TECHNICAL COLLEGE OF THE LOWCOUNTRY

Financial Statements

For the Year Ended June 30, 2017

TECHNICAL COLLEGE OF THE LOWCOUNTRY
921 RIBAUT ROAD, POST OFFICE BOX 1288
BEAUFORT, SOUTH CAROLINA 29901

Audit Period - July 1, 2016 to June 30, 2017

Commission Members

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Charles W. Bootle, Vice Chairman	Beaufort County
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Mary Lee Carns, Vice President for Institutional Advancement

Sean Henrickson, Vice President for CE and Military Affairs

Gina Mounfield, Vice President for Academic Affairs

Nancy Weber, Vice President for Student Affairs

Andrew Smith, Vice President for Administrative Services

Area Served by Commission

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Colleton County

Hampton County

Jasper County

Counties Providing Financial Support

Beaufort County

Hampton County

TECHNICAL COLLEGE OF THE LOWCOUNTRY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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COMPLIANCE SECTION

FINANCIAL SECTION

CROWLEY WECHSLER & ASSOCIATES LLC
CERTIFIED PUBLIC ACCOUNTANTS
www.CWACPAS.com
BEAUFORT ~ MOUNT PLEASANT

Richard D. Crowley, CPA CVA
Lisa T. Wechsler, CPA CFE

Member:
American Institute of CPAs
South Carolina Association of CPAs

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Technical College of the Lowcountry
Beaufort, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the Technical College of the Lowcountry, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

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941 HOUSTON NORTHCUTT BLVD.
MOUNT PLEASANT, SC 29465
TEL 843.971.0882 FAX 843.971.0884

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and historical pension information on pages 3-10 and 38-39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards 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 21, 2017, on our consideration of the Technical College of the Lowcountry's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Technical College of the Lowcountry's internal control over financial reporting and compliance.

Crowley Wechsler & Associates LLC

Crowley Wechsler & Associates LLC
Beaufort, South Carolina
September 21, 2017

TECHNICAL COLLEGE
OF THE LOWCOUNTRY

MANAGEMENT DISCUSSION AND ANALYSIS

This section of Technical College of the Lowcountry's Comprehensive Annual Financial Report presents management's discussion and analysis of the College's financial performance during the fiscal years ended June 30, 2017 and June 30, 2016. As this Management's Discussion and Analysis is designed to focus on current activities, resulting change and currently known facts, it should be read in conjunction with the Independent Auditors' Report, the College's basic financial statements and the accompanying notes. Responsibility for the completeness and fairness of this information rests with the College.

Overview of the Financial Statements

The financial statements for the Technical College of the Lowcountry (TCL) have been prepared in accordance with the Governmental Accounting Standards Board (GASB) in Statement No. 34, ***Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments***, Statement No. 35, ***Basic Financial Statements – and Management's Discussion and Analysis – for Colleges and Universities*****,** and Statement No. 39 relating to component units.

The College is engaged only in Business-Type activities (BTA) that are financed in part by fees charged to students for educational services. Accordingly, college financial activities are reported using three financial statements required for proprietary funds: the Statement of Net Position; the 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 fiscal year and requires classification of assets and liabilities into current and non-current categories. The College's net position is the difference between total assets, total liabilities and total deferred outflows/inflows of resources and is one indicator of whether the overall financial condition has improved or deteriorated during the year. This statement is designed to present a snapshot of the College's financial condition at the end of the fiscal year.

The Statement of Revenues, Expenses, and Changes in Net Position presents revenues earned and expenses incurred during the year. Revenues and expenses are classified as either operating or non-operating. Expenses are reported by natural classification. This statement reflects the College's dependence on state funding, by the resulting operating loss.

The final statement presented is the Statement of Cash Flows, which presents detailed information about the cash activity of the College during the year. This statement further emphasizes the College's dependence on state and county appropriations with the separation of cash flows between operating and non-operating.

Financial Highlights

- The assets and deferred outflows of the Technical College of the Lowcountry exceeded its liabilities and deferred inflows at June 30, 2017 by $10.3 million.

- The College's net position has decreased $0.1 million from the prior fiscal year to $10.3 million.

- The College's total liabilities increased by $2.0 million from the prior year. $1.6 million of this is due to the recalculation of the College's share of the State's net pension liability per GASB 68. The remaining $0.4 million are due to increases in unearned revenues on future enrollment.

- The College experienced a net operating loss of $12.2 million as reported in the statement of Revenues, Expenses, and Changes in Net Position. The operating loss was offset by non-operating revenues from federal grants as well as state and local appropriations of $11.7 million, and State Capital funding of $0.5 million.

- Operating revenues were down by $0.3 million for the year, due to decreases in federal grant revenues.

Financial Analysis of the College as a Whole

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

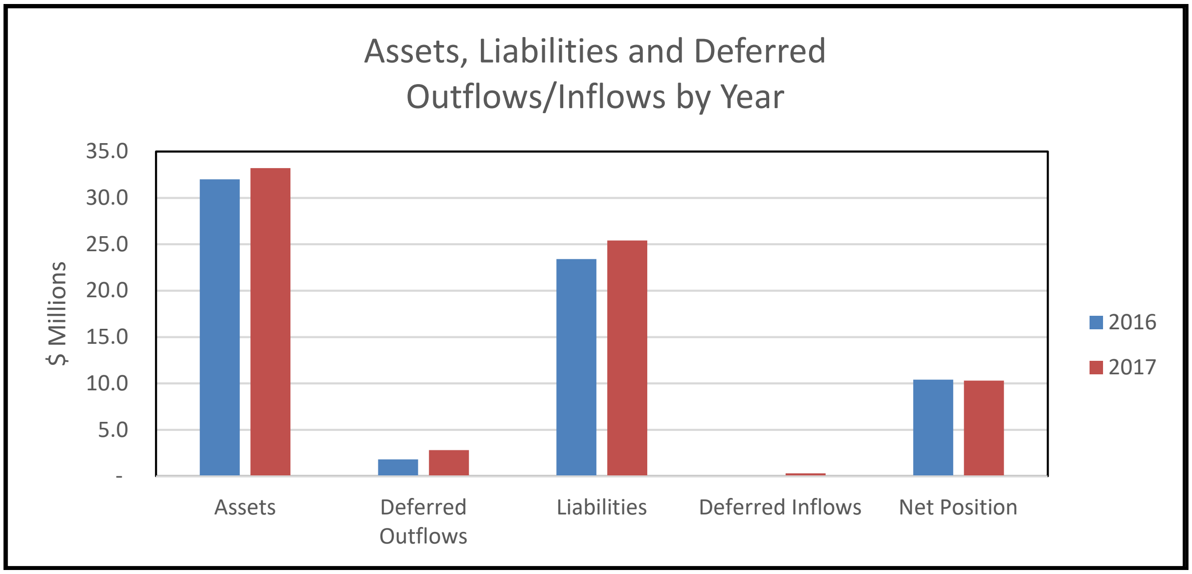
Net Position as of June 30, 2017
With Comparative Totals for 2016

(In millions)

	2017	2016
Current Assets	$ 16.3	$ 16.0
Non-current Assets	16.9	16.0
Total Assets	33.2	32.0
Deferred Outflow of Resources	2.8	1.8
Current Liabilities	5.7	5.2
Non-current Liabilities	19.7	18.2
Total Liabilities	25.4	23.4
Deferred Inflow of Resources	0.3	0.0
Net Position		
Investment in Capital Assets	16.1	15.1
Unrestricted (Deficit)	(5.8)	(4.7)
Total Net Position	$ 10.3	$ 10.4

Net position may serve over time as a useful indicator of an entity's financial position. The College's net assets and deferred outflows exceeded liabilities and deferred inflows by $10.3 million at the close of the most recent fiscal year and reflect a 1% decrease from the prior year.

