

**HORRY - GEORGETOWN TECHNICAL COLLEGE**

**CONWAY, SOUTH CAROLINA**

**INDEPENDENT AUDITOR'S REPORT**

**FINANCIAL STATEMENTS AND SCHEDULES**

**FOR THE YEAR ENDED JUNE 30, 2009**

HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA

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HORRY - GEORGETOWN TECHNICAL COLLEGE  
 CONWAY, SOUTH CAROLINA  
 AUDIT PERIOD  
 JULY 1, 2008 THROUGH JUNE 30, 2009

AREA COMMISSIONERS

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>	<u>County</u>
William K. Richardson	Chairman	07-01-2012	Horry
Joe Thomas Branyon, Jr.	Vice-Chairman	07-01-2009	Georgetown
Herman C. Jones	Chairman Emeritus	07-01-2011	Horry
Y. Melvin Nobles		07-01-2011	Horry
William H. Murray	Secretary	07-01-2009	Georgetown
Orrie E. West		07-01-2011	Horry
Donald W. Helms		07-01-2011	Horry
Ronald J. Talbert		07-01-2009	Georgetown
Brent D. Groome		07-01-2012	Horry

EXECUTIVE STAFF

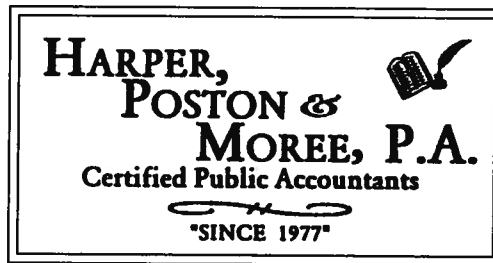
Mr. H. Neyle Wilson	College President
Dr. Marilyn J. Fore	Executive Vice President for Academic Affairs
Mr. Ralph L. Selander	Vice President for Technology and Institutional Planning
Mr. W. Gregory Thompson	Associate Vice President for Student Affairs
Mr. Harold N. Hawley	Vice President for Finance and Business Affairs
Mr. Gregory L. Mitchell	Vice President for Workforce Development and Continuing Education

AREA SERVED

Horry County  
 Georgetown County

COUNTIES PROVIDING FINANCIAL SUPPORT

Horry County  
 Georgetown County



Robert D. Harper, Jr. CPA  
Stacey C. Moree CPA  
P. O. Box 1550  
106 Wall Street, Litchfield  
Pawleys Island, SC 29585  
Tel (843) 237-9125  
Fax (843) 237-1621  
E-mail: HPM@sc.rr.com

Robin B. Poston CPA  
P. O. Box 576  
307 Church Street  
Georgetown, SC 29442  
Tel (843) 527-3413  
Fax (843) 546-7277

## INDEPENDENT AUDITOR'S REPORT

Horry - Georgetown Commission for Technical Education  
Horry - Georgetown Technical College  
Conway, South Carolina

We have audited the accompanying basic financial statements of Horry - Georgetown Technical College, a member institution of the South Carolina Technical College System, as of and for the years ended June 30, 2009 and June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these basic financial statements based on our audits. We did not audit the financial statements of Horry - Georgetown Technical College Foundation, Inc. which represents 100 percent of the discretely presented component unit presented in the financial statements. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the basic financial statements insofar as it relates to the amounts included for Horry - Georgetown Technical College Foundation, Inc. as a discretely presented component unit, is based solely on the report of other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provides a reasonable basis for our opinion.

In our opinion, based on our report and the report of other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of Horry - Georgetown Technical College, as of June 30, 2009 and June 30, 2008, and the respective changes

in the financial position and cash flows, where applicable, thereof for the years 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 a report dated September 25, 2009 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is on pages 4 through 12 is not a required part of the basic financial statements but supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Horry - Georgetown Technical College's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of Horry - Georgetown Technical College. Such information has been subjected to the auditing procedures applied by us and other auditors in the audit of the basic financial statements and in our opinion, based on our report and the report of other auditors, is fairly stated in all material respects, in relation to the financial statements taken as a whole.

*Harper, Poston & Moree, P.A.*  
Harper, Poston & Moree, P.A.  
Certified Public Accountants

Georgetown, South Carolina  
September 25, 2009

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of Horry-Georgetown Technical College offer users and other readers of the College's financial statements this narrative overview and analysis of its financial activities for the fiscal years ended June 30, 2009 and June 30, 2008. This discussion and analysis should be read in conjunction with the consolidated financial statements and the footnotes thereto, which follow this section.

The financial statement presentation format provides a comprehensive, entity-wide perspective of the College's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows. The financial statements are designed to emulate corporate presentation models whereby all College activities are consolidated into one total. The Statement of Net Assets combines and consolidates current financial resources (short-term spendable resources) with capital assets and discloses any debt obligations.

The Statement of Revenues, Expenses, and Changes in Net Assets focuses on both the gross costs and the net costs of College activities which are supported substantially by property taxes, state allocation, state and federal grants and contracts, student tuition and fees and auxiliary enterprise revenues. This approach is intended to summarize and simplify an analysis of costs for various College services to students and the public.

As additional information, financial statements for the Horry-Georgetown Technical College Foundation (The Foundation) are also included. All financial activities and balances of the Foundation are disclosed as a discretely presented component unit.

### Financial Highlights

- The total net assets of the College at June 30, 2009, increased to \$59,770,768 from \$57,541,579 in fiscal year 2008. Of this amount, \$17,776,708 (unrestricted net assets) may be used to meet the College's ongoing obligations.
- During the year, the College's allocation from the State decreased by \$3,095,939 or 25.2%. The level of State funding received by the College in 2009, in absolute dollars, has not been this low since 1997.
- In spite of unprecedented reductions in State support, the College was able to increase its net assets. This increase was precipitated by ongoing enrollment growth, College-wide cost reduction initiatives, prudent management of resources, and receipt of various federal, state and private grants.

### 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 services. 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 Statement of Cash Flows.

The Statement of Net Assets presents the financial position of the College at the end of the current and prior fiscal years, and classifies assets and liabilities into current and non-current. The difference between total assets and total liabilities is net assets, which are displayed in three broad categories: Investment in Capital Assets (net of related debt), Restricted and Unrestricted. Net assets are one indicator of the current financial condition of the College, while the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the year.

The Statement of Revenues, Expenses, and Changes in Net Assets is a statement of net income with an entity-wide perspective. Revenues and expenses are categorized by operating and non-operating, and expenses are reported by object type.

The Statement of Cash Flows will aid readers in identifying the sources and uses of cash by the major categories of operating, capital and related financing, non-capital financing, and investing activities. This statement also emphasizes the College's dependence on state and county appropriations by separating them from operating cash flows.

## Financial Analysis

In addition to the financial information, charts and graphs are provided to enhance an understanding of the institutions financial condition and related changes from the prior fiscal year.

### Net Assets For the Years Ended June 30,

	<u>2009</u>	<u>2008</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Current assets	\$ 20,659,579	\$ 17,847,829	\$ 2,811,750	15.75%
Non-current assets				
Capital assets, net of depreciation	\$ 42,461,504	\$ 43,525,295	\$ (1,063,791)	-2.44%
Other	\$ 2,940,052	\$ 2,787,284	\$ 152,768	5.48%
<b>Total assets</b>	<b>\$ 66,061,135</b>	<b>\$ 64,160,408</b>	<b>\$ 1,900,727</b>	<b>2.96%</b>
Current liabilities	\$ 4,472,605	\$ 4,806,029	\$ (333,424)	-6.94%
Non-current liabilities	\$ 1,817,762	\$ 1,812,800	\$ 4,962	0.27%
<b>Total liabilities</b>	<b>\$ 6,290,367</b>	<b>\$ 6,618,829</b>	<b>\$ (328,462)</b>	<b>-4.96%</b>
Investment in capital assets, Net of Related debt	\$ 41,861,173	\$ 42,828,592	\$ (967,419)	-2.26%
Restricted for: expendable	\$ 132,887	\$ 124,628	\$ 8,259	6.63%
Unrestricted	\$ 17,776,708	\$ 14,588,359	\$ 3,188,349	21.86%
<b>Total Net Assets</b>	<b>\$ 59,770,768</b>	<b>\$ 57,541,579</b>	<b>\$ 2,229,189</b>	<b>3.87%</b>

The previous schedule is prepared from the College's statement of net assets, which is presented on an accrual basis of accounting, whereby assets are capitalized and depreciated. Total assets increased by \$1,900,727 or 2.96% over prior year. The increase in total assets was primarily caused by an increase in cash and cash equivalents and short term investments of \$4,041,274, and a reduction in receivable balances by \$1,193,413 over prior year.

Total liabilities decreased by \$328,462 or 4.96% from fiscal year 2008 to 2009. The College's long term debt was reduced by \$96,373 during the year. The remaining decrease in liabilities was due to normal accounts payable variations from year to year.

Total net assets increased by \$2,229,189 or 3.87% during the fiscal year. As evidenced by this increase, the College continues to benefit from a sound financial position as assets substantially exceed liabilities.

