

DENMARK TECHNICAL COLLEGE

DENMARK, SOUTH CAROLINA

**FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION**

Year Ended June 30, 2018

DENMARK TECHNICAL COLLEGE
Denmark, South Carolina
Organizational Data
Year Ended June 30, 2018

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

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Mr. Montez C. Martin, Jr.	At-Large
Mr. Matthew L. Yaun	At-Large
Mr. Roger P. Schrum	At-Large
Mr. Robert M. Hitt, III	Ex-Officio, S.C. Secretary of Commerce
Ms. Molly M. Spearman	Ex-Officio, S.C. Superintendent of Education

Key Administrative Staff

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

**DENMARK TECHNICAL COLLEGE
DENMARK, SOUTH CAROLINA**

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INDEPENDENT AUDITOR’S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Denmark Technical College, Denmark, South Carolina, a component unit of the State of South Carolina and a member institution of the South Carolina Technical College System, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Denmark Technical College, Denmark, South Carolina’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Denmark Technical College, Denmark, South Carolina, as of June 30, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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INDEPENDENT AUDITOR'S REPORT
(continued)

Change in Accounting Principle

As described in Note 7 to the financial statements, in 2018, the College adopted new accounting guidance, *GASBS No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of the College's proportionate share of the net pension liability and contributions and the College's proportionate share of the Net OPEB liability and contributions on pages 3-8 and 42-45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2018, on our consideration of Denmark Technical College, Denmark, South Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Denmark Technical College, Denmark, South Carolina's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Denmark Technical College, Denmark, South Carolina's internal control over financial reporting and compliance.

McGregor and Company, LLP.

Orangeburg, South Carolina
October 11, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Denmark Technical College, we offer readers of the College's financial statements this narrative overview and analysis of the financial activities of the College for the fiscal year ended June 30, 2018. This discussion should be read in conjunction with the financial statements and the notes thereto, which follow this section.

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

Financial Highlights

- The College's liabilities and deferred inflows exceeded its assets and deferred outflows at June 30, 2018 by \$9,537,899. The total unrestricted net position as of that date is \$(16,828,196). This amount includes a net reported unfunded pension obligation of \$9,875,533 as required by GASB Statement No. 68 and a net unfunded other post-employment benefits (OPEB) obligation of \$7,844,060 required by GASB Statement No. 75. Excluding these obligations, the College's unrestricted net position is \$891,397, which may be used to meet the College's ongoing obligations from unrestricted activities. These unfunded pension and OPEB obligations greatly affect the reported net position and the amount available to meet the College's ongoing obligations from unrestricted activities.
- The College's net position decreased by \$967,407, a net result of an approximately \$1.4 million decrease in assets and deferred outflows and a decrease in liabilities and deferred inflows of approximately \$0.5 million.
- Student tuition and fees and auxiliary enterprise revenues, net of scholarship allowances, increased by approximately \$0.4 million during the fiscal year. These helped to absorb the reduction of grant and contract revenue of about \$1.1 million. Operating expenses decreased by approximately \$1.8 million. As a result, the College's operating loss decreased from about \$6.7 million for the prior fiscal year to \$5.5 million.
- The College maintained an investment in a certificate of deposit of just over \$875,000 plus interest earnings during the entire fiscal year.
- No capital appropriations were received, a reduction of over \$1.9 million from the prior fiscal year.
- The College had no outstanding debt during the fiscal year.

Overview of the Financial Statements

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

Beginning with the year ended June 30, 2015, the College implemented GASB Statement No. 68, *Accounting & Financial Reporting for Pensions*, as reflected in these financial statements. The Statement requires participating employers to report their proportionate share of their retirement plans' net pension liability, pension expense, and deferred inflows and outflows of resources. For the year ended June 30, 2018, the College's reported net pension liability was \$10,179,596. This accounting treatment has a major negative impact on the presentation of the College's net position and financial condition.

GASB Statement No. 68 also calls for the reporting of deferred inflows and outflows of resources, which relate to such factors as differences occurring between expected and actual experience, differences between projected and actual earnings on pension plan investments, and plan contributions made subsequent to the measurement date. Deferred outflows of resources at June 30, 2018 totaled \$1,585,348, while deferred inflows of resources amounted to \$1,281,285.

Beginning with this fiscal year, the College has implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The reporting is similar to that required by GASB Statement No. 68. This Statement requires participating employers to report their proportionate share of their OPEB plans' net OPEB liability, OPEB expense, and deferred inflows and outflows of resources. For the year ended June 30, 2018, the College's reported net OPEB liability was \$7,363,124. Deferred outflows and inflows of resources, which relate to factors similar to those in GASB Statement No. 68, totaled \$215,221 and \$696,157, respectively, as of June 30, 2018. This accounting treatment also has a major negative impact on the presentation of the College's net position and financial condition.

Statement of Net Position

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

Net position is divided into three major categories. The first, *net investment in capital assets*, provides the equity in property, plant and equipment owned by the College. The next category, *restricted net position*, can be defined as those net assets where constraints are placed on them either externally by creditors, grantors, contributors, or laws and regulations of other governments or by law through constitutional provisions or enabling legislation of the government itself. The College's restricted net position for capital projects for the fiscal year just ended is \$2,900,000. The final category of net position is *unrestricted*. These funds may be used to meet the College's ongoing obligations from unrestricted activities.

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

Condensed Summary of Net Position
As of June 30, 2018 and 2017
(In millions)

	2018	2017	Increase
	2018	(as Restated)	(Decrease)
Current Assets	\$ 5.2	\$ 6.6	\$ (1.4)
Non-current Assets:			
Capital Assets, Net of			
Accumulated Depreciation	4.4	4.2	0.2
Deferred Outflows of Resources	1.8	2.0	(0.2)
Total Assets and Deferred Outflows	<u>11.4</u>	<u>12.8</u>	<u>(1.4)</u>
Current Liabilities	1.1	0.8	0.3
Non-current Liabilities	17.8	18.9	(1.1)
Deferred Inflows of Resources	2.0	1.7	0.3
Total Liabilities and Deferred Inflows	<u>20.9</u>	<u>21.4</u>	<u>(0.5)</u>
Net Position:			
Net Investment in Capital Assets	4.4	4.2	0.2
Restricted	2.9	3.3	(0.4)
Unrestricted	(16.8)	(16.1)	(0.7)
Total Net Position	<u>\$ (9.5)</u>	<u>\$ (8.6)</u>	<u>\$ (0.9)</u>

Net position may serve over time as a useful indicator of an entity's financial health. Liabilities and deferred inflows exceed assets and deferred outflows by \$9.5 million, a decrease of approximately \$0.9 million over the prior fiscal year. An analysis of revenues and expenses for the fiscal year provides details of the decrease.

Assets

Current assets, which are more liquid in nature, consist of cash and cash equivalents, investments, accounts receivable net of allowances and inventories. Current assets exceed current liabilities by a ratio of approximately 4.6 to 1. This shows ample liquidity to satisfy liabilities and results in a fairly healthy financial condition for the College.

Current assets decreased by a net of \$1.4 million, and cash and cash equivalents totaled \$180,264, a net decrease of \$1,221,592 from the prior fiscal year.

Capital Assets and Debt Administration

The College's investment in capital assets (land, buildings, machinery and equipment), net of accumulated depreciation, stands at just under \$4.4 million for the fiscal year. During the year, the College completed a construction project with a capitalized value of over \$0.35 million. It also purchased equipment with a cost of almost \$0.2 million. Annual depreciation expense on the College's total capitalized assets for the year exceeded \$0.3 million, partially offsetting the increases in capital acquisitions, and resulting in a net increase in net position of \$0.2 million. The College has additional planned and ongoing construction projects, with \$2.9 million restricted for these activities. The College does not use debt to finance the acquisition of capital assets.

Liabilities

Current liabilities increased by approximately \$0.3 million. This is primarily due to an increase in unearned revenue and deposits of nearly \$0.4 million, which was partially offset by a decrease in compensated absences of almost \$0.1 million. Non-current liabilities consist of the long term portion of compensated absences and the net pension and OPEB liabilities discussed earlier. The change in non-current liabilities from the prior year relates to decreases in all three long term liability categories.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents revenues earned and expenses incurred during the year under the categories of operating and non-operating. Generally, operating revenues and expenses are those that are received and used to carry out the mission of the College; however, the College depends heavily on financial support from the State. This support, as well as Pell grant revenue, is reflected as non-operating revenue based on governmental accounting standards; therefore, the College will likely report a significant operating deficit due to its dependence on state and local funding. Non-operating revenues and expenses were not sufficient to offset the operating deficit and resulted in a decrease in net position of approximately \$0.9 million for the year.

