

Report on the

T. A. Lawson State Community College

Birmingham, Alabama

October 1, 2003 through September 30, 2004

Filed: August 19, 2005



Department of Examiners of Public Accounts

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Ronald L. Jones, Chief Examiner

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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, 2003 through September 30, 2004.

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 during the audit period 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 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.

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, post-secondary 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.

Sworn to and subscribed before me this
the 2nd day of August, 2005.

Renee W LaFay

Notary Public

NOTARY PUBLIC STATE OF ALABAMA AT LARGE
MY COMMISSION EXPIRES: Mar 27, 2006
BONDED THRU NOTARY PUBLIC UNDERWRITERS

Sworn to and subscribed before me this
the 3rd day of August, 2005.

Lynne D. Rutz

Notary Public

NOTARY PUBLIC STATE OF ALABAMA AT LARGE
MY COMMISSION EXPIRES: Feb 1, 2007
BONDED THRU NOTARY PUBLIC UNDERWRITERS

Respectfully submitted,

Andera M. Anderson

Andera M. Anderson
Examiner of Public Accounts

Kasim Abzoubi

Kasim Al-zoubi
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, 2004, 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, 2004, 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 May 4, 2005 on our consideration of T. A. Lawson State Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

May 4, 2005

Management's Discussion and Analysis
(Required Supplementary Information)

T. A. LAWSON STATE COMMUNITY COLLEGE

Management's Discussion and Analysis

T. A. 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.

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

Fiscal year 2004 saw the realization of efforts to expand the campus with the ground breaking of the new Alabama Center for Advanced Technology and Training (ACATT) Center. Efforts of Dr. Perry W. Ward, president of T. A. Lawson State Community College, initiated the College's first 10 million dollar capital campaign drive to fund the ACATT Center and future capital construction projects.

The reorganization of Adult Education Services by the State of Alabama placed the responsibility of the delivery of Adult Education Services and GED testing in West Jefferson County at T. A. Lawson State Community College. The College signed a consortium agreement with Birmingham City Schools, Bessemer City Schools and Fairfield City Schools. Community Outreach and Workforce initiatives have continued to develop during this fiscal year. Federal Grants such as the Low Income Tax Assistance Program, Gear Up and the Affordable Housing Grant have opened up the campus for partnerships with city and county governments.

T. A. Lawson State Community College has seen a steady increase in enrollment as the College seeks to fulfill its mission.

Overview of the Financial Statements and Financial Analysis

T. A. Lawson State Community College is proud to present its financial statements for fiscal year 2004. 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, 2004.

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 T. A. 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 purposes as determined by donors and/or external entities that placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets. Unrestricted net assets are available to the institution for any appropriate purpose of the Institution.

Statement of Net Assets (thousands of dollars)

Assets:	2003	2004
Current assets	\$ 4,676	\$ 12,393
Capital Assets, net	6,912	7,982
Other assets	<u>90</u>	<u>328</u>
Total Assets	11,678	20,703
Liabilities:		
Current Liabilities	1,758	2,260
Noncurrent Liabilities	<u>391</u>	<u>8,202</u>
Total Liabilities	2,149	10,462
Net Assets:		
Invested in capital assets, net		
of debt	6,905	6,623
Restricted - expendable	373	472
Restricted - nonexpendable	-	-
Unrestricted	<u>2,251</u>	<u>3,146</u>
Total Net Assets	\$ 9,529	\$ 10,241

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.

T. A. Lawson State Community College made numerous repairs and maintenance to its 15 buildings and grounds on 2 campuses. Improvements/repairs to the existing facilities and grounds included painting the college gym, classrooms and building exteriors, widening the campus entrance, repairs to roofs, gutters, down spouts and general drainage issues campus wide.

The College invested \$30,439 in equipment purchases, \$44,926 in Library Books and \$1,121,000 in construction-in-progress on the new Alabama Center for Advanced Technology.

