TECHNICAL COLLEGE OF THE LOWCOUNTRY

Financial Statements

For the Year Ended June 30, 2014

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

Audit Period - July 1, 2013 to June 30, 2014

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Charles W. Bootle, Vice Chairman	Beaufort County
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Area Served by Commission

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Colleton County

Hampton County

Jasper County

Counties Providing Financial Support

Beaufort County

Colleton County

Hampton County

TECHNICAL COLLEGE OF THE LOWCOUNTRY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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COMPLIANCE SECTION

FINANCIAL SECTION

CROWLEY WECHSLER & ASSOCIATES LLC
CERTIFIED PUBLIC ACCOUNTANTS

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Richard D. Crowley, CPA, CVA
Lisa T. Wechsler, CPA

Member:
American Institute of CPAs
South Carolina Association of CPAs

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Technical College of the Lowcountry
Beaufort, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the Technical College of the Lowcountry as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Technical College of the Lowcountry, as of June 30, 2014, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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MOUNT PLEASANT, SC 29465
TEL 843.971.0882 · FAX 843.971.0884

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-10 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Technical College of the Lowcountry's basic financial statements. The schedule of expenditures of federal awards 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 also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2014, on our consideration of the 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Technical College of the Lowcountry's internal control over financial reporting and compliance.

Crowley Wechsler & Associates LLC

Crowley Wechsler & Associates LLC
Beaufort, South Carolina
September 23, 2014

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 ended June 30, 2014 and June 30, 2013. 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 Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

The Statement of Net Position 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 position is the difference between total assets and the total liabilities and is 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 Position 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, 2014, by $25.3 million. Of this amount, $9.3 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 College's total liabilities decreased by $0.4 million from the prior year.

- The College experienced a net operating loss of $10.8 million as reported in the statement of Revenues, Expenses, and Changes in Net Position. The operating loss was offset by non-operating revenues from federal grants as well as state and local appropriations of $11.2 million.

- Operating revenues were up by $0.1 million for the year, due primarily to increases in student tuition and federal 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 Position.

Net Position as of June 30, 2014
With Comparative Totals for 2013

(In millions)

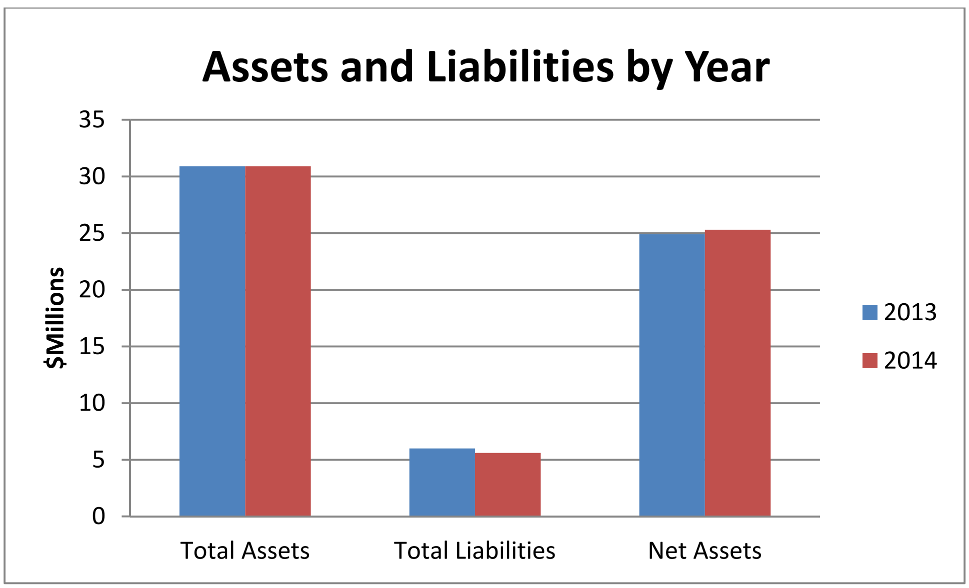
	2014	2013
Current Assets	$ 13.8	$ 12.7
Non-current Assets	17.1	18.1
Total Assets	$ 30.9	$ 30.8
Current Liabilities	3.8	4.2
Non-current Liabilities	1.8	1.8
Total Liabilities	5.6	6.0
Net Position		
Investment in Capital Assets	16.0	16.9
Unrestricted	9.3	7.9
Total Net Position	25.3	24.8
Total Liabilities and Net Position	$ 30.9	$ 30.8

Net position may serve over time as a useful indicator of an entity's financial position. The College's net assets exceeded liabilities by $25.3 million at the close of the most recent fiscal year and reflect an increase of $.6 million from the prior year.

The largest portion of the College's net position (63%) 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 $9.3 million, or approximately 37%, 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, 2014 with comparisons to the prior year are included below.



