

**TECHNICAL COLLEGE OF THE LOWCOUNTRY**

**Financial Statements**

**For the Year Ended June 30, 2009**

**KEVIN CAIN, CPA, LLC**  
Certified Public Accountant & Consultants

**TECHNICAL COLLEGE OF THE LOWCOUNTRY  
921 RIBAUT ROAD, POST OFFICE BOX 1288  
BEAUFORT, SOUTH CAROLINA 29901**

**Audit Period - July 1, 2008 to June 30, 2009**

**Commission Members**

Angus Cotton, Chairman	Beaufort County	07/90-07/2008
Arthur E. Brown, Jr., Vice Chairman	Beaufort County	01/97-07/2008
Patricia Green, Secretary/Treasurer	Beaufort County	10/94-07/2010
Sheree Darien	Jasper County	07/08-07/2012
Bill Bootle	Beaufort County	06/06-06/2010
David Smalls	Colleton County	06/08-06/2012
William Small, Jr.	Hampton County	07/07-07/2011

**Key Administrative Staff**

Thomas C. Leitzel, President  
Hayes Wisner, Vice President for Administrative Services  
Gina Mounfield, Vice President for Academic Affairs  
Nancy Weber, Vice President for Continuing Education and Institutional Advancement  
Matteel King, Vice President for Student Affairs  
Dianne Garnett, Executive Director of TCL Foundation

**Area Served by Commission**

Beaufort County  
Hampton County  
Colleton County  
Jasper County

**Counties Providing Financial Support**

Beaufort County  
Hampton County  
Jasper County

**TECHNICAL COLLEGE OF THE LOWCOUNTRY  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

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**FINANCIAL SECTION**



**KEVIN CAIN, CPA, LLC**  
Certified Public Accountant & Consultants

**INDEPENDENT AUDITORS' REPORT**

Technical College of the Lowcountry  
Beaufort, South Carolina

We have audited the accompanying financial statements of Technical College of the Lowcountry (the "College"), as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Technical College of the Lowcountry as of June 30, 2009, and the results of its operations and 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 September 29, 2009, on our consideration of Technical College of the Lowcountry's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 important for assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 to 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The accompanying schedule of expenditures of federal awards on page 34 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 of Technical College of the Lowcountry. The schedule of expenditures of federal awards 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 basic financial statements taken as a whole.

*Kevin Cain, CPA, LLC*

Beaufort, South Carolina  
September 29, 2009



## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Technical College of the Lowcountry's Comprehensive Annual Financial Report presents management's discussion and analysis of the College's financial performance during the fiscal years ending June 30, 2009 and June 30, 2008. As this Management's Discussion and Analysis is designed to focus on current activities, resulting change and currently known facts, it should be read in conjunction with the Independent Auditors' Report, the College's basic financial statements and the accompanying notes. Responsibility for the completeness and fairness of this information rests with the College.

### Overview of the Financial Statements

The financial statements for the Technical College of the Lowcountry (TCL) have been prepared in accordance with the Governmental Accounting Standards Board (GASB) in Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments*, Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Colleges and Universities*, and Statement No. 39 relating to component units.

The College is engaged only in Business-Type activities (BTA) that are financed in part by fees charged to students for educational services. Accordingly, college financial activities are reported using three financial statements required for proprietary funds: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

The Statement of Net Assets presents the financial position of the College at the end of the fiscal year and requires classification of assets and liabilities into current and non-current categories. The College's net assets are the difference between total assets and the total liabilities and are one indicator of whether the overall financial condition has improved or deteriorated during the year. This statement is designed to present a snapshot of the College's financial condition at the end of the fiscal year.

The Statement of Revenues, Expenses, and Changes in Net Assets presents revenues earned and expenses incurred during the year. Revenues and expenses are classified as either operating or non-operating. Expenses are reported by natural classification. This statement reflects the College's dependence on state funding, by the resulting operating loss.

The final statement presented is the Statement of Cash Flows, which presents detailed information about the cash activity of the College during the year. This statement further emphasizes the College's dependence on state and county appropriations with the separation of cash flows between operating and non-operating.

### Financial Highlights

- The assets of the Technical College of the Lowcountry exceeded its liabilities at June 30, 2008, by \$24.0 million. Of this amount, \$6.2 million is available to meet the College's ongoing obligations with the balance invested in capital assets.
- The College's net assets decreased by 1% or \$0.2 million. The decrease is attributed primarily to funding cutbacks at the state level.

- The College's total liabilities increased by \$0.2 million due primarily to an increase in deferred revenue.
- The College experienced a net operating loss of \$7.4 million as reported in the statement of Revenues, Expenses, and Changes in Net Assets. The operating loss was offset by non-operating revenues from state and local appropriations of \$7.2 million.
- Operating revenues were up by \$1.8 million for the year, primarily due to strong enrollment numbers and additional grant revenue. However, non-operating revenues fell by \$1.4 million due to cuts in state appropriations.

**Financial Analysis of the College as a Whole**

The schedule that follows is a condensed version of the College's assets, liabilities and net assets and is prepared from the Statement of Net Assets.

**Net Assets as of June 30, 2009  
With Comparative Totals for 2008**

	(In millions)	
	<u>2009</u>	<u>2008</u>
Current Assets	\$ 9.4	\$ 9.4
Non-current Assets		
Capital Assets, Net of Accumulated Depreciation	<u>19.2</u>	<u>19.2</u>
Total Assets	<u>\$ 28.6</u>	<u>\$ 28.6</u>
Current Liabilities	\$ 2.6	\$ 2.3
Non-current Liabilities	<u>2.0</u>	<u>2.1</u>
Total Liabilities	<u>4.6</u>	<u>4.4</u>
Net Assets		
Investment in Capital Assets	17.8	17.8
Unrestricted	<u>6.2</u>	<u>6.4</u>
Total Net Assets	<u>24.0</u>	<u>24.2</u>
Total Liabilities and Net Assets	<u>\$ 28.6</u>	<u>\$ 28.6</u>

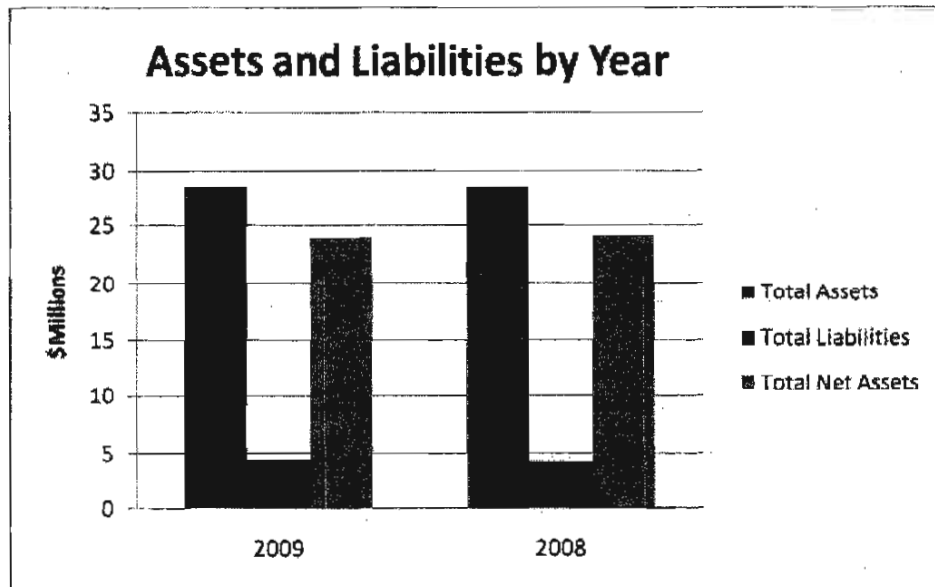


Net assets may serve over time as a useful indicator of an entity's financial position. The College's net assets exceeded liabilities by \$19.4 million at the close of the most recent fiscal year and reflect a decrease of \$0.2 million from the prior year.

By far the largest portion of the College's net assets (74%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related outstanding debt used to acquire those assets. The College uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending.

