TECHNICAL COLLEGE OF THE LOWCOUNTRY

Financial Statements

For the Year Ended June 30, 2018

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

Audit Period - July 1, 2017 to June 30, 2018

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Jasper County

Counties Providing Financial Support

Beaufort County

Hampton County

TECHNICAL COLLEGE OF THE LOWCOUNTRY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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COMPLIANCE SECTION

FINANCIAL SECTION

CROWLEY WECHSLER & ASSOCIATES LLC
CERTIFIED PUBLIC ACCOUNTANTS

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

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, 2018, and the related notes to the financial statements, which collectively comprise the Technical College of the Lowcountry'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 financial position of the Technical College of the Lowcountry, as of June 30, 2018, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 11 to the financial statements, in 2018 the Technical College of the Lowcountry adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, historical pension information, and historical other post employment benefit information on pages 3-10 and 48-51 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 are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Technical College of the Lowcountry's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering 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 30, 2018

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, 2018 and June 30, 2017. 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 and deferred outflows and the total liabilities and deferred inflows, 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. It should be noted that effective for the fiscal year ending June 30, 2018, the College adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The College will now report its proportionate share of the State of South Carolina's net OPEB liability. Changes in net OPEB liability not included in pension expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension liability are reported as deferred outflows of resources.

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 liabilities and deferred inflows of the Technical College of the Lowcountry exceeded its total assets and deferred outflows at June 30, 2018 by $4.4 million (deficit) due to the implementation of GASB 75.
- The College's net position has decreased $14.7 million from the prior fiscal year to ($4.4 million) due to the prior period re-statement affiliated with the implementation of GASB 75.
- The College's total liabilities increased by $14 million from the prior year due to recalculation of the College's share of the State's net pension liability per GASB 75.
- The College experienced a net operating loss of $13.2 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 $12.7 million, and State Capital funding of $0.4 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

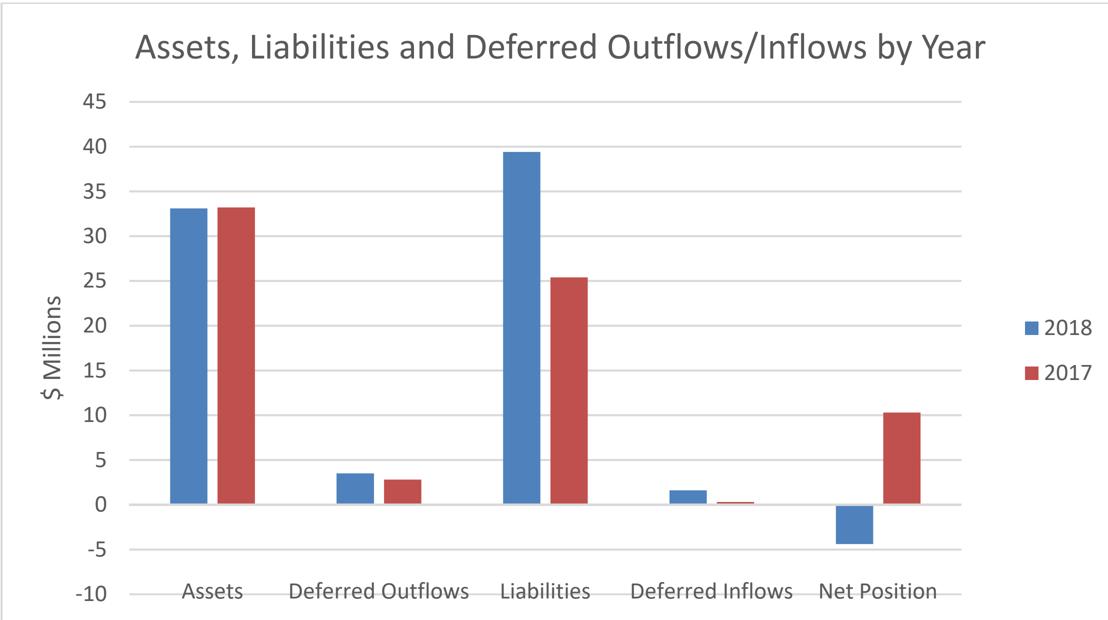
The schedule that follows is a condensed version of the College's assets, liabilities and net assets and is prepared from the Statement of Net Position.

