

DENMARK TECHNICAL COLLEGE

DENMARK, SOUTH CAROLINA

**FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION**

Year Ended June 30, 2017

DENMARK TECHNICAL COLLEGE
Denmark, South Carolina
Organizational Data
Year Ended June 30, 2017

**SOUTH CAROLINA STATE BOARD FOR TECHNICAL AND COMPREHENSIVE
EDUCATION BOARD MEMBERS AND OFFICERS**

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| Ms. Molly M. Spearman Superintendent | Ex-Officio, S.C. of Education |

Key Administrative Staff

| | |
|--------------------------|--|
| Dr. Christopher Hall | Interim President |
| Mrs. Shatika Spearman | Vice President for Fiscal Affairs |
| Mrs. Tia Wright-Richards | Interim Vice President for Academic Affairs |
| Mr. Stephen Mason | Associate Vice President for Economic and Workforce Development |

**DENMARK TECHNICAL COLLEGE
DENMARK, SOUTH CAROLINA**

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| PARTNERS | | ASSOCIATES | | | | |
|---------------------------------|------------------------|----------------------|-----------------------|-----------------------|----------------------|-------------------|
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| | B.T. Kight, CPA | E.C. Inabinet, CPA | J.P. McGuire, CPA | G.N. Mundy, CPA | H.J. Darver, CPA | T. Solorzano, CPA |
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| | W.W. Francis, CPA | L.B. Salley, CPA | | C.D. Hinchee, CPA | M.L. Goode, CPA | |

INDEPENDENT AUDITOR’S REPORT

To the SC State Board for Technical
and Comprehensive Education
Denmark Technical College
Denmark, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Denmark Technical College, Denmark, South Carolina, a component unit of the State of South Carolina and a member institution of the South Carolina Technical College System, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Denmark Technical College, Denmark, South Carolina’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Denmark Technical College, Denmark, South Carolina, as of June 30, 2017, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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INDEPENDENT AUDITOR'S REPORT
(continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of the College's proportionate share of the net pension liability, and the schedule of the College contributions on page 37 and 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Denmark Technical College, Denmark, South Carolina's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2017, on our consideration of Denmark Technical College, Denmark, South Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Denmark Technical College, Denmark, South Carolina's internal control over financial reporting and compliance.

McGregor and Company, L.L.P.

Orangeburg, South Carolina
October 5, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Denmark Technical College, we offer readers of the College's financial statements this narrative overview and analysis of the financial activities of the College for the fiscal year ended June 30, 2017. This discussion should be read in conjunction with the financial statements and the notes thereto, which follow this section.

The College's financial statements are presented in accordance with the Governmental Accounting Standards Board (GASB) Codification Sections 2100-2900, *Financial Reporting Entity*, and Co5, *Colleges and Universities*. This financial statement presentation provides a comprehensive, entity-wide perspective of the College's assets, deferred outflows, liabilities, deferred inflows, net position, revenues, expenses, changes in net position, and cash flows and replaces the fund-group perspective previously required.

Financial Highlights

- The College's liabilities and deferred inflows exceeded its assets and deferred outflows at June 30, 2017 by \$142,384. The total unrestricted net position as of that date is (\$7,664,937). This amount includes a net reported unfunded pension obligation of \$9,730,610 as required by GASB Statement No. 68. Excluding this obligation, the College's unrestricted net position is \$2,065,673, which may be used to meet the College's ongoing obligations from unrestricted activities. Recorded liabilities include a net pension liability of \$10,608,237, representing the College's share of the State's total net pension liabilities for two of its pension plans. This greatly affects the reported net position and the amount available to meet the College's ongoing obligations from unrestricted activities.
- The College's net position decreased by \$63,877, a net result of an approximately \$0.6 million increase in assets and deferred outflows and an increase in liabilities and deferred inflows of approximately \$0.7 million.
- Accounts receivable increased by approximately \$857,978.
- The College maintained an investment in a certificate of deposit of just over \$875,000 plus interest earnings during the entire fiscal year.
- Non-capital appropriations from the State increased by approximately \$282,418.
- Funding from Federal sources decreased during the year by approximately \$1.7 million overall from last year as a result of increases in federal grant awards leveraged against decreases in student federal aid awards.
- The College did not have any outstanding debt during the fiscal year.

Overview of the Financial Statements

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

Beginning with the year ended June 30, 2015, the College implemented GASB Statement No. 68, *Accounting & Financial Reporting for Pensions*, as reflected in these financial statements. The Statement requires participating employers to report their proportionate share of their retirement plans' net pension liability, pension expense, and deferred inflows and outflows of resources. For the year ended June 30, 2017, the College's reported net pension liability was \$10,608,237. This accounting treatment has a major negative impact on the presentation of the College's net position and financial condition.

GASB Statement No. 68 also calls for the reporting of deferred inflows and outflows of resources, which relate to such factors as differences occurring between expected and actual experience, differences between projected and actual earnings on pension plan investments, and plan contributions made subsequent to the measurement date. Deferred outflows of resources at June 30, 2017 totaled \$1,808,040, while deferred inflows of resources amounted to \$930,413. The College's reported expenses also include \$248,745 in additional pension expense required by the GASB statement. Without this additional pension expense, the financial statements would have reflected a net increase in net position of almost \$200,000.

Beginning with the fiscal year ending June 30, 2018, the College will implement GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The reporting is expected to be similar to that required by GASB Statement No. 68. This pronouncement is expected to have a negative impact to the College's net position, less substantial than that of Statement No. 68, but significant nonetheless. An estimated impact is not determinable at this time.

Statement of Net Position

The Statement of Net Position provides a snapshot of the College's assets, deferred outflows, liabilities, deferred inflows and net position at the end of the fiscal year. It provides the reader with information concerning the College's ability to continue its operations and to determine its financial stability. Assets and liabilities are separated into current, those that are due or to be paid within the current year, and non-current, those that are longer term in nature.

Net position is divided into three major categories. The first, *net investment in capital assets*, provides the equity in property, plant and equipment owned by the College. The next category, *restricted net position*, can be defined as those net assets where constraints are placed on them either externally by creditors, grantors, contributors, or laws and regulations of other governments or by law through constitutional provisions or enabling legislation of the government itself. The College's restricted net position for capital projects for the fiscal year just ended is \$3,310,002. The final category of net position is *unrestricted*. These funds may be used to meet the College's ongoing obligations from unrestricted activities.

The following schedule is a condensed version of the College's assets, deferred outflows, liabilities, deferred inflows and net position and is prepared from the Statement of Net Position.

Condensed Summary of Net Position
As of June 30, 2017 and 2016
(In millions)

| | 2017 | 2016 (as Restated) | Increase (Decrease) |
|---|-------------|-------------------------------------|--------------------------------------|
| Current Assets | \$ 6.6 | \$ 6.8 | \$ (0.2) |
| Non-current Assets: | | | |
| Capital Assets, Net of | | | |
| Accumulated Depreciation | 4.2 | 4.0 | 0.2 |
| Deferred Outflows of Resources | 1.8 | 1.2 | 0.6 |
| Total Assets and Deferred Outflows | 12.6 | 12.0 | 0.6 |
| | | | |
| Current Liabilities | 0.8 | 0.8 | - |
| Non-current Liabilities | 11.0 | 11.1 | (0.1) |
| Deferred Inflows of Resources | 0.9 | 0.1 | 0.8 |
| Total Liabilities and Deferred Inflows | 12.7 | 12.0 | 0.7 |
| | | | |
| Net Position: | | | |
| Net Investment in Capital Assets | 4.2 | 4.0 | 0.2 |
| Restricted | 3.3 | 1.8 | 1.5 |
| Unrestricted | (7.6) | (5.8) | (1.8) |
| Total Net Position | \$ (0.1) | \$ - | \$ (0.1) |

Net position may serve over time as a useful indicator of an entity's financial health. Liabilities and deferred inflows exceed assets and deferred outflows by \$0.1 million, a decrease of approximately \$0.06 million over the prior fiscal year. An analysis of revenues and expenses for the fiscal year provide details of the decrease.

Assets

Current assets, which are more liquid in nature, consist of cash and cash equivalents, investments, accounts receivable net of allowances, prepaid expenses and inventories. Current assets exceed current liabilities by a ratio of approximately 8 to 1. This shows ample liquidity to satisfy liabilities and results in a relatively healthy financial condition for the College.

Current assets decreased by a net of \$0.2 million, and cash and cash equivalents totaled \$1,401,856, a net decrease of \$968,305 from the prior fiscal year.

Capital Assets and Debt Administration

The College's investment in capital assets (land, buildings, machinery and equipment), net of accumulated depreciation, stands at just over \$4.2 million for the fiscal year. During the year, the College completed a construction project with a capitalized value of over \$0.3 million. It also purchased equipment with a cost of over \$0.2 million. Annual depreciation expense on the College's total capitalized assets for the year exceeded \$0.3 million, partially offsetting the increases in capital acquisitions, and resulting in a net increase in net position of \$0.2 million. The College has additional planned and ongoing construction projects, with \$3.3 million restricted for these activities. The College does not use debt to finance the acquisition of capital assets.