**Operating Results for the Years Ended  
For the Years Ended June 30,**

	<u>2009</u>	<u>2008</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Operating Revenue				
Tuition and Fees	\$ 13,013,411	\$ 11,917,981	\$ 1,095,430	9.19%
Federal and State Contracts	\$ 15,736,899	\$ 14,056,942	\$ 1,679,957	11.95%
Auxiliary	\$ 482,596	\$ 484,122	\$ (1,526)	-0.32%
Other	\$ 315,880	\$ 169,290	\$ 146,590	86.59%
<b>Total Operating Revenue</b>	<b>\$ 29,548,786</b>	<b>\$ 26,628,335</b>	<b>\$ 2,920,451</b>	<b>10.97%</b>
Less Operating Expenses	\$ 41,790,415	\$ 40,738,691	\$ 1,051,724	2.58%
<b>Net Operating Expenses</b>	<b>\$ (12,241,629)</b>	<b>\$ (14,110,356)</b>	<b>\$ 1,868,727</b>	<b>-13.24%</b>
Non-Operating Revenue (Expenses)				
State Appropriations	\$ 9,187,460	\$ 12,283,399	\$ (3,095,939)	-25.20%
Horry County	\$ 3,341,962	\$ 3,000,000	\$ 341,962	11.40%
Georgetown County	\$ 465,000	\$ 615,000	\$ (150,000)	-24.39%
Other	\$ 622,762	\$ 1,732,443	\$ (1,109,682)	-64.05%
<b>Total Non-Operating Revenue (Expenses)</b>	<b>\$ 13,617,183</b>	<b>\$ 17,630,842</b>	<b>\$ (4,013,659)</b>	<b>-22.76%</b>
Capital Grants and Gifts	\$ 853,635	\$ 6,144,602	\$ (5,290,967)	-86.11%
Increase in Net Assets	\$ 2,229,189	\$ 9,665,088	\$ (7,435,899)	-76.94%
Net Assets - Beginning of Year	\$ 57,541,579	\$ 47,876,491	\$ 9,665,088	20.19%
Net Assets - End of Year	<b>\$ 59,770,768</b>	<b>\$ 57,541,579</b>	<b>\$ 2,229,189</b>	<b>3.87%</b>

As shown above, the College experienced an increase in net assets during 2009 in spite of record cuts in its State allocation. The increase in net assets of \$2,229,189 was facilitated by both an increase in operating revenues, which helped offset its substantial decrease in non-operating revenues, and on-going cost reductions initiatives.

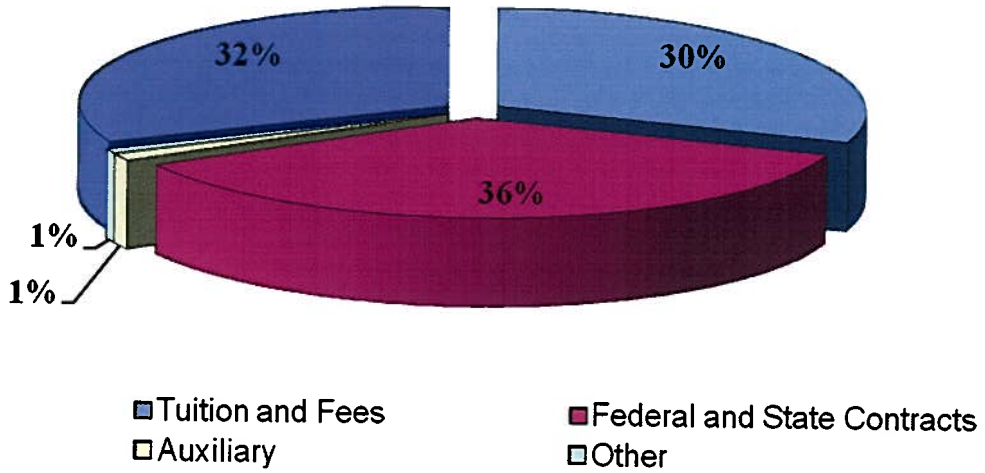
For 2009, operating revenue increased by approximately \$2,920,451 or 10.97% over prior year. This growth was primarily caused by an increase in both tuition based revenue and federal and state contracts. Specifically, tuition revenue increased by \$1,095,430 or 9.19% over prior year as a result of enrollment growth and a nominal tuition/fee rate increase in 2008-2009. The overall increase in operating revenue was also caused by the receipt of an additional \$1,679,957 in Federal and State contracts over prior year.

Non-operating revenue decreased by \$4,013,659 of 22.76% during the year, predominantly due to significant reductions in State funding. State funding was reduced by \$3,095,939 or \$25.2% during the year. The State funding received in 2009, in absolute dollars, has not been this low since 1997.

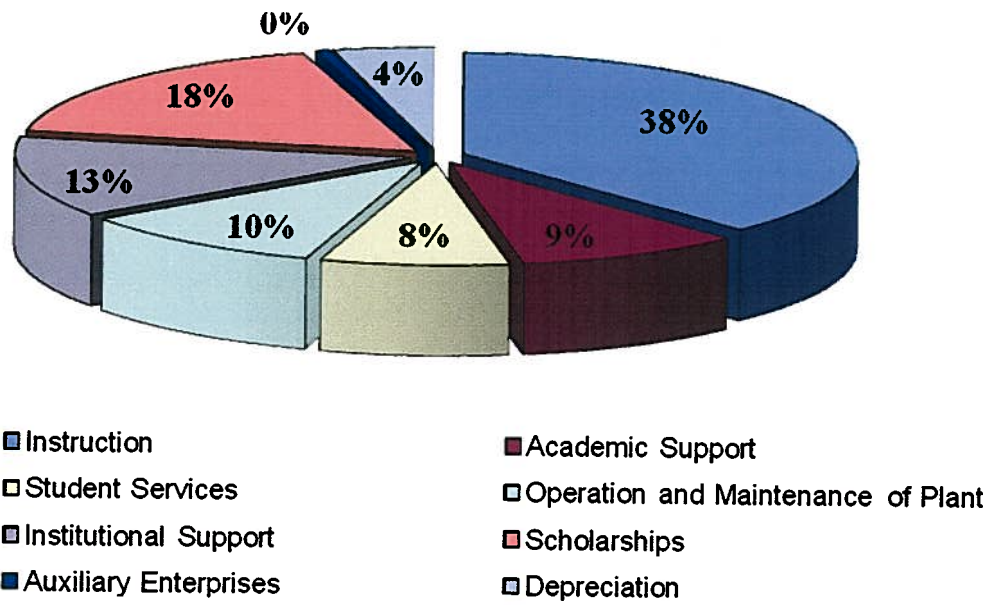
While net assets did in fact increase during the year, the change in net assets in 2009 was less than that in 2008. This year-to-year variance in net asset growth was driven primarily by significant State, Federal and other private donations received in 2008 that were dedicated toward construction of a new academic building.

On the page which follows is a graphical illustration of operating revenues and expenses.

## Revenue by Source



## Operating Expenses

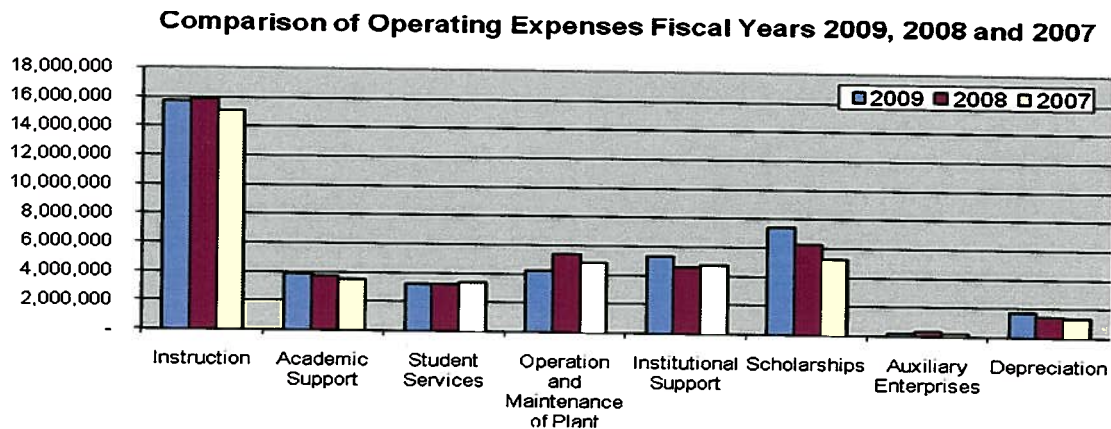


## Operating Expenses by Function

For the Years Ended June 30,

	<u>2009</u>	<u>2008</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Operating Expenses				
Instruction	\$ 15,727,103	\$ 15,854,317	\$ (127,214)	-0.80%
Academic Support	\$ 3,907,872	\$ 3,717,811	\$ 190,061	5.11%
Student Services	\$ 3,218,391	\$ 3,205,861	\$ 12,530	0.39%
Operation and Maintenance of Plant	\$ 4,267,080	\$ 5,407,708	\$ (1,140,628)	-21.09%
Institutional Support	\$ 5,330,564	\$ 4,577,856	\$ 752,708	16.44%
Scholarships	\$ 7,380,664	\$ 6,237,507	\$ 1,143,157	18.33%
Auxiliary Enterprises	\$ 224,561	\$ 328,940	\$ (104,379)	-31.73%
Depreciation	\$ 1,734,180	\$ 1,408,691	\$ 325,489	23.11%
<b>Total Operating Expenses</b>	<b>\$ 41,790,415</b>	<b>\$ 40,738,691</b>	<b>\$ 1,051,724</b>	<b>2.58%</b>

The following is a multi-year graphical trend of operating expenses by function.