Graphical representations of the basic components of the College's financial condition on June 30, 2017 with comparisons to the prior year are included below.



Summary of Revenues, Expenses, and Changes in Net Position
for Fiscal Year Ended June 30, 2017
With Comparative Totals for June 30, 2016

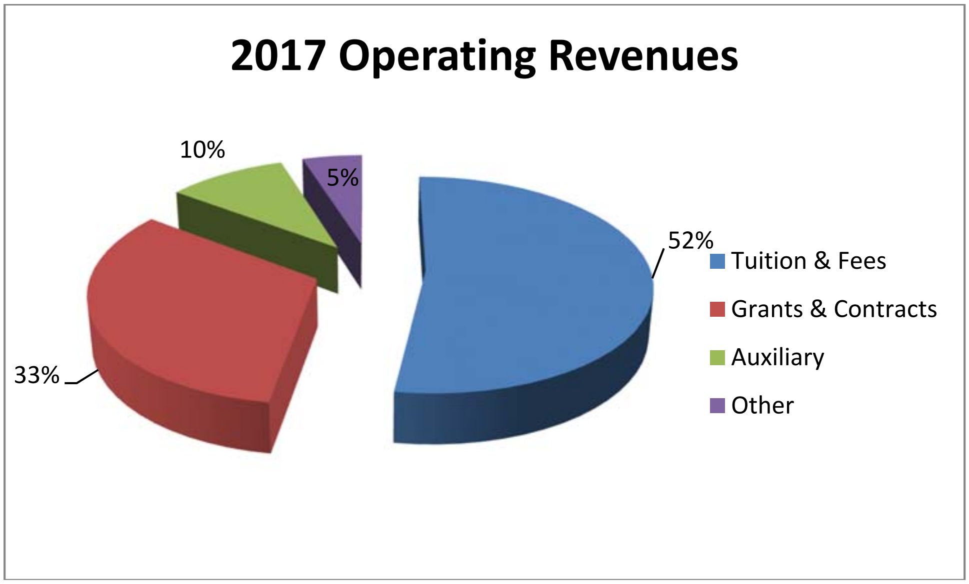
(In millions)

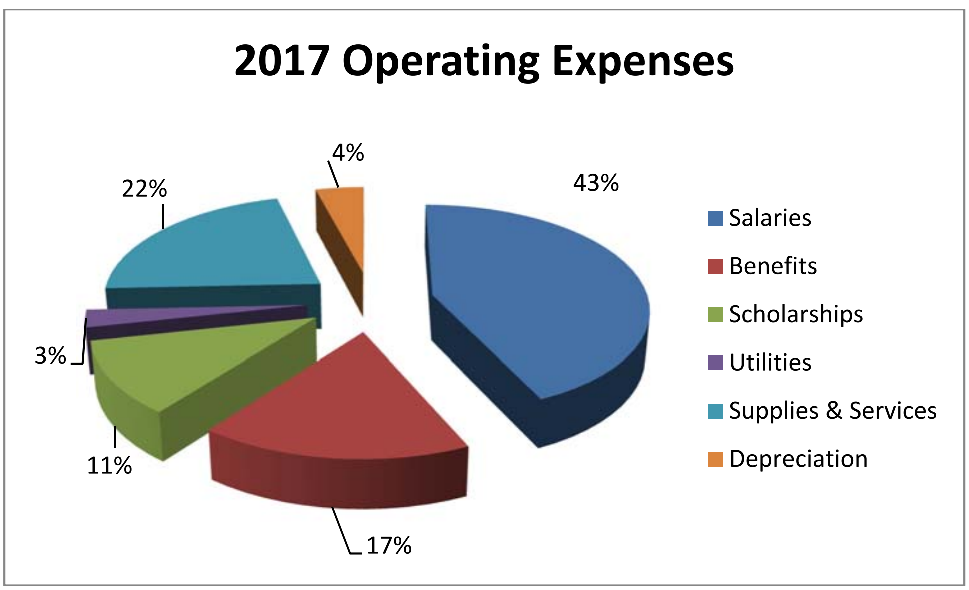
The schedule that follows is a summary of the College's operating results for the fiscal year.

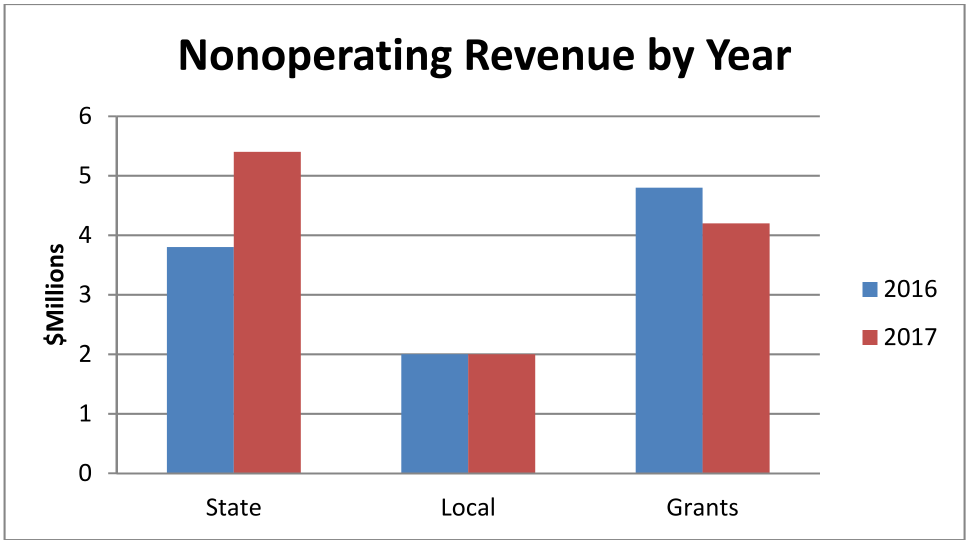
	2017	2016
Operating Revenue		
Tuition and Fees	$ 5.3	$ 5.1
Grants and Contracts	3.3	3.9
Auxiliary	1.0	1.1
Other	0.5	0.3
Total Operating Revenue	10.1	10.4
Less Operating Expenses	22.4	21.1
Net Operating Loss	(12.3)	(10.7)
Non-Operating Revenue		
Federal Grants and Contracts	4.3	4.8
State Appropriations	5.4	3.8
Local Appropriations	2.0	2.0
Total Non-Operating Revenue	11.7	10.6
Income (Loss) before Other Revenues, Expenses, Gains (Losses)	(0.6)	(0.1)
Other Revenues, Expenses, Gains or (Losses)		
Capital Gifts, Grants and Contracts	0.5	0.1
Change in Net Position	(0.1)	0.0
Net Position, Beginning of Year	10.4	10.4
Net Position, End of Year	$ 10.3	$ 10.4
Total Revenues	$ 22.3	$ 21.1

A large portion of the revenue included in the Grants and Contracts category represents student financial assistance, which is used to pay tuition and fees for students to attend the College. An approximation of tuition and fees paid from this source of funds has been recognized as a reduction of tuition and fees in the form of scholarships allowances in order to eliminate duplication of revenue.