Operating Results

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

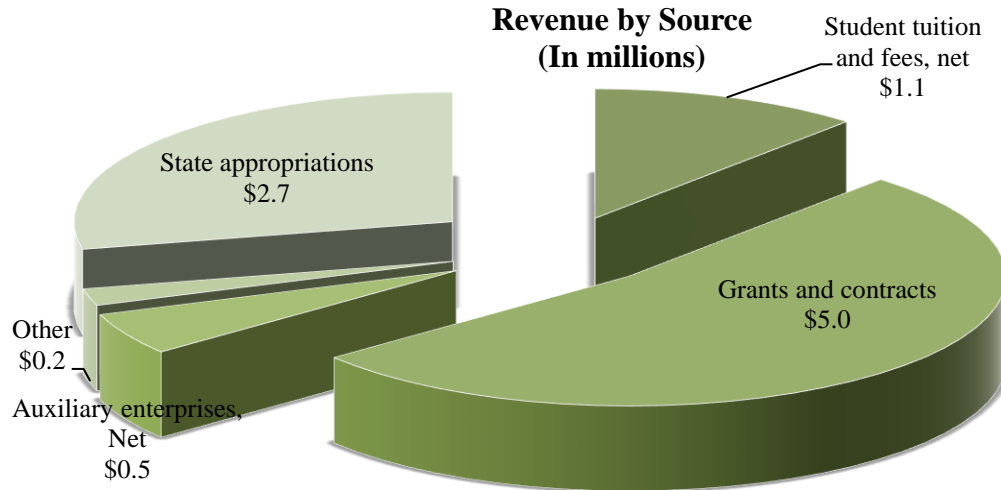
Operating Results for the Fiscal Year Ended June 30, 2018 and June 30, 2017 (in millions)

REVENUES	2018	2017 (as Restated)	Increase (Decrease)
Operating Revenue:			
Student tuition and fees, net	\$ 1.1	\$ 0.9	\$ 0.2
Grants and contracts	3.2	4.3	(1.1)
Auxiliary enterprises, Net	0.5	0.3	0.2
Other	<u>0.1</u>	<u>0.0</u>	<u>0.1</u>
	4.9	5.5	(0.6)
 Less Operating Expenses	 <u>10.4</u>	 <u>12.2</u>	 <u>(1.8)</u>
Net Operating Loss	(5.5)	(6.7)	1.2
 Non-operating Revenue:			
State appropriations	2.7	2.7	0.0
Grants and contracts	1.8	1.8	0.0
Other	<u>0.1</u>	<u>2.1</u>	<u>(2.0)</u>
Total Non-operating Revenue	4.6	6.6	(2.0)
 Decrease in net assets	(0.9)	(0.1)	(0.8)
Net position, beginning of year	<u>(8.6)</u>	<u>(8.5)</u>	<u>(0.1)</u>
Net position, end of year	\$(9.5)	\$(8.6)	\$(0.9)
 Total Revenue	 \$ 9.5	 \$12.1	 \$(2.6)

Revenue

Total revenue for June 30, 2018 decreased by over \$2.6 million from the prior fiscal year. Primary components of this decrease consist of reductions in State capital appropriations of approximately \$1.9 million and reductions in federal revenue of nearly \$0.9 million.

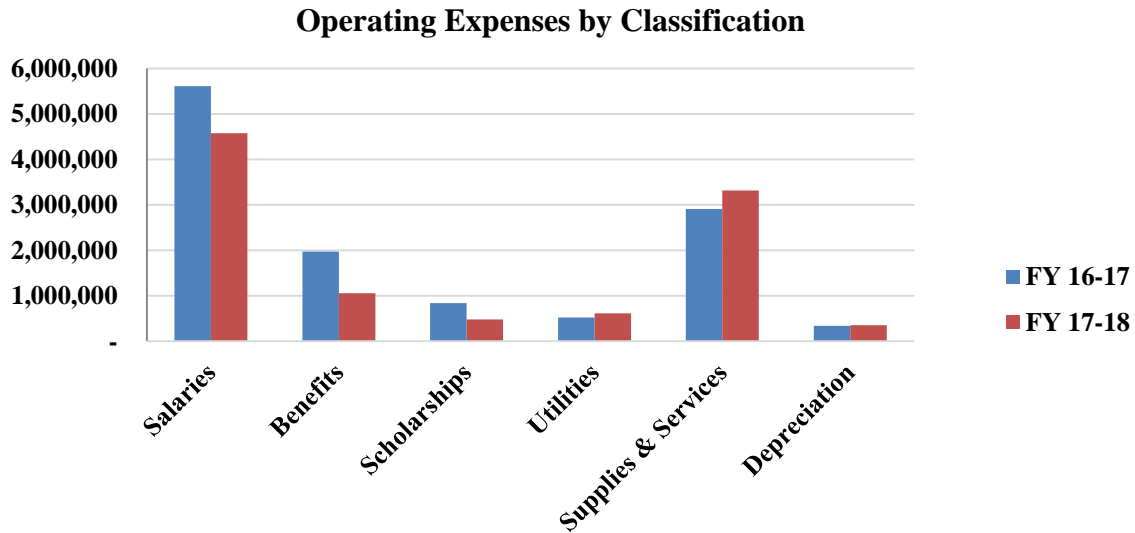
Sources of revenue and corresponding amounts are shown in millions in the following chart.



Expenses

Operating expenses for the fiscal year totaled \$10.4 million, down by \$1.8 million from the prior fiscal year. The most significant changes occurred in the areas of Salaries and Benefits, which decreased by just over \$1.0 million and \$0.9 million, respectively.

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



Statement of Cash Flows

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

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

Cash decreased by approximately \$1.2 million from last year.

Economic Factors

The economic condition of the College is dependent to a large degree on that of the state and local governments. South Carolina's economy has continued to grow its way out of the prolonged recession, which had significantly impacted the College through reductions in state funding for current operations. The College received approximately 31 percent of its total revenue from state sources. The College also received \$30,500 from county sources during the fiscal year.

Governance

In May, 2017, the State of South Carolina enacted legislation removing the governing authority of the College's Area Commission and transferring these powers to the State Board for Technical and Comprehensive Education. This authority has been extended until January 1, 2019, at which time the governing authority will be returned to the Area Commission. This action was taken after the State legislature concluded that the College would benefit by having the State Board provide direct leadership and assistance in areas such as enrollment, financial position, and program offerings more in line with the current job market and area employer needs.

Summary

The College has entered a period of right-sizing and resetting its operations based on changes in enrollment trends and economic condition. The College remains in fairly sound financial condition, despite a decrease in total revenue of approximately \$2.6 million. Unrestricted net position, excluding GASB 68 and GASB 75 adjustments to reflect pension and OPEB liabilities, still amounts to almost \$0.9 million. The College continues to provide affordable, post-secondary education to individuals from diverse educational and socioeconomic backgrounds seeking skills and knowledge for the emerging job market, culminating in associate degrees, diplomas, certificates, and transitions to four-year institutions.

Contact Information

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

DENMARK TECHNICAL COLLEGE
Statement of Net Position
As of June 30, 2018

ASSETS	
Cash and cash equivalents	\$ 180,264
Investments	876,604
Accounts receivable, net	4,012,710
Inventories	<u>97,264</u>
Total Current Assets	5,166,842
Capital assets, net of accumulated depreciation	<u>4,390,297</u>
Total Assets	9,557,139
Deferred Outflows of Resources	<u>1,800,569</u>
Total Assets and Deferred Outflows of Resources	<u>11,357,708</u>
LIABILITIES	
Accounts payable	231,925
Accrued payroll and related liabilities	119,108
Unearned revenue and deposits	635,527
Funds held for others	79,174
Compensated absences payable, current portion	<u>54,156</u>
Total Current Liabilities	1,119,890
Compensated absences payable, long term portion	255,555
Net pension liability	10,179,596
Net OPEB liability	<u>7,363,124</u>
Total Non-current Liabilities	17,798,275
Total Liabilities	18,918,165
Deferred Inflows of Resources	<u>1,977,442</u>
Total Liabilities and Deferred Inflows of Resources	<u>20,895,607</u>
NET POSITION	
Invested in capital assets	4,390,297
Restricted - capital projects	2,900,000
Unrestricted - unfunded pension and OPEB obligations	(17,719,593)
Unrestricted	<u>891,397</u>
Total Net Position	<u><u>\$ (9,537,899)</u></u>

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

DENMARK TECHNICAL COLLEGE
Statement of Revenues, Expenses and Changes in Net Position
For The Year Ending June 30, 2018

REVENUES

Operating Revenue:	
Student tuition and fees (net of scholarship allowance of \$1,119,388)	\$ 1,086,641
Federal Grants and Contracts	2,537,685
State Grants and Contracts	510,478
Other Grants and Contracts	181,909
Auxiliary Enterprises (net of scholarship allowances of \$814,139)	467,148
Other revenues	104,270
	<hr/>
Total Operating Revenue	4,888,131

EXPENSES

Operating Expenses:	
Salaries	4,577,528
Employee benefits	1,057,282
Scholarships	479,488
Utilities	612,134
Supplies and other services	3,317,383
Depreciation	349,138
	<hr/>
Total Operating Expenses	10,392,953

OPERATING INCOME (LOSS)	(5,504,822)
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NONOPERATING REVENUES (EXPENSES)

State appropriations	2,659,859
County appropriations	30,500
Interest income	879
Federal grants and contracts	1,838,519
Student capital fees (net of scholarship allowances of \$162,843)	7,658
	<hr/>
Total Nonoperating Revenues (Expenses)	4,537,415

Increase (decrease) in Net Assets	(967,407)
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Net Position Beginning of Year	(142,384)
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Prior Period Adjustment	(8,428,108)
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Net Position Beginning of Year, as restated	(8,570,492)
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Net Position End of Year	\$ (9,537,899)
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The accompanying notes are an integral part of these financial statements.

