

**DENMARK TECHNICAL COLLEGE**  
**Audited Financial Statements**  
**For the Year Ended June 30, 2009**

**DENMARK TECHNICAL COLLEGE**  
**Denmark, South Carolina**  
**Organizational Data**  
**Year Ended June 30, 2009**

AREA COMMISSION MEMBERS AND OFFICERS

Mr. James Hayes, Chairman	Barnwell County
Mrs. Peggy Faust, Vice Chairperson	Bamberg County
Mr. Calvin Wright, Secretary	At Large
Mr. Leon Harden, Area Commissioner	Allendale County
Mr. Robert Barnett, Representative of State Board for Technical and Comprehensive Education	Ex-Officio

Key Administrative Staff

Dr. Michael Townsend, Sr.	President
Ms. Viola Faust	Vice President for Business Affairs
Dr. Ashok Kabisatpathy	Vice President for Planning, Research and Development
Dr. Vivian Gallman-DeRienzo	Vice President for Academic Affairs
Mrs. Michelle McDowell	Executive Dean of Student Services
Ms. Tonya Thomas	Dean of Enrollment Management
Mr. Stephen Mason	Dean of Continuing Education
Mr. Ralph Hanahan	Director of Information Resource Management

**DENMARK TECHNICAL COLLEGE  
DENMARK, SOUTH CAROLINA**

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MEMBERS:  
AMERICAN INSTITUTE  
OF CERTIFIED PUBLIC ACCOUNTANTS  
S.C. ASSOCIATION  
OF CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Area Commissioners  
Denmark Technical College  
Denmark, South Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Denmark Technical College as of and for the year ended June 30, 2009, which collectively comprise 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* and the *State Department of Education Audit Guidelines*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Denmark Technical College as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund 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 February 10, 2010, on our consideration of Denmark Technical College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 result of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the Area Commissioners  
Denmark Technical College  
February 10, 2010  
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Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Denmark Technical College's basic financial statements. The accompanying supplementary information, as listed in the Table of Contents, and the accompanying schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements of Denmark Technical College. Except for the Schedule of Receipts and Disbursements and Changes in Cash - Pupil Activity Fund, such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Camp. Moring & Cannon, LLC*

Columbia, South Carolina  
February 10, 2010

## 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, 2009. 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, 2009 by \$9,950,247. Of this amount, \$5,303,938 may be used to meet the college's ongoing obligations from unrestricted activities.
- The college's net assets decreased by \$1,589,430, a net result of \$1.5 million decrease in current assets, primarily in cash, and an increase in current liabilities of approximately \$.7 million, primarily in deferred revenue from grantors and federal liability.
- Appropriations from the State declined in excess of \$1.2 million, which significantly contributed to the decrease in net assets for the year.
- The college did not have outstanding debt during the fiscal year and received the remainder of capital funding from the State in the amount of \$51,685, which assisted in the ongoing efforts to improve and update equipment and buildings.
- Funding from Federal sources increased during the year by approximately \$1.7 million. Approximately \$1.6 million resulted from increases in the U. S. Department of Education funding for Title III and financial aid to students. \$135,000 of the increase was the result of additional funding from the U. S. Department of Energy for the Minority serving the institutions program.

### Overview of the Financial Statements

The college is engaged only in Business-Type Activities (BTA) that are 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*, is expendable in nature. The final category of net assets is *unrestricted*, and not subject to external stipulations.

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.

	<b>2009</b>	<b>2008</b>	<b>Increase (Decrease)</b>
Current Assets	\$ 7.1	\$ 8.6	\$ (1.1)
Non-current Assets:			
Capital Assets, Net of Accumulated Depreciation	<u>4.5</u>	<u>5.1</u>	<u>(0.1)</u>
Total Assets	11.6	13.7	(1.2)
Current Liabilities	1.4	0.6	0.6
Non-current Liabilities	<u>0.3</u>	<u>0.4</u>	<u>(0.1)</u>
Total Liabilities	1.7	1.0	0.5
Net Assets:			
Investment in Capital Assets	4.6	5.1	(0.1)
Unrestricted	<u>5.3</u>	<u>7.6</u>	<u>(1.7)</u>
Total Net Assets	<u>\$ 9.9</u>	<u>\$ 12.7</u>	<u>\$ (1.8)</u>

Net assets may serve over time as a useful indicator of an entity's financial health. Assets exceed liabilities by \$9,950,247, a decrease of approximately \$1.6 million. The college restated its beginning net assets by approximately \$.7 million for uncollectible student accounts receivable. Analysis of revenues and expenses for the fiscal year will provide more details of the decrease.

## Assets

Current assets, which are more liquid in nature, consist of cash and cash equivalents, accounts receivable net of allowances and prepaid expenses, and exceed total liabilities by approximately 24 percent. This shows adequate liquidity to satisfy liabilities and reflects a healthy financial condition for the college.

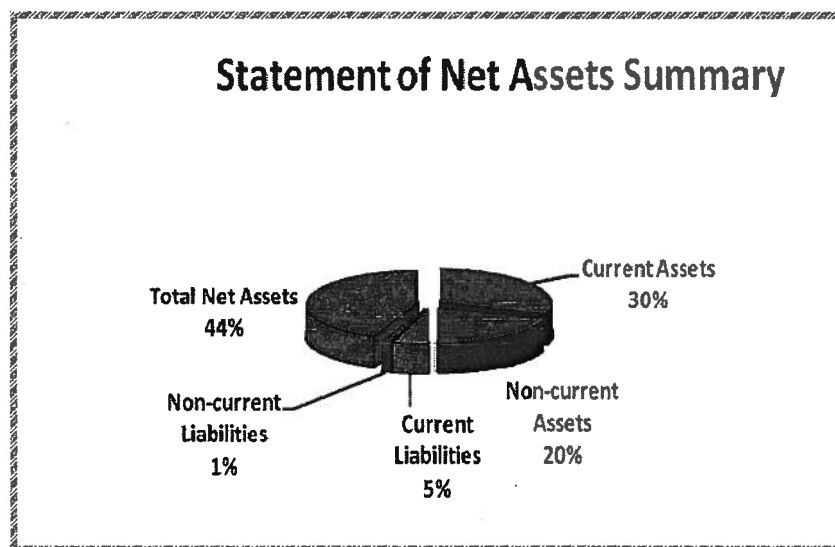
Current assets decreased by \$1.4 million, primarily in the area of cash and cash equivalents. The decrease in cash of \$1.8 million over the fiscal year is offset by increases in accounts receivable, from grant sources.

