



TECHNICAL COLLEGE OF THE LOWCOUNTRY

Financial Statements

For the Year Ended June 30, 2011

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

Audit Period - July 1, 2010 to June 30, 2011

Commission Members

Arthur E. Brown, Jr., Chairman	Beaufort County	01/97-07/2012
William Small, Jr., Vice Chairman	Hampton County	07/07-07/2011
Patricia Green, Secretary/Treasurer	Beaufort County	10/94-07/2014
Bill Bootle	Beaufort County	06/06-06/2014
Sheree Darien	Jasper County	07/08-07/2012
David Smalls	Colleton County	06/08-06/2012
Heather Winch	Beaufort County	07/08-07/2012

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 Jones, Vice President for Student Affairs

Dianne Garnett, Executive Director of TCL Foundation

Area Served by Commission

Beaufort County

Colleton County

Hampton County

Jasper County

Counties Providing Financial Support

Beaufort County

Colleton County

Hampton County

Jasper County

**TECHNICAL COLLEGE OF THE LOWCOUNTRY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

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FINANCIAL SECTION



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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, 2011, 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, 2011, 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, 2011, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the

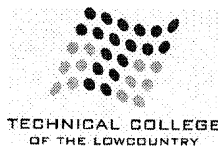


basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 pages 34 and 35 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 is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Kevin Cain, CPA, LLC

Beaufort, South Carolina
September 29, 2011



MANAGEMENT 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, 2011 and June 30, 2010. 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, 2011, by \$25.1 million. Of this amount, \$7.6 million is available to meet the College's ongoing obligations with the balance invested in capital assets.
- The College's net assets increased by 2% or \$0.5 million. The increase is attributed to a temporary funding boost from the American Recovery and Reinvestment Act.

- The College's total liabilities increased by \$0.8 million due primarily to an increase in deferred tuition revenue.
- The College experienced a net operating loss of \$14.1 million as reported in the statement of Revenues, Expenses, and Changes in Net Assets. The operating loss was offset by non-operating revenues from federal grants as well as state and local appropriations of \$14.0 million.
- Operating revenues were down by \$0.8 million for the year, due primarily to a decrease in both federal and state grant revenues.

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, 2011
With Comparative Totals for 2010**

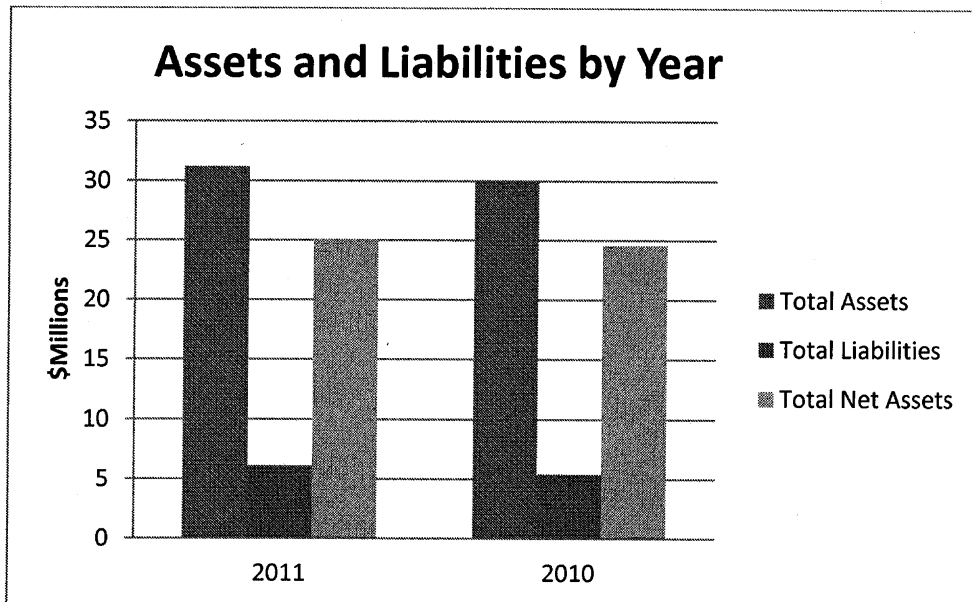
	(In millions)	
	<u>2011</u>	<u>2010</u>
Current Assets	\$ 12.5	\$ 11.2
Non-current Assets	<u>18.8</u>	<u>18.8</u>
Total Assets	<u>\$ 31.3</u>	<u>\$ 30.0</u>
Current Liabilities	4.2	3.4
Non-current Liabilities	<u>2.0</u>	<u>2.0</u>
Total Liabilities	<u>6.2</u>	<u>5.4</u>
Net Assets		
Investment in Capital Assets	17.5	17.5
Unrestricted	<u>7.6</u>	<u>7.1</u>
Total Net Assets	<u>25.1</u>	<u>24.6</u>
Total Liabilities and Net Assets	<u>\$ 31.3</u>	<u>\$ 30.0</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 \$18.9 million at the close of the most recent fiscal year and reflect a decrease of \$0.3 million from the prior year.

By far the largest portion of the College's net assets (70%) 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 (.05%) of the College's net assets represent resources subject to external restrictions on how they may be used. *Unrestricted net assets* of \$7.6 million, or approximately 30%, may be used to meet the College's ongoing obligations.

Graphical representations of the basic components of the College's financial condition on June 30, 2011 with comparisons to the prior year are included below.