Summary of Revenues, Expenses, and Changes in Net Position
for Fiscal Year Ended June 30, 2014
with Comparative Totals for June 30, 2013

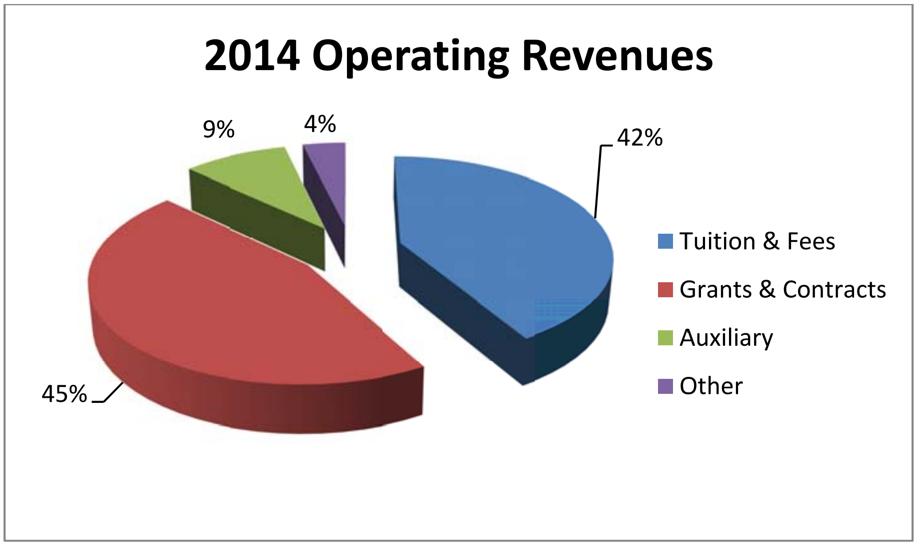
(In millions)

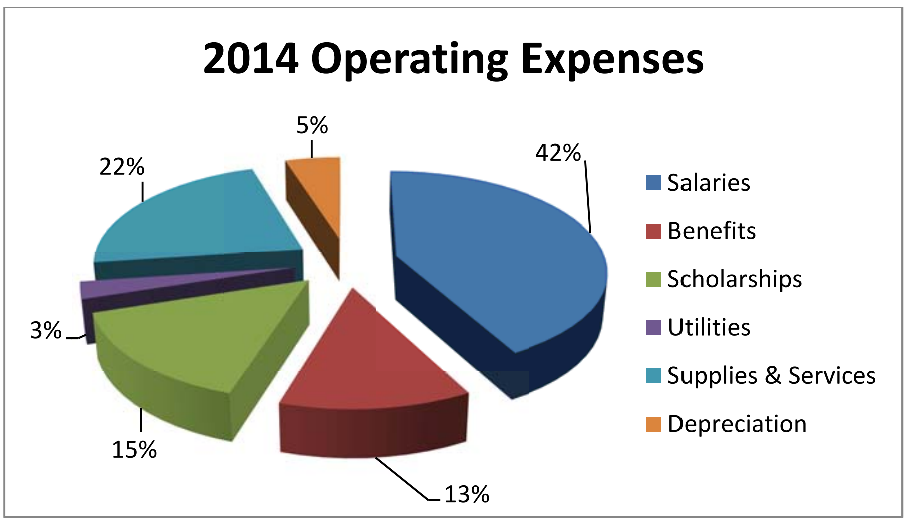
The schedule that follows is a summary of the College's operating results for the fiscal year.

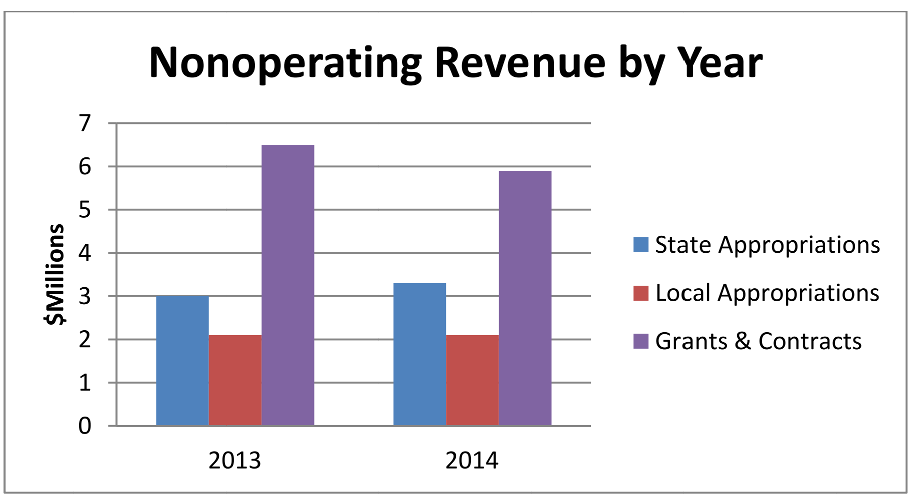
	2014	2013
Operating Revenue		
Tuition and Fees	$ 4.5	$ 4.0
Grants and Contracts	4.3	4.8
Auxiliary	1.0	1.0
Other	0.4	0.3
Total Operating Revenue	10.2	10.1
Less Operating Expenses	21.0	21.4
Net Operating Loss	(10.8)	(11.3)
Non-Operating Revenue		
Federal Grants and Contracts	5.9	5.4
State Appropriations	3.3	3.2
Local Appropriations	2.0	2.0
Total Non-operating Revenue	11.2	10.6
Income (Loss) before Other Revenues, Expenses, Gains (Losses)	0.4	(0.7)
Other Revenues, Expenses, Gains or (Losses)		
Capital Gifts, Grants and Contracts	0.1	0.0
Increase in Net Assets	0.5	(0.7)
Net Assets, Beginning of Year	24.8	25.5
Net Assets, End of Year	$ 25.3	$ 24.8
Total Revenues	$ 21.5	$ 20.8

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, 2014 with comparisons to the prior year as appropriate are included below.