No significant amount (.005 %) of the College's net assets represent resources subject to external restrictions on how they may be used. *Unrestricted net assets* of \$6.2 million, or approximately 26%, may be used to meet the College's ongoing obligations including \$3.3 million designated for capital projects.

Pictorial presentations of the basic components of the College's financial condition on June 30, 2009 with comparisons to the prior year are included below.



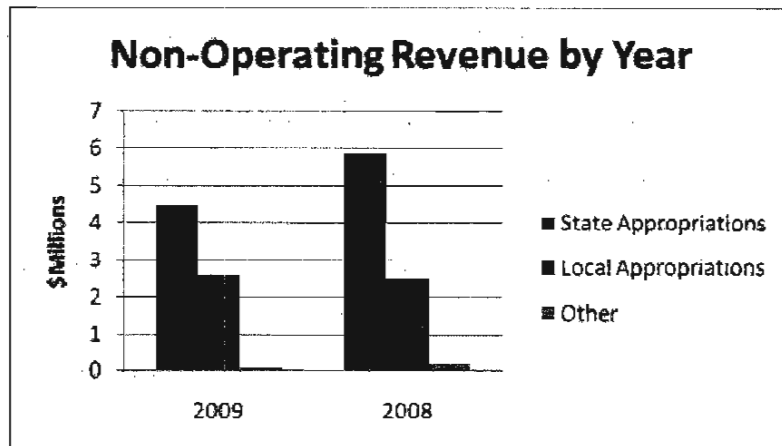
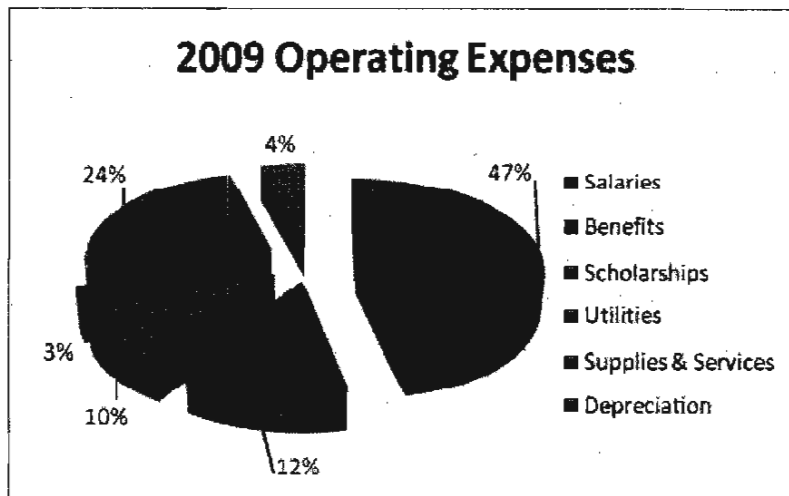
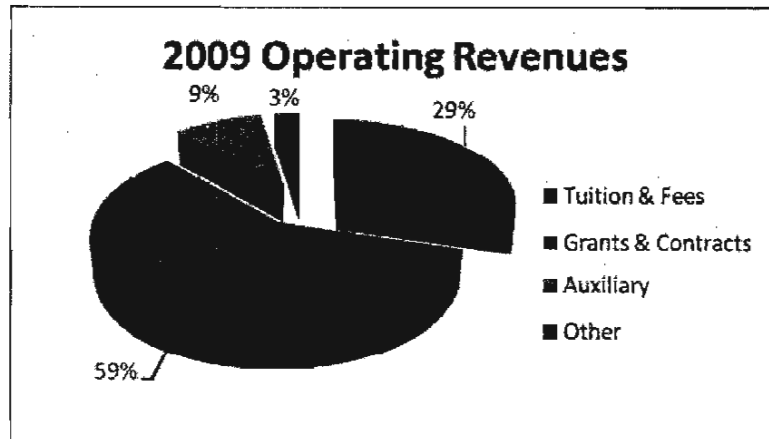
The schedule that follows is a summary of the College's operating results for the fiscal year.

**Summary of Revenues, Expenses, and Changes in Net Assets  
for Fiscal Year Ended  
June 30, 2009 with Comparative Totals for June 30, 2008  
(In millions)**

	<u>2009</u>	<u>2008</u>
Operating Revenue		
Tuition and Fees	\$ 3.5	\$ 3.3
Grants and Contracts	7.0	5.6
Auxiliary	1.1	0.9
Other	<u>0.3</u>	<u>0.3</u>
Total Operating Revenue	11.9	10.1
Less Operating Expenses	<u>19.3</u>	<u>18.5</u>
Net Operating Loss	<u>( 7.4)</u>	<u>( 8.4)</u>
Non-Operating Revenue		
State Appropriations	4.5	5.9
Local Appropriations	2.6	2.5
Other	<u>0.1</u>	<u>0.2</u>
Total Non-operating Revenue	<u>7.2</u>	<u>8.6</u>
Increase / (Decrease) in Net Assets	( 0.2)	0.2
Net Assets, Beginning of Year	<u>24.2</u>	<u>24.0</u>
Net Assets, End of Year	<u>\$ 24.0</u>	<u>\$ 24.2</u>
Total Revenues	<u>\$ 19.1</u>	<u>\$ 18.7</u>

A large portion of the revenue included in the Grants and Contracts category represents student financial assistance, which is used to pay tuition and fees for students to attend the College. An approximation of tuition and fees paid from this source of funds has been recognized as a reduction of tuition and fees in the form of scholarships allowances in order to eliminate duplication of revenue.

Pictorial presentations of the of the College's revenue and expense data for the year ended June 30, 2009 with comparisons to the prior year as appropriate are included below.



Personnel costs of approximately \$11.4 million accounted for 59% of the College's operating expenses and reflect a 4% increase over the prior year. Supplies and other services make up the second largest classification, accounting for 24% of operating expenses. Operating expenses in total increased by \$0.8 million or 4.3 % over 2008. Note 12 in the accompanying notes to the financial statements reports operating expenses by functional classification.

The Statement of Cash Flows identifies the sources and uses of cash by the major categories: operating, non-capital financing, capital financing and investing activities.

The statement that follows represents a condensed version of Statement of Cash Flows.

**Statement of Cash Flows**  
**For the Years Ended June 30, 2009 and June 30, 2008**

(In millions)

	<u>2009</u>	<u>2008</u>
Net Cash Provided (Used) by Operating Activities	\$ (6.3)	\$ (7.5)
Net Cash Provided by Non-Capital Financing Activities	7.0	8.4
Net Cash Provided (Used) by Capital and Related Activities	(0.9)	(0.8)
Net Cash Provided (Used) by Investing Activities	<u>1.5</u>	<u>(0.2)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1.3	(0.1)
Cash and Cash Equivalents- Beginning of the Year	<u>0.6</u>	<u>0.7</u>
Cash and Cash Equivalents- End of the Year	<u>\$ 1.9</u>	<u>\$ 0.6</u>

Cash and cash equivalents increased by \$1.3 million. Cash provided from non-capital financing activities in the amount of \$7.0 million, consisting primarily of state and local appropriations, was used to fund operating activities. The College's investments in auction rate securities were liquidated in 2008. The bulk of the proceeds were reinvested, but some remain as cash and are the source of the overall cash increase. The College completed the fiscal year with a cash and cash equivalent balance of \$ 1.9 million.

### Capital Asset and Debt Administration

The capital assets net of depreciation were unchanged for the year. Increases to capital assets as a result of construction projects were offset by depreciation charges on buildings. Equipment purchases for the year were similarly offset by equipment disposals.

The capital assets are summarized in the table that follows:

#### **Capital Assets, Net June 30, 2009 with Comparative Totals for June 30, 2008**

(In millions)

	<u>2009</u>	<u>2008</u>
Capital Assets		
Land and Improvements	\$ 5.5	\$ 5.3
Construction in Progress	0.9	0.1
Buildings and Improvements	20.1	20.3
Machinery & Equipment	1.5	1.5
Other Assets	<u>0.1</u>	<u>0.1</u>
Total Capital Assets	28.1	27.3
Less Accumulated Depreciation	<u>(8.9)</u>	<u>(8.1)</u>
Net Capital Assets	<u>\$ 19.2</u>	<u>\$ 19.2</u>

### Economic Factors

Fiscal year 2009 was a challenging budget year. Due to very poor economic conditions throughout the state, the College suffered a 23.2% cut to its general state appropriations. There were multiple cuts over the course of the year, totaling a reduction of \$1.4 million compared to fiscal year 2008.

