

**HORRY - GEORGETOWN TECHNICAL COLLEGE**  
**CONWAY, SOUTH CAROLINA**  
**INDEPENDENT AUDITOR'S REPORT**  
**FINANCIAL STATEMENTS AND SCHEDULES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA**

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**HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA  
AUDIT PERIOD  
JULY 1, 2015 THROUGH JUNE 30, 2016**

AREA COMMISSIONERS

| <u>Name</u>             | <u>Office</u>     | <u>Term Expires</u> | <u>County</u> |
|-------------------------|-------------------|---------------------|---------------|
| Joe Thomas Branyon, Jr. | Chairman          | 07-01-2018          | Georgetown    |
| Orrie E. West           | Vice-Chairman     | 07-01-2017          | Horry         |
| Herman C. Jones         | Chairman Emeritus | 07-01-2017          | Horry         |
| Y. Melvin Nobles        | Secretary         | 07-01-2017          | Horry         |
| William K. Richardson   |                   | 07-01-2018          | Horry         |
| Fedrick C. Cohens       |                   | 07-01-2018          | Georgetown    |
| Donald W. Helms         |                   | 07-01-2017          | Horry         |
| Jon David McMillan      |                   | 07-01-2018          | Georgetown    |
| Brent D. Groome         |                   | 07-01-2018          | Horry         |

EXECUTIVE STAFF

|                         |   |
|-------------------------|---|
| Mr. H. Neyle Wilson     | College President   |
| Dr. Marilyn J. Fore     | Executive Vice President for Academic Affairs                     |
| Mr. John P. Dove        | Vice President for Technology                                     |
| Dr. Melissa R. Batten   | Associate Vice President for Student Affairs                      |
| Mr. Harold N. Hawley    | Vice President for Finance and Business Affairs                   |
| Mr. Gregory L. Mitchell | Vice President for Workforce Development and Continuing Education |

AREA SERVED

Horry County  
Georgetown County

COUNTIES PROVIDING FINANCIAL SUPPORT

Horry County  
Georgetown County



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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of Horry – Georgetown Technical College, a component unit of the State of South Carolina, as of and for the years ended June 30, 2016 and June 30, 2015 and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents. We did not audit the financial statements of Horry - Georgetown Technical College Foundation, Inc. which represents 100 percent of the discretely presented component unit presented in the financial statements.

### 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 an opinion on these financial statements based on our audits. We did not audit the financial statements of Horry – Georgetown Technical College Foundation, Inc. which represents 100 percent of the discretely presented component unit presented in the financial statements. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the basic financial statements insofar as it relates to the amounts included for Horry – Georgetown Technical College Foundation, Inc. as a discretely presented component unit, is based solely on the report of other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, based on our report and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Horry – Georgetown Technical College, as of June 30, 2016 and June 30, 2015, and the respective changes in the financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 11 and supplementary pension information on pages 44 through 46 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 an opinion on the financial statements that collectively comprise the Horry – Georgetown Technical College's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is also not a required part of the basic financial statements.

The accompanying 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, based on our report and the report of other auditors, 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 September 16, 2016 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

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

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

Georgetown, South Carolina  
September 16, 2016

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of Horry-Georgetown Technical College offer users and other readers of the College's financial statements this narrative overview and analysis of its financial activities for the fiscal years ended June 30, 2016 and June 30, 2015. This discussion and analysis should be read in conjunction with the consolidated financial statements and the footnotes thereto, which follow this section.

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

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

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

### Financial Highlights

- The college is in the process of finalizing a multi-year capital improvement initiative that includes constructing new academic facilities, acquiring land and new instructional space, refurbishing buildings, and improving its infrastructure. The capital improvements are financed by College funds, State funding, private donations, Federal grants, and the local Educational Capital Improvement Sales and Use (penny) tax.
- In spite of recent enrollment declines that are consistent with an overall national trend in higher education, the College was able to increase its net position during the year further evidencing its financial strength and overall fiscal health.

### Overview of the Financial Statements

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

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

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

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



## Financial Analysis

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

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

|                                       | <u>2016</u>           | <u>2015</u>           | <u>Increase<br/>(Decrease)</u> | <u>Percent<br/>Change</u> |
|---------------------------------------|-----------------------|-----------------------|--------------------------------|---------------------------|
| Current assets                        | \$ 37,430,371         | \$ 36,442,187         | \$ 988,184                     | 2.71%                     |
| Non-current assets                    |                       |                       |                                |                           |
| Capital assets, net of depreciation   | \$ 73,696,917         | \$ 65,202,704         | \$ 8,494,213                   | 13.03%                    |
| Other                                 | \$ 18,027,184         | \$ 16,850,076         | \$ 1,177,108                   | 6.99%                     |
| Deferred outflow of resources         | \$ 3,227,195          | \$ 2,938,143          | \$ 289,052                     | 9.84%                     |
| Total assets and deferred outflow     | <u>\$ 132,381,667</u> | <u>\$ 121,433,110</u> | <u>\$ 10,948,557</u>           | <u>9.02%</u>              |
|                                       |                       |                       |                                |                           |
| Current liabilities                   | \$ 7,518,530          | \$ 8,825,157          | \$ (1,306,627)                 | (14.81%)                  |
| Non-current liabilities               | \$ 1,677,088          | \$ 1,702,436          | \$ (25,348)                    | (1.49%)                   |
| Net Pension Liability                 | \$ 36,973,040         | \$ 33,234,878         | \$ 3,738,162                   | 11.24%                    |
| Deferred inflow of resources          | \$ 68,991             | \$ 2,806,671          | \$ (2,737,680)                 | (97.54%)                  |
| Total liabilities and deferred inflow | <u>\$ 46,237,649</u>  | <u>\$ 46,569,142</u>  | <u>\$ (331,493)</u>            | <u>(0.71%)</u>            |
|                                       |                       |                       |                                |                           |
| Net investment in Capital Assets      | \$ 73,696,917         | \$ 65,202,704         | \$ 8,494,213                   | 13.03%                    |
| Restricted for: expendable            | \$ 189,711            | \$ 188,360            | \$ 1,351                       | 0.72%                     |
| Unrestricted                          | \$ 12,257,390         | \$ 9,472,904          | \$ 2,784,486                   | 29.39%                    |
| Total Net Position                    | <u>\$ 86,144,018</u>  | <u>\$ 74,863,968</u>  | <u>\$ 11,280,050</u>           | <u>15.07%</u>             |

The previous schedule is prepared from the College's statement of net position which is presented using an accrual basis of accounting whereby assets are capitalized and depreciated. Total assets and deferred outflows increased by \$10,948,557 or approximately 9.02% over the prior year. This change was due to the construction and/or renovation of several academic and support buildings on the Conway and Grand Strand Campuses. The increase was also driven by the acquisition of approximately 5.5 acres of land that will be used to support the future growth and operational needs of the College.

Total liabilities and deferred inflows decreased by \$331,493 or .71% during the year. It should be noted that current liabilities decreased by \$1,306,627 due to the payment of obligations largely associated with the completion of the Culinary Arts Building on the Grand Strand Campus. The decrease in current liabilities was largely offset by a net increase in the College's net pension liability and deferred inflows associated therein.

In spite of experiencing enrollment challenges that are consistent with state and national trends, the College's net position increased by \$11,280,050 or 15.07% during the fiscal year. As evidenced by this increase, the College continues to benefit from a sound financial position as assets substantially exceed liabilities.

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

|  | <u>2016</u>                 | <u>2015</u>                 | <u>Increase<br/>(Decrease)</u> | <u>Percent<br/>Change</u> |
|--|-----------------------------|-----------------------------|--------------------------------|---------------------------|
| Operating Revenue                              |                             |                             |                                |                           |
| Tuition and Fees                               | \$ 20,433,888               | \$ 19,486,929               | \$ 946,959                     | 4.86%                     |
| Federal and State Contracts                    | \$ 8,824,241                | \$ 8,228,355                | \$ 595,886                     | 7.24%                     |
| Auxiliary                                      | \$ 1,010,864                | \$ 881,159                  | \$ 129,705                     | 14.72%                    |
| Other  | \$ 308,013                  | \$ 278,739                  | \$ 29,274                      | 10.50%                    |
| Total Operating Revenue                        | <u>\$ 30,577,006</u>        | <u>\$ 28,875,182</u>        | <u>\$ 1,701,824</u>            | <u>5.89%</u>              |
| Less Operating Expenses                        | <u>\$ 57,450,472</u>        | <u>\$ 59,059,865</u>        | <u>\$ (1,609,393)</u>          | <u>(2.73%)</u>            |
| Net Operating Income (Loss)                    | <u>\$ (26,873,466)</u>      | <u>\$ (30,184,683)</u>      | <u>\$ 3,311,217</u>            | <u>10.97%</u>             |
| Non-Operating Revenue<br>(Expenses)            |                             |                             |                                |                           |
| State Appropriations                           | \$ 8,520,794                | \$ 7,967,068                | \$ 553,726                     | 6.95%                     |
| Horry County                                   | \$ 3,642,867                | \$ 3,423,000                | \$ 219,867                     | (6.42%)                   |
| Georgetown County                              | \$ 465,000                  | \$ 465,000                  | \$ -                           | 0.00%                     |
| Other  | \$ 16,440,394               | \$ 17,857,716               | \$ (1,417,322)                 | (7.94%)                   |
| Total Non-Operating Revenue<br>(Expenses)      | <u>\$ 29,069,055</u>        | <u>\$ 29,712,784</u>        | <u>\$ (643,729)</u>            | <u>(2.17%)</u>            |
| Capital Grants and Gifts                       | <u>\$ 9,084,461</u>         | <u>\$ 6,116,482</u>         | <u>\$ 2,967,979</u>            | <u>48.52%</u>             |
| Increase in Net Position                       | <u>\$ 11,280,050</u>        | <u>\$ 5,644,583</u>         | <u>\$ 5,635,467</u>            | <u>99.84%</u>             |
| Net Position - Beginning of Year<br>(Restated) | <u>\$ 74,863,968</u>        | <u>\$ 69,219,385</u>        | <u>\$ 5,644,583</u>            | <u>8.15%</u>              |
| Net Position - End of Year                     | <u><u>\$ 86,144,018</u></u> | <u><u>\$ 74,863,968</u></u> | <u><u>\$ 11,280,050</u></u>    | <u><u>15.07%</u></u>      |

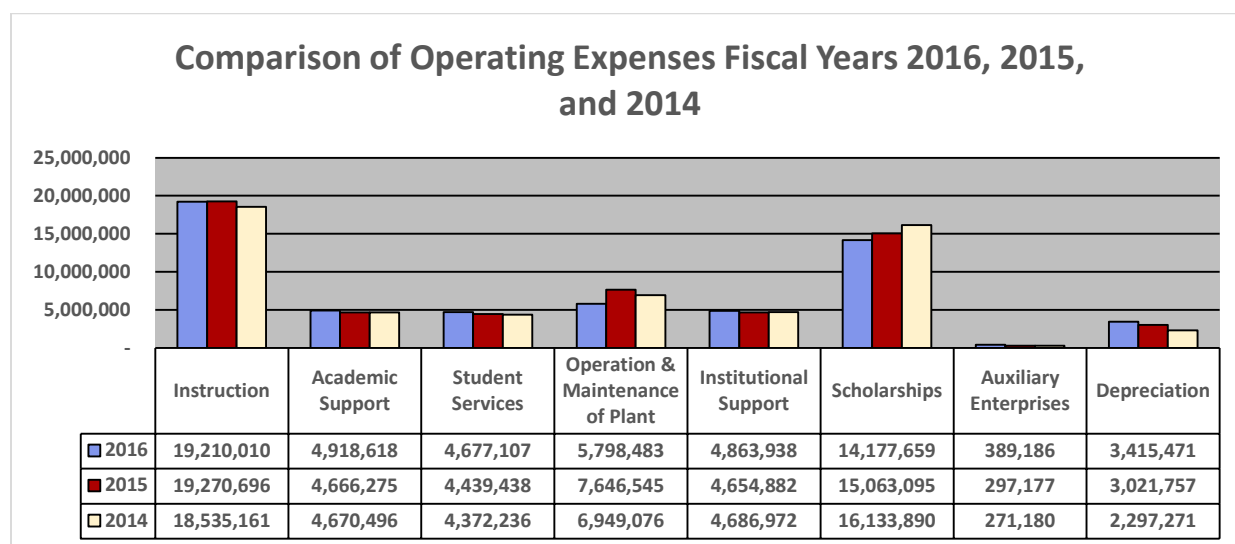
As shown above, the College experienced a healthy increase in its net position (or net assets) during fiscal year 2016. The increase in net position of \$11,280,050 was primarily attributed to increases in tuition and fee revenue and Federal and State contracts. The increase in net assets was also precipitated by a \$1,609,393 decrease in operating expenses, which is explained in further detail in the next section. Lastly, the increase in the College's net position was driven by a substantial increase in capital gifts and grants. These gifts and grants included a Federal Economic Development Administration (EDA) grant, state allocations, county donations and the Education Capital Improvement Sales and Use Tax (penny tax).