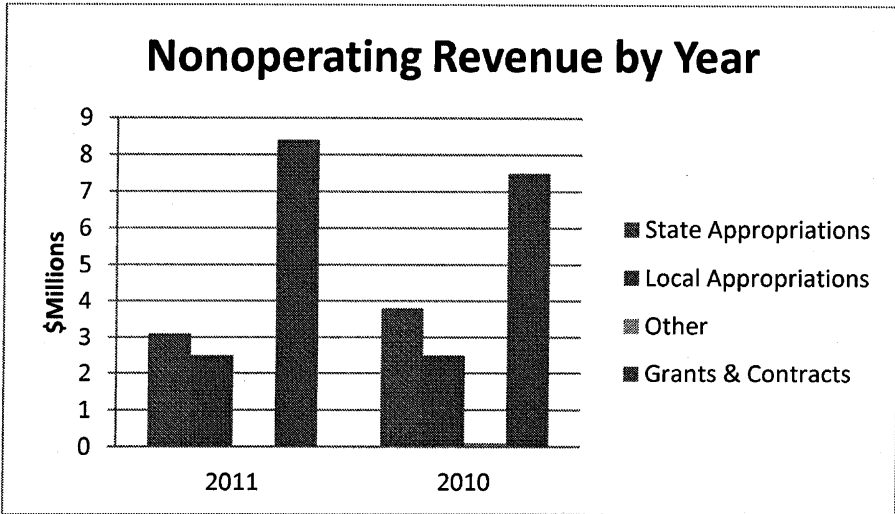
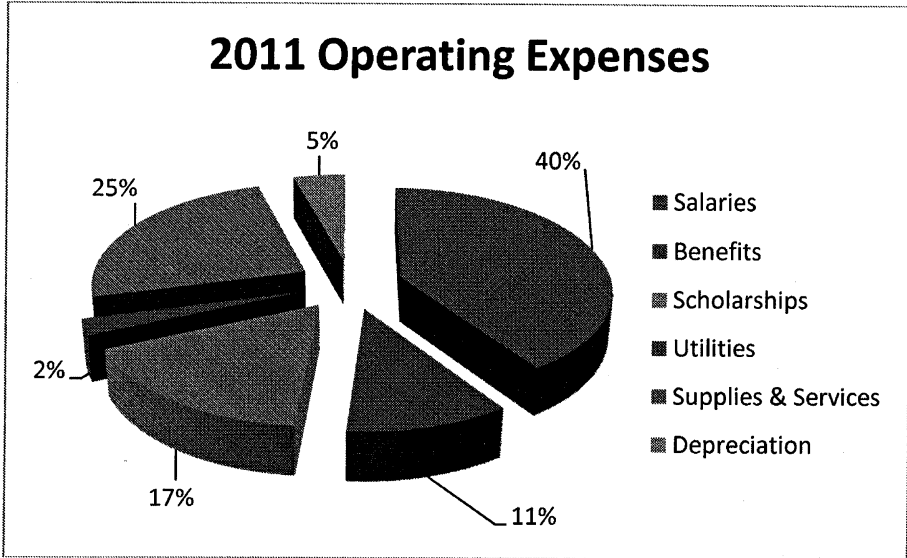
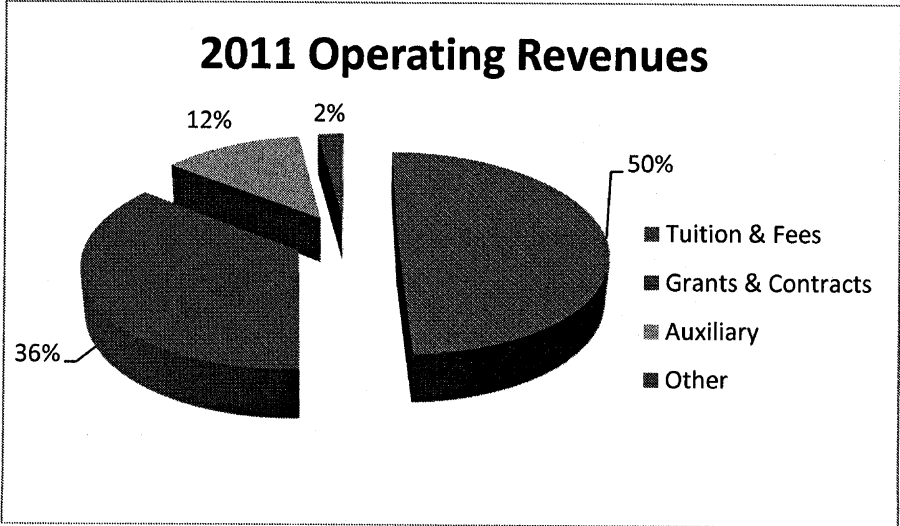
**Summary of Revenues, Expenses, and Changes in Net Assets
for Fiscal Year Ended
June 30, 2011 with Comparative Totals for June 30, 2010
(In millions)**

