00 |
| | | | <u>\$ 10,823,429.76</u> | <u>\$ 10,823,429.76</u> |

Schedule of Expenditures of Federal Awards
Bessemer Campus - Schedule 2
For the Year Ended September 30, 2005

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number |
|---|------------------------------------|
| <u>Student Financial Assistance Cluster</u> | |
| <u>U. S. Department of Education</u> | |
| <u>Direct Programs</u> | |
| Federal Supplemental Educational Opportunity Grants | 84.007 |
| Federal Supplemental Educational Opportunity Grants | 84.007 |
| Federal Work-Study Program | 84.033 |
| Federal Pell Grant Program | 84.063 |
| Federal Pell Grant Program | 84.063 |
| Federal Pell Grant Program Administrative Allowance | 84.063 |
| Total Student Financial Assistance Cluster (M) | |
| <u>TRIO Cluster</u> | |
| <u>U. S. Department of Education</u> | |
| <u>Direct Programs</u> | |
| TRIO - Student Support Services | 84.042 |
| TRIO - Student Support Services | 84.042 |
| Total TRIO Cluster | |
| <u>Highway Planning and Construction Cluster</u> | |
| <u>U. S. Department of Transportation</u> | |
| <u>Passed Through the Alabama Department of Transportation</u> | |
| Highway Planning and Construction | 20.205 |
| <u>OTHER FEDERAL AWARDS</u> | |
| <u>U. S. Department of Education</u> | |
| <u>Passed Through State Department of Education</u> | |
| Vocational Education - Basic Grants to States | 84.048 |
| <u>Passed Through Alabama Department of Postsecondary Education</u> | |
| Adult Education - State Grant Program | 84.002 |
| <u>Passed Through Alabama College System Microelectronics Consortium</u> | |
| Fund for the Improvement of Postsecondary Education | 84.116 |

| Assistance Period | Budget | | Revenue Recognized | Expenditures |
|-----------------------|---------------|------------------|-----------------------|---------------------|
| | Total | Federal Share | | |
| 07/01/2005-06/30/2006 | \$ 158,300.00 | \$ 158,300.00 | \$ 5,555.62 | \$ 5,555.62 |
| 07/01/2004-06/30/2005 | 71,437.00 | 71,437.00 | 6,755.00 | 6,755.00 |
| 07/01/2004-06/30/2005 | 75,548.00 | 75,548.00 | 64,362.43 | 64,362.43 |
| 07/01/2005-06/30/2006 | 1,525,300.00 | 1,525,300.00 | 591,925.41 | 591,925.41 |
| 07/01/2004-06/30/2005 | 1,714,896.00 | 1,714,896.00 | 1,113,767.80 | 1,113,767.80 |
| 07/01/2004-06/30/2005 | 4,850.00 | 4,850.00 | 4,850.00 | 4,850.00 |
| | | | <u>1,787,216.26</u> | <u>1,787,216.26</u> |
| 09/01/2005-08/31/2006 | 277,218.00 | 277,218.00 | 20,783.43 | 20,783.43 |
| 09/01/2004-08/31/2005 | 269,241.00 | 269,241.00 | 228,312.10 | 228,312.10 |
| | | | <u>249,095.53</u> | <u>249,095.53</u> |
| 05/11/2004-05/11/2006 | 39,493.84 | 39,493.84 | 39,493.84 | 39,493.84 |
| 10/01/2004-09/30/2005 | 217,424.24 | 217,424.24 | 217,424.24 | 217,424.24 |
| 10/01/2004-09/30/2005 | 130,000.00 | 130,000.00 | 130,000.00 | 130,000.00 |
| 05/01/2004-04/30/2005 | \$ 12,522.52 | \$ 12,522.52 | \$ 12,522.52 | \$ 12,522.52 |

Schedule of Expenditures of Federal Awards
Bessemer Campus - Schedule 2
For the Year Ended September 30, 2005

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number |
|--|------------------------------------|
| <u>U. S. Department of Labor</u> | |
| <u>Passed Through Lurleen B. Wallace Community College</u> | |
| Employment and Training Administration Pilots, Demonstrations and Research Projects | 17.261 |
| <u>National Science Foundation</u> | |
| <u>Passed Through Lurleen B. Wallace Community College</u> | |
| Education and Human Resources | 47.076 |
| Total Federal Awards | |

(M) = Denotes Major Program

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

| Assistance Period | Budget | | Revenue Recognized | Expenditures |
|-----------------------|--------------|------------------|------------------------|------------------------|
| | Total | Federal Share | | |
| 10/01/2004-09/30/2005 | \$ 10,875.74 | \$ 10,875.74 | \$ 10,875.74 | \$ 10,875.74 |
| 08/01/2003-07/31/2004 | \$ 17,978.19 | \$ 17,978.19 | 17,978.19 | 17,978.19 |
| | | | <u>\$ 2,464,606.32</u> | <u>\$ 2,464,606.32</u> |

***Notes to the Schedule of Expenditures
of Federal Awards
For the Year Ended September 30, 2005***

Note 1 – Basis of Presentation

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

Note 2 – Loans Outstanding

The T. A. Lawson State Community College had the following loan balances outstanding at September 30, 2005. These loan balances outstanding are not included in the federal expenditures presented in the schedule.