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

### Operating Expenses by Function For the Years Ended June 30,

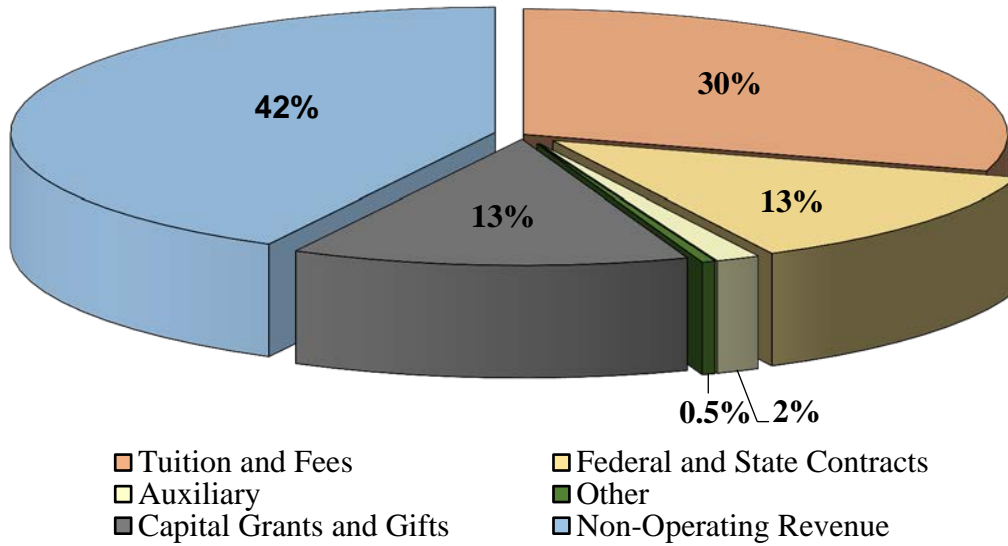
|                                    | <u>2016</u>          | <u>2015</u>          | <u>Increase<br/>(Decrease)</u> | <u>Percent<br/>Change</u> |
|------------------------------------|----------------------|----------------------|--------------------------------|---------------------------|
| Operating Expenses                 |                      |                      |                                |                           |
| Instruction                        | \$ 19,210,010        | \$ 19,270,696        | \$ (60,686)                    | (0.31%)                   |
| Academic Support                   | \$ 4,918,618         | \$ 4,666,275         | \$ 252,343                     | 5.41%                     |
| Student Services                   | \$ 4,677,107         | \$ 4,439,438         | \$ 237,669                     | 5.35%                     |
| Operation and Maintenance of Plant | \$ 5,798,483         | \$ 7,646,545         | \$ (1,848,062)                 | (24.17%)                  |
| Institutional Support              | \$ 4,863,938         | \$ 4,654,882         | \$ 209,056                     | 4.49%                     |
| Scholarships                       | \$ 14,177,659        | \$ 15,063,095        | \$ (885,436)                   | (5.88%)                   |
| Auxiliary Enterprises              | \$ 389,186           | \$ 297,177           | \$ 92,009                      | 30.96%                    |
| Depreciation                       | \$ 3,415,471         | \$ 3,021,757         | \$ 393,714                     | 13.03%                    |
| Total Operating Expenses           | <u>\$ 57,450,472</u> | <u>\$ 59,059,865</u> | <u>\$ (1,609,393)</u>          | <u>(2.73%)</u>            |

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

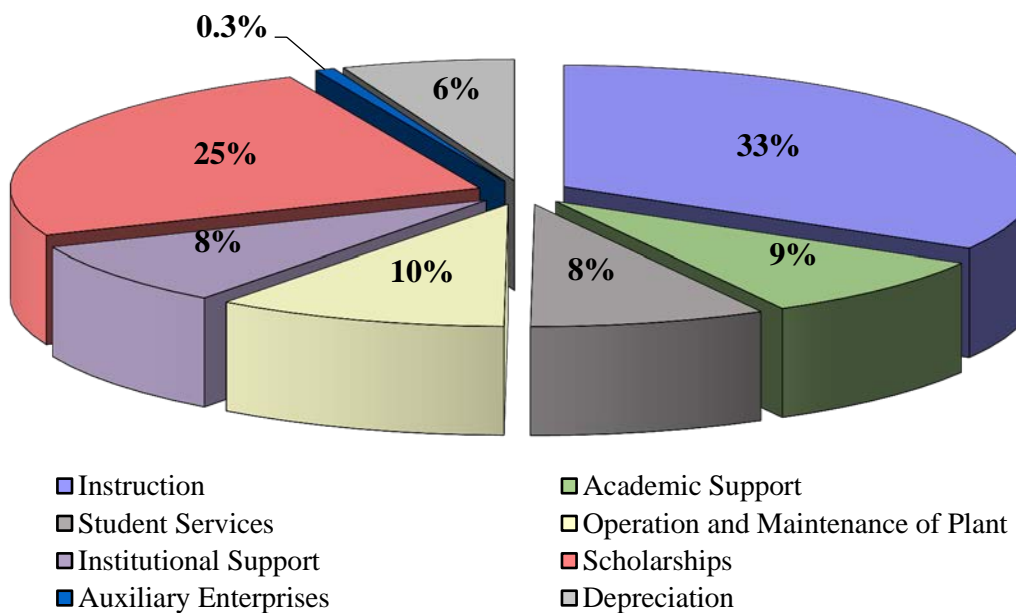


Operating expenses for fiscal year 2016 decreased by \$1,609,393 or (2.73%) over the prior year. This reduction was attributed to decreases in the operation of plant as most of the College's planned renovation projects were completed in the prior year (fiscal year 2015) resulting in fewer costs during fiscal year 2016. Operating expenses were also lower in fiscal year 2016 due to fewer student loans (scholarships) being processed. The reduction in student loans was partially attributed to an enrollment decline over the prior year.

## Revenue by Source



## Operating Expenses



**Analysis of Net Position  
For the Years Ended June 30,**

|                                  | <u>2016</u>          | <u>2015</u>          | <u>Increase<br/>(Decrease)</u> | <u>Percent<br/>Change</u> |
|----------------------------------|----------------------|----------------------|--------------------------------|---------------------------|
| Net Position                     |                      |                      |                                |                           |
| Net Investment in Capital Assets | \$ 73,696,917        | \$ 65,202,704        | \$ 8,494,213                   | 13.03%                    |
| Restricted for: expendable       | \$ 189,711           | \$ 188,360           | \$ 1,351                       | 0.72%                     |
| Unrestricted                     | <u>\$ 12,257,390</u> | <u>\$ 9,472,904</u>  | <u>\$ 2,784,486</u>            | <u>29.39%</u>             |
| Total Net Position               | <u>\$ 86,144,018</u> | <u>\$ 74,863,968</u> | <u>\$ 11,280,050</u>           | <u>15.07%</u>             |

Net position may serve over time as a useful indicator of an entity's financial position. In the case of the College, assets exceeded liabilities by \$86,144,018 and \$74,863,968 at June 30, 2016 and 2015 respectively. This year-to-year increase in net position, or net assets, of \$11,280,050 or 15.07%, further demonstrates the financial health and economic viability of the College.

Approximately 85% of the College's net position at June 30, 2016 was invested in capital assets (land, land improvements, buildings and improvements, and equipment). The College uses these assets to provide services to students; and as such, these assets are NOT available for future spending.

At June 30, 2016, less than 1% or \$189,711 of the College's net position is restricted for revolving loan funds and by other grantor imposed restrictions. Approximately \$12,257,390 or 14% of the College's net position is unrestricted and may be used to the meet the College's ongoing obligations.

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

|                               | <u>2016</u>                 | <u>2015</u>                 | <u>Increase<br/>(Decrease)</u> | <u>Percent<br/>Change</u> |
|-------------------------------|-----------------------------|-----------------------------|--------------------------------|---------------------------|
| Capital Assets                |                             |                             |                                |                           |
| Land and Improvements         | \$ 14,050,493               | \$ 8,611,788                | \$ 5,438,705                   | 63.15%                    |
| Construction in Progress      | \$ 12,512,447               | \$ 9,337,451                | \$ 3,174,996                   | 34.00%                    |
| Buildings                     | \$ 68,973,976               | \$ 66,157,794               | \$ 2,816,182                   | 4.26%                     |
| Equipment                     | <u>\$ 8,909,296</u>         | <u>\$ 8,696,927</u>         | <u>\$ 212,369</u>              | <u>2.44%</u>              |
| Total Capital Assets          | <u>\$ 104,446,212</u>       | <u>\$ 92,803,960</u>        | <u>\$ 11,642,252</u>           | <u>12.54%</u>             |
| Less Accumulated Depreciation | <u>\$ (30,749,295)</u>      | <u>\$ (27,601,256)</u>      | <u>\$ (3,148,039)</u>          | <u>11.41%</u>             |
| Net Capital Assets            | <u><u>\$ 73,696,917</u></u> | <u><u>\$ 65,202,704</u></u> | <u><u>\$ 8,494,213</u></u>     | <u><u>13.03%</u></u>      |

As of June 30, 2016, the College had \$73,696,917 in net capital assets, which represented an \$8,494,213 or 13.03% increase over the prior fiscal year. The College continued work on several capital projects during the year which significantly increased capital assets. The College also acquired three separate parcels of property during the year valued at \$885,580. The raw land acquisitions for the Conway and Grand Strand Campuses are intended to meet the future growth and operational needs of the institution. During the year, the College also capitalized \$4,330,838 of land improvements which were primarily comprised of infrastructure (road, sidewalk, parking and utility service) improvements to the Conway Campus.

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

|  | <u>2016</u>                 | <u>2015</u>                 |
|--|-----------------------------|-----------------------------|
| Cash Flows from Operating Activities                     | \$ (21,939,671)             | \$ (26,277,666)             |
| Cash Flows from Non-Capital Financing Activities         | \$ 28,972,061               | \$ 29,885,310               |
| Cash Flows from Capital and Related Financing Activities | \$ (4,323,930)              | \$ 1,189,310                |
| Cash Flows from Investing Activities                     | <u>\$ (6,294,797)</u>       | <u>\$ 851,019</u>           |
| <br>   |                             |                             |
| Net (Decrease)/Increase in Cash                          | \$ (3,586,337)              | \$ 5,647,973                |
| <br>   |                             |                             |
| Cash - Beginning of Year                                 | <u>\$ 19,645,065</u>        | <u>\$ 13,997,092</u>        |
| Cash - End of Year                                       | <u><u>\$ 16,058,728</u></u> | <u><u>\$ 19,645,065</u></u> |

The College's cash position decreased by approximately \$3,586,337 during the year. The decrease in cash was primarily due to the completion of several large construction and renovation projects during the year.

**Capital Asset and Debt Administration**

The College increased its investments in capital assets by approximately \$8,494,213 or approximately 13% in 2016. This change was due to capitalized expenses associated with completing several large construction projects. Specifically, the College's capital project activity during the year included infrastructure (road, sidewalk, parking and utility service) improvements, and the construction of a new Culinary Arts academic building on the Grand Strand Campus. In addition, the College acquired three separate parcels of property during the year valued at \$885,580.

The College was able to substantially increase its net position during the year through relatively stable enrollment, nominal tuition increases, ongoing cost reduction initiatives, and receipt of the local Education Capital Improvement Sales and Use (penny) Tax. The College has no indebtedness.

**Economic Factors**

As a result of state funding reductions in recent years, the College is forced to rely more heavily on tuition revenue to support its mission.

Going forward, the College expects some flattening of enrollment growth that is consistent with the national trend among both two-year and four-year institutions. The future impact of enrollment increases or decreases however, cannot be measured with any precision.

In spite of these economic and market related challenges, the College remains fiscally strong and enjoys significant liquidity and has no long-term debt. The College's fiscal health is supported by relatively stable enrollment, ongoing cost reductions, and receipt of the local Education Capital Improvement Sales and Use Tax.

