

DENMARK TECHNICAL COLLEGE

DENMARK, SOUTH CAROLINA

**FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION**

Year Ended June 30, 2012

**DENMARK TECHNICAL COLLEGE
DENMARK, SOUTH CAROLINA**

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DENMARK TECHNICAL COLLEGE
Denmark, South Carolina
Organizational Data
Year Ended June 30, 2012

AREA COMMISSION MEMBERS AND OFFICERS

Mr. Dwayne Ennis, Chairperson	Allendale County
Mr. James Hayes	Barnwell County
Mrs. Peggy Faust	Bamberg County
Mr. Calvin Wright, Secretary	At Large
Mr. Leon Harden, Area Commissioner	Allendale County
Ms. Daisy M. Robinson, Vice Chairperson	Barnwell County
Mrs. Gwendolyn Bright Representative of State Board for Technical and Comprehensive Education	Ex-Officio

Key Administrative Staff

Dr. Joann Boyd-Scotland	Interim President
Mr. Clarence F. Bonnette	Interim Vice President for Business Affairs
Dr. Ashok Kabisatpathy	Vice President for Planning & Research
Mrs. Carolyn McGay	Interim Vice President for Academic Affairs
Mrs. Avis Gathers	Executive Dean of Student Services
Mr. Stephen Mason	Associate Vice President for Workforce Development
Mr. Derrick Steward	Director of Information Technology

V. R. McConnell
Certified Public Accountant
And Business Consultant, LLC

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INDEPENDENT AUDITOR'S REPORT

To the Area Commissioners
Denmark Technical College
Denmark, South Carolina

We have audited the accompanying financial statements of the business-type activities, of Denmark Technical College, as of and for the year ended June 30, 2012, which collectively comprise the Denmark Technical College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Denmark Technical College's management. 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; and the provisions of Office of Management and Budget 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 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 the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Denmark Technical College, as of June 30, 2012, and the respective changes in financial position, and cash flows thereof 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 October 25, 2012, on our consideration of Denmark Technical College'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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, 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 Denmark Technical College's financial statements as a whole. The accompanying supplementary information, as listed in the table of contents, and the accompanying 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 financial statements. The supplementary information and 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 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.

V. R. McConnell

October 25, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Denmark Technical College, we offer readers of the college's financial statements this narrative overview and analysis of the financial activities of the college for the fiscal year ended June 30, 2012. This discussion should be read in conjunction with the financial statements and the notes thereto, which follow this section.

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

Financial Highlights

- The assets of Denmark Technical College exceeded its liabilities at June 30, 2012 by \$9,251,628. Of this amount, \$5,378,407 may be used to meet the college's ongoing obligations from unrestricted activities.
- The college's net assets increased by \$856,573 a net result of approximately \$0.83 million decrease in assets and an increase in liabilities of approximately \$.11 million. The decrease in total assets was the net difference between increases in cash of approximately \$619,198, increases in inventories and prepaid expenses of approximately \$471 and a increase in accounts receivable of approximately \$39,366. The college collected on outstanding Federal Department of Education receivables from the prior year, which made up most of the decrease in accounts receivable. The college received interest income in excess of \$3,440 from investment of cash into a certificate of deposit during the year.
- Appropriations from the State declined by approximately \$136,138.
- Funding from Federal sources increased during the year by approximately \$4.2 million. This increase was primarily from two sources. Pell grants to students from the U. S. Department of Education increased by approximately \$5.3 million.
- The college did not have outstanding debt during the fiscal year.

Overview of the Financial Statements

The college is engaged only in Business-Type Activities (BTA) that is financed in part by fees charged to students for educational purposes. Accordingly, its activities are reported using the three financial statements required for proprietary funds: Statement of Net Assets; Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows. These statements present financial information in a format similar to that used by the private sector.

STATEMENT OF NET ASSETS

The Statement of Net Assets provides a snapshot of the college's assets, liabilities and net assets at the end of the fiscal year. It provides the reader with information concerning the college's ability to continue its operations and to determine its financial stability. Assets and liabilities are separated into current, those that are due or to be paid within the current year and non-current, those that are longer term in nature. Net assets represent the difference between total assets and total liabilities and provide information, in part, concerning any amount available to be spent by the institution.

Net assets are divided into three major categories. The first, *invested in capital assets, net of related debt*, provides the equity in property, plant and equipment owned by the college. The next category, which is *restricted net assets*, can be defined as those net assets where constraints are placed on them either externally by creditors, grantors, contributors, or laws and regulations of other governments or by law through constitutional provisions or enabling legislation of the government itself. The college did not have restricted net assets for the fiscal year just ended. The final category of net assets is *unrestricted*. These funds may be used to meet the college's ongoing obligations from unrestricted activities.

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

Condensed Summary of Net Assets			
As of June 30, 2012 and 2011			
(in millions)			
	2012	2011	Increase (Decrease)
Current Assets	\$ 6.1	\$ 5.8	\$ 0.3
Non-current Assets:			
Capital Assets, Net of Accumulated Depreciation	4.6	4.6	0.0
Total Assets	10.8	10.4	0.4
Current Liabilities	1.1	1.6	(0.5)
Non-current Liabilities	0.4	0.4	(0.0)
Total Liabilities	1.5	2.0	(0.5)
Net Assets:			
Investment in Capital Assets	4.6	4.6	0.0
Unrestricted	4.6	3.8	0.8
Total Net Assets	\$ 9.3	\$ 8.4	\$ 0.9

Net assets may serve over time as a useful indicator of an entity's financial health. Assets exceed liabilities by \$9.3 million, an increase of approximately \$0.9 million over the prior fiscal year. Analysis of revenues and expenses for the fiscal year provide details of the increase.

Assets

Current assets, which are more liquid in nature, consist of cash and cash equivalents, investments, accounts receivable net of allowances, prepaid expenses and inventories. Current assets exceed current liabilities by a ratio of approximately 5 to 1. This shows ample liquidity to satisfy liabilities and results in a healthy financial condition for the college.

