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Audited Financial Statements and Other Financial Information Year Ended June 30, 2017 With Independent Auditors' Report

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Audited Financial Statements and Other Financial Information
Year Ended June 30, 2017
With
Independent Auditors' Report

PIEDMONT TECHNICAL COLLEGE

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PIEDMONT TECHNICAL COLLEGE
Organizational Information
June 30, 2017

<u>PIEDMONT TECHNICAL EDUCATION COMMISSION</u>	<u>Office</u>	<u>Term Expires</u>	<u>County Represented</u>
H. George Piersol, II	Chairman	2017*	Newberry
Jane J. Herlong	Vice Chairman	2017*	Edgefield
Cherry Houston Brown	Secretary	2019	McCormick
Y.J. Ahn	Member	2020	Greenwood
J. Richard Cain	Member	2018	Laurens
George P. Cone, Jr., MD	Member	2021	Greenwood
William P. Garrett	Member	2019	Laurens
Peter J. Manning	Member	2018	Greenwood
Rufus C. Sherard	Member	2018	Abbeville
Vacant	Member	2017**	Greenwood
William A. Whitfield	Member	2015*	Saluda
Thelma Woody	Member	2018	Abbeville

*awaiting reappointment by the Governor
**recommendation of a new commissioner by the Legislative delegation pending, followed by appointment by the Governor

KEY ADMINISTRATIVE STAFF

L. Rayburn Brooks, Ed.D.	President
K. Paige Childs, CPA, CGMA	Vice President of Business and Finance
Jack Bagwell, Ph.D.	Vice President for Academic Affairs

AREA SERVED BY THE COMMISSION

Counties of: Abbeville, Edgefield, Greenwood, Laurens, McCormick, Newberry and Saluda

ENTITIES PROVIDING FINANCIAL SUPPORT FOR THE INSTITUTION

Counties of: Abbeville, Edgefield, Greenwood, Laurens, McCormick, Newberry, and Saluda
S.C. State Fiscal Accountability Authority
U.S. Department of Education
U.S. Department of Labor
National Science Foundation

THE BRITTINGHAM GROUP, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

501 STATE STREET
POST OFFICE BOX 5949
WEST COLUMBIA, SOUTH CAROLINA 29171

PHONE: (803) 739-3090

FAX: (803) 791-0834

INDEPENDENT AUDITORS' REPORT

Members of the Area Commission for Piedmont Technical College
Piedmont Technical College
620 North Emerald Road
Greenwood, South Carolina 29648

Report on Financial Statements

We have audited the accompanying financial statements of the business type activities of Piedmont Technical College (the "College"), 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 the College's basic financial statements as listed in the table of contents. We did not audit the financial statements of Piedmont Technical College Foundation, (a discretely presented component unit). The Piedmont Technical College Foundation reflects 100% of total assets, 100% of net position, and 100% of total revenues of the discretely presented component unit.

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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Piedmont Technical College Foundation, which represent 100% of total assets, 100% of net position, and 100% of total revenues of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Piedmont Technical College Foundation, is based solely on the report of the other auditors. 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. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 College'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 College'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 financial statement 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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit, of the College, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, The Schedule of Proportionate Share of the South Carolina Retirement Systems Net Pension Liabilities, and The Schedule of Retirement Systems Contributions on pages 4-11 and 36-38 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 the College's basic financial statements. The Schedule of Reconciliation of Revenues and Cash Reimbursements Received from State Board and the Schedule of Local Government Support are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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, the Schedule of Reconciliation of Revenues and Cash Reimbursements Received from State Board, and the Schedule of Local Government Support are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards, the Schedule of Reconciliation of Revenues and Cash Reimbursements Received from State Board and the

Schedule of Local Government Support are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2017, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

The Brittingham Group LLP

West Columbia, South Carolina
September 12, 2017



P.O. Box 1467 • Greenwood, South Carolina 29648-1467 • Telephone: (864) 941-8324 • Fax (864) 941-8669 • Web site: www.ptc.edu

MANAGEMENT'S DISCUSSION AND ANALYSIS

We present Management's Discussion and Analysis of the College's financial performance during the fiscal year ended June 30, 2017 to assist the reader in understanding the College's operations. This discussion should be read in conjunction with the College's basic financial statements, the component unit's financial statements and the accompanying note disclosures.

Financial Highlights

- The assets of Piedmont Technical College exceeded its liabilities at June 30, 2017 by \$17,462,515. Of this amount, \$11,766,535 may be used to meet the College's ongoing obligations. The College's net pension liability is not a legal obligation, and the South Carolina Retirement System (SCRS) does not have recourse to collect the College's net pension liability of \$32,534,680 shown on the College's Statement of Net Position.
- The College's total net position increased from the beginning net position by \$1,869,386 or 12%. Capital projects during the fiscal year ended June 30, 2017 included the completion of renovations to the Student Enrollment Center. Students may visit one centralized location to receive assistance with Admissions, Advising, Financial Aid, Testing, and other services critical to their success. Renovations for Phase III of the Laurens Center for Advanced Manufacturing continued this fiscal year to add a classroom and two additional labs. Additionally, parking lots were resurfaced on the Greenwood Campus.
- The College experienced an operating loss of \$22,253,041 as reported in the Statement of Revenues, Expenses, and Changes in Net Position. However, this operating loss was offset by state appropriations of \$8,268,954, county appropriations of \$2,300,238, federal grants of \$11,113,028, capital appropriations and contributions of \$2,357,670, and other non-operating revenues.

Overview of the Financial Statements

The College is engaged only in Business-Type Activities (BTA) financed in part by fees charged to students for educational services. Accordingly, its activities are reported using the three financial statements required for proprietary funds: Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows.

The Statement of Net Position presents the financial position of the College at the end of the fiscal year and classifies assets and liabilities into current and non-current components. GASB codification allows for Statement of Net Position categories entitled "deferred outflows of resources" and "deferred inflows of resources", considered neither assets nor liabilities, but in limited circumstances affect in which fiscal year certain financial accruals of actual or potential transactions are recorded. Deferred inflows and outflows are recorded this year in relation to pension liabilities. The difference between total assets and deferred outflows less total liabilities and deferred inflows is net position, which is displayed in three broad categories: invested in capital assets (net of related debt), restricted, and unrestricted. Net Position is one indicator of the current financial condition of the College, while the change in net position is an indicator that the overall financial condition has improved or worsened during the year.

The Statement of Revenues, Expenses, and Changes in Net Position is a statement that presents the College's results of operations. Revenues and expenses are categorized by operating and non-operating, and expenses are reported by natural classification.

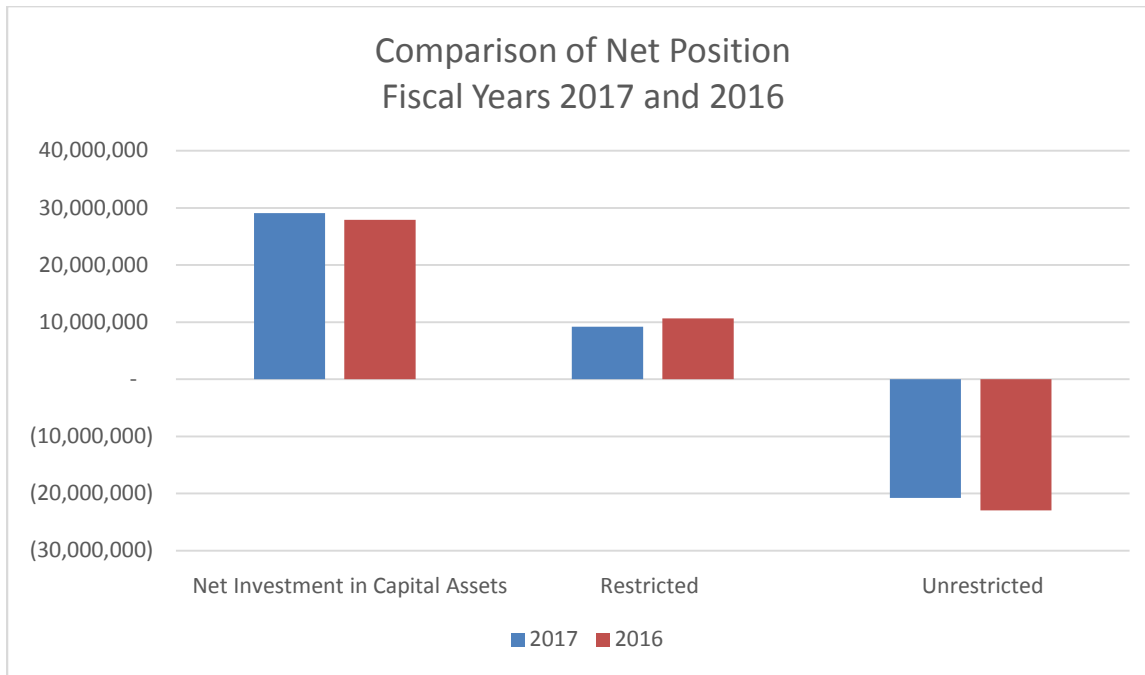
The Statement of Cash Flows will aid readers in identifying the sources and uses of cash by the major categories of operating, non-capital financing, capital and related financing, and investing activities. This statement also emphasizes the College's dependence on state appropriations, county appropriations, and grants by separating them from operating cash flows. As a result of reporting the non-cash related net pension liability, noted above, the Statement of Cash Flows will take on increased importance as an indicator of the College's financial viability. The current Statement of Cash Flows will remain more directly comparable to future fiscal year presentations, since annual changes in the net pension liability, net of contributions, will be a non-cash entry, unless changed by the SC legislature.

Governmental Accounting Standard Board (GASB) Statement 77, Tax Abatement Disclosures, is effective for fiscal year ended June 30, 2017. Tax abatements are a reduction in tax revenues resulting from an agreement between one or more governments and an individual or entity. Since the college does receive support from four counties in the form of millage, the college is required to disclose relevant tax abatement data. In the fiscal year ended June 30, 2015, the College implemented GASB Statement 68, Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27). The implementation of this statement required the College to record a portion of the net pension liability of the SCRS, and its effect on the College's unrestricted net position. The change in pension liability that the college has to report is calculated based on results from the State's prior fiscal year end or measurement period.