**Horry-Georgetown Technical College Foundation**

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

## **FINANCIAL STATEMENTS**

**HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA**

**STATEMENTS OF NET POSITION  
JUNE 30, 2016 AND JUNE 30, 2015**

| <b>ASSETS</b>                                    | <u>2016</u>           | <u>2015</u>           |
|--|-----------------------|-----------------------|
| Current Assets                                   |                       |                       |
| Cash and Cash Equivalents                        | \$ 15,915,749         | \$ 19,482,843         |
| Cash and Cash Equivalents (Restricted for Loans) | 142,979               | 162,222               |
| Short Term Investments                           | 10,379,042            | 9,183,499             |
| Accounts Receivable, Net                         | 10,634,703            | 7,319,802             |
| Interest Receivable                              | 136,192               | 132,631               |
| Loans Receivable                                 | 44,851                | 34,845                |
| Prepaid Expenses                                 | 176,855               | 126,345               |
| Total Current Assets                             | <u>\$ 37,430,371</u>  | <u>\$ 36,442,187</u>  |
| Noncurrent Assets                                |                       |                       |
| Investments                                      | \$ 18,027,184         | \$ 16,850,076         |
| Capital Assets, Net of Accumulated Depreciation  | 73,696,917            | 65,202,704            |
| Total Noncurrent Assets                          | <u>\$ 91,724,101</u>  | <u>\$ 82,052,780</u>  |
| Total Assets                                     | <u>\$ 129,154,472</u> | <u>\$ 118,494,967</u> |
| <b>DEFERRED OUTFLOW OF RESOURCES</b>             |                       |                       |
| Deferred Outflow of Resources - Pension          | <u>\$ 3,227,195</u>   | <u>\$ 2,938,143</u>   |
| <b>LIABILITIES</b>                               |                       |                       |
| Current Liabilities                              |                       |                       |
| Accounts Payable & Retainage Payable             | \$ 1,819,559          | \$ 1,705,405          |
| Due to Other State Agencies                      | 830,488               | 155,432               |
| Accrued Payroll and Related Liabilities          | 1,383,299             | 1,361,292             |
| Compensated Absences Payable                     | 145,626               | 114,077               |
| Unearned Revenue                                 | 2,470,717             | 4,570,083             |
| Funds Held for Others                            | 868,841               | 918,868               |
| Total Current Liabilities                        | <u>\$ 7,518,530</u>   | <u>\$ 8,825,157</u>   |
| Noncurrent Liabilities                           |                       |                       |
| Compensated Absences Payable                     | \$ 1,677,088          | \$ 1,702,436          |
| Net Pension Liability                            | 36,973,040            | 33,234,878            |
| Total Noncurrent Liabilities                     | <u>\$ 38,650,128</u>  | <u>\$ 34,937,314</u>  |
| Total Liabilities                                | <u>\$ 46,168,658</u>  | <u>\$ 43,762,471</u>  |
| <b>DEFERRED INFLOW OF RESOURCES</b>              |                       |                       |
| Deferred Inflow of Resources - Pension           | <u>\$ 68,991</u>      | <u>\$ 2,806,671</u>   |
| <b>NET POSITION</b>                              |                       |                       |
| Net Investment in Capital Assets                 | \$ 73,696,917         | \$ 65,202,704         |
| Restricted for                                   |                       |                       |
| Expendable                                       |                       |                       |
| Loans  | 187,830               | 186,479               |
| Other  | 1,881                 | 1,881                 |
| Unrestricted                                     | <u>12,257,390</u>     | <u>9,472,904</u>      |
| Total Net Position                               | <u>\$ 86,144,018</u>  | <u>\$ 74,863,968</u>  |

The Accompanying Notes are an Integral Part of this Statement



**HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA**

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED JUNE 30, 2016 AND JUNE 30, 2015**

**REVENUES**

|   | 2016          | 2015          |
|---|---------------|---------------|
| Operating Revenues  |               |               |
| Student Tuition & Fees (Net of Scholarship Allowance of<br>\$8,638,705 for 2016 and \$8,687,258 for 2015) | \$ 20,433,888 | \$ 19,486,929 |
| Federal Grants and Contracts  | 1,578,373     | 1,553,089     |
| State Grants and Contracts  | 7,245,868     | 6,670,376     |
| State Operational Appropriation   | 0             | 4,890         |
| Auxiliary Enterprises   | 1,010,864     | 881,159       |
| Sales and Services of Education Departments   | 103,256       | 112,044       |
| Other Operating Income  | 204,757       | 166,695       |
| Total Operating Revenue   | \$ 30,577,006 | \$ 28,875,182 |

**EXPENSES**

|                             |                 |                 |
|-----------------------------|-----------------|-----------------|
| Operating Expenses          |                 |                 |
| Salaries                    | \$ 22,208,345   | \$ 22,132,092   |
| Benefits                    | 8,121,243       | 7,406,653       |
| Scholarships                | 13,955,923      | 14,836,009      |
| Utilities                   | 1,416,895       | 1,480,665       |
| Supplies and Other Services | 8,332,595       | 10,182,689      |
| Depreciation                | 3,415,471       | 3,021,757       |
| Total Operating Expenses    | \$ 57,450,472   | \$ 59,059,865   |
| Net Operating Income (Loss) | \$ (26,873,466) | \$ (30,184,683) |

**NONOPERATING REVENUES (EXPENSES)**

|  |               |               |
|--|---------------|---------------|
| State Appropriations   | \$ 8,520,794  | \$ 7,967,068  |
| County Appropriations  | 4,107,867     | 3,888,000     |
| Investment Income (Loss)                                       | 1,180,221     | 620,416       |
| Federal Grants and Contracts                                   | 14,843,945    | 16,498,331    |
| State Grants and Contracts                                     | 82,131        | 0             |
| Gifts  | 312,525       | 398,565       |
| Interest Expense   | 0             | (103)         |
| Loss on Disposal of Capital Assets                             | (4,680)       | 0             |
| Other Nonoperating Revenues                                    | 26,252        | 340,507       |
| Total Nonoperating Revenues (Expenses)                         | \$ 29,069,055 | \$ 29,712,784 |
| Income (Loss) Before Other Revenues, Expenses, Gains or Losses | \$ 2,195,589  | \$ (471,899)  |
| State Capital Appropriations                                   | \$ 2,254,019  | \$ 1,674,402  |
| Capital Grants & Gifts   | 384,252       | 20,000        |
| Federal Capital Grants   | 1,591,152     | 0             |
| Education Capital Improvement Tax                              | 4,881,988     | 4,439,515     |
| Transfers to/from Other State Agency                           | (26,950)      | (17,435)      |
| Increase (Decrease) in Net Position                            | \$ 11,280,050 | \$ 5,644,583  |
| Net Position - Beginning of Year (As Restated)                 | \$ 74,863,968 | \$ 69,219,385 |
| Net Position - End of Year                                     | \$ 86,144,018 | \$ 74,863,968 |

The Accompanying Notes are an Integral Part of this Statement

**HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2016 AND JUNE 30, 2015**

| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                          | 2016               | 2015              |
|--|--------------------|-------------------|
| Tuition and Fees (Net of Scholarship Allowances)                     | \$ 18,757,874      | \$ 18,860,872     |
| Federal, State and Local Grants and Contracts                        | 8,445,988          | 8,894,241         |
| State Appropriations   | 0                  | 4,890             |
| Auxiliary Enterprise   | 1,010,864          | 881,159           |
| Sales and Services of Education Departments                          | 103,256            | 112,044           |
| Other Receipts   | 204,757            | 166,695           |
| Student Loan Proceeds  | 23,423,255         | 27,159,599        |
| Student Loan Disbursements   | (23,423,255)       | (27,159,599)      |
| Payments to Vendors  | (28,232,058)       | (32,829,230)      |
| Payments to Employees  | (22,230,352)       | (22,368,337)      |
| Net Cash Provided (Used) by Operating Activities                     | \$ (21,939,671)    | \$ (26,277,666)   |
| <br><b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>           |                    |                   |
| State Appropriations   | \$ 8,520,794       | \$ 7,967,068      |
| County Appropriations  | 4,107,867          | 3,888,000         |
| State, Local and Federal Grants, Gifts and Contracts - Nonoperating  | 15,163,877         | 17,094,254        |
| Other Income (Expense) - Nonoperating                                | 1,206,473          | 960,923           |
| Transfer to Other State Agency                                       | (26,950)           | (24,935)          |
| Net Cash Provided (Used) by Noncapital Financing Activities          | \$ 28,972,061      | \$ 29,885,310     |
| <br><b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>  |                    |                   |
| Capital Grants State and Local                                       | \$ 7,279,198       | \$ 6,713,155      |
| Principal Payment Capital Lease                                      | 0                  | (6,869)           |
| Interest Payment on Capital Lease                                    | 0                  | (103)             |
| Purchase of Capital Assets   | (11,603,128)       | (5,516,873)       |
| Net Cash Provided (Used) by Capital and Related Financing Activities | \$ (4,323,930)     | \$ 1,189,310      |
| <br><b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                      |                    |                   |
| Proceeds from Sales and Maturities of Investments                    | \$ 3,056,671       | \$ 8,293,160      |
| Interest on Investments  | 1,180,221          | 620,416           |
| Purchase of Investments  | (10,531,689)       | (8,062,557)       |
| Net Cash Provided (Used) by Investing Activities                     | \$ (6,294,797)     | \$ 851,019        |
| <br>Net Increase (Decrease) in Cash                                  | <br>\$ (3,586,337) | <br>\$ 5,647,973  |
| <br>Cash - Beginning of Year   | <br>19,645,065     | <br>13,997,092    |
| <br>Cash - End of Year   | <br>\$ 16,058,728  | <br>\$ 19,645,065 |

The Accompanying Notes are an Integral Part of this Statement

**HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA**

**STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2016 AND JUNE 30, 2015**

| <b>RECONCILIATION OF NET OPERATING REVENUES (EXPENSES)<br/>TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b> | 2016            | 2015            |
|---|-----------------|-----------------|
| Operating Income (Loss)   | \$ (26,873,466) | \$ (30,184,683) |
| Adjustments to Reconcile Net Operating Income (Loss) to Net Cash<br>Provided (Used) by Operating Activities:        |                 |                 |
| Depreciation Expense  | 3,415,471       | 3,021,757       |
| Change in Assets, Liabilities, and Deferred Resources:  |                 |                 |
| Operational Receivables, Net  | 2,078,352       | (35,906)        |
| Loan Receivable   | 10,006          | 2,456           |
| Accrued Payroll and Related Liabilities   | 22,007          | 236,245         |
| Change in Net Pension Liability and Related Deferred Resources  | 711,430         | 335,352         |
| Prepaid Expenses  | 50,510          | (78,752)        |
| Accounts and Retainage Payable  | 114,154         | 26,720          |
| Compensated Absences  | 6,201           | 103,489         |
| Unearned Revenue - Operating Activities   | (2,099,366)     | 165,678         |
| Due to Other State Agencies   | 675,057         | 133,147         |
| Funds Held for Others   | (50,027)        | (3,169)         |
| Net Cash Provided (Used) by Operating Activities  | \$ (21,939,671) | \$ (26,277,666) |
| <b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>   |                 |                 |
| Capital Assets Donated  | \$ 311,236      | \$ 20,000       |
| Total Noncash Capital And Related Financing Activities  | \$ 311,236      | \$ 20,000       |

The Accompanying Notes are an Integral Part of this Statement

**HORRY - GEORGETOWN TECHNICAL COLLEGE FOUNDATION, INC.**  
**CONWAY, SOUTH CAROLINA**  
**COMPONENT UNIT**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2016**

|  | 2016          |
|--|---------------|
| <b>ASSETS</b>  |               |
| Cash   | \$ 587,787    |
| Contributions Receivable, Net                                | 473,701       |
| Investments  | 9,521,249     |
| Other Assets   | 5,525         |
| Property, Plant & Equipment, Net of Accumulated Depreciation | 6,566         |
| Total Assets   | \$ 10,594,828 |
| <b>LIABILITIES</b>   |               |
| Accounts Payable and Accrued Expenses                        | \$ 1,231,514  |
| Total Liabilities  | \$ 1,231,514  |
| <b>NET ASSETS</b>  |               |
| Unrestricted   | \$ 151,526    |
| Temporarily Restricted                                       | 6,561,089     |
| Permanently Restricted                                       | 2,650,699     |
| Total Net Assets   | \$ 9,363,314  |
| <b>Total Liabilities and Net Assets</b>                      | \$ 10,594,828 |

**HORRY - GEORGETOWN TECHNICAL COLLEGE FOUNDATION, INC.**  
**CONWAY, SOUTH CAROLINA**  
**COMPONENT UNIT**  
**STATEMENT OF ACTIVITY FOR THE YEAR ENDED JUNE 30, 2016**

|                                | 2016         |
|--------------------------------|--------------|
| <b>SUPPORT AND REVENUE</b>     |              |
| Contributions                  | \$ 729,583   |
| Investment Income              | 230,677      |
| Total Support and Revenue      | \$ 960,260   |
| <b>EXPENSES</b>                |              |
| Projects and Programs          | \$ 253,573   |
| Administrative Expenses        | 366,196      |
| Total Expenses                 | \$ 619,769   |
| Change in Net Assets           | \$ 340,491   |
| Net Assets - Beginning of Year | 9,022,823    |
| Net Assets - End of Year       | \$ 9,363,314 |

The Accompanying Notes are an Integral Part of this Statement

## **NOTES TO FINANCIAL STATEMENTS**

**HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

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

**Reporting Entity:** The financial reporting entity, as defined by the Governmental Accounting Standards Board (“GASB”) consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be incomplete. Accordingly, the financial statements include the accounts of Horry - Georgetown Technical College, as the primary government, and the accounts of Horry - Georgetown Technical College Foundation, Inc. (the “Foundation”), its component unit. The College is considered a discretely presented component unit of the State of South Carolina as required by GASB Statement No. 61. However, based on the nature and significance of the Foundations’ relationship with the State of South Carolina, the Foundation is not a component unit of the State of South Carolina.