Strains on the College's funding are expected to increase in 2010. The base allocation from the state will begin at the reduced level of 2009 and is likely to be reduced even further. A drop in funding from Jasper and Hampton counties is also expected. Beaufort county funding remains stable for now.

Enrollment increased considerably in 2009, and the additional revenue from tuition and fees offset some of the funding loss. Enrollment increases are anticipated for next year as well. Funding from the federal stimulus package should begin flowing to the College in fiscal 2010, which will help address the immediate challenges. However, stimulus money is a temporary revenue source, and there are restrictions on how it may be spent.

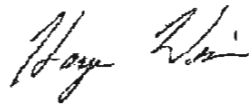
The overall financial position of the College is strong, but declining funding and higher operating costs continue to place a strain on the College's operating budget. Efforts will continue to seek alternate funding sources to support critical college programs. A modest increase in tuition (3.6%) was implemented for the Fall term to address some of the anticipated shortfall.

The challenge to 2010 state appropriations and uncertain outlook for future state funding for capital projects to address deferred maintenance needs is a major concern for the College. The declining support occurs at a time of record enrollment growth for TCL. The enrollment growth is evidence of the need for the training programs offered by the College; programs that are also a key to improvement of economic conditions within the service area.



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President



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Vice-President for Administrative Services

**BASIC FINANCIAL STATEMENTS**

**TECHNICAL COLLEGE OF THE LOWCOUNTRY**

Statement of Net Assets

June 30, 2009

**ASSETS**

**Current Assets**

Cash and Cash Equivalents	\$ 1,930,971
Investments	4,033,103
Accounts Receivable, Net of allowance for uncollectible accounts	3,136,879
Inventories	260,771
Prepaid Expenses	46,452
<b>Total Current Assets</b>	9,408,176

**Restricted Assets**

Cash and Cash Equivalents	6,588
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**Noncurrent Assets**

Capital Assets, Net of Depreciation	15,030,097
Capital Assets, Not subject to depreciation	4,135,101
<b>Total Noncurrent Assets</b>	19,165,198

<b>Total Assets</b>	\$ 28,579,962
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**LIABILITIES**

**Current Liabilities:**

Accounts Payable and Accrued Liabilities	\$ 366,012
Accrued Payroll and Related Liabilities	71,935
Long-Term Liabilities, Current Portion	102,719
Deferred Revenues	2,094,155
<b>Total Current Liabilities</b>	2,634,821

**Liabilities Payable from Restricted Assets**

Funds Held for Others	6,588
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**Noncurrent Liabilities**

Obligations under Capital Lease	1,337,143
Compensated Absences Payable	642,453
<b>Total Noncurrent Liabilities</b>	1,979,596

<b>Total Liabilities</b>	4,621,005
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**NET ASSETS**

**Invested in Capital Assets**

Invested in Capital Assets, Net of Related Debt	17,780,912
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**Restricted**

Expendable	
Loans	1,322

**Unrestricted**

Total Net Assets	23,958,957
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<b>Total Liabilities and Net Assets</b>	\$ 28,579,962
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See accompanying notes to financial statements.



**TECHNICAL COLLEGE OF THE LOWCOUNTRY**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**For the Year Ended June 30, 2009**

**REVENUES**

**Operating Revenues**

Student Tuition and Fees, net of scholarship allowances of \$3,104,363	\$ 3,306,144
Capital fees, net of scholarship allowances of \$50,780	182,976
Federal Grants and Contracts	5,284,469
State Grants and Contracts	1,620,536
Nongovernmental Grants and Contracts	126,877
Sales and Services of Educational Programs	57,443
Auxiliary Programs, net of scholarship allowances of \$113,782	1,118,122
Other Operating Revenues	248,467
<b>Total Operating Revenues</b>	<u>11,945,034</u>

**EXPENSES**

**Operating Expenses**

Salaries	9,010,179
Benefits	2,389,380
Scholarships	1,874,997
Utilities	513,205
Supplies and other services	4,703,194
Depreciation	862,287
<b>Total Operating Expenses</b>	<u>19,353,242</u>

**Operating Loss** (7,408,208)

**Non-operating Revenues (Expenses)**

State Appropriations	4,501,017
County Appropriations	2,573,150
Interest Income	103,181
Interest Expense on Capital Asset Related Debt	(54,707)
Other Non-operating Revenues	23,468
<b>Net Non-operating Revenues</b>	<u>7,146,109</u>

**DECREASE IN NET ASSETS** (262,099)

**NET ASSETS**

Net Assets, Beginning of year	<u>24,221,056</u>
Net Assets, End of year	<u>\$ 23,958,957</u>

See accompanying notes to financial statements.

**TECHNICAL COLLEGE OF THE LOWCOUNTRY**

Statement of Cash Flows

For the Year Ended June 30, 2009

**CASH FLOWS FROM OPERATING ACTIVITIES**

Student Tuition and Fees, net of scholarship allowances	\$ 3,384,729
Federal, State and Local Grants and Contracts	7,224,930
Sales and Services of Education Departments	57,443
Auxiliary Enterprise, net of scholarship allowances	1,118,122
Other Receipts	248,467
Scholarships	(1,874,997)
Student Loans Received	1,573,231
Student Loans Paid Out	(1,573,231)
Payments to Vendors	(5,035,956)
Payments to Employees	(8,972,768)
Employee Benefits	(2,490,325)
Increase in Cash Held for Others	2,007
<b>Net Cash Used by Operating Activities</b>	<u>(6,338,348)</u>

**CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES**

State Appropriations	4,446,658
County Appropriations	2,573,150
Other Non-Operating Revenue	28,612
<b>Net Cash Provided by Non-Capital Financing Activities</b>	<u>7,048,420</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Purchase of Capital Assets	(815,123)
Principal Paid on Capital Debt	(42,857)
Interest Paid on Capital Debt	(60,284)
<b>Net Cash used by Capital and Related Financing Activities</b>	<u>(918,264)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from Sales and Maturities of Investments	4,700,000
Interest from Investments	80,955
Purchase of Investments	(3,257,724)
<b>Net Cash Provided by Investing Activities</b>	<u>1,523,231</u>

Net Increase in Cash	1,315,039
Cash - Beginning of Year	622,520
<b>Cash - End of Year</b>	<u>\$ 1,937,559</u>

**Reconciliation to Balance Sheet**

Cash and Cash Equivalents	\$ 1,930,971
Restricted Cash and Cash Equivalents	6,588
<b>Total Cash and Cash Equivalents</b>	<u>\$ 1,937,559</u>

**Supplementary Information**

Cash Paid for Income Taxes	None
Cash Paid for Interest Expense	<u>\$ 60,284</u>

See accompanying notes to financial statements.

**TECHNICAL COLLEGE OF THE LOWCOUNTRY**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2009**

<b>Reconciliation of Net Operating Income (Loss) to</b>	
<b>Net Cash Provided (Used) by Operating Activities:</b>	
Operating Income (Loss)	\$ (7,408,208)
Adjustments to Reconcile Operating Income (Loss) to Net Cash	
Provided (Used) by Operating Activities	
Depreciation	862,287
Allowance for Uncollectible Accounts	144,645
Change in Assets and Liabilities	
Increase in Accounts Receivables	(235,788)
Increase in Inventory	(38,008)
Increase in Prepaid Expenses	(20,290)
Increase in Accounts Payable	78,939
Decrease in Accrued Liabilities	(54,345)
Decrease in Compensated Absences	(9,189)
Increase in Deferred Revenue	339,602
Increase in Funds Held for Others	2,007
Total Adjustments	<u>1,069,860</u>
<b>Net Cash Used by Operating Activities</b>	<b><u>\$ (6,338,348)</u></b>

See accompanying notes to financial statements.

