

TECHNICAL COLLEGE OF THE LOWCOUNTRY

Financial Statements

For the Year Ended June 30, 2012

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

Audit Period - July 1, 2011 to June 30, 2012

Commission Members

Arthur E. Brown, Jr., Chairman	Beaufort County
William Small, Jr., Vice Chairman	Hampton County
Patricia Green, Secretary/Treasurer	Beaufort County
Bill Bootle	Beaufort County
Sheree Darien	Jasper County
David Smalls	Colleton County
Heather Winch	Beaufort County

Key Administrative Staff

Thomas C. Leitzel, President
Matteel Jones, Vice President for Student Affairs
Gina Mounfield, Vice President for Academic Affairs
Nancy Weber, Vice President for Marketing and Enrollment Management
Hayes Wisner, Vice President for Administrative Services

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, 2012**

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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, 2012, 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, 2012, 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 28, 2012, 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.

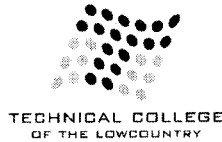
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental 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 & Associates

Beaufort, South Carolina
September 28, 2012



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, 2012 and June 30, 2011. 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 Federal, State and local 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, 2012, by \$25.5 million. Of this amount, \$7.7 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 \$0.4 million.

- The College's total liabilities decreased by \$0.2 million due to decreases in accounts payable and deferred revenues.
- The College experienced a net operating loss of \$12.1 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 \$11.6 million.
- Operating revenues were up by \$0.6 million for the year, due primarily to increases 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, 2012
With Comparative Totals for 2011**

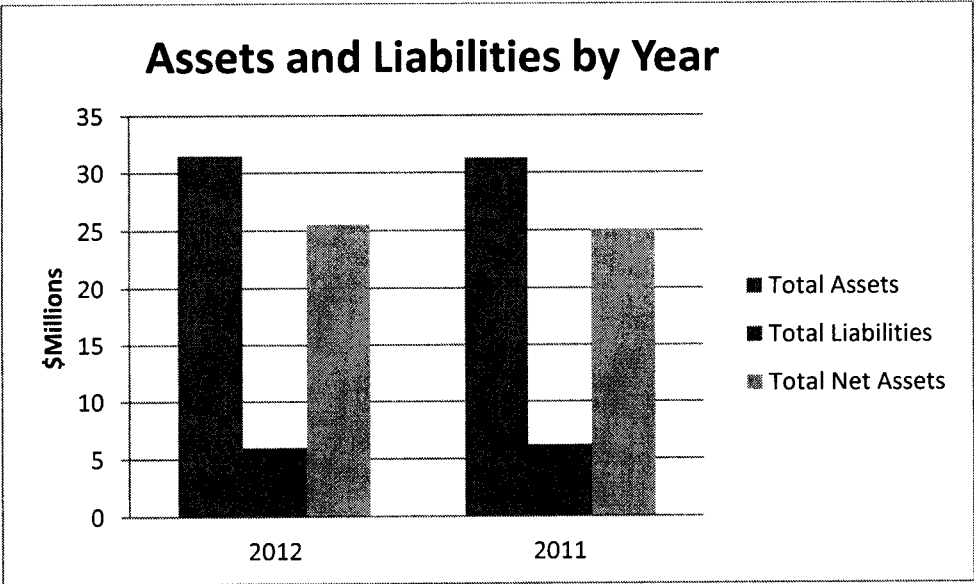
	(In millions)	
	<u>2012</u>	<u>2011</u>
Current Assets	\$ 12.4	\$ 12.5
Non-current Assets	<u>19.1</u>	<u>18.8</u>
Total Assets	<u>\$ 31.5</u>	<u>\$ 31.3</u>
Current Liabilities	4.1	4.2
Non-current Liabilities	<u>1.9</u>	<u>2.0</u>
Total Liabilities	<u>6.0</u>	<u>6.2</u>
Net Assets		
Investment in Capital Assets	17.8	17.5
Unrestricted	<u>7.7</u>	<u>7.6</u>
Total Net Assets	<u>25.5</u>	<u>25.1</u>
Total Liabilities and Net Assets	<u>\$ 31.5</u>	<u>\$ 31.3</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 \$19.5 million at the close of the most recent fiscal year and reflect an increase of \$0.6 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 (.06%) of the College's net assets represent resources subject to external restrictions on how they may be used. *Unrestricted net assets* of \$7.7 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, 2012 with comparisons to the prior year are included below.



**Summary of Revenues, Expenses, and Changes in Net Assets
for Fiscal Year Ended June 30, 2012
with Comparative Totals for June 30, 2011
(In millions)**

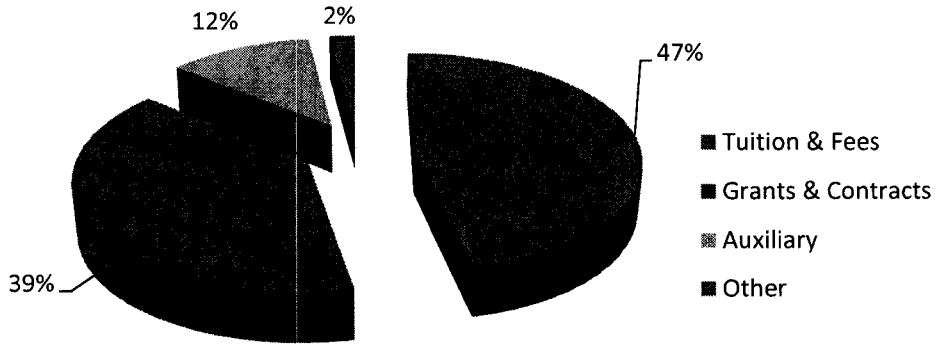
The schedule that follows is a summary of the College's operating results for the fiscal year.