Personnel costs of approximately $11.9 million accounted for 56% of the College's operating expenses and reflect a 2% decrease over the prior year. Supplies and other services make up the second largest classification, accounting for 23% of operating expenses. Operating expenses in total decreased $0.4 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, 2014 and June 30, 2013

(In millions)

	2014	2013
Net Cash Provided (Used) by Operating Activities	$ (9.5)	$ (10.5)
Net Cash Provided by Non-Capital Financing Activities	12.1	9.9
Net Cash Provided (Used) by Capital and Related Activities	(0.2)	(0.1)
Net Cash Provided (Used) by Investing Activities	0.0	0.8
Net Increase (Decrease) in Cash and Cash Equivalents	2.4	0.1
Cash and Cash Equivalents- Beginning of the Year	3.6	3.5
Cash and Cash Equivalents- End of the Year	$ 6.0	$ 3.6

Cash and cash equivalents increased by $2.4 million. Cash provided from non-capital financing activities in the amount of $12.1 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 $6.0 million.

Capital Asset and Debt Administration

The capital assets net of depreciation decreased by $1.0 million for the year. This decrease reflects the impact of depreciation charges to existing capital assets and the lack of new capital investment in the fiscal year.

The capital assets are summarized in the table that follows:

Capital Assets, Net
June 30, 2014 with Comparative Totals for June 30, 2013

(In millions)

	2014	2013
Capital Assets		
Land and Improvements	$ 6.8	$ 6.8
Buildings and Improvements	22.1	22.1
Machinery & Equipment	1.8	1.8
Other Assets	0.1	0.1
Total Capital Assets	30.8	30.8
Less Accumulated Depreciation	(13.7)	(12.7)
Net Capital Assets	$ 17.1	$ 18.1

Economic Factors

The College's funding has historically come in approximately 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 state funding to the Technical College system as a whole since appears to have stabilized, TCL's share of that funding has dropped due to changes in the internal allocation formula. TCL's state appropriations of $3.3 million made up only 15% of total revenues for the year. This was an increase of $0.1 million compared to fiscal year 2013, but the increase was primarily a result of non-recurring, special project funding. This level is still $2.6 million less that the College received from the state in 2008. Management does not expect state funding to return to prior levels in the foreseeable future.

Substantial enrollment growth helped sustain the institution through the period of most drastic state funding declines. That growth peaked in FY11 and then fell moderately through FY13. Enrollment leveled off in FY14 and is expected to grow slightly in FY15. While the period of declining enrollment created some challenging years, the College responded with a focus on rebuilding tuition revenue and improving operational efficiency. FY14 was a much improved year financially, yielding a reasonable increase in net position. FY15 revenue projections are even stronger, and will allow the college to make investments in capital equipment and new programs that had to be postponed in recent years.

The College is in a solid financial position despite recent funding challenges. Enrollment, and the associated tuition revenue, will continue to be the focus of management's efforts to provide future funding stability. The College has made significant investments in both personnel and purchased services to increase the emphasis on enrollment and retention. Management expects that further 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 STATEMENT

TECHNICAL COLLEGE OF THE LOWCOUNTRY
Statement of Net Position
June 30, 2014

ASSETS		
Current Assets		
Cash and Cash Equivalents	$	6,031,442
Investments		2,494,111
Accounts Receivable, net		5,068,522
Inventories		189,431
Prepaid Expenses		40,464
Total Current Assets		13,823,970
Restricted Assets		
Cash and Cash Equivalents		5,344
Noncurrent Assets		
Capital Assets, net of accumulated depreciation		13,832,583
Capital Assets, not subject to depreciation		3,283,324
Total Noncurrent Assets		17,115,907
Total Assets	$	30,945,221
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Liabilities	$	140,773
Accrued Payroll and Related Liabilities		11,546
Current Portion of Long-Term Liabilities		147,996
Unearned Revenues		3,548,524
Total Current Liabilities		3,848,839
Liabilities payable from restricted assets		
Funds Held for Others		6,368
Noncurrent Liabilities		
Obligations under Capital Lease		1,037,141
Compensated Absences Payable		735,536
Total Noncurrent Liabilities		1,772,677
Total Liabilities		5,627,884
NET POSITION		
Net Investment in Capital Assets		16,010,195
Restricted		
Expendable - Loans		14,495
Unrestricted		9,292,647
Total Net Position		25,317,337
Total Liabilities and Net Position	$	30,945,221

See accompanying notes to financial statements.