# TECHNICAL COLLEGE OF THE LOWCOUNTRY

## Notes to Financial Statements

June 30, 2009

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Nature of Operations:** Technical College of the Lowcountry (the "College"), a member institution of the South Carolina Technical College System, provides a range of educational programs to meet the needs of the adult population of Beaufort, Jasper, Hampton, and Colleton counties. Included in this range of programs are technical and occupational associate degree, diploma and certificate curricula that are consistent with the needs of employers in the College's service area. As an integral part of this mission, the College provides a program of continuing education designed to satisfy the occupational demands of employers through retraining and upgrading the skills of individual employees. The College also provides a variety of developmental education programs, support services and offerings to assist students in meeting their personal and professional educational objectives.

**Reporting Entity:** The financial reporting entity, as defined by the Governmental Accounting Standards Board (GASB) consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete. Accordingly, the financial statements include the accounts of the Technical College of the Lowcountry, as the primary government. The College evaluates potential component units on an annual basis and presents component units that are deemed significant. As of June 30, 2009, the College has determined there are no significant component units. The Technical College of the Lowcountry has determined that it is not a component of another entity. The College is part of the primary government of the State of South Carolina.

**Financial Statements:** The financial statements for the College are presented in accordance with the requirements of Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The financial statement presentation provides a comprehensive, entity-wide perspective of the College's net assets, revenues, expenses and changes in net assets and cash flows that replaces the fund-group perspective previously required.

**Basis of Accounting:** For financial reporting purposes, the College is considered a special purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Student tuition and auxiliary enterprise fees are presented net of scholarships and fellowships applied to student accounts, while stipends and other payments made directly are presented as scholarship expenses. All significant intra-institutional transactions have been eliminated.

The College has elected not to apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989.

**Cash and Cash Equivalents:** For purposes of the statement of cash flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State of South Carolina State Treasurer's Office are considered cash equivalents.

## TECHNICAL COLLEGE OF THE LOWCOUNTRY

### Notes to Financial Statements

June 30, 2009

#### **NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**Investments:** Deposits and investments for the College are governed by the South Carolina Code of Laws, Section 11-9-660, and “Investments of Funds”, GASB Statement No. 40, *Deposits and Investment Risk Disclosures – an amendment to GASB Statement No. 3*, requires disclosures related to deposit risks, such as custodial credit risk, and interest risks, such as credit risk (including custodial credit risk and concentration of credit risks) and interest rate risk. The College accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses and changes in net assets.

**Accounts Receivable:** Accounts receivable consists of tuition and fee charges to students, gift pledges and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from the federal government, state and local governments, or private sources in connection with reimbursement of allowable expenditures made pursuant to the College’s grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

**Inventories:** Inventories for internal use are valued at cost. Inventories for resale are carried at the lower of cost or market on the specific identification basis.

**Capital Assets:** Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. The College follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions and renovations and other improvements that add to the usable space, prepare existing buildings for new uses, or extend the useful life of an existing building are capitalized. The College capitalizes movable personal property with a unit value in excess of \$5,000 and a useful life in excess of two years and depreciable land improvements, buildings and improvements, and intangible assets costing in excess of \$100,000. Routine repairs and maintenance and library materials, except individual items costing in excess of \$5,000, are charged to operating expenses in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and improvements and land improvements and 2 to 25 years for machinery, equipment, and vehicles. A full year of depreciation is taken in the year the asset is placed in service and no depreciation is taken in the year of disposition.

**Deferred Revenues and Deposits:** Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Deposits represent student fee deposits and other miscellaneous deposits. Student deposits are recognized as revenue during the semester for which the fee is applicable and earned.

**Compensated Absences:** Employee vacation pay expense is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as a component of long-term liabilities in the statement of net assets and as a component of benefit expenses in the statement of revenues, expenses, and changes in net assets.

# TECHNICAL COLLEGE OF THE LOWCOUNTRY

## Notes to Financial Statements

June 30, 2009

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

**Net Assets:** The College's net assets are classified as follows:

***Invested in capital assets, net of related debt:*** This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Effective July 1, 2006, the College adopted the provisions of GASB 46, ***Net Assets Restricted by Enabling Legislation***, which was promulgated by the Government Accounting Standards Board for fiscal years beginning after June 15, 2005. GASB 46 requires governments to disclose assets as restricted net assets if the use of the net assets is limited due to the imposition of "enabling legislation", which is defined as a legally enforceable restriction which a party external to the government can compel a government to honor. As of June 30, 2009, the Statement of Net Assets includes \$114,000 in capital assets (nondepreciable land) which is restricted by enabling legislation. The land, which was conveyed to the College in 1968, includes a restriction imposed by the grantor requiring the property be used for educational purposes in perpetuity.

***Restricted net assets – expendable:*** Restricted expendable net assets include resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties. The Statement of Net Assets includes \$1,322 in restricted expendable net assets resulting from loans made to nursing students.

***Restricted net assets – nonexpendable:*** Nonexpendable restricted net assets include financial resources which are required to be maintained in perpetuity. The College has no nonexpendable restricted net assets.

***Unrestricted net assets:*** Unrestricted net assets represent resources derived from student tuition and fees, appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose. The resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

The College policy for applying expenses that can use both restricted and unrestricted resources is delegated to the departmental administrative level. General practice is to first apply the expense to restricted resources and then to unrestricted resources.

**Income Taxes:** The College is exempt from income taxes under the Internal Revenue Code.

**Classification of Revenues:** The College has classified its revenues as either operating or non-operating revenues according to the following criteria:

***Operating revenues:*** Operating revenues generally result from exchange transactions to provide goods or services related to the College's principal ongoing operations. These revenues include student tuition and fees received in exchange for providing educational

# TECHNICAL COLLEGE OF THE LOWCOUNTRY

## Notes to Financial Statements June 30, 2009

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

services, and other related services to students, fees received by the College cosmetology department in exchange for providing services, receipts for scholarships where the provider has identified the student recipients, fees received from organizations and individuals in exchange for miscellaneous goods and services provided by the College, and grants and contracts that are essentially the same as contracts for services that finance programs the College would not otherwise undertake.

***Non-operating revenues:*** Non-operating revenues include activities that have the characteristics of non-exchange transactions. These revenues include gifts and contributions, appropriations, investment income, and any grants and contracts that are not classified as operating revenue or restricted by the grantor to be used exclusively for capital purposes.

***Scholarship discounts and allowances:*** Student tuition and fee revenues are reported net of scholarship discounts and allowances in the statement of revenues, expenses and changes in net assets. Scholarship allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain grants, such as Pell and other Federal, state or nongovernmental programs are recorded as either operating or non-operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

**Sales and Services of Educational and Other Activities:** Revenues from sales and services of educational and other activities generally consists of amounts received from instructional and public service activities that incidentally create goods and services which may be sold to students, faculty, staff, and the general public. The College receives such revenues primarily from the cosmetology and massage therapy department services.

**Auxiliary Enterprises and Internal Service Activities:** Auxiliary enterprise revenues primarily represent revenues generated by vending, bookstore and cosmetology services. Revenues on internal service and auxiliary enterprise activities and the related expenditures of college departments have been eliminated.

**Classification of Expenses:** The College has classified its expenses as either operating or non-operating expenses according to the following criteria:

***Operating expenses:*** Operating expenses generally result from the purchasing of goods or services related to the College's principal ongoing operations. These expenses include (1) salaries and benefits paid to employees for providing educational services and other related services to students; (2) utilities to maintain the educational buildings; (3) supplies and services for goods and services provided to the College; (4) scholarship expenses for student financial assistance; and (5) depreciation expense for capital items.

***Non-operating expenses:*** Non-operating expenses include activities that have the characteristics of non-exchange transactions. These expenses include interest expense and capital items purchased.

# TECHNICAL COLLEGE OF THE LOWCOUNTRY

## Notes to Financial Statements June 30, 2009

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

**Use of Estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the related footnotes. Actual results may vary from those estimates.

### NOTE 2 CASH, DEPOSITS AND INVESTMENTS

The following schedule reconciles cash and investments as reported on the Statement of Net Assets to footnote disclosure provided for deposits and investments.