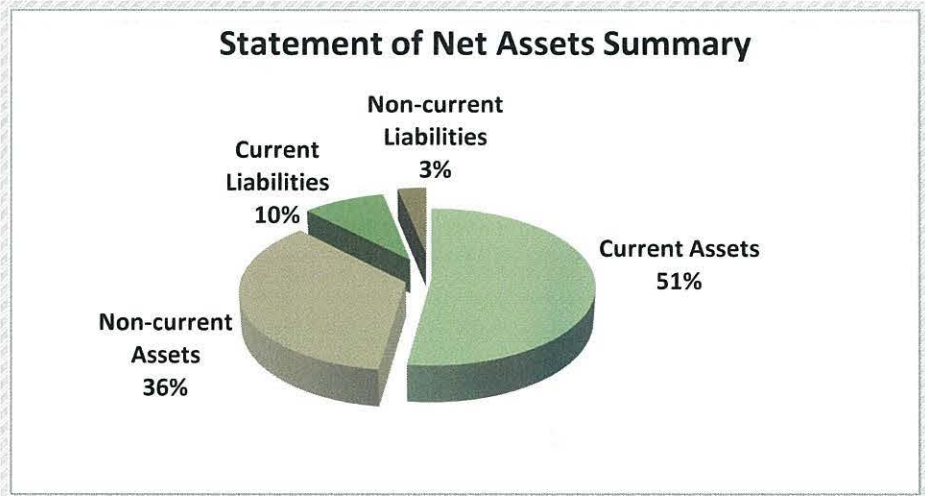
Current assets increased by a net of \$0.5 million, an increase in cash and cash equivalents in the amount of \$2,058,025, a net increase of \$237,774 from the prior fiscal year.

Capital Assets and Debt Administration

The college's investment in capital assets (land, buildings, machinery and equipment) reflects approximately \$4.3 million for the fiscal year. Depreciation on assets exceeded the amount of capitalized items during the year, thereby causing a decrease in net assets. The college does not use debt to finance the acquisition of capital assets.

Liabilities

Current liabilities decreased by a net of \$0.5 million. This is primarily due to a decrease in current liabilities in the approximate amount of \$275,806. Non-current liabilities, which is made up totally of the long term portion of compensated absences, increased by approximately \$12,831 over the prior year.



STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The Statement of Revenues, Expenses and Changes in Net Assets presents revenues earned and expenses incurred during the year in categories of operating and non-operating. Generally, operating revenues and expenses are those that are received and used to carry out the mission of the college; however, the college depends heavily on financial support from the state. This support is reflected as non-operating revenue based on governmental accounting standards; therefore, the college will always show an operating deficit and its dependence on state and local funding. Non-operating revenues and expenses offset the operating deficit and usually result in an overall increase in net assets for the year. In past years, Higher Education institutions have treated Pell Grants to students as operating grants. However, in accordance with GASB the State Comptroller General Office has revised its policy and is now requiring Pell grants to be reported as non-operating.

Operating Results

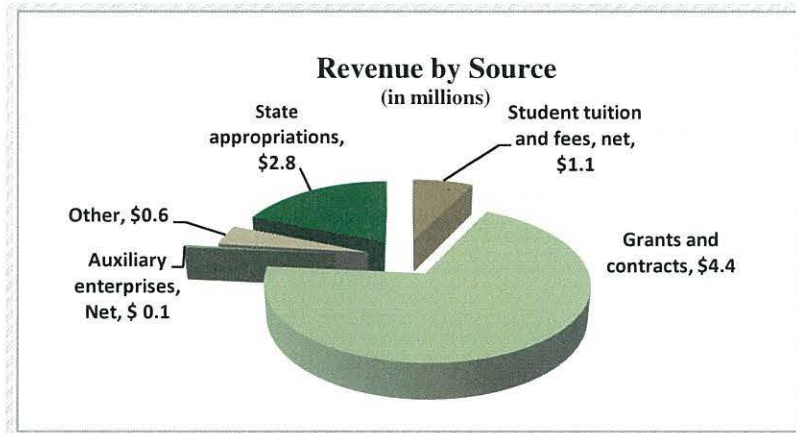
A summary of the college's operating results for the fiscal year is presented below.

Operating Results for the Fiscal Year Ended June 30, 2012 and June 2011 (in millions)			
REVENUES	2012	2011	Increase (Decrease)
Operating Revenues:			
Student tuition and fees, net	1.7	0.4	1.3
Grants and contracts	10.4	6.5	3.9
Auxiliary enterprises, Net	1.8	0.7	1.1
Other	0.1	0.6	(0.5)
	13.9	8.2	5.7
Less Operating Expenses	24.0	15.3	8.8
Net Operating Loss	(10.1)	(7.0)	(3.1)
Non-operating Revenue:			
State appropriations	2.2	2.4	(0.1)
Grants and contracts	8.7	4.5	4.2
Other	0.0	0.0	0.0
Total Non-operating Revenue	10.9	6.9	4.0
Decrease in net assets	0.8	(0.2)	1.0
Net assets, beginning of year	8.4	9.1	(0.8)
Net assets, end of year	9.2	9.0	0.2
Total Revenue	24.8	15.1	9.7

Revenue

Total revenue for June 30, 2012 increased more than \$6,329,560 from the prior fiscal year. A decrease occurred in state funding approximately \$136,738 and county funding increased by \$2,500 during the fiscal year. Increases occurred in Federal grants revenue that includes Pell and NNSA, and were offset by decreases in Title III revenue during the year.