TECHNCIAL COLLEGE OF THE LOWCOUNTRY
Statement of Revenue, Expenses, and Changes in Net Position
For the Year Ended June 30, 2014

REVENUES	
Operating Revenues	
Student Tuition and Fees, net of scholarship allowances of $4,259,646	$ 4,370,786
Capital fees, net of scholarship allowances of $100,285	109,557
Federal Grants and Contracts	2,498,494
State Grants and Contracts	1,653,838
Non-governmental Grants and Contracts	163,609
Sales and Services of Educational Programs	45,635
Auxiliary Programs, net of scholarship allowances of $453,917	1,026,445
Other Operating Revenues	359,650
Total Operating Revenues	10,228,014
EXPENSES	
Operating Expenses	
Salaries	9,144,015
Benefits	2,718,927
Scholarships	2,713,851
Utilities	591,956
Supplies and other services	4,838,586
Depreciation	1,053,309
Total Operating Expenses	21,060,644
Operating Loss	(10,832,630)
Non-operating Revenues (Expenses)	
Federal Grants and Contracts	5,858,170
State Appropriations	3,299,057
County Appropriations	2,121,250
State Grants and Contracts	101
Interest Income	24,046
Interest Expense on Capital Asset Related Debt	(50,025)
Net Non-operating Revenues	11,252,599
Income (Loss) before Other Revenues, Expenses, Gains (Losses)	419,969
Other Revenues, Expenses, Gains or (Losses)	
State Capital - In-kind donation	60,000
INCREASE IN NET POSITION	479,969
NET POSITION	
Net Position, beginning of year	24,837,368
Net Position, end of year	$ 25,317,337

See accompanying notes to financial statements.

TECHNICAL COLLEGE OF THE LOWCOUNTRY
Statement of Cash Flows
For the Year Ended June 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES		
Student Tuition and Fees, net of scholarship allowances	$	4,894,726
Federal, State and Local Grants and Contracts		4,227,765
Sales and Services of Education Departments		45,635
Auxiliary Enterprise, net of scholarship allowances		1,026,445
Other Receipts		359,650
Scholarships		(2,713,851)
Student Loans Received		2,410,423
Student Loans Paid Out		(2,291,670)
Payments to Vendors		(5,503,690)
Payments to Employees		(9,121,065)
Employee Benefits		(2,866,094)
Increase in Cash Held for Others		(2,025)
Net Cash Used by Operating Activities		(9,533,751)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State Appropriations		3,311,418
County Appropriations		2,127,500
Federal Grants and Contracts		6,685,207
Net Cash Provided by Non-Capital Financing Activities		12,124,125
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets		(38,502)
Principal Paid on Capital Debt		(64,286)
Interest Paid on Capital Debt		(50,882)
Net Cash used by Capital and Related Financing Activities		(153,670)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments		25,678
Purchase of Investments		(15,583)
Net Cash Provided by Investing Activities		10,095
Net Increase in Cash		2,446,799
Cash - beginning of year		3,589,987
Cash - end of year	$	6,036,786
Reconciliation to Statement of Net Position		
Cash and Cash Equivalents	$	6,031,442
Restricted Cash and Cash Equivalents		5,344
Total Cash and Cash Equivalents	$	6,036,786

See accompanying notes to financial statements.

TECHNICAL COLLEGE OF THE LOWCOUNTRY
Statement of Cash Flows
For the Year Ended June 30, 2014

Supplementary Information		
Cash Paid for Income Taxes		None
Cash Paid for Interest Expense	$	50,882
Non-cash State Capital In-Kind Donation	$	60,000
Reconciliation of Net Operating Revenue (Expenses) to		
Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	$	(10,832,630)
Adjustments to Reconcile Operating Income (Loss) to Net Cash		
Provided (Used) by Operating Activities		
Depreciation		1,053,309
Allowance for uncollectible accounts		(247,989)
Change in Assets and Liabilities		
Decrease in Accounts Receivables		457,584
Increase in Inventory		(9,407)
Decrease in Prepaid Expenses		190,467
Increase in Accounts Payable		14,641
Decrease in Accrued Liabilities		(152,035)
Increase in Compensated Absences		27,818
Decrease in Unearned Revenue		(33,484)
Decrease in Funds held for Others		(2,025)
Total adjustments		1,298,879
Net Cash Used by Operating Activities	$	(9,533,751)

See accompanying notes to financial statements.

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) Codification Section 2100, *Defining the Financial Reporting Entity*, 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. GASB Codification Section 2600, *Reporting Entity and Component Unit Presentation and Disclosure*, provides criteria for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship with a primary government and classifies reporting requirements for those organizations. Based on these criteria, the College evaluates potential component units on an annual basis and presents component units that are deemed significant. As of June 30, 2014, the College has determined there are no significant component units. Accordingly, the financial statements include the accounts of the Technical College of the Lowcountry as the primary government. The Technical College of the Lowcountry is a component unit of the State of South Carolina and is reported in the State's Comprehensive Annual Financial Report.

Financial Statements: The financial statement presentation for the College meets the requirements of GASB Codification Sections 2100- 2900, *Financial Reporting Entity*, and Co5, *Colleges and Universities*. The financial statement presentation provides a comprehensive, entity-wide perspective of the College's assets, liabilities, net position, revenues, expenses, changes in net position, 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.