As reported by the South Carolina Public Employee Benefit Authority (PEBA) in a recent memorandum, a plan's Net Pension Liability (NPL) is determined by reducing its total pension liability by its fiduciary net position. Total pension liability is defined by GASB as the portion of the actuarial present value of projected benefit payments that is attributed to past periods of member service in conformity with the requirements of GASB 67. Total pension liability may be impacted annually by the cost of service accrued by participants, interest accrued on the liability, the impact of benefit and assumption changes, the cost of benefit payments, and the difference between expected and actual plan experience. The most significant impact on a plan's fiduciary net position relates to the rate of return on its investments. Consequently, significant fluctuations in the market value of investments substantially affect the fiduciary net position component of the NPL calculation, and as a result, cause a direct change in the NPL. Investments earned (.47)% during the plan year ended June 30, 2016; thus, the market value of the SCRS and Police Officers' Retirement System's (PORS) investments decreased slightly. This resulted in negative cash flows because net investment income plus other plan additions (contributions) were not substantial enough to offset plan deductions (benefit payments and administrative costs). Accordingly, SCRS and PORS experienced an overall decrease in plan fiduciary net position for the fiscal year ended June 30, 2016. This change, coupled with the annual increase in the total pension liability, led to a \$2.39 billion and \$357 million increase in the NPL for SCRS and PORS, respectively, for the measurement period ended June 30, 2016.

As previously communicated by PEBA, the financial reporting changes required by GASB 68 are likely to result in increased volatility in an employers' reported proportionate share of the NPL from one year to the next. Regardless of the NPL reported on the employer's financial statements, the employer is responsible only for making the contributions required by state law during any given year. Employers cannot pay down or pay off their proportionate share of the NPL because SCRS and PORS are multiple employer, cost-sharing defined benefit plans.

Financial Analysis of the College as a Whole



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

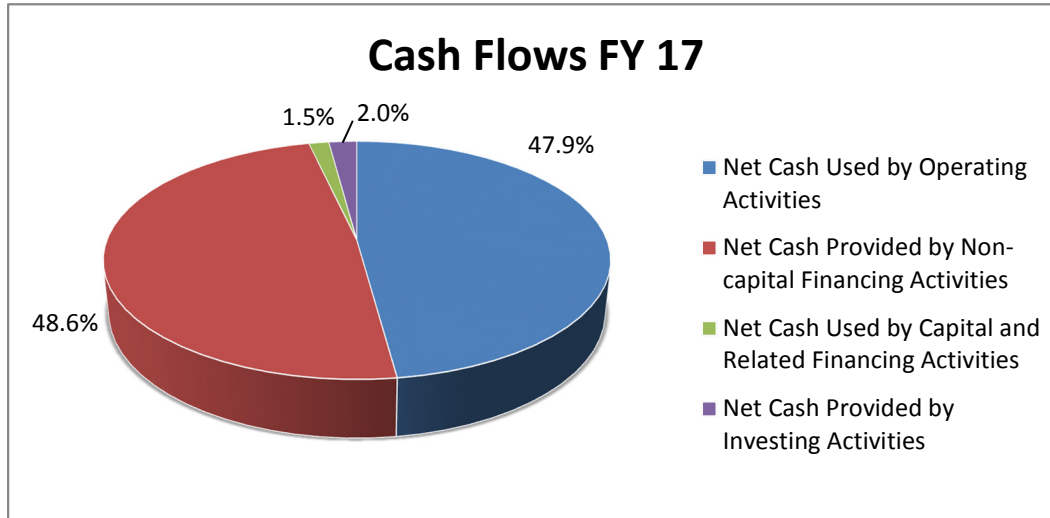
**Net Position as of June 30
(in millions)**

	<u>FY 2017</u>	<u>FY 2016</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
Current Assets	\$ 24.3	\$ 23.5	\$ 0.8	3.4%
Noncurrent Capital Assets, Net	29.0	27.9	1.1	3.9%
Deferred Outflows - Pension Liability	5.3	2.6	2.7	103.8%
Total Assets and Deferred Outflows of Resources	<u>58.6</u>	<u>54.0</u>	<u>4.6</u>	<u>8.5%</u>
Current Liabilities	2.7	3.0	(0.3)	-10.0%
Non-Current Liabilities	36.5	35.1	1.4	4.0%
Deferred Inflows - Pension Liability	2.0	0.3	1.7	566.7%
Total Liabilities and Deferred Inflows of Resources	<u>41.2</u>	<u>38.4</u>	<u>2.8</u>	<u>7.3%</u>
Net Position:				
Invested in Capital Assets	29.0	27.9	1.1	3.9%
Restricted	9.2	10.6	(1.4)	-13.2%
Unrestricted - Unfunded Pension Obligation	(32.5)	(31.8)	(0.7)	2.2%
Unrestricted - Other	11.8	8.9	2.9	32.6%
Total Net Position	<u>\$ 17.5</u>	<u>\$ 15.6</u>	<u>\$ 1.9</u>	<u>12.2%</u>

The College's Statement of Net Position (page 12), is presented on an accrual basis of accounting where capital assets are recorded and depreciated. Total net position at June 30, 2017 increased to \$17.5 million from \$15.6 million in fiscal year 2016. The Statement of Net Position provides a snapshot of the College's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at the end of the fiscal year; and may serve over time as a useful indicator of an entity's financial position.

Cash Flows

The Statement of Cash Flows is the final statement to be presented. It provides detailed information about the cash activities of the College during the fiscal 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. The statement shows a net use of cash in the section "Cash Flows from Operating Activities" due to the College's dependence on state and local appropriations.



The following schedule is a summary of the College's operating results for the fiscal year:

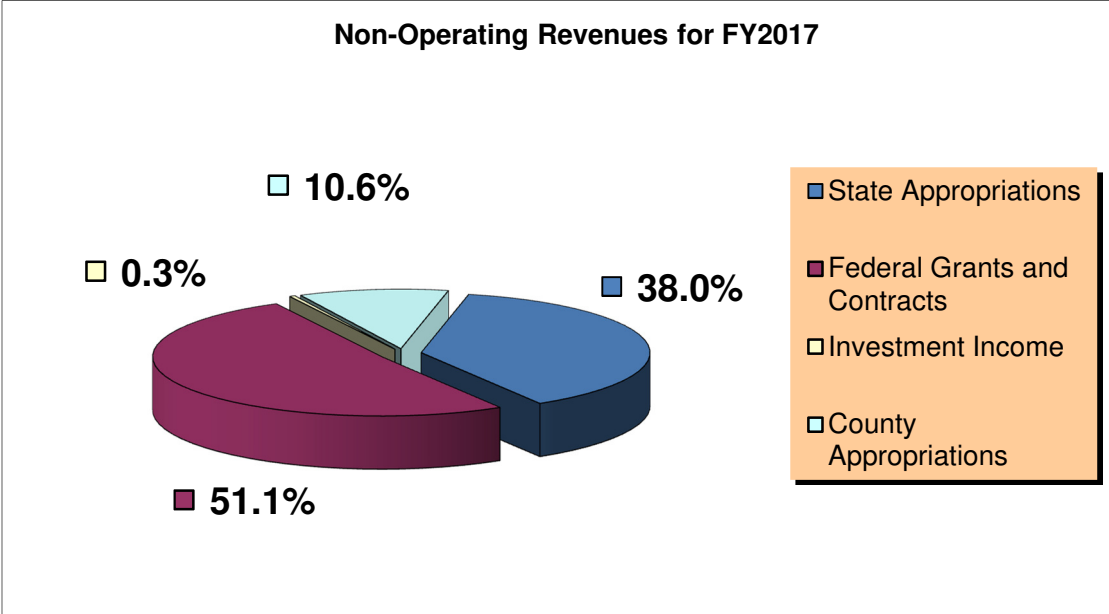
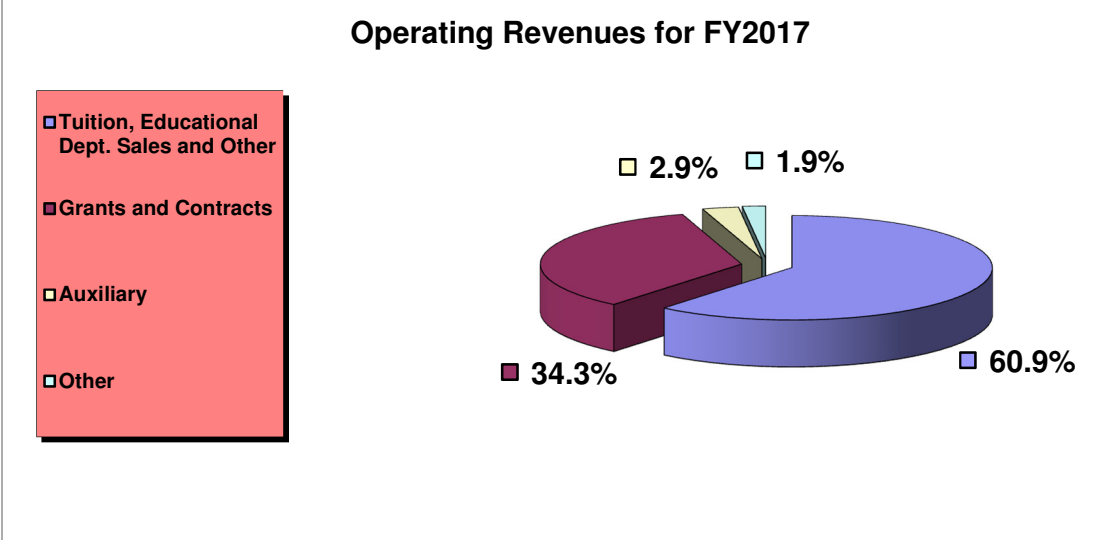
Operating Results (in millions)	FY 2017	FY 2016	Increase/ (Decrease)	Percent Change
Operating Revenue				
Student Tuition and Fees	\$ 11.8	\$ 11.3	\$ 0.5	4.4%
Grants and Contracts	6.6	7.3	(0.7)	-9.6%
Auxiliary Enterprises	0.6	0.6	-	0.0%
Other	0.4	0.4	-	0.0%
Total Operating Revenues	<u>19.4</u>	<u>19.6</u>	<u>(0.2)</u>	<u>-1.0%</u>
Less Operating Expenses	<u>(41.6)</u>	<u>(42.9)</u>	<u>1.3</u>	<u>-3.0%</u>
Net Operating Loss	<u>(22.2)</u>	<u>(23.3)</u>	<u>1.1</u>	<u>-4.7%</u>
Non-Operating Revenue				
State Appropriations	8.3	7.7	0.6	7.8%
Local Appropriations	2.3	2.3	-	0.0%
Federal Grants and Contracts	<u>11.2</u>	<u>12.5</u>	<u>(1.3)</u>	<u>-10.4%</u>
Total Non-Operating Revenue	<u>21.8</u>	<u>22.5</u>	<u>(0.7)</u>	<u>-3.1%</u>
Income Before Other Revenues, Expenses, Gains or Losses	(0.5)	(0.8)	0.3	-37.5%
Other Revenues, Expenses, Gains or Losses	2.4	0.4	2.0	500.0%
Net Position, Beginning of Year	<u>15.6</u>	<u>16.0</u>	<u>(0.4)</u>	<u>-2.5%</u>
Net Position, End of Year	<u>\$ 17.5</u>	<u>\$ 15.6</u>	<u>\$ 1.9</u>	<u>12.2%</u>

A large portion of the revenue included in the Federal Grants and Contracts category represents student financial assistance, which is used to pay tuition and fees for students to attend the College. An

approximation of tuition and fees paid from this source of funds has been recognized as a reduction of tuition and fees in the form of scholarship allowances, in order to eliminate duplication of revenues.