Liabilities

Current liabilities decreased by approximately \$0.04 million. This is primarily due to a decrease in funds held for others of nearly \$0.13 million, which was largely offset by an increase in unearned revenue and deposits of almost \$0.1 million. Non-current liabilities consist of the long term portion of compensated absences and the net pension liability discussed earlier. The change in non-current liabilities from the prior year relates primarily to a decrease in the long term portion of compensated absences.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents revenues earned and expenses incurred during the year under the categories of operating and non-operating. Generally, operating revenues and expenses are those that are received and used to carry out the mission of the College; however, the College depends heavily on financial support from the State. This support, as well as Pell grant revenue, is reflected as non-operating revenue based on governmental accounting standards; therefore, the College will likely report a significant operating deficit due to its dependence on state and local funding. Non-operating revenues and expenses nearly offset the operating deficit and resulted in a slight decrease in net position for the year.

Operating Results

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

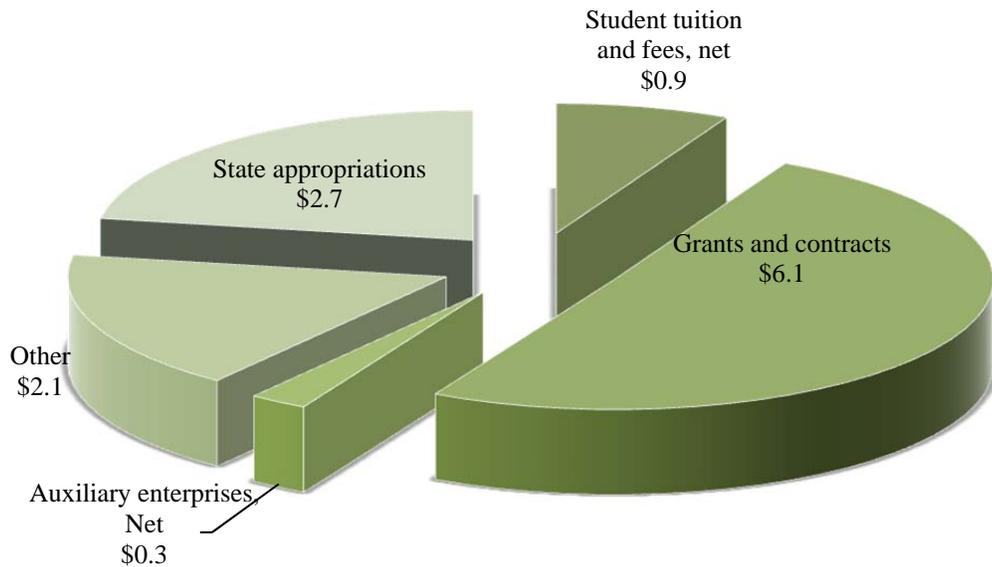
| Operating Results for the Fiscal Year Ended June 30, 2017 and June 30, 2016 (in millions) | | | |
|--|----------------|-------------------------------|--------------------------------|
| REVENUES | 2017 | 2016 (as Restated) | Increase (Decrease) |
| Operating Revenue: | | | |
| Student tuition and fees, net | \$ 0.9 | \$ 0.7 | \$ 0.2 |
| Grants and contracts | 4.3 | 5.3 | (1.0) |
| Auxiliary enterprises, Net | 0.3 | 0.3 | 0.0 |
| Other | <u>0.0</u> | <u>0.1</u> | <u>(0.1)</u> |
| | 5.5 | 6.4 | (0.9) |
| Less Operating Expenses | <u>12.2</u> | <u>15.3</u> | <u>(3.1)</u> |
| Net Operating Loss | (6.7) | (8.9) | 2.2 |
| Non-operating Revenue: | | | |
| State appropriations | 2.7 | 2.4 | 0.3 |
| Grants and contracts | 1.8 | 3.3 | (1.5) |
| Other | <u>2.1</u> | <u>1.8</u> | <u>0.3</u> |
| Total Non-operating Revenue | 6.6 | 7.5 | (0.9) |
| Decrease in net assets | (0.1) | (1.4) | 1.3 |
| Net position, beginning of year | <u>0.0</u> | <u>1.4</u> | <u>(1.4)</u> |
| Net position, end of year | \$(0.1) | \$ 0.0 | \$(0.1) |
| Total Revenue | \$12.1 | \$13.9 | \$(1.8) |

Revenue

Total revenue for June 30, 2017 decreased by just over \$1.8 million from the prior fiscal year. State funding increased overall by approximately \$0.2 million, while federal revenue decreased by over \$1.7 million, over half of which resulted from a reduction in Pell grant revenue.

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

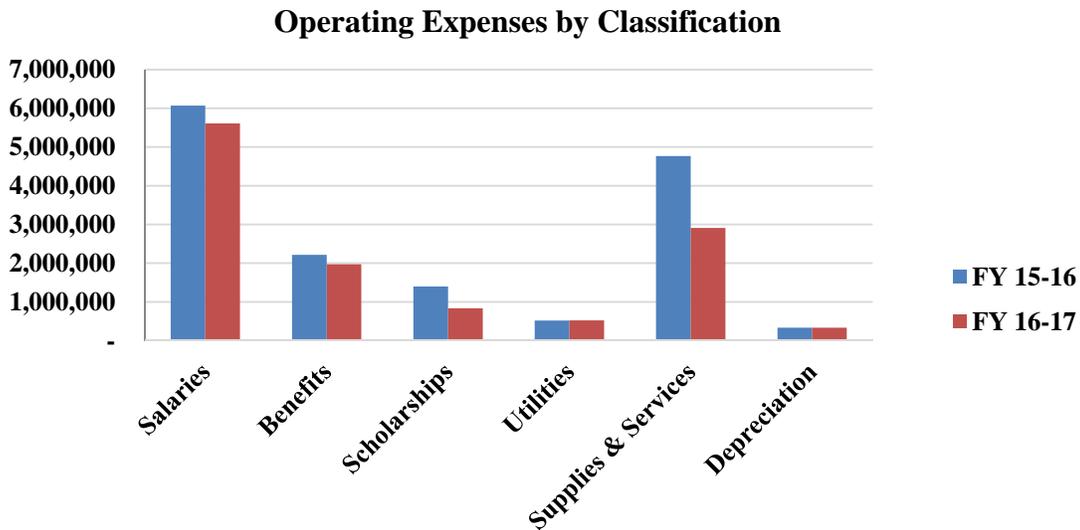
**Revenue by Source
(In millions)**



Expenses

Operating expenses for the fiscal year totaled \$12.2 million, down by \$3.1 million from the prior fiscal year. The most significant change occurred in the area of Supplies and Services, which decreased by almost \$1.9 million.

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



Statement of Cash Flows

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

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

Cash decreased by approximately \$1.0 million from last year.

Economic Factors

The economic condition of the College is dependent to a large degree on that of the state and local governments. South Carolina's economy has continued to grow its way out of the prolonged recession, which had significantly impacted the College through reductions in state funding for current operations. The College received approximately 43 percent of its total revenue from state sources. The College also received \$500 from county sources during the fiscal year.

Governance

In May, 2017, the State of South Carolina enacted legislation removing the governing authority of the College's Area Commission and transferring these powers to the State Board for Technical and Comprehensive Education. This authority is to last until November 1, 2018, at which time the governing authority will be returned to the Area Commission. This action was taken after the State legislature concluded that the College would benefit by having the State Board provide direct leadership and assistance in areas such as enrollment, financial position, and program offerings more in line with the current job market and area employer needs.

Summary

The College has entered a period of right-sizing and resetting its operations based on changes in enrollment trends and economic condition. The College remains in relatively sound financial condition, despite a decrease in total revenue of approximately \$1.8 million. Unrestricted net position, excluding GASB 68 adjustments to reflect a pension liability, still amounts to nearly \$2.1 million. The College continues to provide affordable, post-secondary education to individuals from diverse educational and socioeconomic backgrounds seeking skills and knowledge for the emerging job market, culminating in associate degrees, diplomas, certificates, and transitions to four-year institutions.

Contact Information

Additional questions related to the Management Discussion and Analysis and the accompanying financial statements should be directed to Mrs. Shatika Spearman, Vice President for Fiscal Affairs.

DENMARK TECHNICAL COLLEGE
Statement of Net Position
As of June 30, 2017

ASSETS

| | |
|---------------------------|----------------|
| Cash and cash equivalents | \$ 1,401,856 |
| Investments | 875,725 |
| Accounts receivable, net | 4,156,226 |
| Inventories | <u>113,980</u> |

Total Current Assets 6,547,787

Capital assets, net of accumulated depreciation 4,212,551

Total Assets 10,760,338

Deferred Outflows of Resources 1,808,040

Total Assets and Deferred Outflows of Resources 12,568,378

LIABILITIES

| | |
|---|---------------|
| Accounts payable | 260,635 |
| Accrued payroll and related liabilities | 123,799 |
| Unearned revenue and deposits | 273,528 |
| Funds held for others | 111,030 |
| Compensated absences payable, current portion | <u>37,661</u> |

Total Current Liabilities 806,653

Compensated absences payable, long term portion 365,459

Net pension liability 10,608,237

Total Non-current Liabilities 10,973,696

Total Liabilities 11,780,349

Deferred Inflows of Resources 930,413

Total Liabilities and Deferred Inflows of Resources 12,710,762

NET POSITION

| | |
|--|------------------|
| Net investment in capital assets | 4,212,551 |
| Restricted - capital projects | 3,310,002 |
| Unrestricted - unfunded pension obligation | (9,730,610) |
| Unrestricted - other | <u>2,065,673</u> |

Total Net Position \$ (142,384)

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

DENMARK TECHNICAL COLLEGE
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ending June 30, 2017