## Capital Assets and Debt Administration

The college's investment in capital assets (land, buildings, machinery and equipment) reflects approximately \$4.6 million for the fiscal year, down by approximately \$.4 million net in disposal of certain equipment. The college does not use debt to finance the acquisition of capital assets.

## Liabilities

Current liabilities increased by \$.7 million because of deferred grant revenue, whereas non-current liabilities remained consistent over the prior year.



## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The Statement of Revenues, Expenses and Changes in Net Assets presents and categorizes revenues earned and expenses incurred during the year by operating and non-operating. Generally, operating revenues and expenses are those, which are received and used to carry out the mission of the college; however the college depends heavily on financial support from the state. Counties provided \$6,500 for the fiscal year ended June 30, 2009. 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.

## Operating Results

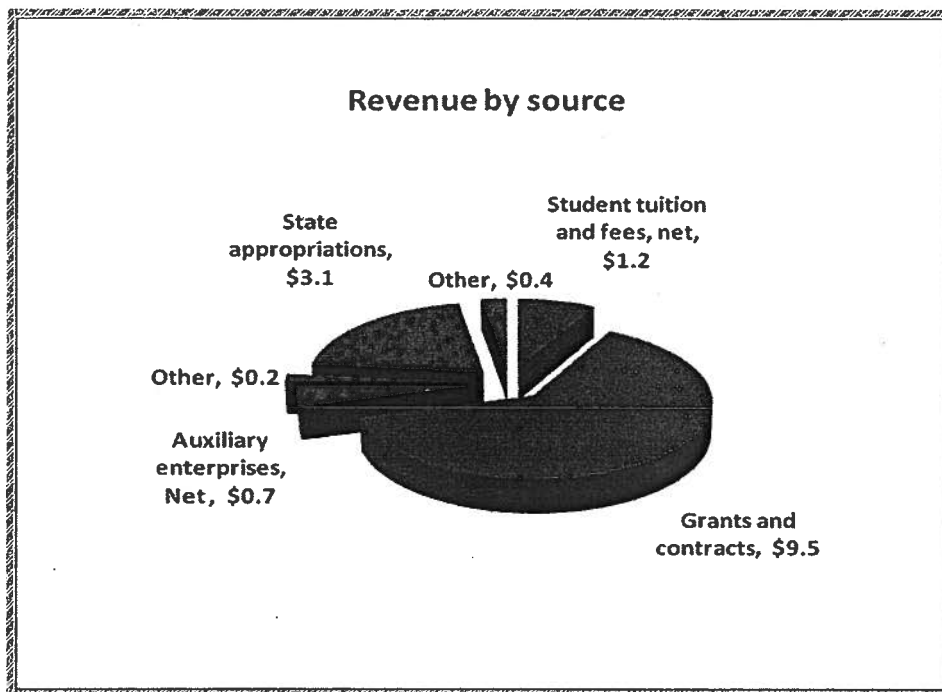
A summary of the college's operating results for the fiscal year is presented below.

<b>Operating Results for the Fiscal Year Ended</b>			
<b>June 30, 2009 and June 2008</b>			
<b>(in millions)</b>			
<b>REVENUES</b>	<b>2009</b>	<b>2008</b>	<b>Increase (Decrease)</b>
<b>Operating Revenues:</b>			
Student tuition and fees, net	1.2	0.8	0.4
Grants and contracts	9.5	7.9	1.6
Auxiliary enterprises, Net	0.7	0.6	0.1
Other	<u>0.2</u>	<u>0.1</u>	<u>0.1</u>
	<b>11.6</b>	<b>9.4</b>	<b>2.2</b>
<b>Less Operating Expenses</b>	<u>16.7</u>	<u>14.5</u>	<u>2.1</u>
<b>Net Operating Loss</b>	<b>(5.1)</b>	<b>(5.1)</b>	<b>0.1</b>
<b>Non-operating Revenue:</b>			
State appropriations	3.1	4.3	(1.2)
Other	<u>0.4</u>	<u>0.9</u>	<u>(0.5)</u>
<b>Total Non-operating Revenue</b>	<b>3.5</b>	<b>5.2</b>	<b>(1.7)</b>
Decrease in net assets	(1.6)	0.1	(1.5)
Net assets, beginning of year	<u>12.4</u>	<u>12.6</u>	<u>(0.2)</u>
Net assets, end of year	<u>10.8</u>	<u>12.7</u>	<u>(1.7)</u>
<b>Total Revenue</b>	<u>15.1</u>	<u>14.6</u>	<u>0.5</u>

## Revenue

Total revenue increased from \$14.6 million in fiscal year ended June 30, 2008 to \$15.1 million at June 30, 2009, an increase of approximately \$.5 million. The increase is a net amount between Federal funding, primarily financial aid to students and Title III in the approximate amount of \$1.6 million and \$.4 million in student tuition and fees based on a modest increase in student FTE. Decreases occurred in state appropriations and interest income of approximately \$1.2 million and \$161,000 respectively.