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

Additional Information

College Officials
October 1, 2004 through September 30, 2005

| Officials | Position | Address |
|-----------------------|---|--|
| Dr. Perry W. Ward | President | 3060 Wilson Road, Southwest Birmingham, Alabama 35221 |
| Dr. W. Michael Bailey | President Bessemer State Technical College (Until December 31, 2004) | 500 Beacon Parkway, West Birmingham, Alabama 35209 |
| Ron Moon | Interim President Bessemer State Technical College (January 1, 2005 through June 30, 2005) | 1100 Ninth Avenue, Southwest Bessemer, Alabama 35022 |
| Mrs. Sharon S. Crews | Vice-President for Administrative and Student Services | 3060 Wilson Road, Southwest Birmingham, Alabama 35221 |

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

We have audited the basic financial statements of T. A. Lawson State Community College as of and for the year ended September 30, 2005, and have issued our report thereon dated April 18, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting


In planning and performing our audit, we considered T. A. Lawson State Community College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a certain matter involving the internal control over financial reporting that we have reported to the management of T. A. Lawson State Community College in the Report to the Chief Examiner.

Compliance and Other Matters

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

***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***

This report is intended solely for the information and use of management, other state officials, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Ronald L. Jones
Chief Examiner
Department of Examiners of Public Accounts

April 18, 2006

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

Compliance

We have audited the compliance of T. A. Lawson State Community College with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2005. T. A. Lawson State Community College's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of T. A. Lawson State Community College's management. Our responsibility is to express an opinion on T. A. Lawson State Community College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about T. A. Lawson State Community College's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of T. A. Lawson State Community College's compliance with those requirements.

In our opinion, T. A. Lawson State Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2005.

Internal Control Over Compliance

The management of T. A. Lawson State Community College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered T. A. Lawson State Community College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, other state officials, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

April 18, 2006

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2005

Section I – Summary of Examiner's Results

Financial Statements

Type of opinion issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Reportable condition(s) identified that are not considered to be material weakness(es)? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Reportable condition(s) identified that are not considered to be material weakness(es)? _____ Yes X None reported

Type of opinion issued on compliance for major programs: Unqualified

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

Identification of major programs:

| CFDA Number(s) | Name of Federal Program or Cluster |
|----------------|--|
| 84.007 | <u>Student Financial Assistance - Cluster</u> Federal Supplemental Educational Opportunity Grants |
| 84.033 | Federal Work-Study Program |
| 84.063 | Federal Pell Grant Program |
| 84.038 | Federal Perkins Loan Program - Federal Capital Contributions |
| 93.364 | Nursing Student Loans |
| 93.925 | Scholarships for Health Professions Students from Disadvantaged Backgrounds |

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2005

Section I – Summary of Examiner's Results (Continued)

Dollar threshold used to distinguish between
 Type A and Type B programs: \$398,641

Auditee qualified as low-risk auditee? X Yes No

Section II – Financial Statement Findings (GAGAS)

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

Section III – Federal Awards Findings and Questioned Costs

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

Auditee Response



LAWSON STATE COMMUNITY COLLEGE

3060 Wilson Road • Birmingham, Alabama 35221

Phone (205) 929-6300 • Fax (205) 923-1649

Office Of The President

August 14, 2006

Honorable Ronald L. Jones
Chief Examiner of Public Accounts
State of Alabama Dept. of Examiners of Public Accounts
P. O. Box 302251
Montgomery, AL 36130-2251

Dear Mr. Jones,

In response to the audit of T. A. Lawson State Community College for the period October 1, 2004 through September 30, 2005, please consider the information below:

*Other Matters in Report to the Chief Examiner
For the Year Ended September 30, 2005*

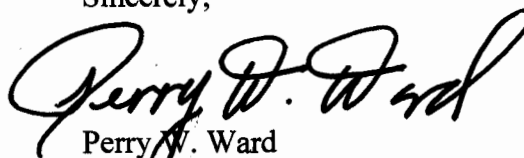
Finding: Due to the merger of Bessemer State Technical College with T. A. Lawson State Community College, the College made adjustments to the accounting records without proper supporting documentation.

Response: Adjustments were made to the June 30, 2006 Restricted funds general ledger of Bessemer State Technical College. The Restricted fund net assets balance at June 30th could not be supported by the documentation received from the grantors (i.e. Department of Education). The college reconciled and balanced each grant based on existing data which indicated restricted net assets at June 30th could not be fully supported.

Since the balances recorded were based on the existing data, any subsequent adjustments of accounting data will be fully documented.

If you have any questions pertaining to this response, please call.

Sincerely,



Perry W. Ward
President

PWW/tkt