REVENUES

| | |
|--|-------------------------|
| Operating Revenue: | |
| Student tuition and fees (net of scholarship allowance of \$1,156,172) | \$ 883,410 |
| Federal grants and contracts | 3,466,235 |
| State grants and contracts | 663,369 |
| Other grants and contracts | 168,189 |
| Auxiliary enterprises (net of scholarship allowances of \$661,849) | 319,797 |
| Other revenues | <u>49,296</u> |
| Total Operating Revenue | <u><u>5,550,296</u></u> |

EXPENSES

| | |
|---------------------------------|--------------------------|
| Operating Expenses: | |
| Salaries | 5,610,807 |
| Employee benefits | 1,973,932 |
| Scholarships | 837,027 |
| Utilities | 523,054 |
| Supplies and other services | 2,911,887 |
| Depreciation | <u>335,067</u> |
| Total Operating Expenses | <u><u>12,191,774</u></u> |

| | |
|--------------------------------|---------------------------|
| OPERATING INCOME (LOSS) | <u><u>(6,641,478)</u></u> |
|--------------------------------|---------------------------|

NONOPERATING REVENUES (EXPENSES)

| | |
|---|-------------------------|
| State appropriations | 2,687,314 |
| County appropriations | 500 |
| Interest income | 439 |
| Federal grants and contracts | 1,811,218 |
| Capital appropriations | 1,916,154 |
| Student capital fees (net of scholarship allowances of \$168,195) | <u>161,976</u> |
| Total Nonoperating Revenues (Expenses) | <u><u>6,577,601</u></u> |

| | |
|--|------------------------|
| Increase (Decrease) in Net Position | <u><u>(63,877)</u></u> |
|--|------------------------|

| | |
|---|------------------------|
| Net Position Beginning of Year | 284,918 |
| Prior Period Adjustment | <u>(363,425)</u> |
| Net Position Beginning of Year (as Restated) | <u><u>(78,507)</u></u> |

| | |
|---------------------------------|----------------------------|
| Net Position End of Year | <u><u>\$ (142,384)</u></u> |
|---------------------------------|----------------------------|

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

DENMARK TECHNICAL COLLEGE
Statement of Cash Flows
Year Ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|--|--------------------|
| Student tuition and fees (net of scholarship allowances) | \$ 1,069,468 |
| Federal, state and local grants and contracts | 4,560,755 |
| Auxiliary enterprise charges (net of scholarship allowances) | 319,915 |
| Other receipts | 49,296 |
| Payments to vendors | (5,889,594) |
| Payments to employees | (5,714,850) |
| Net Cash Used in Operating Activities | (5,605,010) |

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

| | |
|---|------------------|
| State appropriations | 2,687,314 |
| County appropriations | 500 |
| Funds held for others | (127,259) |
| Non-operating federal, state and local grants and contracts | 2,042,427 |
| Net Cash Provided by Noncapital Financing Activities | 4,602,982 |

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

| | |
|--|---------------|
| State appropriations | 416,154 |
| Federal, state and local capital grants | 25,748 |
| Student capital fees (net of scholarship allowances) | 161,976 |
| Purchase of capital assets | (570,155) |
| Net Cash Provided by Capital and Related Financing Activities | 33,723 |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|--|----------|
| Purchase of investments | (439) |
| Interest on investments | 439 |
| Net Cash Used in Investing Activities | - |

Net Decrease in Cash and Cash Equivalents

(968,305)

Cash and Cash Equivalents - Beginning of Year

2,370,161

Cash and Cash Equivalents - End of Year

\$ 1,401,856

Reconciliation of Net Operating Revenues (Expenses) to Net Cash Used in Operating Activities

| | |
|---|----------------|
| Operating expenses over revenue | \$ (6,641,478) |
| Adjustments to Reconcile Net Loss to Net Cash Used by Operating Activities: | |
| Depreciation expense | 335,067 |
| Change in Assets and Liabilities: | |
| Receivables, net | 385,065 |
| Inventories | 73,129 |
| Deferred outflows | (617,577) |
| Accounts payable | 1,072 |
| Accrued payroll and related liabilities | (4,912) |
| Unearned revenue and deposits | 97,433 |
| Compensated absences | (99,131) |
| Deferred inflows | 829,887 |
| Net pension liability | 36,435 |

Net Cash Used in Operating Activities

\$ (5,605,010)

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

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
Year Ended June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Operations: Denmark Technical College (the “College”), a member institution of the South Carolina Technical College System, provides a range of educational programs to meet the needs of the adult population of Allendale, Bamberg, and Barnwell counties. Included in this range of programs are technical and occupational associate degree, diploma and certificate curricula that are consistent with the needs of employers in the College’s service area. As an integral part of this mission, the College provides a program of continuing education designed to satisfy the occupational demands of employers through retraining and upgrading the skills of individual employees. The College also provides a variety of developmental education programs, support services and offerings to assist students in meeting their personal and professional educational objectives.

B. Reporting Entity: The financial reporting entity, as defined by the Governmental Accounting Standards Board (GASB) consists of the discrete component units of the State, organizations for which the State is financially accountable and other organizations for which the nature and significance of their relationship with the State are such that exclusion could cause the financial statements to be misleading or incomplete. Accordingly, the financial statements include the accounts of Denmark Technical College, as a discrete component unit of the State.

C. Financial Statements: The financial statements are presented in accordance with GASB Codification Sections 2100-2900, *Financial Reporting Entity*, and Co5, *Colleges and Universities*. This financial statement presentation provides a comprehensive, entity-wide perspective of the College’s assets, liabilities, net position, revenues, expenses, changes in net position and cash flows that replaces the fund-group perspective previously required.

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

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

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

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
Year Ended June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

F. Investments: Deposits and investments for the College are governed by the South Carolina Code of Laws, Section 11-9-660, "Investment of Funds." The GASB Codification Section 150, *Investments*, 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 the GASB Codification. Changes in unrealized gain (loss) on the fair value of investments are reported as a component of investment income in the statement of revenues, expenses and changes in net assets.

G. Accounts Receivable: Accounts receivable consists of tuition and fee charges to students, gift pledges and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

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

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

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and improvements and land improvements and 2 to 25 years for machinery, equipment, and vehicles. The College has adopted a monthly depreciation convention, with depreciation calculated on a prorated amount in the years of acquisition and disposition.

J. Unearned Revenues and Deposits: Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned. Total unearned revenues at June 30, 2017 amounted to \$209,878.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
Year Ended June 30, 2017

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. Student deposits at June 30, 2017 totaled \$63,650.

K. Compensated Absences: Employee vacation pay expense is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as a component of long-term liabilities in the statement of net assets and as a component of salaries and employee benefits expenses in the statement of revenues, expenses, and changes in net position.

L. Net Position: The College's net position is classified as follows:

Net investment in capital assets: 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 position - expendable: Restricted expendable net position include resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties. Restricted expendable net position consists of amounts restricted for capital improvements.

Unrestricted net position: Unrestricted net position represents 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's policy for applying expenses that can use both restricted and unrestricted resources is delegated to the departmental administrative level. General practice is to first apply the expense to restricted resources and then to unrestricted resources.

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

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
Year Ended June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

N. Classification of Revenues: The College has classified its revenues as either operating or non-operating revenues according to the following criteria:

Operating revenues: Operating revenues generally result from exchange transactions to provide goods or services related to the College's principal ongoing operations. These revenues include (1) student tuition and fees received in exchange for providing educational services, housing, and other related services to students; (2) receipts for scholarships where the provider has identified the student recipients; (3) fees received from organizations and individuals in exchange for miscellaneous goods and services provided by the College; and (4) grants and contracts that are essentially the same as contracts for services that finance programs the College would not otherwise undertake.

Non-operating revenues: Non-operating revenues include activities that have the characteristics of non-exchange transactions. These revenues include gifts and contributions, appropriations, investment income, and any grants and contracts that are not classified as operating revenue or restricted by the grantor to be used exclusively for capital purposes.

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

P. Pensions: For purposes of measuring the net pension liability, deferred outflows and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the South Carolina Retirement System and the South Carolina Police Officers Retirement System and additions to/deductions from the Systems' fiduciary net position have been determined on the same basis of accounting as they are reported by the Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

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

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
Year Ended June 30, 2017

NOTE 2 – STATE APPROPRIATIONS

State funds for the South Carolina Technical College System are appropriated to the State Board for Technical and Comprehensive Education (the Board), and the Board allocates funds budgeted for the technical colleges in a uniform and equitable manner. Appropriations are recognized as revenue when received and available. Amounts that are not expended by fiscal year-end lapse and are required to be returned to the General Fund of the State unless the Board receives authorization from the General Assembly to carry the funds over to the next year.

The following is a reconciliation of the state appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2017.

NON-CAPITAL APPROPRIATIONS

| | |
|---|---------------------|
| Appropriations per State Board Allocation | <u>\$ 2,687,314</u> |
|---|---------------------|

| | |
|--|----------------------------|
| Total non-capital appropriations recorded as current year revenue | <u>\$ 2,687,314</u> |
|--|----------------------------|

CAPITAL APPROPRIATIONS

| | |
|---|---------------------|
| Appropriations per State Board Allocation | <u>\$ 1,916,154</u> |
|---|---------------------|

| | |
|--|----------------------------|
| Total capital appropriations recorded as current year revenue | <u>\$ 1,916,154</u> |
|--|----------------------------|

NOTE 3 - CASH, DEPOSITS, AND INVESTMENTS

DEPOSITS

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

Custodial Credit Risk

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

The cash and cash equivalent deposits with a bank balance of \$1,483,499 for Denmark Technical College at June 30, 2017, were insured by the Federal Deposit Insurance Corporation or collateralized with securities held by the College's custodial bank in the College's name.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
Year Ended June 30, 2017

NOTE 3 – CASH, DEPOSITS, AND INVESTMENTS...continued

INVESTMENTS

The College is authorized, by the South Carolina Code of Laws, Section 11-9-660, to invest in obligations of the United States and its agencies, obligations of the State of South Carolina and its political subdivisions, collateralized or federally insured certificates of deposit, and collateralized repurchase agreements.