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 position.

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.

Unearned Revenues and Deposits: Unearned 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. Unearned 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 position and as a component of benefit expenses in the statement of revenues, expenses, and changes in net position.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position: The College's net position is displayed in three components: net investment in capital assets, restricted (with expendable and nonexpendable components separately displayed), and unrestricted.

> ***Net Investment in capital assets:*** This component consists of the College's capital assets, net of accumulated depreciation, and reduced by 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 net investment in capital assets. Deferred outflows of resources and deferred inflows of resources, if any, attributable to the acquisition, construction, or improvement of those assets or related debt are also included.
>
> 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, 2014, the Statement of Net Position 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:*** This component consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
>
> > ***Restricted – expendable:*** Restricted expendable component includes 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 Position includes $14,495 in restricted expendable resulting from loans made to students.
> >
> > ***Restricted – nonexpendable:*** The nonexpendable restricted component includes financial resources which are required to be maintained in perpetuity. The College has no nonexpendable restricted resources.
>
> ***Unrestricted:*** The unrestricted component is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. This includes 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 resources are available.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 position. 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Concentrations: During the year ended June 30, 2014, the College received 38.8%, 23.0%, and 9.9% 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 Position:

Cash and cash equivalents	$6,031,442
Restricted cash and cash equivalents	5,344
Investments	2,494,111
Total Cash and Investments on Statement of Net Position	$8,530,897

Disclosure, Deposits and Investments Plus Reconciling Items:

Carrying value deposits:	
Held by financial institutions	$6,035,543
Investments held by financial institutions, reported amount	2,494,111
Cash on hand	1,243
Total Disclosure, Deposits and Investments Plus Reconciling Items	$8,530,897

NOTE 2 CASH, DEPOSITS AND INVESTMENTS (Continued)

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

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, 2014 had carrying balances of $8,530,897 and bank balances of $9,017,958 due to outstanding checks exceeding deposits in transit. Of these deposits, $3,167,641 were insured by the Federal Deposit Insurance Corporation, $5,849,071 was collateralized with securities held by the pledging institutions in the College's name, and $1,246 was uncollateralized and un-insured.

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, 2014, 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:

		Investment Maturities (in years)			
Investment Type	Fair Value Amount	Less Than 1	1-5	6-10	More Than 10
Certificates of Deposit	$ 2,494,111	$ 2,494,111	$ -	$ -	$ -

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.

NOTE 2 CASH, DEPOSITS AND INVESTMENTS (Continued)

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.

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2014, including applicable allowances, are summarized as follows:

Receivables:		
Student Accounts	$	4,048,809
Other Accounts		113,186
Accrued Interest		8,537
Due from Federal and Other Grantors - Operating		889,590
Due from Federal and Other Grantors - Non-Operating		689,531
Receivable for Student Loans awarded		312,236
Gross Receivables	$	6,061,889
Less: Allowance for Uncollectible Accounts		
Student Accounts		(993,367)
Receivables, net	$	5,068,522

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

NOTE 4 CAPITAL ASSETS

There was no construction period interest to be capitalized. Capital assets as of June 30, 2014 are summarized as follows:

	Balance 7/1/2013	Increases	Decreases	Balance 6/30/2014
Capital Assets not being depreciated:				
Land and improvements	$ 3,283,324	$ -	$ -	$ 3,283,324
Other Capital Assets:				
Depreciable Land Improvements	3,553,801	-	-	3,553,801
Buildings and improvements	22,052,779		-	22,052,779
Machinery and equipment	1,845,504	98,502	(109,040)	1,834,966
Vehicles	83,589	50,223	-	133,812
Total other capital assets at historical cost	27,535,673	148,725	(109,040)	27,575,358
Less accumulated depreciation for:				
Depreciable Land Improvements	(1,334,757)	(561,141)	-	(1,895,898)
Buildings and improvements	(9,709,578)	(322,075)	-	(10,031,653)
Machinery and equipment	(1,633,304)	(110,244)	58,817	(1,684,731)
Vehicles	(70,644)	(59,849)	-	(130,493)
Total accumulated depreciation	(12,748,283)	(1,053,309)	58,817	(13,742,775)
Other capital assets, net	14,787,390	(904,584)	(50,223)	13,832,583
Capital Assets, Net	$ 18,070,714	$ (904,584)	$ (50,223)	$ 17,115,907

NOTE 5 PENSION PLANS

The South Carolina Public Employee Benefit Authority Retirement Benefits maintains five 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 South Carolina Public Employee Benefit Authority Retirement Benefits, P. O. Box 11960, Columbia, SC 29211-1960. Furthermore, the South Carolina Public Employee Benefit Authority Retirement Benefits and the five pension plans are included in the CAFR of the State of South Carolina.

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 administrated by the South Carolina Public Employee Benefit Authority Retirement Benefits, 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, as amended, or are eligible and elect to participate in the Sate Optional Retirement Program. The SCRS plan provides life-time monthly retirement annuity benefits to members as well as disability, survivor options, annual benefit adjustments, death benefits, and incidental death benefits to eligible employees and retirees. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class II member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class III member.