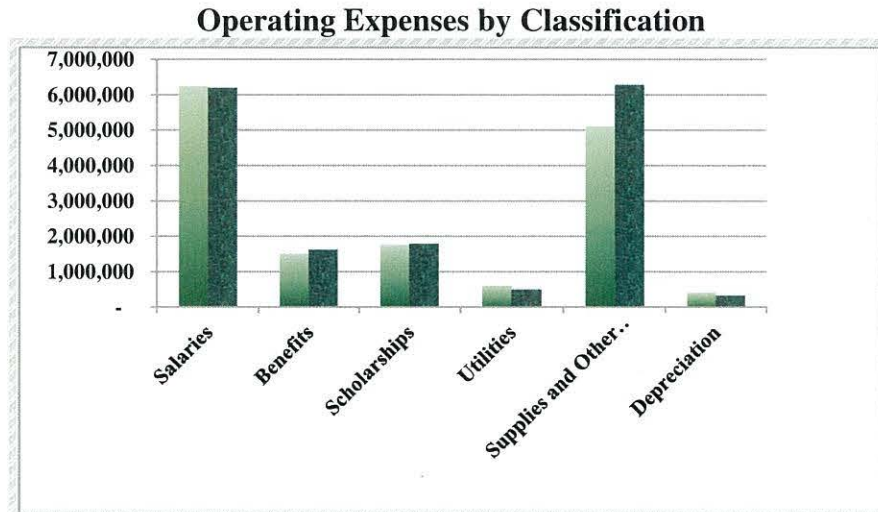
Sources of revenue and corresponding amounts are shown in millions in the following chart.



Expenses

Operating expenses for the fiscal year total \$24.0 million, up by \$8.8 million over the prior fiscal year. The most significant change occurred in the contractual area of Supplies and Other Services.

A comparison of operating expenses by classification may be found in the following chart.



STATEMENT OF CASH FLOWS

The Statement of Cash Flows is the final statement to be presented. It presents detailed information about the cash activity of the College during the year and provides the reader with the sources and uses of cash by the major categories of operating, non-capital financing, capital and related financing, and investing activities. This statement will always show a net loss of cash in the section "Cash Flows from Operating Activities" due to the College's dependence on state and local appropriations.

The statement is divided into five parts. The first section reflects the operating cash flows and identifies the net cash used by the operating activities of the College. The second section reflects cash flows from non-operating financing activities. This section shows the cash received and spent for non-operating, non-investing, and non-capital financing activities. The third section expresses cash flows from capital and related financing activities and highlights the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The final section reconciles the net cash used to the operating loss reflected on the Statement of Revenues, Expenses and Changes in Net Assets.

Cash increased by approximately \$0.4 million from last year.

Economic Factors

The economic condition of the college is dependent to a large degree on that of the state and local governments. The current recession has impacted the college through reductions in state funding for current operations. The college receives approximately 19 percent of its total revenue from state sources, down from the 21 percent received during the prior fiscal year. This reduction amounted to approximately \$136,768. The college received \$5,500 from county sources during the fiscal year, which is \$2,500 more than the \$3,000 received in the prior fiscal year.

Denmark Technical College
Statement of Net Assets
June 30, 2012

ASSETS

Cash and Cash Equivalents	\$	2,058,025
Investments		873,566
Accounts Receivable, Net		2,916,689
Inventories		284,226
Prepaid Expenses		-
Total Current Assets		6,132,506

Restricted Cash and Cash Equivalents		-
Restricted Student Loans Receivable		24,663
Capital Assets, Net of Accumulated Depreciation		4,630,375
Total Non-current Assets		4,655,038

Total Assets		10,787,544
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LIABILITIES

Accounts payable		487,490
Accrued payroll and related liabilities		67,187
Deferred revenue and deposits		474,076
Funds held for others		49,323
Compensated absences payable, current portion		43,581
Federal liability		25,061
Total Current Liabilities		1,146,718

Compensated absences payable, long term portion		389,198
Total Non-current Liabilities		389,198

Total Liabilities		1,535,916
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NET ASSETS

Invested in Capital Assets		4,630,371
Unrestricted		4,621,257
Total Net Assets	\$	9,251,628

The accompanying notes are an integral part of these financial statements.

Denmark Technical College
Statement of Revenue, Expenses and Changes in Net Assets
For the Fiscal Year Ending June 30, 2012

REVENUES

Operating Revenue:

Student tuition and fees (net of scholarship allowances of \$2,366,233)	\$ 1,694,156
Federal Grants and Contracts	9,926,579
State Grants and Contracts	483,984
Auxiliary Enterprises (net of scholarship allowances of \$1,577,094)	-
Other revenues	1,779,613
	57,175
Total Operating Revenue	13,941,507

EXPENSES

Operating Expenses:

Salaries	6,195,357
Employee benefits	1,684,693
Scholarships	10,686,007
Utilities	630,177
Supplies and other services	4,420,191
Depreciation	430,813
Total Operating Expenses	24,047,238

OPERATING INCOME (LOSS) **(10,105,731)**

NONOPERATING REVENUES (EXPENSES)

State appropriations	2,214,908
County appropriations	5,500
Interest income	3,439
State and local grants and contracts	8,675,957
Capital appropriations	62,500
Total Nonoperating Revenues (Expenses)	10,962,304

Increase(decrease) in Net Assets **856,573**

Net Assets Beginning of Year **8,395,055**

Net Assets End of Year **\$ 9,251,628**

The accompanying notes are an integral part of these financial statements.

DENMARK TECHNICAL COLLEGE
Statement of Cash Flows
Year Ended June 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

Student Tuition and Fees (Net of Scholarship Allowances)	\$ 2,178,922
Federal, State and Local Grants and Contracts	10,339,894
Auxiliary Enterprise Charges (Net of Scholarship Allowances)	1,779,613
Other Receipts	57,175
Payments to Vendors	(15,684,335)
Payments to Employees	(7,997,982)
Net Cash Used by Operating Activities	(9,326,713)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Appropriations	1,902,935
County Appropriations	5,500
Funds Held for Others	1,713
Non-operating Federal, State and Local Grants and Contracts	7,850,866
Net Cash Provided by Noncapital Financing Activities	9,761,014

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

State Appropriations	311,973
Purchase of Capital Assets	(509,302)
Net Cash Provided by Capital and Related Financing Activities	(197,329)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Investments	(3,036)
Proceed from sales and maturities of Investments	-
Interest on Investments	3,439
Net Cash Provided by Investing Activities	403

Net Increase (Decrease) in Cash	237,375
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Cash - Beginning of Year	1,820,649
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Cash - End of Year	\$ 2,058,025
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Reconciliation of Net Operating Revenues (Expenses) to Net Cash

Used by Operating Activities

Operating Expenses Over Revenue	\$ (10,105,731)
Adjustments to Reconcile Net Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	430,813
Change in Assets and Liabilities:	
Receivables, Net	882,843
Inventories	(471)
Prepaid Expenses	-
Accounts Payable	(65,185)
Accrued Payroll and Related Liabilities	(113,397)
Deferred Revenue and Deposits	(351,050)
Compensated Absences	(4,535)

Net Cash Used by Operating Activities	\$ (9,326,713)
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The accompanying notes are an integral part of these financial statements.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2012

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Operations: Denmark Technical College (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 Allendale, Bamberg, and Barnwell 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.