	<u>2012</u>	<u>2011</u>
Operating Revenue		
Tuition and Fees	\$ 4.4	\$ 4.4
Grants and Contracts	3.7	3.2
Auxiliary	1.1	1.1
Other	<u>0.2</u>	<u>0.1</u>
Total Operating Revenue	9.4	8.8
Less Operating Expenses	<u>21.5</u>	<u>22.9</u>
Net Operating Loss	<u>(12.1)</u>	<u>(14.1)</u>
Non-Operating Revenue		
Federal Grants and Contracts	6.5	8.4
State Appropriations	3.0	3.1
Local Appropriations	<u>2.1</u>	<u>2.5</u>
Total Non-operating Revenue	<u>11.6</u>	<u>14.0</u>
Income (Loss) before Other Revenues, Expenses, Gains (Losses)	(0.5)	(0.1)
Other Revenues, Expenses, Gains or (Losses)		
Capital Gifts, Grants and Contracts	<u>0.9</u>	<u>0.7</u>
Increase in Net Assets	0.4	0.6
Net Assets, Beginning of Year	<u>25.1</u>	<u>24.6</u>
Net Assets, End of Year	<u>\$ 25.5</u>	<u>\$ 25.1</u>
Total Revenues	<u>\$ 21.9</u>	<u>\$ 23.5</u>

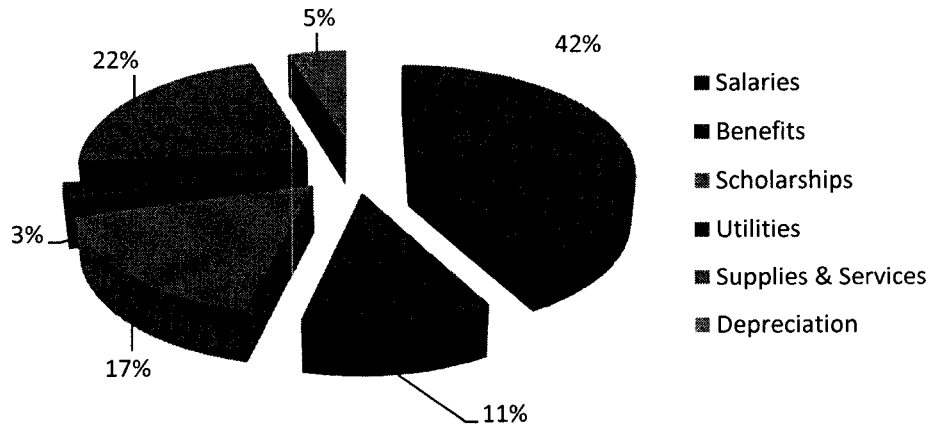
A large portion of the revenue included in the Grants and Contracts category represents student financial assistance, which is used to pay tuition and fees for students to attend the College. An approximation of tuition and fees paid from this source of funds has been recognized as a reduction of tuition 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, 2012 with comparisons to the prior year as appropriate are included below.

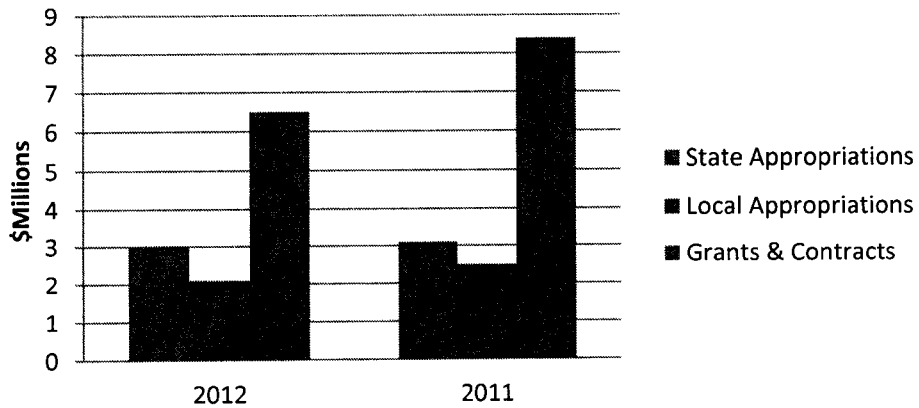
2012 Operating Revenues



2012 Operating Expenses



Nonoperating Revenue by Year



Personnel costs of approximately \$11.8 million accounted for 55% of the College's operating expenses and reflect a 1% increase over the prior year. Supplies and other services make up the second largest classification, accounting for 22% of operating expenses. Operating expenses in total decreased \$1.4 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, 2012 and June 30, 2011

(In millions)

	<u>2012</u>	<u>2011</u>
Net Cash Provided (Used) by Operating Activities	\$ (10.7)	\$ (12.5)
Net Cash Provided by Non-Capital Financing Activities	12.7	12.4
Net Cash Provided (Used) by Capital and Related Financing Activities	(0.5)	(0.5)
Net Cash Provided (Used) by Investing Activities	<u>0.3</u>	<u>0.0</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1.8	(0.6)
Cash and Cash Equivalents- Beginning of the Year	<u>1.7</u>	<u>2.3</u>
Cash and Cash Equivalents- End of the Year	<u>\$ 3.5</u>	<u>\$ 1.7</u>

Cash and cash equivalents increased by \$1.8 million. Cash provided from non-capital financing activities in the amount of \$12.7 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 \$ 3.5 million.