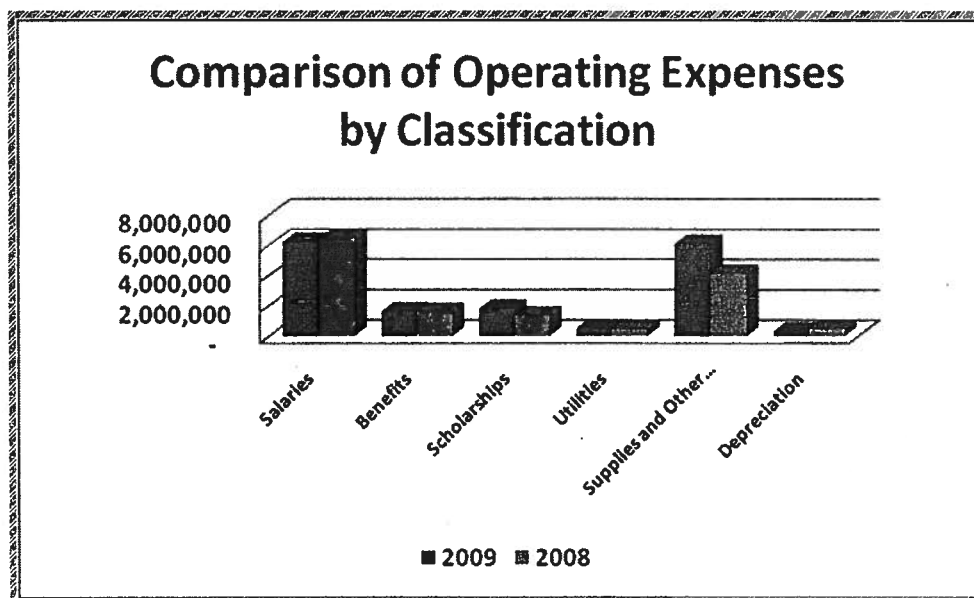
Sources of revenue and amounts are shown in the chart below.



## Expenses

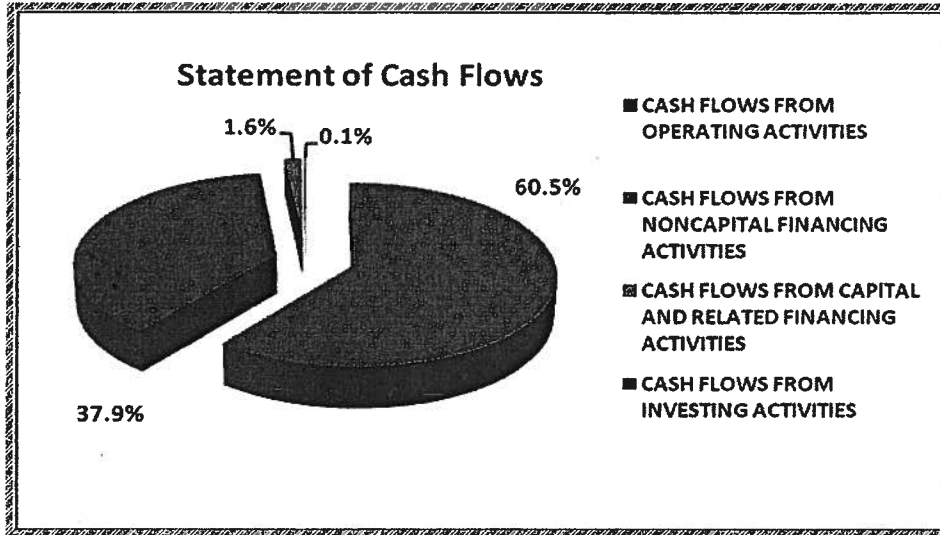
Operating expenses for the fiscal year total \$16.7 million, up by \$2.2 million over the prior fiscal year. The increases occurred in the areas of supplies and other services and scholarships by \$2.0 and \$0.45 million respectively. Increases were offset by a slight reduction in salaries of approximately \$0.2 million and depreciation expense of \$0.1 million as a result of retiring certain equipment.

A comparison of operating expenses by function may be found below.



**STATEMENT OF CASH FLOWS**

The Statement of Cash Flows presents detailed information about the cash activity of the college during the year and provides the reader with 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 use of cash in the section "Cash Flows from Operating Activities" due to the college's dependence on state funding. A chart showing the major categories is presented below.



**Economic Factors**

Economic factors affecting the college during the fiscal year were primarily the decline in funding from the State of approximately 27 percent, which is in line with all of higher education. State appropriations accounts for approximately 21 percent of its total revenue.

**DENMARK TECHNICAL COLLEGE**  
**Statement of Net Assets**  
**June 30, 2009**

**ASSETS****Current Assets:**

Cash and Cash Equivalents	\$ 3,429,079
Accounts Receivable, Net	3,546,038
Inventories	156,631
Prepaid Expenses	<u>2,743</u>

**Total Current Assets** 7,134,492

**Non-current Assets:**

Restricted Cash and Cash Equivalents	398
Restricted Student Loans Receivable	24,663
Capital Assets, Net of Accumulated Depreciation	<u>4,502,524</u>

**Total Non-current Assets** 4,527,584

**Total Assets** 11,662,076

**LIABILITIES****Current Liabilities:**

Accounts Payable	210,773
Accrued Payroll and Related Liabilities	139,011
Deferred Revenue and Deposits	266,095
Funds Held for Others	110,090
Compensated Absences Payable, Current Portion	52,503
Federal Liability	<u>602,259</u>

**Total Current Liabilities** 1,380,730

**Non-current Liabilities:**

Compensated Absences Payable, Long-term Portion	<u>331,099</u>
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**Total Non-current Liabilities** 331,099

**Total Liabilities** 1,711,829

**NET ASSETS**

Invested in Capital Assets	4,646,308
Unrestricted	<u>5,303,938</u>

**Total Net Assets** \$ 9,950,247

See auditors' report.

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

**DENMARK TECHNICAL COLLEGE**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Year Ended June 30, 2009**

**REVENUES****Operating Revenues:**

Student Tuition and Fees (Net of Scholarship Allowances of \$ 1,345,812)	\$ 1,175,794
Federal Grants and Contracts	8,628,383
State Grants and Contracts	890,095
Sales and Services of Educational Departments	310
Auxiliary Enterprises (Net of Scholarship Allowances of \$ 1,429,783)	699,101
Other Revenues	<u>231,990</u>

**Total Operating Revenues** 11,625,673

**EXPENSES****Operating Expenses:**

Salaries	6,199,964
Employee Benefits	1,624,827
Scholarships	1,795,627
Utilities	506,738
Supplies and Other Services	6,291,115
Depreciation	<u>334,961</u>

**Total Operating Expenses** 16,753,232

**Operating Expenses over Revenue** (5,127,559)

**NONOPERATING REVENUES (EXPENSES):**

State Appropriations	3,146,789
County Appropriations	6,500
Interest Income (Net of interest expense in the amount of \$7,221)	9,386
State and Local Grants and Contracts	144,400
Capital Appropriations	51,685
Capital Student Fees (Net of Scholarship Allowances of \$ 318,911)	201,520
Other non-operating revenue (expenses)	<u>(22,150)</u>

**Increase/(Decrease) in Net Assets** (1,589,430)

**Net Assets - Beginning of Year** 12,704,827

**Prior period adjustments** (1,165,150)

**Net Assets - Beginning of Year, restated** 11,539,677

**Net Assets - End of Year** \$ 9,950,247

See auditors' report.