Statement of Net Assets:

Cash and cash equivalents	\$1,930,971
Restricted cash and cash equivalents	6,588
Investments	<u>4,033,103</u>
Total Cash and Investments on Statement of Net Assets	<u>\$5,970,662</u>

Disclosure, Deposits and Investments Plus Reconciling Items:

Carrying value deposits:	
Held by financial institutions	\$1,936,424
Investments held by financial institutions, reported amount	4,033,103
Cash on hand	<u>1,135</u>
Total Disclosure, Deposits and Investments Plus Reconciling Items	<u>\$5,970,662</u>

**Investments:** The College is authorized, by the South Carolina Code of Laws, Section 11-9-660, to invest in obligations of the United States and its agencies, obligations of the State of South Carolina and its political subdivisions, collateralized or federally insured certificates of deposit, and collateralized repurchase agreements.

The College's investments at June 30, 2009, that are not with the State Treasurer's Office are presented below. All investments are presented by investment type and debt securities are presented by maturity.

#### **The Technical College of the Lowcountry Investments:**

<u>Investment Type</u>	<u>Fair Value Amount</u>	<u>Less Than 1</u>	<u>Investment Maturities (in years)</u>		
			<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
<u>Debt Securities</u>					
Money Market Mutual Funds	\$ 783,103	\$ 783,103			
<u>Other Investments</u>					
Certificates of Deposit	<u>3,250,000</u>	<u>3,250,000</u>			
<b>TOTAL INVESTMENTS</b>	<u><u>\$4,033,103</u></u>	<u><u>\$4,033,103</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>



# TECHNICAL COLLEGE OF THE LOWCOUNTRY

## Notes to Financial Statements

June 30, 2009

### NOTE 2 CASH, DEPOSITS AND INVESTMENTS - (Continued)

**Deposits:** State Law requires that a bank or savings and loan association receiving State funds must secure the deposits by deposit insurance, surety bonds, collateral securities, or letters of credit to protect the State against any loss.

**Credit Risk:** Credit Risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligation. The Technical College of the Lowcountry investment policy does not address credit risk.

**Custodial Credit Risk:** Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the College will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Technical College of the Lowcountry does not maintain a deposit policy regarding custodial credit risk. The College's deposits at June 30, 2009 had carrying balances of \$1,937,559 and bank balances of \$2,387,376 due to outstanding checks exceeding deposits in transit. Of these bank balances, \$323,480 was insured by the Federal Deposit Insurance Corporation and the balance was collateralized by U.S. Government securities held by Bank of New York in the name of the College as the pledging institutions agent.

The College's investment in money market mutual funds at June 30, 2009, was held in the College's name by the College's custodial bank, Banc of America Securities, LLC. Banc of America Securities is a member of the Securities Investor Protector Corporation, which protects customers' accounts in the event of the member's insolvency, up to \$500,000. The College's investment in the money market account was collateralized by the underlying U.S. Treasury Securities in which the money market account is invested.

Of the College's investment in certificates of deposit at June 30, 2009, \$1,676,520 was insured by the Federal Deposit Insurance Corporation, \$750,000 was collateralized by U.S. Government Securities held by a third party in the name of the College while the remainder of \$823,480 plus accrued interest was uncollateralized and uninsured.

**Concentration of Credit Risk:** Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Technical College of the Lowcountry investment policy does not address concentration of credit risk.

**Foreign Currency Risk:** The Technical College of the Lowcountry does not maintain deposits that are denominated in a currency other than the United States dollar; therefore, the College is not exposed to this risk.

**Interest Rate Risk:** Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. It occurs because potential purchasers of debt securities will not agree to pay face value for those securities, if interest rates subsequently increase, thereby affording potential purchasers more favorable rates on essentially equivalent securities. The Technical College of the Lowcountry investment policy does not address interest rate risk.

TECHNICAL COLLEGE OF THE LOWCOUNTRY

Notes to Financial Statements  
June 30, 2009

**NOTE 3 ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2009, including applicable allowances, are summarized as follows:

**Receivables:**

Student Accounts	\$2,512,995
Other Accounts	100,319
Accrued Interest	29,537
Due from Federal and Other Grantors	1,156,071
Loans and Notes	1,322
Gross Receivables	<u>3,800,244</u>

**Less: Allowance for Uncollectible Accounts**

Student Accounts	(658,689)
Other Accounts	(4,676)
Total Allowances for Uncollectible Accounts	<u>(663,365)</u>

Receivables, Net \$3,136,879

Allowances for losses for student accounts receivable are established based upon actual losses experienced in prior years and evaluations of the current account portfolio.

Loans receivable represent loans made to nursing students. Promissory notes were executed at the time of the loan disbursement.

# TECHNICAL COLLEGE OF THE LOWCOUNTRY

## Notes to Financial Statements June 30, 2009

### NOTE 4 CAPITAL ASSETS

There was no construction period interest to be capitalized. Capital assets as of June 30, 2009 are summarized as follows:

	Balance June 30, 2008	Increases	Decreases	Balance June 30, 2009
<b>Capital assets not being depreciated</b>				
Land and improvements	\$3,283,324	\$ -	\$ -	\$3,283,324
Construction in progress	108,588	743,189	-	851,777
<b>Total Capital Assets not being depreciated</b>	<b>3,391,912</b>	<b>743,189</b>	<b>-</b>	<b>4,135,101</b>
<b>Other capital assets</b>				
Depreciable land improvements	2,211,394	-	-	2,211,394
Buildings and improvements	20,115,683	-	-	20,115,683
Machinery and equipment	1,549,650	54,028	(25,911)	1,577,767
Vehicles	74,462	17,906	-	92,368
<b>Total other capital assets at historical cost</b>	<b>23,951,189</b>	<b>71,934</b>	<b>(25,911)</b>	<b>23,997,212</b>
<b>Less accumulated depreciation for</b>				
Depreciable land improvements	(318,518)	(156,546)	-	(475,064)
Buildings and improvements	(6,637,724)	(522,802)	-	(7,160,526)
Machinery and equipment	(1,107,871)	(174,640)	25,911	(1,256,600)
Vehicles	(66,626)	(8,299)	-	(74,925)
<b>Total accumulated depreciation</b>	<b>(8,130,739)</b>	<b>(862,287)</b>	<b>25,911</b>	<b>(8,967,115)</b>
<b>Other capital assets, net</b>	<b>15,820,450</b>	<b>(790,353)</b>	<b>-</b>	<b>15,030,097</b>
<b>Capital assets, net</b>	<b>\$19,212,362</b>	<b>(\$47,164)</b>	<b>-</b>	<b>\$19,165,198</b>

### NOTE 5 PENSION PLANS

The Retirement Division of the State Budget and Control Board maintains four independent defined benefits plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR), which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to the Retirement Division, Post Office Box 11960, Columbia, South Carolina 29211-01960. Furthermore, the Division and the four pension plans are included in the CAFR of the State of South Carolina.

# TECHNICAL COLLEGE OF THE LOWCOUNTRY

## Notes to Financial Statements June 30, 2009

### NOTE 5 PENSION PLANS - (Continued)

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefits, and employees/employer contributions of each pension plan. Employee and employer contributions rates for the South Carolina Retirement System and the Police Officers Retirement System are actuarially determined. Annual benefits, payable monthly for life, are based on length of service and on average final compensation.

#### *South Carolina Retirement System*

The majority of employees of the College are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division, a public employee retirement system. Generally all State employees are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws. This plan provides retirement annuity benefits as well as disability, cost of living adjustments, death, and group-life insurance benefits to eligible employees and retirees.

On July 1, 2006, the required employee contribution increased to 6.5%. Effective July 1, 2008, the employer contribution rate became 12.74 %, which included a 3.5 % surcharge to fund retiree health and dental insurance coverage. The College's actual contributions to the SCRS for the three most recent fiscal years' ending June 30, 2009, 2008, and 2007, were \$730,205, \$698,982, and \$566,334, respectively and equaled the required contributions of 9.24 % (excluding the surcharge) for fiscal year 2009, 9.06 % (excluding the surcharge) for fiscal year 2008, and 8.05 % (excluding the surcharge) for fiscal year 2007. Also, the College paid employer group-life insurance contributions of \$11,854 in the current fiscal year at the rate of .15 % of compensation.