Capital Asset and Debt Administration

The capital assets net of depreciation increased by 0.3 million for the year. This increase reflects the difference between that the value of new construction projects completed during the year and depreciation charges to capital assets.

The capital assets are summarized in the table that follows:

Capital Assets, Net
June 30, 2012 with Comparative Totals for June 30, 2011
(In millions)

	<u>2012</u>	<u>2011</u>
Capital Assets		
Land and Improvements	\$ 6.7	\$ 6.7
Construction in Progress	0.0	0.3
Buildings and Improvements	22.2	20.6
Machinery & Equipment	1.8	1.8
Other Assets	<u>0.1</u>	<u>0.1</u>
Total Capital Assets	30.8	29.5
Less Accumulated Depreciation	<u>(11.7)</u>	<u>(10.7)</u>
Net Capital Assets	<u>\$ 19.1</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 \$3.0 million made up only 14% of total revenues for the year. This was a reduction of \$0.1 million compared to fiscal year 2011, and a cumulative drop of \$2.9 million from 2008. Management does not expect to recover any of these funding losses in the near future.

County funding has proven more reliable than state funding over the past several years, but it too has begun to show decline. The vast majority of county funding comes from Beaufort County, which was cut by \$358,150 in FY12. No further cuts are expected from Beaufort in FY13. The smaller counties have also cut funding by a substantial percentage; in FY13, management expects to receive no allocation from Jasper County at all. At its highest point in 2009, the College received \$160,000 from Jasper.

Declines in state funding have been offset by substantial enrollment growth. That growth, unfortunately, appears to have peaked. Year-to-year enrollment levels were down slightly in FY12 and are expected to experience similar declines in FY13. Summer enrollments were down

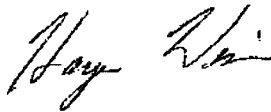
dramatically, due in large part to changes made to the Federal Pell grant program. The combination of declining appropriations and declining enrollment makes for a very challenging environment.

Through changes to our tuition model and the pursuit of greater operational efficiency, the College has maintained a solid financial position despite these funding challenges. Enrollment, and the associated tuition revenue, will be the focus of management's efforts to provide future funding stability. The College has made significant changes in its internal structure of the past year to increase the emphasis on enrollment and retention. Management expects that increases to base tuition rates will also be necessary to maintain sufficient operating revenues.

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, 2012

ASSETS

Current Assets

Cash and Cash Equivalents	\$	3,513,366
Investments		3,267,588
Accounts Receivable, net		5,194,034
Inventories		319,565
Prepaid Expenses		134,236
Total Current Assets		12,428,789

Restricted Assets

Cash and Cash Equivalents		7,848
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Noncurrent Assets

Capital Assets, net of accumulated depreciation		15,774,211
Capital Assets, not subject to depreciation		3,283,324
Total Noncurrent Assets		19,057,535

Total Assets

\$ 31,494,172

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable and Accrued Liabilities	\$	249,783
Accrued Payroll and Related Liabilities		100,999
Current Portion of Long-Term Liabilities		122,649
Deferred Revenues		3,593,824
Total Current Liabilities		4,067,255

Liabilities payable from restricted assets

Funds Held for Others		7,848
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Noncurrent Liabilities

Obligations under Capital Lease		1,170,000
Compensated Absences Payable		750,047
Total Noncurrent Liabilities		1,920,047

Total Liabilities

5,995,150

NET ASSETS

Invested in Capital Assets, net of related debt

17,827,535

Restricted

Expendable		
Loans		14,495

Unrestricted

7,656,992

Total Net Assets

25,499,022

Total Liabilities and Net Assets

\$ 31,494,172

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, 2012

REVENUES

Operating Revenues

Student Tuition and Fees, net of scholarship allowances of \$4,334,490	\$ 4,226,924
Capital fees, net of scholarship allowances of \$144,016	147,649
Federal Grants and Contracts	2,125,908
State Grants and Contracts	1,453,376
Non-governmental Grants and Contracts	72,164
Sales and Services of Educational Programs	113,752
Auxiliary Programs, net of scholarship allowances of \$516,060	1,133,517
Other Operating Revenues	<u>173,058</u>
Total Operating Revenues	<u><u>9,446,348</u></u>

EXPENSES

Operating Expenses

Salaries	9,261,324
Benefits	2,548,814
Scholarships	3,279,571
Utilities	569,432
Supplies and other services	4,806,311
Depreciation	<u>1,056,285</u>
Total Operating Expenses	<u><u>21,521,737</u></u>

Operating Loss (12,075,389)

Non-operating Revenues (Expenses)