The total assets of the Institution increased by \$9,025,000 from 2003 to 2004. The increase was primarily due to net proceeds received from the 2003-A Series Bond Issue. The increased cash, along with outstanding accounts receivable due the college from federal grants and contracts, provided resources to meet the needs of the College.

The total liabilities increased primarily from the \$8.5 million bond debt associated with the capital campaign. Deferred revenue increased from increased tuition rates for Fall 2004-2005. Current liabilities for prepaid salaries increased which was related to the Fall instructional days in the fiscal year.

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.

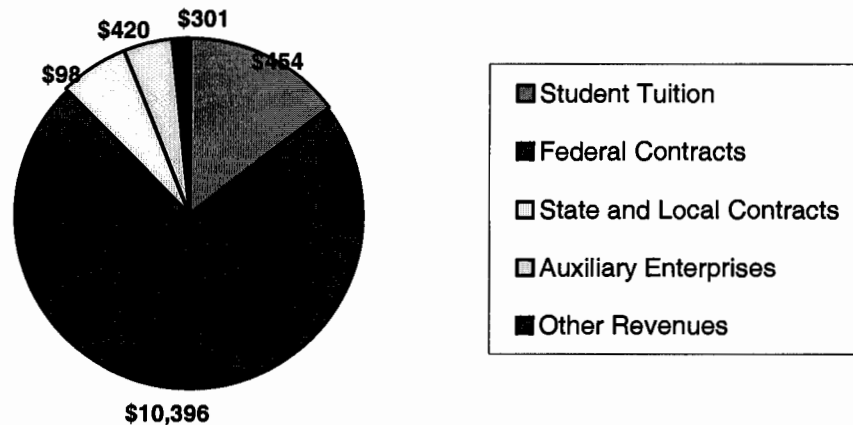
Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the Institution. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out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

	2003	2004
Operating revenues	\$ 13,109	\$ 11,670
Operating expenses	<u>19,685</u>	<u>18,389</u>
Operating loss	(6,576)	(6,719)
Nonoperating revenues and expenses	<u>8,722</u>	<u>7,380</u>
Change in Net Assets	2,146	661
Net Assets Beginning of Year (Restated)	<u>7,383</u>	<u>9,579</u>
Net Assets End of Year	<u>\$ 9,529</u>	<u>\$ 10,240</u>

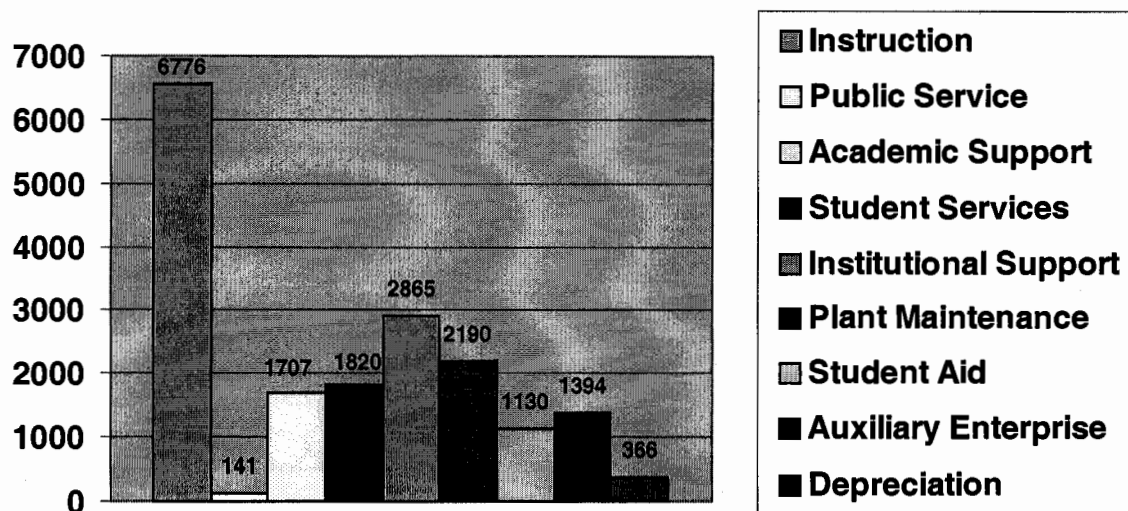
The Statement of Revenues, Expenses, and Changes in Net Assets reflects an increase at the end of the year. The increase indicates that the College's financial position was strengthened by the use of available resources to acquire and improve all areas of the institution to better serve the instruction and public service missions of the institution.