Operating expenses, overall, for fiscal year 2009 increased by \$1,051,724 or 2.58% over the prior year. To further analyze this change, operation of plant and instructional costs decreased by \$1,140,628 and \$127,214 respectively from year to year. These reductions were driven by a series of cost reduction measures implemented in response to the dramatic reductions in State funding experienced in 2009.

While instruction and operation of plant costs were down, the College experienced an increase in scholarships, primarily driven by enrollment and tuition increases and an increase in financial aid awards processed during the year. Lastly, the College's depreciation costs increased over 2008 as a result of a new building being completed and becoming operational during 2009.

## Analysis of Net Assets For the Years Ended June 30,

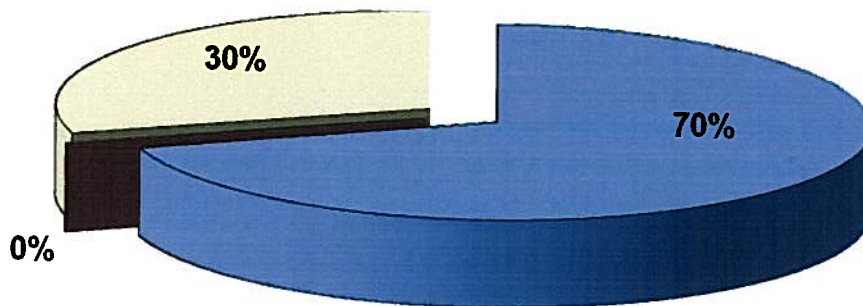
	<u>2009</u>	<u>2008</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Net Assets				
Investment in capital assets, Net of Related debt	\$ 41,861,173	\$ 42,828,592	\$ (967,419)	-2.26%
Restricted for: expendable	\$ 132,887	\$ 124,628	\$ 8,259	6.63%
Unrestricted	\$ 17,776,708	\$ 14,588,359	\$ 3,188,349	21.86%
<b>Total Net Assets</b>	<b>\$ 59,770,768</b>	<b>\$ 57,541,579</b>	<b>\$ 2,229,189</b>	<b>3.87%</b>

Net assets may serve over time as a useful indicator of an entity's financial position. In the case of the College, assets exceeded liabilities by \$59,770,768 and \$57,541,579 at June 30, 2009 and 2008, respectively. This year-to-year increase in net assets of \$2,229,189 or 3.87% further indicates the financial health and economic viability of the College.

Approximately 70% of the College's net assets at June 30, 2009 were invested in capital assets (land, land improvements, buildings and improvements, and equipment). The College uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending.

At June 30, 2009, less than 1% or \$132,887 of the College's net assets are restricted for revolving loan funds and by other grantor imposed restrictions. Approximately 30% or \$17,776,708 of the College's net assets are unrestricted and may be used to meet the College's ongoing obligations.

## Analysis of Net Assets



- Investment in capital assets, Net of Related debt
- Restricted for: expendable
- Unrestricted

**Net Capital Assets**  
**For the Years Ended June 30,**

	<u>2009</u>	<u>2008</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Capital Assets				
Land and Improvements	\$ 6,640,090	\$ 6,640,090	\$	0.00%
Construction in Progress	\$ 16,000	\$ 9,159,229	\$ (9,143,229)	-99.83%
Buildings	\$ 47,767,569	\$ 38,206,074	\$ 9,561,495	25.03%
Equipment	\$ 4,391,653	\$ 4,235,979	\$ 155,674	3.68%
Total Capital Assets	<u>\$ 58,815,312</u>	<u>\$ 58,241,373</u>	<u>\$ 573,939</u>	<u>0.99%</u>
Less Accumulated Depreciation	<u>\$ (16,353,807)</u>	<u>\$ (14,716,077)</u>	<u>\$ (1,637,730)</u>	<u>11.13%</u>
Net Capital Assets	<u>\$ 42,461,503</u>	<u>\$ 43,525,295</u>	<u>\$ (1,063,791)</u>	<u>-2.44%</u>

As of June 30, 2009, the College had \$58,815,312 invested in capital assets, which represented roughly a 1% increase over the prior fiscal year. The increase in total Capital assets of \$573,939 was primarily attributed to the completion of a new academic building on our Grand Strand Campus during the fiscal year, and relatively nominal construction (e.g., construction-in-progress) activity as compared to 2008. Accordingly, accumulated depreciation increased during the fiscal year as a result of completing the new building.

**Cash Flows**  
**For the Years Ended June 30,**

	<u>2009</u>	<u>2008</u>
Cash Flows from Operating Activities	\$ (9,972,410)	\$ (9,951,451)
Cash Flows from Non-Capital Financing Activities	\$ 13,380,175	\$ 17,238,971
Cash Flows from Capital and Related Financing Activities	\$ 94,929	\$ (6,627,715)
Cash Flows from Investing Activities	<u>\$ 1,391,353</u>	<u>\$ 1,485,534</u>
Net (Decrease)/Increase in Cash	\$ 4,894,047	\$ 2,145,339
Cash - Beginning of Year	<u>\$ 8,204,968</u>	<u>\$ 6,059,629</u>
Cash - End of Year	<u>\$ 13,099,015</u>	<u>\$ 8,204,968</u>

Cash increased by \$4,894,047 from fiscal year 2008 to 2009. Factors contributing to the change in cash included a 2.7% tuition and fee increase during the fiscal year, combined with enrollment growth. Overall, cash flows from by operating activities include tuition and fees, and federal, state and local grants. Cash flows from non-capital financing activities primarily consisted of state and local appropriations. Cash flows from capital and related financing activities includes principal and interest payments on debt, capital grants from state and local entities, and acquisition of capital assets. Cash flows from investing activities include the proceeds from the sale and maturity of investments, interest income and purchase of investments. Collectively, these funds are used to fund operating and other activities consistent with the College's mission.

### **Capital Asset and Debt Administration**

During fiscal year 2009, the College completed a major construction project (Speir Building) with a budgeted cost of \$9,601,000. The project included the renovation and furnishing of a 55,000 square foot academic facility on the Grand Strand Campus dedicated to Health Science programs.

The College reduced its total debt by \$96,373 during the fiscal year and had 99,962 and 500,368 in short term debt and long term debt obligations respectively.

The College was able to substantially increase its net assets during the year. This increase was achieved through enrollment growth, ongoing cost reduction initiatives, a nominal tuition increase and receipt of various federal, state and private grants/donations.

### **Economic Factors**

Over recent years, the College has and continues to receive less than the Technical College System average in funding. This condition was exacerbated by the fact that, during the year, the College's State allocation was reduced by \$3,095,939 or 25.2%.

As a result of these State funding reductions, the College must rely more heavily on tuition revenue to offset the loss in State funding. This increased reliance on tuition revenue comes at the sacrifice of the College's financial ability to implement new programs, fund new facilities, and otherwise continue providing state-of-art educational and instructional equipment.

The College expects a continuation of greater than normal enrollment increases resulting from a combination of the State Lottery funding, service area population growth, and a significantly depressed local and national economy. The future impact of enrollment increases or overall economic outlook however, cannot be measured with any precision.

### **Horry-Georgetown Technical College Foundation**

A copy of the Horry-Georgetown Technical College Foundation audit may be obtained by mailing a request to the Horry-Georgetown Technical College Foundation at 743 Hemlock Ave, Myrtle Beach, SC 29577.

FINANCIAL STATEMENTS

HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA

STATEMENTS OF NET ASSETS  
JUNE 30, 2009 AND JUNE 30, 2008

	2009	2008
<b>ASSETS</b>		
Current Assets		
Cash and Cash Equivalents	\$ 12,996,636	\$ 8,132,459
Cash and Cash Equivalents (Restricted for Loans)	102,379	72,509
Short Term Investments	2,150,833	3,003,606
Accounts Receivable, Net	5,272,114	6,465,527
Interest Receivable	27,933	62,492
Loans Receivable	30,317	33,368
Prepaid Expenses	79,367	77,868
Total Current Assets	\$ 20,659,579	\$ 17,847,829
Noncurrent Assets		
Investments	\$ 2,940,052	\$ 2,787,284
Capital Assets, Net of Accumulated Depreciation	42,461,504	43,525,295
Total Noncurrent Assets	\$ 45,401,556	\$ 46,312,579
Total Assets	\$ 66,061,135	\$ 64,160,408
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable	\$ 1,177,756	\$ 1,733,536
Interest Payable	6,867	4,692
Due to Other State Agencies	82,237	0
Retainage Payable	0	294,440
Accrued Payroll and Related Liabilities	737,560	724,177
Compensated Absences Payable	61,932	91,661
Deferred Revenue	2,118,369	1,724,390
Funds Held for Others	187,922	137,036
Note Payable - Current Portion	99,962	96,097
Total Current Liabilities	\$ 4,472,605	\$ 4,806,029
Noncurrent Liabilities		
Compensated Absences Payable	\$ 1,317,394	\$ 1,212,194
Note Payable - Long Term Portion	500,368	600,606
Total Noncurrent Liabilities	\$ 1,817,762	\$ 1,812,800
Total Liabilities	\$ 6,290,367	\$ 6,618,829
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	\$ 41,861,173	\$ 42,828,592
Restricted for		
Expendable		
Loans	114,136	105,877
Other	18,751	18,751
Unrestricted	17,776,708	14,588,359
Total Net Assets	\$ 59,770,768	\$ 57,541,579

HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008

	2009	2008
<b>REVENUES</b>		
Operating Revenues		
Student Tuition & Fees (Net of Scholarship Allowance of \$6,960,516 for 2009 and \$5,768,772 for 2008)	\$ 13,013,411	\$ 11,917,981
Federal Grants and Contracts	10,838,969	9,371,198
State Grants and Contracts	4,897,930	4,685,744
Auxiliary Enterprises	482,596	484,122
Sales and Services of Education Departments	161,983	127,367
Other Operating Income	153,897	41,923
Total Operating Revenue	\$ 29,548,786	\$ 26,628,335
 <b>EXPENSES</b>		
Operating Expenses		
Salaries	\$ 19,307,979	\$ 19,199,323
Benefits	5,099,565	4,908,121
Scholarships	7,260,164	6,237,507
Utilities	1,135,757	1,035,276
Supplies and Other Services	7,252,770	7,949,773
Depreciation	1,734,180	1,408,691
Total Operating Expenses	\$ 41,790,415	\$ 40,738,691
Net Operating Income (Loss)	\$ (12,241,629)	\$ (14,110,356)
 <b>NONOPERATING REVENUES (EXPENSES)</b>		
State Appropriations	\$ 9,187,460	\$ 12,283,399
County Appropriations	3,806,962	3,615,000
Investment Income	357,836	575,694
Federal Grants and Contracts	29,285	0
State Grants and Contracts	36,730	12,177
Gifts	227,224	1,144,767
Interest Expense	(28,553)	(32,568)
Loss on Disposal of Fixed Asset	(21,404)	0
Other Nonoperating Revenues	21,643	32,373
Total Nonoperating Revenues (Expenses)	\$ 13,617,183	\$ 17,630,842
Income (Loss) Before Other Revenues, Expenses, Gains or Losses	\$ 1,375,554	\$ 3,520,486
Capital Grants & Gifts		
EDA Capital Grant	\$ 256,183	\$ 5,303,979
Education Capital Improvement Tax	154,781	852,319
Research University Infrastructure Bonds	455,977	0
Transfers to/from Other State Agency	0	16,287
	(13,306)	(27,983)
Increase (Decrease) in Net Assets	\$ 2,229,189	\$ 9,665,088
Net Assets - Beginning of Year	\$ 57,541,579	\$ 47,876,491
Net Assets - End of Year	\$ 59,770,768	\$ 57,541,579

HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008

	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and Fees (Net of Scholarship Allowances)	\$ 12,833,167	\$ 11,990,436
Federal, State and Local Grants and Contracts	16,887,560	15,562,675
Auxiliary Enterprise	482,596	484,122
Sales and Services of Education Departments	161,983	127,367
Other Receipts	153,897	41,923
Student Loan Proceeds	18,341,552	12,017,457
Student Loan Disbursements	(18,341,552)	(12,017,457)
Payments to Vendors	(21,272,488)	(19,247,462)
Payments to Employees	(19,219,125)	(18,910,512)
Net Cash Provided (Used) by Operating Activities	\$ (9,972,410)	\$ (9,951,451)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State Appropriations	\$ 9,838,038	\$ 11,662,647
County Appropriations	3,464,999	4,415,000
State, Local and Federal Grants, Gifts and Contracts - Nonoperating	80,969	1,156,944
Other Income - Nonoperating	21,643	32,373
Transfer to Other State Agency	(25,474)	(27,993)
Net Cash Provided (Used) by Noncapital Financing Activities	\$ 13,380,175	\$ 17,238,971
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal Payment on Note	\$ (96,373)	\$ (92,675)
Interest Payment on Note	(26,577)	(30,275)
Capital Grants State and Local	897,504	578,226
Purchase of Capital Assets	(679,625)	(7,082,991)
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ 94,929	\$ (6,627,715)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sales and Maturities of Investments	\$ 5,014,335	\$ 5,844,370
Interest on Investments	392,395	620,332
Purchase of Investments	(4,015,377)	(4,979,168)
Net Cash Provided (Used) by Investing Activities	\$ 1,391,353	\$ 1,485,534
Net Increase (Decrease) in Cash	\$ 4,894,047	\$ 2,145,339
Cash - Beginning of Year	8,204,968	6,059,629
Cash - End of Year	\$ 13,099,015	\$ 8,204,968

HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008

	2009	2008
<b>RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating Income (Loss)	\$ (12,241,629)	\$ (14,110,356)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	1,734,180	1,408,691
Change in Assets and Liabilities:		
Operational Receivables, Net	765,486	1,528,188
Loan Receivable	3,051	(260)
Accrued Payroll and Related Liabilities	13,383	46,972
Deferred Charges and Prepaid Expenses	(1,499)	67,326
Accounts and Retainage Payable	(848,045)	676,115
Compensated Absences	75,471	241,898
Deferred Revenue - Operating Activities	393,979	211,303
Due to Other State Agencies	82,327	0
Funds Held for Others	50,886	(21,328)
Net Cash Provided (Used) by Operating Activities	\$ (9,972,410)	\$ (9,951,451)
Schedule of Noncash Investing, Capital and Financing Activities		
Horry - Georgetown Technical College Received Assets that were Transferred from Other State Agencies	\$ 12,168	\$ 0

HORRY - GEORGETOWN TECHNICAL COLLEGE FOUNDATION, INC.  
 CONWAY, SOUTH CAROLINA  
 COMPONENT UNIT  
 STATEMENT OF FINANCIAL POSITION  
 JUNE 30, 2009

	2009
<b>ASSETS</b>	
Cash	\$ 3,114,546
Contributions Receivable, Net	1,048,488
Investments	4,986,700
Other Assets	5,525
Total Assets	\$ 9,155,259
<b>LIABILITIES</b>	
Accounts Payable and Accrued Expenses	\$ 1,168,926
Total Liabilities	\$ 1,168,926
<b>NET ASSETS</b>	
Unrestricted	\$ 68,223
Temporarily Restricted	5,793,502
Permanently Restricted	2,124,608
Total Net Assets	\$ 7,986,333
Total Liabilities and Net Assets	\$ 9,155,259

HORRY - GEORGETOWN TECHNICAL COLLEGE FOUNDATION, INC.  
 CONWAY, SOUTH CAROLINA  
 COMPONENT UNIT  
 STATEMENT OF ACTIVITY FOR THE YEAR ENDED JUNE 30, 2009

	2009
<b>SUPPORT AND REVENUE</b>	
Contributions	\$ 4,188,128
Investment Income	(979,801)
Total Support and Revenue	\$ 3,208,327
<b>EXPENSES</b>	
Projects and Programs	\$ 2,108,093
Administrative Expenses	139,670
Total Expenses	\$ 2,247,763
Change in Net Assets	\$ 960,564
Net Assets - Beginning of Year	7,025,769
Net Assets - End of Year	\$ 7,986,333

NOTES TO FINANCIAL STATEMENTS

HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

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

**Nature of Operations:** Horry - Georgetown 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 Horry and Georgetown 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 skills of individual employees. The College also provides a variety of developmental education programs, support services and offerings to assist students in meeting their personal and professional educational objectives.

**Reporting Entity:** The financial reporting entity, as defined by the Governmental Accounting Standards Board ("GASB") consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete. Accordingly, the financial statements include the accounts of Horry - Georgetown Technical College, as the primary government, and the accounts of Horry - Georgetown Technical College Foundation, Inc. (the "Foundation"), its component unit. The College is part of the primary government of the State of South Carolina. However, based on the nature and significance of the Foundations's relationship with the State of South Carolina, the Foundation is not a component unit of the State of South Carolina.

The Foundation is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The 32 member board of the Foundation is self-perpetuating and consists of friends of the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College. The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below.

The Foundation is a private not-for-profit organization that reports its financial results under Financial Accounting Standard Board ("FASB") Statements. Most significant to the Foundation's operations and reporting model are FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made*, and FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences. However, significant note disclosures to the Foundation's financial statements have been incorporated into the College's notes to the financial statements.

Financial Statements of the Foundation can be obtained by calling the Foundation at (843) 477-2116.

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

HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Basis of Accounting:** For financial reporting purposes, the College is considered a special purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Student tuition and auxiliary enterprise fees are presented net of scholarships and fellowships applied to student accounts, while stipends and other payments made directly are presented as scholarship expenses. All significant intra-institutional transactions have been eliminated.

The College has elected not to apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989.

**Cash and Cash Equivalents:** For purposes of the statement of cash flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State of South Carolina State Treasurer's Office are considered cash equivalents.

**Investments:** Deposits and investments for the College are governed by the South Carolina Code of Laws, Title 6, Chapter 5, "Investments of Funds by Political Subdivisions". The College has implemented GASB Statement No. 40, *Deposits and Investment Risk Disclosures - an amendment to GASB Statement No. 3*. This statement 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 carrying value of investments are reported as a component of investment income in the statement of revenues, expenses and changes in net assets.

**Accounts Receivable:** Accounts receivable consists of tuition and fee charges to students 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.

**Capital Assets:** Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. The College follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions and renovations and other improvements that add to the usable space, prepare existing buildings for new uses, or extend the useful life of an existing building are capitalized. The College capitalizes movable personal property with a unit value in excess of \$5,000 and a useful life in excess of two years and depreciable land improvements, buildings and improvements, and intangible assets costing in excess of \$100,000. Routine repairs and maintenance and library materials, except individual items costing in excess of \$5,000, are charged to operating expenses in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and improvements and land improvements and 2 to 25 years for machinery, equipment, and vehicles. A full year of depreciation is taken the year the asset is placed in service and no depreciation is taken in the year of disposition.