Federal Grants and Contracts	6,517,799
State Appropriations	2,990,347
County Appropriations	2,069,000
State Grants and Contracts	297
Interest Income	32,580
Gain on disposal of property and equipment	6,693
Interest Expense on Capital Asset Related Debt	<u>(54,403)</u>
Net Non-operating Revenues	<u><u>11,562,313</u></u>

Income (Loss) before Other Revenues, Expenses, Gains (Losses) (513,076)

Other Revenues, Expenses, Gains or (Losses)

Federal Capital Grants	704,660
State Capital Grants	7,646
Local Capital Grants	<u>179,633</u>
Total Other Revenues, Expenses Gains (Losses)	<u><u>891,939</u></u>

INCREASE IN NET ASSETS 378,863

NET ASSETS

Net Assets, beginning of year	<u>25,120,159</u>
Net Assets, end of year	<u><u>\$ 25,499,022</u></u>

See accompanying notes to financial statements.

TECHNICAL COLLEGE OF THE LOWCOUNTRY

Statement of Cash Flows

For the Year Ended June 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

Student Tuition and Fees, net of scholarship allowances	\$ 4,269,057
Federal, State and Local Grants and Contracts	4,106,576
Sales and Services of Education Departments	113,752
Auxiliary Enterprise, net of scholarship allowances	1,133,517
Other Receipts	173,058
Scholarships	(3,279,571)
Student Loans Received	2,383,138
Student Loans Paid Out	(2,239,442)
Payments to Vendors	(5,568,283)
Payments to Employees	(9,221,875)
Employee Benefits	(2,534,711)
Decrease in Cash Held for Others	(5,259)
Net Cash Used by Operating Activities	(10,670,043)

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

State Appropriations	3,239,218
County Appropriations	2,069,000
Federal Grants and Contracts	7,404,653
Net Cash Provided by Non-Capital Financing Activities	12,712,871

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Federal Capital Grants and Contracts	805,982
State Grants and Contracts	7,646
Local Capital Grants and Contracts	179,633
Purchase of Capital Assets	(1,367,024)
Proceeds from sale of Capital Assets	10,693
Principal Paid on Capital Debt	(55,714)
Interest Paid on Capital Debt	(55,076)
Net Cash used by Capital and Related Financing Activities	(473,860)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sales and Maturities of Investments	780,832
Advance to Campus Enterprise Authority	(21,000)
Interest Earned on Investments	36,550
Purchase of Investments	(527,552)
Net Cash Provided by Investing Activities	268,830

Net Increase in Cash	1,837,798
Cash - beginning of year	1,683,416
Cash - end of year	\$ 3,521,214

Reconciliation to Statement of Net Assets

Cash and Cash Equivalents	\$ 3,513,366
Restricted Cash and Cash Equivalents	7,848
Total Cash and Cash Equivalents	\$ 3,521,214

Supplementary Information

Cash Paid for Income Taxes	None
Cash Paid for Interest Expense	\$ 55,076

See accompanying notes to financial statements.

TECHNICAL COLLEGE OF THE LOWCOUNTRY

Statement of Cash Flows

For the Year Ended June 30, 2012

Reconciliation of Net Operating Revenue (Expenses) to

Net Cash Provided (Used) by Operating Activities

Operating Income (Loss)	\$ (12,075,389)
Adjustments to Reconcile Operating Income (Loss) to Net Cash	
Provided (Used) by Operating Activities	
Depreciation	1,056,285
Allowance for uncollectible accounts	122,663
Change in Assets and Liabilities	
Decrease in Accounts Receivables	537,042
Increase in Inventory	(15,718)
Increase in Prepaid Expenses	(12,065)
Decrease in Accounts Payable	(117,498)
Increase in Accrued Liabilities	18,084
Increase in Compensated Absences	35,468
Decrease in Deferred Revenue	(213,656)
Decrease in Funds held for Others	(5,259)
Total adjustments	<u>1,405,346</u>
Net Cash Used by Operating Activities	<u><u>\$ (10,670,043)</u></u>

See accompanying notes to financial statements.

TECHNICAL COLLEGE OF THE LOWCOUNTRY

Notes to Financial Statements

June 30, 2012

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, 2012, 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, 2012

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, 2012

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, 2012, 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, 2012

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 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, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentrations: During the year ended June 30, 2012, the College received 41.1%, 21.1%, and 9.8% of its total revenues (excluding capital contributions) from Federal, State and County operating grants and appropriations.

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	\$3,513,366
Restricted cash and cash equivalents	7,848
Investments	<u>3,267,588</u>
Total Cash and Investments on Statement of Net Assets	<u>\$6,788,802</u>

Disclosure, Deposits and Investments Plus Reconciling Items:

Carrying value deposits:	
Held by financial institutions	\$3,519,909
Investments held by financial institutions, reported amount	3,267,588
Cash on hand	<u>1,305</u>
Total Disclosure, Deposits and Investments Plus Reconciling Items	<u>\$6,788,802</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, 2012 had carrying balances of \$6,788,802 and bank balances of \$7,192,271 due to outstanding checks exceeding deposits in transit. Of these deposits, \$3,308,537 were insured by the Federal Deposit Insurance Corporation, \$3,639,020 was collateralized with securities held by the pledging institutions in the College's name, and \$244,714 was uncollateralized and un-insured.