The 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.

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 of dollars, are displayed in the following exhibit.



The College had operating expenses of over \$18.3 million displayed by function in the exhibit above.

The College reduced costs in every functional category except instructional services, institutional support, public services and operation and maintenance.

The new Adult Education Program contributed to the increased expenses in the instructional function.

Statement of Cash Flows

The final statement presented by T. A. Lawson State Community College is the Statement of Cash Flows. The Statement of Cash Flows 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 operating activities of the institution. The second section reflects cash flows from non-capital financing activities. This section reflects the cash received and spent for non-operating, non-investing and non-capital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds and interest received from investing activities. The fifth section reconciles the net cash used 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
(thousands of dollars)

	2003	2004
Cash provided (used) by		
Operating activities	\$ (5,860)	\$ (6,534)
Noncapital financing activities	8,402	7,610
Capital and related financing activities	(948)	5,380
Investing activities	<u>19</u>	<u>83</u>
Net Change in Cash	1,613	6,539
Cash, beginning of year	<u>1,322</u>	<u>2,935</u>
Cash, end of year	<u>\$ 2,935</u>	<u>\$ 9,474</u>

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

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

Investing activities reflect interest income on investments.

The College's 2003-A Bond Issue proceeds netted \$5.4 million in cash flow for capital and related financing activities.

The College's overall financial position is strong. The College anticipates fiscal year 2005 will provide many opportunities and challenges. Managing resources efficiently will be crucial as we venture to provide accessible, affordable, high quality educational opportunities that prepare 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, 2004

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 9,474,135.54
Deposit with Bond Trustee	895,990.38
Accounts Receivable, Net	1,548,381.54
Inventories	459,693.47
Bond Issuance Cost	13,224.17
Other Assets	1,700.00
Total Current Assets	<u>12,393,125.10</u>

Noncurrent Assets

Loans Receivable	89,903.52
Bond Issuance Cost	238,035.01
Capital Assets:	
Land	98,031.35
Buildings	11,228,031.66
Improvements Other Than Buildings	1,798,519.94
Equipment and Furniture	1,652,747.33
Library Holdings	595,195.97
Construction in Progress	1,830,318.73
Less: Accumulated Depreciation	<u>(9,221,048.59)</u>
Total Capital Assets, Net of Depreciation	<u>7,981,796.39</u>
Total Noncurrent Assets	<u>8,309,734.92</u>
Total Assets	<u>\$ 20,702,860.02</u>

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

LIABILITIES**Current Liabilities**

Deposits	\$	92,008.26
Accounts Payable and Accrued Liabilities		683,106.44
Deferred Revenue		1,130,451.77
Compensated Absences		45,000.00
Bonds Payable		310,000.00
Total Current Liabilities		<u>2,260,566.47</u>

Noncurrent Liabilities

Compensated Absences		411,760.24
Bonds Payable		7,790,000.00
Total Noncurrent Liabilities		<u>8,201,760.24</u>

Total Liabilities		<u>10,462,326.71</u>
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NET ASSETS

Invested in Capital Assets, Net of Related Debt		6,622,772.20
Restricted for:		
Expendable:		
Loans		89,903.52
Other		382,139.73
Unrestricted		<u>3,145,717.86</u>
Total Net Assets	\$	<u>10,240,533.31</u>

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***Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended September 30, 2004***