Net Position as of June 30, 2018
With Comparative Totals for 2017
(In millions)

	2018	2017
Current Assets	$ 16.0	$ 16.3
Non-current Assets	17.1	16.9
Total Assets	33.1	33.2
Deferred Outflow of Resources	3.5	2.8
Current Liabilities	4.6	5.7
Non-current Liabilities	34.8	19.7
Total Liabilities	39.4	25.4
Deferred Inflow of Resources	1.6	0.3
Net Position		
Investment in Capital Assets	16.3	16.1
Unrestricted (Deficit)	(20.7)	(5.8)
Total Net Position	$ (4.4)	$ 10.3

Net position may serve over time as a useful indicator of an entity's financial position. The College's net assets and deferred outflows was surpassed by its liabilities and deferred inflows by $4.4 million at the close of the most recent fiscal year and reflects a 143% decrease from the prior year.

Graphical representations of the basic components of the College's financial condition on June 30, 2018 with comparisons to the prior year are included below.



Summary of Revenues, Expenses, and Changes in Net Position
for Fiscal Year Ended June 30, 2018
with Comparative Totals for June 30, 2017

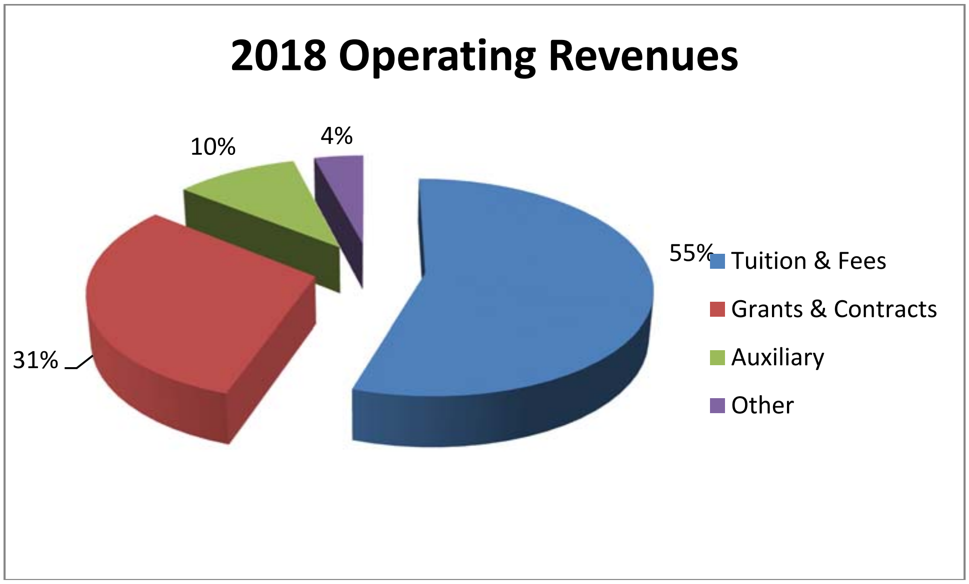
(In millions)

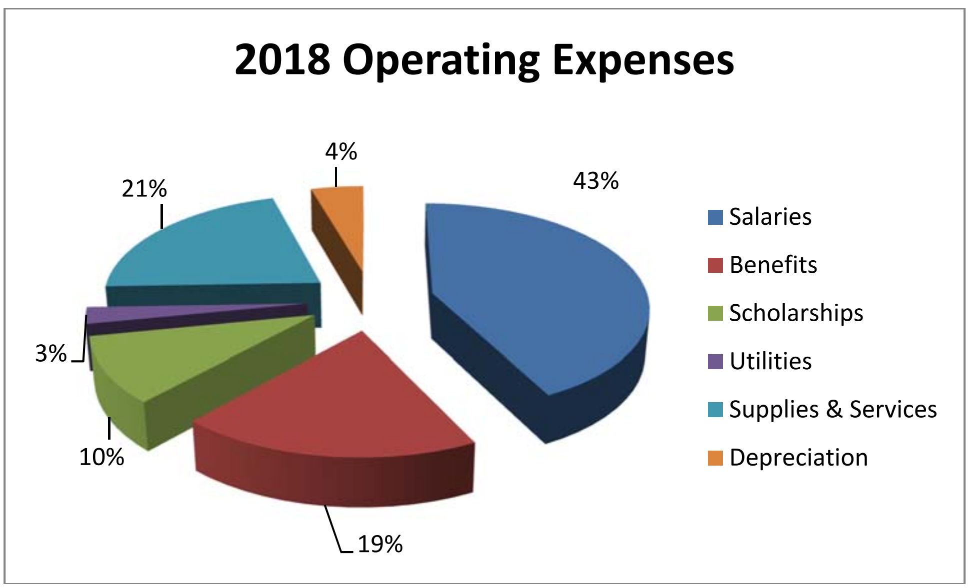
The schedule that follows is a summary of the College's operating results for the fiscal year.