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

**DENMARK TECHNICAL COLLEGE**  
**Statement of Cash Flows**  
**Year Ended June 30, 2009**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Student Tuition and Fees (Net of Scholarship Allowances)	\$ 1,339,765
Federal, State and Local Grants and Contracts	8,796,313
Auxiliary Enterprise Charges (Net of Scholarship Allowances)	699,101
Sales and Services of Educational Departments	310
Other Receipts	231,990
Payments to Vendors	(8,674,952)
Payments to Employees	<u>(7,832,686)</u>
Net Cash Used by Operating Activities	(5,440,159)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Appropriations	3,146,789
County Appropriations	6,500
Other non-operating expenses	(22,150)
Funds Held for Others	(9,295)
State and Local Grants and Contracts, Non-operating	<u>144,400</u>
Net Cash Provided by Noncapital Financing Activities	3,266,244
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
State Appropriations	487,759
Student Capital Fees (Net of Scholarship Allowances)	201,520
Purchase of Capital Assets	<u>(332,106)</u>
Net Cash Provided by Capital and Related Financing Activities	357,173
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on Investments	<u>9,386</u>
Net Cash Provided by Investing Activities	<u>9,386</u>
Net Decrease in Cash	(1,807,356)
Cash - Beginning of Year	<u>5,236,315</u>
Cash - End of Year	<u>\$ 3,428,959</u>
<b>Reconciliation of Net Operating Revenues (Expenses) to Net Cash</b>	
<b>Used by Operating Activities</b>	
Operating Expenses Over Revenue	\$ (5,127,559)
Adjustments to Reconcile Net Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	334,961
Change in Assets and Liabilities:	
Receivables, Net	(848,711)
Inventories	(11,593)
Prepaid Expenses	67,869
Accounts Payable	508,882
Accrued Payroll and Related Liabilities	5,714
Deferred Revenue and Deposits	226,513
Funds Held for Others	(9,295)
Federal Liability	602,259
Compensated Absences	<u>(13,609)</u>
Net Cash Used by Operating Activities	<u>\$ (4,264,571)</u>

See auditors' report.

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

**DENMARK TECHNICAL COLLEGE**  
**Notes to the Financial Statements**  
**June 30, 2009**

**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 replaced 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.

**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.

**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.

**DENMARK TECHNICAL COLLEGE**  
**Notes to the Financial Statements**  
**June 30, 2009**

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**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.

**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, 2009 amounted to \$266,095.

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. There were no student deposits at June 30, 2009.

**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.

**DENMARK TECHNICAL COLLEGE**  
**Notes to the Financial Statements**  
**June 30, 2009**

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

*Restricted net assets – nonexpendable:* Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

*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.

**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. Sales and Services of Educational and Other Activities:** Revenues from sales and services of educational and other activities generally consist of amounts received from instructional 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 its Cosmetology department.

**P. 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.

**Q. Use of Estimate:** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affected the reported amounts of assets, liabilities, revenues and expenses, and affect disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

**DENMARK TECHNICAL COLLEGE**  
**Notes to the Financial Statements**  
**June 30, 2009**

**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, 2009:

<b>NON-CAPITAL APPROPRIATIONS</b>	
Appropriations per State Board Allocation	<u>\$ 3,146,789</u>
Total non-capital appropriations recorded as current year revenue	<u>\$ 3,146,789</u>
<b>CAPITAL APPROPRIATIONS</b>	
Appropriations per State Board Allocation	<u>\$ 51,685</u>
Total capital appropriations recorded as current year revenue	<u>\$ 51,685</u>

**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 deposits for Denmark Technical College at June 30, 2009, were \$3,331,290. Of these, \$3,231,290 were exposed to custodial credit risk as uninsured and collateralized with securities held by the College's custodial bank in the College's name.

Restricted cash includes \$398 held for the Federal government under the Perkins Loan program.

**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.

**DENMARK TECHNICAL COLLEGE**  
**Notes to the Financial Statements**  
**June 30, 2009**

**NOTE 3—CASH, DEPOSITS, AND INVESTMENTS - continued**

**INVESTMENTS**

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, 2009.

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

<u>Statement of Net Assets:</u>	
Cash and Cash Equivalents	\$ 3,429,079
Restricted Cash and Cash Equivalents	<u>398</u>
Total Statement of Net Assets:	<u>\$ 3,429,477</u>
<u>Disclosure, Cash, Deposits and Investments:</u>	
Carrying value of deposits:	
Not Held by State Treasurer	\$ 3,429,079
Cash on hand	<u>398</u>
Total Disclosure, Cash, Deposits and Investments	<u>\$ 3,429,477</u>

**NOTE 4 – ACCOUNTS RECEIVABLE**

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

<u>Receivables:</u>	
Student Accounts	\$ 274,174
Other Accounts	321,314
Due from Federal and Other Grantors	<u>3,202,281</u>
Gross Receivables	3,797,769
<u>Less: Allowance for Uncollectibles:</u>	
Student Accounts	<u>251,731</u>
Total Allowances for Uncollectibles	<u>251,731</u>
Receivables, net	<u>\$ 3,546,038</u>
<u>Net Non-current Receivables:</u>	
Loans and Loans–Restricted	<u>\$ 24,663</u>
Total Non-current Receivables, net	<u>\$ 24,663</u>

Allowances for losses for student accounts receivable are established based upon actual losses experienced in prior years and evaluations of the current account portfolio. At June 30, 2009, the allowance for uncollectible student accounts is valued at \$ 251,731.

**DENMARK TECHNICAL COLLEGE**  
**Notes to the Financial Statements**  
**June 30, 2009**

**NOTE 5—LOANS RECEIVABLE**

Student loans made through the Federal Perkins Loan Program comprise substantially all of the loans receivable as of June 30, 2009. 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.