The College's investment at June 30, 2017 consisted of a collateralized bank certificate of deposit of \$875,725 yielding .05% maturing August 11, 2017 and is reported at fair value. Subsequent to year end, this Certificate and the accumulated earnings were reinvested for 6 months yielding .15%.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the College will not be able to recover the investment's value or collateral securities that are in the possession of the outside party. The College does not have a formally adopted policy on custodial credit risk.

The College's investment in a bank collateralized certificate of deposit at June 30, 2017 was held by the College. The College recognized no losses due to the default by counterparties to investment transactions.

Credit Risk

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

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The College does not have a formally adopted policy on concentration of credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. It occurs because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase, thereby affording potential purchasers more favorable rates on essentially equivalent securities. The College does not have a formally adopted policy concerning interest rate risk.

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

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
Year Ended June 30, 2017

NOTE 3 – CASH, DEPOSITS, AND INVESTMENTS...continued

Statement of Net Position:

| | |
|---------------------------------|---------------------|
| Cash and Cash Equivalents | \$ 1,401,856 |
| Investments | <u>875,725</u> |
| Total Statement of Net Position | <u>\$ 2,277,581</u> |

Disclosure, Cash, Deposits and Investments:

| | |
|--|---------------------|
| Carrying value of deposits: | |
| Not held by State Treasurer | \$ 1,401,856 |
| Investment not held by State Treasurer | <u>875,725</u> |
| Total Disclosure, Cash, Deposits and Investments | <u>\$ 2,277,581</u> |

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2017 including applicable allowances, were as follows:

Receivables:

| | |
|---|---------------------|
| Student Accounts | \$ 310,054 |
| Other Accounts | 41,413 |
| Due from Federal and Other Grantors | 1,114,670 |
| Due from State – Capital Appropriations | <u>2,900,000</u> |
| Gross Receivables | <u>4,366,137</u> |
| Less: Allowance for Uncollectible: | |
| Student Accounts | <u>(209,911)</u> |
| Total Allowance for Uncollectible | <u>(209,911)</u> |
| Receivables, Net | <u>\$ 4,156,226</u> |

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

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
Year Ended June 30, 2017

NOTE 5 – CAPITAL ASSETS

| | Beginning Balance 6/30/2016 | Increases | Decreases | Ending Balance 6/30/2017 |
|---|--|-------------------|---------------------|---|
| Capital Assets not being depreciated | | | | |
| Land and improvements | \$ 174,020 | \$ - | \$ - | \$ 174,020 |
| Construction in Progress | 18,400 | 340,383 | (321,515) | 37,268 |
| | <u>192,420</u> | <u>340,383</u> | <u>(321,515)</u> | <u>211,288</u> |
| Other Capital Assets: | | | | |
| Building and improvements | 7,997,123 | 321,515 | - | 8,318,638 |
| Machinery, Equipment and other | 3,398,928 | 229,772 | - | 3,628,700 |
| Vehicles | 672,714 | - | - | 672,714 |
| Intangibles | 151,286 | - | - | 151,286 |
| Total Other Capital Assets at Historical Cost | <u>12,220,051</u> | <u>551,287</u> | <u>-</u> | <u>12,771,338</u> |
| Less Accumulated Depreciation for: | | | | |
| Building and Improvements | 4,638,075 | 131,653 | - | 4,769,728 |
| Machinery, Equipment and Other | 3,036,916 | 186,554 | - | 3,223,470 |
| Vehicles | 608,731 | 16,860 | - | 625,591 |
| Intangibles | 151,286 | - | - | 151,286 |
| Total Accumulated Depreciation | <u>8,435,008</u> | <u>335,067</u> | <u>-</u> | <u>8,770,075</u> |
| Other Capital Assets, Net | <u>3,785,043</u> | <u>216,220</u> | <u>-</u> | <u>4,001,263</u> |
| Capital Assets, Net | <u>\$ 3,977,463</u> | <u>\$ 556,603</u> | <u>\$ (321,515)</u> | <u>\$ 4,212,551</u> |

NOTE 6 – PENSION PLAN(S)

Plan Description/Membership

The majority of employees of the Denmark Technical College are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division of the South Carolina Public Employee Benefit Authority (PEBA). Generally, all full-time or part-time equivalent State employees in a permanent position are required to participate in and contribute to the SCRS as a condition of employment. The SCRS plan provides life-time monthly retirement annuity benefits to eligible members as well as disability, survivor options, annual benefit adjustments, and incidental death benefits to eligible employees and retired members. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
Year Ended June 30, 2017

NOTE 6 – PENSION PLAN(S)...continued

As an alternative to membership in SCRS, newly hired State, public school, and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State Optional Retirement Program (ORP), a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. PEBA assumes no liability for State ORP benefits. The benefits are the liability of the investment providers. Employee and employer contributions to the ORP are at the same rates as SCRS. A direct remittance is required from the employer to the member's account with investment providers for the employee contribution and a portion of the employer contribution (5 percent). A direct remittance is required to SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution, if applicable, which is retained by SCRS. None of the College's employees participated in the State ORP plan during the fiscal year ended June 30, 2017.

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple-employer defined benefit pension plan. Generally, to be eligible for PORS membership, employees must be required by the terms of their employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the State; to prevent and control property destruction by fire; or to serve as a peace officer employed by certain State agencies. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. This plan provides for lifetime monthly annuity benefits as well as disability, survivor benefits and incidental death benefits to eligible employees and retirees. In addition, participating employers in the PORS may elect to contribute to the accidental death program 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. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

PEBA issues its own publicly available Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the System's Pension Trust Funds. The CAFR is publicly available on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, South Carolina 29223. PEBA is considered a division of the primary government of the State of South Carolina and therefore, retirement trust fund financial information is also included in the State of South Carolina's CAFR.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
Year Ended June 30, 2017

NOTE 6 – PENSION PLAN(S)...continued

Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of benefit terms for each system is presented below.

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

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

PORS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
Year Ended June 30, 2017

NOTE 6 – PENSION PLAN(S)...continued

Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. Upon recommendation by the actuary in the annual actuarial valuation, the PEBA Board may adopt and present to the State Fiscal Accountability Authority (SFAA) for approval an increase in the SCRS and PORS employer and employee contribution rates, but any such increase may not result in a differential between the employee and total employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS and 5 percent for PORS. An increase in the contribution rates adopted by the Board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the Board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the Board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period. This increase is not limited to one-half of one percent per year.

Required employee contribution rates for the fiscal year ended June 30, 2017 are as follows:

| | |
|----------------------|--------------------------------|
| SCRS | |
| Employee Class Two | 8.66% of earnable compensation |
| Employee Class Three | 8.66% of earnable compensation |
| PORS | |
| Employee Class Two | 9.24% of earnable compensation |
| Employee Class Three | 9.24% of earnable compensation |

Required employer contribution rates for the fiscal year ended June 30, 2017 are as follows:

| | |
|-----------------------------------|---------------------------------|
| SCRS | |
| Employer Class Two | 11.41% of earnable compensation |
| Employer Class Three | 11.41% of earnable compensation |
| Employer Incidental Death Benefit | 0.15% of earnable compensation |
| PORS | |
| Employer Class Two | 13.84% of earnable compensation |
| Employer Class Three | 13.84% of earnable compensation |
| Employer Incidental Death Benefit | 0.20% of earnable compensation |
| Employer Accidental Death Program | 0.20% of earnable compensation |

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
Year Ended June 30, 2017

NOTE 6 – PENSION PLAN(S)...continued

The College’s actual contributions to the SCRS (including ORP of \$-0- in 2017, \$13,519 in 2016, and \$19,478 in 2015) for the years ended June 30, 2017, 2016, and 2015 were approximately \$509,764, \$517,192, and \$559,652, respectively. The College’s actual contributions to the PORS for these same periods were approximately \$16,032, \$16,089, and \$16,842. In addition, the College paid approximately \$6,933, \$7,509, and \$8,304 in employer incidental death benefit program contributions to these programs for the years ended June 30, 2017, 2016, and 2015, respectively. The College also paid accidental death program contributions totaling \$232, \$241, and \$259 to the PORS for the same respective periods.

The College contributed 100% of the required contributions for the current year and each of the two preceding years.

Payables to the Pension Plan

As of June 30, 2017, the College had \$83,505 in payables outstanding to the pension plans for its legally required contributions.

Net Pension Liability

The most recent annual actuarial valuation reports adopted by the PEBA Board and SFAA are as of July 1, 2015. The net pension liability of each defined benefit pension plan was therefore determined based on the July 1, 2015 actuarial valuations, using membership date as of July 1, 2015, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2016, using generally accepted actuarial procedures. Information included in the following schedules is based on the certification provided by PEBA’s consulting actuary.