The following are graphic illustrations of revenues by source:

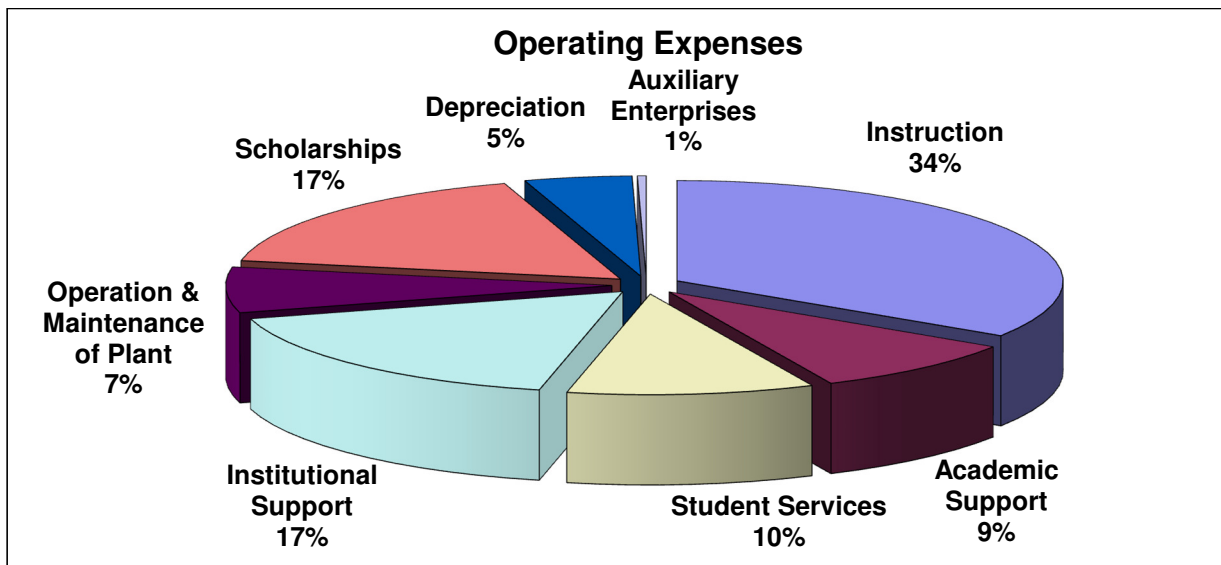
Revenues by Source



Overall operational expenditures decreased three percent for the current fiscal year. The decrease is a result of the College's continued efforts to manage costs while providing our students the best educational environment possible through improved instruction, student services, programs and information technology needs.

Operating Expense (in millions)				
	<u>FY 2017</u>	<u>FY 2016</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
Operating Expense				
Instruction	\$ 14.2	\$ 15.3	\$ (1.1)	-7.2%
Academic Support	3.7	3.7	-	0.0%
Student Services	4.3	4.4	(0.1)	-2.3%
Operation and Maintenance	3.1	3.4	(0.3)	-8.8%
Instructional Support	7.1	6.2	0.9	14.5%
Scholarships	7.1	7.8	(0.7)	-9.0%
Auxiliary Enterprises	0.2	0.2	-	0.0%
Depreciation	1.9	1.9	-	0.0%
Total Operating Expense	<u>\$ 41.6</u>	<u>\$ 42.9</u>	<u>\$ (1.3)</u>	<u>-3.0%</u>

The following is a graphic illustration of operating expenses:



In excess of \$22,242,537 or 53%, of the College's operating expenses occurred in the instruction, student and academic support classifications.

For your review, a comparative example of the Statement of Net Position before and after the GASB 68 revisions is presented below:

**Condensed Statement of Net Position
June 30, 2017**

ASSETS	Current	Prior to GASB 68*
Current Assets	\$ 24,293,564	\$ 24,293,564
Non-Current Assets	29,055,742	29,055,742
Total Assets	<u>53,349,306</u>	<u>53,349,306</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>5,292,419</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>58,641,725</u>	<u>53,349,306</u>
LIABILITIES		
Current Liabilities	2,677,432	2,677,432
Non-Current Liabilities	36,472,938	674,679
Total Liabilities	<u>39,150,370</u>	<u>3,352,111</u>
DEFERRED INFLOWS OF RESOURCES	<u>2,028,840</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	<u>41,179,210</u>	<u>3,352,111</u>
NET POSITION		
Net Investment in Capital Assets	29,055,742	29,055,742
Restricted: Expendable Plant Funds	9,174,918	9,174,918
Unrestricted - Unfunded Pension Obligation	(32,534,680)	-
Unrestricted - Other	11,766,535	11,766,535
Total Net Position	<u>\$ 17,462,515</u>	<u>\$ 49,997,195</u>

*This column is for illustrative purposes only.

Economic Factors

Student enrollment declined by approximately seven percent for the fiscal year ended 2017, while the College continued to offer competitive tuition rates. The financial position and fiscal stability during 2016-2017 remained strong, and management will work to ensure the College's continued financial health. The College is well positioned to maintain and provide adequate resources to successfully serve its students. A continued decline in enrollment is anticipated for the 2017-2018 academic year, and the College is adjusting accordingly. Also, as noted with the implementation of GASB 68, agencies were required to recognize their proportionate share of the State's net pension liability beginning with fiscal years ending June 30, 2015. As a result of this pronouncement, the College's net position now reflects an unfunded pension obligation of \$32.5 million.

Component Units

Piedmont Technical College includes the financial statements of the Piedmont Technical College Foundation within the financials of the College in accordance with GASB Statement No. 34, paragraph 10. Financial statements for the Foundation can be obtained by mailing a request to Piedmont Technical College Foundation, P.O. Box 1467, Greenwood, SC, 29648.

Sincerely,

Dr. Luther R. Brooks
President

K. Paige Childs, CPA, CGMA
Vice President of Business and Finance

Wendy Hughes, CGFO
Controller

PIEDMONT TECHNICAL COLLEGE
Statement of Net Position
June 30, 2017
(with comparative amounts for the year ended June 30, 2016)

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents (Note 1)	\$ 17,112,266	\$ 16,533,505
Certificates of Deposit (Note 3)	5,246,054	6,098,955
Accounts Receivable (Note 4)	1,811,577	785,185
Prepaid Expense	123,667	71,288
Total Current Assets	24,293,564	23,488,933
NON-CURRENT ASSETS		
Non-depreciable Capital Assets (Note 5)	1,644,821	1,912,400
Capital Assets, Net of Accumulated Depreciation (Note 5)	27,410,921	25,989,812
Total Non-Current Assets	29,055,742	27,902,212
Total Assets	53,349,306	51,391,145
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows - Pension Liability (Note 6)	5,292,419	2,648,531
Total Assets and Deferred Outflows of Resources	58,641,725	54,039,676
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable (Note 11)	723,089	1,041,184
Accrued Compensated Absences - Current Portion (Note 12)	542,413	543,780
Unearned Revenue	1,411,930	1,471,933
Total Current Liabilities	2,677,432	3,056,897
NON-CURRENT LIABILITIES		
Accrued Compensated Absences (Note 12)	674,679	876,257
Pension Liability	35,798,259	34,234,489
Total Non-Current Liabilities	36,472,938	35,110,746
Total Liabilities	39,150,370	38,167,643
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows - Pension Liability (Note 6)	2,028,840	278,904
Total Liabilities and Deferred Inflows of Resources	41,179,210	38,446,547
NET POSITION		
Net Investment in Capital Assets	29,055,742	27,902,212
Restricted for:		
Expendable:		
Plant Funds	9,174,918	10,643,092
Unrestricted - Unfunded Pension Obligation	(32,534,680)	(31,864,862)
Unrestricted - Other	11,766,535	8,912,687
Total Net Position	\$ 17,462,515	\$ 15,593,129

See Accompanying Notes

PIEDMONT TECHNICAL COLLEGE
Non-Governmental Discretely Presented Component Unit
Statement of Financial Position
Piedmont Technical College Foundation
June 30, 2017
(with comparative amounts for the year ended June 30, 2016)

ASSETS

	2017	2016
Current Assets		
Cash and Cash Equivalents	\$ 157,605	\$ 245,472
Investments	3,349,893	2,805,776
Pledges Receivable, Net	26,650	26,650
Accounts Receivable	1,375	3,520
Bequests Receivable	-	300,000
Total Current Assets	3,535,523	3,381,418
Property and Equipment, Net	3,155,531	3,423,979
Other Assets		
Endowment Investments	999,256	936,493
Pledges Receivable, Net	29,310	55,997
Cash Surrender Value of Life Insurance	418,455	403,439
Total Other Assets	1,447,021	1,395,929
Total Assets	\$ 8,138,075	\$ 8,201,326

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts Payable and Accrued Liabilities	\$ 13,527	\$ 11,214
Current Portion of Notes Payable	-	9,709
Income Taxes Payable	772	589
Total Current Liabilities	14,299	21,512
Total Liabilities	14,299	21,512
Net Assets		
Unrestricted	5,928,036	5,808,190
Temporarily Restricted	1,196,484	1,435,131
Permanently Restricted	999,256	936,493
Total Net Assets	8,123,776	8,179,814
Total Liabilities and Net Assets	\$ 8,138,075	\$ 8,201,326

See Accompanying Notes

PIEDMONT TECHNICAL COLLEGE
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2017
(with comparative amounts for the year ended June 30, 2016)

	2017	2016
OPERATING REVENUES		
Student Tuition and Fees (Net of Scholarship Allowances of \$9,205,750)	\$ 11,792,097	\$ 11,290,711
Federal Grants and Contracts	1,333,363	1,803,273
State Grants and Contracts	5,220,213	5,468,504
Non-Governmental Contracts	89,326	38,873
Auxiliary Enterprises	560,762	595,442
Other Operating Revenues	359,870	411,806
Total Operating Revenues	19,355,631	19,608,609
OPERATING EXPENSES		
Salaries	17,357,739	17,895,474
Benefits - Other	3,871,239	3,959,685
Benefits - Pension	2,542,365	2,425,237
Scholarships (Net of Scholarship Allowances of \$9,205,750)	7,147,970	7,819,024
Utilities	833,421	915,927
Supplies and Other Services	7,982,525	8,026,464
Depreciation	1,873,413	1,876,999
Total Operating Expenses	41,608,672	42,918,810
Operating Loss	(22,253,041)	(23,310,201)
NON-OPERATING REVENUES (EXPENSES)		
State Appropriations	8,268,954	7,744,607
County Appropriations	2,300,238	2,294,396
Federal Grants and Contracts	11,113,028	12,415,367
Interest Income	82,537	54,250
Net Non-operating Revenues	21,764,757	22,508,620
Change in Net Position Before Capital Appropriations and Contributions	(488,284)	(801,581)
State Capital Appropriations	2,058,370	378,283
Other Capital Appropriations and Contributions	299,300	-
Total Capital Appropriations and Contributions	2,357,670	378,283
Increase (Decrease) in Net Position	1,869,386	(423,298)
Net Position - Beginning of Year	15,593,129	16,016,427
Net Position - End of Year	\$ 17,462,515	\$ 15,593,129