Graphical representations of the of the College's revenue and expense data for the year ended June 30, 2017 with comparisons to the prior year as appropriate are included below.







Personnel costs of approximately $13.5 million accounted for 60% of the College's operating expenses and reflect a 9% increase over the prior year. Supplies and other services make up the second largest classification, accounting for 22% of operating expenses. Operating expenses in total increased $1.3 million from last year's values. Note 12 in the accompanying notes to the financial statements reports operating expenses by functional classification.

The Statement of Cash Flows identifies the sources and uses of cash by the major categories: operating, non-capital financing, capital financing and investing activities.

The statement that follows represents a condensed version of Statement of Cash Flows.

Statement of Cash Flows
For the Years Ended June 30, 2017
With Comparative Totals for June 30, 2016

(In millions)

	2017	2016
Net Cash Provided (Used) by Operating Activities	$ (13.2)	$ (8.9)
Net Cash Provided by Non-Capital Financing Activities	12.5	10.8
Net Cash Provided (Used) by Capital and Related Activities	(2.0)	(0.5)
Net Cash Provided (Used) by Investing Activities	(0.5)	(0.4)
Net Increase (Decrease) in Cash and Cash Equivalents	(3.2)	1.0
Cash and Cash Equivalents- Beginning of the Year	8.3	7.3
Cash and Cash Equivalents- End of the Year	$ 5.1	$ 8.3

Cash and cash equivalents decreased by $3.2 million. Cash provided from non-capital financing activities in the amount of $12.6 million, consisting primarily of federal grants and state and local appropriations, was used to fund operating activities. The College's investments consist primarily of short-term certificates of deposit. The College completed the fiscal year with a cash and cash equivalent balance of $5.1 million.

Capital Asset and Debt Administration

The capital assets net of depreciation increased by $0.9 million for the year. This increase reflects the difference between depreciation charges to existing capital assets and investment in new capital in the fiscal year.

The capital assets are summarized in the table that follows:

Capital Assets, Net
June 30, 2017
With Comparative Totals for June 30, 2016

(In millions)

	2017	2016
Capital Assets		
Construction in Progress	$ 0.5	$ 0.1
Land and Improvements	7.1	7.1
Buildings and Improvements	23.2	22.5
Machinery & Equipment	2.3	1.8
Other Assets	0.2	0.1
Total Capital Assets	33.3	31.6
Less Accumulated Depreciation	(16.4)	(15.6)
Net Capital Assets	$ 16.9	$ 16.0

Economic Factors

Ideally, the College's funding would come in approximately equal measure from three sources: state allocations, local (county) funding and tuition revenue. That has not been the case in many years. State and county funding fall considerably below those thresholds, leaving the balance to be made up in tuition revenue. TCL's state appropriations of $5.4 million made up 24% of total revenues for the year, while local appropriations were $2.0 million, or 9% of the total. State appropriations are trending up, however, due to two factors: overall higher education appropriations have begun to grown again at the state level, and the funding formula that dictates TCL's share of that appropriation has recently undergone changes that work to TCL's advantage. There were also a number of special, non-recurring appropriations that drove up the state percentage this year. This expected growth in appropriations, while welcome, remains relatively minor in the long term. Tuition revenues resulting from student enrollment will continue to be critical to the institution's financial stability.

Enrollment was flat in Academic Year 16-17. Despite early misgivings, it appears enrollment may trend slightly positive in the upcoming year. If that holds, then the College's enrollment performance will exceed that of its peers across the state. The community college sector as a whole has been experiencing enrollment declines nationally; improvements in the post-recession job market is a possible cause. TCL has continued to be very focused on attracting and retaining new students. Those efforts appear to be meeting with some success and will certainly continue. The College will remain conservative in its estimates of future growth, and will continue to maintain a solid reserve in order to weather future fluctuations in enrollment demand.

State funding of capital projects has been better in the past two years, but the future outlook is uncertain. The College has a significant backlog of capital additions and renovations that it would like to address. The funding in 2016 & 2017 will help, but is well short of the total needed for new projects. The College will continue to pursue additional capital funding to address these needs in future years from State, Federal and local sources.

Despite challenges, the College remains in a solid financial position. Enrollment, and the associated tuition revenue, will continue to be the focus of management's efforts to provide future funding stability. Management expects that further increases to base tuition rates will also be necessary to maintain sufficient operating revenues.

We will continue to be mindful stewards of the fiduciary trust given to us, with appreciation for all employees who work hard for the benefit of student learning.

Richard J. Young

Jeff Smith

President	Vice-President for Administrative Services

BASIC FINANCIAL STATEMENT

TECHNICAL COLLEGE OF THE LOWCOUNTRY
Statement of Net Position
For the Year Ended June 30, 2017

ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 5,143,427
Investments	3,710,387
Accounts Receivable, net	7,123,747
Inventories	213,688
Prepaid Expenses	80,144
Total Current Assets	16,271,393
Restricted Assets	
Cash and Cash Equivalents	8,845
Noncurrent Assets	
Capital Assets, net of accumulated depreciation	13,034,420
Capital Assets, not subject to depreciation	3,882,614
Total Noncurrent Assets	16,917,034
Total Assets	33,197,272
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows for Pension	2,815,877
Total Deferred Outflows of Resources	2,815,877
Total Assets and Deferred Outflows of Resources	$ 36,013,149
LIABILITIES	
Current Liabilities	
Accounts Payable and Accrued Liabilities	$ 226,059
Accrued Payroll and Related Liabilities	406,251
Current Portion of Long-Term Liabilities	189,799
Unearned Revenues	4,840,579
Total Current Liabilities	5,662,688
Liabilities payable from restricted assets	
Funds Held for Others	9,869
Noncurrent Liabilities	
Obligations under Capital Lease	729,232
Compensated Absences Payable	755,117
Net Pension Obligation	18,219,954
Total Noncurrent Liabilities	19,704,303
Total Liabilities	25,376,860
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows for Pension	315,109
Total Deferred Inflows of Resources	315,109
NET POSITION	
Net Investment in Capital Assets	16,107,100
Restricted	
Expendable	
Loans	14,495
Unrestricted	(5,800,415)
Total Net Position	10,321,180
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 36,013,149

See accompanying notes to financial statements.