The net pension liability is calculated separately for each system and represents that particular system’s total pension liability determined in accordance with GASB No. 67 less that system’s fiduciary net position. The College’s proportionate share of the liabilities were determined by PEBA based on the percentage of the College’s employer contributions paid relative to total employer contributions paid to each system for the year ended June 30, 2016.

The College’s share of PEBA’s total net pension liability for the retirement systems as of June 30, 2017, expressed in terms of dollars and percentages are as follows:

| | <u>SCRS</u> | | <u>PORS</u> | |
|--------------------------------|------------------|------------------|------------------|------------------|
| | <u>6/30/2017</u> | <u>6/30/2016</u> | <u>6/30/2017</u> | <u>6/30/2016</u> |
| PEBA: | | | | |
| Total Pension Liability | \$45,356,214,752 | \$44,097,310,230 | \$6,412,510,458 | \$6,151,321,222 |
| Plan Fiduciary Net Position | 23,996,362,354 | 25,131,828,101 | 3,876,035,732 | 3,971,824,838 |
| Net Pension Liability | 21,359,852,398 | 18,965,482,129 | 2,536,474,726 | 2,179,496,384 |
| Denmark Technical College: | | | | |
| Share of Net Pension Liability | \$10,368,286 | \$10,356,860 | \$239,951 | \$214,942 |
| Percentage | .048541% | .054609% | .009460% | .009860% |

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
Year Ended June 30, 2017

NOTE 6 – PENSION PLAN(S)...continued

No change has been reported in the College’s share of the total system’s liabilities since the June 30, 2016 measurement date.

Deferred Outflows and Inflows of Resources

For the year ended June 30, 2017, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | | | <u>Deferred Inflows of Resources</u> | | |
|--|---------------------------------------|-----------------|--------------------|--------------------------------------|-----------------|------------------|
| | <u>SCRS</u> | <u>PORS</u> | <u>Total</u> | <u>SCRS</u> | <u>PORS</u> | <u>Total</u> |
| Differences between expected and actual experience | \$ 107,479 | \$ 3,560 | \$ 111,039 | \$ 11,260 | \$ - | \$ 11,260 |
| Changes of assumptions: | | | | | | |
| Net difference between projected and actual earnings on pension plan investments | 872,306 | 27,208 | 899,514 | - | - | - |
| Changes in proportion and differences between College contributions and proportionate share of contributions | 271,690 | - | 271,690 | 852,076 | 67,077 | 919,153 |
| College contributions subsequent to the measurement date | <u>509,764</u> | <u>16,032</u> | <u>525,796</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>\$1,761,239</u> | <u>\$46,800</u> | <u>\$1,808,039</u> | <u>\$863,336</u> | <u>\$67,077</u> | <u>\$930,413</u> |

The amount \$525,796 reported as deferred outflows relating to pensions resulting from the College’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. The following schedule reflects the amortization of the net balance of remaining deferred outflows/(inflows) of resources at June 30, 2017.

| <u>Measurement Period</u> <u>Ending June 30</u> | |
|--|-----------|
| 2018 | \$ 76,038 |
| 2019 | 19,677 |
| 2020 | 86,688 |
| 2021 | 169,427 |
| Thereafter | 0 |

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
Year Ended June 30, 2017

NOTE 6—PENSION PLAN(S)...continued

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Actuarial assumptions and methods used during the annual valuation process are subject to periodic revision, typically with an experience study, as actual results over an extended period of time are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued as of June 30, 2015.

The following is a summary of the actuarial assumptions and methods used in the July 1, 2015, valuations for SCRS and PORS.

| | SCRS | PORS |
|----------------------------|-----------------------------------|-----------------------------------|
| Actuarial cost method | Entry age normal | Entry age normal |
| Actuarial assumptions: | | |
| Investment rate of return | 7.5% | 7.5% |
| Projected salary increases | 3.5% to 12.5% (varies by service) | 4.0% to 10.0% (varies by service) |
| Includes inflation at | 2.75% | 2.75% |
| Benefit adjustments | lesser of 1% or \$500 annually | lesser of 1% or \$500 annually |

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000. Assumptions used in the July 1, 2015, valuations for SCRS and PORS are as follows:

| Former Job Class | Males | Females |
|---|---|--|
| Educators | RP-2000 Males (with White Collar adjustment) multiplied by 110% | RP-2000 Females (with White Collar adjustment) multiplied by 95% |
| General Employees and Members of the General Assembly | RP-2000 Males multiplied by 100% | RP-2000 Females multiplied by 90% |
| Public Safety and Firefighters | RP-2000 Males (with Blue Collar adjustment) multiplied by 115% | RP-2000 Females (with Blue Collar adjustment) multiplied by 115% |

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
Year Ended June 30, 2017

NOTE 6 – PENSION PLAN(S)...continued

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments, as used in the July 1, 2015, actuarial valuations, was based upon the 30 year capital markets outlook at the end of the third quarter 2015. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the revised target asset allocation adopted beginning January 1, 2016. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding the expected inflation and is summarized in the following table. For actuarial purposes, the 7.50% assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75% real rate of return and a 2.75% inflation component.

| <u>Asset Class</u> | <u>Target Asset Allocation</u> | <u>Expected Arithmetic Real Rate of Return</u> | <u>Long-Term Expected Portfolio Real Rate of Return</u> |
|--------------------------------------|--------------------------------|--|---|
| Global Equity | 43.0% | | |
| Global Public Equity | 34.0% | 6.52% | 2.22% |
| Private Equity | 9.0% | 9.30% | 0.84% |
| Real Assets | 8.0% | | |
| Real Estate | 5.0% | 4.32% | 0.22% |
| Commodities | 3.0% | 4.53% | 0.13% |
| Opportunistic | 20.0% | | |
| GTAA/Risk Parity | 10.0% | 3.90% | 0.39% |
| HF (Low Beta) | 10.0% | 3.87% | 0.39% |
| Diversified Credit | 17.0% | | |
| Mixed Credit | 5.0% | 3.52% | 0.17% |
| Emerging Markets Debt | 5.0% | 4.91% | 0.25% |
| Private Debt | 7.0% | 4.47% | 0.31% |
| Conservative Fixed Income | 12.0% | | |
| Core Fixed Income | 10.0% | 1.72% | 0.17% |
| Cash and Short Duration (Net) | 2.0% | 0.71% | 0.01% |
| Total Expected Real Return | 100.0% | | 5.10% |
| Inflation for Actuarial Purposes | | | 2.75% |
| Total Expected Nominal Return | | | 7.85% |

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
Year Ended June 30, 2017

NOTE 6 – PENSION PLAN(S)...continued

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that the funding policy specified in the South Carolina State Code of Laws will remain unchanged in future years. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

The following table presents the College's share of the net pension liability calculated using the discount rate of 7.50%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.50%) or 1.00% higher (8.50%) than the current rate.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

| <u>System</u> | <u>1.00% Decrease (6.50%)</u> | <u>Current Discount Rate (7.50%)</u> | <u>1.00% Increase (8.50%)</u> |
|---------------|-----------------------------------|--|-----------------------------------|
| SCRS | \$12,934,153 | \$10,368,286 | \$8,232,298 |
| PORS | 314,476 | 239,951 | 172,976 |

Additional Financial and Actuarial Information

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the Systems' audited financial statements for the fiscal year ended June 30, 2016. Additional actuarial information is available in the accounting and financial reporting actuarial valuation as of June 30, 2016.

NOTE 7 – POST-EMPLOYMENT 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. The College contributes to the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF), cost-sharing multiple employer defined benefit postemployment healthcare, and long-term disability plans administered by the Insurance Benefits Division (IB), a part of the South Carolina Public Employee Benefit Authority (PEBA).

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
Year Ended June 30, 2017

NOTE 7 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS...continued

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 beginning employment May 2, 2008 and after, retirees are eligible for benefits if they have established 25 years of service for 100% employer funding and 15 through 24 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 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the IB and participating retirees to the PEBA, except for the portion funded through the pension surcharge and provided from the other applicable sources of the IB, 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, 5.33% of annual covered payroll for 2017 and 2016 and 5.00% of annual covered payroll for 2015. The IB sets the employer contribution rate based on a pay-as-you-go basis. The College paid approximately \$244,303, \$264,686 and \$251,244 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2017, 2016 and 2015, respectively. BLTD benefits are funded through a person's premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to IB was \$3.22 for the fiscal years ended June 30, 2017, 2016 and 2015.

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 SCRHITF is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated IB reserves and income generated from investments. The SCLTDITF is primarily funded through investment income and employer contributions.

A copy of the separately issued financial statements for the benefit plans and the trust funds may be obtained by writing to the South Carolina Public Employee Benefit Authority – Insurance Benefits Division, P.O. Box 11960, Columbia, South Carolina 29211-1960.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
Year Ended June 30, 2017

NOTE 8 – CONTINGENCIES, LITIGATION, AND COMMITMENTS

The College is party to various lawsuits arising out of the normal conduct of its operations. In the opinion of College management, there are no material claims or lawsuits against the College that are not covered by insurance or whose settlement would materially affect the College's financial position.

The College participates in certain Federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Management believes disallowances, if any, will not be material.

Necessary funding has been obtained for the acquisition, construction, renovation, and equipping of certain facilities, which will be capitalized in the applicable capital asset categories upon completion. At June 30, 2017, the College had commitment balances totaling approximately \$302,835 with certain property owners, engineering firms, construction contractors, and vendors related to these projects. The College anticipates funding these projects out of current resources, current and future bond issues, private gifts, student fees, and state capital improvement bond proceeds.