#### *Optional Retirement Program*

The State Optional Retirement Program (State ORP) was first established as the Optional Retirement Program for Higher Education in 1987. In its current form, the State ORP is an alternative to the defined benefit SCRS plan offered to certain state, public school and higher education employees of the State. The State ORP, which is administered by the South Carolina Retirement Systems, is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by investment providers. The State assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers and are governed by the terms of the contracts issued by them.

Under State law, contributions to the ORP are required at the same rates as for the SCRS, 9.24 % plus the retiree surcharge of 3.5 % from the employer in fiscal year 2009. A direct remittance is required from the employers to the investment providers for the employee contribution (6.5 %) and a portion of the employer contribution (5 %). Also, a direct remittance is required to SCRS for a portion of the employer contribution (4.24 %), which must be retained by SCRS.

Employees are eligible for group-life insurance benefits while participating in the State ORP. However, employees who participate in the State ORP are not eligible for postretirement group-life insurance benefits. For the fiscal year, total contribution requirements to the ORP were \$30,107 (excluding the surcharge) from the College as employer and \$21,179 from its employees as plan members. In addition, the College paid to the SCRS employer group-life insurance contributions of \$489 in the current fiscal year at the rate of .15 % of compensation.

# TECHNICAL COLLEGE OF THE LOWCOUNTRY

## Notes to Financial Statements

June 30, 2009

### NOTE 5 PENSION PLANS - (Continued)

#### *Deferred Compensation Plans*

Several optional deferred compensation plans are available to State employers of its political subdivisions. Certain employees of the College have elected to participate. The multiple-employer plans, created under Internal Revenue Code Sections 457, 401(k), and 403(b), are administered by third parties and are not included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the plans is placed in trust for the contributing employees. The State has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate state employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan.

#### *Teacher and Employee Retention Incentive*

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not make SCRS contributions, do not earn service credit, and are ineligible to receive group life insurance benefits or disability retirement benefits.

Effective July 1, 2005, retired SCRS members, including TERI participants working for a covered employer, pay the active employee contribution. Due to the State of South Carolina Supreme Court decision in *Layman et al v. South Carolina Retirement System and the State of South Carolina*, employees who chose to participate in the TERI program prior to July 1, 2005 are not required to make SCRS contributions.

### NOTE 6 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

#### **Plan Description**

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides postemployment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents. The College contributes to the Retiree Medical Plan (RMP) and the Long-term Disability Plan (LTDP), cost-sharing multiple-employer defined benefit postemployment healthcare and long-term disability plans administered by the Employee Insurance Program (EIP), a part of the State Budget and Control Board (SBCB). Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires May 2, 2008 and after, retirees are eligible for benefits if they have established twenty-five years of service for 100% employer funding and fifteen through twenty-four years of service for 50% employer funding. Benefits become effective when the former employee retires under a State retirement system. Basic long-term disability (BLTD) benefits are provided to active state, public school district and participating local government employees approved for disability.

# TECHNICAL COLLEGE OF THE LOWCOUNTRY

## Notes to Financial Statements June 30, 2009

### **NOTE 6 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - (Continued)**

#### **Funding Policies**

Section 1-11-710 and 1-11-720 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment healthcare and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the EIP and participating retirees to the SBCB except the portion funded through the pension surcharge and provided from other applicable sources of the EIP for its active employees who are not funded by State General Fund appropriations. Employers participating in the RMP are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, which was 3.50 % of annual covered payroll for 2009, 3.42 % of annual covered payroll for 2008, and 3.35 % of annual covered payroll for 2007. The EIP sets the employer contribution rate based on a pay-as-you-go basis. The College's contributions to the SCRS for the three most recent fiscal years ending June 30, 2009, 2008, and 2007, were approximately \$288,000, \$268,000, and \$240,000, respectively, applicable to the surcharge included with the employer contribution for retirement benefits. The BLTD benefits are funded through a per person premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to EIP was \$3.23 for the fiscal years ended June 30, 2009, 2008, and 2007.

Effective May 1, 2008 the State established two trust funds through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits and long-term disability insurance benefits. The South Carolina Retiree Health Insurance Trust Fund is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated EIP reserves, and income generated from investments. The Long Term Disability Insurance Trust Fund is primarily funded through investment income and employer contributions.

One may obtain complete financial statements for the benefit plans and the trust funds from Employee Insurance Program, 1201 Main Street, Suite 360, Columbia, SC 29201.

### **NOTE 7 CONTINGENCIES, LITIGATIONS, AND PROJECT COMMITMENTS**

The College is not currently involved in any active claims or lawsuits, nor is it aware of any pending claims or litigation that would affect the College's financial position.

The College participates in certain Federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. The College is not aware of any contingent liabilities related to the Federal grant programs.

Necessary funding has been obtained for the acquisition, construction, renovation, and equipping of certain facilities, which will be capitalized in the applicable capital asset categories upon completion. At June 30, 2009, the College had outstanding commitment balances of \$216,514 for these projects.

# TECHNICAL COLLEGE OF THE LOWCOUNTRY

## Notes to Financial Statements June 30, 2009

### NOTE 8 LEASE OBLIGATIONS

#### *Operating Leases*

The College has an operating lease agreement with Pitney Bowes Credit Corporation for a mail system. The lease term is for 60 months and commenced on June 30, 2006. The lease agreement calls for 12 monthly payments of \$395.58, followed by 48 monthly payments of \$502.25.

#### *Contingent Rentals*

The College leases all copier equipment from external parties. The lease terms are for 60 months and are payable monthly. The basis for the monthly rental payments is cost per copy. Total rental payments for copier equipment were \$67,749 during fiscal year 2009.

#### *Capital Leases*

The College acquired a twenty-five year capital lease during fiscal year 2007 related to the development of the New River Campus. Beaufort County leases the facilities to the College at a nominal rate of \$10 per year. Under the terms of the lease, the College is responsible for all maintenance and operational costs. The lease term of twenty-five years could be reduced with an earlier retirement of Beaufort County's Tax Increment Financing (TIF) bonds. The minimum lease payments are calculated with an implicit rate of 4.25%.

The future minimum lease payments under the lease obligation are as follows:

<u>For the year ending</u>	<u>Lease Payments Due to External Parties</u>
2010	\$ 10
2011	10
2012	10
2013	10
2014	10
2015-2019	50
2020-2024	50
2025-2029	50
2030-2031	<u>20</u>
Total future minimum lease payments	\$ 220
Less: interest portion	<u>(79)</u>
Lease obligation outstanding	<u>\$ 141</u>

**TECHNICAL COLLEGE OF THE LOWCOUNTRY**

**Notes to Financial Statements  
June 30, 2009**

**NOTE 8 LEASE OBLIGATIONS – (continued)**

*Assets acquired under capital lease:*

Land	\$ 2,141,399
Land Improvements	1,915,045
Buildings	5,767,869
Total assets acquired under capital lease	\$ 9,824,313
Less: Accumulated Depreciation	(834,363)
Assets acquired under capital lease, net	\$ 8,989,950

**NOTE 9 LONG-TERM LIABLILITES**

Long-term liabilities activity for the year ended June 30, 2009 was as follows:

	Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009	Due Within One Year
Obligation under Capital Lease	\$ 1,427,143	\$ -	\$ 42,857	\$ 1,384,286	\$ 47,143
Accrued Compensated Absences	707,218	57,028	66,217	698,029	55,576
Total Long Term Liabilities	\$ 2,134,361	\$ 57,028	\$ 109,074	\$ 2,082,315	\$ 102,719

The College is obligated for payment of \$1,384,286 on original debt of \$1,500,000 of a \$17,500,000 General Obligation Bond Issue by Beaufort County in 2006. The proceeds were used in the construction of the New River Campus. The interest rate is 4.25%. Interest paid on the debt during the fiscal year ended June 30, 2009 was \$60,284. The scheduled maturities of the bonds payable is as follows:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Payments</b>
2010	\$ 47,143	\$ 58,784	\$ 105,927
2011	51,429	57,134	108,563
2012	55,714	55,077	110,791
2013	60,000	53,057	113,057
2014	64,286	50,882	115,168
2015-2019	385,714	204,354	590,068
2020-2024	492,857	112,232	605,089
2025-2026	227,143	14,571	241,714
Total	\$ 1,384,286	\$ 606,091	\$ 1,990,377



# TECHNICAL COLLEGE OF THE LOWCOUNTRY

## Notes to Financial Statements June 30, 2009

### NOTE 10 RELATED ORGANIZATIONS, RELATED PARTY TRANSACTIONS, AND TRANSACTIONS WITH DISCRETELY PRESENTED COMPONENT UNITS

Certain separately chartered legal entities whose activities are related to those of the College exist primarily to provide financial assistance and other support to the College and its educational program. Financial statements for these entities are audited by independent auditors and retained by them. They include the Technical College of the Lowcountry Foundation, Inc. (the Foundation). The activities of this entity are not included in the College's financial statements. However, the College's statements include transactions between the College and this related party.