OPERATING REVENUES

Student Tuition and Fees (Net of Scholarship Allowances of \$5,201,867.87)	\$ 454,856.90
Federal Grants and Contracts	10,396,216.22
State and Local Grants and Contracts	97,850.00
Auxiliary Enterprises:	
Bookstore (Net of Scholarship Allowances of \$556,060.52)	420,007.74
Other Operating Revenues	301,355.61
Total Operating Revenues	<u>11,670,286.47</u>

OPERATING EXPENSES

Instruction	6,775,762.59
Institutional Support	2,865,001.67
Public Service	141,253.45
Academic Support	1,707,212.79
Student Services	1,819,596.11
Operation and Maintenance	2,189,997.13
Scholarships and Financial Aid	1,129,694.93
Depreciation	366,588.22
Auxiliary Enterprises:	
Bookstore	896,716.20
Food Service	297,783.41
Other Operating Expenses	199,283.47
Total Operating Expenses	<u>18,388,889.97</u>
Operating Income (Loss)	<u>(6,718,603.50)</u>

NONOPERATING REVENUES (EXPENSES)

State Appropriations	7,610,023.00
Investment Income	83,259.40
Interest on Capital Asset Related Debt	(299,653.51)
Bond Issue Cost	(13,224.17)
Net Nonoperating Revenues	<u>7,380,404.72</u>
Changes in Net Assets	661,801.22
Total Net Assets - Beginning of Year, as Restated (See Note 13)	<u>9,578,732.09</u>
Total Net Assets - End of Year	<u>\$ 10,240,533.31</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, 2004

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and Fees	\$ 138,400.69
Grants and Contracts	10,388,104.50
Payments to Suppliers	(5,384,254.26)
Payments for Utilities	(589,399.93)
Payments for Employees	(8,562,832.04)
Payments for Employee Benefits	(2,251,578.65)
Payments for Scholarships	(993,968.17)
Sales and Services of Educational Activities	
Auxiliary Enterprise Charges:	
Bookstore	420,007.74
Other Receipts (Payments)	301,355.61
Net Cash Provided (Used) by Operating Activities	<u>(6,534,164.51)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Appropriations	7,610,023.00
Net Cash Provided (Used) by Noncapital Financing Activities	<u>7,610,023.00</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from Capital Debt	7,611,265.39
Deposit with Trustees	(221,739.12)
Purchases of Capital Assets	(1,436,957.54)
Principal Paid on Capital Debt and Leases	(406,019.97)
Interest Paid on Capital Debt and Leases	(166,695.56)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>5,379,853.20</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on Investments	83,259.40
Net Cash Provided (Used) by Investing Activities	<u>83,259.40</u>
Net Increase (Decrease) in Cash and Cash Equivalents	6,538,971.09
Cash and Cash Equivalents - Beginning of Year	2,935,164.45
Cash and Cash Equivalents - End of Year	<u>\$ 9,474,135.54</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) \$ (6,718,603.50)

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

Depreciation Expense 366,588.22
Changes in Assets and Liabilities:
(Increase)/Decrease in Receivables, Net (301,496.10)
(Increase)/Decrease in Inventories 30,442.90
(Increase)/Decrease in Other Assets 2,494.13
Increase/(Decrease) in Accounts Payable 220,263.31
Increase/(Decrease) in Deferred Revenue (120,921.83)
Increase/(Decrease) in Deposits Held for Others (20,689.64)
Increase/(Decrease) in Compensated Absences 7,758.00

Net Cash Provided (Used) by Operating Activities \$ (6,534,164.51)

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Notes to the Financial Statements

For the Year Ended September 30, 2004

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.

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.

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.

Notes to the Financial Statements

For the Year Ended September 30, 2004

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.

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.

Notes to the Financial Statements
For the Year Ended September 30, 2004

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.

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 Revenue

Tuition and fee revenues received but related to the period after September 30, 2004, have been deferred.

Notes to the Financial Statements

For the Year Ended September 30, 2004

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.

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.

Notes to the Financial Statements
For the Year Ended September 30, 2004

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.

Investments

The College's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered, or are held by the College or its agent in the College's name.