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

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

Financial Statements of the Foundation can be obtained by calling the Foundation at (843) 477-2112.

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

**HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

The College implemented the provisions of GASB Statement No. 72 *Fair Value Measurement and Application* during the year ended June 30, 2016. This statement provides guidance for determining a fair value measurement for financial reporting purposes. There are no changes to the financial statements as a result of implementation.

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

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

**Investments:** Deposits and investments for the College are governed by the South Carolina Code of Laws, Title 6, Chapter 5, "Investments of Funds by Political Subdivisions". The College has implemented GASB Statement No. 40, *Deposits and Investment Risk Disclosures - an amendment to GASB Statement No. 3*. This statement requires disclosures related to deposit risks, such as custodial credit risk, and investment risks, such as credit risk (including custodial credit risk and concentrations of credit risks) and interest rate risk. The College accounts for its investments at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses and changes in net position.

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

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

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and improvements and land improvements and 2 to 25 years for machinery, equipment, and vehicles.

**HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

**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.

Deposits represent 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.

**Deferred Outflows/Inflows of Resources:** In addition to assets and liabilities, the statement of net position will sometime report a separate section for deferred outflows and deferred inflows of resources. These separate financial statement elements represent consumption or acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow/inflow of resources (expense/revenue) until that time.

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

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

**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 net investment in capital assets.

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

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

The College policy for applying expenses that can use both restricted and unrestricted resources is to first apply the expense to restricted resources and then to unrestricted resources.



**HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

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

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

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

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

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

**Capitalized Interest:** The College capitalizes as a component of construction in progress interest cost in excess of earnings on debt associated with capital projects. Therefore, capital asset values do include such interest costs. During the fiscal years ending June 30, 2016 and June 30, 2015, no interest costs were capitalized.

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

**Classification of Revenues:** The College has classified its revenues as either operating or nonoperating revenues according to the following criteria:

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

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

**Sales and Services of Educational and Other Activities:** Revenues from sales and services of educational and other activities generally consist of amounts received from instructional, research, and public service activities that incidentally create goods and services which may be sold to students, faculty, staff, and the general public. The College receives such revenues primarily from the following programs: Dental Hygiene, Massage Therapy, Food Service, and Culinary Arts.

**HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

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

**Restricted Cash:** The College has funds which were donated by private citizens to be used as short-term loans for students having financial difficulties. The loans are short-term and payable within 90 days. The restricted cash amount equals funds available at June 30, 2016 for such loans.

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

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

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

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

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

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

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

**NOTE 2 - DEPOSITS AND INVESTMENTS**

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

**Primary Government**

| Statement of Net Position                        | <u>2016</u>          | <u>2015</u>          |
|--|----------------------|----------------------|
| Cash and Cash Equivalents (Current)              | \$ 15,915,749        | \$ 19,482,843        |
| Cash and Cash Equivalents (Restricted for Loans) | 142,979              | 162,222              |
| Short-Term Investments                           | 10,379,042           | 9,183,499            |
| Investments (Noncurrent)                         | <u>18,027,184</u>    | <u>16,850,076</u>    |
| Total Cash and Investments                       | <u>\$ 44,464,954</u> | <u>\$ 45,678,640</u> |
| (On the Statement of Net Position)               |                      |                      |

**HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

| Disclosure of Deposits and Investments      | 2016          | 2015          |
|---|---------------|---------------|
| Carrying Value of Deposits and Investments: |               |               |
| Cash in Banks                               | \$ 3,036,348  | \$ 2,937,082  |
| Investments, Reported Amount                | 41,423,531    | 42,736,483    |
| Total Deposits and Investments              | \$ 44,459,879 | \$ 45,673,565 |
| Cash on Hand                                | 5,075         | 5,075         |
| Total Cash, Deposits, and Investments       | \$ 44,464,954 | \$ 45,678,640 |

**Discretely Presented Component Unit**

Horry - Georgetown Technical College Foundation

| Statement of Net Assets                     | 2016          | 2015         |
|---|---------------|--------------|
| Cash and Cash Equivalents                   | \$ 587,787    | \$ 363,765   |
| Investments                                 | 9,521,249     | 9,388,421    |
| Total Cash and Investments                  | \$ 10,109,036 | \$ 9,752,186 |
| Disclosure of Deposits and Investments      | 2016          | 2015         |
| Carrying Value of Deposits and Investments: |               |              |
| Cash in Banks                               | \$ 587,787    | \$ 363,765   |
| Investments, Reported Amount                | 9,521,249     | 9,388,421    |
| Total Deposits and Investments              | \$ 10,109,036 | \$ 9,752,186 |

**DEPOSITS**

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

**Custodial Credit Risk**

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

The College's bank balances on deposit were \$3,637,521 at June 30, 2016. Of these, \$1,099,321 were exposed to custodial credit risk as uninsured; however, were collateralized with securities held by the pledging institution in the College's name. The carrying value of these deposits was \$3,036,348. Restricted cash includes \$142,979 held for student loans. The cash balance at brokerage firms are insured up to \$250,000 by the Securities Investor Protection Corporation (SIPC) with additional insurance provided by the brokerage firm through an excess SIPC policy.

**Deposits - Discretely Presented Component Unit**

Cash and cash equivalents consist of amounts on deposit, including interest-bearing deposits. The balances on deposit were insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The balances at the brokerage firm are insured up to \$250,000 by the Securities Investor Protection Corporation (SIPC) with additional insurance provided by the brokerage firm through an excess SIPC policy.

**HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

**INVESTMENTS**

The College is authorized, by the South Carolina Code of Laws, Title 6, Chapter 5, to invest in obligations of the United States and its agencies, obligations of the State of South Carolina and its political subdivisions, collateralized or federally insured certificates of deposit, and collateralized repurchase agreements.

The College's investments at June 30, 2016, that are not with the State Treasurer's Office are presented below. All investments are presented by investment type and by maturity.

Horry - Georgetown Technical College Investments

| Investment Type                             | Fair Value           | Less than 1          | 1 - 5               | 6 - 10              | More than 10        |
|---|----------------------|----------------------|---------------------|---------------------|---------------------|
| Repurchase Agreements                       | \$ 14,246,246        | \$ 14,246,246        | \$ 0                | \$ 0                | \$ 0                |
| Money Market Mutual Funds                   | 8,963,584            | 8,963,584            | 0                   | 0                   | 0                   |
| FHLB Bonds                                  | 300,069              | 0                    | 300,069             | 0                   | 0                   |
| Federal Farm Credit Bonds/Notes             | 333,843              | 0                    | 0                   | 333,843             | 0                   |
| Federal Home Loan Mortgage                  | 939,791              | 0                    | 296,178             | 243,605             | 400,008             |
| Federal National Mortgage Association Notes | 1,373,172            | 250,690              | 358,033             | 364,406             | 400,043             |
| U.S. Treasury Bonds/Notes                   | 3,294,834            | 533,042              | 1,999,613           | 383,570             | 378,609             |
| Municipal Bonds                             | 3,540,889            | 0                    | 980,320             | 1,537,455           | 1,023,114           |
| Corporate Bonds                             | 8,431,103            | 669,732              | 6,061,895           | 1,699,476           | 0                   |
| <b>Total Investment</b>                     | <b>\$ 41,423,531</b> | <b>\$ 24,663,294</b> | <b>\$ 9,996,108</b> | <b>\$ 4,562,355</b> | <b>\$ 2,201,774</b> |

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**HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

Horry – Georgetown Technical College holds investments that are measured at fair value on a recurring basis. The College categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

|  | <u>June 30, 2016</u> | <u>Fair Value Measurements Using</u>  |  |  |
|--|----------------------|---|--|--|
|  |                      | <u>Quoted Prices<br/>in Active<br/>Markets for<br/>Identical<br/>Assets<br/>(Level 1)</u> | <u>Significant<br/>Other<br/>Observable<br/>Inputs<br/>(Level 2)</u> | <u>Significant<br/>Unobservable<br/>Inputs<br/>(Level 3)</u> |
| <b>Investments by Fair Value Level</b> |                      |   |  |  |
| Debt Securities                        |                      |   |  |  |
| Money Market Mutual Funds              | \$ 8,963,584         | \$ 7,635,952  | \$ 1,327,632   | \$ 0   |
| Corporate Bonds                        | 8,431,103            | 0   | 8,431,103  | 0  |
| Government Bonds                       | 2,946,875            | 645,509   | 2,301,366  | 0  |
| Municipal Bonds                        | 3,540,889            | 0   | 3,540,889  | 0  |
| U.S. Treasury Notes/Bonds              | 3,294,834            | 3,294,834   | 0  | 0  |
| Repurchase Agreement                   | <u>14,246,246</u>    | <u>0</u>  | <u>14,246,246</u>  | <u>0</u>   |
| Total Debt Securities                  | <u>\$ 41,423,531</u> | <u>\$ 11,576,295</u>  | <u>\$ 29,847,236</u>   | <u>\$ 0</u>  |

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities in Level 2 are valued at quoted prices in markets that are not active or observable inputs over the full term of the asset or liability.

Debt and equity securities classified as Level 2 are valued using the following approaches:

- U.S. Treasuries, U.S. Agencies are valued at quoted prices for identical securities in markets that are not active.
- Corporate and Municipal Bonds are quoted prices for similar securities in active markets.
- Money Market Mutual Funds are published fair value per share (unit) for each fund.

The College did not have any Level 3 investments as of June 30, 2016.

**Discretely Presented Component Unit**

Horry - Georgetown Technical College Foundation

| <u>Investment Type</u>        | <u>Fair Value Amount</u> |
|-------------------------------|--------------------------|
| Debt Securities:              |                          |
| Corporate Bonds               | \$ 331,534               |
| Mutual and Money Market Funds | 4,248,916                |
| Common Stocks                 | 4,154,417                |
| Other Investments             | <u>786,382</u>           |
| Total Investment              | <u>\$ 9,521,249</u>      |

**HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

**Custodial Credit Risk**

Custodial credit risk for investments is the risk that, in the event of a failure of the counter-party to a transaction, the College will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. The College does not have a formal investment policy that addresses custodial credit risk. Of the College's \$14,246,246 investment in repurchase agreements, \$14,246,246 of the underlying securities are held by the investments counter-party in the College's Name.

**Interest Rate Risk**

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

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

**Credit Risk**

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

The College's rated debt investments as of June 30, 2016, were rated by Standard & Poor's and are listed below using the Standard & Poor's rating scale.