TECHNICAL COLLEGE OF THE LOWCOUNTRY
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2017

REVENUES	
Operating Revenues	
Student Tuition and Fees, net of scholarship allowances of $3,488,404	$ 5,140,509
Capital fees, net of scholarship allowances of $74,660	117,070
Federal Grants and Contracts	1,497,824
State Grants and Contracts	1,669,546
Non-governmental Grants and Contracts	143,646
Sales and Services of Educational Programs	33,669
Auxiliary Programs, net of scholarship allowances of $224,109	1,018,389
Other Operating Revenues	492,873
Total Operating Revenues	10,113,526
EXPENSES	
Operating Expenses	
Salaries	9,662,934
Benefits	3,849,867
Scholarships	2,501,700
Utilities	601,835
Supplies and other services	4,830,655
Depreciation	915,504
Total Operating Expenses	22,362,495
Operating Loss	(12,248,969)
Non-operating Revenues (Expenses)	
Federal Grants and Contracts	4,218,891
State Appropriations	5,427,731
County Appropriations	2,030,000
Interest Income	22,052
Interest Expense on Capital Asset Related Debt	(38,810)
Net Non-operating Revenues	11,659,864
Income (Loss) before Other Revenues, Expenses, Gains (Losses)	(589,105)
Other Revenues, Expenses, Gains or (Losses)	
State Capital Grant	510,645
INCREASE IN NET POSITION	(78,460)
NET POSITION	
Net Position, beginning of year	10,399,640
Net Position, end of year	$ 10,321,180

See accompanying notes to financial statements.

TECHNICAL COLLEGE OF THE LOWCOUNTRY
Statement of Cash Flows
For the Year Ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES		
Student Tuition and Fees, net of scholarship allowances	$	4,959,364
Federal, State and Local Grants and Contracts		1,396,413
Sales and Services of Education Departments		33,669
Auxiliary Enterprise, net of scholarship allowances		1,018,389
Other		
Revenues from SRENCP		492,873
Scholarships		(2,501,700)
Student Loans Received		1,479,239
Student Loans Paid Out		(2,375,867)
Payments to Vendors		(5,334,068)
Payments to Employees		(9,623,920)
Employee Benefits		(2,767,043)
Increase in Cash Held for Others		1,797
Net Cash Used by Operating Activities		(13,220,854)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State Appropriations		6,316,988
County Appropriations		2,030,000
Federal Grants and Contracts		4,218,891
Local Grants and Contracts		(3,957)
Net Cash Provided by Non-Capital Financing Activities		12,561,922
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets		(1,791,904)
Principal Paid on Capital Debt		(154,352)
Interest Paid on Capital Debt		(44,074)
Net Cash used by Capital and Related Financing Activities		(1,990,330)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments		3,187,899
Interest on Investments		(2,056)
Purchase of Investments		(3,687,899)
Net Cash Provided by Investing Activities		(502,056)
Net Increase in Cash		(3,151,318)
Cash - beginning of year		8,303,590
Cash - end of year	$	5,152,272
Reconciliation to Statement of Net Position		
Cash and Cash Equivalents	$	5,143,427
Restricted Cash and Cash Equivalents		8,845
Total Cash and Cash Equivalents	$	5,152,272
Supplementary Information		
Cash Paid for Income Taxes		None
Cash Paid for Interest Expense	$	44,074

See accompanying notes to financial statements.

TECHNICAL COLLEGE OF THE LOWCOUNTRY
Statement of Cash Flows
For the Year Ended June 30, 2017

Reconciliation of Net Operating Revenue (Expenses) to	
Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	$ (12,248,969)
Adjustments to Reconcile Operating Income (Loss) to Net Cash	
Provided (Used) by Operating Activities	
Depreciation	915,504
Allowance for uncollectible accounts	176,086
Change in Assets and Liabilities	
Decrease in Accounts Receivables	(3,190,159)
Increase in Inventory	(30,042)
Decrease in Prepaid Expenses	60,992
Increase in Accounts Payable	(136,027)
Increase in Accrued Liabilities	126,297
Decrease in Compensated Absences	38,954
Increase in Net Pension Expense	956,599
Decrease in Unearned Revenue	108,114
Increase in Funds held for Others	1,797
Total adjustments	(971,885)
Net Cash Used by Operating Activities	$ (13,220,854)

See accompanying notes to financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: Technical College of the Lowcountry (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 Beaufort, Jasper, Hampton, and Colleton counties. Included in this range of programs are technical and occupational associate degree, diploma and certificate curricula that are consistent with the needs of employers in the College's service area. As an integral part of this mission, the College provides a program of continuing education designed to satisfy the occupational demands of employers through retraining and upgrading the skills of individual employees. The College also provides a variety of developmental education programs, support services and offerings to assist students in meeting their personal and professional educational objectives.

Reporting Entity: The financial reporting entity, as defined by the Governmental Accounting Standards Board (GASB) Codification Section 2100, *Defining the Financial Reporting Entity*, consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete. GASB Codification Section 2600, *Reporting Entity and Component Unit Presentation and Disclosure*, provides criteria for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship with a primary government and classifies reporting requirements for those organizations. Based on these criteria, the College evaluates potential component units on an annual basis and presents component units that are deemed significant. As of June 30, 2017, the College has determined there are no significant component units. Accordingly, the financial statements include the accounts of the Technical College of the Lowcountry as the primary government. The Technical College of the Lowcountry is a component unit of the State of South Carolina and is reported in the State's Comprehensive Annual Financial Report.

Financial Statements: The financial statement presentation for the College meets the requirements of GASB Codification Sections 2100- 2900, *Financial Reporting Entity*, and Co5, *Colleges and Universities*. The financial statement presentation provides a comprehensive, entity-wide perspective of the College's assets, liabilities, net position, revenues, expenses, changes in net position, and cash flows.

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments: Deposits and investments for the College are governed by the South Carolina Code of Laws, Section 11-9-660, and "Investments of Funds", GASB Statement No. 40, *Deposits and Investment Risk Disclosures – an amendment to GASB Statement No. 3,* requires disclosures related to deposit risks, such as custodial credit risk, and interest risks, such as credit risk (including custodial credit risk and concentration of credit risks) and interest rate risk. The College accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools.* Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses and changes in net position.

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

Inventories: Inventories for internal use are valued at cost. Inventories for resale are carried at the lower of cost or market on the specific identification basis.

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

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

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 deposits and other miscellaneous deposits. Student deposits are recognized as revenue during the semester for which the fee is applicable and earned.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position: The College's net position is displayed in three components: net investment in capital assets, restricted (with expendable and nonexpendable components separately displayed), and unrestricted.