**Deferred Revenues and Deposits:** Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

**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 current and long-term liabilities in the statement of net assets and as a component of salary and benefit expenses in the statement of revenues, expenses, and changes in net assets.

**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.

*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 to first apply the expense to restricted resources and then to unrestricted resources.

**Nonexchange Transactions:** Nonexchange transactions involving financial or capital resources are transactions in which the college either gives value to another party without directly receiving equal value in exchange or receives value from another party without directly giving equal value in exchange. The types of nonexchange transactions the college engages in include "Voluntary nonexchange transactions" (certain grants and donations), and "Imposed nonexchange revenue" (fines and penalties), and "Government-mandated nonexchange transactions."

Voluntary nonexchange transactions usually involve eligibility requirements that must be met before transactions are recognized. The eligibility requirements can include one or more of the following:

- a. The recipient has the characteristics specified by the provider.
- b. Time requirements specified by the provider have been met.
- c. The provider offers resources on a reimbursement basis and allowable costs have been incurred under the applicable program.
- d. The provider's offer of resources is contingent upon a specified action of the recipient and that action occurred.

HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Resources transmitted before the eligibility requirements are met are reported as advances by the provider and as deferred revenues by recipients.

Assets from imposed nonexchange revenues are recognized when an enforceable legal claim to the assets arise or when the resources are received.

**Capitalized Interest:** The College capitalizes as a component of construction in progress interest cost in excess of earnings on debt associated with capital projects. Therefore, capital asset values do include such interest costs. During the fiscal years ending June 30, 2009 and June 30, 2008, no interest costs were capitalized.

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

**Classification of Revenues:** The College has classified its revenues as either operating or nonoperating 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 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.

*Nonoperating revenues:* Nonoperating revenues include activities that have the characteristics of nonexchange 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.

**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, research, and public service activities that incidentally create goods and services which may be sold to students, faculty, staff, and the general public. The College receives such revenues primarily from the following programs: dental hygiene, massage therapy, bakery and food programs.

**Auxiliary Enterprises and Internal Service Activities:** Auxiliary enterprise revenues primarily represent revenues generated by bookstore commissions and cafeteria and vending services. Revenues of internal service and auxiliary enterprise activities and the related expenditures of college departments have been eliminated.

**Restricted Cash:** The College has funds which were donated by private citizens to be used as short-term loans for students having financial difficulties. The loans are short-term and payable within 90 days. The restricted cash amount equals funds available at June 30, 2009 for such loans.

**Component Unit:** The Foundation maintains its accounts in accordance with the principles and practices of fund accounting. Fund Accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors. Accordingly, net assets and changes therein are classified as follows:

HORRY - GEORGETOWN TECHNICAL COLLEGE  
 CONWAY, SOUTH CAROLINA  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2009

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Permanently Restricted Net Assets:** Permanently Restricted Net Assets are subject to donor-imposed stipulations that require them to be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

**Temporarily Restricted Net Assets:** Temporarily Restricted Net Assets are subject to donor-imposed stipulations that will be met by actions of the Foundation and/or passage of time.

**Unrestricted Net Assets:** Unrestricted Net Assets are not subject to donor-imposed stipulations that will be met by actions of the Foundation and/or passage of time.

Revenues are reported as increases in unrestricted net assets classification unless use of the related assets is limited by donor-imposed restrictions. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Contributions for in-kind gifts from outside sources are not recorded in the Foundation's financial records, but are accounted for and acknowledged separately.

Expenses are reported as decreases in unrestricted net assets as appropriate. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Investments are reported at fair value based upon quoted market prices.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

The following schedule reconciles deposits, investments, and petty cash funds to the Statement of Net Assets amounts:

**Primary Government**

Statement of Net Assets	<u>2009</u>	<u>2008</u>
Cash and Cash Equivalents (Current)	\$ 12,996,636	\$ 8,132,459
Cash and Cash Equivalents (Restricted for Loans)	102,379	72,509
Short-Term Investments	2,150,833	3,003,606
Investments (Noncurrent)	<u>2,940,052</u>	<u>2,787,284</u>
Total Cash and Investments (On the Statement of Net Assets)	<u>\$ 18,189,900</u>	<u>\$ 13,995,858</u>
Disclosure of Deposits and Investments	<u>2009</u>	<u>2008</u>
Carrying Value of Deposits and Investments:		
Cash in Banks	\$ 2,189,769	\$ 4,469,107
Investments, Reported Amount	<u>15,994,071</u>	<u>9,521,291</u>
Total Deposits and Investments	<u>\$ 18,183,840</u>	<u>\$ 13,990,398</u>
Cash on Hand	6,060	5,460
Total Cash, Deposits, and Investments	<u>\$ 18,189,900</u>	<u>\$ 13,995,858</u>

HORRY - GEORGETOWN TECHNICAL COLLEGE  
 CONWAY, SOUTH CAROLINA  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2009

**NOTE 2 - DEPOSITS AND INVESTMENTS (continued)**

**Discretely Presented Component Unit**

Horry - Georgetown Technical College Foundation

Statement of Net Assets		<u>2009</u>
Cash and Cash Equivalents	\$	3,114,546
Investments		<u>4,986,700</u>
Total Cash and Investments	\$	<u><u>8,101,246</u></u>
Disclosure of Deposits and Investments		<u>2009</u>
Carrying Value of Deposits and Investments:		
Cash in Banks	\$	3,114,546
Investments, Reported Amount		<u>4,986,700</u>
Total Deposits and Investments	\$	<u><u>8,101,246</u></u>

**DEPOSITS**

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

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the College will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party.

The College's bank balances on deposit were \$2,863,115 at June 30, 2009. Of these, \$1,376,961 were exposed to custodial credit risk as uninsured; however, were collateralized with securities held by the pledging institution but not in the College's name. The carrying value of these deposits was \$2,189,769. Restricted cash includes \$102,379 held for student loans.

**Deposits - Discretely Presented Component Unit**

Cash and cash equivalents consist of amounts on deposit, including interest-bearing deposits. The balances on deposit were insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). Uninsured balances at financial institutions as of June 30, 2009 amounted to \$526,065. The balances at the brokerage firm are insured up to \$250,000 by the Securities Investor Protection Corporation (SIPC) with additional insurance provided by the brokerage firm through an excess SIPC policy. There were no uninsured investments at June 30, 2009.

**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 or federally insured certificates of deposit, and collateralized repurchase agreements.

HORRY - GEORGETOWN TECHNICAL COLLEGE  
 CONWAY, SOUTH CAROLINA  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2009

**NOTE 2 - DEPOSITS AND INVESTMENTS (continued)**

The College's investments at June 30, 2009, that are not with the State Treasurer's Office are presented below. All investments are presented by investment type and by maturity.

Horry - Georgetown Technical College Investments

Investment Type	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
Repurchase Agreements	\$ 12,463,179	\$ 12,463,179	\$ 0	\$ 0	\$ 0
Money Market Mutual Funds	590,840	590,840	0	0	0
FHLB Bonds	2,940,052	0	926,582	1,210,623	802,847
<b>Total Investment</b>	<b>\$ 15,994,071</b>	<b>\$ 13,054,019</b>	<b>\$ 926,582</b>	<b>\$ 1,210,623</b>	<b>\$ 802,847</b>

**Discretely Presented Component Unit**

**Horry - Georgetown Technical College Foundation**

Investment Type	Fair Value Amount
Debt Securities:	
Corporate Bonds	\$ 609,310
Mutual and Money Market Funds	2,850,943
U.S. Government Agencies	167,060
Common Stocks	941,814
Other Investments	417,573
<b>TOTAL INVESTMENTS</b>	<b>\$ 4,986,700</b>

**Custodial Credit Risk**

Custodial credit risk for investments is the risk that, in the event of a failure of the counter-party to a transaction, the College will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. The College does not have a formal investment policy that addresses custodial credit risk. Of the College's \$12,463,179 investment in repurchase agreements, \$12,463,179 of the underlying securities are held by the investments counter-party, not in the name of the College.

HORRY - GEORGETOWN TECHNICAL COLLEGE  
 CONWAY, SOUTH CAROLINA  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2009

**NOTE 2 - DEPOSITS AND INVESTMENTS (continued)**

**Interest Rate Risk**

Interest Rate Risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment.

The College does not have a formal investment policy that limits maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College does not have an investment policy regarding credit risk.

The College's rated debt investments as of June 30, 2009, were rated by Standard & Poor's and are listed below using the Standard & Poor's rating scale.

**Horry - Georgetown Technical College Rated Debt Investments**

<u>Rated Debt Investments</u>	<u>Fair Value</u>	<u>AAA</u>	<u>Unrated</u>
Money Market Mutual Funds	\$ 590,840		\$ 590,840
Repurchase Agreements	\$ 12,463,179		\$ 12,463,179
FHLB Bonds	\$ 2,940,052	\$ 2,940,052	

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The College places no limits on the amount the College may invest in any one issuer.

The College had Debt Securities at June 30, 2009, with more than 5 percent of the total investments in securities of the Federal Home Loan Bank (FHLB). The investments represented 18% of total investments.

The Discretely Presented Component Unit - Horry - Georgetown Technical College Foundation adopted a formal investment policy on June 17, 2007, addressing custodial credit risk, foreign currency risk, credit risk, interest rate risk, or concentration of credit risk.