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

| <u>Rated Debt Investments</u>          | <u>Fair Value</u> | <u>Rating</u> |
|--|-------------------|---------------|
| Repurchase Agreements                  | \$ 14,246,246     | Unrated       |
| Money Market Mutual Fund               | 8,963,584         | Unrated       |
| Corporate Bonds                        | 533,873           | AAA           |
| Corporate Bonds                        | 1,443,596         | A-            |
| Corporate Bonds                        | 527,461           | AA+           |
| Corporate Bonds                        | 277,285           | A+            |
| Corporate Bonds                        | 1,944,972         | A             |
| Corporate Bonds                        | 1,839,314         | AA            |
| Corporate Bonds                        | 1,709,179         | AA-           |
| Corporate Bonds                        | 155,423           | BBB+          |
| Federal Farm Credit Bonds              | 333,843           | AA+           |
| FHLB Bonds                             | 544,971           | AA+           |
| Federal Home Loan Mortgage Corporation | 394,820           | AAA           |
| Federal Home Loan Mortgage Corporation | 300,069           | AA+           |
| Federal National Mortgage Association  | 1,122,482         | AA+           |
| Federal National Mortgage Association  | 250,690           | AAA           |
| Municipal Bonds                        | 754,099           | AA-           |
| Municipal Bonds                        | 154,136           | A-            |

**HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

Horry - Georgetown Technical College Rated Debt Investments (Continued)

| <u>Rated Debt Investments</u> | <u>Fair Value</u>    | <u>Rating</u> |
|-------------------------------|----------------------|---------------|
| Municipal Bonds               | 1,050,550            | AA            |
| Municipal Bonds               | 859,320              | AA+           |
| Municipal Bonds               | 722,784              | AAA           |
| US Treasury Bonds             | 2,559,620            | AAA           |
| US Treasury Notes/Bonds       | <u>735,214</u>       | Unrated       |
| Total Investment              | <u>\$ 41,423,531</u> |               |

**Concentration of Credit Risk**

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

The College had Debt Securities at June 30, 2016 totaling 43 percent of its investments. The following Debt Type Investments represented 5 percent or more of total investments:

| <u>Debt Type Investments</u> | <u>Percentage</u> |
|------------------------------|-------------------|
| Corporate Bonds              | 20.35%            |
| US Treasury Bonds/Notes      | 6.18%             |
| Municipal Bonds              | <u>8.55%</u>      |
| Total Investments            | <u>35.08%</u>     |

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

**NOTE 3 - ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2016 and June 30, 2015, including applicable allowances, are summarized as follows:

|   | <u>2016</u>          | <u>2015</u>         |
|---|----------------------|---------------------|
| Student Accounts                                | \$ 6,232,594         | \$ 4,556,580        |
| Federal Grants and Contracts                    | 2,352,065            | 771,179             |
| State Grants and Contracts                      | 101,094              | 469,954             |
| Local Grants and Contracts                      | <u>2,073,131</u>     | <u>1,670,355</u>    |
|   | 10,758,884           | 7,468,068           |
| Less Allowance for Doubtful Accounts - Students | <u>(124,181)</u>     | <u>(148,266)</u>    |
| Net Accounts Receivable                         | <u>\$ 10,634,703</u> | <u>\$ 7,319,802</u> |

**HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 3 - ACCOUNTS RECEIVABLE (continued)**

Allowances for losses for student accounts receivable are established based upon actual losses experienced in prior years and evaluations of the current account portfolio. At June 30, 2016, the allowance for uncollectible student accounts is valued at \$124,181 and allowance for uncollectible student accounts at June 30, 2015 was \$148,266.

**NOTE 4 - LOANS RECEIVABLE**

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

**NOTE 5 - CONTRIBUTIONS RECEIVABLE**

The composition of Discretely Presented Component Unit contributions receivable at June 30, 2016 is summarized as follows:

|                                       |                          |
|---------------------------------------|--------------------------|
| Contributions Receivable:             |                          |
| Temporarily Restricted                | \$ <u>642,900</u>        |
| Total Contributions Receivable        | \$ 642,900               |
| Less:                                 |                          |
| Unamortized discount to present value | <u>(169,199)</u>         |
| Net Contributions Receivable          | <u><u>\$ 473,701</u></u> |
| Amounts due in:                       |                          |
| Less than one                         | \$ 67,100                |
| One to five years                     | 125,535                  |
| Five to ten years                     | <u>281,066</u>           |
| Total                                 | <u><u>\$ 473,701</u></u> |

The discount rate used to determine the fair value of contributions receivable was five percent for the fiscal year ended June 30, 2016.

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**HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 6 - CAPITAL ASSETS**

**PRIMARY GOVERNMENT**

|  | Beginning<br>Balance<br>July 1, 2015 | Increases          | Decreases        | Ending<br>Balance<br>June 30, 2016 |
|--|--------------------------------------|--------------------|------------------|------------------------------------|
| Capital assets not being depreciated:          |                                      |                    |                  |                                    |
| Land   | \$ 4,840,104                         | \$ 885,580         | \$ 0             | \$ 5,725,684                       |
| Construction in progress                       | 9,337,451                            | 10,370,651         | 7,195,655        | 12,512,447                         |
| <br>Total capital assets not being depreciated | <br>\$ 14,177,555                    | <br>\$ 11,256,231  | <br>\$ 7,195,655 | <br>\$ 18,238,131                  |
| Other capital assets:                          |                                      |                    |                  |                                    |
| Buildings and improvements                     | \$ 66,157,794                        | \$ 2,816,182       | \$ 0             | \$ 68,973,976                      |
| Machinery, equipment, and other                | 8,233,536                            | 460,646            | 272,112          | 8,422,070                          |
| Vehicles                                       | 463,391                              | 23,835             | 0                | 487,226                            |
| Depreciable land improvements                  | 3,771,684                            | 4,553,125          | 0                | 8,324,809                          |
| <br>Total other capital assets                 | <br>\$ 78,626,405                    | <br>\$ 7,853,788   | <br>\$ 272,112   | <br>\$ 86,208,081                  |
| Less accumulated depreciation for:             |                                      |                    |                  |                                    |
| Buildings and improvements                     | \$ (19,633,382)                      | \$ (1,887,837)     | \$ 0             | \$ (21,521,219)                    |
| Machinery, equipment, and other                | (5,761,228)                          | (984,137)          | (267,432)        | (6,477,933)                        |
| Vehicles                                       | (352,824)                            | (1,324)            | 0                | (354,148)                          |
| Depreciable land improvements                  | (1,853,822)                          | (542,173)          | 0                | (2,395,995)                        |
| <br>Total accumulated depreciation             | <br>\$ (27,601,256)                  | <br>\$ (3,415,471) | <br>\$ (267,432) | <br>\$ (30,749,295)                |
| <br>Other capital assets, net                  | <br>\$ 51,025,149                    | <br>\$ (4,438,317) | <br>\$ 4,680     | <br>\$ 55,458,786                  |
| <br>Capital assets, net                        | <br>\$ 65,202,704                    | <br>\$ 15,694,548  | <br>\$ 7,200,335 | <br>\$ 73,696,917                  |
| <br>State inventory listing movable equipment  |                                      |                    |                  | \$ 8,909,296                       |
| Total equipment per books                      |                                      |                    |                  | 8,909,296                          |
| Reconciled difference                          |                                      |                    |                  | <u>\$ 0</u>                        |
| <br>Loss on Disposals                          |                                      |                    |                  | \$ (4,680)                         |
| Net Loss on Disposals                          |                                      |                    |                  | <u>\$ (4,680)</u>                  |

Assets totaling \$311,236 were donated during the fiscal year. Patterson Dental donated \$24,836 and Horry County Government donated \$286,400. The assets are valued at acquisition value at date of donation.

In prior years, the financial statements of the Foundation reflected property and equipment which it purchased for the benefit and use of Horry - Georgetown Technical College. Property and equipment purchased by the Foundation consist of a vehicle reported as follows:

|   |                 |
|---|-----------------|
| Total Property and Equipment (Vehicle)          | \$38,000        |
| Accumulated Depreciation                        | <u>(31,434)</u> |
| Capital Assets, Net of Accumulated Depreciation | <u>\$ 6,566</u> |

**HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 7 - PENSION AND RETIREMENT PLAN**

**Plan Descriptions**

The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions.

The State Optional Retirement Program (State ORP) is a defined contribution plan that is offered as an alternative to certain newly hired state, public school, and higher education employees. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers.

South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firemen of the state and its political subdivisions.

The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the Budget and Control Board, which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems (Systems) and serves as a co-trustee of the Systems in conducting that review.

PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. 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 comprehensive annual financial report of the state.

**Membership**

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below.

SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. 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.

**HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA  
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JUNE 30, 2016**

**NOTE 7 - PENSION AND RETIREMENT PLAN (continued)**

State ORP – As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election have the option to participate in the State Optional Retirement Program (State ORP), which is 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. Rather, the benefits are the liability of the investment providers. Employee and Employer contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employers to the member's account with investment providers for the employee contribution (8.16 percent) and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution (5.91 percent) and an incidental death benefit contribution (.15 percent), if applicable, which is retained by SCRS.

PORS – To be eligible for PORS membership, an employee must be required by the terms of his 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 the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. 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. 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.

**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 the 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 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 services 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 or 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.

**HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 7 - PENSION AND RETIREMENT PLAN (continued)**

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 area 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.

**Contributions**

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may increase the 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 the 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 provide in statute of 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; and, this increase is not limited to one-half of one percent per year.

- Required employee contribution rates<sup>1</sup> are as follows:

|                      | 2016  | 2015  |
|----------------------|-------|-------|
| <b>SCRS</b>          |       |       |
| Employee Class Two   | 8.16% | 8.00% |
| Employee Class Three | 8.16% | 8.00% |
| <b>State ORP</b>     |       |       |
| Employee             | 8.16% | 8.00% |
| <b>PORS</b>          |       |       |
| Employee Class Two   | 8.74% | 8.41% |
| Employee Class Three | 8.74% | 8.41% |

**HORRY - GEORGETOWN TECHNICAL COLLEGE  
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**NOTE 7 - PENSION AND RETIREMENT PLAN (continued)**

- Required employer contribution rates<sup>1</sup> are as follows:

|                                   | <u>2016</u> | <u>2015</u> |
|-----------------------------------|-------------|-------------|
| <b>SCRS</b>                       |             |             |
| Employer Class Two                | 10.91%      | 10.75%      |
| Employer Class Three              | 10.91%      | 10.75%      |
| Employer Incidental Death Benefit | 0.15%       | 0.15%       |
| <b>State ORP<sup>2</sup></b>      |             |             |
| Employer Contribution             | 10.91%      | 10.75%      |
| Employer Incidental Death Benefit | 0.15%       | 0.15%       |
| <b>PORS</b>                       |             |             |
| Employer Class Two                | 13.34%      | 13.01%      |
| Employer Class Three              | 13.34%      | 13.01%      |
| Employer Incidental Death Benefit | 0.20%       | 0.20%       |
| Employer Accidental Death Program | 0.20%       | 0.20%       |

<sup>1</sup> Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

<sup>2</sup> Of this employer contribution, 5% of earnable compensation must be remitted by the employer directly to the ORP vendor to be allocated to the member's account with the remainder of the employer contribution remitted to SCRS.

Contributions to the pension plan from the College were as follows for the years ended June 30, 2016 and June 30, 2015:

|                          | <u>2016</u>  | <u>2015</u>  |
|--------------------------|--------------|--------------|
| SCRS                     | \$ 1,825,570 | \$ 1,778,992 |
| PORS                     | \$ 12,468    | \$ 12,752    |
| ORP – Remitted to SCRS   | \$ 221,551   | \$ 204,910   |
| ORP – Remitted to Vendor | \$ 182,798   | \$ 173,653   |

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2016, the College reported \$36,805,742 and \$167,298 for its proportionate shares of the net pension liabilities of SCRS and PORS, respectively. The net pension liability of each defined benefit pension plan was determined based on the July 1, 2014 actuarial valuations, using membership data as of July 1, 2014, projected forward to June 30, 2015, and financial information of the pension trust funds as of June 30, 2015, using generally accepted actuarial procedures. The College's proportion of the net pension liability was based on the College's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2016, the College SCRS proportion was .194067 percent measured as of June 30, 2015. The State's PORS proportion of the net pension liability at June 30, 2015 was .00768 percent. The proportionate share of net pension liability for the year ended June 30, 2014 was .192164% for the SCRS and .00787% for the PORS.

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**NOTE 7 - PENSION AND RETIREMENT PLAN (continued)**

**Pension Expense**

Components of collective pension expense reported in the Schedules of Pension Amounts by Employer for the fiscal year ended June 30, 2016, are presented below:

| <u>Description</u>  | <u>SCRS</u>         | <u>PORS</u>      |
|---|---------------------|------------------|
| Service cost (annual cost of current service)   | \$ 1,444,242        | \$ 11,835        |
| Interest on the total pension liability   | 6,109,403           | 33,433           |
| Changes in plan benefits  | 0                   | 0                |
| Plan administrative costs   | 24,364              | 149              |
| Plan member contributions   | (1,389,727)         | (8,206)          |
| Expected return on plan assets  | (3,674,867)         | (22,747)         |
| Recognition of current year amortization – Difference<br>between expected and actual experience           | 272,037             | 1,126            |
| Recognition of current year amortization – Difference<br>between projected and actual investment earnings | (114,464)           | (605)            |
| Other   | 2,579               | (90)             |
| Change in proportionate share   | 82,866              | (835)            |
| Total Pension Expense   | <u>\$ 2,756,433</u> | <u>\$ 14,060</u> |

Additional items included in Total Employer Pension Expense in the Schedules of Pension Amounts by Employer are the current period amortized portions of deferred outflows and/or inflows of resources related to changes in employers' proportionate share of the collective net pension liability and differences between actual employer contributions and proportionate share of total plan employer contributions. These two deferrals are specific to cost-sharing multiple-employer defined benefit pension plans as discussed in paragraphs 54 and 55 of GASB 68. The total pension expense for the fiscal year ending June 30, 2015, totaled \$2,318,831 for the SCRS and \$13,176 for the PORS.