The College has entered into an agreement for library, training and testing licenses for the five-year period ending April 27, 2020. The terms require payment of \$34,820 annually due on May 1st. At June 30, 2017, the College remaining commitment totaled \$104,460, \$5,803 of which is included in the accounts payable balance on the Statement of Net Position.

NOTE 9 – LEASE OBLIGATIONS

Operating Leases

The College leases copier and other equipment under cancelable operating leases, with the charges on most items based primarily or exclusively on usage. In the normal course of business, operating leases are generally renewed or replaced by five year cancelable rental agreements and are generally payable on a monthly basis. Rental agreements are due to expire from November 2017 to December 2021. Operating lease payments made during the fiscal year ended June 30, 2017, totaled \$107,701 to external parties and \$11,201 to other State agencies.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
Year Ended June 30, 2017

NOTE 10 – LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2017 was as follows:

| | July 1, 2016 | Additions | Reductions | June 30, 2017 | Due Within One Year |
|------------------------------------|-------------------------|------------------|--------------------|--------------------------|------------------------------------|
| Accrued Compensated Absences | \$ 502,251 | \$ 43,233 | \$(142,364) | \$ 403,120 | \$ 37,661 |
| Total Long-Term Liabilities | \$ 502,251 | \$ 43,233 | \$(142,364) | \$ 403,120 | \$ 37,661 |

NOTE 11 – RELATED ORGANIZATIONS, RELATED PARTY TRANSACTIONS, AND TRANSACTIONS WITH DISCRETELY PRESENTED COMPONENT UNITS

Management reviewed its relationship with Denmark Technical College Foundation under the existing guidance of the GASB Codification. The College excluded this organization from the reporting entity because the Foundation’s assets are not significant to the College’s overall assets.

Following is a more detailed discussion of the Foundation and a summary of significant transactions between the Foundation and the College for the year ended June 30, 2017.

The Denmark Technical College Foundation

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

During the year ended June 30, 2017, the Foundation had minimal financial activity, and there were no transactions between the College and the Foundation.

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.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
Year Ended June 30, 2017

NOTE 12 – RISK MANAGEMENT...continued

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

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

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

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

- Theft, damage to, or destruction of assets
- Real property, its contents, and other equipment
- Motor vehicles and watercraft
- Torts
- Natural disasters
- Medical malpractice claims against the Infirmary

The IRF is a self-insurer and purchases reinsurance to obtain certain services and to limit losses in certain areas. The IRF's rates are determined actuarially.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
Year Ended June 30, 2017

NOTE 13 – OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification for the year ended June 30, 2017, are summarized as follows:

| | <u>Salaries</u> | <u>Benefits</u> | <u>Scholarships</u> | <u>Utilities</u> | <u>Supplies and Other Services</u> | <u>Depreciation</u> | <u>Total</u> |
|--|---------------------|--------------------|---------------------|-------------------|--|---------------------|---------------------|
| Instruction | \$ 1,987,390 | \$ 701,338 | \$ - | \$ - | \$ 265,822 | \$ - | \$ 2,954,550 |
| Academic Support | 652,037 | 232,987 | - | - | 427,267 | - | 1,312,291 |
| Student Services | 923,746 | 290,243 | - | - | 148,871 | - | 1,362,860 |
| Operation and Maintenance of Plant | 509,412 | 149,271 | - | 523,054 | 357,229 | - | 1,538,966 |
| Institutional Support | 1,276,708 | 507,048 | - | - | 1,206,681 | - | 2,990,437 |
| Scholarships | - | - | 837,027 | - | - | - | 837,027 |
| Auxiliary Enterprises | 261,514 | 93,045 | - | - | 506,017 | - | 860,576 |
| Depreciation | - | - | - | - | - | 335,067 | 335,067 |
| Total Operating Expenses | <u>\$ 5,610,807</u> | <u>\$1,973,932</u> | <u>\$ 837,027</u> | <u>\$ 523,054</u> | <u>\$ 2,911,887</u> | <u>\$ 335,067</u> | <u>\$12,191,774</u> |

NOTE 14 – 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>2017</u> | <u>2016</u> | <u>Increase/ (Decrease)</u> |
|--------------------------------|---------------------|---------------------|---------------------------------|
| Charges for Services | \$ 5,550,296 | \$ 6,504,296 | \$(954,000) |
| Non-Operating Grants | 1,974,133 | 3,659,680 | (1,685,547) |
| Less: Expenses | <u>(12,191,774)</u> | <u>(15,301,268)</u> | <u>3,109,494</u> |
| Net Program Revenue (Expense) | (4,667,345) | (5,137,292) | 469,947 |
| Transfers: | | | |
| State Appropriations | <u>4,603,468</u> | <u>3,804,896</u> | <u>798,572</u> |
| Change in Net Position | (63,877) | (1,332,396) | 1,268,519 |
| Net Position Beginning of Year | 284,918 | 2,062,749 | (1,777,831) |
| Prior Period Adjustment | <u>(363,425)</u> | <u>(445,435)</u> | <u>82,010</u> |
| Net Position End of Year | <u>\$ (142,384)</u> | <u>\$ 284,918</u> | <u>\$ (427,302)</u> |

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
Year Ended June 30, 2017

NOTE 15 – TRANSACTIONS WITH OTHER AGENCIES

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

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

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

NOTE 16 – SUBSEQUENT EVENTS

The College evaluated subsequent events through October 5, 2017, which is the date the financial statements were available for issue. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

NOTE 17 – PRIOR PERIOD ADJUSTMENTS

Grants receivable at June 30, 2016, included \$180,276 applicable to the Federal Supplemental Educational Opportunity Grant program, the Federal Stafford Loan program and the Federal Work-Study program. It was discovered during the current year that the College was not eligible to receive these funds. As a result, on the June 30, 2016 financial statements, Accounts Receivable, Net and Unrestricted Net Position were both overstated by \$180,276.

During the current year, \$156,322 in net adjustments reducing tuition for the Summer 2016 term were made. These adjustments should have been reflected on the June 30, 2016 financial statements. As a result, on those financial statements, Accounts Receivable, Net, Unrestricted Net Position and Student Tuition and Fees were all overstated by \$156,322.

It was also determined during the current year that the Bookstore and Central Stores' inventories reported at June 30, 2016 included obsolete and/or worthless items valued at \$103,527. As a result, on the June 30, 2016 financial statements, Inventories and Unrestricted Net Position were overstated and Supplies and Other Services was understated by this amount.

Furthermore, activity fees earned by the College's Agency Fund were overstated by a net amount of \$76,700 for the fiscal years ended June 30, 2012 and 2013. This resulted in an overstated fund balance in the Agency Fund, reported as Funds Held for Others, and therefore an understated Unrestricted Net Position for the College of that amount.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
Year Ended June 30, 2017

NOTE 17 – PRIOR PERIOD ADJUSTMENTS...continued

The change to Net Position is calculated as follows:

| | |
|---|--------------------|
| Net Position at June 30, 2016, as previous reported | \$ 284,918 |
| Prior period adjustments as described above | <u>(363,425)</u> |
| Net Position at June 30, 2016, as restated | \$ <u>(78,507)</u> |

NOTE 18 – GOVERNANCE

In May, 2017, the State of South Carolina enacted legislation removing the governing authority of the College's Area Commission and transferring these powers to the State Board for Technical and Comprehensive Education. This authority is to last until November 1, 2018, at which time the governing authority will be returned to the Area Commission. This action was taken after the State legislature concluded that the College would benefit by having the State Board provide direct leadership and assistance in areas such as enrollment, financial position, and program offerings more in line with the current job market and area employer needs.

DENMARK TECHNICAL COLLEGE
Schedule of the College's Proportionate Share of the Net Pension Liability
For the Fiscal Years Ended June 30

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|--------------|--------------|-------------|
| South Carolina Retirement System | | | |
| College's proportion of the net pension liability | 0.048541% | 0.054609% | 0.051732% |
| College's proportionate share of the net pension liability | \$10,368,286 | \$10,356,860 | \$8,906,535 |
| College's covered-employee payroll | \$4,467,697 | \$4,616,622 | \$5,024,875 |
| College's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 232.07% | 224.34% | 177.25% |
| Plan fiduciary net position as a percentage of the total pension liability | 52.9% | 57.0% | 59.9% |
| Police Officers Retirement System | | | |
| College's proportion of the net pension liability | 0.00946% | 0.00986% | 0.01483% |
| College's proportionate share of the net pension liability | \$239,951 | \$214,942 | \$283,910 |
| College's covered-employee payroll | \$115,841 | \$120,608 | \$129,453 |
| College's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 207.14% | 178.22% | 219.32% |
| Plan fiduciary net position as a percentage of the total pension liability | 60.4% | 64.6% | 67.5% |

DENMARK TECHNICAL COLLEGE
Schedule of College Contributions
For the Fiscal Years Ended June 30