DENMARK TECHNICAL COLLEGE
Statement of Cash Flows
For The Year Ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Student tuition and fees (net of scholarship allowances)	\$ 1,121,385
Federal, state and local grants and contracts	3,457,129
Auxiliary enterprise charges (net of scholarship allowances)	467,148
Other receipts	104,270
Payments to vendors	(5,989,650)
Payments to employees	(4,675,628)
Net Cash Used in Operating Activities	(5,515,346)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State appropriations	2,659,859
County appropriations	30,500
Funds held for others	(31,856)
Non-operating federal, state and local grants and contracts	1,744,476
Net Cash Provided by Noncapital Financing Activities	4,402,979

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Federal, state and local capital grants	410,002
Student capital fees (net of scholarship allowances)	7,658
Purchase of capital assets	(526,885)
Net Cash Provided by Capital and Related Financing Activities	(109,225)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	(879)
Interest on investments	879
Net Cash Used in Investing Activities	-

Net Decrease in Cash and Cash Equivalents (1,221,592)

Cash and Cash Equivalents - Beginning of Year 1,401,856

Cash and Cash Equivalents - End of Year **\$ 180,264**

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

Operating expenses over revenue	\$ (5,504,822)
Adjustments to Reconcile Net Loss to Net Cash Used by Operating Activities:	
Depreciation expense	349,138
Change in Assets and Liabilities:	
Receivables, net	(172,443)
Inventories	16,716
Deferred outflows	251,471
Accounts payable	(28,710)
Accrued payroll and related liabilities	(4,690)
Unearned revenue and deposits	361,999
Compensated absences	(93,409)
Deferred inflows	239,570
Net pension liability	(428,641)
Net OPEB liability	(501,525)

Net Cash Used in Operating Activities **\$ (5,515,346)**

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

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2018

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

F. Investments: Deposits and investments for the College are governed by the South Carolina Code of Laws, Section 11-9-660, "Investment of Funds." The GASB Codification Section 150, *Investments*, requires disclosures related to deposit risks, such as custodial credit risk, and investment risks, such as credit risk (including custodial credit risk and concentrations of credit risks) and interest rate risk. The College accounts for its investments at fair value in accordance with the GASB Codification. Changes in unrealized gain (loss) on the fair value of investments are reported as a component of investment income in the statement of revenues, expenses and changes in net assets.

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

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

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

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

J. Unearned Revenues and Deposits: Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned. Total unearned revenues at June 30, 2018 amounted to \$544,052.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2018

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

Deposits represent dormitory room deposits, security deposits for possible room damage and key loss, student fee refunds, and other miscellaneous deposits. Student deposits are recognized as revenue during the semester for which the fee is applicable and earned when the deposit is nonrefundable to the student under the forfeit terms of the agreement. Student deposits at June 30, 2018 totaled \$91,475.

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

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

Net investment in capital assets: This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

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

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

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

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

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2018

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

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

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

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

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

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

Q. Postemployment Benefits Other Than Pensions (OPEB): For purposes of measuring the net OPEB liability, deferred outflows and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF) and additions to/deductions from the Trust Funds' fiduciary net position have been determined on the same basis of accounting as they are reported by the Trust Funds. For this purpose, benefit payments are recognized when due and payable in accordance with the terms of the plans. Investments are reported at fair value.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2018

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

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

NOTE 2 - STATE APPROPRIATIONS

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

The following is a reconciliation of the state appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2018.

NON-CAPITAL APPROPRIATIONS

Appropriations per State Board Allocation	<u>\$ 2,659,859</u>
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Total non-capital appropriations recorded as current year revenue	<u>\$ 2,659,859</u>
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CAPITAL APPROPRIATIONS

Appropriations per State Board Allocation	<u>\$ 0</u>
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Total capital appropriations recorded as current year revenue	<u>\$ 0</u>
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NOTE 3—CASH, DEPOSITS, AND INVESTMENTS

DEPOSITS

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

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2018

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

Custodial Credit Risk

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

The cash and cash equivalent deposits with a bank balance of \$781,492 for Denmark Technical College at June 30, 2018, were insured by the Federal Deposit Insurance Corporation or collateralized with securities held by the College's custodial bank in the College's name.

INVESTMENTS

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

The College's investment at June 30, 2018 consisted of a collateralized bank certificate of deposit of \$876,604 yielding .20% maturing August 11, 2018 and is reported at fair value. Subsequent to year end, this Certificate and the accumulated earnings were reinvested for 6 months yielding .50%.

Custodial Credit Risk

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

The College's investment in a bank collateralized certificate of deposit at June 30, 2018 was held by the College. The College recognized no losses due to the default by counterparties to investment transactions.

Credit Risk

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

Concentration of Credit Risk

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

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2018

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

Interest Rate Risk

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

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

Statement of Net Position:

Cash and Cash Equivalents	\$ 180,264
Investments	<u>876,604</u>
Total Statement of Net Position	<u>\$ 1,056,868</u>

Disclosure, Cash, Deposits and Investments:

Carrying value of deposits:	
Not held by State Treasurer	\$ 180,264
Investment not held by State Treasurer	<u>876,604</u>
Total Disclosure, Cash, Deposits and Investments	<u>\$ 1,056,868</u>

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2018 including applicable allowances, were as follows:

Receivables:

Student Accounts	\$ 334,344
Other Accounts	121,475
Due from Federal and Other Grantors	900,801
Due from State – Capital Appropriations	<u>2,900,000</u>
Gross Receivables	<u>\$ 4,256,620</u>
Less: Allowance for Uncollectible:	
Student Accounts	<u>\$ (243,910)</u>
Total Allowance for Uncollectible	<u>\$ (243,910)</u>
Receivables, Net	<u>\$ 4,012,710</u>

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

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2018

NOTE 5—CAPITAL ASSETS

	Beginning Balance 6/30/2017	Increases	Decreases	Ending Balance 6/30/2018
Capital Assets not being depreciated				
Land and Improvements	\$ 174,020			\$ 174,020
Construction in Progress	37,268	328,154	(351,124)	14,298
	<u>211,288</u>	<u>328,154</u>	<u>(351,124)</u>	<u>188,318</u>
Other Capital Assets:				
Buildings and Improvements	8,318,638	351,124	-	8,669,762
Machinery, Equipment and Other	3,628,700	186,230	-	3,814,930
Vehicles	672,714	12,500	(12,189)	673,025
Intangibles	151,286	-	-	151,286
Total Other Capital Assets at Historical Cost	<u>12,771,338</u>	<u>549,854</u>	<u>(12,189)</u>	<u>13,309,003</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	4,769,728	138,413	-	4,908,141
Machinery, Equipment and Other	3,223,470	188,996	-	3,412,466
Vehicles	625,591	21,729	(12,189)	635,131
Intangibles	151,286	-	-	151,286
Total Accumulated Depreciation	<u>8,770,075</u>	<u>349,138</u>	<u>(12,189)</u>	<u>9,107,024</u>
Other Capital Assets, Net	<u>4,001,263</u>	<u>200,716</u>	<u>-</u>	<u>4,201,979</u>
Capital Assets, Net	<u>\$ 4,212,551</u>	<u>\$ 528,870</u>	<u>\$ (351,124)</u>	<u>\$ 4,390,297</u>

NOTE 6—PENSION PLAN(S)

Plan Description/Membership

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

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2018

NOTE 6—PENSION PLAN(S)...continued

As an alternative to membership in SCRS, newly hired State, public school, and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State Optional Retirement Program (ORP), a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. PEBA assumes no liability for State ORP benefits. The benefits are the liability of the investment providers. Employee and employer contributions to the ORP are at the same rates as SCRS. A direct remittance is required from the employer to the member's account with investment providers for the employee contribution and a portion of the employer contribution (5 percent). A direct remittance is required to SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution, if applicable, which is retained by SCRS.