Net Investment in capital assets: This component consists of the College's capital assets, net of accumulated depreciation, and reduced by 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. Deferred outflows of resources and deferred inflows of resources, if any, attributable to the acquisition, construction, or improvement of those assets or related debt are also included.

Effective July 1, 2006, the College adopted the provisions of GASB 46, ***Net Assets Restricted by Enabling Legislation***, which was promulgated by the Government Accounting Standards Board for fiscal years beginning after June 15, 2005. GASB 46 requires governments to disclose assets as restricted net assets if the use of the net assets is limited due to the imposition of "enabling legislation", which is defined as a legally enforceable restriction which a party external to the government can compel a government to honor. As of June 30, 2017, the Statement of Net Position includes $114,000 in capital assets (non-depreciable land) which is restricted by enabling legislation. The land, which was conveyed to the College in 1968, includes a restriction imposed by the grantor requiring the property be used for educational purposes in perpetuity.

Restricted: This component consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Restricted – expendable: Restricted expendable component includes resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties. The Statement of Net Position includes $14,495 in restricted expendable resulting from loans made to students.

Restricted – nonexpendable: The nonexpendable restricted component includes financial resources which are required to be maintained in perpetuity. The College has no nonexpendable restricted resources.

Unrestricted: The unrestricted component is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. This includes 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. The resources also include auxiliary enterprises which are substantially self-supporting activities that provide services for students, faculty and staff.

The College's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 non-operating revenues according to the following criteria:

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

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

> ***Scholarship discounts and allowances:*** Student tuition and fee revenues are reported net of scholarship discounts and allowances in the statement of revenues, expenses and changes in net position. Scholarship allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain grants, such as Pell and other Federal, state or non-governmental programs are recorded as either operating or non-operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

Sales and Services of Educational and Other Activities: Revenues from sales and services of educational and other activities generally consists of amounts received from instructional 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 cosmetology and massage therapy department services.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Expenses: The College has classified its expenses as either operating or non-operating expenses according to the following criteria:

Operating expenses: Operating expenses generally result from the purchasing of goods or services related to the College's principal ongoing operations. These expenses include (1) salaries and benefits paid to employees for providing educational services and other related services to students; (2) utilities to maintain the educational buildings; (3) supplies and services for goods and services provided to the College; (4) scholarship expenses for student financial assistance; and (5) depreciation expense for capital items.

Non-operating expenses: Non-operating expenses include activities that have the characteristics of non-exchange transactions. These expenses include interest expense and capital items purchased.

Concentrations: During the year ended June 30, 2017, the College received 26.0%, 32.7%, and 9.3% of its total revenues (excluding capital contributions) from Federal, State and County operating grants and appropriations.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

NOTE 2 CASH, DEPOSITS AND INVESTMENTS

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

Statement of Net Position:

Cash and cash equivalents	$ 5,143,427
Restricted cash and cash equivalents	8,845
Investments	3,710,787
Total Cash and Investments on Statement of Net Position	$ 8,863,059

Disclosure, Deposits and Investments Plus Reconciling Items:

Carrying value deposits:	
Held by financial institutions	$ 5,151,107
Investments held by financial institutions, reported amount	3,710,787
Cash on hand	1,165
Total Disclosure, Deposits and Investments Plus Reconciling Items	$ 8,863,059

NOTE 2 CASH, DEPOSITS AND INVESTMENTS (Continued)

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 the possession of an outside party. The Technical College of the Lowcountry does not maintain a deposit policy regarding custodial credit risk. All certificates of deposit, regardless of maturity are reported as deposits for custodial credit risk categorization.

The College's deposits at June 30, 2017 had carrying balances of $8,862,659 and bank balances of $8,865,038 due to outstanding checks exceeding deposits in transit. Of these deposits, $4,453,257 were insured by the Federal Deposit Insurance Corporation, $4,416,159 was collateralized with securities held by the pledging institutions in the College's name, and $93 was uncollateralized and un-insured.

Foreign Currency Risk: The Technical College of the Lowcountry does not maintain deposits that are denominated in a currency other than the United States dollar. Therefore, the College is not exposed to this risk.

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

The College's investments at June 30, 2017, that are not with the State Treasurer's Office are presented below. All investments are presented by investment type and debt securities are presented by maturity.

The Technical College of the Lowcountry Investments:

Investment Type	Fair Value Amount	Less Than 1	1-5	6-10	More Than 10
Certificates of Deposit	$ 3,710,387	$ 3,710,387	$ -	$ -	$ -

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of a failure of the counterparty to a transaction, the College will not be able to recover the value of investments or collateral securities that are in possession of an outside party. The Technical College of the Lowcountry investment policy does not address custodial credit risk.

Credit Risk: Credit Risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligation. The Technical College of the Lowcountry investment policy does not address credit risk.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Technical College of the Lowcountry investment policy does not address concentration of credit risk.

NOTE 2 CASH, DEPOSITS AND INVESTMENTS (Continued)

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

Foreign Currency Risk: The Technical College of the Lowcountry does not maintain deposits that are denominated in a currency other than the United States dollar. Therefore, the College is not exposed to this risk.

NOTE 3 ACCOUNTS RECEIVABLE

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

Receivables:	
Student Accounts	$ 3,766,266
Other Accounts	245,827
Accrued Interest	11,188
State Appropriations	49,161
Due from Federal and Other Grantors - Operating	2,812,654
Receivable for Student Loans awarded	1,298,878
Gross Receivables	$ 8,183,974
Less: Allowance for Uncollectible Accounts	
Student Accounts	(1,060,227)
Receivables, net	$ 7,123,747

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

NOTE 4 CAPITAL ASSETS

There was no construction period interest to be capitalized. Capital assets as of June 30, 2017 are summarized as follows:

	Balance 7/1/2016	Increases	Decreases	Balance 6/30/2017
Capital Assets not being depreciated:				
Land and improvements	$ 3,347,857	$ -	$ -	$ 3,347,857
Construction in progress	119,871	1,169,076	(754,190)	534,757
Total Capital Assets not being depreciated	3,467,728	1,169,076	(754,190)	3,882,614
Other Capital Assets:				
Depreciable Land Improvements	3,709,644	-	-	3,709,644
Buildings and improvements	22,477,293	753,885	-	23,231,178
Machinery and equipment	1,844,876	553,594	(87,576)	2,310,894
Vehicles	144,312	69,540	(6,000)	207,852
Total other capital assets at historical cost	28,176,125	1,377,019	(93,576)	29,459,568
Less accumulated depreciation for:				
Depreciable Land Improvements	(2,479,570)	(279,113)	-	(2,758,683)
Buildings and improvements	(11,220,549)	(526,021)	-	(11,746,570)
Machinery and equipment	(1,768,413)	(104,376)	87,576	(1,785,213)
Vehicles	(134,687)	(5,995)	6,000	(134,682)
Total accumulated depreciation	(15,603,219)	(915,505)	93,576	(16,425,148)
Other capital assets, net	12,572,906	461,514	-	13,034,420
Capital Assets, Net	$ 16,040,634	$ 1,630,590	$ (754,190)	$ 16,917,034

NOTE 5 PENSION PLANS

Pension Plan

Description of the Entity

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 State Fiscal Accountability Authority (SFAA), 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.