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

	<u>2011</u>	<u>2010</u>
Operating Revenue		
Tuition and Fees	\$ 4.4	\$ 3.8
Grants and Contracts	3.2	4.4
Auxiliary	1.1	1.1
Other	<u>0.1</u>	<u>0.3</u>
Total Operating Revenue	8.8	9.6
Less Operating Expenses	<u>22.9</u>	<u>23.0</u>
Net Operating Loss	<u>(14.1)</u>	<u>(13.4)</u>
Non-Operating Revenue		
Federal Grants and Contracts	8.4	7.5
State Appropriations	3.1	3.8
Local Appropriations	<u>2.5</u>	<u>2.5</u>
Total Non-operating Revenue	<u>14.0</u>	<u>13.8</u>
Income (Loss) before Other Revenues, Expenses, Gains (Losses)	(0.1)	0.4
Other Revenues, Expenses, Gains or (Losses)		
Capital Gifts, Grants and Contracts	<u>0.7</u>	<u>0.2</u>
Increase in Net Assets	0.6	0.6
Net Assets, Beginning of Year	<u>24.6</u>	<u>24.0</u>
Net Assets, End of Year	<u>\$ 25.1</u>	<u>\$ 24.6</u>
Total Revenues	<u>\$ 23.5</u>	<u>\$ 23.6</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.

Graphical representations of the of the College's revenue and expense data for the year ended June 30, 2011 with comparisons to the prior year as appropriate are included below.



Personnel costs of approximately \$11.7 million accounted for 51% of the College's operating expenses and reflect a 1% decrease over the prior year. Supplies and other services make up the second largest classification, accounting for 25% of operating expenses. Operating expenses in total decreased \$0.1 million from last year's values. 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, 2011 and June 30, 2010

(In millions)

	<u>2011</u>	<u>2010</u>
Net Cash Provided (Used) by Operating Activities	\$ (12.5)	\$ (13.2)
Net Cash Provided by Non-Capital Financing Activities	12.4	13.5
Net Cash Provided (Used) by Capital and Related Activities	(0.5)	(0.5)
Net Cash Provided (Used) by Investing Activities	<u>0.0</u>	<u>0.6</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(0.6)	0.4
Cash and Cash Equivalents- Beginning of the Year	<u>2.3</u>	<u>1.9</u>
Cash and Cash Equivalents- End of the Year	<u>\$ 1.7</u>	<u>\$ 2.3</u>

Cash and cash equivalents decreased by \$0.6 million. Cash provided from non-capital financing activities in the amount of \$12.4 million, consisting primarily of federal grants and state and local appropriations, was used to fund operating activities. The College's investments consist primarily of short-term certificates of deposit. The College completed the fiscal year with a cash and cash equivalent balance of \$ 1.7 million.

Capital Asset and Debt Administration

The capital assets net of depreciation remained level for the year. Depreciation charges to capital assets and equipment were roughly equivalent to the value of new construction projects and equipment placed in service.

The capital assets are summarized in the table that follows:

Capital Assets, Net June 30, 2011 with Comparative Totals for June 30, 2010

(In millions)

	<u>2011</u>	<u>2010</u>
Capital Assets		
Land and Improvements	\$ 6.7	\$ 6.6
Construction in Progress	0.3	0.1
Buildings and Improvements	20.6	20.2
Machinery & Equipment	1.8	1.7
Other Assets	<u>0.1</u>	<u>0.1</u>
Total Capital Assets	29.5	28.7
Less Accumulated Depreciation	<u>(10.7)</u>	<u>(9.9)</u>
Net Capital Assets	<u>\$ 18.8</u>	<u>\$ 18.8</u>

Economic Factors

The College's funding has historically come in approximate equal measure from three sources: State allocations, local (county) funding and tuition revenue. In recent years, the state portion of that funding mix has declined considerably. While funding to the Technical College system as a whole appears to have stabilized, TCL's share of that funding will continue to drop due to changes in the internal allocation formula. TCL's state appropriations of \$3.1 million made up only 14% of total revenues for the year. This was a reduction of \$0.7 million compared to fiscal year 2010, and a cumulative drop of \$2.8 million from 2008. Management does not expect to recover any of these funding losses in the near future.

Although county funding has remained stable through fiscal year 2011, funding cuts will occur beginning in 2012. One positive development in this area was the return of a modest funding allocation from Colleton County after many years of no funding. Despite the funding from Colleton County, local allocations are expected to drop a cumulative 15% for FY12.

Declines in state funding have been offset by substantial enrollment growth over the past three years. That growth appears to have peaked. Enrollment is projected to be flat, or even decline slightly, over the next few years. This potential combination of reduced funding and stagnant growth in the near future presents considerable financial challenges.

While the College's financial position remains solid, radical changes to the funding model must be adopted to assure future security. Enrollment, and the associated tuition revenue, will be imperative. The State Board granted Colleges unprecedented latitude in how they assess tuition charges this year. TCL has already taken advantage of this shift by modifying its tuition model to improve pricing fairness between "part-time" and "full-time" students, thus enabling the College to capture more revenue. Management expects that increases to base tuition rates will be necessary to maintain sufficient operating revenues.

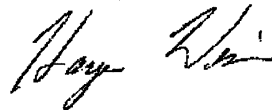
The College continues to pursue alternative revenue sources with an eye toward public/private partnerships. In 2010, TCL was granted the designation to operate an Enterprise Campus, which could further that goal. However, the future impact of these pursuits is still highly speculative

The uncertain outlook for future state and local appropriations and funding for capital projects to address deferred maintenance needs is a major concern for the College. The record enrollment the College is currently experiencing 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.