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

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

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2018

NOTE 6—PENSION PLAN(S)...continued

Benefits

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

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

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

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

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

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2018

NOTE 6—PENSION PLAN(S)...continued

Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA board may increase the percentage rate in SCRS and PORS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and total employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS and 5 percent for PORS. An increase in the contribution rates adopted by the board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period. This increase is not limited to one-half of one percent per year.

If the most recent actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than ninety percent, then the board, effective on the following July 1, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than ninety percent. Any decrease in contribution rates must maintain the 2.9 and 5 percent differentials between the SCRS and PORS employer and employee contribution rates, respectively. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than ninety percent, then effective on the following July 1, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 90 percent.

The Retirement System Funding and Administration Act increases employer contribution rates to 13.56 percent for SCRS and 16.24 for PORS, effective July 1, 2017. It also removes the 2.9 percent and 5 percent differential and increases and establishes a ceiling on employee contribution rates at 9 percent and 9.75 for SCRS and PORS, respectively. The employer contribution rates will continue to increase annually by 1 percent through July 1, 2022. The legislation's ultimate scheduled employer rate is 18.56 percent for SCRS and 21.24 percent for PORS. The amortization period is scheduled to be reduced one year for each of the next 10 years to a twenty year amortization schedule. The recent pension reform legislation also changes the long term funded ratio requirement from ninety to eighty-five.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2018

NOTE 6—PENSION PLAN(S)...continued

Required employee contribution rates for the fiscal year ended June 30, 2018 are as follows:

SCRS	
Employee Class Two	9.00% of earnable compensation
Employee Class Three	9.00% of earnable compensation
State ORP	
Employee	9.00% of earnable compensation
PORS	
Employee Class Two	9.75% of earnable compensation
Employee Class Three	9.75% of earnable compensation

Required employer contribution rates for the fiscal year ended June 30, 2018 are as follows:

SCRS	
Employer Class Two	13.41% of earnable compensation
Employer Class Three	13.41% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation
State ORP	
Employer Contribution	13.41% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation
PORS	
Employer Class Two	15.84% of earnable compensation
Employer Class Three	15.84% of earnable compensation
Employer Incidental Death Benefit	0.20% of earnable compensation
Employer Accidental Death Program	0.20% of earnable compensation

The College's actual contributions to the SCRS (including ORP of \$5,361 in 2018, \$0 in 2017, and \$13,519 in 2016) for the years ended June 30, 2018, 2017, and 2016 were approximately \$488,426, \$509,764, and \$517,192, respectively. The College's actual contributions to the PORS for these same periods were approximately \$9,210, \$16,032, and \$16,089. In addition, the College paid approximately \$5,615, \$6,933, and \$7,509 in employer incidental death benefit program contributions to these programs for the years ended June 30, 2018, 2017, and 2016, respectively. The College also paid accidental death program contributions totaling \$116, \$232, and \$241 to the PORS for the same respective periods.

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

Payables to the Pension Plan

As of June 30, 2018, the College had \$73,611 in payables outstanding to the pension plans for its legally required contributions.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2018

NOTE 6—PENSION PLAN(S)...continued

Actuarial Assumptions and Methods

Actuarial valuations of the ongoing plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued as of July 1, 2015.

The June 30, 2017, total pension liability, net pension liability, and sensitivity information were determined by the Systems' consulting actuary, Gabriel, Roeder, Smith and Company and are based on an actuarial valuation performed as of July 1, 2016. The total pension liability was rolled forward from the valuation date to the plans' fiscal year end, June 30, 2017, using generally accepted actuarial principles. The Retirement System Funding and Administration Act of 2017 was signed into law April 25, 2017 and included a provision to reduce the assumed rate of return from 7.50% to 7.25% effective July 1, 2017. As a result of this legislation, the actuary made an adjustment to the calculation of the roll-forward total pension liability for this assumption change as of the measurement date of June 30, 2017.

The following table provides a summary of the actuarial assumptions and methods used to calculate the total pension liability as of June 30, 2017.

	SCRS	PORS
Actuarial cost method	Entry age normal	Entry age normal
Actuarial assumptions:		
Investment rate of return	7.25%	7.25%
Projected salary increases	3.0% to 12.5% (varies by service)	3.5% to 9.5% (varies by service)
Includes inflation at	2.25%	2.25%
Benefit adjustments	lesser of 1% or \$500 annually	lesser of 1% or \$500 annually

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table (2016 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2018

NOTE 6—PENSION PLAN(S)...continued

Assumptions used in the determination of the June 30, 2017, total pension liability are as follows:

Former Job Class	Males	Females
Educators	2016 PRSC Males multiplied by 92%	2016 PRSC Females multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

Net Pension Liability

The net pension liability is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB 67 less that system's fiduciary net position. The College's proportionate share of the liabilities were determined based on the percentage of the College's employer contributions paid relative to total employer contributions paid to each system for the year ended June 30, 2017.

The College's share of PEBA's total net pension liability for the retirement systems as of June 30, 2018, expressed in terms of dollars and percentages are as follows:

	<u>SCRS</u>		<u>PORS</u>	
	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2018</u>	<u>6/30/2017</u>
PEBA:				
Total Pension Liability	\$48,244,437,494	\$45,356,214,752	\$7,013,684,001	\$6,412,510,458
Plan Fiduciary Net Position	25,732,829,268	23,996,362,354	4,274,123,178	3,876,035,732
Net Pension Liability	22,511,608,226	21,359,852,398	2,739,560,823	2,536,474,726
Denmark Technical College:				
Share of Net Pension Liability	\$9,965,664	\$10,368,286	\$213,932	\$239,951
Percentage	.044269%	.048541%	.007809%	.009460%

No change has been reported in the College's share of the total systems' liabilities since the June 30, 2017 measurement date.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2018

NOTE 6—PENSION PLAN(S)...continued

Deferred Outflows and Inflows of Resources

For the year ended June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>			<u>Deferred Inflows of Resources</u>		
	<u>SCRS</u>	<u>PORS</u>	<u>Total</u>	<u>SCRS</u>	<u>PORS</u>	<u>Total</u>
Differences between expected and actual experience	\$ 44,427	\$ 1,908	\$ 46,335	\$ 5,524	\$ -	\$ 5,524
Changes of assumptions	583,383	20,304	603,687	-	-	-
Net difference between projected and actual earnings on pension plan investments	278,195	7,623	285,818	-	-	-
Changes in proportion and differences between College contributions and proportionate share of contributions	146,140	-	146,140	1,203,605	72,156	1,275,761
College contributions subsequent to the measurement date	<u>493,926</u>	<u>9,442</u>	<u>503,368</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$1,546,071</u>	<u>\$39,277</u>	<u>\$1,585,348</u>	<u>\$1,209,129</u>	<u>\$72,156</u>	<u>\$1,281,285</u>

The amount \$503,368 reported as deferred outflows relating to pensions resulting from the College's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. The following schedule reflects the amortization of the net balance of remaining deferred outflows/(inflows) of resources at June 30, 2018.

<u>Measurement Period</u>	
<u>Ending June 30</u>	
2019	\$(101,442)
2020	(49,536)
2021	47,357
2022	(95,684)
Thereafter	0

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 30 year capital market assumptions. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2018

NOTE 6—PENSION PLAN(S)...continued

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted beginning July 1, 2016. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the following table. For actuarial purposes, the 7.25% assumed annual investment rate of return used in the calculation of the total pension liability includes a 5.00% real rate of return and a 2.25% inflation component.