Management reviewed its relationships with the Foundation under the existing guidance of GASB Statement No. 14, as amended by GASB 39. The College excluded this organization from the reporting entity because it is not financially accountable for it, and the assets of the Foundation are not significant to the College's overall assets.

Following is a more detailed discussion of the Foundation and a summary of significant transactions between the Foundation and the College for the year ended June 30, 2009.

#### *The Technical College of the Lowcountry Foundation, Inc.*

The Foundation is a separately chartered corporation organized exclusively to receive and manage private funds for the exclusive benefit and support of the Technical College of the Lowcountry. Its Board of Directors governs the Foundation's activities.

The College received scholarships for books and stipends totaling \$61,797 and non-governmental grants of \$16,463 from the Foundation in operating revenues for the fiscal year ending June 30, 2009. These funds were used to support College programs such as scholarships. The Foundation reimburses the College for any purchases made by the College on behalf of the Foundation, in addition to salary paid to the TCL Foundation Director on behalf of the Foundation. The College also provides office space to the Foundation. The value of this office space was approximately \$7,350 for the year ended June 30, 2009. The College does not provide administrative services to the Foundation.

The net assets of the TCL Foundation were \$555,232 at June 30, 2009.

Amounts due from the TCL Foundation as of June 30, 2009 are as follows:

Due from TCL Foundation	<u>\$3,683.</u>
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# TECHNICAL COLLEGE OF THE LOWCOUNTRY

## Notes to Financial Statements June 30, 2009

### NOTE 11 RISK MANAGEMENT

The College is exposed to various risks of loss and maintains State or commercial insurance coverage for each of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. Settlement claims have not exceeded this coverage in any of the past three years.

The State of South Carolina believes it is more economical to manage certain risks internally and set aside assets for claim settlement. Several state funds accumulate assets and the State itself assumes substantially all the risk for the following claims of covered employees:

- Unemployment compensation benefits
- Worker's compensation benefits for job-related illnesses or injuries
- Health and dental insurance benefits
- Long-term disability and group-life insurance benefits

Employees elect health insurance coverage through either a health maintenance organization or through the State's self-insured plan.

The College and other entities pay premiums to the State's Insurance Reserve Fund (IRF), which issues policies, accumulates assets to cover the risk of loss, and pays claims incurred for covered losses relating to the following activities:

- Theft, damage to, or destruction of assets
- Real property, its contents, and other equipment
- Motor vehicles
- Torts
- Natural disasters
- Medical malpractice claims against the Infirmary

The IRF is a self-insurer and purchases reinsurance to obtain certain services and to limit losses in certain areas. The IRF's rates are determined actuarially.

The College obtains coverage through a commercial insurer for employee's fidelity bond insurance for all employees for losses arising from theft or misappropriation.

# TECHNICAL COLLEGE OF THE LOWCOUNTRY

## Notes to Financial Statements June 30, 2009

### NOTE 12 OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification for the year ended June 30, 2009 are summarized as follows:

	Salaries	Benefits	Scholarships	Utilities	Supplies and Services	Depreciation	Total
Instruction	\$ 4,028,760	\$ 1,013,851	\$ -	\$ -	\$ 927,414	\$ -	\$ 5,970,025
Academic Support	1,218,932	312,073	-	-	621,080	-	2,152,085
Student Services	1,521,420	405,361	-	-	786,890	-	2,713,671
Operation and Maintenance of Plant	540,086	178,372	-	503,633	639,906	-	1,861,997
Institutional Support	1,555,273	437,207	-	-	786,052	-	2,779,432
Scholarships	-	-	1,874,997	-	-	-	1,874,997
Auxiliary Enterprises	145,708	42,516	-	9,572	940,952	-	1,138,748
Depreciation	-	-	-	-	-	862,287	862,287
Total Operating Expenses	<u>\$ 9,010,179</u>	<u>\$ 2,389,380</u>	<u>\$ 1,874,997</u>	<u>\$ 513,205</u>	<u>\$ 4,703,194</u>	<u>\$ 862,287</u>	<u>\$ 19,353,242</u>

### NOTE 13 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses as of June 30, 2009, are summarized as follows:

#### Payables

Accounts Payable Trade	\$ 162,458
Construction Retainages Payable	49,448
Student Loans Repayable	101,560
Due to students	35,683
Accrued Interest Expense	14,696
Other Accrued Liabilities	2,167
Total Accounts Payable	<u>\$ 366,012</u>

### NOTE 14 – DEFERRED REVENUE

Deferred revenues as of June 30, 2009, are summarized as follows:

#### Deferred Revenue

Fall 2009 Tuition	\$ 1,364,823
Summer 2009 Tuition	491,111
Fall Registration Fees	26,275
Fall Technology Fees	44,540
Federal Grants and Contracts	16,791
State Grants and Contracts	62,599
Non-Governmental Grants and Contracts	88,016
Total Deferred Revenue	<u>\$ 2,094,155</u>

# TECHNICAL COLLEGE OF THE LOWCOUNTRY

## Notes to Financial Statements June 30, 2009

### NOTE 15 STATE APPROPRIATIONS

State funds for the South Carolina Technical College System are appropriated to the State Board for Technical and Comprehensive Education (the Board), and the Board allocates funds budgeted for the technical colleges in a uniform and equitable manner. Appropriations are recognized as revenue when received and available. Amounts that are not expended by fiscal year-end lapse and are required to be returned to the General Fund of the State unless the Board receives authorization from the General Assembly to carry the funds over to the next year.

A reconciliation of the state appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2009 to the amount requested for reimbursement from the State Board for Technical and Comprehensive Education follows:

Non-Capital State Appropriations	
State Board Allocation for Salaries and Benefits	\$ 3,787,790
Allied Health Initiative	469,578
EEDA Pathways	48,754
Critical Needs Nursing Salaries	19,472
Lottery Equipment	121,064
Current Year Appropriations Paid by State	<u>4,446,658</u>
Adjustments	
Deferred Revenue - Beginning of Year	91,669
Deferred Revenue - End of Year	<u>(37,310)</u>
Total Non-capital Appropriations Recorded as Current Year Revenue	<u>\$ 4,501,017</u>

**TECHNICAL COLLEGE OF THE LOWCOUNTRY**

**Notes to Financial Statements  
June 30, 2009**

**NOTE 16 STATEMENT OF ACTIVITIES**

As noted in Note 1, for financial statement reporting purposes The Technical College of the Lowcountry is considered to be a special purpose government engaged only in business-type activities. As a result, the College is also required to report its operations for inclusion in the State's government-wide Statement of Activities.