We will continue to be mindful stewards of the fiduciary trust given to us, with appreciation for all employees who work hard for the benefit of student learning.



President



Vice-President for Administrative Services

BASIC FINANCIAL STATEMENTS

TECHNICAL COLLEGE OF THE LOWCOUNTRY
Statement of Net Assets
June 30, 2011

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 1,670,309
Investments	3,520,868
Accounts Receivable, net	6,897,429
Inventories	303,847
Prepaid Expenses	122,171
Total Current Assets	<u>12,514,624</u>

Restricted Assets

Cash and Cash Equivalents	<u>13,107</u>
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Noncurrent Assets

Capital Assets, net of accumulated depreciation	15,171,711
Capital Assets, not subject to depreciation	<u>3,579,085</u>
Total Noncurrent Assets	<u>18,750,796</u>

Total Assets	<u><u>\$ 31,278,527</u></u>
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LIABILITIES

Current Liabilities

Accounts Payable and Accrued Liabilities	\$ 367,954
Accrued Payroll and Related Liabilities	82,915
Current Portion of Long-Term Liabilities	120,518
Deferred Revenues	<u>3,631,450</u>
Total Current Liabilities	<u>4,202,837</u>

Liabilities payable from restricted assets

Funds Held for Others	<u>13,107</u>
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Noncurrent Liabilities

Obligations under Capital Lease	1,230,000
Compensated Absences Payable	<u>712,424</u>
Total Noncurrent Liabilities	<u>1,942,424</u>

Total Liabilities	<u>6,158,368</u>
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NET ASSETS

Invested in Capital Assets, net of related debt	17,465,082
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Restricted

Expendable	
Loans	14,495

Unrestricted

Total Net Assets	<u>25,120,159</u>
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Total Liabilities and Net Assets	<u><u>\$ 31,278,527</u></u>
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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, 2011

REVENUES

Operating Revenues

Student Tuition and Fees, net of scholarship allowances of \$4,660,756	\$ 4,209,999
Capital fees, net of scholarship allowances of \$178,475	165,070
Federal Grants and Contracts	1,731,239
State Grants and Contracts	1,341,902
Non-governmental Grants and Contracts	136,714
Sales and Services of Educational Programs	45,037
Auxiliary Programs, net of scholarship allowances of \$578,629	1,076,005
Other Operating Revenues	135,709
Total Operating Revenues	<u>8,841,675</u>

EXPENSES

Operating Expenses

Salaries	9,278,009
Benefits	2,468,831
Scholarships	3,922,635
Utilities	569,109
Supplies and other services	5,661,692
Depreciation	1,028,170
Total Operating Expenses	<u>22,928,446</u>

Operating Loss (14,086,771)

Non-operating Revenues (Expenses)

Federal Grants and Contracts	8,371,039
State Appropriations	3,120,939
County Appropriations	2,490,430
State Grants and Contracts	8,216
Interest Income	47,385
Interest Expense on Capital Asset Related Debt	(56,448)
Net Non-operating Revenues	<u>13,981,561</u>

Income (Loss) before Other Revenues, Expenses, Gains (Losses) (105,210)

Other Revenues, Expenses, Gains or (Losses)

Federal Capital Grants	651,394
State Capital - In-kind donation	14,569
Total Other Revenues, Expenses Gains (Losses)	<u>665,963</u>

INCREASE IN NET ASSETS 560,753

NET ASSETS

Net Assets, beginning of year	<u>24,559,406</u>
Net Assets, end of year	<u>\$ 25,120,159</u>

See accompanying notes to financial statements.

TECHNICAL COLLEGE OF THE LOWCOUNTRY

Statement of Cash Flows

For the Year Ended June 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, net of scholarship allowances	\$ 4,185,176
Federal, State and Local Grants and Contracts	4,186,514
Sales and Services of Education Departments	45,037
Auxiliary Enterprise, net of scholarship allowances	1,076,005
Other Receipts	135,709
Scholarships	(3,922,635)
Student Loans Received	1,902,604
Student Loans Paid Out	(2,345,980)
Payments to Vendors	(6,022,278)
Payments to Employees	(9,310,099)
Employee Benefits	(2,472,185)
Increase in Cash Held for Others	4,171
Net Cash Used by Operating Activities	<u>(12,537,961)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Appropriations	2,996,689
County Appropriations	2,490,430
Federal Grants and Contracts	6,908,519
Net Cash Provided by Non-Capital Financing Activities	<u>12,395,638</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Federal Capital Grants and Contracts	568,904
Purchase of Capital Assets	(950,473)
Principal Paid on Capital Debt	(51,429)
Interest Paid on Capital Debt	(57,134)
Net Cash used by Capital and Related Financing Activities	<u>(490,132)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	256,387
Interest on Investments	52,965
Purchase of Investments	(293,948)
Net Cash Provided by Investing Activities	<u>15,404</u>
Net Decrease in Cash	(617,051)
Cash - beginning of year	2,300,467
Cash - end of year	<u>\$ 1,683,416</u>
Reconciliation to Balance Sheet	
Cash and Cash Equivalents	\$ 1,670,309
Restricted Cash and Cash Equivalents	13,107
Total Cash and Cash Equivalents	<u>\$ 1,683,416</u>
Supplementary Information	
Cash Paid for Income Taxes	None
Cash Paid for Interest Expense	<u>\$ 57,134</u>
Non-cash State Capital In-Kind Donation	<u>\$ 14,569</u>

See accompanying notes to financial statements.