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|------------------|------------------|------------------|
| South Carolina Retirement System | | | |
| Contractually required contribution | \$509,764 | \$503,673 | \$540,174 |
| Contributions in relation to the contractually required contribution | <u>(509,764)</u> | <u>(503,673)</u> | <u>(540,174)</u> |
| Contribution deficiency (excess) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| | | | |
| College's covered employee payroll | \$4,467,697 | \$4,616,622 | \$5,024,875 |
| Contributions as a percentage of covered-employee payroll | 11.41% | 10.91% | 10.75% |
| | | | |
| Police Officers Retirement System | | | |
| Contractually required contribution | \$16,032 | \$16,089 | \$16,842 |
| Contributions in relation to the contractually required contribution | <u>(16,032)</u> | <u>(16,089)</u> | <u>(16,842)</u> |
| Contribution deficiency (excess) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| | | | |
| College's covered employee payroll | \$115,841 | \$120,608 | \$129,453 |
| Contributions as a percentage of covered-employee payroll | 13.84% | 13.34% | 13.01% |

**DENMARK TECHNICAL COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AS OF JUNE 30, 2017**

| Federal Grantor/Program Title/Grant Title | CFDA Number | Grant/Contract/ FAR Number | Expenditures FY 2017 |
|--|----------------|-------------------------------|----------------------------|
| U.S. DEPARTMENT OF EDUCATION | | | |
| STUDENT FINANCIAL ASSISTANCE | | | |
| Federal Supplemental Education Opportunity Grant (FSEOG) | 84.007 | 2016-2017 | \$ 127,400 |
| Federal Work Study Program (FWS) | 84.033 | 2016-2017 | 152,843 |
| Federal Pell Grant Program (Pell) | 84.063 | 2016-2017 | 1,811,218 |
| Federal Direct Student Loans Program | 84.268 | 2016-2017 | 1,195,877 |
| Total Student Financial Assistance Cluster | | | <u>3,287,338</u> |
| HIGHER EDUCATION INSTITUTIONAL AID | | | |
| Title III - Strengthening Institutions | 84.031B | 2013-2014 | 254,866 |
| Title III - Strengthening Institutions | 84.031B | 2014-2015 | 131,525 |
| Title III - Strengthening Institutions | 84.031B | 2015-2016 | 530,838 |
| Title III - Strengthening Institutions | 84.031B | 2016-2017 | 1,152,911 |
| Title III - SAFRA | 84.031B | 2013-2014 | 46,862 |
| Title III - SAFRA | 84.031B | 2014-2015 | 27,180 |
| Title III - SAFRA | 84.031B | 2015-2016 | 186,666 |
| Title III - SAFRA | 84.031B | 2016-2017 | 372,648 |
| Total Higher Education Institutional Aid | | | <u>2,703,496</u> |
| PASSED THROUGH THE SOUTH CAROLINA DEPARTMENT OF EDUCATION | | | |
| Vocational Education - Basic Grants to States (Perkins V) | 84.048 | 2015-2016 | 5,136 |
| Vocational Education - Basic Grants to States (Perkins V) | 84.048 | 2016-2017 | 73,016 |
| Vocational Education - Basic Grants to States (Perkins V) CATE Carryover | 84.048 | 2016-2017 | 6,051 |
| Total Vocational Education | | | <u>84,203</u> |
| TOTAL U.S. DEPARTMENT OF EDUCATION | | | <u>6,075,037</u> |
| PASS THROUGH | | | |
| National Nuclear Security Administration-Consortium for K-20 Cybersecur | 81.123 | 2014-2015 | 23,481 |
| National Nuclear Security Administration-Consortium for K-20 Cybersecur | 81.123 | 2015-2016 | 90,920 |
| National Nuclear Security Administration-Consortium for K-20 Cybersecur | 81.123 | 2016-2017 | 67,025 |
| Total Total Pass Through | | | <u>181,426</u> |
| U.S. Department of Agriculture | | | |
| Rural Utilities Service Distance Learning and Telemedicine | 10.855 | 2015-2016 | 238,981 |
| Total USDA | | | <u>238,981</u> |
| SC Department Health and Environmental Control | | | |
| Project Help-HIV/AIDS and Other STD Awareness | 93.94 | 2015-2016 | 2,646 |
| Total SC Department Health and Environmental Control | | | <u>2,646</u> |
| SC Department of Social Services | | | |
| TEACH Early Childhood South Carolina | 84.379 | 2015-2016 | 2,368 |
| Total SC Department of Social Services | | | <u>2,368</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u>\$ 6,500,458</u> |

NOTES:

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

The College uses its federally approved indirect cost rate of 32.5%.

| PARTNERS | | ASSOCIATES | | | | | |
|---------------------------------|---|--|---|--|--|--|--|
| C.C. McGregor, CPA 1906–1968 | W.C. Stevenson, CPA B.T. Kight, CPA G.D. Skipper, CPA L.R. Leaphart, Jr, CPA M.J. Binnicker, CPA W.W. Francis, CPA | D.L. Richardson, CPA E.C. Inabinet, CPA S.S. Luoma, CPA T.M. McCall, CPA H.D. Brown, Jr, CPA L.B. Salley, CPA | D.K. Strickland, CPA J.P. McGuire, CPA L.H. Kelly, CPA J.R. Matthews II, CPA | V.K. Laroche, CPA G.N. Mundy, CPA M.L. Layman, CPA P.A. Betette, Jr, CPA S. Wo, CPA C.D. Hinchee, CPA | G.P. Davis, CPA H.J. Darver, CPA D.M. Herpel, CPA H.O. Crider, Jr, CPA F.C. Gillam, Jr, CPA M.L. Goode, CPA | H.S. Mims, CPA T. Solorzano, CPA C.W. Bolen, CPA L.T. Hewitt, CPA | |

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

To the SC Board for Technical
and Comprehensive Education
Denmark Technical College
Denmark, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Denmark Technical College, Denmark, South Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Denmark Technical College, Denmark, South Carolina’s basic financial statements, and have issued our report thereon dated October 5, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Denmark Technical College, Denmark, South Carolina’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Denmark Technical College, Denmark, South Carolina’s internal control. Accordingly, we do not express an opinion on the effectiveness of Denmark Technical College, Denmark, South Carolina’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness: 2017-1

**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*
(continued)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Denmark Technical College, Denmark, South Carolina's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2017-2 and 2017-3.

Denmark Technical College's Response to Findings

Denmark Technical College's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Denmark Technical College's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

McAtegor and Company, L.L.P.

Orangeburg, South Carolina
October 5, 2017

| PARTNERS | | ASSOCIATES | | | | |
|---------------------------------|---|--|---|--|--|--|
| C.C. McGregor, CPA 1906–1968 | W.C. Stevenson, CPA B.T. Kight, CPA G.D. Skipper, CPA L.R. Leaphart, Jr, CPA M.J. Binnicker, CPA W.W. Francis, CPA | D.L. Richardson, CPA E.C. Inabinet, CPA S.S. Luoma, CPA T.M. McCall, CPA H.D. Brown, Jr, CPA L.B. Salley, CPA | D.K. Strickland, CPA J.P. McGuire, CPA L.H. Kelly, CPA J.R. Matthews II, CPA | V.K. Laroche, CPA G.N. Mundy, CPA M.L. Layman, CPA P.A. Betette, Jr, CPA S. Wo, CPA C.D. Hinchee, CPA | G.P. Davis, CPA H.J. Darver, CPA D.M. Herpel, CPA H.O. Crider, Jr, CPA F.C. Gillam, Jr, CPA M.L. Goode, CPA | H.S. Mims, CPA T. Solorzano, CPA C.W. Bolen, CPA L.T. Hewitt, CPA |

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the SC State Board for Technical
and Comprehensive Education
Denmark Technical College
Denmark, South Carolina

Report on Compliance for Each Major Federal Program

We have audited Denmark Technical College, Denmark, South Carolina’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Denmark Technical College, Denmark, South Carolina’s major federal programs for the year ended June 30, 2017. Denmark Technical College, Denmark, South Carolina’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of Denmark Technical College, Denmark, South Carolina’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Denmark Technical College, Denmark, South Carolina’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Denmark Technical College, Denmark, South Carolina’s compliance.

Opinion on Each Major Federal Program

In our opinion, Denmark Technical College, Denmark, South Carolina, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**
(continued)

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2017-2 and 2017-3. Our opinion on each major federal program is not modified with respect to this matter.

Denmark Technical College, Denmark, South Carolina's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Denmark Technical College, Denmark, South Carolina's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Denmark Technical College, Denmark, South Carolina is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Denmark Technical College, Denmark, South Carolina's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Denmark Technical College, Denmark, South Carolina's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2017-2 and 2017-3 that we consider to be a significant deficiencies.

Denmark Technical College's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Denmark Technical College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

McAnagor and Company, LLP.

Orangeburg, South Carolina
October 5, 2017

**DENMARK TECHNICAL COLLEGE
DENMARK, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

SECTION A.

| <u>Financial Statements</u> | <u>Summary of Auditor's Results</u> |
|--|--|
| 1.) Type of auditor's report issued: | Unmodified |
| 2.) Internal controls over financial reporting: | |
| a.) Material weakness identified? | Yes |
| b.) Significant deficiencies identified not considered to be material weaknesses? | No |
| 3.) Noncompliance material to financial statements noted? | No |
| <u>Federal Awards</u> | |
| 1.) Internal control over major programs: | |
| a.) Material weakness identified? | No |
| b.) Significant deficiencies identified not considered to be material weaknesses? | Yes |
| 2.) Type of auditor's report issued on compliance for major programs: | Unmodified |
| 3.) Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? | Yes |
| 4.) Identification of major programs: | |
| <u>CFDA Number</u> | <u>Name of Federal Program</u> |
| 10.855 | Rural Utilities Service Distance Learning and Telemedicine |
| 84.007 | Federal Supplemental Education Opportunity Grants |
| 84.033 | Federal Work Study Program |
| 84.063 | Federal Pell Grant Program |
| 84.268 | Federal Direct Student Loans |
| 5.) Dollar Threshold used to distinguish between Type A and Type B programs? | \$750,000 |
| 6.) Auditee qualified as a low-risk auditee under the Uniform Guidance? | No |

**DENMARK TECHNICAL COLLEGE
DENMARK, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

B. Financial Statement Finding

Finding 2017-1 Capital Assets

Criteria: Sound internal control over financial reporting requires that there be in place adequate controls over the selection and application of accounting principles that are in conformity with U.S. Generally Accepted Accounting Principles.