	Category 1	Fair Value
U. S. Government Securities	\$895,990.38	\$895,990.38
Total Investments	<u>\$895,990.38</u>	<u>\$895,990.38</u>

Notes to the Financial Statements
For the Year Ended September 30, 2004

Note 3 - Receivables

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

<u>Accounts Receivable</u>	
Private	\$ 461,191.21
Federal	1,087,190.33
Total Accounts Receivable, Net	<u>1,548,381.54</u>
<u>Student Loan Receivables</u>	
Noncurrent	89,903.52
Total Student Receivables, Net	<u>\$ 89,903.52</u>

Note 4 - Capital Assets

Capital asset activity for the year ended September 30, 2004, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Land	\$ 98,031.35	\$	\$	\$ 98,031.35
Improvements Other Than Buildings	1,798,519.94			1,798,519.94
Buildings	11,224,605.30	3,426.36		11,228,031.66
Equipment	1,622,307.83	30,439.50		1,652,747.33
Library Holdings	550,269.52	44,926.45		595,195.97
Construction in Progress	472,153.50	1,358,165.23		1,830,318.73
Total	<u>15,765,887.44</u>	<u>1,436,957.54</u>		<u>17,202,844.98</u>
Less: Accumulated Depreciation				
Improvements Other Than Buildings	677,347.48	71,937.20		749,284.68
Buildings	6,833,082.56	161,445.23		6,994,527.79
Equipment	1,118,332.09	106,355.48		1,224,687.57
Library Holdings	225,698.24	26,850.31		252,548.55
Total Accumulated Depreciation	<u>8,854,460.37</u>	<u>366,588.22</u>		<u>9,221,048.59</u>
Capital Assets, Net	<u>\$ 6,911,427.07</u>	<u>\$1,070,369.32</u>	\$	<u>\$ 7,981,796.39</u>

Notes to the Financial Statements

For the Year Ended September 30, 2004

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, 2004

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,	2004	2003	2002
Total Percentage of Covered Payroll	11.56%	10.02%	10.96%
Contributions:			
Percentage Contributed by the College	6.56%	5.02%	5.96%
Percentage Contributed by the Employees	5.00%	5.00%	5.00%
Contributed by the College	\$506,701.00	\$378,089.00	\$406,777.00
Contributed by Employees	386,205.00	376,583.00	341,256.00
Total Contributions	\$892,906.00	\$754,672.00	\$748,033.00

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 \$436,798.67 for fiscal year 2004. 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, 2004

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. Total amount remaining to complete this facility is \$4,758,737.27.

As of September 30, 2004, T. A. Lawson State Community College had been awarded approximately \$2,770,231.35 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, 2004, for goods and services received prior to the end of the fiscal year.

Salaries and Wages	\$366,560.73
Benefits	82,883.45
Interest Payable	132,957.95
Supplies	100,704.31
Total	\$683,106.44

Note 9 - Long-Term Liabilities

Long-term liabilities activity for the year ended September 30, 2004, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
<u>Leases and Bonds Payable:</u>					
Lease Obligations	\$ 6,019.97		\$ (6,019.97)	\$	\$
Revenue Bonds		8,500,000.00	(400,000.00)	8,100,000.00	310,000.00
Total Leases and Bonds	6,019.97	8,500,000.00	(406,019.97)	8,100,000.00	310,000.00
<u>Other Liabilities</u>					
Compensated Absences	449,002.24	7,758.00		456,760.24	45,000.00
Total Long-Term Liabilities	\$455,022.21	\$8,507,758.00	\$(406,019.97)	\$8,556,760.24	\$355,000.00

The Revenue Bonds were 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, 2004

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	Revenue Bonds		Totals
	Principal	Interest	
2004-2005	\$ 310,000	\$ 320,148	\$ 630,148
2005-2006	315,000	311,624	626,624
2006-2007	325,000	304,064	629,064
2007-2008	335,000	296,451	631,451
2008-2009	345,000	282,214	627,214
2009-2014	1,910,000	1,233,429	3,143,429
2014-2019	2,310,000	829,510	3,139,510
2019-2023	2,250,000	269,200	2,519,200
Totals	<u>\$8,100,000</u>	<u>\$3,846,640</u>	<u>\$11,946,640</u>

Bond Issuance Costs

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

	Issuance Costs
Total Issuance Costs	\$264,483.35
Amount Amortized Prior Years	_____
Balance Issuance Costs	264,483.35
Current Amount Amortized	13,224.17
Balance Issuance Costs	<u>\$251,259.18</u>

Notes to the Financial Statements

For the Year Ended September 30, 2004

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.