At June 30, 2016, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <u>SCRS</u>         | <u>PORS</u>      |
|---|---------------------|------------------|
| <b>Deferred Outflows of Resources:</b>  |                     |                  |
| Difference between expected and actual experience   | \$ 653,912          | \$ 3,316         |
| Net difference between projected and actual earnings  | 246,360             | 1,830            |
| Deferred amounts from changes in proportionate share<br>and difference between employer contributions and<br>proportionate share of total plan employer contributions | 262,188             | 0                |
| College contributions subsequent to measurement date  | <u>2,047,121</u>    | <u>12,468</u>    |
|   | <u>\$ 3,209,581</u> | <u>\$ 17,614</u> |

**HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA  
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**NOTE 7 - PENSION AND RETIREMENT PLAN (continued)**

|   | <b>SCRS</b> | <b>PORS</b> |
|---|-------------|-------------|
| <b>Deferred Inflows of Resources:</b>   |             |             |
| Net difference between expected and actual experience   | \$ 65,820   | \$ 0        |
| Deferred amounts from changes in proportionate share<br>and difference between employer contributions and<br>proportionate share of total plan employer contributions | 0           | 3,171       |
|   | \$ 65,820   | \$ 3,171    |

College contributions subsequent of the measurement date of \$2,047,121 and \$12,468 reported as deferred outflow of resources for the SCRS and PORS, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <b><u>Year Ending June 30:</u></b> | <b><u>SCRS</u></b> | <b><u>PORS</u></b> |
|------------------------------------|--------------------|--------------------|
| 2017                               | \$ 240,439         | \$ (315)           |
| 2018                               | 240,439            | (315)              |
| 2019                               | 15,830             | (461)              |
| 2020                               | 599,932            | 3,066              |
| Thereafter                         | 0                  | 0                  |
|                                    | \$ 1,096,640       | \$ 1,975           |

**Payable to Pension Plan**

At June 30, 2016, the College had \$322,082 in outstanding payables to the plans for legally required contributions. This amount is reported in the statement of net positions with withholdings and benefits payable.

**Actuarial Assumptions and Methods**

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality, and future salary increases. Amounts determined during the valuation process 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. The last experience study was performed on data through June 30, 2010, and the next experience study, is performed on data through June 30, 2015, is currently underway.

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**NOTE 7 - PENSION AND RETIREMENT PLAN (continued)**

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2014, valuations for SCRS and PORS.

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

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000. Assumptions used in the July 1, 2014, valuations for SCRS and PORS are as follows:

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

**Long-term Expected Rate of Return**

The long-term expected rate of return on pension plan investments, as used in the July 1, 2014, actuarial valuations, was based upon the 30 year capital market outlook at the end of the fourth quarter 2013, as developed by the Retirement Systems Investment Commission in collaboration with its investment consultant, Aon Hewitt. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economics forecasts. Long-term assumptions for the other asset classes are based on historical results, current market characteristics, and professional judgment.



**HORRY - GEORGETOWN TECHNICAL COLLEGE  
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JUNE 30, 2016**

**NOTE 7 - PENSION AND RETIREMENT PLAN (continued)**

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation as adopted by the Investment Commission for fiscal year 2015. The long-term expected rate of return is produced by weighing the expected future real rates of return by the target allocation percentage and by adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.50 percent assumed annual investment rate of return set in statute and used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

| Asset Class                      | Target<br>Asset Allocation | Expected<br>Arithmetic Real<br>Rate of Return | Long Term<br>Expected<br>Portfolio Real<br>Rate of Return |
|----------------------------------|----------------------------|---|---|
| <b>Short Term</b>                | <b>5.0%</b>                |   |   |
| Cash                             | 2.0%                       | 1.90%   | 0.04%   |
| Short Duration                   | 3.0%                       | 2.00%   | 0.06%   |
| <b>Domestic Fixed Income</b>     | <b>13.0%</b>               |   |   |
| Core Fixed Income                | 7.0%                       | 2.70%   | 0.19%   |
| Mixed Credit                     | 6.0%                       | 3.80%   | 0.23%   |
| <b>Global Fixed Income</b>       | <b>9.0%</b>                |   |   |
| Global Fixed Income              | 3.0%                       | 2.80%   | 0.08%   |
| Emerging Markets Debt            | 6.0%                       | 5.10%   | 0.31%   |
| <b>Global Public Equity</b>      | <b>31.0%</b>               | 7.10%   | 2.20%   |
| <b>Global Tactical Asset</b>     | <b>10.0%</b>               | 4.90%   | 0.49%   |
| <b>Alternatives</b>              | <b>32.0%</b>               |   |   |
| Hedge Funds (Low Beta)           | 8.0%                       | 4.30%   | 0.34%   |
| Private Debt                     | 7.0%                       | 9.90%   | 0.69%   |
| Private Equity                   | 9.0%                       | 9.90%   | 0.89%   |
| Real Estate (Broad Market)       | 5.0%                       | 6.00%   | 0.30%   |
| Commodities                      | 3.0%                       | 5.90%   | 0.18%   |
| Total Expected Real Return       | 100.0%                     |   | 6.00%   |
| Inflation for Actuarial Purposes |                            |   | 2.75%   |
| Total Expected Nominal Return    |                            |   | 8.75%   |

**Discount Rate**

The discount rate used to measure the total pension liability was 7.5 percent. 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, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The following presents the sensitivity of the College's proportionate share of the net pension liability to the changes in the discount rate.

| Sensitivity of the Net Pension Liability to Changes in the Discount Rate |                        |                                  |                        |
|--|------------------------|----------------------------------|------------------------|
| College's proportionate share<br>of the Net Pension Liability            | 1% Decrease<br>(6.50%) | Current Discount<br>Rate (7.50%) | 1% Increase<br>(8.50%) |
| <b>SCRS</b>  | \$ 46,401,524          | \$ 36,805,742                    | \$ 28,763,257          |
| <b>PORS</b>  | \$ 228,018             | \$ 167,298                       | \$ 113,183             |

**HORRY - GEORGETOWN TECHNICAL COLLEGE  
 CONWAY, SOUTH CAROLINA  
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**NOTE 7 - PENSION AND RETIREMENT PLAN (continued)**

**Deferred Retirement Option Plans**

The Teacher and Employee Retention Incentive (TERI) program, established by State law, became effective January 1, 2001. The program is a deferred retirement option available to SCRS members eligible for services retirement. Upon entering the TERI program, a member's status changes from active to retired. A TERI participant agrees to continue employment with an employer participating in the system for a specified period, not to exceed five years. TERI participants retain the same status and employment rights they held upon entering the program but are not considered active employees for purposes of the disability retirement programs. A TERI retiree's monthly benefits are accrued and remain in the SCRS trust account during the TERI participation period, but no interest is accrued or paid thereon. Upon termination of employment or at the end of the TERI participation period (whichever is earlier), a retiree may roll over some or all of the accumulated TERI balance into a qualified, tax-sheltered retirement plan and/or receive a lump-sum distribution.

**Optional Retirement Program**

As an alternative to membership in SCRS, certain State, public school, and higher education employees and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election have the option to participate in the State Optional Retirement Program. Participants in the State ORP direct the investment of their funds into a plan administered by one of four investment providers and are governed by the terms of the contracts that those providers issue.

Under State law, College contributions to the ORP are at the same rates as of the SCRS (see Subsection c, Funding Policies). A direct remittance is required from the employers to the investment providers for the employee contribution (8.16%) and a portion of the employer contribution (5.00%), which is immediately vested to the employee. A direct remittance is also required to the SCRS for a portion of the employer contribution (5.91%) and a group life contribution (.015%), which is retained by the SCRS. The activity for the College participation in the State ORP is as follows:

|  |              |
|--|--------------|
| Covered payroll.....                     | \$ 3,655,952 |
| Employee contributions to providers..... | 298,325      |
| Employer contributions to providers..... | 182,798      |
| Payments to SCRS.....                    | 221,551      |

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

*Plan Description*

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

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**NOTE 8 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)**

*Funding Policies*

Section 1-11-710 and 1-11-720 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment healthcare and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the EIP and participating retirees to the SBCB except the portion funded through the pension surcharge and provided from other applicable sources of the EIP for its active employees who are not funded by State General Fund appropriations. Employers participating in the RMP are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 5.33% of annual covered payroll for 2016, and 5.00% of annual covered payroll for 2015. The EIP sets the employer contribution rate based on a pay-as-you-go basis. Horry-Georgetown Technical College paid approximately \$1,079,472 and \$994,459 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2016 and June 30, 2015, respectively. BLTD benefits are funded through a per person premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to EIP was \$3.50 for the fiscal year ended June 30, 2016.

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

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

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

Like any entity, the College may be subject to various litigations in the normal course of business. However, as of the audit date, the College is not involved in any such litigation. The College also maintains appropriate insurance coverage to offset any significant financial losses associated with legal liabilities. It should be noted that the College participates in certain Federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grant. Management believes disallowances, if any, will not be material.

As of June 30, 2016 the outstanding project commitments were as follows:

| Project                             | Expenditures<br>To Date | Estimated<br>Total Project | Estimated<br>Completion Date |
|-------------------------------------|-------------------------|----------------------------|------------------------------|
| Fire Station Acquisition            | \$ 10,664               | \$ 375,000                 | Fall 2018                    |
| Advanced Manufacturing Center       | 382,445                 | 6,333,732                  | Fall 2017                    |
| Grand Strand Culinary Arts Building | 12,119,338              | 15,000,000                 | Fall 2016                    |
|                                     | <u>\$ 12,512,447</u>    | <u>\$ 21,708,732</u>       |                              |

Other than the information outlined and discussed above, the College's management is aware of no other contingencies, litigations or other financial or legal commitments.

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**NOTE 10 - LEASE OBLIGATIONS**

*Contingent Rentals*

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

| <u>Rental Agreement</u> | <u>Year</u> | <u>Expended for<br/>Contingent Rentals</u> |
|-------------------------|-------------|--|
| Automobiles             | 2016        | \$ 15,070                                  |
|                         | 2015        | \$ 22,630                                  |
| Copiers                 | 2016        | \$ 49,098                                  |
|                         | 2015        | \$ 47,748                                  |

*Operating Leases*

The College has five operating leases as of June 30, 2016. The operating leases payments for equipment rental and facility rent made for 2016 were as follows:

| <u>Rental Agreement</u> | <u>Year</u> | <u>Expended for<br/>Operating Leases</u> |
|-------------------------|-------------|--|
| Equipment               | 2016        | \$ 103,738                               |
|                         | 2015        | \$ 95,549                                |

Future operating lease payments are as follows:

| <u>Rental Agreement</u> | <u>Year</u> | <u>Future Operating<br/>Lease Payments</u> |
|-------------------------|-------------|--|
| Equipment               | 2017        | \$ 76,720                                  |
|                         | 2018        | \$ 62,941                                  |
|                         | 2019        | \$ 10,395                                  |
|                         | 2020        | \$ 6,928                                   |

**NOTE 11 - RELATED PARTIES**

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

Management reviewed its relationship with the Foundation under the existing guidance of GASB Statement No. 14, as amended by GASB Statement No. 39 as amended by GASB Statement No. 61. Because of the nature and significance of its relationship with the College, the Foundation is considered a component unit of the College.

Following is a more detailed discussion of this entity and a summary of significant transactions (if any) between this entity and the College for the year ended June 30, 2016.

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

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

**HORRY - GEORGETOWN TECHNICAL COLLEGE  
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**NOTE 11 - RELATED PARTIES (continued)**

The College recorded non-governmental gift receipts of \$111,238 from the Foundation in nonoperating revenues for the fiscal year ended June 30, 2016 and \$602,651 from the Foundation for 2015. These funds were used primarily to support the College by way of program development, construction projects, and program support. The Foundation reimburses the College for any purchases made by the College on behalf of the Foundation. The College provides office space and support services to the Foundation. The value of this office space and support services was approximately \$3,600 for the year ended June 30, 2016 and June 30, 2015.

The Foundation's assets as of June 30, 2016 were \$10,594,828. As of June 30, 2016 the Foundation had \$473,701 in receivables, primarily due from donors (via pledges) and \$1,231,514 in outstanding liabilities primarily due to the College, for the Speir expansion.