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Global Equity	45.0%		
Global Public Equity	31.0%	6.72%	2.08%
Private Equity	9.0%	9.60%	0.86%
Equity Options Strategies	5.0%	5.91%	0.30%
Real Assets	8.0%		
Real Estate (Private)	5.0%	4.32%	0.22%
Real Estate (REITs)	2.0%	6.33%	0.13%
Infrastructure	1.0%	6.26%	0.06%
Opportunistic	17.0%		
GTAA/Risk Parity	10.0%	4.16%	0.42%
Hedge Funds (non-PA)	4.0%	3.82%	0.15%
Other Opportunistic Strategies	3.0%	4.16%	0.12%
Diversified Credit	18.0%		
Mixed Credit	6.0%	3.92%	0.24%
Emerging Markets Debt	5.0%	5.01%	0.25%
Private Debt	7.0%	4.37%	0.31%
Conservative Fixed Income	12.0%		
Core Fixed Income	10.0%	1.60%	0.16%
Cash and Short Duration (Net)	<u>2.0%</u>	0.92%	<u>0.02%</u>
Total Expected Real Return	100.0%		5.31%
Inflation for Actuarial Purposes			<u>2.25%</u>
Total Expected Nominal Return			<u>7.56%</u>

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2018

NOTE 6—PENSION PLAN(S)...continued

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, each system's fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

The following table presents the College's share of the net pension liability calculated using the discount rate of 7.25%, as well as what the College's share of the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.25%) or 1.00% higher (8.25%) than the current rate.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
System	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
SCRS	\$12,844,372	\$9,965,664	\$8,218,965
PORS	288,849	213,932	154,921

Additional Financial and Actuarial Information

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the systems' audited financial statements for the fiscal year ended June 30, 2017. Additional actuarial information is available in the accounting and financial reporting actuarial valuation as of June 30, 2017.

NOTE 7—POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents. The College contributes to the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF), cost-sharing multiple employer defined benefit post-employment healthcare and long-term disability plans administered by the Insurance Benefits Division (IB) of the South Carolina Public Employee Benefit Authority (PEBA).

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2018

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

Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires beginning employment May 2, 2008 and after, retirees are eligible for benefits if they have established 25 years of service for 100% employer funding and 15 through 24 years of service for 50% employer funding.

Benefits become effective when the former employee retires under a State retirement system. Basic Long-Term Disability (BLTD) benefits are provided to active State, public school district, and participating local government employees approved for disability.

Funding Policies/Benefits/Contributions

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these post-employment 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. Participating employers are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 5.50% of annual covered payroll for the fiscal year ended June 30, 2018 and 5.33% of annual covered payroll for the fiscal years ended June 30, 2017 and 2016. The IB sets the employer contribution rate based on a pay-as-you-go basis. The College paid approximately \$204,829, \$244,303 and \$264,686 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2018, 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, 2018 and 2017. The College recorded employer contributions expenses applicable to these insurance benefits for active employees of approximately \$3,130 and \$3,903 for the years ended June 30, 2018 and 2017, respectively. Employees are not required to contribute to the plan.

Effective May 1, 2008 the State established two trust funds through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits and long-term disability insurance benefits. The SCRHITF is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated IB reserves and income generated from investments. The SCLTDITF is primarily funded through investment income and employer contributions.

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

Payables to the OPEB Plans

As of June 30, 2018, the College had \$13,911 in payables outstanding to the OPEB plans for its legally required contributions.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2018

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

Net OPEB Liability

The net OPEB liability is calculated separately for each trust fund and represents that particular trust fund's total OPEB liability determined in accordance with GASB 74 less that trust fund's fiduciary net position. The College's proportionate share of the liabilities were determined by PEBA based on the percentage of the College's employer contributions paid relative to total employer contributions paid to each plan for the year ended June 30, 2017.

The College's share of PEBA's total net OPEB liability for its plans of June 30, 2018, expressed in terms of dollars and percentages are as follows:

	<u>SCRHITF</u>	<u>SCLTDITF</u>	<u>Total OPEB</u>
PEBA:			
Total OPEB Liability	\$14,659,610,970	\$38,510,568	\$14,698,121,538
Plan Fiduciary Net Position	<u>1,114,774,760</u>	<u>36,697,589</u>	<u>1,151,472,349</u>
Net OPEB Liability	13,544,836,210	1,812,979	13,546,649,189
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	7.60%	95.29%	
Denmark Technical College:			
Share of Net OPEB Liability	\$7,362,160	\$964	\$7,363,124
Percentage	.054354%	.053158%	

No change has been reported in the College's share of the total plans' liabilities since the June 30, 2017 measurement date.

Deferred Outflows and Inflows of Resources

For the year ended June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>			<u>Deferred Inflows of Resources</u>		
	<u>SCRHITF</u>	<u>SCLTDITF</u>	<u>Total</u>	<u>SCRHITF</u>	<u>SCLTDITF</u>	<u>Total</u>
Differences between expected and actual experience	\$ -	\$ -	\$ -	\$ 3,195	\$ -	\$ 3,195
Changes of assumptions	-	-	-	\$692,745	87	692,832
Net difference between projected and actual earnings on OPEB plan investments	12,650	464	13,114	-	-	-
Changes in proportion and differences between College contributions and proportionate share of contributions	-	-	-	107	23	130
College contributions subsequent to the measurement date	<u>198,977</u>	<u>3,130</u>	<u>202,107</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$211,627</u>	<u>\$3,594</u>	<u>\$215,221</u>	<u>\$696,047</u>	<u>\$110</u>	<u>\$696,157</u>

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2018

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

The amount \$202,107 (\$198,977 + \$3,130) reported as deferred outflows of resources relating to OPEB resulting from the College’s contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. The following schedule reflects the amortization of the net balance of remaining deferred outflows/(inflows) of resources at June 30, 2018.

Measurement Period <u>Ending June 30</u>	
2019	\$(108,173)
2020	(108,173)
2021	(108,173)
2022	(108,173)
Thereafter	(250,351)

Actuarial Assumptions and Methods

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts regarding the net OPEB liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plans (as understood by the employer and plan participants) and include the types of benefits provided at the time of valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarially accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following information summarizes the actuarial assumptions and methods used in the latest actuarial valuation for SCRHITF:

Valuation Date:	June 30, 2016
Actuarial Cost Method:	Entry Age Normal
Inflation:	2.25%
Investment Rate of Return:	4.00, net of OPEB Plan investment expense, including inflation
Single Discount Rate:	3.56% as of June 30, 2017 (was 2.92% as of June 30, 2016)
Demographic Assumptions:	Based on the experience study performed for the South Carolina Retirement Systems for the five-year period ended June 30, 2015

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2018

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

Mortality:	For healthy retirees, the 2016 Public Retirees of South Carolina Mortality Table for Males and the 2016 Public Retirees of South Carolina Mortality Table for Females are used with fully generational mortality projections based on Scale AA from the year 2016. Multipliers are applied to the base tables based on gender and employment type.
Healthcare Trend Rate:	Initial trend starting at 7.00% and gradually decreasing to an ultimate trend rate of 4.15% over a period of 15 years
Aging Factors:	Based on plan specific experience
Retiree Participation:	79% for retirees who are eligible for funded premiums
Note:	There were no benefit changes during the year

The following information summarizes the actuarial assumptions and methods used in the latest actuarial valuation for SCLTDITF:

Valuation Date:	June 30, 2016
Actuarial Cost Method:	Entry Age Normal
Inflation:	2.25%
Investment Rate of Return:	4.00, net of OPEB Plan investment expense, including inflation
Single Discount Rate:	3.87% as of June 30, 2017 (was 3.74% as of June 30, 2016)
Salary, Termination, and Retirement Rates:	Based on the experience study performed for the South Carolina Retirement Systems for the five-year period ended June 30, 2015
Disability Incidence:	The rates used in the valuation are based on the rates developed for the South Carolina Retirement Systems pension plans
Disability Recovery:	For participants in payment, 1987 CGDT Group Disability; for active employees, 60% were assumed to recover after the first year and 92% were assumed to recover after the first two years
Offsets:	40% are assumed to be eligible for Social Security benefits; assumed percentage who will be eligible for a pension plan offset varies based on employee group
Note:	There were no benefit changes during the year

Roll Forward Disclosure

The actuarial valuation was performed as of June 30, 2016. Update procedures were used to roll forward the total OPEB liability to June 30, 2017.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2018

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

Single Discount Rate

The Single Discount Rate of 3.56% was used to measure the total OPEB liability for the SCRHITF. The accounting policy for this plan is to set the Single Discount Rate equal to the prevailing municipal bond rate. Due to the plan's investment and funding policies, the difference between a blended discount rate and the municipal bond rate would be less than several basis points (several hundredths of one percent).

A Single Discount Rate of 3.87% was used to measure the total OPEB liability for the SCLTDITF. The Single Discount Rate was based on an expected rate of return on plan investments of 4.00% and a municipal bond rate of 3.56%. The projection of cash flows to determine this Single Discount Rate assumed that employer contributions will remain \$38.64 per year for each covered active employee. Based on these assumptions, the plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2037. As a result, the long-term expected rate of return on plan investments was applied to project benefit payments through the year 2037, and the municipal bond rate was applied to all benefit payments after that date.