Note 11 - Related Parties

T. A. Lawson State Community College Foundation, Inc.

T. A. Lawson State Community College Foundation, Inc., was incorporated as a non-profit corporation to promote the advancement of T. A. Lawson State Community 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.

Notes to the Financial Statements
For the Year Ended September 30, 2004

Note 12 - Subsequent Events

The Alabama State Board of Education has acted to adopt the Statement of Intent to Merge T. A. Lawson State Community College and Bessemer State Technical College, and to form one Institution, T. A. Lawson State Community College, in accordance with its policy on Consolidation or Merger of Postsecondary Institutions.

Note 13 - Restatement of Beginning Net Assets

To Disclose Endowment Increase	\$ 50,000.00
Total Adjustments	50,000.00
Net Assets Reported at September 30, 2003	9,528,732.09
Net Assets October 1, 2003, as Restated	<u>\$9,578,732.09</u>

Supplementary Information

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2004***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Assistance Period
<u>Student Financial Assistance Cluster</u>		
<u>U. S. Department of Education</u>		
<u>Direct Programs</u>		
Federal Supplemental Educational Opportunity Grants	84.007	07/01/2003-06/30/2004
Federal Work-Study Program	84.033	07/01/2003-06/30/2004
Federal Work-Study Program	84.033	07/01/2004-06/30/2005
Federal Pell Grant Program	84.063	07/01/2003-06/30/2004
Federal Pell Grant Program	84.063	07/01/2004-06/30/2005
Federal Pell Grant Program Administrative Allowance	84.063	07/01/2002-06/30/2003
Federal Pell Grant Program Administrative Allowance	84.063	07/01/2003-06/30/2004
Total U. S. Department of Education		
<u>U. S. Department of Health and Human Services</u>		
<u>Direct Programs</u>		
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925	07/01/2003-06/30/2004
Total Student Financial Assistance Cluster		
<u>TRIO-Cluster</u>		
<u>U. S. Department of Education</u>		
<u>Direct Programs</u>		
TRIO - Student Support Services	84.042	09/01/2002-08/31/2003
TRIO - Student Support Services	84.042	09/01/2003-08/31/2004
TRIO - Student Support Services	84.042	09/01/2004-08/31/2005
TRIO - Upward Bound	84.047	07/01/2002-06/30/2003
TRIO - Upward Bound	84.047	07/01/2003-06/30/2004
TRIO - Upward Bound	84.047	07/01/2004-08/31/2005
TRIO - Upward Bound	84.047	09/01/2002-08/31/2003
TRIO - Upward Bound	84.047	09/01/2003-08/31/2004
TRIO - Upward Bound	84.047	09/01/2004-08/31/2005
Total TRIO Cluster (M)		
<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	06/01/2004-07/02/2004
Total Child Nutrition Cluster		
<u>Other Federal Awards</u>		
<u>U. S. Department of Education</u>		
<u>Direct Programs</u>		
Higher Education - Institutional Aid	84.031	10/01/2002-09/30/2003
Higher Education - Institutional Aid	84.031	10/01/2003-09/30/2004
Total Higher Education - Institutional Aid (M)		