B. 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 Denmark Technical College, as the primary government. Denmark Technical College has determined that it is not a component of another entity, and it has no component units. The College is part of the primary government of the State of South Carolina.

C. Financial Statements: The financial statements are presented in accordance with 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 required by GASB Statements No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the College’s assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows that replaces the fund-group perspective previously required.

D. 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.

DENMARK TECHNICAL COLLEGE

Notes to the Financial Statements

June 30, 2012

E. 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.

F. Investments: Deposits and investments for the College are governed by the South Carolina Code of Laws, Section 11-9-660, "Investment 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 investment risks, such as credit risk (including custodial credit risk and concentrations 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 fair value of investments are reported as a component of investment income in the statement of revenues, expenses and changes in net assets.

G. 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.

H. Inventories: Inventories for internal use are valued at cost. Inventories for resale are carried at the lower of cost or market on the first-in, first-out ("FIFO") basis.

I. 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, 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 the year the asset is placed in service and no depreciation is taken in the year of disposition.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2012

J. 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. Total deferred revenues at June 30, 2012 amounted to \$351,050.

Deposits represent dormitory room deposits, security deposits for possible room damage and key loss, student fee refunds, and other miscellaneous deposits. Student deposits are recognized as revenue during the semester for which the fee is applicable and earned when the deposit is nonrefundable to the student under the forfeit terms of the agreement. Student deposits at June 30, 2012 totaled \$47,610.

K. 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.

L. 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.

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.

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. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

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

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

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2012

N. 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 (1) student tuition and fees received in exchange for providing educational services, housing, and other related services to students; (2) receipts for scholarships where the provider has identified the student recipients; (3) fees received from organizations and individuals in exchange for miscellaneous goods and services provided by the College; and (4) 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.

O. Auxiliary Enterprises and Internal Service Activities: Auxiliary enterprise revenues primarily represent revenues generated by bookstores and food services. Revenues of internal service and auxiliary enterprise activities and the related expenditures of college departments have been eliminated.

P. Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and affect disclosure of contingent assets and liabilities at the date of the financial statements. Accordingly, actual results could differ from those estimates. Significant estimates inherent in the preparation of financial statements include estimates of the allowance for uncollectible accounts and useful lives of depreciable assets.

NOTE 2 - 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.

The following is a reconciliation of the state appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2012.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2012

NON-CAPITAL APPROPRIATIONS

Appropriations per State Board Allocation \$ 1,902,935

Total non-capital appropriations recorded as current year revenue **\$ 1,902,935**

CAPITAL APPROPRIATIONS

Appropriations per State Board Allocation \$ 311,973
\$ 311,973

Total capital appropriations recorded as current year revenue -

NOTE 3—CASH, DEPOSITS, AND INVESTMENTS

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 the college will not be able to recover deposits if the depository financial institution fails or to recover the value of collateral securities that are in the possession of an outside party if the counterparty to the deposit transaction fails. The College's policy concerning credit risk permits the College President to invest surplus funds in approved financial institutions' investment accounts. The College has contracted with a local financial institution to collateralize all deposits in excess of federally insured amounts with securities held in the College's name.

The cash and cash equivalent deposits of \$2,058,025 for Denmark Technical College at June 30, 2012, were insured by the Federal Deposit Insurance Corporation or collateralized with securities held by the College's custodial bank in the College's name.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. Denmark Technical College 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.

The College is authorized, by the South Carolina Code of Laws, Title 6, Chapter 5, to invest in obligations of the United States and its agencies, obligations of the State of South Carolina and its political subdivisions, collateralized repurchase agreements. The college had no investment activity during the year ended June 30, 2012.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2012

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 investment at June 30, 2012 consisted of a collateralized bank certificate of deposit of \$873,566 yielding 1.5 % maturing February 10, 2013. Subsequent to year end, this Certificate and the accumulated earnings were reinvested for 6 months yielding 1.2%.

Custodial Credit Risk

Custodial credit risk for investments 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 investment's value or collateral securities that are in the possession of the outside party. The College does not have a formally adopted policy on custodial credit risk.

The College's investment in a bank collateralized certificate of deposit at June 30, 2010 was held by the College. The College recognized no losses due to the default by counterparties to investment transactions.

Credit Risk

Credit Risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligation. The College does not have a formally adopted policy on 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 College does not have a formally adopted policy on 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 College does not have a formally adopted policy concerning interest rate risk.

Foreign Currency Risk

The College 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.

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

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2012

Statement of Net Assets:

Cash and Cash Equivalents	\$ 2,058,025
Investments	873,566
Restricted Cash and Cash Equivalents	-
 Total Statement of Net Assets:	 \$ 2,931,591

Disclosure, Cash, Deposits and Investments:

Carrying value of deposits:	
Not Held by State Treasurer	\$2,057,675
Investment not held by State Treasurer	873,566
Cash on hand	350
Total Disclosure, Cash, Deposits and Investments	\$ 2,931,591

NOTE 4 – ACCOUNTS RECEIVABLE

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

Receivables:

Student Accounts	\$ 341,399
Other Accounts	-
Due from Federal and Other Grantors	2,553,443
Gross Receivables	\$ 2,894,842
Less: Allowance for Uncollectibles:	
Student Accounts	\$ 185,946
Total Allowances for Uncollectibles	\$ 185,946
Receivables, net	\$ 1,640,426
Net Noncurrent Receivables:	
Loans and Loans--Restricted	\$ 24,663
 Total Noncurrent Receivables, net	 \$ 24,663

Allowances for losses for student accounts receivable are established based upon actual losses experienced in prior years and evaluations of the current account portfolio. At June 30, 2012, the allowance for uncollectible student accounts is valued at \$ 185,946.