	<u>2009</u>	<u>2008</u>	<u>Increase/ (Decrease)</u>
Charges for services	\$ 11,696,567	\$ 9,776,123	\$ 1,920,444
Operating grants and contributions	2,948,266	3,151,203	(202,937)
less: expenses	<u>(19,407,949)</u>	<u>(18,603,438)</u>	<u>(804,511)</u>
Net program revenue (expense)	(4,763,116)	(5,676,112)	912,996
Transfers:			
State appropriations	4,501,017	5,861,270	(1,360,253)
Total general revenue and transfers	<u>4,501,017</u>	<u>5,861,270</u>	<u>(1,360,253)</u>
Change in net assets	(262,099)	185,158	(447,257)
Net assets - beginning	<u>24,221,056</u>	<u>24,035,898</u>	185,158
Net assets - ending	<u>\$23,958,957</u>	<u>\$24,221,056</u>	<u>\$ (262,099)</u>

**COMPLIANCE SECTION**



**KEVIN CAIN, CPA, LLC**  
Certified Public Accountant & Consultants

**Independent Auditors' Report on State Lottery Tuition Assistance**

Technical College of the Lowcountry  
Beaufort, South Carolina

As a part of our examination of the financial statements of the Technical College of the Lowcountry as of and for the year ended June 30, 2009, we considered the administrative procedures and internal controls related to the State Lottery Tuition Assistance Program in order to determine that the College administered the program in accordance with the State law and Policy 3-2-307 and Procedure 3-2-307.1 of the State Board of Technical and Comprehensive Education.

We used the random systematic method for sample selection, and selected twenty-five students from the College's list of award recipients. We examined the individual files maintained in the financial aid office of each applicant selected to determine that each file contained the necessary information and documentation to determine eligibility. We also determined that any lottery tuition assistance awarded did not exceed the remaining cost of tuition and academic fees for the applicable semester after first applying Pell grants, FSEOG, SC Need-Based grants and other applicable grants.

We also selected a sample of students deemed ineligible for the Lottery Tuition Assistance Program, determined that the students were granted the right to appeal the decision by submitting a written request to the institution's Director of Financial Aid, and determined that the students' requests were handled in accordance with the institution's financial aid procedures.

We traced amounts to the student account detail to determine that the awarded amounts were identifiably credited to the same student's account.

The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

In our opinion, the State Lottery Tuition Assistance Program has been administered in accordance with South Carolina law, as well as, Policy 3-2-307 and Procedure 3-2-307.1 of the State Board of Technical and Comprehensive Education.

This report is intended solely for the use of management of the Technical College of the Lowcountry Commission

*Kevin Cain, CPA, LLC*

Beaufort, South Carolina  
September 29, 2009

**TECHNICAL COLLEGE OF THE LOWCOUNTRY**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2009**

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>June 30, 2009 Expenditures</u>
<u><i>US Dept of Education</i></u>		
<i>Passed through South Carolina Department of Education:</i>		
Perkins IV	84.048	\$ 173,612
<i>Direct:</i>		
<i>Student Financial Assistance Program Cluster</i>		
Federal Work-Study Programs	84.033	119,808
Federal Supplemental Education Opportunity Grant	84.007	41,613
Federal Pell Grant Program	84.063	3,541,563
Total Student Financial Assistance Program Cluster	*	<u>3,702,984</u>
<i>TRIO Program Cluster</i>		
Talent Search	84.044	324,191
Upward Bound	84.047	351,574
Student Support Services	84.042	275,605
Total TRIO Program Cluster		<u>951,370</u>
<b>Strengthening Minority Serving Institutions</b>		
PILAU - Predominantly Black Institution Grant	84.382	* 285,328
<b>Total US Department of Education</b>		<u>5,113,294</u>
<u><i>U.S. Department of Agriculture</i></u>		
<i>Direct:</i>		
<i>Rural Business Enterprise</i>	10.783	<u>22,932</u>
<u><i>U.S. Department of Labor</i></u>		
<i>Passed through the SC Department of Commerce:</i>		
<i>Workforce Investment Act- Workforce Development</i>	17.258	35,702
<i>Direct:</i>		
<i>Mine Safety Health and Safety Administration</i>	17.600	<u>109,860</u>
<b>Total US Department of Labor</b>		<u>145,562</u>
<u><i>U.S. Department of Health and Human Services</i></u>		
<i>Passed through Greenville Technical College:</i>		
<i>First Steps- Early Childhood Development</i>	93.575	<u>2,681</u>
<b>Total Federal Assistance</b>		<u>\$5,284,469</u>

\* Major Federal Assistance Program



**TECHNICAL COLLEGE OF THE LOWCOUNTRY**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2009**

**Note 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Technical College of the Lowcountry and is presented on the accrual basis of accounting. The information in the 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.



**KEVIN CAIN, CPA, LLC**  
Certified Public Accountant & Consultants

**Independent Auditors' Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters  
based on an Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards**

Technical College of the Lowcountry  
Beaufort, South Carolina

We have audited the financial statements of Technical College of the Lowcountry as of and for the year ended June 30, 2009, and have issued our report thereon dated September 29, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Technical College of the Lowcountry's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the Technical College of the Lowcountry's financial statements that is more than inconsequential will not be prevented or detected by the Technical College of the Lowcountry's internal control.

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

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



Compliance and Other Matters

As part of obtaining reasonable assurance about whether Technical College of the Lowcountry'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*.

We noted certain matters that we reported to management of Technical College of the Lowcountry dated September 29, 2009.

This report is intended solely for the information and use of management, the audit committee, others within the organization, 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.

*Kevin Cain, CPA, LLC*

Beaufort, South Carolina

September 29, 2009



**KEVIN CAIN, CPA, LLC**  
Certified Public Accountant & Consultants

**Independent Auditors' Report on Compliance  
with Requirements Applicable to each Major Program  
and on Internal Control over Compliance  
in Accordance with OMB Circular A-133**

Technical College of the Lowcountry  
Beaufort, South Carolina

Compliance

We have audited the compliance of Technical College of the Lowcountry, 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 June 30, 2009. Technical College of the Lowcountry's major federal programs are identified in the summary of auditor'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 Technical College of the Lowcountry's management. Our responsibility is to express an opinion on Technical College of the Lowcountry'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 Technical College of the Lowcountry'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 Technical College of the Lowcountry's compliance with those requirements.

In our opinion Technical College of the Lowcountry complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009.

### Internal Control Over Compliance

The management of Technical College of the Lowcountry is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Technical College of the Lowcountry's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Technical College of the Lowcountry's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

This report is intended solely for the information and use of management, the audit committee, others within the organization, 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.

*Kevin Cain, CPA, LLC*

Bcaufort, South Carolina  
September 29, 2009

TECHNICAL COLLEGE OF THE LOWCOUNTRY

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2009

Summary of Auditors' Results

1. The independent auditors' report expressed an unqualified opinion on the financial statements of Technical College of the Lowcountry.
2. No control deficiencies in internal control over financial reporting were reported.
3. No instances of noncompliance material to the financial statements of Technical College of the Lowcountry were disclosed during the audit.
4. No control deficiencies in internal control over major federal award programs were disclosed.
5. The auditors' report on compliance for the Technical College of the Lowcountry's major federal program expressed an unqualified opinion.
6. No audit findings required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
7. The programs tested as major programs include:

<u>Programs</u>	<u>CFDA#</u>	<u>Federal Expenditures</u>
Federal Work-Study Program	84.033	\$ 119,808
Federal Supplemental Education Opportunity Grant	84.007	41,613
Federal Pell Grant Program	84.063	3,541,563
Predominantly Black Institution Grant	84.382	285,328
Total Student Financial Assistance Program Cluster		<u>\$ 3,988,312</u>

8. The threshold for distinguishing between Type A and B programs was \$300,000.
9. Technical College of the Lowcountry did not qualify as a low-risk auditee.

Findings – Financial Statement Audit

None

Findings and Questioned Costs for Federal Awards:

None

**TECHNICAL COLLEGE OF THE LOWCOUNTRY**

**Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2008**

**2008-1 Bank reconciliations:**

- Condition:** The College's bank reconciliation for its main operating account did not list all checks that were outstanding at year-end causing the College's cash balances to be overstated and other accounts to be misstated by a like amount.
- Recommendation:** We recommend that the College appoint an individual to review the monthly bank reconciliation who is independent of cash receipt and cash disbursement functions.
- Current Status:** Bank reconciliations are now being reviewed by the Vice President of Administration to verify that they are being properly prepared and reconciled to the general ledger.