A Class II member who has separated from service with at least five years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class III member who has separated from service with at least eight years of earned service is eligible for a monthly pension subject to the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class II and Class III members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. Incidental death benefits are also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

Beginning July 1, 2012, and annually thereafter, the annual retirement allowance received by retirees or their surviving annuitants must be increased by the lesser of one percent or five hundred dollars. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

Class II Members (members hired prior to July 1, 2012)

Average Final Compensation (AFC) is based on the highest 12 consecutive quarters of compensation. The determination of a member's AFC includes up to 45 days of unused annual leave paid at termination. Monthly benefits are based on one-twelfth of this amount. The retirement benefit amount is equal to the 1.82% of the member's AFC times the member's credited service (years). Credited service may include up to 90 days of unused sick leave.

Members are eligible to commence their retirement benefit after they have (i) 28 years of credited service or (ii) attained age 65 with 5 years of earned service. At each July 1 after their first full year of retirement, annuitants will receive an automatic cost of living adjustment equal to the lesser of 1.00% of their retirement benefit or $500 per annum.

NOTE 5 PENSION PLANS (Continued)

Class III Members (members hired after June 30, 2012)
Average Final Compensation (AFC) is based on the highest twenty (20) consecutive quarters of compensation. The determination of a member's AFC will not include unused annual leave paid at termination. Monthly benefits are based on one-twelfth of this amount. The retirement benefit is equal to 1.82% of the member's AFC times the member's credited service (years). Credited service will not include unused sick leave.

Members are eligible to commence a retirement benefit after they have (i) attained age 60 with eight years of earned service or (ii) the combination of the member's age and years of credited service equals or exceeds 90 (i.e. the rule of 90). At each July 1 after their first full year of retirement, annuitants will receive an automatic cost of living adjustment equal to the lesser of 1.00% of their retirement benefit or $500 per annum.

Disability annuity benefits are payable to Class II members if they have permanent incapacity to perform regular duties of the member's job and they have at least 5 years of earned service (this requirement does not apply if the disability is a result of a job related injury). Class III members qualify for disability annuity benefits provided they have a minimum of eight years of credited service. An incidental death benefit equal to an employee's annual rate of compensation is payable upon the death of an active employee with a minimum of one year of credited service or to a working retired contributing member. There is no service requirement for death resulting from actual performance of duties for an active member. For eligible retired members, a lump-sum payment is made to the retiree's beneficiary of up to $6,000 based on years of service at retirement. TERI participants (discussed in the following paragraph) and retired contributing members are eligible for the increased death benefit equal to their annual salary in lieu of the standard retired member benefit.

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. However, effective July 1, 2012, the TERI program is not available to new hires. 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 278 of 2012 closed the TERI program effective June 30, 2018.

On July 1, 2013, the required employee contribution increased to 7.5%. The rate increased to 8.0% on July 1, 2014. Effective July 1, 2013, the employer contribution rate became 15.37%, which included a 4.92% 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, 2014, 2013, and 2012, were $794,980, $800,641 and $713,164, respectively, and equaled the required contributions of 10.45% (excluding the surcharge) for fiscal year 2014, 10.45% (excluding the surcharge) for fiscal year 2013, and 9.385% (excluding the surcharge) for fiscal year 2012. Also, the College paid employer incidental death benefit contributions of $11,411 and $11,492 at the rate of .15% of compensation for the fiscal years ended June 30, 2014 and 2013, respectively.

NOTE 5 PENSION PLANS (Continued)

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 Public Employee Benefit Authority Retirement Benefits, 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, 10.45% plus the retiree surcharge of 4.92% from the employer in fiscal year 2014. A direct remittance is required from the employers to the investment providers for the employee contribution (7.5%) and a portion of the employer contribution (5.0%). Also, a direct remittance is required to SCRS for a portion of the employer contribution (4.92%), which must be retained by SCRS.

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 $44,811 (excluding the surcharge) from the College as employer and $31,918 from its employees as plan members. In addition, the College paid to the SCRS employer incidental death benefit contributions of $648 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.

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 post-employment health and dental and long-term disability benefits (OPEB plans) to retired State and school district employees and their covered dependents. The College contributes to the OPEB plans, which have been determined to be cost-sharing multiple-employer defined benefit plans and are administered by the Insurance Benefits Division (IBD), a part of South Carolina Public Employee Benefit Authority. 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 on 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

Sections 1-11-710 and 1-11-720 of the South Carolina Code of Laws of 1976, as amended, requires these post-employment healthcare and long-term disability benefits be funded though annual appropriations by the General Assembly for active employees and participating retirees except the portion funded through the pension surcharge and provided from other applicable sources for active employees who are not funded by State General Fund appropriations. Employers participating in the healthcare plan are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, which was 4.92% of annual covered payroll for 2014, 4.55% of annual covered payroll for 2013, and 4.3% of annual covered payroll for 2012. PEBA Insurance Benefits sets the employer contribution rate. The College’s contributions to the SCRS for the three most recent fiscal years ending June 30, 2014, 2013, and 2012, were approximately $395,547, $376,163, and $350,155, respectively, applicable to the surcharge included with the employer contribution for retirement benefits. 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 PEBA Insurance Benefits was $3.22 for the fiscal years ended June 30, 2014, 2013, and 2012.