HORRY - GEORGETOWN TECHNICAL COLLEGE  
 CONWAY, SOUTH CAROLINA  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2009

**NOTE 3 - ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2009 and June 30, 2008, including applicable allowances, are summarized as follows:

	2009	2008
State Appropriations	\$ 573,426	\$ 1,224,004
Local Appropriations	341,962	0
Student Accounts	1,151,510	971,265
Federal Grants and Contracts	496,038	1,577,571
State Grants and Contracts	461,018	357,872
Local Grants and Contracts	261,305	0
Nongovernmental Grants and Contracts	2,182,943	2,434,815
	5,468,202	6,565,527
Less Allowance for Doubtful Accounts - Students	(196,088)	(100,000)
Net Accounts Receivable	\$ 5,272,114	\$ 6,465,527

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 \$196,088 and the allowance for uncollectible student accounts at June 30, 2008 was \$100,000.

**NOTE 4 - LOANS RECEIVABLE**

The College has been gifted funds that are restricted for the purpose of being loans to students that have emergency situations. The loans are short-term loans that are repaid normally within 90 days.

**NOTE 5 - CONTRIBUTIONS RECEIVABLE**

The composition of Discretely Presented Component Unit contributions receivable at June 30, 2009 is summarized as follows:

Contributions Receivable:	
Temporarily Restricted	\$ 1,181,889
Total Contributions Receivable	\$ 1,181,889
Less:	
Unamortized discount to present value	(133,401)
Net Contributions Receivable	\$ 1,048,488
Amounts due in:	
Less than one year	\$ 474,889
One to five years	258,185
Five to ten years	315,414
Total	\$ 1,048,488

The discount rate used to determine the fair value of contributions receivable was five percent for the fiscal year ended June 30, 2009.

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**NOTE 6 - CAPITAL ASSETS**

**PRIMARY GOVERNMENT**

	Beginning Balance July 1, 2008	Increases	Decreases	Ending Balance June 30, 2009
Capital assets not being depreciated:				
Land	\$ 4,847,139	\$ 0	\$ 0	\$ 4,847,139
Construction in progress	9,159,229	0	9,143,229	16,000
Total capital assets not being depreciated	\$ 14,006,368	\$ 0	\$ 9,143,229	\$ 4,863,139
Other capital assets:				
Buildings and improvements	\$ 38,206,074	\$ 9,561,495	\$ 0	\$ 47,767,569
Machinery, equipment, and other	3,941,344	273,527	117,854	4,097,017
Vehicles	294,636	0	0	294,636
Depreciable land improvements	1,792,951	0	0	1,792,951
Total other capital assets at historical cost	\$ 44,235,005	\$ 9,835,022	\$ 117,854	\$ 53,952,173
Less accumulated depreciation for:				
Buildings and improvements	\$ (10,405,602)	\$ (1,195,746)	\$ 0	\$ (11,601,348)
Machinery, equipment, and other	(2,865,447)	(414,769)	96,450	(3,183,766)
Vehicles	(177,770)	(30,892)	0	(208,662)
Depreciable land improvements	(1,267,259)	(92,773)	0	(1,360,032)
Total accumulated depreciation	\$ (14,716,078)	\$ (1,734,180)	\$ 96,450	\$ (16,353,808)
Other capital assets, net	\$ 29,518,927	\$ 8,100,842	\$ 21,404	\$ 37,598,365
Capital assets, net	\$ 43,525,295	\$ 8,100,842	\$ 9,164,633	\$ 42,461,504
State inventory listing movable equipment				\$ 4,487,979
Total equipment per books				4,391,653
Reconciled difference				\$ (96,326)
Renovations booked as assets				\$ (48,935)
Deletions				(54,340)
Transferred Assets				12,168
Software Purchase				(5,219)
Total Reconciling Items				\$ (96,326)

Assets totaling \$117,854, which had accumulated depreciation of \$96,450 were disposed of during the year resulting in a loss on disposal of fixed assets of \$21,404.

In prior years, the financial statements of the Foundation reflected property and equipment which it purchased for the benefit and use of Horry - Georgetown Technical College. Property and equipment purchased by the Foundation consist of office equipment, which is immaterial to the financial statements of the Foundation and therefore, has been expensed.

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**NOTE 7 - PENSION PLANS**

The Retirement Division of the State Budget and Control Board maintains four independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to Financial Services, South Carolina Retirement Systems, P.O. Box 11960, Columbia, South Carolina 29211. Furthermore, the Division and the four pension plans are included in the CAFR of the State of South Carolina.

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefits, and employee/employer contributions for each pension plan. Employee and employer contribution rates for the South Carolina Retirement System and the Police Officers Retirement System are actuarially determined. Annual benefits, payable monthly for life, are based on length of service and on average final compensation.

*South Carolina Retirement System*

The majority of employees of the College are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division, a public employee retirement system. Generally all State employees are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws. This plan provides retirement annuity benefits as well as disability, cost of living adjustment, death, and group-life insurance benefits to eligible employees and retirees.

On July 1, 2006, the required employee contribution increased to 6.50 percent. Effective July 1, 2008, the employer contribution rate became 12.74 percent which included a 3.50 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 \$1,317,611, \$1,272,632 and \$987,000, respectively, and equaled the required contributions (excluding the surcharge) for each year. Also, the College paid employer group-life insurance contributions of \$21,390 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.

Employees participating in the PORS are required to contribute 6.5 percent of all compensation. Effective July 1, 2008, the employer contribution rate became 14.15 percent which, as for the SCRS, included the 3.50 percent surcharge. The College's actual contributions to the PORS for the years ending June 30, 2009, 2008, and 2007, were \$12,876, \$3,164, and \$402, respectively, and equaled the required contributions of 10.65 percent (excluding the surcharge) for each year. Also, the College paid employer group-life insurance contributions of \$242 and accidental death insurance contributions of \$242 in the current fiscal year for PORS participants. The rate for each of these insurance benefits is .20 percent of compensation.

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**NOTE 7 - PENSION PLANS (continued)**

*Optional Retirement Program*

The State Optional Retirement Program (State ORP) was first established as the Optional Retirement Program for Higher Education in 1987. In its current form, the State ORP is an alternative to the defined benefit SCRS plan offered to certain state, public school and higher education employees of the State. The State ORP, which is administered by the South Carolina 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.

ORP participation is limited to faculty and administrative staff of the State's higher education institutions who meet all eligibility requirements for membership in the SCRS. To elect participation in the ORP, eligible employees must irrevocably waive SCRS membership within their first ninety days of employment.

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 3.50 percent from the employer in fiscal year 2009. A direct remittance is required from the employers to the investment provider for the employee contribution (6.5 percent) and a portion of the employer contribution (5 percent). Also, a direct remittance is required to the SCRS for a portion of the employer contribution (4.24 percent), which must be retained by SCRS.

Employees are eligible for group-life insurance benefits while participating in the State ORP. However, employees who participate in the State ORP are not eligible for post retirement group-life insurance benefits. For the fiscal year, total contribution requirements to the ORP were \$243,642 (excluding the surcharge) from the College as employer and \$171,393 from its employees as plan members. In addition, the College paid \$3,955 for group-life insurance coverage for these employees.

All amounts were remitted to the Retirement Division of the State Budget and Control Board for distribution to the respective annuity policy providers. The obligation for payment of benefits resides with the insurance companies.

*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 make SCRS contributions, they do not earn service credit, and they 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.

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

*Plan Description*

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents. Horry-Georgetown Technical College contributes to the Retiree Medical Plan (RMP) and the Long-term Disability Plan (LTDP), cost-sharing multiple-employer defined benefit postemployment healthcare and long-term disability plans administered by the Employee Insurance Program (EIP), a part of the State Budget and Control Board (SBCB). Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires May 2, 2008 and after, retirees are eligible for benefits if they have established twenty-five years of service for 100% employer funding and fifteen through twenty-four years of service for 50% employer funding. Benefits become effective when the former employee retires under a State retirement system. Basic long-term disability (BLTD) benefits are provided to active state, public school district and participating local government employees approved for disability.

*Funding Policies*

Section 1-11-710 and 1-11-720 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment healthcare and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the EIP and participating retirees to the SBCB except the portion funded through the pension surcharge and provided from other applicable sources of the EIP for its active employees who are not funded by State General Fund appropriations. Employers participating in the RMP are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 3.50% 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. Horry-Georgetown Technical College paid approximately \$595,603 and \$567,657 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 districts, and other participating local governments. The monthly premium per active employee paid to EIP was \$3.50 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 contribution.

One may obtain complete financial statements for the benefit plans and the trust funds from Employee Insurance Program, 1201 Main Street, Suite 360, Columbia, SC 29201.

**NOTE 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 reimbursements to the grantor agency for expenditures disallowed under terms of the grant. Management believes disallowances, if any, will not be material.

As of June 30, 2009 there are no outstanding project commitments.

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**NOTE 10 - LEASE OBLIGATIONS**

*Contingent Rentals*

Contingent rentals are defined, for purposes of this audit report, as rental agreements that can be cancelled by the College at any point with no further financial obligation. The College currently has three types of contingent rentals specifically covering automobiles, office copiers, and facility usage. Details of those contingent rentals are as follows:

<u>Rental Agreement</u>	<u>Year</u>	<u>Expended for Contingent Rentals</u>
Automobiles	2009	\$ 23,593
	2008	\$ 22,848
Copiers	2009	\$ 210,805
	2008	\$ 104,620
Brookgreen Gardens	2009	\$ 12,000
	2008	\$ 16,000

**NOTE 11 - RELATED PARTIES**

Certain separately chartered legal entities whose activities are related to those of the College exist primarily to provide financial assistance and other support to the College and its educational program. Financial statements for these entities are audited by independent auditors and retained by them. They include the Horry - Georgetown Technical College Foundation, Inc.