Long-term Expected Rate of Return

The long-term expected rate of returns on OPEB plan investments represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2017 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation. This information is summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Allocation- Weighted Long- Term Expected Real Rate of Return</u>
U.S. Domestic Fixed Income	80.0%	2.09%	1.67%
Cash	<u>20.0%</u>	0.84%	<u>0.17%</u>
Total	100.0%		1.84%
Expected Inflation			<u>2.25%</u>
Total Return			<u>4.09%</u>
Investment Return Assumption			<u>4.00%</u>

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2018

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

Sensitivity Analysis

The following table presents the College's proportionate share of the SCRHITF net OPEB liability calculated using a Single Discount Rate of 3.56%, as well as what the College's share of the net OPEB liability would be if it were calculated using a Single Discount Rate that is 1.00% lower (2.56%) or 1.00% higher (4.56%) than the current rate:

Sensitivity of the SCRHITF Net OPEB Liability to Changes in the Single Discount Rate

<u>1.00% Decrease (2.56%)</u>	<u>Current Discount Rate (3.56%)</u>	<u>1.00% Increase (4.56%)</u>
\$8,670,544	\$7,362,160	\$6,307,283

Regarding the sensitivity of the SCRHITF's net OPEB liability to changes in the healthcare cost trend rates, the following table presents the College's share of the plan's net OPEB liability, calculated using the assumed trend rates as well as what the College's share of the net OPEB liability would be if it were calculated using a trend rate that is 1.00% lower or 1.00% higher:

Sensitivity of the SCRHITF Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

<u>1.00% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1.00% Increase</u>
\$6,037,277	\$7,362,160	\$9,077,566

The following table presents the College's proportionate share of the SCLTDITF net OPEB liability calculated using a Single Discount Rate of 3.87%, as well as what the College's share of the net OPEB liability would be if it were calculated using a Single Discount Rate that is 1.00% lower (2.87%) or 1.00% higher (4.87%) than the current rate:

Sensitivity of the SCLTDITF Net OPEB Liability to Changes in the Single Discount Rate

<u>1.00% Decrease (2.87%)</u>	<u>Current Discount Rate (3.87%)</u>	<u>1.00% Increase (4.87%)</u>
\$1,714	\$964	\$227

Additional Financial and Actuarial Information

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the trust funds' audited financial statements for the fiscal year ended June 30, 2017. Additional actuarial information is available in the accounting and financial reporting actuarial valuation as of June 30, 2017.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2018

NOTE 8—CONTINGENCIES, LITIGATION, AND COMMITMENTS

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

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

Necessary funding has been obtained for the acquisition, construction, renovation, and equipping of certain facilities, which will be capitalized in the applicable capital asset categories upon completion. At June 30, 2018, the College had no remaining commitment balances with certain property owners, engineering firms, construction contractors, and vendors related to these projects. The College anticipates funding these projects out of current resources, current and future bond issues, private gifts, student fees, and state capital improvement bond proceeds.

The College has entered into an agreement for library, training and testing licenses for the five-year period ending April 27, 2020. The terms require payment of \$34,820 annually due on May 1st. At June 30, 2018, the College remaining commitment totaled \$34,820.

NOTE 9—LEASE OBLIGATIONS

Operating Leases

The College leases copier and other equipment under cancelable operating leases, with the charges on most items based primarily or exclusively on usage. In the normal course of business, operating leases are generally renewed or replaced by five year cancelable rental agreements and are generally payable on a monthly basis. Rental agreements are due to expire from April 2019 to June 2023. Operating lease payments made during the fiscal year ended June 30, 2018, totaled \$111,148 to external parties and \$12,169 to other State agencies.

NOTE 10—NON-CURRENT LIABILITIES – COMPENSATED ABSENCES PAYABLE

Non-current liability activity in compensated absences payable for the year ended June 30, 2018 was as follows:

	July 1, 2017	Additions	Reductions	June 30, 2018	Due Within One Year
Total Compensated Absences Payable	<u>\$ 403,120</u>	<u>\$ 25,727</u>	<u>\$(119,136)</u>	<u>\$ 309,711</u>	<u>\$ 54,156</u>

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2018

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

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

Following is a more detailed discussion of the Foundation and a summary of significant transactions between the Foundation and the College for the year ended June 30, 2018.

The Denmark Technical College Foundation

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

During the year ended June 30, 2018, the Foundation had minimal financial activity, and the only transaction between the College and the Foundation was a \$10,000 donation made by the Foundation to the College's agency fund, which is included in the Statement of Net Position as the liability "funds held for others."

NOTE 12 – RISK MANAGEMENT

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

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

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

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

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2018

NOTE 12 – RISK MANAGEMENT...continued

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

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

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

NOTE 13—OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification for the year ended June 30, 2018, are summarized as follows:

	<u>Salaries</u>	<u>Benefits</u>	<u>Scholarships</u>	<u>Utilities</u>	<u>Supplies and Other Services</u>	<u>Depreciation</u>	<u>Total</u>
Instruction	\$1,763,559	\$ 400,846	\$ -	\$ -	\$ 132,786	\$ -	\$ 2,297,191
Academic Support	672,892	136,009	-	-	266,226	-	1,075,127
Student Services	773,649	153,510	-	-	152,888	-	1,080,047
Operation and Maintenance of Plant	322,320	70,633	-	612,134	661,467	-	1,666,554
Institutional Support	796,137	226,847	-	-	1,734,636	-	2,757,620
Scholarships	-	-	479,488	-	-	-	479,488
Auxiliary Enterprises	248,971	69,437	-	-	369,380	-	687,788
Depreciation	-	-	-	-	-	349,138	349,138
Total Operating Expenses	<u>\$4,577,528</u>	<u>\$1,057,282</u>	<u>\$ 479,488</u>	<u>\$ 612,134</u>	<u>\$ 3,317,383</u>	<u>\$ 349,138</u>	<u>\$10,392,953</u>

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2018

NOTE 14– STATEMENT OF ACTIVITIES

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

	<u>2018</u>	<u>2017</u>	<u>Increase/ (Decrease)</u>
Charges for Services	\$ 4,888,131	\$ 5,550,296	\$ (662,165)
Non-Operating Revenues	1,877,556	1,974,133	(96,577)
Less: Expenses	<u>(10,392,953)</u>	<u>(12,191,774)</u>	<u>1,798,821</u>
Net Program Revenue (Expense)	(3,627,266)	(4,667,345)	1,040,079
Transfers:			
State Appropriations	<u>2,659,859</u>	<u>4,603,468</u>	<u>(1,943,609)</u>
Change in Net Position	(967,407)	(63,877)	(903,530)
Net Position Beginning of Year	(142,384)	284,918	(427,302)
Prior Period Adjustment	<u>(8,428,108)</u>	<u>(363,425)</u>	<u>(8,064,683)</u>
Net Position End of Year	<u>\$(9,537,899)</u>	<u>\$(142,384)</u>	<u>\$(9,395,515)</u>

NOTE 15—TRANSACTIONS WITH OTHER AGENCIES

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

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

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

NOTE 16 – SUBSEQUENT EVENTS

The College evaluated subsequent events through October 11, 2018, which is the date the financial statements were available for issue. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2018

NOTE 17 – RESTATEMENT

The College implemented the provisions of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the current fiscal year. The implementation requires the College to restate its beginning net position. The balances that were affected are as follows:

Audited net position as of June 30, 2017	\$ (142,384)
Net OPEB liability and deferred items	<u>(8,428,108)</u>
Restated net position as of June 30, 2017	<u>\$(8,570,492)</u>

NOTE 18 – GOVERNANCE AND CONTINUANCE OF COLLEGE OPERATIONS

In May, 2017, the State of South Carolina enacted legislation removing the governing authority of the College's Area Commission and transferring these powers to the State Board for Technical and Comprehensive Education. This authority was extended until January 1, 2019, at which time the governing authority will be returned to the Area Commission. This action was taken after the State legislature concluded that the College would benefit by having the State Board provide direct leadership and assistance in areas such as enrollment, financial position, and program offerings more in line with the current job market and area employer needs. This leadership and assistance has continued during fiscal year 2018. An advisory committee was appointed and the State Board has met with the advisory committee providing training and consultation in regards to meeting the SACSCOS recommendation for governance policies and by-law changes to be adopted. This advisory board will assume governing authority as the Area Commission on January 1, 2019.

Management has taken steps to improve the College's stability and ability to meet its financial obligations.

The College has met with the three local area governments to obtain increased financial support and has received commitments from the three counties to increase their financial funding and support. The legislature has indicated that it will provide additional support for equipment upgrades pending the increase in local support.

The College has reduced staff and has made an effort to reduce costs to be more in line with the College's student enrollment.

Management and staff have met with local area high schools to recruit students to increase enrollment and with local area industries to determine industry program and training needs in order to develop programs to meet these needs.