NOTE 5—LOANS RECEIVABLE

Student loans made through the Federal Perkins Loan Program comprise substantially all of the loans receivable as of June 30, 2010. The Perkins Loan program provides various repayment options; students have the right to repay the loans over periods up to 10 years depending on the amount of the loan and loan cancellation privileges the student may exercise. These loans are classified as long-term loans receivable. As the College determines that loans are uncollectible, the loans are written off and assigned to the US Dept of Education.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2012

NOTE 6—CAPITAL ASSETS

	Beginning Balance 6/30/2011	Increases	Decreases	Ending Balance 6/30/2012
Capital Assets not being depreciated				
Land and improvements	\$ 174,020			\$ 174,020
Construction in Progress	-	-	-	-
	<u>174,020</u>	<u>-</u>	<u>-</u>	<u>174,020</u>
Other Capital Assets:				
Building and improvements	7,750,838	\$ 246,285	-	7,997,123
Machinery, Equipment and other	2,749,797	263,017	\$ (102,652)	2,910,162
Vehicles	641,050	-	-	641,050
Intangibles	151,286	-	-	151,286
Total Other Capital Assets at Historical Cost	<u>11,292,971</u>	<u>509,302</u>	<u>(102,652)</u>	<u>11,699,621</u>
				-
Less Accumulated Depreciation for:				
Building and Improvements	3,964,414	153,109	-	4,117,523
Machinery, Equipment and Other	2,134,575	265,818	(40,852)	2,359,541
Vehicles	603,031	11,886	-	614,917
Intangibles	151,286	-	-	151,286
Total Accumulated Depreciation	<u>6,853,306</u>	<u>430,813</u>	<u>(40,852)</u>	<u>7,243,267</u>
Other Capital Assets, Net	<u>4,439,665</u>	<u>78,489</u>	<u>(61,800)</u>	<u>4,456,354</u>
Capital Assets, Net	<u>\$ 4,613,685</u>	<u>\$ 78,489</u>	<u>\$ (61,800)</u>	<u>\$ 4,630,374</u>

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2012

NOTE 7—PENSION PLAN(S)

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, PO Box 11960, Columbia, South Carolina 29211. Furthermore, the Retirement System and the four pension plans are included in the CAFR of the State of South Carolina.

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 for 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 Denmark Technical 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 adjustment, death, and group-life insurance benefits to eligible employees and retirees.

From July 1, 1988 to June 30, 2005 employees participating in the SCRS were required to contribute 6.0 percent of all compensation. On July 1, 2005, the required employee contribution increased to 6.25 percent. On July 1, 2006, the required employee contribution increased to 6.50 percent. Effective July 1, 2007, the employer contribution rate became 12.48 percent which included a 3.42 percent surcharge to fund retiree health and dental insurance coverage. Effective July 1, 2008, the employer contribution rate became 12.89 percent which included a 3.5 percent surcharge. The College's actual contributions to the SCRS for the three most recent fiscal years ending June 30, 2012, 2011, and 2010, were \$447,578 and \$451,613, respectively, and equaled the required contributions of 9.06 percent (excluding the surcharge) for fiscal year 2008, and 9.24 percent (excluding the surcharge) for fiscal years 2010 and 2011. Also, the College paid employer group-life insurance contributions of \$6,467 in the current fiscal year at the rate of .15 percent of compensation.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2012

NOTE 7—PENSION PLAN(S) (continued)

Police Officers Retirement System

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple-employer defined benefit public employee retirement plan administered by the Retirement Division. Generally all full-time employees whose principal duties are the preservation of public order or the protection or prevention and control of property destruction by fire are required to participate in and contribute to the System as a condition of employment. This plan provides annuity benefits as well as disability and group-life insurance benefits to eligible employees and retirees. In addition, participating employers in the PORS contribute to the accidental death fund which provides annuity benefits to beneficiaries of police officers and firemen killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.

Since July 1, 1988, employees participating in the PORS have been required to contribute 6.5 percent of all compensation. Effective July 1, 2007, the employer contribution rate became 13.72 percent which, as for the SCRS, included the 3.42 percent surcharge. Effective July 1, 2008, the employer contribution rate became 14.55 percent, including a surcharge of 3.5 percent. The College's actual contributions to the PORS for the years ending June 30, 2012, 2011, and 2010, were \$5,387, \$21,255, and \$15,532, respectively, and equaled the required contributions of 10.3 percent (excluding the surcharge) for 2008, and 10.65 percent (excluding the surcharge) for 2010 and 2011. Also, the

College paid employer group-life insurance contributions of \$251 and accidental death insurance contributions of \$251 in the current fiscal year for PORS participants. The rate for each of these insurance benefits is .20 percent of compensation.

Optional Retirement Program

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

Under State law, contributions to the ORP are required at the same rates as for the SCRS, 9.39 percent plus the retiree surcharge of 4.6 percent from the employer in fiscal year 2012

Employees are eligible for group-life insurance benefits while participating in the State ORP. However, employees who participate in the State ORP are not eligible for postretirement group-life insurance benefits. For the fiscal year, total contribution requirements to the ORP were \$7,375 (excluding the surcharge) from the College as employer and \$10,932 from its employees

DENMARK TECHNICAL COLLEGE

Notes to the Financial Statements

June 30, 2012

as plan members. In addition, the College paid to the SCRS employer group-life insurance contributions of \$252 in the current fiscal year at the rate of .15 percent of compensation.

Deferred Compensation Plans

Several optional deferred compensation plans are available to State employees and 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 employee. The State has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate State employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan.