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 PEBA Insurance Benefits cash 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 the South Carolina Public Employee Benefit Authority Insurance Benefits, P.O. Box 11661, Columbia, South Carolina 29211-1661.

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, 2014, the College had no outstanding commitments for construction or 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 $52,940 during fiscal year 2014.

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%.

NOTE 8 LEASE OBLIGATIONS (Continued)

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

For the year ending	***Lease Payments Due to External Parties***
2015	$ 10
2016	10
2017	10
2018	10
2019	10
2020-2024	50
2025-2029	50
2030-2031	20
Total future minimum lease payments	170
Less: interest portion	(61)
Lease obligation outstanding	$ 109

Assets acquired under capital lease:

Land	$ 2,141,399
Land Improvements	1,915,045
Buildings	5,767,869
Total assets acquired under capital lease	$ 9,824,313
Less: Accumulated Depreciation	(1,153,576)
Assets acquired under capital lease, net	$ 8,670,737

NOTE 9 LONG-TERM LIABLILITES

Long-term liabilities activity for the year ended June 30, 2014 was as follows:

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Due Within One Year	Net Long Term
Obligation under Capital Lease	$ 1,169,998	$ -	$ 64,286	$ 1,105,712	$ 68,571	$ 1,037,141
Accrued Compensated Absences	787,143	138,869	111,051	814,961	79,425	735,536
Total Long Term Liabilities	$ 1,957,141	$138,869	$ 175,337	$ 1,920,673	$ 147,996	$ 1,772,677

NOTE 9 LONG-TERM LIABLILITES (Continued)

The College is obligated for payment of $1,105,712 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, 2014 was $50,882. The scheduled maturities of the bonds payable is as follows:

Year Ended June 30,	Principal	Interest	Total Payments
2015	$ 68,571	$ 48,311	$ 116,882
2016	72,857	45,739	118,596
2017	77,143	39,911	117,054
2018	81,428	36,825	118,253
2019	85,714	33,568	119,282
2020-2024	492,857	112,232	605,089
2025-2026	227,142	14,571	241,713
Total	$ 1,105,712	$ 331,157	$ 1,436,869

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 relationship with the Foundation under the existing guidance of GASB Statement No. 14, as amended by GASB Statements No. 39 and No. 61. 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, 2014.

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.

NOTE 10 RELATED ORGANIZATIONS, RELATED PARTY TRANSACTIONS, AND TRANSACTIONS WITH DISCRETELY PRESENTED COMPONENT UNITS (Continued)

The College received scholarships and grants totaling $162,975 from the Foundation in operating revenues for the year ended June 30, 2014. The Foundation received managerial and accounting services from two of the College's employees. The College is reimbursed by the Foundation for 25% of the executive director's and 50% of the administrative coordinator's salary and related expenses. The reimbursement for salaries and related expenses was approximately $48,000 out of the total expenses of $142,000. Office space is provided to the Foundation free of charge at an estimated value of $9,600 for the year ended June 30, 2014. The Foundation records the donated services and rent as an in-kind contribution. The College made approximately $103,600 of in-kind contributions to the Foundation for the year ended June 30, 2014.

The net position of the TCL Foundation was $1,152,362 at June 30, 2014. There were no amounts due to or from the TCL Foundation as of June 30, 2014.

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.

NOTE 12 OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification for the year ended June 30, 2014 are summarized as follows:

	Compensation	Benefits	Scholarships	Supplies/serv.	Utilities	Depreciation	Total
Instruction	$ 4,305,892	$ 1,180,747	$ -	$ 749,940	$ -	$ -	$ 6,236,579
Academic Support	1,298,821	373,553	-	543,373	-	-	2,215,746
Student Services	1,659,121	501,987	-	820,476	-	-	2,981,584
Operation & Maintenance of Plant	494,583	174,690	-	624,873	584,053	-	1,878,199
Institutional Support	1,239,025	443,357	-	999,897	-	-	2,682,279
Scholarships	-	-	2,713,851	-	-	-	2,713,851
Auxiliary Enterprises	146,573	44,593	-	1,100,028	7,903	-	1,299,097
Depreciation	-	-	-	-	-	1,053,309	1,053,309
Total Operating Expenses	$ 9,144,015	$ 2,718,927	$ 2,713,851	$ 4,838,586	$ 591,956	$ 1,053,309	$ 21,060,644

NOTE 13 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses as of June 30, 2014, are summarized as follows:

Payables:

Accounts Payable Trade	$ 81,547
Student Refunds Payable	32,956
Accrued Interest Expense	16,104
Sales and Use Tax Payable	2,835
Other Accrued Liabilities	7,332
Total Accounts Payable	$ 140,773

NOTE 14 UNEARNED REVENUES

Unearned revenues as of June 30, 2014, are summarized as follows:

Unearned Revenue	
Fall 2014 Tuition	$ 2,576,149
Summer 2014 Tuition	597,947
Fall Registration Fees	85,050
Fall Capital Fees	59,912
Fall High Course Fee	34,275
Federal Grants and Contracts	15,756
State Appropriations	167,631
Nongovernmental Grants and Contracts	11,804
Total Unearned Revenue	$ 3,548,524