TECHNICAL COLLEGE OF THE LOWCOUNTRY

Notes to Financial Statements
June 30, 2012

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, 2012, 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>Investment Maturities (in years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
Certificates of Deposit	<u>\$ 3,267,588</u>	<u>\$ 3,267,588</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, 2012

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2012, including applicable allowances, are summarized as follows:

Receivables:

Student Accounts	\$ 4,236,892
Other Accounts	103,888
Accrued Interest	11,175
State Appropriations	36,303
Due from Federal and Other Grantors - Operating	747,535
Due from Federal and Other Grantors - Non-Operating	823,028
Advance to TCL Enterprise Campus Authority	21,000
Receivable for Student Loans awarded	<u>301,002</u>
Gross Receivables	\$ <u>6,280,823</u>

Less: Allowance for Uncollectible Accounts

Student Accounts	<u>(1,086,789)</u>
Receivables, net	<u>\$ 5,194,034</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.

TECHNICAL COLLEGE OF THE LOWCOUNTRY

Notes to Financial Statements
June 30, 2012

NOTE 4 CAPITAL ASSETS

There was no construction period interest to be capitalized. Capital assets as of June 30, 2012 are summarized as follows:

	Balance 7/1/2011	Increases	Decreases	Balance 6/30/2012
Capital Assets not being depreciated:				
Land and improvements	\$ 3,283,324	\$ -	\$ -	\$ 3,283,324
Construction in progress	295,761	1,266,532	(1,562,293)	-
Total Capital Assets not being depreciated	<u>3,579,085</u>	<u>1,266,532</u>	<u>(1,562,293)</u>	<u>3,283,324</u>
Other Capital Assets:				
Depreciable Land Improvements	3,388,308	165,493	-	3,553,801
Buildings and improvements	20,655,978	1,396,800	-	22,052,778
Machinery and equipment	1,816,381	100,492	(109,368)	1,807,505
Vehicles	83,589	-	-	83,589
Total other capital assets at historical cost	<u>25,944,256</u>	<u>1,662,785</u>	<u>(109,368)</u>	<u>27,497,673</u>
Less accumulated depreciation for:				
Depreciable Land Improvements	(1,027,422)	(16,549)	-	(1,043,971)
Buildings and improvements	(8,232,845)	(877,957)	-	(9,110,802)
Machinery and equipment	(1,454,240)	(155,476)	105,368	(1,504,348)
Vehicles	(58,038)	(6,303)	-	(64,341)
Total accumulated depreciation	<u>(10,772,545)</u>	<u>(1,056,285)</u>	<u>105,368</u>	<u>(11,723,462)</u>
Other capital assets, net	<u>15,171,711</u>	<u>606,500</u>	<u>(4,000)</u>	<u>15,774,211</u>
Capital Assets, Net	<u>\$ 18,750,796</u>	<u>\$ 1,873,032</u>	<u>\$ (1,566,293)</u>	<u>\$ 19,057,535</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, 2012

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 incidental death benefits to eligible employees and retirees.

On July 1, 2006, the required employee contribution increased to 6.5%. Effective July 1, 2011, the employer contribution rate became 13.685%, which included a 4.3% 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, 2012, 2011, and 2010, were \$713,164, \$716,255, and \$728,770, respectively and equaled the required contributions of 9.385% (excluding the surcharge) for fiscal year 2012 and 9.24% (excluding the surcharge) for fiscal years 2011 and 2010. Also, the College paid employer incidental death benefit contributions of \$11,398 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 System, 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, 9.385% plus the retiree surcharge of 4.3% from the employer in fiscal year 2012. 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 (4.385%), which must be retained by SCRS.

TECHNICAL COLLEGE OF THE LOWCOUNTRY

Notes to Financial Statements June 30, 2012

NOTE 5 PENSION PLANS (continued)

Employees are eligible for incidental death benefits while participating in the State ORP. However, employees who participate in the State ORP are not eligible for postretirement incidental death benefits. For the fiscal year, total contribution requirements to the ORP were \$51,070 (excluding the surcharge) from the College as employer and \$35,439 from its employees as plan members. In addition, the College paid to the SCRS employer incidental death benefit contributions of \$816 in the current fiscal year at the rate of .15% of compensation.

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 incidental death 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.

Act No. 278 of 2012 made sweeping changes to the SCRS. The employee contribution rate will increase from 6.5% to 8.0% in 0.5% increments annually from July 1, 2012 to July 1, 2014. The employer contribution rate increased from 9.385% to 10.450%, and the surcharge rate increased from 4.30% to 4.55%, effective July 1, 2012. The employer contribution rate will remain at 10.45% through June 30, 2014 and will increase to 10.9% beginning July 2014. Also, effective July 1, 2012, the TERI program is not available to new hires.

TECHNICAL COLLEGE OF THE LOWCOUNTRY

Notes to Financial Statements
June 30, 2012

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, 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.

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 4.3% of annual covered payroll for 2012, 3.9% of annual covered payroll for 2011, and 3.5% of annual covered payroll for 2010. 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, 2012, 2011, and 2010, were approximately \$350,155, \$302,316, and \$289,000, 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 \$3.22 for the fiscal years ended June 30, 2012, and \$3.23 for the fiscal years ended June 30, 2011 and 2010.