TECHNICAL COLLEGE OF THE LOWCOUNTRY

Statement of Cash Flows

For the Year Ended June 30, 2011

**Reconciliation of Net Operating Revenue (Expenses) to
Net Cash Provided (Used) by Operating Activities**

Operating Income (Loss)	\$ (14,086,771)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation	1,028,170
Allowance for uncollectible accounts	152,754
Change in Assets and Liabilities	
Increase in Accounts Receivables	(336,769)
Increase in Inventory	(19,191)
Increase in Prepaid Expenses	(77,227)
Increase in Accounts Payable	131,268
Decrease in Accrued Liabilities	(11,951)
Decrease in Compensated Absences	(23,493)
Increase in Deferred Revenue	701,078
Increase in Funds held for Others	4,171
Total adjustments	<u>1,548,810</u>
Net Cash Used by Operating Activities	<u><u>\$ (12,537,961)</u></u>

See accompanying notes to financial statements.

TECHNICAL COLLEGE OF THE LOWCOUNTRY

Notes to Financial Statements

June 30, 2011

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, 2011, the College has determined there are no significant component units. The College is included as part of the primary government of the State of South Carolina in its comprehensive annual financial report.

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.

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, 2011

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, and allocated between short-term and 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, 2011

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, 2011, 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 \$14,495 in restricted expendable net assets resulting from loans made to 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's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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, 2011

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 non-governmental 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 consist 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, 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentrations: During the year ended June 30, 2011, the College received 44.3%, 19.5%, and 10.9% of its total revenues (excluding capital contributions) from Federal, State and County operating grants and appropriations, respectively.

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 reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ 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	\$1,670,309
Restricted cash and cash equivalents	13,107
Investments	<u>3,520,868</u>
Total Cash and Investments on Statement of Net Assets	<u>\$5,204,284</u>

Disclosure, Deposits and Investments Plus Reconciling Items:

Carrying value deposits:	
Held by financial institutions	\$1,682,161
Investments held by financial institutions, reported amount	3,520,868
Cash on hand	<u>1,255</u>
Total Disclosure, Deposits and Investments Plus Reconciling Items	<u>\$5,204,284</u>

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.

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. All certificates of deposit, regardless of maturity are reported as deposits for custodial credit risk categorization.

The College's deposits at June 30, 2011 had carrying balances of \$5,204,284 and bank balances of \$6,128,136 due to outstanding checks exceeding deposits in transit. Of these deposits, \$3,540,173 were insured by the Federal Deposit Insurance Corporation, \$2,577,477 were collateralized with securities held by the pledging institutions in the College's name, and \$10,487 were uncollateralized and un-insured.

TECHNICAL COLLEGE OF THE LOWCOUNTRY

Notes to Financial Statements

June 30, 2011

NOTE 2 CASH, DEPOSITS AND INVESTMENTS (Continued)

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.

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, 2011, 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>
Certificates of Deposit	<u>\$ 3,520,868</u>	<u>\$3,520,868</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of a failure of the counterparty to a transaction, the College will not be able to recover the value of investments or collateral securities that are in possession of an outside party. The Technical College of the Lowcountry investment policy does not address custodial credit risk.

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.

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.

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.

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.

TECHNICAL COLLEGE OF THE LOWCOUNTRY

Notes to Financial Statements

June 30, 2011

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2011, including applicable allowances, are summarized as follows:

Receivables:

Student Accounts	\$3,977,872
Other Accounts	174,730
Accrued Interest	15,145
State Appropriations	108,847
Due from Federal and Other Grantors	3,140,263
Loans and Notes	444,698
Gross Receivables	<u>\$7,861,555</u>

Less: Allowance for Uncollectible Accounts

Student Accounts	\$ (961,985)
Other Accounts	<u>(2,141)</u>
Total Allowances for Uncollectible Accounts	<u>(964,126)</u>
Receivables, net	<u><u>\$6,897,429</u></u>

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, 2011

NOTE 4 CAPITAL ASSETS

There was no construction period interest to be capitalized. Capital assets as of June 30, 2011 are summarized as follows:

	<u>Balance</u> <u>7/1/2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/2011</u>
Capital Assets not being depreciated:				
Land and improvements	\$ 3,283,324	\$ -	\$ -	\$ 3,283,324
Construction in progress	90,797	548,965	(344,001)	295,761
	<u>3,374,121</u>	<u>548,965</u>	<u>(344,001)</u>	<u>3,579,085</u>
Total Capital Assets not being depreciated				
Other Capital Assets:				
Depreciable Land Improvements	3,388,308	-	-	3,388,308
Buildings and improvements	20,199,059	456,919	-	20,655,978
Machinery and equipment	1,692,279	303,159	(179,057)	1,816,381
Vehicles	83,589	-	-	83,589
	<u>25,363,235</u>	<u>760,078</u>	<u>(179,057)</u>	<u>25,944,256</u>
Total other capital assets at historical cost				
Less accumulated depreciation for:				
Depreciable Land Improvements	(749,301)	(278,121)	-	(1,027,422)
Buildings and improvements	(7,688,881)	(543,964)	-	(8,232,845)
Machinery and equipment	(1,433,515)	(199,782)	179,057	(1,454,240)
Vehicles	(51,735)	(6,303)	-	(58,038)
	<u>(9,923,432)</u>	<u>(1,028,170)</u>	<u>179,057</u>	<u>(10,772,545)</u>
Total accumulated depreciation				
Other capital assets, net	<u>15,439,803</u>	<u>(268,092)</u>	<u>-</u>	<u>15,171,711</u>
Capital Assets, Net	<u>\$ 18,813,924</u>	<u>\$ 280,873</u>	<u>\$ (344,001)</u>	<u>\$ 18,750,796</u>