Teacher and Employee Retention Incentive

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not earn service credit and are ineligible to receive group life insurance benefits or disability retirement benefits. Effective July 1, 2005, employees who choose to participate in the TERI Program will be required to make SCRS contributions. Due to the South Carolina Supreme Court decision in *Layman et al v. South Carolina Retirement System and the State of South Carolina*, employees who chose to participate in the TERI Program, prior to July 1, 2005 will not be required to make SCRS contributions.

SCRS employer contribution will increase by 0.4% effective July 1, 2012

NOTE 8—POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

In accordance with the South Carolina Code of Laws and the annual Appropriation Act, the State of South Carolina provides certain health care, dental, and life insurance benefits to certain active and retired State employees and certain surviving dependents of retirees. All permanent full-time and certain permanent part-time employees of the College are eligible to receive these benefits. The State provides post-employment health and dental benefits to employees who retire from State service or who terminated with at least 20 years of State service who meet one or more of the eligibility requirements, such as age, length of service, and hire date. Generally those who retire must have at least 10 years of retirement service credit to qualify for these State-funded benefits. Benefits are effective at date of retirement when the employee is eligible for retirement benefits.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2012

NOTE 8—POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)

These benefits are provided through annual appropriations by the General Assembly to the College for its active employees and to the State Budget and Control Board for all participating State retirees except the portions funded through the pension surcharge and provided from other applicable fund sources of the College for its active employees who are not funded by State General Fund appropriations. The State finances health and dental plan benefits on a pay-as-you-go basis.

The College recorded benefit expenses for these insurance benefits for active employees in the amount of \$390,801 for the year ended June 30, 2012. As discussed in Note 8, the College paid \$185,394 applicable to the 4.3% surcharge included with the employer contributions for retirement benefits. These amounts were remitted to the South Carolina Retirement Systems for distribution to the Office of Insurance Services for retiree health and dental insurance benefits.

Information regarding the cost of insurance benefits applicable to the College retirees is not available. By State law, the College has no liability for retirement benefits. Accordingly, the cost of providing these benefits for retirees is not included in the accompanying financial statements.

In addition, the State General Assembly periodically directs the Retirement Systems to pay supplemental (cost of living) increases to retirees. Such increases are primarily funded from Systems' earnings; however, a portion of the required amount is appropriated from the State General Fund annually for the SCRS and PORS benefits.

NOTE 9—CONTINGENCIES, LITIGATION, AND PROJECT COMMITMENTS

The College is party to various lawsuits arising out of the normal conduct of its operations. In the opinion of College management, there are no material claims or lawsuits against the College that are not covered by insurance or whose settlement would materially 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. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Management believes disallowances, if any, will not be material.

Necessary funding has been obtained for the acquisition, construction, renovation, and equipping of certain facilities, which will be capitalized in the applicable capital asset categories upon completion. At June 30, 2012, the College had no remaining commitment balances with certain property owners, engineering firms, construction contractors, and vendors related to these projects. The College anticipates funding these projects out of current resources, current and future bond issues, private gifts, student fees, and state capital improvement bond proceeds.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2012

NOTE 10—LEASE OBLIGATIONS

Operating Leases

The College's non cancelable operating leases provide for renewal options for periods from one to three years at their fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases and are generally payable on a monthly basis. Operating lease payments during the fiscal year ended June 30, 2012, totaled \$20,743 to other State agencies, and \$95,101 to external parties.

<u>Year Ended June 30,</u>	<u>Operating Leases with other State agencies and blended component units</u>	<u>Operating Leases with discretely presented component units</u>	<u>Operating Leases with External Parties</u>
2013	\$ -	\$ -	\$ 79,280
2014	\$ -	\$ -	\$ -
2015	\$ -	\$ -	\$ -
2016	\$ -	\$ -	\$ 13,995
2017	\$ -	\$ -	\$ 22,569
Total Minimum Payments	\$ -	\$ -	\$ 115,844

NOTE 11—LONG-TERM LIABILITIES

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

	July 1, 2011	Additions	Reductions	June 30, 2012	Due Within One Year
Accrued Compensated Absences	\$ 437,311	\$ 79,426	\$ (82,147)	\$ 434,590	\$ 43,763
Total Long-Term Liabilities	\$ 437,311	\$ 79,426	\$ (82,147)	\$ 432,590	\$ 43,763

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2012

NOTE 12 – RELATED ORGANIZATIONS, RELATED PARTY TRANSACTIONS, AND TRANSACTIONS WITH DISCRETELY PRESENTED COMPONENT UNITS

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

The Foundation is a separately chartered corporation organized exclusively to receive and manage private funds for the exclusive benefit and support of the College. The Foundation's activities are governed by its Board of Directors.

During the year ended June 30, 2012, the Foundation was inactive and there were no transactions between the College and the Foundation.

NOTE 13 – RISK MANAGEMENT

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

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

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

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

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

- Theft, damage to, or destruction of assets
- Real property, its contents, and other equipment
- Motor vehicles and watercraft
- Torts
- Natural disasters

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2012

NOTE 13 – RISK MANAGEMENT(continued)

- 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 fidelity bond insurance for all employees for losses arising from theft or misappropriation.

NOTE 14—OPERATING EXPENSES BY FUNCTION

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

	<u>Salaries</u>	<u>Benefits</u>	<u>Scholarships</u>	<u>Utilities</u>	<u>Services</u>	<u>Depreciation</u>	<u>Total</u>
Instruction	\$ 2,465,462	\$ 672,431	-	-	\$ 536,705	-	\$ 3,674,598
Academic Support	930,348	321,204	-	-	481,628	-	1,733,180
Student Services	883,200	189,136	-	-	839,943	-	1,912,279
Operation and Maintenance of Plant	530,283	141,765	-	\$ 516,085	499,167	-	1,687,300
Institutional Support	880,062	274,914	-	-	883,139	-	2,038,115
Scholarships	-	-	\$ 10,686,007	-	-	-	10,686,007
Auxiliary Enterprises	506,001	85,243	-	114,092	1,179,609	-	1,884,945
Depreciation	-	-	-	-	-	\$ 430,813	430,813
Total Operating Expenses	<u>\$ 6,195,356</u>	<u>\$ 1,684,693</u>	<u>\$ 10,686,007</u>	<u>\$ 630,177</u>	<u>\$ 4,420,191</u>	<u>\$ 430,813</u>	<u>\$ 24,047,238</u>