Budget			
Total	Federal Share	Revenue Recognized	Expenditures
\$ 86,662.00	\$ 86,662.00	\$ 86,262.00	\$ 86,262.00
174,785.00	174,785.00	123,054.00	123,054.00
185,208.00	185,208.00	4,881.00	4,881.00
5,563,332.00	5,563,332.00	3,138,044.07	3,138,044.07
2,485,268.00	2,485,268.00	2,263,385.66	2,263,385.66
90.00	90.00	90.00	90.00
9,525.00	9,525.00	9,525.00	9,525.00
		5,625,241.73	5,625,241.73
36,871.00	36,871.00	24,226.00	24,226.00
		5,649,467.73	5,649,467.73
298,930.00	298,930.00	48,532.57	48,532.57
299,808.00	299,808.00	213,328.77	213,328.77
299,808.00	299,808.00	15,554.04	15,554.04
322,872.00	322,872.00	7,334.95	7,334.95
329,329.00	329,329.00	250,177.15	250,177.15
329,329.00	329,329.00	27,303.34	27,303.34
218,545.00	218,545.00	8,043.62	8,043.62
222,916.00	222,916.00	217,266.69	217,266.69
222,916.00	222,916.00	13,907.22	13,907.22
		801,448.35	801,448.35
32,146.51	32,146.51	32,146.51	32,146.51
		32,146.51	32,146.51
1,687,562.00	1,687,562.00	225,285.82	225,285.82
\$ 1,836,242.00	\$ 1,836,242.00	1,413,938.03	1,413,938.03
		\$ 1,639,223.85	\$ 1,639,223.85

Schedule of Expenditures of Federal Awards For the Year Ended September 30, 2004

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Assistance Period
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	09/15/2002-09/14/2003
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	09/15/2003-09/14/2004
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	09/15/2004-09/14/2005
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	10/01/2003-09/30/2004
Adult Education - State Grant Program (M)	84.002	07/01/2003-06/30/2004
Adult Education - State Grant Program (M)	84.002	07/01/2004-06/30/2005
Adult Education - State Grant Program (M)	84.002	10/01/2003-09/30/2004
Even Start - Statewide Family Literacy Program	84.314	10/01/2001-09/30/2002
Total Passed Through State Department of Education		
<u>Passed Through Jefferson County Committee for Economic Opportunity</u>		
Even Start - State Educational Agencies	84.213	09/01/2003-08/31/2004
<u>U. S. Department of Housing and Urban Development</u>		
<u>Direct Programs</u>		
Historically Black Colleges and Universities Program	14.520	10/16/2003-10/16/2006
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	10/01/2002-09/30/2004
Total U. S. Department of Housing and Urban Development Direct Programs		
<u>U. S. Department of Health and Human Services</u>		
<u>Direct Programs</u>		
Community Services Block Grant - Discretionary Awards	93.570	2000
Community Services Block Grant - Discretionary Awards	93.570	2002
Community Services Block Grant - Discretionary Awards	93.570	2003
Community Services Block Grant - Discretionary Awards	93.570	2004
Total U. S. Department of Health and Human Services Direct Programs		

Budget				
Total	Federal Share	Revenue Recognized	Expenditures	
\$ 1,120,875.00	\$ 511,920.00	\$ 90,400.55	\$ 90,400.55	
1,120,875.00	511,920.00	511,920.00	511,920.00	
1,120,875.00	511,920.00	34,366.80	34,366.80	
		636,687.35	636,687.35	
263,703.07	263,703.07	263,703.07	263,703.07	
561,180.00	561,180.00	512,123.04	512,123.04	
536,180.00	536,180.00	39,662.38	39,662.38	
17,698.00	17,698.00	17,698.72	17,698.72	
172,124.00	172,124.00	42,512.04	42,512.04	
		875,699.25	875,699.25	
152,923.00	152,923.00	33,731.20	33,731.20	
1,472,073.00	550,000.00	39,584.10	39,584.10	
178,830.00	178,830.00	178,830.00	178,830.00	
		218,414.10	218,414.10	
73,887.00	73,887.00	7,952.14	7,952.14	
83,887.00	83,887.00	525.40	525.40	
83,887.00	83,887.00	904.84	904.84	
\$ 100,000.00	\$ 100,000.00	100,000.00	100,000.00	
		\$ 109,382.38	\$ 109,382.38	