NOTE 5 PENSION PLANS

The Retirement Division of the State Budget and Control Board maintains four independent defined benefit 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 Financial Services, South Carolina Retirement Systems, P. O. Box 11960, Columbia, SC 29211-1960. 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, 2011

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 employee/employer contributions of each pension plan. Employee and employer contribution 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, 2010, the employer contribution rate became 13.14%, which included a 3.9% 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, 2011, 2010, and 2009, were \$716,255, \$728,770, and \$730,205, respectively, and equaled the required contributions of 9.24% (excluding the surcharge) for all three fiscal years. Also, the College paid employer group-life insurance contributions of \$11,628 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 3.9% from the employer in fiscal year 2011. 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 (5.0%). 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 \$40,571 (excluding the surcharge) from the College as employer and \$28,541 from its employees as plan members. In addition, the College paid to the SCRS employer group-life insurance contributions of \$659 in the current fiscal year at the rate of .15% of compensation.

TECHNICAL COLLEGE OF THE LOWCOUNTRY

Notes to Financial Statements

June 30, 2011

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 earn service credit and are ineligible to receive group-life insurance benefits or disability retirement benefits. Retired SCRS members, including TERI participants working for a covered employer, pay the active employee contribution. The employer pays the active employer contribution as well.

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, 2011

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 3.9% of annual covered payroll for 2011, 3.5% of annual covered payroll for 2010, and 3.5% of annual covered payroll for 2009. 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, 2011, 2010, and 2009, were approximately \$302,316, \$289,000, and \$288,000, 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, 2011, 2010, and 2009.

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 of land and the acquisition, construction, renovation, and equipping of certain facilities, which will be capitalized in the applicable capital asset categories upon completion. At June 30, 2011, the College had outstanding commitment balances of \$1,227,008 for these projects.

TECHNICAL COLLEGE OF THE LOWCOUNTRY

Notes to Financial Statements

June 30, 2011

NOTE 8 LEASE OBLIGATIONS

Operating Leases

The College had an operating lease agreement with Ontario Leasing Inc. for a Pitney Bowes mail system. The lease term is for 60 months and commenced on June 1, 2011. The lease agreement calls for monthly payments of \$371.02.

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 \$59,142 during fiscal year 2011.

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>to External Parties</u>	
2012	\$	10
2013		10
2014		10
2015		10
2016		10
2017-2021		50
2022-2026		50
2027-2031		50
		<hr/>
Total future minimum lease payments	\$	200
Less: interest portion		(67)
		<hr/>
Lease obligation outstanding	\$	133

TECHNICAL COLLEGE OF THE LOWCOUNTRY

Notes to Financial Statements
June 30, 2011

NOTE 8 LEASE OBLIGATIONS (Continued)

Assets acquired under capital lease:

Land	\$ 2,141,399
Land Improvements	1,915,045
Buildings	<u>5,767,869</u>
Total assets acquired under capital lease	\$ 9,824,313
Less: Accumulated Depreciation	<u>(1,390,605)</u>
Assets acquired under capital lease, net	<u>\$ 8,433,708</u>

NOTE 9 LONG-TERM LIABLILITES

Long-term liabilities activity for the year ended June 30, 2011 was as follows:

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Due Within One Year	Net Long Term
Obligation under Capital Lease	\$ 1,337,143	\$ -	\$ 51,429	\$ 1,285,714	\$ 55,714	\$ 1,230,000
Accrued Compensated Absences	800,721	26,433	49,926	777,228	64,804	712,424
Total Long Term Liabilities	<u>\$ 2,137,864</u>	<u>\$ 26,433</u>	<u>\$ 101,355</u>	<u>\$ 2,062,942</u>	<u>\$ 120,518</u>	<u>\$ 1,942,424</u>

The College is obligated for payment of \$1,337,143 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, 2011 was \$56,448. The scheduled maturities of the bonds payable is as follows:

Year Ended June 30,	Principal	Interest	Total Payments
2012	\$ 55,714	\$ 55,077	\$ 110,791
2013	60,000	53,057	113,057
2014	64,286	50,882	115,168
2015	68,571	48,311	116,882
2016	72,857	45,739	118,596
2017-2021	428,572	166,972	595,544
2022-2026	535,714	70,126	605,840
Total	<u>\$ 1,285,714</u>	<u>\$ 490,164</u>	<u>\$ 1,775,878</u>

TECHNICAL COLLEGE OF THE LOWCOUNTRY

Notes to Financial Statements

June 30, 2011

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 No. 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, 2011.

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 \$41,218 and non-governmental grants of \$6,057 from the Foundation in operating revenues for the fiscal year ending June 30, 2011. 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, 2011. The College does not provide administrative services to the Foundation.

The net assets of the TCL Foundation were \$1,019,840 at June 30, 2011.