The ability of the College to continue operations is dependent on the success of the plans outlined above.

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

	2018	2017	2016	2015
South Carolina Retirement System				
College's proportion of the net pension liability	0.044269%	0.048541%	0.054609%	0.051732%
College's proportionate share of the net pension liability	\$9,965,664	\$10,368,286	\$10,356,860	\$8,906,535
College's covered-employee payroll (for the measurement period)	\$4,467,697	\$4,616,622	\$5,024,875	\$4,706,622
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	223.06%	224.59%	206.11%	189.23%
Plan fiduciary net position as a percentage of the total pension liability	53.3%	52.9%	57.0%	59.9%
Police Officers Retirement System				
College's proportion of the net pension liability	0.00781%	0.00946%	0.00986%	0.01483%
College's proportionate share of the net pension liability	\$213,932	\$239,951	\$214,942	\$283,910
College's covered-employee payroll (for the measurement period)	\$115,841	\$120,608	\$129,453	\$179,847
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	184.68%	198.95%	166.04%	157.86%
Plan fiduciary net position as a percentage of the total pension liability	60.9%	60.4%	64.6%	67.5%

Note: This schedule is presented to satisfy the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which the information is available.

Source: Audit report on the schedules of employer allocations, schedules of pension amounts by employer, and related notes to the South Carolina Retirement System, as administered by the SC Public Benefits Authority for the year ended June 30, 2017.

Covered-employee payroll: The covered-employee payroll presented above is for the measurement period used to determine the employer allocations and schedules of pension amounts by employer recorded in the current period.

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
South Carolina Retirement System				
Contractually required contribution	\$483,065	\$509,764	\$503,673	\$540,174
Contributions in relation to the contractually required contribution	<u>(483,065)</u>	<u>(509,764)</u>	<u>(503,673)</u>	<u>(540,174)</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
College's covered employee payroll	\$3,602,276	\$4,467,697	\$4,616,622	\$5,024,875
Contributions as a percentage of covered-employee payroll	13.41%	11.41%	10.91%	10.75%
Police Officers Retirement System				
Contractually required contribution	\$9,210	\$16,032	\$16,089	\$16,842
Contributions in relation to the contractually required contribution	<u>(9,210)</u>	<u>(16,032)</u>	<u>(16,089)</u>	<u>(16,842)</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
College's covered employee payroll	\$58,143	\$115,841	\$120,608	\$129,453
Contributions as a percentage of covered-employee payroll	15.84%	13.84%	13.34%	13.01%

Note: This schedule is presented to satisfy the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which the information is available.

Source: College's quarterly retirement contribution reports.

Covered-employee payroll: The covered-employee payroll presented above is for the fiscal year ended as indicated above.

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

	2018	2017
South Carolina Retiree Health Insurance Trust Fund (SCRHITF)		
College's proportion of the net OPEB liability	0.054354%	0.054354%
College's proportionate share of the net OPEB liability	\$7,362,160	\$7,864,280
College's covered-employee payroll (for the measurement period)	\$4,583,538	\$4,737,230
College's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	160.62%	166.01%
Plan fiduciary net position as a percentage of the total OPEB liability	7.60%	7.60%
South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF)		
College's proportion of the net OPEB liability	0.053158%	0.053158%
College's proportionate share of the net OPEB liability	\$964	\$369
Plan fiduciary net position as a percentage of the total OPEB liability	95.29%	95.29%

Note: This schedule is presented to satisfy the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which the information is available.

Source: Audit report on the schedules of employer allocations, schedules of OPEB amounts by employer, and related notes to the Other Post Employment Benefits Trust Funds, as administered by the SC Public Benefits Authority, Insurance Benefits for the year ended June 30, 2017.

Covered-employee payroll: The covered-employee payroll presented above is for the measurement period used to determine the employer allocations and schedules of OPEB amounts by employer recorded in the current period.

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

	<u>2018</u>	<u>2017</u>
South Carolina Retiree Health Insurance Trust Fund (SCRHITF)		
Contractually required contribution	\$204,829	\$244,303
Contributions in relation to the contractually required contribution	<u>(204,829)</u>	<u>(244,303)</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>
College's covered employee payroll	\$3,724,168	\$4,583,538
Contributions as a percentage of covered-employee payroll	5.50%	5.33%
South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF)		
Contractually required contribution	\$3,130	\$3,903
Contributions in relation to the contractually required contribution	<u>(3,130)</u>	<u>(3,903)</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>

Note: This schedule is presented to satisfy the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which the information is available.

Source: College's quarterly retirement contribution reports.

Covered-employee payroll: The covered-employee payroll presented above is for the fiscal year ended as indicated above.

**DENMARK TECHNICAL COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018**

Federal Grantor/Program Title/Grant Title	CFDA Number	Grant/Contract/ FAR Number	Expenditures FY 2018
U.S. DEPARTMENT OF EDUCATION			
Student Financial Assistance			
Federal Supplemental Education Opportunity Grant (FSEOG)	84.007	2017-2018	\$ 109,070
Federal Work Study Program (FWS)	84.033	2017-2018	200,711
Federal Pell Grant Program (Pell)	84.063	2017-2018	1,838,519
Federal Direct Student Loans Program	84.268	2017-2018	1,548,693
Total Student Financial Assistance Cluster			<u>3,696,993</u>
Higher Education Institutional Aid			
Title III - Strengthening Institutions	84.031B	2013-2014	2,786
Title III - Strengthening Institutions	84.031B	2014-2015	3,260
Title III - Strengthening Institutions	84.031B	2015-2016	333,992
Title III - Strengthening Institutions	84.031B	2016-2017	389,037
Title III - Strengthening Institutions (Carryover)	84.031B	2016-2017	158,255
Title III - Strengthening Institutions	84.031B	2017-2018	883,375
Title III - SAFRA	84.031B	2015-2016	10,709
Title III - SAFRA	84.031B	2016-2017	122,802
Title III - SAFRA (Carryover)	84.031B	2016-2017	6,813
Title III - SAFRA	84.031B	2017-2018	256,457
Total Higher Education Institutional Aid			<u>2,167,486</u>
TRIO - Upward Bound	84.047A	2017-2018	8,941
Total U.S. Department of Education Direct Programs			<u>5,873,420</u>
Passed through the South Carolina Department of Education			
Vocational Education - Basic Grants to States (Perkins V)	84.048	2016-2017	55,006
Vocational Education - Basic Grants to States (Perkins V)	84.048	2017-2018	32,373
Vocational Education - Basic Grants to States (GEAR UP)	84.334S	2017-2018	5,411
Total Passed through the South Carolina Department of Education			<u>92,790</u>
Passed through the South Carolina Department of Social Services			
TEACH Early Childhood South Carolina	84.379	2015-2016	7,341
Total Passed through the South Carolina Department of Social Services			<u>7,341</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>5,973,551</u>
U.S. DEPARTMENT OF ENERGY			
Passed through Norfolk State University			
National Nuclear Security Admin.-Consortium for K-20 Cybersecurity Workforce Pipeline	81.123	2014-2015	1,000
National Nuclear Security Admin.-Consortium for K-20 Cybersecurity Workforce Pipeline	81.123	2015-2016	6,720
National Nuclear Security Admin.-Consortium for K-20 Cybersecurity Workforce Pipeline	81.123	2016-2017	149,016
National Nuclear Security Admin.-Consortium for K-20 Cybersecurity Workforce Pipeline	81.123	2017-2018	26,678
TOTAL U.S. DEPARTMENT OF ENERGY			<u>183,414</u>
U.S. DEPARTMENT OF LABOR			
Passed through South Carolina State Board for Technical and Comprehensive Education			
SC Apprenticeship Initiative	17.268	2015-2020	12,500
SC Apprenticeship Evolved	17.285	2016-2019	13,718
TOTAL U.S. DEPARTMENT OF LABOR			<u>26,218</u>
U.S. DEPARTMENT OF AGRICULTURE			
Rural Utilities Service Distance Learning and Telemedicine	10.855	2015-2016	68,308
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>68,308</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 6,251,491</u>

NOTES:

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

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Denmark Technical College, Denmark, South Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Denmark Technical College, Denmark, South Carolina's basic financial statements, and have issued our report thereon dated October 11, 2018.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and questioned costs as item 2018-1 that we consider to be a material weakness.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Denmark Technical College, Denmark, South Carolina's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2018-2.

Denmark Technical College's Response to Findings

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

Purpose of this Report

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

McAregor and Company, L.L.P.