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, 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.

TECHNICAL COLLEGE OF THE LOWCOUNTRY

Notes to Financial Statements
June 30, 2012

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.

At June 30, 2012, the College had an outstanding commitment of \$17,586 on a \$30,094 contract for building repairs.

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 \$61,469 during fiscal year 2012.

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%.

TECHNICAL COLLEGE OF THE LOWCOUNTRY

Notes to Financial Statements
June 30, 2012

NOTE 8 LEASE OBLIGATIONS (continued)

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>
2013	\$ 10
2014	10
2015	10
2016	10
2017	10
2018-2022	50
2023-2027	50
2028-2031	40
	<hr/>
Total future minimum lease payments	\$ 190
Less: interest portion	(61)
	<hr/>
Lease obligation outstanding	<u>\$ 129</u>

Assets acquired under capital lease:

Land	\$ 2,141,399
Land Improvements	1,915,045
Buildings	<u>5,767,869</u>
	<hr/>
Total assets acquired under capital lease	9,824,313
Less: Accumulated Depreciation	(1,668,726)
	<hr/>
Assets acquired under capital lease, net	<u>\$ 8,155,587</u>

NOTE 9 LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2012 was as follows:

	Balance			Balance	Due Within	Net Long
	<u>July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2012</u>	<u>One Year</u>	<u>Term</u>
Obligation under Capital Lease	\$1,285,714	\$ -	\$ 55,714	\$ 1,230,000	\$ 60,000	\$1,170,000
Accrued Compensated Absences	777,228	109,859	74,391	812,696	62,649	750,047
Total Long Term Liabilities	<u>\$2,062,942</u>	<u>\$109,859</u>	<u>\$130,105</u>	<u>\$ 2,042,696</u>	<u>\$ 122,649</u>	<u>\$1,920,047</u>

The College is obligated for payment of \$1,230,000 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 average effective interest rate on the remaining outstanding bonds for fiscal June 30, 2012 was 4.3%. Interest paid on the debt during the fiscal year ended June 30, 2012 was \$55,077.

TECHNICAL COLLEGE OF THE LOWCOUNTRY

Notes to Financial Statements
June 30, 2012

NOTE 9 LONG-TERM LIABILITIES (continued)

The scheduled maturities of the bonds payable is as follows:

Year Ended	Total		
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
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	77,143	39,911	117,054
2018-2022	450,000	149,739	599,739
2023-2026	437,143	47,357	484,500
Total	<u>\$ 1,230,000</u>	<u>\$ 434,996</u>	<u>\$1,664,996</u>

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, 2012.

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 \$70,304 and non-governmental grants of \$341 from the Foundation in operating revenues for the fiscal year ending June 30, 2012. 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, 2012. The College does not provide administrative services to the Foundation.

The net assets of the TCL Foundation were \$998,828 at June 30, 2012. There was no amount due to or from the TCL Foundation as of June 30, 2012.

TECHNICAL COLLEGE OF THE LOWCOUNTRY

Notes to Financial Statements
June 30, 2012

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 incidental death 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, 2012

NOTE 12 OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification for the year ended June 30, 2012 are summarized as follows:

	Salaries	Benefits	Scholarships	Utilities	Supplies and Services	Depreciation	Total
Instruction	\$ 4,601,982	\$ 1,211,307	\$ -	\$ -	\$ 870,010	\$ -	\$ 6,683,299
Academic Support	1,188,120	328,275	-	-	593,734	-	2,110,129
Student Services	1,441,587	388,630	-	-	604,909	-	2,435,126
Operation and Maintenance of Plant	464,278	165,225	-	559,439	665,675	-	1,854,617
Institutional Support	1,420,046	417,882	-	-	848,595	-	2,686,523
Scholarships	-	-	3,279,571	-	-	-	3,279,571
Auxiliary Enterprises	145,311	37,495	-	9,993	1,223,388	-	1,416,187
Depreciation	-	-	-	-	-	1,056,285	1,056,285
Total Operating Expenses	<u>\$ 9,261,324</u>	<u>\$ 2,548,814</u>	<u>\$ 3,279,571</u>	<u>\$ 569,432</u>	<u>\$ 4,806,311</u>	<u>\$ 1,056,285</u>	<u>\$ 21,521,737</u>

NOTE 13 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses as of June 30, 2012, are summarized as follows:

Accounts Payable Trade	\$ 122,338
Student Refunds Payable	81,899
Accrued Interest Expense	17,686
Sale and Use Tax Payable	19,014
Other Accrued Liabilities	8,846
Total Accounts Payable and Accrued Expenses	<u>\$ 249,783</u>

NOTE 14 DEFERRED REVENUES

Deferred revenues as of June 30, 2012, are summarized as follows:

Fall 2012 Tuition	\$ 2,445,800
Summer 2012 Tuition	492,611
Fall Registration Fees	90,550
Fall Capital Fees	79,865
Fall High Course Fees	36,275
Federal Grants and Contracts	193,259
State Appropriations	233,809
Local Grants and Contracts	20,701
Nongovernmental Grants and Contracts	954
Total Deferred Revenue	<u>\$ 3,593,824</u>

TECHNICAL COLLEGE OF THE LOWCOUNTRY

Notes to Financial Statements
June 30, 2012

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, 2012 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	\$ 2,788,565
Critical Needs Nursing	15,089
Deferred Maintenance	287,026
EEDA Pathways	37,784
Lottery Equipment	118,400
Less: Expended on capital equipment	<u>(7,646)</u>
Current year appropriations paid by State	3,239,218
Adjustments	
Accounts receivable - beginning of year	(108,847)
Accounts receivable - end of year	36,304
Deferred revenue - beginning of year	57,482
Deferred revenue - end of year	<u>(233,810)</u>
Total Non-capital appropriations reported as current year revenue	<u>\$ 2,990,347</u>

TECHNICAL COLLEGE OF THE LOWCOUNTRY

Notes to Financial Statements
June 30, 2012

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.