Amounts due from the TCL Foundation as of June 30, 2011 are as follows:

Due from TCL Foundation	<u>\$3,331.</u>
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TECHNICAL COLLEGE OF THE LOWCOUNTRY

Notes to Financial Statements

June 30, 2011

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, 2011

NOTE 12 OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification for the year ended June 30, 2011 are summarized as follows:

	<u>Compensation</u>	<u>Benefits</u>	<u>Scholarships & Fellowships</u>	<u>Supplies/serv.</u>	<u>Utilities</u>	<u>Depreciation</u>	<u>Total</u>
Instruction	\$ 4,579,996	\$ 1,148,553	\$ -	\$ 1,218,612	\$ -	\$ -	\$ 6,947,161
Academic Support	1,286,090	347,917	-	665,894	-	-	2,299,901
Student Services	1,449,538	381,369	-	657,052	-	-	2,487,959
Operation & Maintenance of Plant	433,946	157,525	-	901,971	558,495	-	2,051,936
Institutional Support	1,384,179	397,433	-	988,323	-	-	2,769,935
Scholarships & Fellowships	-	-	3,922,635	-	-	-	3,922,635
Auxiliary Enterprises	144,260	36,034	-	1,229,841	10,614	-	1,420,749
Depreciation	-	-	-	-	-	1,028,170	1,028,170
Total Operating Expenses	<u>\$ 9,278,009</u>	<u>\$ 2,468,831</u>	<u>\$ 3,922,635</u>	<u>\$ 5,661,692</u>	<u>\$ 569,109</u>	<u>\$ 1,028,170</u>	<u>\$ 22,928,446</u>

NOTE 13 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses as of June 30, 2011, are summarized as follows:

Payables:

Accounts Payable Trade	\$ 299,026
Student Refunds Payable	36,781
Accrued Interest Expense	18,359
Sales and Use Tax Payable	8,810
Other Accrued Liabilities	4,978
	<hr/>
Total Accounts Payable	<u>\$ 367,954</u>

NOTE 14 DEFERRED REVENUES

Deferred revenues as of June 30, 2011, are summarized as follows:

Deferred Revenue	
Fall 2011 Tuition	\$ 2,345,831
Summer 2011 Tuition	719,195
Fall Registration Fees	86,385
Fall Capital Fees	80,950
Federal Grants and Contracts	136,788
State Grants and Contracts	260,740
Nongovernmental Grants and Contracts	1,561
	<hr/>
Total Deferred Revenue	<u>\$ 3,631,450</u>

TECHNICAL COLLEGE OF THE LOWCOUNTRY

Notes to Financial Statements
June 30, 2011

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, 2011 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	\$ 2,948,705
EEDA Pathways	37,784
Lottery Equipment	10,200
Current Year Appropriations paid by State	<u>\$ 2,996,689</u>
Adjustments	
Accounts Receivable - beginning of year	(21,851)
Accounts Receivable - end of year	108,847
Deferred revenue - beginning of year	71,832
Deferred revenue - end of year	<u>(34,578)</u>
Total Non-capital appropriations recorded as current year revenue	<u>\$ 3,120,939</u>

TECHNICAL COLLEGE OF THE LOWCOUNTRY

Notes to Financial Statements

June 30, 2011

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.

	2011	2010	Increase/ (Decrease)
Charges for services	\$ 8,705,966	\$ 9,322,514	\$ (616,548)
Operating grants and contributions	11,052,779	10,239,939	812,840
Capital grants and contributions	651,394	223,977	427,417
less: expenses	(22,984,894)	(23,019,087)	34,193
Net program revenue (expense)	(2,574,755)	(3,232,657)	657,902
Transfers:			
State appropriations	3,120,939	3,810,386	(689,447)
Other transfer in from state agencies	14,569	22,720	(8,151)
Total general revenue and transfers	3,135,508	3,833,106	(697,598)
Change in net assets	560,753	600,449	(39,696)
Net assets - beginning	24,559,406	23,958,957	600,449
Net assets - ending	\$ 25,120,159	\$ 24,559,406	\$ 560,753

TECHNICAL COLLEGE OF THE LOWCOUNTRY

Notes to Financial Statements
June 30, 2011

NOTE 17 STATE FISCAL STABILIZATION FUNDS (ARRA FUNDS)

The College incurred expenses of \$1,012,320 during fiscal year 2011 under American Recovery and Reinvestment Act (ARRA) funding. These funds were awarded to the College via pass-through funding from the United States Department of Education (State Fiscal Stabilization Funds), the United States Department of Labor, and the United States Department of Energy (State Energy Program). ARRA funds were expended primarily for building and classroom renovations on the Beaufort campus. In addition, ARRA funds provided student support, as well as instructional capacity for programs offered through the Continuing Education division under the Weatherization, Hot Climate, Quick Jobs and Quick Skills programs. Energy program funds were used to make energy efficiency improvements on the Beaufort campus.

The schedule below lists the individual expenses by grant.

Grant	Funds Expended Through June 30, 2011
Weatherization Assistance	\$ 4,796
Hot Climate	2,808
SC Geothermal	24,051
Quickjobs	19,697
Energy Grant	47,160
Broadband	94,952
Child Care Development Block Grant	4,214
WIA Dislocated Workers	101,323
State Fiscal Stabilization Fund - Education Grants	713,319
 Total Expenditures	 <u>\$ 1,012,320</u>

The schedule below lists expenses by functional classification. Please note that all expenses listed below are included in the schedule presented in Note 12.