NOTE 15 SUBSEQUENT EVENT

Management has evaluated subsequent events through September 23, 2014, the date of the financial statements were issued. The following events have occurred:

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions, effective for the fiscal year beginning July 1, 2014. This Statement revises existing standards for measuring and reporting pension liabilities for pension plans provided to its employees. This Statement requires recognition of a liability equal to the net pension liability, which is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. The total pension liability is determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the pension plan's fiscal year-end. Projected benefit payments are required to be discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not available. This Statement requires that most changes in the net pension liability be included in pension expense in the period of the change. To the extent practical, the financial statements presented for the periods affected should be restated. The College will be implementing GASB Statement No. 68 for the fiscal year ending June 30, 2015 and the beginning net position of the year ended June 30, 2014 will be restated. As of June 30, 2014, the South Carolina Public Employee Benefit Authority (PEBA) has estimated a net pension liability of $16.9 million obligation, representing unfunded contributions to the South Carolina Retirement System's based on current funding policy that will be reported as a liability in the financial statements of the College.

TECHNICAL COLLEGE OF THE LOWCOUNTRY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number		Federal Expenditures
National Science Foundation			
Education and Human Resources	47.076		$ 43,878
U.S. Department of Education			
Student Financial Assistance Program Cluster			
Federal Work-Study Program	84.033	*	122,079
Federal Supplemental Education and Opportunity Grants	84.007	*	166,377
Federal Pell Grant Program	84.063	*	5,723,674
Federal Direct Student Loans	84.268	*	2,212,781
Total Student Financial Assistance Program Cluster			8,224,911
Strengthening Minority Serving Institutions			
Predominantly Black Institution Grant - PILAU Program	84.382	*	717,174
Predominantly Black Institution Grant - Formula Grant	84.382	*	312,888
Total Strengthening Minority Serving Institutions			1,030,062
TRIO Program Cluster			
Student Support Services	84.042		342,229
Talent Search	84.044		336,342
Upward Bound	84.047		294,079
Total TRIO Program Cluster			972,650
Passed through S.C. Department of Education			
Perkins IV	84.048		139,560
U.S. Department of Labor			
Mine Safety Health and Safety Grants	17.600		23,890
Passed through Greenville Technical College			
Trade Adjustment Assistance Community College and Career Training Grants Program	17.282		134,496
Total Expenditures of Federal Awards			$10,569,447

* - Major Program

See accompanying notes to schedule of federal expenditures.

TECHNICAL COLLEGE OF THE LOWCOUNTRY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the 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*

To the Board of Commissioners
Technical College of the Lowcountry
Beaufort, South Carolina

We have audited, in accordance with the 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, the financial statements of the of the Technical College of the Lowcountry, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Technical College of the Lowcountry's basic financial statements, and have issued our report thereon dated September 23, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Technical College of the Lowcountry's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Technical College of the Lowcountry's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Technical College of the Lowcountry's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowley Wechsler & Associates LLC

Crowley Wechsler & Associates LLC
Beaufort, South Carolina
September 23, 2014

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Commissioners
Technical College of the Lowcountry
Beaufort, South Carolina

Report on Compliance for Each Major Federal Program

We have audited the Technical College of the Lowcountry's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Technical College of the Lowcountry's major federal programs for the year ended June 30, 2014. the Technical College of the Lowcountry's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Technical College of the Lowcountry's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Technical College of the Lowcountry's compliance.

Opinion on Each Major Federal Program

In our opinion, the Technical College of the Lowcountry, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

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Report on Internal Control over Compliance

Management of the Technical College of the Lowcountry, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Technical College of the Lowcountry's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 the 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Crowley Wechsler & Associates LLC

Crowley Wechsler & Associates LLC
Beaufort, South Carolina
September 23, 2014

TECHNICAL COLLEGE OF THE LOWCOUNTRY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

SECTION I – SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditors' report issued:		Unmodified
Internal control over financial reporting:		
Material weakness(es) identified?	____ Yes	X No
Reportable condition(s) identified that are not considered material weaknesses?	____ Yes	X None Reported
Noncompliance material to financial statements noted?	____ Yes	X No

Federal Awards

Internal control over major programs:		
Material weakness(es) identified)?	____ Yes	X No
Reportable condition(s) identified that are not considered to be material weaknesses?	____ Yes	X No
Type of auditors' report issued on compliance for major programs:		Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	____ Yes	X No

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.007, 84.033, 84.063, 84.268	Student Financial Assistance Cluster
84.382	Predominantly Black Institution Grant

Dollar threshold used to distinguish between Type A and Type B programs:		$317,083
Auditee qualified as a low-risk auditee?	X Yes	____ No

SECTION II – FINANCIAL STATEMENT FINDINGS

NONE

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

TECHNICAL COLLEGE OF THE LOWCOUNTRY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2013

Summary of Auditors' Results

1. The independent auditors' report expressed an unmodified opinion.
2. There was no financial statement finding in the audit of the financial statements.

Financial Statement Findings

None