**NOTE 12 - RISK MANAGEMENT**

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

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

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

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

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

- Theft, damage to, or destruction of assets
- Real property, its contents, and other equipment
- Motor vehicles and watercrafts
- Torts
- Natural disasters

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

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

**HORRY - GEORGETOWN TECHNICAL COLLEGE  
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**NOTE 13 - NATIONAL FEDERAL DIRECT SUBSIDIZED AND UNSUBSIDIZED STAFFORD LOANS**

The College participates in the National Federal Direct Subsidized and Unsubsidized Stafford Loan Program, which allows the College to disburse federal loans to students which are administered by the U.S. Department of Education. The loan activity is not reported in the accompanying financial statements because the responsibility for administration and collection passes to the U.S. Department of Education after the loans are disbursed. The College made loan disbursements of \$23,006,822 under this program during the fiscal year 2016 and \$26,806,191 for the fiscal year ended June 30, 2015.

**NOTE 14 - AGENCY FUNDS**

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

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

|                                       | June 30, 2015 |           |               | June 30, 2016 |  |
|---------------------------------------|---------------|-----------|---------------|---------------|--|
|                                       | Balance       | Receipts  | Disbursements | Balance       |  |
| Student Activity                      | \$899,138     | \$268,549 | \$320,443     | \$847,244     |  |
| GCSAA                                 | 15,250        | 4,000     | 0             | 19,250        |  |
| Addiction and Recovery Lecture Series | 4,480         | 1,650     | 3,783         | 2,347         |  |
| Engineering Day                       | 0             | 1,219     | 1,219         | 0             |  |
|                                       | \$918,868     | \$275,418 | \$325,445     | \$868,841     |  |

**NOTE 15 - LONG-TERM LIABILITIES**

Long-term liabilities activity for the year ended June 30, 2016 was as follows:

|                              | Balance       |            |            | Balance       |            | Due within |
|------------------------------|---------------|------------|------------|---------------|------------|------------|
|                              | June 30, 2015 | Additions  | Reductions | June 30, 2016 | one year   |            |
| Compensated Absences Payable | \$ 1,816,513  | \$ 168,868 | \$ 162,667 | \$ 1,822,714  | \$ 145,626 |            |
|                              | \$ 1,816,513  | \$ 168,868 | \$ 162,667 | \$ 1,822,714  | \$ 145,626 |            |

**NOTE 16 - SALES/PURCHASES WITH OTHER SC HIGHER EDUCATION INSTITUTIONS**

The College had significant financial transactions with other South Carolina public institutions of higher education during the fiscal year. The College provided goods and/or services to other South Carolina higher education institutions for a fee during the fiscal year ending June 30, 2016, as listed below:

| <u>Institution</u>           | <u>Amount</u> |
|------------------------------|---------------|
| Coastal Carolina University  | \$ 28,885     |
| University of South Carolina | 75            |
| College of Charleston        | 1,070         |
| Greenville Technical College | 3,571         |
| Total                        | \$ 33,601     |

**HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 16 - SALES/PURCHASES WITH OTHER SC HIGHER EDUCATION INSTITUTIONS (continued)**

The College received goods and/or services from other South Carolina higher education institutions for a fee during the fiscal year ending June 30, 2016, as listed below:

| <u>Institution</u>            | <u>Amount</u>     |
|-------------------------------|-------------------|
| Clemson University            | \$ 500            |
| Coastal Carolina University   | 435,086           |
| Greenville Technical College  | 3,300             |
| MUSC                          | 832               |
| Spartanburg Technical College | 23,456            |
| York Technical College        | 55                |
| USC (all branches)            | <u>35</u>         |
| Total                         | <u>\$ 463,264</u> |

**NOTE 17 - STATE APPROPRIATIONS**

State funds for operations for the South Carolina Technical College System are appropriated to the State Board for Technical and Comprehensive Education (the Board), and the Board allocates funds budgeted for the technical colleges in a uniform and equitable manner.

The following is a detailed schedule of State appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2016 and June 30, 2015:

| <u>NON-CAPITAL APPROPRIATIONS</u>                                      | <u>2016</u>         | <u>2015</u>         |
|--|---------------------|---------------------|
| Appropriations per Annual Appropriations Act                           | \$ 7,871,985        | \$ 7,359,430        |
| Critical Needs Nursing Initiative - Proviso 5A.27                      | 17,790              | 17,790              |
| Lottery STEM/Workforce   | 326,605             | 168,927             |
| Pathways to Prosperity   | 37,162              | 37,521              |
| SC Manufacturing Certificate   | 1,849               | 0                   |
| System Outreach Initiative   | 6,558               | 0                   |
| WorkKeys   | 3,937               | 0                   |
| Lottery Technology Funds   | <u>254,908</u>      | <u>383,400</u>      |
| Total non-capital appropriations recorded as current year revenue      | <u>\$ 8,520,794</u> | <u>\$ 7,967,068</u> |
| <br><u>CAPITAL APPROPRIATIONS</u>                                      | <br><u>2016</u>     | <br><u>2015</u>     |
| Culinary Arts Building – Grand Strand                                  | <u>\$ 2,254,019</u> | <u>\$ 1,674,402</u> |
| Total capital appropriations proceeds recorded as current year revenue | <u>\$ 2,254,019</u> | <u>1,674,402</u>    |

**HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA  
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JUNE 30, 2016**

**NOTE 18 - OPERATING EXPENSES BY FUNCTION**

Operating expenses by functional classification for the years ended June 30, 2016 and June 30, 2015 are summarized as follows:

|                                | <u>June 30, 2016</u> |                     |                      |                     |                             |                     |                      |
|--------------------------------|----------------------|---------------------|----------------------|---------------------|-----------------------------|---------------------|----------------------|
|                                | Salaries             | Benefits            | Scholar-<br>ships    | Utilities           | Supplies and<br>Other Serv. | Depreciation        | Total                |
| Instruction                    | \$ 12,961,411        | \$ 4,601,425        | \$ 0                 | \$ 0                | \$ 1,647,174                | \$ 0                | \$ 19,210,010        |
| Academic Support               | 2,502,442            | 982,035             | 0                    | 0                   | 1,434,141                   | 0                   | 4,918,618            |
| Student Services               | 2,696,764            | 1,069,612           | 0                    | 0                   | 910,731                     | 0                   | 4,677,107            |
| Operation & Maint.<br>of Plant | 1,207,574            | 604,278             | 0                    | 1,416,895           | 2,569,736                   | 0                   | 5,798,483            |
| Institutional Support          | 2,513,327            | 823,744             | 0                    | 0                   | 1,526,867                   | 0                   | 4,863,938            |
| Scholarships                   | 221,736              | 0                   | 13,955,923           | 0                   | 0                           | 0                   | 14,177,659           |
| Auxiliary Enterprises          | 105,091              | 40,149              | 0                    | 0                   | 243,946                     | 0                   | 389,186              |
| Depreciation                   | 0                    | 0                   | 0                    | 0                   | 0                           | 3,415,471           | 3,415,471            |
| Total Operating Exp.           | <u>\$ 22,208,345</u> | <u>\$ 8,121,243</u> | <u>\$ 13,955,923</u> | <u>\$ 1,416,895</u> | <u>\$ 8,332,595</u>         | <u>\$ 3,415,471</u> | <u>\$ 57,450,472</u> |

|                                | <u>June 30, 2015</u> |                     |                      |                     |                             |                     |                      |
|--------------------------------|----------------------|---------------------|----------------------|---------------------|-----------------------------|---------------------|----------------------|
|                                | Salaries             | Benefits            | Scholar-<br>ships    | Utilities           | Supplies and<br>Other Serv. | Depreciation        | Total                |
| Instruction                    | \$ 13,162,204        | \$ 4,284,236        | \$ 0                 | \$ 0                | \$ 1,824,256                | \$ 0                | \$ 19,270,696        |
| Academic Support               | 2,479,628            | 861,244             | 0                    | 0                   | 1,325,403                   | 0                   | 4,666,275            |
| Student Services               | 2,574,935            | 883,223             | 0                    | 0                   | 981,280                     | 0                   | 4,439,438            |
| Operation & Maint.<br>of Plant | 1,174,000            | 498,896             | 0                    | 1,480,665           | 4,492,984                   | 0                   | 7,646,545            |
| Institutional Support          | 2,431,206            | 855,308             | 0                    | 0                   | 1,368,368                   | 0                   | 4,654,882            |
| Scholarships                   | 227,086              | 0                   | 14,836,009           | 0                   | 0                           | 0                   | 15,063,095           |
| Auxiliary Enterprises          | 83,033               | 23,746              | 0                    | 0                   | 190,398                     | 0                   | 297,177              |
| Depreciation                   | 0                    | 0                   | 0                    | 0                   | 0                           | 3,021,757           | 3,021,757            |
| Total Operating Exp.           | <u>\$ 22,132,092</u> | <u>\$ 7,406,653</u> | <u>\$ 14,836,009</u> | <u>\$ 1,480,665</u> | <u>\$ 10,182,689</u>        | <u>\$ 3,021,757</u> | <u>\$ 59,059,865</u> |

**NOTE 19 – RESTATEMENT OF PRIOR YEAR FUND EQUITY**

The implementation of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – An Amendment to GASB Statement No. 27* and Statement No. 71 *Pension Transition for Contribution made Subsequent to Measurement Date – An Amendment to GASB Statement No. 68* requires the following retroactive restatement of net position for the year ended June 30, 2015.

|  |                      |
|--|----------------------|
| Net Position, As Originally Reported       | \$ 101,987,439       |
| HGTC Share of Net Pension Liability – SCRS | (33,084,270)         |
| Retirement Expense – SCRS                  | 2,318,831            |
| Deferred Outflows of Resources – SCRS      | 937,469              |
| Deferred Inflows of Resources – SCRS       | (2,789,245)          |
| HGTC Share of Net Pension Liability – PORS | (150,608)            |
| Retirement Expense – PORS                  | 13,176               |
| Deferred Outflows of Resources – PORS      | 4,019                |
| Deferred Inflows of Resources – PORS       | (17,426)             |
| Net Position, As Restated                  | <u>\$ 69,219,385</u> |



**REQUIRED SUPPLEMENTARY INFORMATION**

**HORRY - GEORGETOWN TECHNICAL COLLEGE  
SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
SOUTH CAROLINA RETIREMENT SYSTEM  
LAST 10 FISCAL YEARS**

|  | Fiscal Year   |               |      |      |      |      |      |      |      |      |
|--|---------------|---------------|------|------|------|------|------|------|------|------|
|  | 2016          | 2015          | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
| <b>South Carolina Retirement System (SCRS)</b>   |               |               |      |      |      |      |      |      |      |      |
| College's proportion of the net pension liability (asset)  | 0.194067%     | 0.192164%     |      |      |      |      |      |      |      |      |
| College's proportionate share of the net pension liability (asset)   | \$ 36,805,742 | \$ 33,084,270 | \$   | \$   | \$   | \$   | \$   | \$   | \$   | \$   |
| College's covered employee payroll   | \$ 14,632,645 | \$ 14,287,047 | \$   | \$   | \$   | \$   | \$   | \$   | \$   | \$   |
| College's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 251.50%       | 231.57%       |      |      |      |      |      |      |      |      |
| Plan fiduciary net position as a percentage of the total pension liability   | 57.00%        | 59.90%        |      |      |      |      |      |      |      |      |
| <b>South Carolina Police Officer Retirement System (PORS)</b>  |               |               |      |      |      |      |      |      |      |      |
| College's proportion of the net pension liability (asset)  | 0.007680%     | 0.007870%     |      |      |      |      |      |      |      |      |
| College's proportionate share of the net pension liability (asset)   | \$ 167,298    | \$ 150,608    | \$   | \$   | \$   | \$   | \$   | \$   | \$   | \$   |
| College's covered employee payroll   | \$ 82,705     | \$ 81,312     | \$   | \$   | \$   | \$   | \$   | \$   | \$   | \$   |
| College's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 202.40%       | 85.22%        |      |      |      |      |      |      |      |      |
| Plan fiduciary net position as a percentage of the total pension liability   | 64.60%        | 67.50%        |      |      |      |      |      |      |      |      |

Notes: The amount presented above for each fiscal year were determined as of the measurement date of the plan's fiscal year end.

The College is retroactively reporting data back to the year of GASB Statement No. 68 implementation, which was fiscal year ending 2015. Information on the proportionate share of net position liability is not available prior to that fiscal year.