See Accompanying Notes

PIEDMONT TECHNICAL COLLEGE
Non-Governmental Discretely Presented Component Unit
Statement of Activities
Piedmont Technical College Foundation
For the Year Ended June 30, 2017
(with comparative amounts for the year ended June 30, 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Combined Total 2017	Summary Total 2016
Revenues, Gains, and Other Support					
Contributions	\$ 81,846	\$ 314,619	\$ 53,168	\$ 449,633	\$ 665,850
Investment Income	220,834	112,792	1,825	335,451	(50,522)
Special Events					
Golf Tournament Income	39,025	-	-	39,025	40,917
In-kind Contributions	51,084	-	-	51,084	55,464
Distance Learning Revenue	398,400	-	-	398,400	351,700
Rental Income	90,005	-	-	90,005	90,005
Other Income	15,045	-	-	15,045	24,156
Reclassification of Donor Intent	-	(7,770)	7,770	-	-
Net Assets Released from Restrictions	660,453	(660,453)	-	-	-
Total Revenues, Gains, and Other Support	<u>1,556,692</u>	<u>(240,812)</u>	<u>62,763</u>	<u>1,378,643</u>	<u>1,177,570</u>
Expenses					
Program Services					
Distance Learning Program	128,052	-	-	128,052	53,052
Scholarships and Grants	740,200	-	-	740,200	343,689
Other Program Services	112,143	-	-	112,143	104,971
Total Program Services	<u>980,395</u>	<u>-</u>	<u>-</u>	<u>980,395</u>	<u>501,712</u>
Support Services					
Management and General	257,997	-	-	257,997	428,868
Fundraising	-	-	-	-	3,923
Total Support Services	<u>257,997</u>	<u>-</u>	<u>-</u>	<u>257,997</u>	<u>432,791</u>
Other Income and Expenses					
Impairment Charge on Land	196,289	-	-	196,289	-
Total Other Income and Expenses	<u>196,289</u>	<u>-</u>	<u>-</u>	<u>196,289</u>	<u>-</u>
Total Expenses	<u>1,434,681</u>	<u>-</u>	<u>-</u>	<u>1,434,681</u>	<u>934,503</u>
Change in Net Assets	122,011	(240,812)	62,763	(56,038)	243,067
Net Assets - Beginning of Year	5,806,025	1,437,296	936,493	8,179,814	7,936,747
Net Assets - End of Year	<u>\$ 5,928,036</u>	<u>\$ 1,196,484</u>	<u>\$ 999,256</u>	<u>\$ 8,123,776</u>	<u>\$ 8,179,814</u>

See Accompanying Notes

PIEDMONT TECHNICAL COLLEGE

Statement of Cash Flows

For the Year Ended June 30, 2017

(with comparative amounts for the year ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees	\$ 11,648,793	\$ 11,160,303
Federal, State and Local Grants and Contracts	5,699,810	7,566,443
Auxiliary Enterprise Charges	560,762	595,442
Other Receipts	359,870	411,807
Payments to Vendors	(22,078,175)	(25,145,484)
Payments to Employees	(17,560,685)	(15,004,598)
Student Loan Receipts from Lenders	15,339,777	16,733,435
Disbursements to Students on Behalf of Lenders	<u>(15,339,777)</u>	<u>(16,733,435)</u>
Net Cash Used by Operating Activities	<u>(21,369,625)</u>	<u>(20,416,087)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State Appropriations	8,268,954	7,744,607
County Appropriations	2,300,238	2,294,396
State, Local and Federal Grants, Gifts and Contracts - Non-Operating	11,113,028	12,415,367
Net Cash Provided by Non-capital Financing Activities	<u>21,682,220</u>	<u>22,454,370</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Federal, State and Other Grants for Capital	2,357,670	378,283
Purchase of Capital Assets	<u>(3,026,943)</u>	<u>(2,301,445)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(669,273)</u>	<u>(1,923,162)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income	82,537	54,250
Purchase of Certificates of Deposit	(56,098)	(150,241)
Proceed from Maturity of Certificates of Deposit	909,000	126,496
Net Cash Provided by Capital and Related Financing Activities	<u>935,439</u>	<u>30,505</u>
Net Change in Cash and Cash Equivalents	578,761	145,626
Cash - Beginning of Year	16,533,505	16,387,879
Cash - End of Year	<u>\$ 17,112,266</u>	<u>\$ 16,533,505</u>
Reconciliation of Net Operating Revenue (Expenses) to Net Cash Used by Operating Activities:		
Operating Loss	\$ (22,253,041)	\$ (23,310,201)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities		
Depreciation Expense	1,873,413	1,876,999
Change in Assets and Liabilities		
Receivables, Net	(1,026,392)	430,931
Prepaid Expense	(52,379)	(870)
Changes in Pension Related Items	669,817	620,455
Accounts Payable	(318,095)	282,518
Accrued Compensated Absences	(202,945)	(10,375)
Unearned Revenue	<u>(60,003)</u>	<u>(305,544)</u>
Net Cash Used by Operating Activities	<u>\$ (21,369,625)</u>	<u>\$ (20,416,087)</u>

See Accompanying Notes

PIEDMONT TECHNICAL COLLEGE

Notes to Financial Statements

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Operations

Piedmont 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 Greenwood, Abbeville, McCormick, Saluda, Laurens, Newberry and Edgefield counties. Included in this range of programs are technical and occupational associate degree, diploma and certificate curricula that are consistent with the needs of employers in the College's service area. As an integral part of this mission, the College provides a program of continuing education designed to satisfy the occupational demands of employers through retraining and upgrading the skills of individual employees. The College also provides a variety of developmental education programs, support services and offerings to assist students in meeting their personal and professional educational objectives.

B. Reporting Entity

The financial reporting entity, as defined by the Governmental Accounting Standards Board (GASB) consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete. Accordingly, the financial statements include the accounts of Piedmont Technical College, a non-major discretely presented component unit of the state of South Carolina, and the accounts of Piedmont Technical College Foundation (the "Foundation"), its discretely presented component unit.

The Foundation is a legally separate, tax-exempt organization with a self-perpetuating Board of Directors. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The Foundation's board is composed of members from the College's seven county region. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests is restricted by the donors to benefiting the College or its students. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a discretely presented component unit of the College. The Foundation's financial information is presented in separate financial statements because of the difference in its reporting model, as further described below.

The Foundation is a private not-for-profit organization that reports its financial results under guidance issued by the Financial Accounting Standards Board (FASB) through its Accounting Standards Codification (ASC). Under this guidance, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The financial information has been obtained from the Foundation and presented for the same periods. Significant note disclosures to the Foundation's financial statements have been incorporated into the College's notes.

A complete set of the financial statements for the Foundation can be obtained by mailing a request to Piedmont Technical College Foundation, P.O. Box 1467, Greenwood, SC, 29648.

C. Financial Statements

The financial statement presentation for the College meets the requirements of The Governmental Accounting Standards Board (GASB). As such, this financial statement presentation provides a comprehensive, entity-wide perspective of the College's net position, revenues, expenses and changes in net position and cash flows.

D. Basis of Accounting

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Cash and Cash Equivalents

For purposes of the statement of cash flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

F. 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. To address the custodial credit risk and compliance with the above mentioned law, the College has a written policy that collateral securities are held in the name of the College for any deposits with financial institutions that are in excess of the amount covered by the Federal Deposit Insurance Corporation (FDIC).

G. Investments

College:

The College accounts for its investments at fair value. 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 position.

The College is authorized by the South Carolina Code of Laws 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.

Custodial Credit Risk for investments is the risk that, in the event of the failure of the custodian, the College will not be able to recover the value or will not be able to recover sufficient alternative securities that are in the possession of an outside party. For additional information on the College's procedures relating to custodial credit risk, refer to *Note 3*.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of a deposit. Piedmont Technical College does not maintain deposits that are denominated in a currency other than the United States dollar; therefore, the College is not exposed to this risk. It is the policy of the College that all deposits and investments be denominated in United States Dollars.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College has no rated debt investments. The credit risk exposure of the College is limited to the deposits exposure.

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment or the earnings potential of an investment. As interest rates rise during a holding period the price potential purchasers are willing to pay for a lower rate security decreases. The College's investment policies address the selection of securities including certificates of deposit based on the best available rate for the needed term as determined through cash management techniques. The exposure to interest rate risk through stated fixed rates and length of maturity are disclosed in *Note 3*.

Foundation:

The Foundation's policy is to carry investments, other than real estate, at fair value. Gains or losses that result from market fluctuations are recorded in investment income (loss) in the period in which the fluctuations occur. See Note 3 for additional information on fair value measurements. Investments are exposed to various risks such as significant world events, interest rate, credit and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amount reported in the consolidated statement of financial position.

H. 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 an allowance for estimated uncollectible amounts. The allowance for losses for student accounts receivable are established based upon actual losses experienced in prior years and evaluations of the current account portfolio.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

I. Capital Assets and Property & Equipment

College:

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. Depreciation is taken at the beginning of the month and year the asset is placed in service and no depreciation is taken in the year of disposition.

Foundation:

Property and equipment are recorded at cost. Donated land, buildings, and equipment are recorded at the approximate fair market value of the asset on the date of donation. Improvements or betterments of a permanent nature are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. The costs of assets retired or otherwise disposed of, and the related accumulated depreciation, are eliminated from the account in the year of disposal. Gains or losses resulting from property disposals are credited or charged to operations currently. Buildings and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. Property and equipment are reviewed on an ongoing basis for impairment based on a comparison of their carrying value to fair value.

J. Unearned Revenues

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.

K. Compensated Absences

The College follows the policy of the State of South Carolina which provides for the accumulation of each employee of up to 45 days of annual leave and 180 days for sick leave at varying rates earned based on years of service. Upon termination of employment, accrued vacation time, limited to 45 days, is paid to the employee; however, rights to accumulated sick leave benefits do not vest and are added to service credit upon termination, up to 90 days.

Unused vacation is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as a component of current and long-term liabilities in the statement of net position and as a component of benefit 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 includes resources in which the College is legally or contractually obligated to spend in accordance with restrictions imposed by enabling legislation or external third parties.