Orangeburg, South Carolina
October 11, 2018

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

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

Report on Compliance for Each Major Federal Program

We have audited Denmark Technical College, Denmark, South Carolina’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Denmark Technical College, Denmark, South Carolina’s major federal programs for the year ended June 30, 2018. Denmark Technical College, Denmark, South Carolina’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Denmark Technical College, Denmark, South Carolina, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

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

Other Matters

The results of our auditing procedures disclosed one instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2018-2. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018-2 that we consider to be a significant deficiency.

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

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

McGregor and Company, LLP.

Orangeburg, South Carolina
October 11, 2018

**DENMARK TECHNICAL COLLEGE
DENMARK, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION A.

<u>Financial Statements</u>	<u>Summary of Auditor's Results</u>
1.) Type of auditor's report issued:	Unmodified
2.) Internal controls over financial reporting:	
a.) Material weakness identified?	Yes
b.) Significant deficiencies identified not considered to be material weaknesses?	No
3.) Noncompliance material to financial statements noted?	No
 <u>Federal Awards</u>	
1.) Internal control over major programs:	
a.) Material weakness identified?	No
b.) Significant deficiencies identified not considered to be material weaknesses?	Yes
2.) Type of auditor's report issued on compliance for major programs:	Unmodified
3.) Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	Yes
4.) Identification of major programs:	
<u>CFDA Number</u>	<u>Name of Federal Program</u>
84.031B	Title III Strengthening Institutions
Student Financial Assistance Cluster:	
84.007	Supplemental Education Opportunity Grants
84.033	Federal Work Study Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans
5.) Dollar Threshold used to distinguish between Type A and Type B programs?	\$750,000
6.) Auditee qualified as a low-risk auditee under the Uniform Guidance?	No

**DENMARK TECHNICAL COLLEGE
DENMARK, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

B. Financial Statement Finding

Finding 2018-1 Receivables and Related Revenues and Expenses

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

Condition: The College failed to apply lottery tuition assistance awards to the student accounts receivable or submit for reimbursements from the lottery program for the lottery tuition assistance awards available to the students. Additionally, the College failed to evaluate the collectability of the balance remaining in a construction grant receivable at the completion of the project.

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

Cause: The College's internal controls failed to detect material errors in processing, recording and reporting of student accounts receivables, lottery tuition assistance, grant receivables and the corresponding revenues and expenses.

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

C. Major Federal Award Findings

Finding 2018-2 Finding Related to Compliance and Internal Controls over Compliance

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

84.007 – Supplemental Educational Opportunity Grants	2017-2018
84.033 – Federal Work-Study Program	2017-2018
84.063 – Federal Pell Grant Program	2017-2018
84.268 – Federal Direct Student Loans	2017-2018

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

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

An institution must determine the withdrawal date for a student who withdraws without providing notification to the institution no later than 30 days after the end of the earlier of the (1) payment

**DENMARK TECHNICAL COLLEGE
DENMARK, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

period or period of enrollment, (2) academic year in which the student withdrew, or (3) educational program from which the student withdrew.

Condition: We tested 20 percent of the list provided of students withdrawing during the period for the calculation and timing of the return of the Title IV funds due back to ED. Eleven students were tested. The sampling was a statistically valid sample. The calculation of the return of funds was correct. For four of the eleven tested, the return of funds was made beyond the 45 day requirement.

This is a repeat finding which was initially reported with the additional compliance audit procedures for June 30, 2015.

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

Cause: Unknown

Known or questioned costs: None.

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

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

Finding 2017-1 Material Audit Adjustments

Condition: The College's unadjusted financial statements reported a material and significant misstatement in capital assets.

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

Current Status: This condition has been corrected.

FINDINGS RELATED TO COMPLIANCE

Finding 2017-2 Title IV Funds Not Returned to the Department of Education Within 45 Days of the Last Date of Attendance Determined by the College.

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

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

Current Status: This condition has not been corrected. 2018-2.

Finding 2017-3 Return of Title IV Funds Calculation not Correct

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

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

Current Status: This condition has been corrected.

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The Corrective Action Plan, as required by the Uniform Guidance, and as a result of our 2018 annual audit reflects the following:

Finding 2018-1 Receivables and Related Revenues and Expenses

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

Condition: The College failed to apply lottery tuition assistance awards to the student accounts receivable or submit for reimbursements from the lottery program for the lottery tuition assistance awards available to the students. Additionally, the College failed to evaluate the collectability of the balance remaining in a construction grant receivable at the completion of the project.

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

Cause: The College's internal controls failed to detect material errors in processing, recording and reporting of student accounts receivables, lottery tuition assistance, grant receivables and the corresponding revenues and expenses.

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

Name of the contact person responsible for the corrective action: Shatika L Spearman, Vice President for Fiscal Affairs

Corrective Action Plan: As discussed during the audit with auditors, we experienced glitches with our Colleague Datatel system in that some of our transmissions did not move from pending to posted status several times throughout the fiscal year regarding our lottery and student aid amounts. In addition, the Colleague Datatel system experienced several outages due to our internet connectivity, which affects transactions that are already in operation. Also, the financial aid director retired and this was one of the items that was performed in that capacity.

We contacted Colleague Datatel and they were able to complete various tests and fix the transmission errors. However, they reoccurred and each instance was corrected after contact. To prevent this from happening in the future, each semester the financial aid activity report for lottery will be run for lottery aid to reconcile and compare to the recipients. Once the aid is transmitted, it will be checked and verified with EDSS, which determines how much lottery reimbursement each college is due. We will continue to perform these steps and monitor this process as it relates to lottery aid.

As it relates to the grant receivable in question, these funds were related to the Biology and Chemistry lab project. The project was completed in FY 2018 and the grants and contracts office showed no funds remained for the project as it was completed. This was caused by lack of communication between physical plant and grants and contracts. Any future construction projects involving grant funds will be more closely monitored by the business office to ensure similar situations do not arise.

Anticipated completion date: 6/30/19

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

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

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

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

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

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

Condition: We tested 20 percent of the list provided of students withdrawing during the period for the calculation and timing of the return of the Title IV funds due back to ED. Five students were tested. The sampling was a statistically valid sample. The calculation of the return of funds was correct. For four of the eleven tested, the return of funds was made beyond the 45 day requirement.

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

Cause: Unknown

Known or questioned costs: None.

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

Corrective action plan:

Name of the contact person(s) responsible for corrective action: Dr Angelica Christie, Vice President for Academic Affairs (began employment on September 2018) and Shatika L Spearman, Vice President for Fiscal Affairs

During fiscal year 2018, the financial aid director retired and processes had to be reviewed and adjusted while her position remained vacant. In addition, during June 2018, we completed a procurement with Weber Associates who is a third party student aid servicer that assists colleges in processing financial aid accurately and in a timely manner. We have an agreement with Weber effective for FY 2019. We have spent most of the first part of the year getting set up with Weber Associates. We believe this partnership will assist the College greatly in managing Title IV funds.

To further assist in preventing this finding from reoccurring, a meeting with the Director of Enrollment and Vice President for Fiscal Affairs occurred (prior to the arrival of the new Vice President for Academic

Affairs) in which the offices were notified that we had to have a listing of withdrawals as soon as the student withdrew. Currently the registrar sends an email and copies all individuals involved. The newly hired Vice President for Academic Affairs is aware of this vital information and will assist in making sure that the withdrawals are sent immediately to the business office for processing. For Fall 2018, we have already received the listing of withdrawals and are processing them now. We will monitor this process to ensure that we have ample time to process the return of Title IV funds to be in compliance. We did however, properly calculate the amount of return and did not have a repeat finding as it relates to the calculations.

Anticipated completion date: 6/30/19

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INDEPENDENT ACCOUNTANT’S REPORT ON STATE LOTTERY TUITION ASSISTANCE

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

As a part of our examination of the financial statements of Denmark Technical College as of and for the year ended June 30, 2018, we reviewed the administrative procedures and internal control related to the State Lottery Tuition Assistance Program to determine that the College administered the program in accordance with State law and Policy 3-2-307 and Procedure 3-2-307.1 of the State Board for Technical and Comprehensive Education.

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

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

For students awarded aid under the Lottery Tuition Assistance Program, we traced amounts to the student account detail to determine that the awarded amounts were identifiably credited to the student’s account and were able to trace the award as either awarded or pending.

During additional audit procedures of reconciling the College’s financial aid award analysis for lottery tuition assistance to the payments received from State Tech, it was determined that the College had not received the full award amount reported in the College’s financial aid award analysis for the Fall 17, Spring 18 and Summer 18 terms. The College had not reconciled their financial aid analysis report for lottery assistance with the payments received. The College has stated that the transmission of the information to EDSS was not received by EDSS several times during the year and that the transmission issue has now been corrected and awards posted.

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

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

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

McNease and Company, L.L.P.

Orangeburg, South Carolina
October 11, 2018