**NOTE 6—CAPITAL ASSETS**

	<u>2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>2009</u>
<b>Capital assets not being depreciated:</b>				
Land and improvements	\$ 174,020	\$ -	\$ -	\$ 174,020
Construction in progress - (Note 17)	-	-	-	-
Total capital assets not being depreciated	174,020	-	-	174,020
<b>Other capital assets:</b>				
Buildings and improvements	7,474,368	-	-	7,474,368
Machinery, equipment, and other	1,934,359	332,107	119,501	2,146,965
Vehicles	591,584	-	21,429	570,155
Intangibles	151,286	-	-	151,286
Total other capital assets at historical cost	10,151,597	332,107	140,930	10,342,774
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	3,540,552	153,245	-	3,693,797
Machinery, equipment, and other	1,458,361	283,194	109,453	1,632,102
Vehicles	529,110	14,802	6,827	537,085
Intangibles	151,286	-	-	151,286
Total accumulated depreciation	5,679,309	451,241	116,280	6,014,270
Other capital assets, net	4,472,288	(119,134)	24,650	4,328,504
Capital Assets, Net	<u>\$ 4,646,308</u>	<u>\$ (119,134)</u>	<u>\$ 24,650</u>	<u>\$ 4,502,524</u>

**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, P.O. 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.

**DENMARK TECHNICAL COLLEGE**  
**Notes to the Financial Statements**  
**June 30, 2009**

**NOTE 7—PENSION PLAN(S) - 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 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, 2008, the employer contribution rate became 12.89 percent which included a 3.5 percent surcharge to fund retiree health and dental insurance coverage. The College's actual contributions to the SCRS for the three most recent fiscal years ending June 30, 2009, 2008, and 2007, were \$451,613, \$472,381, and \$347,724, respectively, and equaled the required contributions of 8.05 percent (excluding the surcharge) for fiscal year 2007, 9.06 percent (excluding the surcharge) for fiscal year 2008, and 9.24 percent (excluding the surcharge) for 2009. Also, the College paid employer group-life insurance contributions of \$7,331 in the current fiscal year at the rate of .15 percent of compensation.

**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 3.5 percent surcharge. The College's actual contributions to the PORS for the years ending June 30, 2009, 2008, and 2007, were \$15,532, \$17,709, and \$17,635, respectively, and equaled the required contributions of 10.3 percent (excluding the surcharge) for 2007 and 2008, and 10.65 percent (excluding the surcharge) for 2009. Also, the College paid employer group-life insurance contributions of \$292 and accidental death insurance contributions of \$292 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

**DENMARK TECHNICAL COLLEGE**  
**Notes to the Financial Statements**  
**June 30, 2009**

**NOTE 7—PENSION PLAN(S) - continued**

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, 9.06 percent plus the retiree surcharge of 3.5 percent from the employer in fiscal year 2009.

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 \$10,951 (excluding the surcharge) from the College as employer and \$7,704 from its employees as plan members. In addition, the College paid to the SCRS employer group-life insurance contributions of \$178 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 0.41% effective July 1, 2009.

**NOTE 8—POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

In accordance with the South Carolina Code of Laws and the annual Appropriation Act, the State of South Carolina provides Post-Employment health and dental, and long-term disability benefits to retired State and school College employees and their covered dependents. The College contributes to the Retiree Medical Plan (RMP) and the Long-term Disability Plan (LTDP), cost-sharing multiple-employer defined benefit post-employment healthcare and long-term disability plans administered by the Employee Insurance Program (EIP), a part of the State Budget and Control Board (SBCB). Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires May 2, 2008 and after, retirees are eligible for benefits if they have established twenty-five years of service for 100% employer funding and fifteen through twenty-four years of service for 50 %

**DENMARK TECHNICAL COLLEGE**  
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**June 30, 2009**

**NOTE 8—POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - continued**

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, College and participating local government employees approved for disability.

Section 1-11-710 and 1-11-720 of the South Carolina Code of Laws of 1976, as amended requires these postemployment healthcare and long-term disability benefits be funded through annual appropriation by the General Assembly for active employees to EIP and participating retirees to the SBCB except the portion funded through the pension surcharge and provided from other applicable sources of the EIP for its active employees who are not funded by State General Fund Appropriations. Employers participating in the RMP are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 3.5% and 3.42% of annual covered payroll for 2009 and 2008, respectively. The EIP sets the employer contribution rate based on a pay-as-you-go basis. The College paid approximately \$180,318 and \$188,631 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2009 and 2008, respectively. BLTD benefits are funded through a per person premium charged to State agencies, public school Colleges, and other participating local governments. The monthly premium per active employee paid to EIP was \$3.23 for the fiscal years ended June 30, 2009 and 2008.

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

One may obtain complete financial statements for the benefit plans and the trust funds from Employee Insurance Program, 11201 Main Street, Suite 360, Columbia, SC 29201.

**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, 2009 the College had no remaining commitment balances with certain property owners, engineering firms, construction contractors, and vendors related to these projects June 30, 2009. 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, 2009**

**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, 2009, totaled \$15,265 to other State agencies, and \$131,817 to external parties. The operating lease payments to external parties included \$20,274 in contingent rental payments and \$111,543 in minimum rental payments.

<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>
2010	\$ -	\$ -	\$ 132,807
2011	-	-	128,303
2012	-	-	110,061
2013	-	-	68,279
2014	-	-	4,500
<b>Total Minimum Payments</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 443,950</b>

**NOTE 11—LONG-TERM LIABILITIES**

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

	<u>July 1, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2009</u>	<u>Due within one year</u>
Accrued Compensated Absences	\$ 397,211	\$ 78,018	\$ 91,627	\$ 383,602	\$ 52,503
<b>Total Long-Term Liabilities</b>	<b>\$ 397,211</b>	<b>\$ 78,018</b>	<b>\$ 91,627</b>	<b>\$ 383,602</b>	<b>\$ 52,503</b>

**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, 2009.

**DENMARK TECHNICAL COLLEGE**  
**Notes to the Financial Statements**  
**June 30, 2009**

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

*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, 2009, the Foundation was inactive and there were no transactions between the College and the Foundation. The Foundation's assets as of June 30, 2009 were \$45,475. There are no receivables or payables between the College and the Foundation as of June 30, 2009.