NOTE 5 PENSION PLANS (Continued)

Description of the Entity (Continued)

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

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 on the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

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.

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.

NOTE 5 PENSION PLANS (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 S.C. 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. For this reason, State ORP programs are not part of the retirement systems' trust funds for financial statement purposes. 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 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 and an incidental death benefit contribution, if applicable, which is retained by SCRS.

Benefits

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

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

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

NOTE 5 PENSION PLANS (Continued)

Contributions

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

Required employee contribution rates[1] for fiscal years 2016-2017 are as follows:

SCRS	
Employee Class Two Employee	8.66% of earnable compensation
Class Three	8.66% of earnable compensation
State ORP Employee	8.16% of earnable compensation

Required employer contribution rates[1] for fiscal year 2016-2017 are as follows:

SCRS	
Employer Class Two	11.41% of earnable compensation
Employer Class Three	11.41% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation
State ORP[2]	
Employer Contribution	10.91% of earnable compensation1
Employer Incidental Death Benefit	0.15% of earnable compensation

[1] Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

[2]- 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.

NOTE 5 PENSION PLANS (Continued)

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Actuarial assumptions and methods used during the evaluation process are subject to periodic revision, typically with an experience study, as actual results over an extended period of time are compared with past expectations and new estimates are made about the future.

South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the System was most recently issued as of July 1, 2015. As a result of the experience study, the actuary recommended adjustments to the actuarial assumptions, which included salary increase, payroll growth, mortality, retirement, terminations, refunds, disability, inflation, and asset valuation method. The experience study also recommended reducing the long-term investment rate of return assumption, which is a prescribed assumption that is set in state statute by the General Assembly, from 7.50 to 7.25 percent. With the exception of the rate of return, all recommended assumption and method changes were adopted by both the PEBA Board and SFAA, as co-fiduciaries. The General Assembly did not change the assumed annual rate of return during the 2016 legislative session so that assumption currently remains at 7.50 percent. The newly adopted assumptions and methods will be first used to perform the July 1, 2016, actuarial valuation, the results of which will be used in determining the total pension liability as of the June 30, 2017, measurement date.

The June 30, 2016, total pension liability, net pension liability, and sensitivity information were determined by consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on the July 1, 2015, actuarial valuations, as adopted by the PEBA Board and Budget and Control Board which utilized membership data as of July 1, 2015. The total pension liability was rolled forward from the valuation date to the plan's fiscal year ended June 30, 2016, using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by GRS.

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

	SCRS	PORS
Actuarial cost method	Entry age	Entry age
Actuarialassumptions: Investment rate of return Projected salary increases Includes inflation at Benefit adjustments	7.5% levels off at 3.5% 2.75% lesser of 1% or $500	7.5% levels off at 4.0% 2.75% lesser of 1% or $500

NOTE 5 PENSION PLANS (Continued)

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

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

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2016, for SCRS and PORS are presented as follows:

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability	Plan Fiduciary Net Position as a % of the Total Pension Liability
SCRS	$ 38,688,851	$ 20,468,897	$ 18,219,954	52.90%

The total pension liability is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The net pension liability is disclosed in accordance with the requirements of GASB 67 in the System's notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the plan's funding requirements.

Long-term Expected Rate of Return

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

NOTE 5 PENSION PLANS (Continued)

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

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

Discount Rate

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

NOTE 5 PENSION PLANS (Continued)

Sensitivity Analysis

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

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

System	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
SCRS	$ 22,728,894	$ 18,219,954	$ 14,466,432

Pension Expense

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

Description	SCRS
Service cost (annual cost of current service)	$ 651,144
Interest on the total pension liability	2,756,530
Changes in plan benefits	-
Plan administrative costs	11,216
Plan member contributions	(643,292)
Expected return on plan assets	(1,576,779)
Recognition of current year amortization - Difference between expected and actual experience	129,252
Recognition of current year amortization - Difference between projected and actual investment earnings	293,260
Other	851
Total	$ 1,622,182

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.

NOTE 5 PENSION PLANS (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

The following schedule reflects the amortization of collective deferred outflows/(inflows) of resources related to pensions outstanding as of June 30, 2017.

	Outflows of Resources	Inflows of Resources
Difference between expected and actual experience	$ 188,871	$ 19,787
Net difference between projected and actual earnings	1,532,884	-
Changes in proportion and differences between contributions and proportionate share of contributions	104,944	295,322
Contributions subsequent to the measurement date	989,178	-
Total	$ 2,815,877	$ 315,109

As discussed in paragraph 71b of GASB 68, collective deferred outflows of resources and deferred inflows of resources arising from differences between projected and actual pension plan investment earnings in different measurement periods should be aggregated and included as a net collective deferred outflow of resources related to pensions or a net collective deferred inflow of resources related to pensions. Accordingly, the Outstanding Balance of Deferred Outflows of Resources in the Schedules of Pension Amounts by Employer reflects the current net difference between projected and actual pension plan investment earnings.

Additional items reported within the Outstanding Balance of Deferred Outflows and Inflows of Resources in the Schedules of Pension Amounts by Employer result from the two cost-sharing multiple-employer defined benefit pension plan-specific deferrals previously discussed in pension expense.

Employer Contributions

Employers' proportionate shares were calculated on the basis of employer contributions actually remitted to the plan for the fiscal year ended June 30, 2016. Employer contributions recognized by the Systems that are not representative of future contribution effort are excluded in the determination of employers' proportionate shares. Examples of employer contributions not representative of future contribution effort are contributions toward the purchase of employee service purchases and employer contributions paid by employees.

NOTE 5 PENSION PLANS (Continued)

Financial and Actuarial Information

The following table provides a reconciliation of employer contributions in the plans' Statement of Changes in Fiduciary Net Position (per the Systems' separately issued financial statements) to the employer contributions used in the determination of employers' proportionate shares of collective pension amounts reported in the Schedules of Employer Allocations.

	SCRS
Employer Contributions Reported in SCRS Statement of Changes in Net Position for the fiscal year ended June 30, 2016	$ 914,972
Deduct: Employer Contributions Not Representative of Future Contribution Effort	(1,403)
Employer Contributions Used as the Basis for Allocating Employers' Proportionate Shares of Collective Pension Amounts - June 30, 2016 Measurement Date	$ 913,569

Additional Financial and Actuarial Information

Information contained in these Notes to the Schedules of Employer Allocations and Schedules of Pension Amounts by Employer (Schedules) was compiled from the Systems' audited financial statements for the fiscal year ended June 30, 2016, and the accounting and financial reporting actuarial valuation as of June 30, 2016. Additional financial information supporting the preparation of the Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is available in the Systems' CAFR.