PIEDMONT TECHNICAL COLLEGE

Notes to Financial Statements

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

Unrestricted net position: Unrestricted net position represent resources derived from student tuition and fees, appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

Within the unrestricted net position classification is an amount required by State policy for 30 days operating expenditures. The balance reported must equal this 30 day requirement for the College to be in compliance with this policy. In addition, project planning is performed with a greater than one year horizon for which resources have been tentatively committed.

The College's policy for spending either restricted or 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.

The Foundation's net assets are classified into the following three classes:

Unrestricted net assets are free of donor-imposed restrictions and include all revenues, expenses and losses that are not changes in temporarily or permanently restricted net assets. Unrestricted net assets include the Foundation's operating and plant accounts and board designated funds set aside for investment purposes. The unrestricted designated net assets are subject to the control of the Foundation's Board.

Temporarily restricted net assets include gifts, grants, income, gains and pledges for which donor-imposed restrictions have not been met. These funds are available for scholarships, grants and other approved programs upon satisfaction of the donor-imposed restrictions.

Permanently restricted net assets include gifts and trusts which require that the corpus be invested in perpetuity in accordance with donor restrictions and gains which have been donor-stipulated to be permanently invested.

M. Income Taxes

The College is exempt from income taxes under the Internal Revenue Code. The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income earned in furtherance of the Foundation's tax-exempt purpose is exempt from federal and state income taxes. Any activities not directly related to the Foundation's tax-exempt purpose are subject to taxation as unrelated business income.

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.

The Foundation has classified and recognized revenue and expenses according to the following criteria:

PIEDMONT TECHNICAL COLLEGE
Notes to Financial Statements
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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

O. Auxiliary Enterprises and Internal Service Activities

Auxiliary enterprise revenues primarily represent revenues generated by bookstore and canteen services. Revenues of internal service and auxiliary enterprise activities and the related expenditures of College departments have been eliminated.

P. Capitalized Interest

The College capitalizes as a component of construction in progress interest cost in excess of earnings on debt associated with capital projects that will be capitalized in the applicable capital asset categories upon completion. The College did not have interest cost during the year ended June 30, 2017, and no interest was capitalized.

Q. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The College currently reports deferred outflows of resources of \$5,292,419 as of June 30, 2017.

In addition to the liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separated financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The College currently reports deferred inflows of resources of \$2,028,840 as of June 30, 2017.

R. Comparative Information

The College's statements include comparative information from the prior year.

NOTE 2 - STATE APPROPRIATIONS

State funds for operations for the South Carolina Technical College System are appropriated to the State Board for Technical and Comprehensive Education (the "Board") and the Board allocates funds budgeted for the technical colleges in a uniform and equitable manner. The following is a detail schedule of State appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2017.

Non-capital appropriations	
Current year appropriations	
Original appropriations per Annual Appropriations Act	\$ 7,699,356
Other adjustments	<u>569,598</u>
Total non-capital appropriations	<u>8,268,954</u>
Capital appropriations	
Special items: Capital Reserve	679,488
Critical Equipment	1,188,472
Lottery Technology	<u>190,411</u>
Total capital appropriations	<u>2,058,371</u>
Total appropriations recorded as current year revenue	<u>\$ 10,327,325</u>

PIEDMONT TECHNICAL COLLEGE

Notes to Financial Statements

June 30, 2017

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits

The bank balances for deposits of the College at June 30, 2017, were \$24,935,177. Of these, \$4,348,140 is covered by the Federal Deposit Insurance Corporation (FDIC). In addition, \$20,587,037 is collateralized by securities held by the institution pledged in the College's name. The College recognized no loss due to default by counterparties to investment transactions and amounts recovered from prior period losses.

The Foundation reports a bank balance of \$157,605 all of which is covered by FDIC.

Investments

The College's investments as of year-end consisted of certificates of deposits. Details for interest rate and maturity risk exposure are as follows:

<u>Institution</u>	<u>Face rate</u>	<u>Fair Value</u>	<u>Maturing</u>
United Community Bank	0.15%	\$ 909,000	Feb 21, 2018
Park Sterling	0.40%	126,496	Sep 24, 2017
First Citizens portfolio	Various	4,210,558	Various
		<u>\$ 5,246,054</u>	

The Foundation pools assets of restricted and unrestricted funds in order to maximize potential earnings. Income, realized gains and losses, and unrealized gains and losses are allocated among the various funds in the pool of assets. Major classifications in investments at June 30, 2017, are as follows:

<u>Pooled Investments</u>	<u>Fair Value</u>
Money market funds	\$ 532,824
U.S. Government obligations	19,921
Corporate common stocks	1,813,782
Corporate bonds and notes	381,487
Exchange traded funds	872,458
Mutual funds	728,677
Totals	<u>\$ 4,349,149</u>

The Foundation's investment income for the year ended June 30, 2017 consisted of \$67,317 in dividends and interest, \$98,304 in realized gains and \$169,830 in unrealized gains.

PIEDMONT TECHNICAL COLLEGE

Notes to Financial Statements

June 30, 2017

NOTE 3 – DEPOSITS AND INVESTMENTS, Continued

The following schedule reconciles cash and investments as reported in the Statement of Net Position to the footnote disclosures provided for deposits and investments:

Statement of net position	
Current assets	
Cash and cash equivalents	\$ 17,112,266
Investments	5,246,054
Total College	<u>22,358,320</u>
Statement of financial position	
Current assets	
Cash and cash equivalents	157,605
Investments	3,349,893
Noncurrent assets	
Investments	999,256
Total component unit	<u>4,506,754</u>
Total reporting entity	<u>\$ 26,865,074</u>
Note disclosure	
Cash on hand	\$ 3,100
Deposits with banks	22,355,220
Total College	<u>22,358,320</u>
Deposits with banks	157,605
Investments	4,349,149
Total discreetly presented component unit	<u>4,506,754</u>
Total reporting entity	<u>\$ 26,865,074</u>

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2017, are summarized as follows:

Student accounts	\$ 987,786
Federal grants and contracts	218,045
State grants and contracts	1,005,746
Accounts receivable	<u>2,211,577</u>
Allowance for uncollectible	<u>(400,000)</u>
Accounts receivable, net	<u>\$ 1,811,577</u>

PIEDMONT TECHNICAL COLLEGE

Notes to Financial Statements

June 30, 2017

NOTE 4 - ACCOUNTS RECEIVABLE, Continued

The Foundation's significant receivables include the contributions receivable expected to be collected as follows:

Less than one year	\$ 26,992
One to five years	<u>30,238</u>
	57,230
Less: discount to net present value	<u>(1,270)</u>
Net contributions receivable	<u>\$ 55,960</u>

These contributions receivable consist of unrestricted and temporarily restricted net assets and are deemed to be fully collectible by management.

NOTE 5 - CAPITAL ASSETS

	Ending Balance June 30, 2016	Increases	Decreases	Ending Balance June 30, 2017
Capital assets not being depreciated:				
Land	\$ 389,206	\$ 285,852	\$ -	\$ 675,058
Construction in progress	<u>1,523,194</u>	<u>851,589</u>	<u>(1,405,020)</u>	<u>969,763</u>
Total capital assets not being depreciated	<u>1,912,400</u>	<u>1,137,441</u>	<u>(1,405,020)</u>	<u>1,644,821</u>
Other capital assets:				
Depreciable land improvements	1,088,375	543,276	-	1,631,651
Buildings and improvements	44,274,128	2,047,239	-	46,321,367
Machinery, equipment, and other	8,832,881	704,007	(189,718)	9,347,170
Intangibles	790,983	-	-	790,983
Vehicles	<u>270,727</u>	<u>-</u>	<u>-</u>	<u>270,727</u>
Total depreciable assets at historic cost	<u>55,257,094</u>	<u>3,294,522</u>	<u>(189,718)</u>	<u>58,361,898</u>
Less accumulated depreciation For:				
Depreciable land improvements	(270,396)	(89,915)		(360,311)
Buildings and improvements	(20,610,884)	(1,031,731)		(21,642,616)
Machinery, equipment, and other	(7,386,453)	(733,271)	189,718	(7,930,005)
Intangibles	(790,983)	-		(790,983)
Vehicles	<u>(208,566)</u>	<u>(18,496)</u>		<u>(227,061)</u>
Total accumulated depreciation	<u>(29,267,282)</u>	<u>(1,873,413)</u>	<u>189,718</u>	<u>(30,950,976)</u>
Other capital assets, net	<u>25,989,812</u>	<u>1,421,109</u>	<u>-</u>	<u>27,410,921</u>
Capital assets, net	<u>\$ 27,902,212</u>	<u>\$ 2,558,550</u>	<u>\$ (1,405,020)</u>	<u>\$ 29,055,742</u>

Depreciation expense for the current year totaled \$1,873,413.

PIEDMONT TECHNICAL COLLEGE

Notes to Financial Statements

June 30, 2017

NOTE 6 - PENSION PLAN(S)

South Carolina Retirement System

The majority of employees of Piedmont 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), a public employee retirement system. 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 unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws, as amended, or are eligible and elect to participate in the State Optional Retirement Program (ORP). The SCRS plan provides a life-time monthly retirement annuity benefits to members as well as disability, survivor options, annual benefit adjustments, death benefits, and incidental death benefits to eligible employees and retired members.

The Retirement Division maintains five independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to the South Carolina Public Employee Benefit Authority, P.O. Box 11960, Columbia, South Carolina 29211-1960. Furthermore, the Division and the five pension plans are included in the State of South Carolina's CAFR.

Under the SCRS, Class II members are eligible for a full service retirement annuity upon reaching age 65 or completion of 28 years of credited service regardless of age. Employees who first became members of the System after June 30, 2012 are considered Class III members and are eligible for a full service retirement annuity upon reaching age 65 or upon meeting the rule of 90 requirement (i.e., the members age plus the years of service add up to a total of at least 90). The benefit formula for full benefits effective since July 1, 1989 for the SCRS is 1.82 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual earnable compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay at retirement for unused annual leave. For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. Early retirement options with reduced benefits are available as early as age 55 for Class II members and age 60 for Class III members. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

Disability annuity benefits are payable to Class II members if they have permanent incapacity to perform regular duties of the member's job and they have at least 5 years of earned service (this requirement does not apply if the disability is a result of a job related injury). Class III members qualify for disability annuity benefits provided they have a minimum of eight years of credited service. For disability applications received after December 31, 2013, a member FCRS will have to be approved for disability benefits from the social security administration in order to be eligible for FCRS disability retirement benefits. An incidental death benefit equal to an employee's annual rate of compensation is payable upon the death of an active employee with a minimum of one year of credited service or to a working retired contributing member. There is no service requirement for death resulting from actual performance of duties for an active member. For eligible retired members, a lump-sum payment is made to the retiree's beneficiary of up to \$6,000 based on years of service at retirement. TERI participants and retired contributing members are eligible for the increased death benefit equal to their annual salary in lieu of the standard retired member benefit.