	Salary	Benefits	Supplies / Services	Capitalized	Total
Instruction	\$ 16,147	\$ 1,943	\$ 221,289	\$ 101,323	\$ 340,702
Academic Support	-	-	11,215	-	11,215
Student Services	16,166	1,237	23,606	-	41,009
Plant	-	-	189,890	166,055	355,945
Institutional Support	-	-	131,009	132,440	263,449
Total	<u>\$ 32,313</u>	<u>\$ 3,180</u>	<u>\$ 577,009</u>	<u>\$ 399,818</u>	<u>\$ 1,012,320</u>

COMPLIANCE SECTION

TECHNICAL COLLEGE OF THE LOWCOUNTRY
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>June 30, 2011 Expenditures</u>
<u>United States Department of Education</u>		
Direct:		
Student Financial Assistance Program Cluster		
Federal Work-Study Program - American Recovery and Reinvestment Act	84.033	\$ 90,015
Federal Supplemental Education and Opportunity Grants	84.007	124,515
Federal Pell Grant Program - American Recovery and Reinvestment Act	84.063	7,758,537
Total Student Financial Assistance Program Cluster	*	<u>7,973,067</u>
TRIO Program Cluster		
Student Support Services	84.042	285,915
Talent Search	84.044	334,120
Upward Bound	84.047	393,670
Total TRIO Program Cluster		<u>1,013,705</u>
Strengthening Minority Serving Institutions		
Improving Basic, Advanced and Applied Mathematics Skills	84.382	81,683
Predominantly Black Institution Grant - PILAU Program	84.382	123,914
Predominantly Black Institution Grant - Formula Grant	84.382	167,340
Total Strengthening Minority Serving Institutions		<u>372,937</u>
Total Direct from United States Department of Education		<u>9,359,709</u>
Passed through South Carolina Department of Education:		
Perkins IV	84.048	171,284
State Fiscal Stabilization Fund - American Recovery and Reinvestment Act	84.394	713,319
Total passed through South Carolina Department of Education		<u>884,603</u>
Total United States Department of Education		<u>10,244,312</u>
<u>United States Department of Commerce</u>		
Passed through South Carolina Department of Education		
Broadband Technology Opportunities Program - American Recovery and Reinvestment Act	11.557	94,952
Total United States Department of Commerce		<u>94,952</u>
<u>United States Department of Housing and Urban Development</u>		
Direct:		
Economic Development Initiative - Special Project	14.251	157,141
Passed through South Carolina Department of Commerce		
Community Development Block Grant / State Programs	14.228	31,052
Total United States Department of Housing and Urban Development		<u>188,193</u>

(continued)

* Major Federal Assistance Program

TECHNICAL COLLEGE OF THE LOWCOUNTRY
Schedule of Expenditures of Federal Awards (continued)
For the Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	June 30, 2011 Expenditures
<u>U.S. Department of Labor</u>		
Direct:		
Mine Safety Health and Safety Grants	17.600	19,671
Passed through South Carolina Department of Education		
Quick Jobs WIA Adult Program - American Recovery and Reinvestment Act	17.258	19,697
WIA Dislocated Workers - American Recovery and Reinvestment Act	17.260	101,323
Total passed through South Carolina Department of Education		121,020
Total United States Department of Labor		140,691
<u>United States Department of Energy</u>		
Passed through South Carolina Department of Education		
South Carolina Energy Grant - American Recovery and Reinvestment Act	81.041	47,160
South Carolina Energy - Geothermal Grant - American Recovery and Reinvestment Act	81.041	24,051
Hot Climate Grant - American Recovery and Reinvestment Act	81.042	215
Hot Climate RFP - American Recovery and Reinvestment Act	81.042	2,593
Weatherization Assistance for Low-Income Persons - American Recovery and Reinvestment Act	81.042	4,796
Total United States Department of Energy		78,815
<u>United States Department of Health and Human Services</u>		
Direct:		
Child Care and Development Block Grant	93.575	2,495
Passed through South Carolina Department of Education		
Child Care Development Block Grant - American Recovery and Reinvestment Act	93.713	4,214
Total United States Department of Health and Human Services		6,709
Total Federal Assistance		\$ 10,753,672
* Major Federal Assistance Program		

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.



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

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, 2011, and have issued our report thereon dated September 29, 2011. 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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*.

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, 2011



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**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 United States 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, 2011. Technical College of the Lowcountry's major federal programs are identified in the summary of auditors' 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 programs for the year ended June 30, 2011.

Internal Control Over Compliance

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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of management, 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, 2011

TECHNICAL COLLEGE OF THE LOWCOUNTRY

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2011**

Summary of Auditors' Results

1. The independent auditors' report expresses 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 programs expresses 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	\$ 90,015
Federal Supplemental Education Opportunity Grant	84.007	124,515
Federal Pell Grant Program	84.063	7,758,537
State Fiscal Stabilization Fund - American Recovery and Reinvestment Act	84.390	713,319
Total Student Financial Assistance Program Cluster		<u>\$ 8,686,386</u>

8. The threshold for distinguishing between Type A and B programs was \$322,610.
9. Technical College of the Lowcountry qualified as a low-risk auditee.

Findings – Financial Statement Audit

None

Findings and Questioned Costs for Federal Awards:

None