**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
- 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.

**DENMARK TECHNICAL COLLEGE**  
**Notes to the Financial Statements**  
**June 30, 2009**

**NOTE 14—OPERATING EXPENSES BY FUNCTION**

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

	<u>Salaries</u>	<u>Benefits</u>	<u>Scholarships</u>	<u>Utilities</u>	<u>Supplies and other services</u>	<u>Depreciation</u>	<u>Total</u>
Instruction	\$3,166,640	\$ 729,054	\$ -	\$ -	\$ 1,600,140	\$ -	\$ 5,495,834
Academic Support	237,036	188,627	-	-	701,357	-	1,127,020
Student Services	760,925	174,035	-	-	257,467	-	1,192,427
Operating and							
Maintenance of Plant	572,435	162,944	-	435,564	1,325,046	-	2,495,989
Institutional Support	986,810	295,092	-	-	1,172,333	-	2,454,235
Scholarships	-	-	1,795,627	-	-	-	1,795,627
Auxiliary Enterprises	476,118	75,075	-	71,174	1,234,772	-	1,857,139
Depreciation	-	-	-	-	-	334,961	334,961
Total Operating Expenses	<u>\$6,199,964</u>	<u>\$1,624,827</u>	<u>\$ 1,795,627</u>	<u>\$506,738</u>	<u>\$ 6,291,115</u>	<u>\$ 334,961</u>	<u>\$16,753,232</u>

**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>2009</u>	<u>2008</u>	<u>Increase/ (Decrease)</u>
Charges for services	\$ 11,628,673	\$ 9,397,873	\$ 2,230,800
Operating grants and contributions	339,656	404,720	(65,064)
Less: expenses	<u>(16,753,232)</u>	<u>(14,516,517)</u>	<u>(2,236,715)</u>
Net program revenues (expenses)	(4,784,903)	(4,713,924)	(70,979)
Transfers:			
State appropriation	3,146,789	4,297,996	(1,151,207)
Capital improvement bond proceeds	<u>51,685</u>	<u>515,791</u>	<u>(464,106)</u>
Total general revenues and transfers	<u>3,198,474</u>	<u>4,813,787</u>	<u>(1,615,313)</u>
Changes in net assets	(1,586,429)	99,863	(1,686,292)
Net assets, beginning of year (restated for 2009)	<u>11,539,677</u>	<u>12,604,764</u>	<u>(1,065,087)</u>
Net assets, end of year	<u>\$ 9,953,248</u>	<u>\$12,704,627</u>	<u>\$ (2,751,379)</u>

**DENMARK TECHNICAL COLLEGE**  
**Notes to the Financial Statements**  
**June 30, 2009**

**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.

**NOTE 17 – PRIOR PERIOD ADJUSTMENTS**

During the current year the college restated its beginning net assets. The following summarizes the restatement:

Net Assets, June 30, 2008	\$ 12,704,827
Adjust for contingent liability not previous recorded	(428,487)
Adjust for roofing repairs erroneously capitalized	(441,482)
Adjust for writing off previous accounts receivable	<u>(295,181)</u>
Net Assets, June 30, 2008, restated	<u>\$ 11,539,677</u>

**DENMARK TECHNICAL COLLEGE**  
**Schedule of Expenditures of Federal Awards**  
**As Of June 30, 2009**

<u>Federal Grantor/Program Title/Grant Title</u>	<u>CFDA Number</u>	<u>Grant/ Contract/FAR Number</u>	<u>2009 Expenditures</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<b>STUDENT FINANCIAL ASSISTANCE CLUSTER</b>			
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	2008-2009	\$ 171,846
Federal Work-Study Programs (FWS)	84.033	2008-2009	221,889
Federal Pell Grant Program (Pell)	84.063	2008-2009	3,880,043
Federal Academic Competitiveness	84.375	2008-2009	<u>10,125</u>
Total Student Financial Assistance Cluster			4,283,904
<b>HIGHER EDUCATION INSTITUTIONAL AID</b>			
Title III - Strengthening Institutions	84.031	2003-2004	431,602
Title III - Strengthening Institutions	84.031	2004-2005	67,443
Title III - Strengthening Institutions	84.031	2005-2006	75,056
Title III - Strengthening Institutions	84.031	2006-2007	57,126
Title III - Strengthening Institutions	84.031	2007-2008	580,716
Title III - Strengthening Institutions	84.031	2008-2009	<u>2,632,530</u>
Total Title III - Strengthening Institutions			3,844,473
<u>Passed through the South Carolina Department of Education:</u>			
Vocational Education - Basic Grants to States (Perkins IV)	84.048	06VA405	171,740
WIA Federal Incentive Grant - Quick Skills SC Project	17.267	2008-2009	<u>3,214</u>
			<u>174,954</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<u>8,303,331</u>
<b>U.S. DEPARTMENT OF ENERGY-NATIONAL NUCLEAR SECURITY ADMINISTRATION (NNSA)</b>			
NNSA Minority Serving Institutions Program	81.123	2008-2009	<u>305,013</u>
<b>TOTAL U.S. DEPARTMENT OF ENERGY</b>			<u>305,013</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
<u>Passed through the South Carolina Department of Transportation:</u>			
Summer Transportation Institute	20.215	2008-2009	<u>18,589</u>
<b>TOTAL U.S. DEPARTMENT OF TRANSPORTATION</b>			<u>18,589</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 8,626,933</u>

**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 \$2,216,995 were distributed to students during the 2009 fiscal year. The balance of the Perkins Loans receivable at June 30, 2009 was \$84,233. No new loans were made during fiscal year 2009.

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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 Area Commissioners  
Denmark Technical College  
Denmark, South Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Denmark Technical College as of and for the year ended June 30, 2009, which collectively comprise the College's basic financial statements and have issued our report thereon dated February 10, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, we did identify seven deficiencies in internal control over financial reporting that we consider to be significant deficiencies. The significant deficiencies are described as findings #09-1 through #09-7 in the accompanying schedule of findings and questioned costs.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we did identify three deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. The material weaknesses are described as findings #09-1, #09-3 and #09-6 in the accompanying schedule of findings and questioned costs.

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 is required to be reported under *Government Auditing Standards*.

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.