Effective July 1, 2016, employees participating in the SCRS were required to contribute 8.66% of all earnable compensation. The employer contribution rate for SCRS was 16.89%. Included in the total SCRS employer contribution rate is a base retirement contribution of 11.41%, 0.15% for the incidental death program and a 5.33% surcharge that will fund retiree health and dental insurance coverage. Employer contributions for State ORP include a 6.41% employer retirement contribution, 5.33% retiree insurance surcharge and 0.15% incidental death program. Piedmont Technical College's actual retirement and incidental death program contributions to the SCRS for the years ended June 30, 2017, 2016, and 2015 were:

<u>Fiscal Year Ended</u>	<u>Retirement</u>		<u>Incidental Death</u>	
	<u>Rate</u>	<u>Contribution</u>	<u>Rate</u>	<u>Contribution</u>
2017	11.410%	\$1,743,755	.15%	\$ 22,924
2016	10.910%	\$1,681,808	.15%	\$ 23,123
2015	10.750%	\$1,725,088	.15%	\$ 24,071

PIEDMONT TECHNICAL COLLEGE

Notes to Financial Statements

June 30, 2017

NOTE 6 - PENSION PLAN(S), Continued

Police Officers Retirement System

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

Under the PORS, Class II members are eligible for a full service retirement annuity upon reaching age 55 or completion of 25 years of credited service regardless of age. Class III members are eligible for a full service retirement annuity upon reaching age 55 or 27 years of credited service. The benefit formula for full benefits effective since July 1, 1989 for the SCRS is 2.14 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay for unused annual leave. For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. PORS does not have an early retirement option. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

Effective July 1, 2016, employees participating in the PORS were required to contribute 9.24% of all earnable compensation. The employer contribution rate for PORS was 19.57%. Included in the total PORS employer contribution rate is a base retirement contribution of 13.84%, 0.20% for the incidental death program, 0.20% for the accidental death program, and a 5.33% surcharge that will fund retiree health and dental insurance coverage. Piedmont Technical College's actual retirement, incidental death program and accidental death program contributions to the PORS for the years ended June 30, 2017, 2016, and 2015 were:

Fiscal Year	Retirement		Incidental Death		Accidental Death	
	<u>Rate</u>	<u>Contribution</u>	<u>Rate</u>	<u>Contribution</u>	<u>Rate</u>	<u>Contribution</u>
2017	13.840%	\$ 35,362	.20%	\$ 511	.20%	\$ 511
2016	13.340%	\$ 31,050	.20%	\$ 466	.20%	\$ 466
2015	13.010%	\$ 27,707	.20%	\$ 426	.20%	\$ 426

Optional Retirement Program

As an alternative to membership to SCRS, newly hired State and school district employees may elect to participate in the State Optional Retirement Program (ORP), a defined contribution plan. The ORP was established in 1987 under Title 9, Chapter 20, of the South Carolina Code of Laws. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. The State assumes no liability for State ORP plan other than for payment of contributions to designated companies. To elect participation in the ORP, eligible employees must elect membership within their first 30 days of employment. Under State law, contributions to the ORP are required at the same rates as for the SCRS, 11.41% plus the retiree surcharge of 5.33% from the employer in fiscal year 2017. Of the 11.41% employer retirement contribution rate, the employer remits 5.00% directly to the participant's ORP account and the remaining 6.41% and 0.15% incidental death program contribution amounts are remitted to SCRS.

For fiscal year 2017, total contributions requirements to the ORP were approximately \$69,483 (excluding the surcharge) from Piedmont Technical College as employer and approximately \$91,761 from its employees as plan members.

The amounts paid by Piedmont Technical College for pension, incidental death program, and accidental death program contributions are reported as employer contribution expenditures within the applicable functional expenditure categories to which the related salaries are charged.

PIEDMONT TECHNICAL COLLEGE
Notes to Financial Statements
June 30, 2017

NOTE 6 - PENSION PLAN(S), Continued

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefit, and employee/employer contributions for each retirement system. Employee and employer contribution rates to SCRS and PORS are actuarially determined.

The surcharges to fund retiree health and dental insurance are not part of the actuarially established rates.

Teacher and Employee Retention Incentive

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years.

Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not earn service credit, and are ineligible to receive group life insurance benefits or disability retirement benefits. The TERI program will end effective June 30, 2018.

Deferred Compensation Plans

Several optional deferred compensation plans are available to State employees and employers of its political subdivisions. Certain employees of the College have elected to participate. The multiple-employer plans, created under Internal Revenue Code Sections 457, 401(k), and 403(b), are administered by third parties and are not included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the plans is placed in trust for the contributing employee. The State has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate State employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan.

Pension Liability

At June 30, 2017 the College reported \$35,798,259 for its proportionate share of the net pension liabilities of SCRS and PORS. The net pension liability defined of the SCRS defined benefit pension plan was determined based on the July 1, 2015 actual valuations, using membership data as of July 1, 2015, projected forward to June 30, 2016, and financial information of the pension trust funds as of June 30, 2016, using generally accepted actuarial procedures. The College's portion of the net pension liability was based on the College's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2016, the College's SCRS proportion was 0.165428%, and its PORS proportion was 0.01826%. For the year ended June 30, 2017, the College recognized pension expense of \$2,486,198 and \$56,167 for SCRS and PORS respectively.

PIEDMONT TECHNICAL COLLEGE

Notes to Financial Statements

June 30, 2017

NOTE 6 - PENSION PLAN(S), Continued

At June 30, 2017, the College reported deferred outflows of resources and deferred inflows of resources to pensions from the following sources:

	SCRS	PORS	Total
Deferred outflows of resources			
Differences between expected and actual experience	\$ 366,291	\$ 6,871	\$ 373,162
Net difference between projected and actual investment earnings	2,972,824	52,510	3,025,334
Differences between employer contributions & proportionate Share	-	21,376	21,376
Contributions made from measurement date to June 30, 2017	1,836,163	36,384	1,872,547
Total deferred outflows of resources	\$ 5,175,278	\$ 117,141	\$ 5,292,419
Deferred inflows of resources			
Differences between expected and actual experience	\$ 38,374	\$ -	\$ 38,374
Differences between employer contributions & proportionate Share	1,990,466	-	1,990,466
Total deferred inflows of resources	\$ 2,028,840	\$ -	\$ 2,028,840
Net deferred outflows/(inflows)	\$ 3,146,438	\$ 117,141	\$ 3,263,579

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	SCRS	PORS	Total
2018	\$ (1,995,697)	\$ (55,898)	\$ (2,051,595)
2019	31,929	(19,166)	12,763
2020	(582,720)	(26,885)	(609,605)
2021	(599,950)	(15,192)	(615,142)
	<u>\$ (3,146,438)</u>	<u>\$ (117,141)</u>	<u>\$ (3,263,579)</u>

The total pension liabilities in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

	SCRS	PORS
	Entry Age	Entry Age
Actuarial Assumptions:		
Investment Rate of Return	7.5%	7.5%
Projected Salary Increase	3.5% to 12.5% (varies by service)	4.0% to 10.0% (varies by service)
Inflation Rate	2.75%	2.75%
Benefit Adjustment	Lesser of 1% or \$500	Lesser of 1% or \$500

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 July 1, 2015.

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 and Judges	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, Firefighters and Members of the South Carolina National Guard	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

PIEDMONT TECHNICAL COLLEGE

Notes to Financial Statements

June 30, 2017

NOTE 6 - PENSION PLAN(S), Continued

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30 year capital market outlook at the end of the third quarter 2015. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed using a building block approach, primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the table below. For actuarial purposes, the 7.50 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
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%
Infrastructure	0.0%	6.26%	0.00%
Other real assets	0.0%		
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%
Other credit	0.0%		0.00%
Conservative fixed income	12.0%		
Core fixed income	10.0%	1.72%	0.17%
Global fixed income	0.0%		
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%

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, the plan'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.

PIEDMONT TECHNICAL COLLEGE

Notes to Financial Statements

June 30, 2017

NOTE 6 - PENSION PLAN(S), Continued

The following table presents the College's proportionate share of the net SCRS and PORS pension liabilities as of June 30, 2017 calculated using the discount rate of 7.50 percent, as well as what the College's respective net pension liabilities would be if it were calculated using a discount rate of 1.00 percent lower (6.50 percent) or 1.00 percent higher (8.50 percent) than the current rate.

<u>Plan</u>	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
SCRS	\$ 44,079,665	\$ 35,335,175	\$ 28,055,719
PORS	606,911	463,084	333,828

NOTE 7 - POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS

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. Piedmont Technical 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).

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 Statute to contribute at a rate assessed each year by the State, 5.33% of the annual covered payroll for 2017 and 5.33% of annual payroll for 2016. The IB sets the employer contribution rate based on a pay-as-you-go basis. Piedmont Technical College paid approximately \$884,641 and \$892,872 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2017 and 2016, 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 and 2016.

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 complete financial statements for the benefit plans and the trust funds from PEBA Retirement Benefits and Insurance Benefits, 202 Arbor Lake Drive, Suite 360, Columbia, SC 29223.

PIEDMONT TECHNICAL COLLEGE

Notes to Financial Statements

June 30, 2017

NOTE 7 - POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS, Continued

Other Employee Benefits

In accordance with the South Carolina Code of Laws and the annual Appropriation Act, the State of South Carolina provides certain health care, dental, and life insurance benefits to all permanent full-time and certain permanent part-time employees of the College. These benefits are provided on a reimbursement basis by the employer agency based on rates established at the beginning of the service period by the Employee Insurance Program within the SC Budget and Control Board.

The College recorded benefit expenses for these insurance benefits for active employees in the amount of \$1,690,689 for the year ended June 30, 2017.

NOTE 8 - RISK MANAGEMENT

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

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

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

Employees elect health insurance coverage through either a health maintenance organization or through the State's self-insured plan. See *Note 7* for discussions of amounts paid.

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:

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

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

The College obtains coverage through a commercial insurer for employee fidelity bond insurance for all employees for losses arising from theft or misappropriation.

NOTE 9 - CONTINGENCIES, LITIGATION, AND PROJECT COMMITMENTS

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

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

PIEDMONT TECHNICAL COLLEGE
Notes to Financial Statements
June 30, 2017

NOTE 9 - CONTINGENCIES, LITIGATION, AND PROJECT COMMITMENTS, Continued

Project Commitments

As of June 30, 2017 the College had various open project commitments with remaining balances approximating \$2,714,659. The amount and timing of payment depends on the availability of the vendor and consideration of the inconvenience to students while the work is being performed.

NOTE 10 - LEASE OBLIGATIONS

Operating Leases

The College uses various pieces of equipment under non-cancellable lease agreements. The terms of the agreements require monthly payments ranging from \$1 to \$30,000 for terms averaging 48 months. The future minimum lease payments required for these operating leases as of June 30, 2017 were as follows:

Year Ended June 30	
2018	\$ 471,276
2019	471,276
	942,552
Total minimum lease payments	\$ 942,552

The Foundation utilizes a distance learning satellite system and leases the distance learning technology to partners within a seven county area. All of these leases are fully reimbursed by parties using the system.