Management reviewed its relationship with the Foundation under the existing guidance of GASB Statement No. 14, as amended by GASB Statement No. 39. Because of the nature and significance of its relationship with the College, the Foundation is considered a component unit of the College.

Following is a more detailed discussion of this entity and a summary of significant transactions (if any) between this entity and the College for the year ended June 30, 2009.

**The Horry - Georgetown Technical College Foundation, Inc.**

The Foundation is a separately chartered corporation organized exclusively to receive and manage private funds for the exclusive benefit and support of the College. The Foundation's activities are governed by its Board of Directors who are not members of the College's Board of Directors.

The College recorded non-governmental gift receipts of \$862,504 from the Foundation in nonoperating revenues for the fiscal year ended June 30, 2009 and \$430,111 from the Foundation in nonoperating revenues for the fiscal year ended June 30, 2008. These funds were used to support the College by way of program development, construction projects, and program support. The Foundation reimburses the College for any purchases made by the College on behalf of the Foundation. The College provides office space and support services to the Foundation. The value of this office space and support services was approximately \$3,600 for the years ended June 30, 2009 and June 30, 2008.

The Foundation's assets as of June 30, 2009 were \$9,155,259. As of June 30, 2009 the Foundation had \$1,048,488 in receivables, primarily due from donors (via pledges) and \$1,168,926 in outstanding liabilities primarily due to the College.

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**NOTE 12 - 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 watercrafts
- 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.

**NOTE 13 - FEDERAL FAMILY EDUCATION LOAN**

The College participates in the Federal Family Education Loan Program, which allows the College to disburse federal loans to students which are administered by the South Carolina Student Loan Corporation. The loan activity is not reported in the accompanying financial statements because the responsibility for administration and collection passes to the Guaranteed Student Loan Program after the loans are disbursed. The College made loan disbursements of \$17,970,077 under this program during the fiscal year 2009 and \$11,607,046 for the fiscal year 2008.

**NOTE 14 - AGENCY FUNDS**

The agency fund accounts for Student Activity Funds. The Student Activity Fund is used to account for assets held by the College as an agent for others, such as student organizations. These organizations exist with the explicit approval of and are subject to revocation by the College. Student Activity Funds are custodial in nature (assets equal liabilities).

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**NOTE 14 - AGENCY FUNDS (continued)**

The following is a summary of the changes in the Student Activity Fund:

	June 30, 2008			June 30, 2009	
	Balance	Receipts	Disbursements	Balance	
Student Activity	\$128,904	\$164,162	\$114,857	\$178,209	
GCSAA	8,132	2,955	1,374	9,713	
	<u>\$137,036</u>	<u>\$167,117</u>	<u>\$116,231</u>	<u>\$187,922</u>	

**NOTE 15 - NOTE PAYABLE**

Notes Payable consisted of the following at June 30, 2009:

College note payable to fund Capital Improvements, dated October 2004, payable in semi-annual installments of \$61,475, matures December 1, 2014, imputed interest rate of 3.95%	\$ 600,330
Total Notes Payable	<u>\$ 600,330</u>

The scheduled maturity of the note payable is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
2010	\$ 99,962	\$ 22,988	\$ 122,950
2011	103,983	18,967	122,950
2012	108,165	14,785	122,950
2013	112,516	10,434	122,950
2014	117,042	5,908	122,950
2015	58,662	1,200	59,862
Total	<u>\$ 600,330</u>	<u>\$ 74,282</u>	<u>\$ 674,612</u>

**NOTE 16 - LONG-TERM LIABILITIES**

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

	Balance			Balance		Due within
	June 30, 2008	Additions	Reductions	June 30, 2009	one year	
Note Payable	\$ 696,703	\$ 0	\$ 96,373	\$ 600,330	\$	99,962
Compensated Absences Payable	1,303,855	185,049	109,578	1,379,326	\$	61,932
	<u>\$ 2,000,558</u>	<u>\$ 185,049</u>	<u>\$ 205,951</u>	<u>\$ 1,979,656</u>	<u>\$</u>	<u>161,894</u>

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**NOTE 17 - STATE APPROPRIATIONS**

State funds for operations 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 detail schedule of State appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2009 and June 30, 2008:

<u>NON-CAPITAL APPROPRIATIONS</u>	<u>2009</u>	<u>2008</u>
Appropriations per Annual Appropriations Act	\$ 8,094,200	\$ 10,613,694
Supplemental Proviso 7314, 06-07 Appropriations Act	0	819,415
Critical Needs Nursing Initiative - Proviso 5A.27	22,958	39,669
Lottery Allied Health Funds	659,143	588,601
Lottery Technology Funds	<u>411,159</u>	<u>222,020</u>
 Total non-capital appropriations recorded as current year revenue	 <u>\$ 9,187,460</u>	 <u>\$ 12,283,399</u>
 <u>CAPITAL APPROPRIATIONS</u>	 <u>2009</u>	 <u>2008</u>
Research University Infrastructure Bonds Expenses incurred but not drawn during the current fiscal year	 \$ 0	 \$ 16,287
 Total Research University Infrastructure bond proceeds recorded as current year revenue	 <u>\$ 0</u>	 <u>\$ 16,287</u>

**NOTE 18 - OPERATING EXPENSES BY FUNCTION**

Operating expenses by functional classification for the years ended June 30, 2009 and June 30, 2008 are summarized as follows:

	<u>June 30, 2009</u>						<u>Total</u>
	<u>Salaries</u>	<u>Benefits</u>	<u>Scholar- ships</u>	<u>Utilities</u>	<u>Supplies and Other Serv.</u>	<u>Depreciation</u>	
Instruction	\$ 11,029,221	\$ 2,809,006	\$ 0	\$ 0	\$ 1,888,876	\$ 0	\$ 15,727,103
Academic Support	2,230,607	586,392	0	0	1,090,873	0	3,907,872
Student Services	1,960,852	535,810	0	0	721,729	0	3,218,391
Operation & Maint. of Plant	1,114,286	375,712	0	1,135,757	1,641,325	0	4,267,080
Institutional Support	2,765,648	773,521	0	0	1,791,395	0	5,330,564
Scholarships	120,500	0	7,260,164	0	0	0	7,380,664
Auxiliary	86,865	19,124	0	0	118,572	0	224,561
Depreciation	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,734,180</u>	<u>1,734,180</u>
Total Operating	<u>\$ 19,307,979</u>	<u>\$ 5,099,565</u>	<u>\$ 7,260,164</u>	<u>\$ 1,135,757</u>	<u>\$ 7,252,770</u>	<u>\$ 1,734,180</u>	<u>\$ 41,790,415</u>

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**NOTE 18 - OPERATING EXPENSES BY FUNCTION (continued)**

	<u>June 30, 2008</u>						
	<u>Salaries</u>	<u>Benefits</u>	<u>Scholar- ships</u>	<u>Utilities</u>	<u>Supplies Other Serv.</u>	<u>Depreciation</u>	<u>Total</u>
Instruction	\$ 10,558,985	\$ 2,580,409	\$ 0	\$ 0	\$ 2,714,923	\$ 0	\$ 15,854,317
Academic Support	2,559,870	652,152	0	0	505,789	0	3,717,811
Student Services	2,043,547	518,438	0	0	643,876	0	3,205,861
Operation & Maint. of Plant	1,140,803	372,719	0	1,035,276	2,858,910	0	5,407,708
Institutional Support	2,776,689	763,162	0	0	1,038,005	0	4,577,856
Scholarships	0	0	6,237,507	0	0	0	6,237,507
Auxiliary	119,429	21,241	0	0	188,270	0	328,940
Depreciation	0	0	0	0	0	1,408,691	1,408,691
<b>Total Operating</b>	<b>\$ 19,199,323</b>	<b>\$ 4,908,121</b>	<b>\$ 6,237,507</b>	<b>\$ 1,035,276</b>	<b>\$ 7,949,773</b>	<b>\$ 1,408,691</b>	<b>\$ 40,738,691</b>

**NOTE 19 - SALES/PURCHASES WITH OTHER SC HIGHER EDUCATION INSTITUTIONS**

The College had significant financial transactions with other South Carolina public institutions of higher education during the fiscal year. The College provided goods and/or services to other South Carolina higher education institutions for a fee during the fiscal year ending June 30, 2009, as listed below:

<u>Institution</u>	<u>Amount</u>
Clemson University	\$ 1,460
Coastal Carolina University	700,788
University of South Carolina	3,007
Trident Technical College	0
Greenville Technical College	5,000
Aiken Technical College	0
<b>Total</b>	<b><u>\$ 710,255</u></b>

The College received goods and/or services from other South Carolina higher education institutions for a fee during the fiscal year ending June 30, 2009, as listed below:

<u>Institution</u>	<u>Amount</u>
Midlands Technical College	\$ 7,500
Coastal Carolina University	714,072
Spartanburg Community College	20,651
Trident Technical College	3,739
<b>Total</b>	<b><u>\$ 745,962</u></b>