	2012	2011	Increase/ (Decrease)
Charges for services	\$ 9,273,290	\$ 8,705,966	\$ 567,324
Non-operating grants and contributions	8,799,427	11,052,779	(2,253,352)
Capital grants and contributions	891,939	651,394	240,545
less: expenses	(21,576,140)	(22,984,894)	1,408,754
Net program revenue (expense)	(2,611,484)	(2,574,755)	(36,729)
Transfers:			
State appropriations	2,990,347	3,120,939	(130,592)
Other transfer in from state agencies	-	14,569	(14,569)
Total general revenue and transfers	2,990,347	3,135,508	(145,161)
Change in net assets	378,863	560,753	(181,890)
Net assets - beginning	25,120,159	24,559,406	560,753
Net assets - ending	\$ 25,499,022	\$ 25,120,159	\$ 378,863

TECHNICAL COLLEGE OF THE LOWCOUNTRY

Notes to Financial Statements
June 30, 2012

NOTE 17 STATE FISCAL STABILIZATION FUNDS (ARRA FUNDS)

The College incurred expenses of \$648,684 during fiscal year 2012 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 renovations and classroom equipment for the Mungin Center in Hampton County. In addition, ARRA funds provided student support, as well as instructional capacity for programs offered through the Continuing Education division under the Quick Jobs program. Energy program funds were used to make energy efficiency improvements on the Beaufort campus.

The schedule below lists the individual expenses by grant.

<u>Grant</u>	<u>Funds Expended Through June 30, 2012</u>
Investment for Public Works and Economic Development	\$ 598,000
Broadband Round 1	31,129
WIA Adult - Quick Jobs	6,353
Childcare Development Block Grant	11,753
State Fiscal Stabilization Fund - Education Grants	1,449
Total Expenditures	<u>\$ 648,684</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.

	<u>Supplies / Services</u>	<u>Capitalized</u>	<u>Total</u>
Instruction	\$ 28,171	\$ 9,311	\$ 37,482
Student Services	11,753	-	11,753
Operation and Maintenance of Plant	-	599,449	599,449
Total Expenses	<u>\$ 39,924</u>	<u>\$ 608,760</u>	<u>\$ 648,684</u>

COMPLIANCE SECTION

TECHNICAL COLLEGE OF THE LOWCOUNTRY
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	June 30, 2012 Expenditures
<u>United States Department of Education</u>		
Direct:		
Student Financial Assistance Program Cluster		
Federal Work-Study Program - American Recovery and Reinvestment Act	84.033	\$ 95,734
Federal Supplemental Education and Opportunity Grants	84.007	208,413
Federal Pell Grant Program - American Recovery and Reinvestment Act	84.063	6,496,409
Total Student Financial Assistance Program Cluster	*	<u>6,800,556</u>
TRIO Program Cluster		
Student Support Services	84.042	246,186
Talent Search	84.044	350,755
Upward Bound	84.047	376,039
Total TRIO Program Cluster		<u>972,980</u>
Strengthening Minority Serving Institutions		
Predominantly Black Institution Grant - PILAU Program	84.382	294,368
Predominantly Black Institution Grant - Formula Grant	84.382	109,479
Total Strengthening Minority Serving Institutions	*	<u>403,847</u>
Total Direct from United States Department of Education		<u>8,177,383</u>
Passed-through South Carolina Department of Education:		
Perkins IV	84.048	157,358
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	67,146
State Fiscal Stabilization Fund - American Recovery and Reinvestment Act	84.394	1,449
Total passed-through South Carolina Department of Education		<u>225,953</u>
Total United States Department of Education		<u>8,403,336</u>
<u>United States Department of Commerce</u>		
Direct:		
Investment for Public Works and Economic Development Facilities - American Recovery and Reinvestment Act	11.300	* 598,000
Passed-through South Carolina Department of Education		
Broadband Technology Opportunities Program - American Recovery and Reinvestment Act	11.557	31,129
Total United States Department of Commerce		<u>629,129</u>
<u>United States Department of Housing and Urban Development</u>		
Direct:		
Community Development Block Grant / State Programs	14.228	200,187
Total United States Department of Housing and Urban Development		<u>200,187</u>
<u>U.S. Department of Labor</u>		
Direct:		
Mine Safety Health and Safety Grants	17.600	43,706
Passed-through South Carolina Department of Education		
Quick Jobs WIA Adult Program	17.258	28,406
WIA Dislocated Workers - American Recovery and Reinvestment Act	17.260	6,353
Total passed-through South Carolina Department of Education		<u>34,759</u>
Total United States Department of Labor		<u>78,465</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>United States Department of Energy</u>		
Passed-through South Carolina Department of Education		
South Carolina Energy Grant	81.041	20,941
South Carolina Energy - Geothermal Grant	81.041	449
Total United States Department of Energy		21,390
<u>United States Department of Health and Human Services</u>		
Direct:		
Child Care and Development Block Grant	93.575	4,107
Passed-through South Carolina Department of Education		
Child Care Development Block Grant - American Recovery and Reinvestment Act	93.713	11,753
Total United States Department of Health and Human Services		15,860
 Total Federal Assistance		\$ 9,348,367
 * 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, 2012, and have issued our report thereon dated September 28, 2012. 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

Management of Technical College of the Lowcountry is responsible for establishing and maintaining effective 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 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.