Total rent expense of \$472,042 was recognized for the fiscal year 2017.

Facilities Leased to Others

The College leased certain office space to other State agencies under non-cancellable leases ranging from 12 to 24 months. The monthly lease payments required were determined based on square footage used and ranged from \$1,287 to \$2,195. The required future minimum payments to be received are \$26,343 for Fiscal Year 2018.

The College recognized \$88,503 as revenue under these operating leases during the fiscal year ended June 30, 2017.

NOTE 11- ACCOUNTS PAYABLE

Accounts payable as of June 30, 2017 are summarized as follows:

Accounts payable	\$ 210,753
Benefits payable	421,860
Student deposits	90,476
Total accounts payable	\$ 723,089

PIEDMONT TECHNICAL COLLEGE

Notes to Financial Statements

June 30, 2017

NOTE 12 - LONG-TERM LIABILITIES

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

	<u>June 30, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2017</u>	<u>Due Within One Year</u>
Accrued compensated absences	\$ 1,420,037	\$ 808,532	\$ (1,011,477)	\$ 1,217,092	\$ 542,413
Total long-term liabilities	<u>\$ 1,420,037</u>	<u>\$ 808,532</u>	<u>\$ (1,011,477)</u>	<u>\$ 1,217,092</u>	<u>\$ 542,413</u>

NOTE 13 - STUDENT INSTRUCTIONAL FEES

Since the College receives financial support from county, state and federal sources, students pay only a small portion of the total cost of their education. Instructional fees are based on the extent of financial support provided by the county in which the student resides and were as follows for the 2016-2017 academic year:

Tuition for students from fully supporting counties Greenwood, McCormick, Newberry and Saluda	\$2,034
Tuition for students from non-fully supporting counties may be increased by a maximum of \$240 for students from counties listed below which contribute only partial support:	
Abbeville, Edgefield and Laurens	\$2,274
Other South Carolina counties	\$2,394
Out of state	\$2,994
Out of country	\$3,846

NOTE 14 - 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	\$ 8,504,254	\$ 2,647,898	\$ -	\$ -	\$ 3,076,850	\$ -	\$ 14,229,002
Academic support	2,542,093	779,188	-	-	398,404	-	3,719,685
Student services	2,508,124	764,529	-	-	1,021,197	-	4,293,850
Operation and maintenance of plant	903,695	305,266	-	833,421	1,007,420	-	3,049,802
Institutional support	2,891,498	1,915,108	-	-	2,337,112	-	7,143,718
Scholarships	-	-	7,147,970	-	-	-	7,147,970
Auxiliary enterprises	8,075	1,615	-	-	141,542	-	151,232
Depreciation	-	-	-	-	-	1,873,413	1,873,413
Total operating expenses	<u>\$ 17,357,739</u>	<u>\$ 6,413,604</u>	<u>\$ 7,147,970</u>	<u>\$ 833,421</u>	<u>\$ 7,982,525</u>	<u>\$ 1,873,413</u>	<u>\$ 41,608,672</u>

PIEDMONT TECHNICAL COLLEGE

Notes to Financial Statements

June 30, 2017

NOTE 15 - REQUIRED INFORMATION ON BUSINESS - TYPE ACTIVITIES

The following information is provided in accordance with the South Carolina Office of Comptroller General's 2017 Audited Financial Statement Manual:

	<u>2017</u>	<u>2016</u>
Charges for services	\$ 19,355,631	\$ 19,608,609
Operating grants and contributions	13,495,803	14,764,013
Capital appropriations and contributions	2,357,670	378,283
Less: expenses	<u>(41,608,672)</u>	<u>(42,918,810)</u>
Net program revenue (expense)	(6,399,568)	(8,167,905)
Transfers:		
Non-capital appropriations	<u>8,268,954</u>	<u>7,744,607</u>
Change in net assets	1,869,386	(423,298)
Net Assets - Beginning	<u>15,593,129</u>	<u>16,016,427</u>
Net Assets - Ending	<u>\$ 17,462,515</u>	<u>\$ 15,593,129</u>

NOTE 16 – RELATED ORGANIZATIONS, RELATED PARTY TRANSACTIONS, AND TRANSACTIONS WITH DISCRETELY PRESENTED COMPONENT UNITS

Piedmont Technical College entered into a lease agreement with Newberry County in March 2011 and partnered with the County to renovate a building at 1900 Wilson Boulevard, Newberry, South Carolina. Upon the expiration of the maximum seven year lease, Newberry shall gift the premises to Piedmont Technical College Area Commission provided that the conditions of the lease agreement are met.

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

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

The Foundation paid a total of \$484,000 in scholarships, grants, and supplements to the College during 2017. The Foundation reimburses the College for any purchases made by the College on behalf of the Foundation. The College provides office space and management services to the Foundation. The value of this office space and management services totaled \$51,084 for the year ended June 30, 2017.

Piedmont Technical College is one of the partners in network with other educational institutions in the seven county area serviced by Piedmont Technical College in distance learning technology (PEN) for the delivery of classes. Piedmont Technical College paid the Foundation \$378,000 for the use of seventeen rooms and for use of the PEN system.

The Foundation donated land to Piedmont Technical College during the 2017 fiscal year. The value of the land at the time of donation was \$285,852.

There were no related receivables or payables as of June 30, 2017.

PIEDMONT TECHNICAL COLLEGE

Notes to Financial Statements

June 30, 2017

NOTE 17 – FAIR VALUE

College:

The College categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The College has the following recurring fair value measurements as of June 30, 2017:

- Investments are valued using quoted market prices (Level 1 inputs).

Foundation:

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets and liabilities at fair value as of June 30, 2017.

<u>Fair value measurements at June 30, 2017</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets measured at fair value				
Money market Funds	\$ -	\$ 532,824	\$ -	\$ 532,824
U.S. Government obligations	-	19,921	-	19,921
Corporate bonds and notes	-	381,488	-	381,488
Corporate common stocks	1,813,782	-	-	1,813,782
Exchange traded funds	872,458	-	-	872,458
Mutual funds	728,676	-	-	728,676
Cash surrender value of life insurance	-	418,455	-	418,455
Total assets at fair value	<u>\$ 3,414,916</u>	<u>\$ 1,352,688</u>	<u>\$ -</u>	<u>\$ 4,767,604</u>

The following table sets forth a summary of changes in fair value of the Foundation's Level 3 liabilities for the year ended June 30, 2017.

Level 3 liabilities for the year ended June 30, 2017

	<u>Annuity Obligations</u>
Balance, beginning of year	\$ 9,709
Payments to beneficiaries	(9,709)
Balance, end of year	<u>\$ -</u>

NOTE 18 – TAX ABATEMENTS

The State of South Carolina has enacted the Fee-in-Lieu of Tax Program, the Special Source Revenue Credit Program, and the Infrastructure Program as part of Title 12 of the South Carolina Code of Laws in support of economic development. The legislation allows the counties to enter into negotiated fee-in-lieu of tax (FILOT) arrangements with entities in exchange for making investments in facilities and jobs in the county. The FILOT's typically include millage caps and reduced assessment ratios for entities who commit to certain investment and employment targets. Some FILOT's also include Special Source Revenue Credits which further reduce the negotiated fee by a percentage for a specified time period.

The College is subjected to tax abatements granted by Greenwood County since Greenwood County provides funding to the College based on tax millage. For the fiscal year ended June 30, 2017, Greenwood County abated property taxes totaling \$13,604,300 of which \$229,431 would have been paid to the College without such abatements. Laurens,

PIEDMONT TECHNICAL COLLEGE

Notes to Financial Statements

June 30, 2017

Newberry, and Saluda Counties also fund the College based on millage, but their information was not available at the time the College's financial statements were issued. The Counties do not provide any reimbursement to the College to offset abatements.

NOTE 19 – SUBSEQUENT EVENTS

Subsequent events were evaluated through September 12, 2017, which is the date the financial statements were available for issuance. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

PIEDMONT TECHNICAL COLLEGE
Schedule of Proportionate Shares of Retirement Systems
Net Pension Liabilities
June 30, 2017

SOUTH CAROLINA RETIREMENT SYSTEM
LAST TEN FISCAL YEARS*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
College's proportion of the net pension Liability	0.165428%	0.178534%	0.18011%	0.18011%
College's proportionate share of the net pension liability	\$ 35,335,175	\$ 33,859,834	\$ 31,009,791	\$ 30,572,033
College's covered payroll	\$ 15,282,691	\$ 15,415,291	\$ 16,047,329	\$ 15,716,099
College's proportionate share of the net pension liability as a percentage of its covered employee-payroll	231.21%	219.65%	193.24%	194.53%
Plan fiduciary net position as a percentage of the total pension liability	52.91%	56.99%	59.92%	56.39%

* - The amounts presented for each fiscal year were determined as of July 1 of two years prior, using membership data as of the day, projected forward to June 30 of the previous year. Additionally, the State implemented GASB 68 during fiscal year 2015. As such, only the last four years of information is available.

POLICE OFFICERS RETIREMENT SYSTEM
LAST TEN FISCAL YEARS*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
College's proportion of the net pension Liability	0.01826%	0.01719%	0.01689%	0.01689%
College's proportionate share of the net pension liability	\$ 463,084	\$ 374,655	\$ 323,448	\$ 323,945
College's covered payroll	\$ 255,505	\$ 232,757	\$ 212,964	\$ 203,085
College's proportionate share of the net pension liability as a percentage of its covered employee-payroll	181.24%	160.96%	151.88%	159.51%
Plan fiduciary net position as a percentage of the total pension liability	60.44%	64.57%	67.55%	62.98%

* - The amounts presented for each fiscal year were determined as of July 1 of two years prior, using membership data as of the day, projected forward to June 30 of the previous year. Additionally, the State implemented GASB 68 during fiscal year 2015. As such, only the last four years of information is available.