NOTE 6 POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides postemployment health and dental and long-term disability benefits (OPEB plans) to retired State and school district employees and their covered dependents. The OPEB plans have been determined to be cost-sharing multiple-employer defined benefit plans and are administered by the Insurance Benefits Division (IBD), a part of South Carolina Public Employee Benefit Authority. 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 on 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.

NOTE 6 POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Funding Policies

Sections 1-11-705 through 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment healthcare and long-term disability benefits be funded though annual appropriations by the General Assembly for active employees and participating retirees except the portion funded through the pension surcharge and provided from other applicable sources for active employees who are not funded by State General Fund appropriations. Employers participating in the healthcare plan 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 fiscal year 2017and 2016, and 5.00%, of annual covered payroll for fiscal year 2015. The IBD sets the employer contribution rate based on a pay-as-you-go basis. The College's contributions to the SCRS for the three most recent fiscal years ending June 30, 2017, 2016, and 2015, were approximately \$473,468, \$459,706, and \$426,018, respectively, applicable to the surcharge included with the employer contribution for retirement benefits. 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 was \$3.22 for the fiscal years ended June 30, 2017, 2016 and 2015.

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

NOTE 7 CONTINGENCIES, LITIGATIONS, AND PROJECT COMMITMENTS

The College is currently involved in one active employment lawsuit, The College's defense is being covered by the Insurance Reserve Fund. If a judgement is made against the College, it anticipates that the IRF would also cover any financial award to the plaintiff. The College is not aware of any other pending claims or litigation that would affect the College's financial position.

The College participates in certain Federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. The College is not aware of any contingent liabilities related to the Federal grant programs.

At June 30, 2017, the College had no outstanding commitments for construction or building repairs.

NOTE 8 LEASE OBLIGATIONS

Operating Leases
The College had an operating lease agreement with Ontario Leasing, Inc. for a Pitney Bowes mail system. The lease term is for 60 months and commenced on August 1, 2016. The lease agreement calls for monthly payments of $318.51.

Contingent Rentals
The College leases all copier equipment from external parties. The lease terms are for 60 months and are payable monthly. The basis for the monthly rental payments is cost per copy. Total rental payments for copier equipment were $45,996 during fiscal year 2017.

Capital Leases
The College acquired a twenty-five-year capital lease during fiscal year 2007 related to the development of the New River Campus. Beaufort County leases the facilities to the College at a nominal rate of $10 per year. Under the terms of the lease, the College is responsible for all maintenance and operational costs. The lease term of twenty-five years could be reduced with an earlier retirement of Beaufort County's Tax Increment Financing (TIF) bonds. The minimum lease payments are calculated with an implicit rate of 4.25%.

The future minimum lease payments under the lease obligation are as follows:

For the year ending	*Lease Payments Due to External Parties*
2017	$ 10
2018	10
2019	10
2020	10
2020	10
2022-2026	50
2027-2030	40
Total future minimum lease payments	140
Less: interest portion	(41)
Lease obligation outstanding	$ 99

Assets acquired under capital lease:

Land	$ 2,141,399
Land Improvements	1,915,045
Buildings	5,767,869
Total assets acquired under capital lease	$ 9,824,313
Less: Accumulated Depreciation	(3,032,068)
Assets acquired under capital lease, net	$ 6,792,245

NOTE 9 LONG-TERM LIABLILITES

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

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year	Net Long Term
Obligation under Capital Lease	$ 964,286	$ -	$ 154,352	$ 809,934	$ 80,702	$ 729,232
Net Pension Obligation	16,575,262	2,558,261	913,569	18,219,954	-	18,219,954
Accrued Compensated Absences	825,260	152,878	113,924	864,214	109,097	755,117
Total Long Term Liabilities	$18,364,808	$ 2,711,139	$ 1,181,845	$19,894,102	$ 189,799	$19,704,303

The College is obligated for payment of $809,934 on original debt of $1,500,000 of a $17,500,000 General Obligation Bond Issue by Beaufort County in 2006. The proceeds were used in the construction of the New River Campus. The interest rate is 3.5%. Interest paid on the debt during the fiscal year ended June 30, 2017 was $44,074. The scheduled maturities of the bonds payable is as follows:

Year Ended June 30,	Principal	Interest	Total Payments
2017	$ 77,143	$ 39,911	$ 117,054
2018	81,428	36,825	118,253
2019	85,713	33,568	119,281
2020	90,000	30,139	120,139
2021	94,286	26,539	120,825
2022-2026	535,714	70,125	605,839
Total	$ 964,284	$ 237,107	$ 1,201,391

NOTE 10 RELATED ORGANIZATIONS, RELATED PARTY TRANSACTIONS, AND TRANSACTIONS WITH DISCRETELY PRESENTED COMPONENT UNITS

Certain separately chartered legal entities whose activities are related to those of the College exist primarily to provide financial assistance and other support to the College and its educational program. Financial statements for these entities are audited by independent auditors and retained by them. They include the Technical College of the Lowcountry Foundation, Inc. (the Foundation). The activities of this entity are not included in the College's financial statements. However, the College's statements include transactions between the College and this related party.

Management reviewed its relationship with the Foundation under the existing guidance of GASB Statement No. 14, as amended by GASB Statements No. 39 and No. 61. The College excluded this organization from the reporting entity because it is not financially accountable for it, and the assets of the Foundation are not significant to the College's overall assets.

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

The Technical College of the Lowcountry 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 Technical College of the Lowcountry. Its Board of Directors governs the Foundation's activities.

The College received scholarships for books and stipends totaling $175,131 from the Foundation in operating revenues for the fiscal year ending June 30, 2017. The Foundation reimburses the College for any purchases made by the College on behalf of the Foundation. The College also provides office space to the Foundation. The value of this office space was approximately $9,600 for the year ended June 30, 2017. The College does not provide administrative services to the Foundation.

The net position of the TCL Foundation was $1,442,881 at June 30, 2017. $85,622 was due to the College from the TCL Foundation as of June 30, 2017.

NOTE 11 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 incidental death benefits

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

NOTE 11 RISK MANAGEMENT (Continued)

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

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

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

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

NOTE 12 OPERATING EXPENSES BY FUNCTION

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

	Compensation	Benefits	Scholarships	Supplies/serv.	Utilities	Depreciation	Total
Instruction	$ 4,703,264	$ 1,823,042	$ -	$ 1,819,959	$ -	$ -	$ 8,346,265
Academic Support	1,229,295	537,122	-	528,317	-	-	2,294,734
Student Services	1,663,915	680,231	-	784,845	-	-	3,128,991
Operation & Maintenance of Plant	476,057	235,140	-	15,799	594,344	-	1,321,340
Institutional Support	1,443,307	515,469	-	753,099	-	-	2,711,875
Scholarships	-	-	2,501,700	-	-	-	2,501,700
Auxiliary Enterprises	147,096	58,863	-	928,636	7,491	-	1,142,086
Depreciation	-	-	-	-	-	915,504	915,504
Total Operating Expenses	$ 9,662,934	$ 3,849,867	$ 2,501,700	$ 4,830,655	$ 601,835	$ 915,504	$ 22,362,495