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 significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

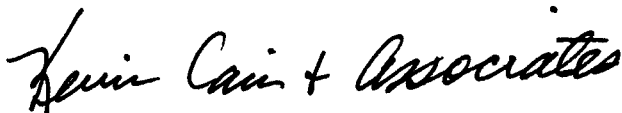
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination 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. We consider the deficiency listed as 2012-1 described in the accompanying schedule of findings and questioned costs to be a material weakness.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2012-1.

Technical College of the Lowcountry's response to the finding indentified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Technical College of the Lowcountry's response and, accordingly, we express no opinion on it.

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.



Beaufort, South Carolina
September 28, 2012



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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, 2012. 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, 2012.

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 & Associates

Beaufort, South Carolina
September 28, 2012

TECHNICAL COLLEGE OF THE LOWCOUNTRY

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2012**

Summary of Auditors' Results

1. The independent auditors' report expresses an unqualified opinion on the financial statements of Technical College of the Lowcountry.
2. One control deficiency in internal control over financial reporting was reported as a material weakness.
3. One instance of noncompliance material to the financial statements of Technical College of the Lowcountry was 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. One audit finding required to be reported in accordance with Section 510(a) of OMB Circular A-133 is reported in this schedule.
7. The programs tested as major programs include:

<u>Programs</u>	<u>CFDA#</u>	<u>Expenditures</u>
Federal Work-Study Program - American Recovery and Reinvestment Act	84.033	\$ 95,734
Federal Supplemental Education Opportunity Grants	84.007	215,823
Federal Pell Grant Program	84.063	<u>6,496,815</u>
Total Student Financial Assistance Cluster		6,808,372
Predominantly Black Institution Grants	84.382	403,847
Investment for Public Works and Economic Development Facilities - American Recovery and Reinvestment Act	11.300	<u>598,000</u>
Total Major Program Expenditures		<u><u>\$ 7,810,219</u></u>

8. The threshold for distinguishing between Type A and B programs was \$300,000.
9. Technical College of the Lowcountry qualified as a low-risk auditee.

TECHNICAL COLLEGE OF THE LOWCOUNTRY

**Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2012**

Findings – Financial Statement Audit

TRIO Program Cluster:

2012-1 Cash Management:

Condition: During August and September of 2011, the Technical College invoiced the U.S. Department of Education for reimbursement under the TRIO Program Cluster for more than the College's program costs for those months. During the remainder of fiscal June 30, 2012, the Technical College did not reduce subsequent TRIO program draws for this overbilling and the Technical College's Trio program expenses remained \$152,942.14 overdrawn at June 30, 2012 consisting of \$32,207.43 for Student Support Services, \$80,092.41 for Upward Bound and \$40,642.30 for Education Talent Search.

Criteria: Cash management criteria for Federal programs require that draw requests for reimbursement be based on actual costs incurred. The Technical College should review its Federal Programs on a regular basis to ensure that it has not billed for reimbursement more than its actual costs incurred.

Effect: A periodic review of the Federal Programs trial balance would likely detect any Federal programs whose billings for reimbursement exceed the actual costs incurred under the program.

Recommendation: We recommend that the Technical College periodically review the trial balance for its Federal programs to ensure that its Federal programs are not being invoiced for more than the actual program costs incurred by the Technical College.

Findings and Questioned Costs for Federal Awards:

TRIO Program Cluster:

See item 2012-1 under Findings – Financial Statement Audit

TECHNICAL COLLEGE OF THE LOWCOUNTRY

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2011**

Findings:

There were no findings regarding internal controls over financial reporting or compliance with certain provisions of laws, regulations, contracts or grants during the year ended June 30, 2011.

TECHNICAL COLLEGE OF THE LOWCOUNTRY

**Corrective Action Plan
Year Ended June 30, 2012**

TRIO Program Cluster:

2012-1 Cash Management:

Recommendation: We recommend that the Technical College periodically review the trial balance for its Federal programs to ensure that its Federal programs are not being invoiced for more than the actual Federal program costs incurred by the Technical College.

Action taken: The accounting manager will periodically review the Technical College's trial balance for its Federal Programs to ensure that Federal reimbursements match Federal program expenditures and that there is not an accumulated balance in the deferred revenues accounts for its Federal programs.

The Technical College will not invoice the TRIO program cluster for fiscal June 30, 2013 program expenditures until its fiscal June 30, 2013 TRIO program costs exceed the \$152,924.14 balance which was overdrawn during the fiscal year ended June 30, 2012.