**HORRY - GEORGETOWN TECHNICAL COLLEGE  
SCHEDULE OF THE COLLEGE CONTRIBUTION  
SOUTH CAROLINA RETIREMENT SYSTEM  
LAST 10 FISCAL YEARS**

|   | Fiscal Year        |                    |                    |                    |                    |                    |                    |                    |                    |                    |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|   | 2016               | 2015               | 2014               | 2013               | 2012               | 2011               | 2010               | 2009               | 2008               | 2007               |
| <b>South Carolina Retirement System (SCRS)</b>                                  |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| Contractually required contribution   | \$ 2,047,121       | \$ 1,983,903       | \$ 1,849,447       | \$ 1,856,038       | \$ 1,577,616       | \$ 1,507,527       | \$ 1,450,808       | \$ 1,454,757       | \$ 1,396,821       | \$ 1,082,073       |
| Contributions in relation to the contractually required contribution (see note) | <u>(2,047,121)</u> | <u>(1,983,903)</u> | <u>(1,849,447)</u> | <u>(1,856,038)</u> | <u>(1,577,616)</u> | <u>(1,507,527)</u> | <u>(1,450,808)</u> | <u>(1,454,757)</u> | <u>(1,396,821)</u> | <u>(1,082,073)</u> |
| Contribution deficiency (excess)  | \$ 0               | \$ 0               | \$ 0               | \$ 0               | \$ 0               | \$ 0               | \$ 0               | \$ 0               | \$ 0               | \$ 0               |
| College's covered-employee payroll  | \$ 20,162,012      | \$ 19,794,088      | \$ 19,213,096      | \$ 18,991,077      | \$ 18,083,798      | \$ 17,564,361      | \$ 16,868,595      | \$ 16,896,681      | \$ 16,189,318      | \$ 14,624,981      |
| Contributions as a percentage of covered-employee payroll                       | 10.15%             | 10.02%             | 9.62%              | 9.77%              | 8.72%              | 8.58%              | 8.60%              | 8.61%              | 8.62%              | 7.40%              |

**South Carolina Police Officer Retirement System (PORS)**

|  |                 |                 |                 |                 |                 |                 |                 |                 |                |              |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|--------------|
| Contractually required contribution                                  | \$ 12,468       | \$ 12,753       | \$ 12,149       | \$ 12,667       | \$ 10,661       | \$ 17,033       | \$ 14,646       | \$ 13,360       | \$ 3,288       | \$ 418       |
| Contributions in relation to the contractually required contribution | <u>(12,468)</u> | <u>(12,753)</u> | <u>(12,149)</u> | <u>(12,667)</u> | <u>(10,661)</u> | <u>(17,033)</u> | <u>(14,646)</u> | <u>(13,360)</u> | <u>(3,288)</u> | <u>(418)</u> |
| Contribution deficiency (excess)                                     | \$ 0            | \$ 0            | \$ 0            | \$ 0            | \$ 0            | \$ 0            | \$ 0            | \$ 0            | \$ 0           | \$ 0         |
| College's covered-employee payroll                                   | \$ 90,744       | \$ 95,097       | \$ 94,616       | \$ 102,987      | \$ 90,630       | \$ 147,726      | \$ 132,547      | \$ 120,902      | \$ 30,726      | \$ 3,900     |
| Contributions as a percentage of covered-employee payroll            | 13.74%          | 13.41%          | 12.84%          | 12.20%          | 11.76%          | 11.53%          | 11.05%          | 11.03%          | 10.70%         | 10.72%       |

Note: The amounts reported as contributions to the South Carolina Retirement System (SCRS) include the contractually required percentage of the ORP contributions that are remitted to SCRS.

**HORRY – GEORGETOWN TECHNICAL COLLEGE  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2016**

The table below provides a summary of the actuarial methods and assumptions used in calculations of the actuarially determined contributions for the South Carolina Retirement System (SCRS) and South Carolina Police Officer Retirement System (PORS). This information was obtained from the financial statements of the SCRS, which is administered by the retirement division of the South Carolina Public Employee Benefit Authority (PEBA) for the year ended June 30, 2015.

**Summary of Actuarial Methods and Significant Assumptions**

|                            | <u>SCRS</u>   | <u>PORS</u>  |
|----------------------------|---|--|
| Valuation date             | 07/01/14  | 07/01/14   |
| Actuarial cost method      | Entry Age Normal  | Entry Age Normal   |
| Amortization method        | Level percent of pay  | Level percent of pay   |
| Amortization period        | 29 years, open  | 29 years, open   |
| Asset Valuation method     | 5-year smoothed market  | 5-year smoothed market   |
| Inflation rate             | 2.75%   | 2.75%  |
| Projected salary increases | 3.5% plus step-rate<br>increases for members<br>with less than 25 years<br>of service | 4.0% plus step-rate<br>increases for members<br>with less than 12 years<br>of services |
| Investment rate of return  | 7.50%   | 7.50%  |
| Benefit adjustments        | lesser of 1.0% or \$500<br>annually   | lesser of 1.0% or \$500<br>annually  |

## **SINGLE AUDIT ACT REQUIREMENTS**

**HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016**

| <u>Federal Grantor/Pass-Through<br/>Grantor/Program Title</u> | <u>Project<br/>Number</u> | <u>Federal<br/>CFDA<br/>Number</u> | <u>Expenditures</u>  |
|---|---------------------------|------------------------------------|----------------------|
| U.S. Department of Education                                  |                           |                                    |                      |
| Direct programs   |                           |                                    |                      |
| TRIO Cluster  |                           |                                    |                      |
| TRIO - Talent Search  | P044A110125-14            | 84.044                             | \$ 66,042            |
| TRIO - Talent Search  | P044A110125-15            | 84.044                             | 301,425              |
| TRIO - Upward Bound   | P047A120950-14            | 84.047                             | 46,954               |
| TRIO - Upward Bound   | P047A120950-15            | 84.047A                            | 211,951              |
| TRIO - Student Support Services                               | P042A151122               | 84.042A                            | 116,926              |
| Total - Trio Cluster  |                           |                                    | <u>\$ 743,298</u>    |
| Student Financial Aid Cluster                                 |                           |                                    |                      |
| Federal Work Study  | P033A093788               | 84.033                             | \$ 232,822           |
| SEOG  | P007A103788               | 84.007                             | 222,775              |
| PELL  | P063P102577               | 84.063                             | 14,782,538           |
| Direct Federal Subsidized & Unsubsidized Loans                | P268K112577               | 84.268                             | 23,006,822           |
| Total - Student Financial Aid Cluster                         |                           |                                    | <u>\$ 38,244,957</u> |
| Total U.S. Department of Education Direct Programs            |                           |                                    | <u>\$ 38,988,255</u> |
| Pass Through State Dept. of Education:                        |                           |                                    |                      |
| Perkins III   | 13VA408                   | 84.048                             | \$ 374,064           |
| Total Pass Through State Dept. of ED.                         |                           |                                    | <u>\$ 374,064</u>    |
| Total U.S. Department of Education                            |                           |                                    | <u>\$ 39,362,319</u> |
| U.S. Department of Health & Human Service                     |                           |                                    |                      |
| Pass Through Greenville Technical College                     |                           |                                    |                      |
| Early Childhood Development/ABC Greenville                    | N/A                       | 93.575                             | \$ 5,414             |
| Total Pass through Florence Darlington Technical College      |                           |                                    | <u>\$ 5,414</u>      |
| Total U.S. Department of Health & Human Service               |                           |                                    | <u>\$ 5,414</u>      |

**HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016**

|                                    | <u>Project<br/>Number</u> | <u>Federal<br/>CFDA<br/>Number</u> | <u>Expenditures</u>         |
|------------------------------------|---------------------------|------------------------------------|-----------------------------|
| Federal Grantor/Pass-Through       |                           |                                    |                             |
| <u>Grantor/Program Title</u>       |                           |                                    |                             |
| U.S. Department of Interior        |                           |                                    |                             |
| Pass Thru Bureau of Indian Affairs |                           |                                    |                             |
| Indian Affairs Work Agreement      | AG11C50007                | 15.046                             | \$ <u>61,407</u>            |
| Total U.S. Department of Interior  |                           |                                    | \$ <u>61,407</u>            |
|                                    |                           |                                    |                             |
| U.S. Department of Commerce        |                           |                                    |                             |
| Direct Program                     |                           |                                    |                             |
| EDA Grant                          | 04-01-06987               | 11.300                             | \$ <u>1,591,152</u>         |
| Total U.S. Department of Commerce  |                           |                                    | \$ <u>1,591,152</u>         |
|                                    |                           |                                    |                             |
| Total Federal Programs             |                           |                                    | \$ <u><u>41,020,292</u></u> |

**HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016**

1. BASIS OF PRESENTATION

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

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

2. FEDERAL NON-CASH ASSISTANCE

Horry - Georgetown Technical College did not receive or expend federal awards in the form of non-cash assistance and had no federal loan guarantees at June 30, 2016.

3. DETERMINATION OF MAJOR PROGRAMS

Major federal programs were determined in accordance with the Uniform Guidance. For the year ended June 30, 2016, the following program was determined to be a major program in accordance with the Uniform Guidance: Student Financial Aid Cluster.

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

|  |                     |
|--|---------------------|
| Total per Expenditures of Federal Awards       | \$41,020,292        |
|  |                     |
| Total Federal Revenue                          |                     |
| Federal Grants Operating                       | \$ 1,578,373        |
| Non Operating Grant                            | <u>14,843,945</u>   |
|  | <u>\$16,422,318</u> |
|  |                     |
| Federal Direct Loans                           |                     |
| Subsidized, Unsubsidized & Plus Stafford Loans | \$23,006,822        |
|  |                     |
| EDA Grant Funds                                | <u>1,591,152</u>    |
|  |                     |
| Total Federal Expenditures                     | <u>\$41,020,292</u> |

5. FEDERAL DIRECT LOANS

Federal Family Education Loans were disbursed in the amount of \$23,006,822 have not been recorded as revenues in the financial statements as administration and collection passes to the U.S. Department of Education after the loans are disbursed.

6. TYPE A PROGRAM DOLLAR THRESHOLD

The dollar threshold for Type A programs was \$750,000. It was determined that the Student Financial Aid Cluster which included the National Direct Subsidized and Unsubsidized Loans should be excluded from the determination and audited as a major program.



**HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016**

7. INDIRECT COST

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



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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***

Horry – Georgetown Commission for Technical Education  
Horry – Georgetown Technical College  
Conway, 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 Horry – Georgetown Technical College, as of and for the year ended June 30, 2016 and the related notes to the financial statements which collectively comprise Horry – Georgetown Technical Colleges' basic financial statements and have issued our report thereon dated September 16, 2016. Our report includes a reference to other auditors who audited the financial statements of the Horry – Georgetown Technical College Foundation, Inc., as described in our report on Horry – Georgetown Technical College's financial statements. The financial statements of Horry – Georgetown Technical College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Horry – Georgetown Technical College Foundation.

**Internal Control Over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weakness may exist that have not been identified.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

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

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

Georgetown, South Carolina  
September 16, 2016



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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**

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

### **Report on Compliance for Each Major Federal Program**

We have audited Horry – Georgetown Technical College'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 Horry – Georgetown Technical College's major federal programs for the year ended June 30, 2016. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with 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 Horry – Georgetown Technical College's major 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 Horry - Georgetown Technical College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### **Opinion on Each Major Federal Program**

In our opinion, Horry – Georgetown Technical College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

### **Report on Internal Control Over Compliance**

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

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

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

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

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

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

Georgetown, South Carolina  
September 16, 2016

**HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

SUMMARY OF THE AUDITOR'S RESULTS

1. The independent auditor's report on the financial statements expresses an unmodified opinion.
2. No significant deficiencies were disclosed during the audit of the basic financial statements as reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. The audit disclosed no instances of non-compliance in relation to the financial statements.
4. No significant deficiencies were disclosed during the audit of the major federal award programs as reported in the Independent Auditor's Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with the Uniform Guidance.
5. The report on compliance for major programs expressed an unmodified opinion.
6. The audit disclosed no audit findings that are required to be reported in accordance with the Uniform Guidance.
7. The major programs of Horry - Georgetown Technical College included in the audit were:

| <u>Programs</u>               | <u>CFDA #</u>                  |
|-------------------------------|--------------------------------|
| Student Financial Aid Cluster | 84.033, 84.007, 84.063, 84.268 |
8. The dollar threshold for Type A programs for Horry-Georgetown Technical College was \$750,000. It was determined that the student financial aid cluster which included the national direct subsidized and unsubsidized loans should be excluded from the determination and audited as a major program.
9. Horry - Georgetown Technical College qualifies as a low-risk auditee.

FINDINGS IN RELATION TO THE AUDIT OF THE FINANCIAL STATEMENTS

1. No matters were reported.

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

1. No matters were reported.

**HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2016**

Prior Year Findings – Major Federal Award Programs

No matters were reported.