PIEDMONT TECHNICAL COLLEGE
Schedule of Retirement Systems Contributions
June 30, 2017

SCHEDULE OF SOUTH CAROLINA RETIREMENT SYSTEM CONTRIBUTIONS

LAST TEN FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contributions	\$ 1,743,755	\$ 1,681,808	\$ 1,725,088	\$ 1,642,332	\$ 1,628,479	\$ 1,409,569	\$ 1,366,243	\$ 1,343,064	\$ 1,317,500	\$ 1,311,975
Contributions in relation to the contractually required contribution	(1,743,755)	(1,681,808)	(1,725,088)	(1,642,332)	(1,628,479)	(1,409,569)	(1,366,243)	(1,343,064)	(1,317,500)	(1,311,975)
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 15,282,691	\$ 15,415,291	\$ 16,047,329	\$ 15,716,099	\$ 15,583,527	\$ 15,019,377	\$ 14,786,177	\$ 14,535,320	\$ 14,258,662	\$ 14,480,962
Contributions as a percentage of College's covered payroll	11.410%	10.910%	10.750%	10.450%	10.450%	9.385%	9.240%	9.240%	9.240%	9.060%

PIEDMONT TECHNICAL COLLEGE
Schedule of Retirement Systems Contributions
June 30, 2017

SCHEDULE OF POLICE OFFICERS RETIREMENT SYSTEM CONTRIBUTIONS

LAST TEN FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contributions	\$ 35,362	\$ 31,050	\$ 27,707	\$ 25,264	\$ 17,740	\$ 19,237	\$ 13,937	\$ 10,206	\$ 8,783	\$ 7,952
Contributions in relation to the contractually required contribution	(35,362)	(31,050)	(27,707)	(25,264)	(17,740)	(19,237)	(13,937)	(10,206)	(8,783)	(7,952)
Contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College's covered payroll	\$ 255,505	\$ 232,757	\$ 212,964	\$ 203,085	\$ 149,072	\$ 169,292	\$ 125,218	\$ 95,830	\$ 82,468	\$ 77,200
Contributions as a percentage of College's covered payroll	13.840%	13.340%	13.010%	12.440%	11.900%	11.363%	11.130%	10.650%	10.650%	10.300%

PIEDMONT TECHNICAL COLLEGE
 Schedule of Reconciliation of Revenues and Cash
 Reimbursements Received from State Board
 For the Year Ended June 30, 2017

	CURRENT FUND	
	UNRESTRICTED	RESTRICTED
NET REIMBURSEMENTS REQUESTED		
(PER COLLEGE RECORDS)		
State Operational Allocation	\$ 7,544,584	\$ -
General Fund- Nursing	-	39,557
Critical Needs Workforce STEM	-	137,774
Ready SC	-	12,238
EEDA Pathways	-	37,784
Lottery-Tuition Assistance	-	2,963,988
Lottery- Critical Needs Equipment	-	198,705
SCAI Grant	-	44,030
Laurens Center for Advanced Manufacturing	-	679,488
STEM - Surplus Equipmment	-	989,767
Career/Workforce (Pathways)	-	63,817
Career/Workforce (Scholarships)	-	328,450
System Outreach	-	8,750
SC Con-Ed Professional Conference	-	990
FY16-17 Pay Plan Allocation	-	146,022
Total Net Reimbursements Requested	7,544,584	5,651,360
RECONCILIATION - RECEIPTS TO REQUESTS		
Cash Received from State Board:		
State Operational Allocation	\$ 7,544,584	\$ -
General Fund- Nursing	-	39,557
Lottery Critical Needs Equipment	-	198,705
Critical Needs Workforce	-	137,774
Ready SC	-	11,766
State Pathways	-	37,784
Lottery-Tuition	-	2,466,157
SCAI Grant	-	44,030
Learn2Earn	-	6,922
LCAM Phase III	-	317,292
STEM - Surplus Equipmment	-	989,767
Career/Workforce (Pathways)	-	63,817
Career/Workforce (Scholarships)	-	328,450
System Outreach	-	8,750
SC Con-Ed Professional Conference	-	990
FY16-17 Pay Plan Allocation	-	146,022
	7,544,584	4,797,783
Add: Reimbursements Receivable at 6/30/17		
Ready SC	-	472
Laurens Center for Advanced Manufacturing	-	382,449
Lottery-Tuition	-	516,223
	-	899,144
Deduct: Reimbursements Receivable at 6/30/16		
LTA Tuition	-	18,392
Learn2Earn	-	6,922
LCAM Phase III	-	20,253
	-	45,567
Total Reconciliation - Receipts to Requests	\$ 7,544,584	\$ 5,651,360

PIEDMONT TECHNICAL COLLEGE
 Schedule of Local Government Support
 For the Year Ended June 30, 2017

Schedule 2

(with comparative amounts for the year ended June 30, 2016)

LOCAL GOVERNMENT	2017	2016
Greenwood County	\$ 1,256,483	\$ 1,282,742
Laurens County	179,987	151,087
Abbeville County	155,325	155,325
Newberry County	405,775	405,775
Saluda County	170,538	167,337
McCormick County	85,130	85,130
Edgefield County	47,000	47,000
Total Support	\$ 2,300,238	\$ 2,294,396

Piedmont Technical College
Schedule of Expenditures of Federal Awards
June 30, 2017

FEDERAL GRANTOR Pass-Through Entity Program Title	CFDA Number	Grant Period	Award Number	Expenditures
U.S. DEPARTMENT OF EDUCATION				
STUDENT FINANCIAL AID CLUSTER:				
Federal Supplemental Educational Opportunity Grant	84.007	2015-2016	P007A153801	-
Federal Supplemental Educational Opportunity Grant	84.007	2016-2017	P007A163801	198,627
Total Supplemental Educational Opportunity Grant Program				198,627
Federal Work Study Grant Program	84.033	2015-2016	P033A153801	-
Federal Work Study Grant Program	84.033	2016-2017	P033A163801	191,373
Total Work Study Grant Program				191,373
Federal Pell Grant Program	84.063	2015-2016	P063P152479	(8,778)
Federal Pell Grant Program	84.063	2016-2017	P063P162479	10,923,179
Total Federal Pell Grant Program				10,914,401
Federal Direct Loans	84.268	2015-2016	P268K162479	(15,192)
Federal Direct Loans	84.268	2016-2017	P268K172479	15,354,969
Total Federal Direct Loan Program				15,339,777
Total Student Financial Aid Cluster				26,644,178
Higher Education Institutional Aid	84.031	2014-2015	P031A112013-14	79,994
Higher Education Institutional Aid	84.031	2015-2016	P031A110213-15	241,561
Total Higher Education Institutional Aid				321,555
TRIO-Student Support Services	84.042	2015-2016	P042A111018-15	47,518
TRIO-Student Support Services	84.042A	2016-2017	P042A160279	211,094
TRIO-Student Support Services- Veterans	84.042A	2015-2016	P042A151462	39,985
TRIO-Student Support Services- Veterans	84.042A	2016-2017	P042A151462-16	82,950
Total Student Support Services				381,547
PASS-THROUGH SC DEPARTMENT OF EDUCATION:				
Career and Technical Education - Basic Grants to States	84.048A	2015-2016	H63010107115	6,705
Career and Technical Education - Basic Grants to States	84.048	2016-2017	17VA411	344,798
Total U.S. Department of Education				27,698,783

Piedmont Technical College
Schedule of Expenditures of Federal Awards
June 30, 2017

FEDERAL GRANTOR Pass-Through Entity Program Title	CFDA Number	Grant Period	Award Number	Expenditures
PASS-THROUGH SC DEPARTMENT OF EMPLOYMENT and WORKFORCE				
Dislocated Worker Formula Grants:				
15 Evolve SC-33 Velux Greenwood	17.278	2016-2017	15EvolveSC-33	4,875
15 Evolve SC-37 Fuji Film	17.278	2016-2017	15EvolveSC-37	5,950
Total Evolve SC				<u>10,825</u>
WIA Adult Program:				
Priority Populations Apprenticeship Grant-SWDB	17.258	2017-2018	16APP01	15,039
Total SWDB				<u>15,039</u>
PASS-THROUGH SC TECHNICAL COLLEGE SYSTEM				
SC Apprenticeship Initiative	17.268 H-1B	2015-2020	SC Apprenticeship Initiative	61,522
Total SC Apprenticeship				<u>61,522</u>
Total U.S. Department of Labor				<u>87,386</u>
TOTAL FEDERAL AWARDS				<u><u>\$ 27,786,169</u></u>

PIEDMONT TECHNICAL COLLEGE

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of Piedmont Technical College. The reporting entity is defined in Note 1(B) of the College's financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1(D) of the College's financial statements.

3. LOAN PROGRAMS

The College has students who have approved Federal Direct Loans. Those loans were disbursed to the students during the current fiscal year. The College is not the lender. The College only processes the loans for the lender, the Department of Education. The total Federal Direct Loans for the current fiscal year were \$15,339,777.

4. INDIRECT COST

The College has elected not to use the 10% de minimis indirect cost rate.

THE BRITTINGHAM GROUP, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

501 STATE STREET
POST OFFICE BOX 5949
WEST COLUMBIA, SOUTH CAROLINA 29171

PHONE: (803) 739-3090

FAX: (803) 791-0834

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Members of the Area Commission for Piedmont Technical College
Piedmont Technical College
620 North Emerald Road
Greenwood, South Carolina 29648

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College'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 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 the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the College, 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.

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College'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 the College's internal control over compliance.

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

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

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

The Brittingham Group LLP

West Columbia, South Carolina
September 12, 2017

THE BRITTINGHAM GROUP, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

501 STATE STREET
POST OFFICE BOX 5949
WEST COLUMBIA, SOUTH CAROLINA 29171

PHONE: (803) 739-3090

FAX: (803) 791-0834

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

Members of the Area Commission for Piedmont Technical College
Piedmont Technical College
620 North Emerald Road
Greenwood, South Carolina 29648

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, the aggregate discretely presented component unit of Piedmont Technical College (the "College"), as of and for the year ended June 30, 2017, and the related notes to the financial statements. These financial statements and notes to the financial statements together with the financial statements of the College's discretely presented component unit, which were audited by other auditors, collectively comprise the College's basic financial statements, and have issued our report thereon which dated September 12, 2017. Our report includes a reference to other auditors who audited financial statements of Piedmont Technical College Foundation, as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College'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 College's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College'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 College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The Brittingham Group LLP

West Columbia, South Carolina
September 12, 2017

PIEDMONT TECHNICAL COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2017

Summary of Auditors' Results:

1. The auditor's report expresses an unmodified opinion on the basic financial statements of Piedmont Technical College.
2. No material weaknesses or significant deficiencies relating to the financial statements are reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Piedmont Technical College were disclosed during the audit.
4. No material weaknesses or significant deficiencies relating to the audit of major federal awards are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for Piedmont Technical College expresses an unmodified opinion.
6. No audit findings were reported relative to the major federal award programs for Piedmont Technical College as depicted below in this schedule.
7. Major federal programs:
Student Financial Aid Cluster

Federal Supplemental Education Opportunity Grants	CFDA #84.007
Federal Work-Study Program	CFDA #84.033
Federal Pell Grant Program	CFDA #84.063
Federal Direct Student Loans	CFDA #84.268
8. The threshold for distinguishing between Type A and Type B Programs was \$750,000.
9. Piedmont Technical College did qualify as a low risk auditee.

PIEDMONT TECHNICAL COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(CONTINUED)

Financial Statement Findings:

None

Federal Awards Findings and Questioned Costs:

No findings or questioned costs.

Status of Prior Year Findings:

None were reported.