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2012

NOTE 15– STATEMENT OF ACTIVITIES

The following information is required by the Office of the Comptroller General for the State of South Carolina’s comprehensive annual financial report:

	<u>2012</u>	<u>2011</u>	<u>Increase/ (Decrease)</u>
Charges for services	\$ 13,941,507	\$ 12,016,418	\$ 1,925,089
Operating Grants	71,439	80,893	(9,454)
less expenses	<u>(24,047,238)</u>	<u>(15,203,743)</u>	<u>(8,843,495)</u>
 net program revenue	 (10,034,292)	 (3,106,432)	 (6,927,860)
 State appropriations	 2,214,908	 1,829,833	 385,075
Fed Grants & Grants	<u>8,675,957</u>	<u>-</u>	<u>8,675,957</u>
Total Gen Rev & Transfers	10,890,865	2,351,676	8,539,189
 change in net assets	 856,573	 (754,756)	 1,611,329
 net asset begin	 <u>8,395,055</u>	 <u>9,149,811</u>	 <u>(754,756)</u>
 net asset end	 <u>\$ 9,251,628</u>	 <u>\$ 8,395,055</u>	 <u>\$ 856,573</u>

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2012

NOTE 16 – TRANSACTIONS WITH OTHER AGENCIES

The College had significant transactions with the State of South Carolina and various agencies.

Services received at no cost from State agencies include maintenance of certain accounting records by the Comptroller General; check preparation, banking, bond trustee, and investment services from the State Treasurer; and legal services from the Attorney General.

Other services received at no cost from the various offices of the State Budget and Control Board include pension plan administration, insurance plans administration, audit services, grant services, personnel management, assistance in the preparation of the State Budget, review and approval of certain budget amendments, procurement services, and other centralized functions.

DENMARK TECHNICAL COLLEGE

Schedule of Expenditures of Federal Awards
For the Fiscal Year Ending June 30, 2012

Federal Grantor/Program Title/Grant Title	CFDA Number	Grant/Contract/ FAR Number	Expenditures for 11/12 FY
U.S. DEPARTMENT OF EDUCATION			
STUDENT FINANCIAL ASSISTANCE			
Federal Supplemental Education Opportunity Grant (FSEOG)	84.007	2011-2012	\$ 113,596
Federal Work Study Program (FWS)	84.003	2011-2012	238,075
Federal Pell Grant Program (Pell)	84.063	2011-2012	8,715,415
Total Student Financial Assistance Cluster			9,067,086
HIGHER EDUCATION INSTITUTIONAL AID			
Title III - Strengthening Institutions	84.031B	2009-2010	100,017
Title III - Strengthening Institutions	84.031B	2010-2011	728,997
Title III - Strengthening Institutions	84.031B	2011-2012	1,161,929
Title III - SAFRA	84.031B	2011-2012	839,310
Total Higher Education Institutional Aid			2,830,253
PASSED THROUGH THE SOUTH CAROLINA DEPARTMENT OF EDUCATION			
Vocational Education - Basic Grants to States (Perkins V)	84.048	2011-2012	95,132
Total Vocational Education			95,132
TOTAL U.S. DEPARTMENT OF EDUCATION			11,992,471
U.S. DEPARTMENT OF ENERGY			
NNSA Minority Serving Institutions Program	81.123	2011-2012	465,116
Department of Energy Environmental Management	81.104	2009-2010	71,405
Department of Energy Environmental Management	81.104	2010-2011	551,918
Department of Energy Environmental Management	81.104	2011-2012	98,304
Total U.S. Department of Energy			1,186,743
PASS THROUGH			
Pass through Florence Darlington Technical College			
ASSIST	17.282	2011-2012	13,907
Pass through the SC Department of Commerce			
Broadband Technology Opportunities Program (BTOP)	11.557	2010-2011	123,413
Total Pass Through			137,320
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 13,316,534

NOTES:

Significant Accounting Policies - This schedule was prepared on the accrual basis of accounting. Revenue is recognized only to the extent expenditures are incurred during the fiscal year.

Student Loans - Guaranteed student loans in the amount of \$5,868,876 were distributed to students during the 2012 fiscal year. The balance of the Perkins Loans receivable at June 30, 2012 was \$24,663.

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**INDEPENDENT AUDITOR'S 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 Area Commissioners
Denmark Technical College
Denmark, South Carolina

We have audited the financial statements of the the business-type activities, of Denmark Technical College, as of and for the year ended June 30, 2012, which collectively comprise the Denmark Technical College's basic financial statements and have issued our report thereon dated October 23, 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 Denmark Technical College, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Denmark Technical College'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 Denmark Technical College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Denmark Technical College's internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Denmark Technical College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of

noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Denmark Technical College, in a separate letter dated October 25, 2012.

This report is intended solely for the information and use of management, commission members, others within the entity, and 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.

A handwritten signature in cursive script that reads "V. R. McConnell".

October 25, 2012

V. R. McConnell
Certified Public Accountant
And Business Consultant, LLC

7901 Edgewater Drive
Columbia, South Carolina 29223
Ph: (803) 788-0102

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Area Commissioners
Denmark Technical College
Denmark, South Carolina

Compliance

We have audited Denmark Technical College'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 Denmark Technical College's major federal programs for the year ended June 30, 2012. Denmark Technical College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Denmark Technical College's management. Our responsibility is to express an opinion on Denmark Technical College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Denmark Technical College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Denmark Technical College's compliance with those requirements.

In our opinion, Denmark Technical College complied, in all material respects, with the 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, 2012.

Internal Control over Compliance

Management of Denmark Technical College 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 Denmark Technical College's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Denmark Technical College'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.

Denmark Technical College's responses to the findings identified in our audit, if any, are described in the accompanying schedule of findings and questioned costs. We did not audit Denmark Technical College's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, Commission members, others within the entity, 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.