*Camp, Moring & Cannon, LLC*

Columbia, South Carolina  
February 10, 2010

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## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Area Commissioners  
Denmark Technical College  
Denmark, South Carolina

### Compliance

We have audited the compliance of Denmark Technical College with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Denmark Technical College's major federal programs are identified in the summary of the auditors' result 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 and other matters 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 Standard*, 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 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 on Denmark Technical College's compliance and other matters with those requirements.

In our opinion, Denmark Technical College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items #09-2, #09-3 and #09-6.

### Internal Control Over Compliance

The 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 requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 of the effectiveness of the College's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we considered to be significant deficiencies. A significant deficiency is a control deficiency, or combination of control deficiencies, in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the College's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants.

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 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 noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items #09-2, #09-3 and #09-6 to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items #09-1, #09-5 and #09-7 to be significant deficiencies.

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

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.

*Camp. Moring & Cannon, LLC*

Columbia, South Carolina  
February 10, 2010

**DENMARK TECHNICAL COLLEGE  
DENMARK, SOUTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2009**

**Summary of Auditors' Results:**

1. The audit report issued on the financial statements was unqualified.
2. The audit disclosed three material weaknesses in internal control related to the financial statements which are reported in the report on compliance and other matters and on internal control over financial reporting required by *Government Auditing Standards*.
3. The audit disclosed three significant deficiencies in internal control related to the financial statements which are reported in the report on compliance and other matters and on internal control over financial reporting required by *Government Auditing Standards*.
4. The audit disclosed three instances of noncompliance material to the financial statements of Denmark Technical College were disclosed during the audit.
5. Three material weaknesses relating to the audit of the major federal award programs are reported in the report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133.
6. Three significant deficiencies relating to the audit of the major federal award programs are reported in the report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133.
7. The report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133 was unqualified.
8. The audit disclosed three audit findings specifically related to major programs.
9. The College's major programs are: Title III – Strengthening Institutions (84.031)
10. \$300,000 was used as the threshold amount to distinguish between Type A and Type B programs.
11. Denmark Technical College did not qualify as a low risk auditee.

**Generally Accepted Governmental Auditing Standards Findings and Questioned Costs:**

**Finding 09-1: Accounts Receivable and Revenue**

*Condition:* Our audit procedures disclosed inadequate support and reconciliation of the accounts receivable balances as of the audit start date.

*Criteria:* We feel that the following factors contribute to this deficiency: lack of reconciliation, inadequate filing procedures of documentation, and inadequate review for cash receipts. This lack of control led to extended examination to determine accurate accounts receivable balances, to assess account aging, to evaluate the appropriate allowance for doubtful accounts and to easily track amounts owed to the College.

*Effect:* Students' accounts receivable balances are not accurate and refunds are not timely returned.

**DENMARK TECHNICAL COLLEGE  
DENMARK, SOUTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2009**

*Recommendation:* While the College has improved the accounts receivable and revenue procedures, we suggest that the accounts receivable subsidiary system should be improved to track tuition billed and collected. The College should reconcile tuition grants received with the amounts credited to the students' accounts. Procedures should also be established to ensure that accounts receivable balances are reconciled between the general ledger and the subsidiary on a consistent and timely basis. Differences should be investigated and resolved as soon as possible. These procedures will assist the University in establishing reliable internal control for the billing and collection of accounts receivable and revenues.

**Finding 09-2: Late Refunds**

*Condition:* Several refunds due back for Title IV funds were not paid back within the required forty-five (45) day period. However, the refunds were returned by the end of the fiscal year.

*Criteria:* The Code of Federal Regulations, Title 34, Part 668 requires any refunds be made for Title IV funds within forty-five (45) business days of the College's determination that a refund is due.

*Effect:* Failure to make timely refunds can result in additional cost to the College in the form of interest and penalties as well as jeopardizing its standing with the Department of Education.

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

**Finding 09-3: Draw Downs of Title III Grant Not Appropriate**

*Condition:* An excessive amount of the Title III grant was drawn down.

*Criteria:* The Title III grant is a reimbursable grant. The grant money should not be drawn down until the cost has been incurred.

*Effect:* The costs of the Title III projects should be tracked and approved before the grant revenue is requested. Simply drawing amounts does not account for how the grant has been used.

*Recommendation:* Procedures should be implemented for accounting for the Title III grant. The expenditures should be accumulated and approved before requesting reimbursement from the grant.

**Finding 09-4: Procurement Policies Not Being Followed:**

*Condition:* Disbursements over \$2,500.00 require bids before purchasing. During the audit, large purchases from two vendors were in excess of \$2,500.00. On one invoice reviewed a "sole source" requisition was attached and on one invoice an "emergency purchase" requisition was attached. On all other invoices nothing was attached. A "sole source" requisition should be accompanied by a written explanation as to why no other will be suitable or acceptable to meet this need. Additionally, emergency requisitions are suitable only when there exists an immediate threat to public health, welfare, critical economy and efficiency. A written determination of the basis for the emergency and the selection for a particular contractor shall be included in the contract file.

**DENMARK TECHNICAL COLLEGE  
DENMARK, SOUTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2009**

*Effect:* Procurement policies provide increased economy and maximize to the fullest extent practicable the purchasing values of funds while ensuring that procurements are the most advantageous to the College. Without following the procurement policies the College does not know if it is getting the best service for the best price. There is a possibility that the College could be overpaying for services.

*Recommendation:* The SC Technology System has procurement procedures in place. The college should follow these procedures.

**Finding 09-5: Reconciliation of Cash to the General Ledger:**

*Condition:* Although the cash accounts were being reconciled to the bank, the reconciliation was not being performed in the Datatel system. The reconciliation of cash in the system helps identify errors on a timely basis. All general ledger accounts in the Datatel system should be reconciled with the subsidiary ledgers.

*Effect:* Reconciliation of cash to the general ledger is the most basic of internal controls. Monthly reconciliation can uncover omissions and errors in the system.

*Recommendation:* The College should reconcile all cash and or subsidiary accounts to the Datatel system on a monthly basis and review any discrepancies.

**Finding 09-6: Repayment of Federal Funds:**

*Condition:* During the audit it was discovered that the College was required to repay Federal student loans for fiscal years 2008-2009 and 2007-2008. The reasons for repaying the student loans were for using the "wrong forms" and for "mismatched retest forms". The total amount repaid was \$535,458.00.