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**NOTE 20 - 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	\$ 29,394,889	\$ 26,586,412	\$ 2,808,477
Operating Grants and Contributions	4,633,577	5,421,934	(778,357)
Capital Grants and Contributions	866,941	6,156,298	(5,289,357)
Less Expenses	<u>(41,840,372)</u>	<u>(40,771,259)</u>	<u>(1,069,113)</u>
Net Program Revenue	(6,944,965)	(2,606,615)	(4,328,350)
Transfers:			
State Appropriations	9,187,460	12,283,399	(3,095,939)
Rural Infrastructure Bonds	0	16,287	(16,287)
Transfers To/From other State Agencies	<u>(13,306)</u>	<u>(27,983)</u>	<u>14,677</u>
Change in Net Assets	2,229,189	9,665,088	(7,425,899)
Net Assets, Beginning of Year	57,541,579	47,876,491	9,665,088
Net Assets, End of Year	<u>\$ 59,770,768</u>	<u>\$ 57,541,579</u>	<u>\$ 2,229,189</u>

SINGLE AUDIT ACT REQUIREMENTS

HORRY - GEORGETOWN TECHNICAL COLLEGE  
 CONWAY, SOUTH CAROLINA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2009

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. Department of Education		
Direct programs		
TRIO Cluster		
TRIO - Talent Search	84.044	\$ 379,863
TRIO - Upward Bound	84.047	271,362
Total - Trio Cluster		<u>\$ 651,225</u>
Student Financial Aid Cluster		
Federal Work Study	84.033	\$ 120,201
SEOG	84.007	159,976
PELL	84.063	9,207,142
Academic Competitiveness Grant	84.375	20,409
Total - Student Financial Aid Cluster		<u>\$ 9,507,728</u>
Total U.S. Department of Education Direct Programs		<u>\$ 10,158,953</u>
Pass Through State Dept. of Education:		
Perkins III	84.048	\$ 386,770
Total Pass Through State Dept. of ED.		<u>\$ 386,770</u>
Total U.S. Department of Education		<u>\$ 10,545,723</u>
U.S. Department of Agriculture		
Forestry Grant	10.202	\$ 2,088
Total U.S. Department of Agriculture		<u>\$ 2,088</u>

HORRY - GEORGETOWN TECHNICAL COLLEGE  
 CONWAY, SOUTH CAROLINA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2009

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. Department of Labor		
Pass Through Waccamaw Regional Council of Governments		
Workforce Investment Act - HVAC Apprenticeship	17.258	\$ 14,955
Workforce Investment Act Jumpstart	17.259	29,079
Workforce Investment Act - Construction Trade	17.258	4,920
Workforce Investment Act - Apprenticeship	17.258	138,093
Workforce Investment Act - Continuing Education	17.258	18,641
Workforce Investment Act -GED	17.258	27,824
Community Based Job Training (CBJT)	17.269	28,841
Workforce Investment Act - Jumpstart Stimulus	10.073	20,593
Workforce Investment Act -Construction Apprenticeship Commerce	11.618	71,638
C.N.A. Registered Apprenticeship	17.258	14,955
Total U.S. Department of Labor		\$ <u>369,539</u>
U.S. Department of Health and Human Services		
Pass Through Greenville Technical College		
Child Care Development Block Grant	93.575	\$ <u>3,440</u>
Total U.S. Department of Health and Human Services		\$ <u>3,440</u>
U.S. Department of Interior		
Pass Thru Bureau of Indian Affairs		
Indian Affairs Work Agreement	15.046	\$ <u>23,919</u>
Total U.S. Department of Interior		\$ <u>23,919</u>
U.S. Department of Commerce		
Public Work Program/Regional Health Care Education Center	11.300	\$ <u>154,781</u>
		<u>154,781</u>
Total Federal Programs		\$ <u><u>11,099,490</u></u>

HORRY - GEORGETOWN TECHNICAL COLLEGE  
 CONWAY, SOUTH CAROLINA  
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2009

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Horry - Georgetown Technical College and is presented on the accrual basis, the same basis of accounting used to prepare the basic financial statements as described in Note 1 of the financial statements.

The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts used in the preparation of the basic financial statements (or reported in the federal financial reports).

2. FEDERAL NON-CASH ASSISTANCE

Horry - Georgetown Technical College did not receive or expend federal awards in the form of non-cash assistance and had no federal loan guarantees at June 30, 2009.

3. DETERMINATION OF MAJOR PROGRAMS

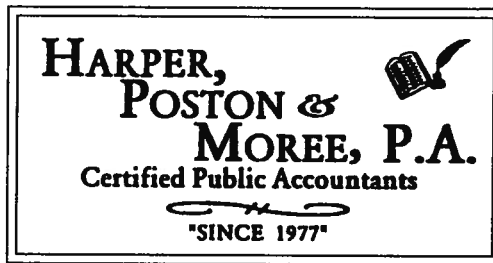
Major federal programs were determined in accordance with OMB Circular A-133. For the year ended June 30, 2009, the following programs were determined to be major programs in accordance with OMB Circular A-133: Student Financial Aid Cluster and WIA Cluster.

4. RECONCILIATION OF CURRENT FUND REVENUES TO SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

Total per Expenditures of Federal Awards	<u>\$11,099,490</u>
Total Federal Revenue	
Federal Grants Operating	\$10,942,621
EDA - Capital Grant	154,781
Non Operating Grant	<u>2,088</u>
	<u>\$11,099,490</u>

5. FEDERAL FAMILY EDUCATION LOANS

Federal Family Education Loans were disbursed in the amount of \$17,970,077 have not been recorded on the schedule of expenditures of federal awards because the responsibility for administration and collection passes to the Guaranteed Student Loan Program after the loans are disbursed.



Robert D. Harper, Jr. CPA  
Stacey C. Moree CPA  
P. O. Box 1550  
106 Wall Street, Litchfield  
Pawleys Island, SC 29585  
Tel (843) 237-9125  
Fax (843) 237-1621  
E-mail: HPM@sc.rr.com

Robin B. Poston CPA  
P. O. Box 576  
307 Church Street  
Georgetown, SC 29442  
Tel (843) 527-3413  
Fax (843) 546-7277

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS*

Horry - Georgetown Commission for Technical Education  
Horry - Georgetown Technical College  
Conway, South Carolina

We have audited the basic financial statements of Horry - Georgetown Technical College, as of and for the year ended June 30, 2009, and have issued our report thereon dated September 25, 2009. We did not audit the financial statements of Horry - Georgetown Technical College Foundation, which represents 100 percent of the discretely presented component unit presented in the financial statements. The financial statements of Horry - Georgetown Technical College Foundation were not audited in accordance with *Government Auditing Standards*. 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.

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 College'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 College's financial statements that

is more than inconsequential will not be prevented or detected by the College'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 College'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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

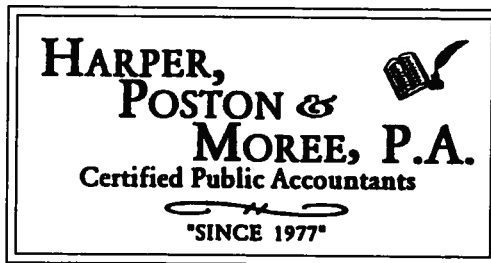
As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

We noted certain matters that were reported to management of Horry-Georgetown Technical College in a separate letter dated September 25, 2009.

This report is intended solely for the information and use of the Area Commission, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Harper, Poston & Moree, P.A.*  
Harper, Poston & Moree, P.A.  
Certified Public Accountants

Georgetown, South Carolina  
September 25, 2009



Robert D. Harper, Jr. CPA  
Stacey C. Moree CPA  
P. O. Box 1550  
106 Wall Street, Litchfield  
Pawleys Island, SC 29585  
Tel (843) 237-9125  
Fax (843) 237-1621  
E-mail: HPM@sc.rr.com

Robin B. Poston CPA  
P. O. Box 576  
307 Church Street  
Georgetown, SC 29442  
Tel (843) 527-3413  
Fax (843) 546-7277

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

Horry - Georgetown Commission for Technical Education  
Horry - Georgetown Technical College  
Conway, South Carolina

Compliance

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

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

In our opinion, Horry - Georgetown 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.

Internal Control Over Compliance

The management of Horry - Georgetown 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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of the Area Commission, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Harper, Poston & Moree, P.A.*

Harper, Poston & Moree, P.A.  
Certified Public Accountants

Georgetown, South Carolina  
September 25, 2009

HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2009

SUMMARY OF THE AUDITOR'S RESULTS

1. The independent auditor's report on the financial statements expresses an unqualified opinion.
2. No significant deficiencies were disclosed during the audit of the basic financial statements as reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. The audit disclosed no instances of non-compliance in relation to the financial statements.
4. No significant deficiencies were disclosed during the audit of the major federal award programs as reported in the Independent Auditor's Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The report on compliance for major programs expressed an unqualified opinion.
6. The audit disclosed no audit findings that are required to be reported in accordance with Circular A-133, Section .510(a).
7. The major programs of Horry - Georgetown Technical College included in the audit were:
  - Student Financial Aid Cluster
  - WIA Cluster
8. The dollar threshold for Type A programs for Horry-Georgetown Technical College was \$332,984.
9. Horry - Georgetown Technical College qualifies as a low-risk auditee.

FINDINGS IN RELATION TO THE AUDIT OF THE FINANCIAL STATEMENTS

1. No matters were reported.

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

1. No matters were reported.

HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2009

There were not audit findings or questioned costs reported in the prior year.