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2004***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Assistance Period
<u>Passed Through Alabama Department of Postsecondary Education</u>		
Temporary Assistance for Needy Families	93.558	10/01/2003-09/30/2004
<u>U. S. Department of Energy</u>		
<u>Passed Through Luna Community College</u>		
Minority Undergraduate Training for Energy Related Careers	81.00	09/19/2002-09/18/2003
Minority Undergraduate Training for Energy Related Careers	81.00	09/01/2003-09/18/2004
Total U. S. Department of Energy		
<u>U. S. Department of the Treasury</u>		
<u>Internal Revenue Service</u>		
<u>Direct Programs</u>		
Low - Income Taxpayer Clinics	21.008	01/01/2003-12/31/2003
Low - Income Taxpayer Clinics	21.008	01/01/2004-12/31/2004
Total U. S. Department of the Treasury		
<u>U. S. Department of Labor, Employment and Training Administration</u>		
<u>Passed Through the Jefferson County Commission</u>		
Welfare-to-Work Grants to States and Localities	17.253	11/01/2003-06/30/2004
<u>Appalachian Regional Commission</u>		
<u>Direct Programs</u>		
Appalachian Regional Development	23.001	10/01/2003-05/31/2004
<u>National Science Foundation</u>		
<u>Passed Through Regional Technology Strategies</u>		
Education and Human Resources	47.076	04/01/2000-03/31/2002
<u>National Aeronautics and Space Administration</u>		
<u>Direct Programs</u>		
Aerospace Education Services Program	43.001	11/14/2003-11/13/2004
Technology Transfer	43.002	05/01/2002-04/30/2005
Total National Aeronautics and Space Administration		
Total Federal Awards		

(M) = Denotes Major Program

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

Budget				
Total	Federal Share	Revenue Recognized	Expenditures	
\$ 70,000.00	\$ 70,000.00	\$ 70,000.00	\$ 70,000.00	
205,545.00	205,545.00	7,784.78	7,784.78	
42,000.00	42,000.00	39,323.55	39,323.55	
		<u>47,108.33</u>	<u>47,108.33</u>	
85,000.00	85,000.00	48,708.59	48,708.59	
60,000.00	60,000.00	34,254.70	34,254.70	
		<u>82,963.29</u>	<u>82,963.29</u>	
330,000.00	220,000.00	65,940.99	65,940.99	
280,000.00	140,000.00	140,000.00	140,000.00	
18,500.00	18,500.00	3,407.35	3,407.35	
39,700.00	39,700.00	32,286.74	32,286.74	
\$ 98,656.00	\$ 98,656.00	43,567.67	43,567.67	
		<u>75,854.41</u>	<u>75,854.41</u>	
		<u>\$ 10,481,475.09</u>	<u>\$ 10,481,475.09</u>	

***Notes to the Schedule of Expenditures
of Federal Awards
For the Year Ended September 30, 2004***

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, 2004. 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, 2003 through September 30, 2004

Officials	Position	Address
Dr. Perry W. Ward	President	3060 Wilson Road, Southwest Birmingham, Alabama 35221
Mrs. Sharon S. Crews	Dean of Business and Finance	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, 2004, and have issued our report thereon dated May 4, 2005. 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.

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

May 4, 2005

Report on Compliance With Requirements Applicable to Each Major Program and 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, 2004. 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, 2004.

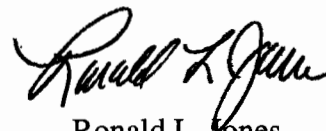
Internal Control Over Compliance

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 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

May 4, 2005

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2004

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
84.042	<u>TRIO - Cluster</u>
84.047	TRIO - Student Support Services
	TRIO - Upward Bound
84.031	Higher Education - Institutional Aid
84.002	Adult Education - State Grant Program

Dollar threshold used to distinguish Between Type A and Type B programs: \$314,444

Auditee qualified as low-risk auditee? X Yes _____ No

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2004

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.	