*Effect:* A large amount of revenue used to operate the College was lost.

*Recommendation:* The Financial Aid office must review all student financial aid applications and receipts.

**Finding 09-7: Excessive Use of Journal Entries:**

*Condition:* The Datatel system has procedures for the entry of the accounting transactions. Following the accounting procedures provides a good way of tracking the transactions through the system. Using journal entries to make the accounting entries can blur the tracking and the audit trail.

*Effect:* The excessive use of journal entries can cause the checks and balances of the accounting system to become blurred and possibly disguise misappropriations or fraud.

*Recommendation:* The accounting system that is in place should be used to record accounting transactions.

**DENMARK TECHNICAL COLLEGE  
DENMARK, SOUTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2009**

**Federal Awards Findings and Questioned Costs:**

**Finding 09-1: Accounts Receivable and Revenue**

Same as above.

**Finding 09-2: Late Refunds**

Same as above.

**Finding 09-3: Draw Downs of Title III Grant Not Appropriate**

Same as above.

**Finding 09-4: Procurement Policies Not Being Followed:**

Same as above.

**Finding 09-5: Reconciliation of Cash to the General Ledger:**

Same as above

**Finding 09-6: Repayment of Federal Funds:**

Same as above

**DENMARK TECHNICAL COLLEGE  
DENMARK, SOUTH CAROLINA  
DISPOSITION OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2009**

There were four finding relating to compliance with major programs reported as a result of the audit of the general purpose financial statements of Denmark Technical College, Denmark, South Carolina, for the year ended June 30, 2008.

**Finding 08-1: Incentives Paid for Recruiting Students**

*Condition:*

The College implemented a campus-wide recruitment initiative during the academic year that paid a salary supplement to employees for recruiting efforts. The total incentive compensation was \$52,250. Some of the individuals who received recruitment initiative compensation were involved directly or indirectly in recruiting or admission activities or in making decisions regarding the award of FSA program funds. Finally, the incentive/salary supplement payments were paid using federal Title III funds.

*Corrective Action Taken:*

Once the College became aware that the incentives violated Title IV regulations, the program was terminated. And, an adjustment was made to reclassify the incentive/salary supplement payments out of the Title III program and into unrestricted expense accounts.

**Finding 08-2: Calculation of the Return of Title IV Funds**

*Condition:*

The College calculated the return of Title IV funds using the institutional charges, excluding book charges.

*Corrective Action Taken:*

The College reviewed their student records and recalculated refunds to include all institutional charges. The College also reviewed their policies and procedures with the proper personnel.

**Finding 08-3: Returned Student Refund Checks Due to Bad Address**

*Condition:*

The College had checks that were returned because of bad addresses stored in a vault at year end totaling \$48,022. The checks in the vault represented stale dated student refund checks that were voided, reissued, re-mailed, and returned again during the fiscal year. The checks that were voided had original check dates going as far back as 2001. Additionally, the reissued returned checks stored in the vault at year end were listed on the outstanding check list on the bank reconciliation even though they were in the possession of the College at year end.

*Corrective Action Taken:*

The College has re-evaluated their policies and procedures to assure that all future refunds are properly returned. The College attempted to send the unclaimed refund checks to the South Carolina Unclaimed Property. But the money was returned to the College as money was from federal awards. The State of South Carolina informed the College that the money must be returned to the federal government. The College had not returned the money to the federal government at the time of this audit.

**DENMARK TECHNICAL COLLEGE  
DENMARK, SOUTH CAROLINA  
DISPOSITION OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2009**

**Finding 08-4: Ineligible Title IV Aid Recipients**

*Condition:*

The College awarded Title IV aid to 13 students who did not have a high school diploma or GED and did not score an acceptable grade on the Ability-to-Benefit test administered by the College.

*Corrective Action Taken:*

The College has reviewed their policies and procedures to identify all students without a high school diploma or GED and the process of evaluating their eligibility.

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## INDEPENDENT AUDITORS' REPORT ON STATE LOTTERY TUITION ASSISTANCE

To the Board of Trustees  
Denmark Technical College  
Denmark, South Carolina

As part of our examination of the financial statements of Denmark Technical College as of and for the year ended June 30, 2009, we 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.

We 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. We also determined that any lottery tuition assistance awarded did not exceed the remaining cost of tuition and academic fees for the applicable semester after first applying Pell, FSEOG, SC Need-Based, and other applicable grants.

All students who applied for assistance under the Lottery Tuition Assistance Program were awarded financial aid. As a result, we 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, we traced amounts to the student account detail to determine that the awarded amounts were identifiably credited to the students' accounts.

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

In our 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 Board of Trustees, 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.

*Camp, Moring & Cannon, LLC*

Columbia, South Carolina  
February 10, 2010

**DENMARK TECHNICAL COLLEGE  
RESPONSE TO SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2009**

**09-1: Accounts Receivable and Revenue**

College's response:

The College concurs with the auditor's finding.

The reconciliation process with the business office and the grant office (Financial Aid) will be done monthly. This process will be done to ensure timely adjustments of student accounts which provides additional assurance of internal controls for billing and collection of accounts receivable for student accounts.

**09-2: Late Refunds**

College Response:

We concur with the auditor's findings .

The College is addressing this issue and will provide guidance for timely and accurate processing of refunds in accordance with procedures and guidelines outlined by Title IV.

**09-3: Draw Downs of Title III Grants not Appropriate**

College's Response:

We concur with the auditor's finding.

The College will follow the required procedures for the drawing down of Title III funds.

**09-4: Procurement Policies not being followed:**

College's Response:

We concur with the auditor's finding.

The College will follow procurement policies and procedures in conducting its procurement activities.

**09-5: Reconciliation of Cash to the General Ledger:**

College's Response: We concur with the auditor's finding.

The College will take the necessary steps to electronically reconcile through the system.

**09-6: Repayment of Federal Funds:**

College's Response: We concur with the auditor's finding.

The College is reviewing its financial aid processes and will implement steps necessary to minimize the possibility of errors.

**09-07: Excessive use of Journal Entries:**

College's Response: We concur with the auditor's finding.

The College has provided general ledger training for its accounting staff that will provide for accuracy of general ledger updates. Levels of approval is required, thereby minimizing the error factor.