Condition: The College failed to capitalize certain assets which exceeded the College's capitalization threshold of \$5,000. The total of the assets not capitalized was material.

Effect: The unadjusted financial statements would have been materially misstated had the auditing procedures not detected the misstatements, and the College staff then performed the additional procedures to determine the appropriate adjustments needed to correct the misstatement.

Cause: The College's internal controls failed to detect material errors in processing, recording and reporting of capital assets.

Recommendation: The College should evaluate the process used to determine which assets purchased exceed the capitalization thresholds for equipment, software and building improvements and the criteria governing the classification of those assets. Capital assets should be identified at the time the purchase requisition is approved and the information provided and coordinated between the accounting office and the equipment manager once the equipment is received and the invoice processed.

College's response and corrective action plan:

A major personnel change was made regarding the fixed asset custodian prior to the arrival of the new Vice President of Fiscal Affairs. A meeting was held regarding the duties and responsibilities of this position with the employee and training and routine reporting have/will be implemented. At the point of the purchase order, the Fixed Asset Custodian will be notified of equipment to be received and communication will be improved.

**DENMARK TECHNICAL COLLEGE
DENMARK, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

C. Major Federal Award Findings

Finding 2017-2 Finding Related to Compliance and Internal Controls over Compliance

U.S. Department of Education Title IV funds under CFDA#'s:

| | |
|---|------------------|
| 84.007 – Federal Supplemental Educational Opportunity Grants | 2016-2017 |
| 84.033 – Federal Work-Study Program | 2016-2017 |
| 84.063 – Federal Pell Grant Program | 2016-2017 |
| 84.268 – Federal Direct Student Loans | 2016-2017 |

Title IV Funds not returned to the Department of Education within the 45 days of the last date of attendance as determined by the College.

Criteria: Returns of Title IV funds are required to be deposited or transferred into the SFA account or electronic funds transfer initiated to ED as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew.

An institution must determine the withdrawal date for a student who withdraws without providing notification to the institution no later than 30 days after the end of the earlier of the (1) payment period or period of enrollment, (2) academic year in which the student withdrew, or (3) educational program from which the student withdrew.

Condition: We tested 10 percent of the list provided of students withdrawing during the period for the calculation and timing of the return of the Title IV funds due back to ED. Five students were tested. The sampling was a statistically valid sample. The calculation of the return of funds was correct. For two of the five tested, the return of funds was made beyond the 45 day requirement.

Effect: Return of Title IV funds not done within the required timeframe.

Cause: Unknown

Known or questioned costs: None.

Recommendation: The College should take care in processing the return of Title IV funds in a timely manner.

College's response and corrective action plan:

There was a lack of communication between the business office and registrar's office regarding these two students. The business office had not been informed that the two students had withdrawn. A copy of this finding will be given to both offices for each to implement procedures that will assure this will not occur in the future. It is important to note that this is a slight improvement from last year's finding similar to this.

**DENMARK TECHNICAL COLLEGE
DENMARK, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

C. Major Federal Award Findings (continued)

Finding 2017-3 Finding Related to Compliance and Internal Controls over Compliance

U.S. Department of Education Title IV funds under CFDA#'s:

| | |
|---|------------------|
| 84.007 – Federal Supplemental Educational Opportunity Grants | 2016-2017 |
| 84.033 – Federal Work-Study Program | 2016-2017 |
| 84.063 – Federal Pell Grant Program | 2016-2017 |
| 84.268 – Federal Direct Student Loans | 2016-2017 |

Return of Title IV Funds calculations not correct.

Criteria: The amount of earned Title IV grant and loan assistance is calculated by determining the percentage of Title IV grant or loan assistance that has been earned by the student and applying that percentage to the total amount of Title IV grant or loan assistance that was or could have been disbursed to the student for the payment period as of the student's withdrawal date.

Condition: We tested 20 percent of the list provided of students withdrawing during the period for the calculation and timing of the return of the Title IV funds due back to ED. Ten students were tested. The sampling was a statistically valid sample. The calculation of the earned/unearned charges for 3 of 10 were incorrect.

Effect: Return of Title IV funds calculations were not correct.

Cause: The number of days completed per the Department of Education worksheet calculation was not consistent with the number of days completed in Datatel. Institutional charges per the Department of Education worksheet calculation was not consistent with institutional charges in Datatel. There were errors in calculating the return of Title IV funds.

Known or questioned costs: None.

Recommendation: The person calculating the return of Title IV funds, the person entering the data into Datatel, and the person setting up the parameters in Datatel should all coordinate to ensure the payment period information, institutional charges, and other data used in the calculations are correct and consistent. The paper document showing the calculation of the returns of Title IV funds should correspond with the calculations in Datatel. Student account statements should reflect the correct adjustments based on the calculations.

College's response and corrective action plan: Personnel have a plan in place to coordinate with each other to ensure the data is consistent and that calculations are correct. This will be done immediately to be sure the withdrawals for the current semester are handled correctly.

**DENMARK TECHNICAL COLLEGE
DENMARK, SOUTH CAROLINA
SUMMARY SCHEDULE FOR PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

Finding 2016-1 Material Audit Adjustments

Condition: The College's unadjusted financial statements reported material and significant misstatements in student accounts receivable, grant receivables, unearned revenues, liabilities, and the corresponding revenues and expenses.

Recommendation: The College should evaluate the process used to close the monthly and year-end accounting records to insure an accurate and timely close-out process. The College should have procedures in place to assure the proper recording of student accounts receivable, grant receivables, unearned revenues, liabilities, and the corresponding revenues and expenses. Reconciliations should be performed monthly to underlying supporting documentation. Differences should be investigated and corrections and adjustments made as necessary.

Current Status: This condition has not been corrected. 2017-1

FINDINGS RELATED TO COMPLIANCE – ADDITIONAL COMPLIANCE AUDIT UNDER TITLE IV

Finding 2016-2 Title IV Funds Not Returned to the Department of Education Within 45 Days of the Last Date of Attendance Determined by the College.

Condition: We tested ten percent of the list provided of students withdrawing during the period for the calculation and timing of the return of the Title IV funds due back to ED. Five students were tested. The sampling was a statistically valid sample. The calculation of the return of funds was correct. For three of the five tested, the return of funds was made beyond the 45 day requirement.

Recommendation: The College should have an alternate or back-up individual qualified and authorized to calculate and process the return of Title IV funds in case of an extended absence of the responsible staff member.

Current Status: This condition has not been corrected. 2017-2.

Finding 2016-3 Finding Related to Compliance and Internal Controls over Compliance

All Federal Grants – CFDA#'s listed on the 2015 Schedule of Expenditures of Federal Awards

Condition: The June 30, 2015 Data Collection Form reporting package was not filed or accepted within nine months after the end of the June 30, 2015 audit period.

Recommendation: The College should have a responsible party within the College to insure the filing requirements have been met.

Current Status: This condition has been corrected.

| | | | | | | | | |
|--|------------------------|----------------------|-----------------------|-----------------------|----------------------|-------------------|--|--|
| C.C. McGregor, CPA 1906–1968 | PARTNERS | | | | ASSOCIATES | | | |
| | W.C. Stevenson, CPA | D.L. Richardson, CPA | D.K. Strickland, CPA | V.K. Laroche, CPA | G.P. Davis, CPA | H.S. Mims, CPA | | |
| | B.T. Kight, CPA | E.C. Inabinet, CPA | J.P. McGuire, CPA | G.N. Mundy, CPA | H.J. Darver, CPA | T. Solorzano, CPA | | |
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| | M.J. Binnicker, CPA | H.D. Brown, Jr, CPA | | S. Wo, CPA | F.C. Gillam, Jr, CPA | | | |
| | W.W. Francis, CPA | L.B. Salley, CPA | | C.D. Hincee, CPA | M.L. Goode, CPA | | | |

INDEPENDENT AUDITOR’S REPORT ON STATE LOTTERY TUITION ASSISTANCE

To the SC State Board for Technical
and Comprehensive Education
Denmark Technical College
Denmark, South Carolina

As a part of our examination of the financial statements of Denmark Technical College as of and for the year ended June 30, 2017, we reviewed the administrative procedures and internal control related to the State Lottery Tuition Assistance Program to determine that the College administered the program in accordance with State law and Policy 3-2-307 and Procedure 3-2-307.1 of the State Board for Technical and Comprehensive Education.

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

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

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

During our testing of Title IV return of funds calculations, we noted one instance where a student was awarded SC Lottery Assistance after the student had withdrawn. SC Lottery Tuition Assistance cannot be awarded after a student has withdrawn.

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

**INDEPENDENT AUDITOR'S REPORT ON
STATE LOTTERY TUITION ASSISTANCE**
(continued)

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

McAregor and Company, L.L.P.

Orangeburg, South Carol
October 5, 2017