NOTE 13 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

Payables:	
Accounts Payable Trade	$ 188,247
Student Refunds Payable	17,229
Accrued Interest Expense	8,040
Sales and Use Tax Payable	2,402
Other Accrued Liabilities	10,141
Total Accounts Payable	$ 226,059

NOTE 14 UNEARNED REVENUES

Unearned revenues as of June 30, 2017, are summarized as follows:

Unearned Revenues	
Fall 2017 Tuition	$ 2,349,091
Summer 2017 Tuition	611,366
Fall Registration Fees	69,700
Fall Capital Fees	49,764
Fall High Course Fee	29,525
Federal Grants and Contracts	15,621
State Appropriations	1,685,417
Nongovernmental Grants and Contracts	30,095
Total Unearned Revenue	$ 4,840,579

REQUIRED SUPPLEMENTARY INFORMATION

TECHNICAL COLLEGE OF THE LOWCOUNTRY
Schedule of Proportionate Share of the SCRS Net Pension Liability
For the Fiscal Year Ended June 30, 2017

Last 10 Fiscal Years*

	2017	2016	2015	2014
TCL Proportion of Net Pension Liability	0.085300%	0.087397%	0.086284%	0.086284%
TCL Proportioante Share of Net Pension Liability	$ 18,219,954	$ 16,575,262	$ 14,855,244	$ 15,476,272
TCL Covered Employee Payroll	$ 8,883,071	$ 8,624,879	$ 9,533,240	$ 9,144,015
TCL Proportionate Share of Net Pension Liability as a Percentage of Covered Employee Payroll	205.11%	192.18%	155.83%	169.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	52.90%	56.99%	59.92%	56.39%

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

TECHNICAL COLLEGE OF THE LOWCOUNTRY
Schedule of SCRS Contributions
For the Fiscal Year Ended June 30, 2017

Last 10 Fiscal Years

	2017	2016	2015	2014	2013
Contractually Required Contribution	989,178	865,610	893,244	794,980	800,641
Contributions in Relation to the Contractally Required Contribution	(989,178)	(865,610)	(893,244)	(794,980)	(800,641)
Contribution Deficiency/(Excess)	-	-	-	-	-
TCL Covered Employee Payroll	8,883,071	8,624,879	9,533,240	9,144,015	9,288,451
Contributions as a Percentage of Covered-Employee Payroll	11.14%	10.04%	9.37%	8.69%	8.62%

cont.	2012	2011	2010	2009	2008
Contractually Required Contribution	713,164	716,255	728,770	730,205	698,982
Contributions in Relation to the Contractally Required Contribution	(713,164)	(716,255)	(728,770)	(730,205)	(698,982)
Contribution Deficiency/(Excess)	-	-	-	-	-
TCL Covered Employee Payroll	9,261,324	9,278,009	9,337,510	9,010,179	8,727,817
Contributions as a Percentage of Covered-Employee Payroll	7.70%	7.72%	7.80%	8.10%	8.01%

COMPLIANCE SECTION

TECHNICAL COLLEGE OF THE LOWCOUNTRY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Pass-Through to Sub-Recipients	Total Federal Expenditures
U.S. Department of Education				
Student Financial Assistance Program Cluster				
Federal Work-Study Program	84.033		$ -	$ 128,531
Federal Supplemental Education and Opportunity Grants	84.007		-	143,719
Federal Pell Grant Program	84.063		-	4,163,181
Federal Direct Student Loans	84.268		-	2,375,867
Total Student Financial Assistance Program Cluster			-	6,811,298
Strengthening Minority Serving Institutions				
Predominantly Black Institution Grant - Formula Grant	84.031		-	108,445
TRIO Program Cluster				
Student Support Services	84.042		-	269,194
Upward Bound	84.044		-	310,441
Talent Search	84.047		-	349,604
Total TRIO Program Cluster			-	929,239
Passed through S.C. Department of Education				
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334		-	36,768
Perkins IV	84.048		-	148,425
U.S. Department of Labor				
Passed through Greenville Technical College				
Trade Adjustment Assistance Community College and Career Training Grants Program	17.282		-	55,711
Department of Health and Human Services				
Early Childhood Development	93.575		-	2,696
Total Expenditures of Federal Awards			$ -	$ 8,092,582

See accompanying notes to schedule of federal expenditures.

TECHNICAL COLLEGE OF THE LOWCOUNTRY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Technical College of the Lowcountry (the College) under programs of the federal government for the year ended June 30, 2017. The information in the schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the College.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards or OMB Circular A-21 - Cost Principles for Educational Institutions,* wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE 3 -INDIRECT COST RATE

The amount expended includes $87,131 claimed as an indirect cost recovery using an approved indirect cost rate. The College has elected not to use the 10% de Minimis indirect cost rate as allowed under the Uniform Guidance.

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

To the Board of Commissioners
Technical College of the Lowcountry
Beaufort, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business type activities of the Technical College of the Lowcountry, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Technical College of the Lowcountry's basic financial statements, and have issued our report thereon dated September 21, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

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Purpose of this Report

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

Crowley Wechsler & Associates LLC

Crowley Wechsler & Associates LLC
Beaufort, South Carolina
September 21, 2017

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

To the Board of Commissioners
Technical College of the Lowcountry
Beaufort, South Carolina

Report on Compliance for Each Major Federal Program

We have audited the Technical College of the Lowcountry'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 the Technical College of the Lowcountry's major federal programs for the year ended June 30, 2017. Technical College of the Lowcountry'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 the Technical College of the Lowcountry's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Technical College of the Lowcountry'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 Technical College of the Lowcountry's compliance.

Opinion on Each Major Federal Program

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

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Report on Internal Control over Compliance

Management of the Technical College of the Lowcountry, 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 Technical College of the Lowcountry's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Technical College of the Lowcountry's internal control over compliance.

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

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

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

Crowley Wechsler & Associates LLC

Crowley Wechsler & Associates LLC
Beaufort, South Carolina
September 21, 2017

TECHNICAL COLLEGE OF THE LOWCOUNTRY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

SECTION I – SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	___ Yes	X No
Significant deficiency(ies) identified?	___ Yes	X None Reported
Noncompliance material to financial statements noted?	___ Yes	X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	___ Yes	X No
Significant deficiency(ies) identified?	___ Yes	X No

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)?	___ Yes	X No

Identification of Major Programs:

CFDA Number	**Name of Federal Program or Cluster**
84.007, 84.033, 84.063, 84.268	Student Financial Assistance Cluster
84.048	Perkins IV

Dollar threshold used to distinguish between Type A and Type B programs: $750,000

Auditee qualified as a low-risk auditee?	X Yes	___ No

SECTION II – FINANCIAL STATEMENT FINDINGS

NONE

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

TECHNICAL COLLEGE OF THE LOWCOUNTRY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2017

Summary of Auditors' Results

1. The independent auditors' report expressed an unmodified opinion.
2. There was no financial statement finding in the audit of the financial statements.

Financial Statement Findings

None