V. R. McConnell

October 25, 2012

DENMARK TECHNICAL COLLEGE
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2012

SCHEDULE 3

1. SUMMARY OF AUDITOR'S RESULTS:

(a) Type of report issued on financial statements	Unqualified
(b) Reportable material weakness in internal control over financial reporting	None
(c) Reportable significant deficiencies in internal control over financial reporting	None
(d) Noncompliance material to the financial statements	None
(e) Material weakness in internal control over major programs	None
(f) Significant deficiencies considered to be material weakness in internal control over major programs	None
(g) Report on compliance with each major program and internal control	Unqualified
(h) Audit findings required to be reported under paragraph .510(a) OMB Circular A-133	None
(i) Identification of Major Programs:	
Student Financial Assistance Cluster (84.007, 84.003, 84.063)	
Title III - Strengthening Institutions (84.031B)	
NNSA Minority Serving Institutions Program (81.123)	
Department of Energy Environmental Management (81.104)	
(i) Dollar threshold used to distinguish between Type A and Type B Programs	\$300,000
(j) Denmark Technical College did not qualify to be a low-risk auditee.	

2. FINDINGS RELATING TO THE FINANCIAL STATEMENTS

None

**DENMARK TECHNICAL COLLEGE
SUMMARY OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

<u>Reference</u>	<u>Description</u>
11-1	<p>Grant Expenditures Coded to Operating Expenses</p> <p>Condition - Denmark Technical College has classified Institutional data as Public and Confidential only. However, confidential information is not secured and encrypted when transmitted outside of the organization. There were no set policies and procedures for the invoicing of grant expenditures and the current invoicing practice contributed to the College's delay in recording and requesting grant revenue in a timely and accurate manner.</p> <p>Recommendation – Management investigate the problem and implement a regular review of the College's expenditures and that a formal policy and procedure be adopted so that accounting personnel have a clear responsibility and involvement in the approval of invoices sent to the College's grantors.</p> <p>Current Status – The college is coding grant expenditures to the applicable grant programs.</p>
11-2	<p>Fixed Assets Not Capitalized</p> <p>Condition – A significant amount of fixed assets were purchased and charged to expense accounts rather than fixed asset accounts.</p> <p>Recommendation – Use the policies and procedures the College already has in place.</p> <p>Current Status – The College is following the policies and procedures for capitalizing capital assets.</p>
11-3	<p>Audit Preparation</p> <p>Condition – Significant change in personnel in the Finance Department caused delay of the audit procedures.</p> <p>Recommendation – A more formal year-end closing schedule should be implemented to ensure that the employee turnover in the finance department will happen smoothly. The College should develop such a formal year-end closing schedule that indicates specific personnel responsibilities and corresponding time requirements. Strict adherence to this schedule be required because it will allow for the year-end work and audit preparation to be a much less time-consuming and arduous process.</p>

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Current Status – Activities related to close-out were on-going during the fiscal year. Noted improvements were made in preparation for the annual audit.

11-4 **Grant Funds Drawn Down Before Expenses Were Incurred**

Condition – Federal advances were recorded in the College’s financial statement for two grants that use the reimbursable payment method.

Recommendation – That the College develops and implements strong accounting policies and procedures to prevent this from occurring in the future. And, the College regularly reconciles their detailed general ledger to grant fund requests to insure the funds being drawn down are substantiated.

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Current Status – The College is monitoring the timeliness of grant draw down procedures.

11-5 **Late Refunds**

Condition – Two refunds due to the U.S. Department of Education were not paid back within the required forty-five (45) and sixty (60) day periods.

Recommendation – That the College and management should place the highest priority on making refund payments within the required due date and follow procedures implemented.

.
Current Status – College personnel are following procedures for return of funds.

11-6 **Student’s Financial Aid Exceeded Financial Need**

Condition – Two students received Federal Direct Loans which exceeded their calculated financial need.

Recommendation – That the College and management place the highest priority on properly calculating each student’s financial need and follow procedures implemented.

.
Current Status – College personnel are following the procedures for awarding financial aid so that the total award does not exceed the student’s need.

V. R. McConnell
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And Business Consultant, LLC

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INDEPENDENT ACCOUNTANT'S REPORT ON STATE LOTTERY TUITION ASSISTANCE

To the Area Commissioners
Denmark Technical College
Denmark, South Carolina

As a part of my examination of the financial statements of Denmark Technical College as of and for the year ended June 30, 2012, I reviewed the administrative procedures and internal controls related to the State Lottery Tuition Assistance Program to determine that the College administered the program in accordance with State law and Policy 3-2-307 and Procedure 3-2-307.1 of the State Board for Technical and Comprehensive Education.

I reviewed the individual files maintained in the financial aid office of each applicant selected to determine that they contained all necessary information and documentation to determine eligibility. I also determined that any lottery tuition assistance awarded did not exceed the remaining cost of tuition and academic fees for the applicable semester after first applying Pell grants, FSEOG, SC Need-Based grants, and other applicable grants.

All students who applied for assistance under the Lottery Tuition Assistance Program were awarded financial aid. As a result, I did not select a sample of students deemed ineligible for the Lottery Tuition Assistance Program for purposes of determining that the students were granted the right to appeal the decision by submitting a written request to the institution's Director of Financial Aid, and determining that the students' requests were handled in accordance with the institution's financial aid procedures.

For students awarded aid under the Lottery Tuition Assistance Program, I traced amounts to the student account detail to determine that the awarded amounts were identifiably credited to the student's account.

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

In my opinion the State Lottery Tuition Assistance Program has been administered in accordance with State law and Policy 3-2-307 and Procedure 3-2-307.1 of the State Board for Technical and Comprehensive Education.

This report is intended solely for the information and use of the Area Commissioners, management, others within the College, 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.

This report is intended solely for the use of management of the Denmark Technical College Area Commission and management of the State Board for Technical and Comprehensive Education and should not be used by anyone other than these specified parties.

V. R. McConnell

October 25, 2012