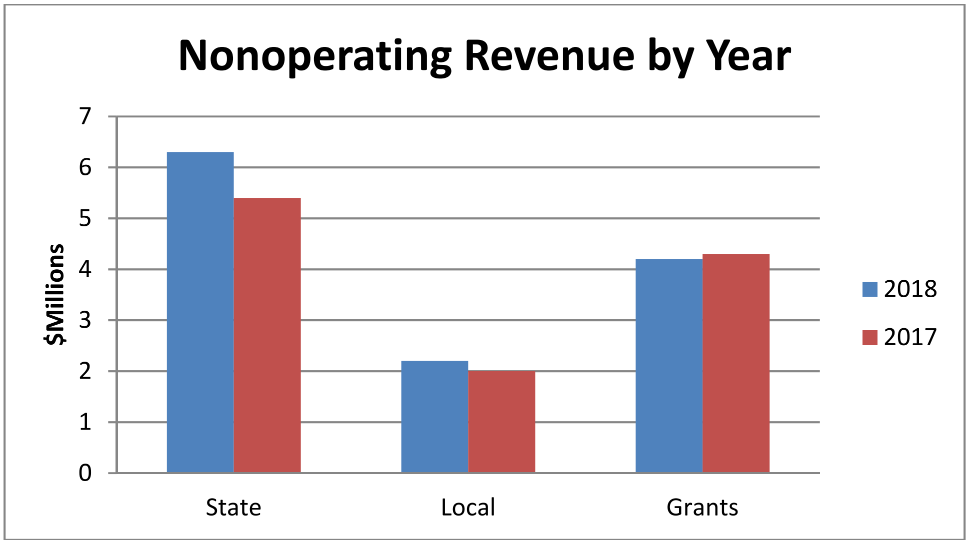
	2018	2017
Operating Revenue		
Tuition and Fees	$ 5.4	$ 5.3
Grants and Contracts	3.0	3.3
Auxiliary	1.0	1.0
Other	0.4	0.5
Total Operating Revenue	9.8	10.1
Less Operating Expenses	23.0	22.4
Net Operating Loss	(13.2)	(12.3)
Non-Operating Revenue		
Federal Grants and Contracts	4.2	4.3
State Appropriations	6.3	5.4
Local Appropriations	2.2	2.0
Total Non-operating Revenue	12.7	11.7
Income (Loss) before Other Revenues, Expenses, Gains (Losses)	(0.5)	(0.6)
Other Revenues, Expenses, Gains or (Losses)		
Capital Gifts, Grants and Contracts	0.4	0.5
Change in Net Position	(0.1)	(0.1)
Net Position, Beginning of Year	10.3	10.4
Prior period Restatement	(14.6)	-
Net Position, End of Year	$ (4.4)	$ 10.3
Total Revenues	$ 22.9	$ 22.3

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, 2018 with comparisons to the prior year as appropriate are included below.







Personnel costs of approximately $14.2 million accounted for 62% of the College's operating expenses and reflect a 4% increase over the prior year. Supplies and other services make up the second largest classification, accounting for 21.1% of operating expenses. Operating expenses in total increased $.6 million from last year's values. Note 16 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, 2018 and June 30, 2017

(In millions)

	2018	2017
Net Cash Provided (Used) by Operating Activities	$ (7.7)	$ (13.2)
Net Cash Provided by Non-Capital Financing Activities	11.8	12.5
Net Cash Provided (Used) by Capital and Related Activities	(1.3)	(2.0)
Net Cash Provided (Used) by Investing Activities	0.1	(0.5)
Net Increase (Decrease) in Cash and Cash Equivalents	2.9	(3.2)
Cash and Cash Equivalents- Beginning of the Year	5.1	8.3
Cash and Cash Equivalents- End of the Year	$ 8.0	$ 5.1

Cash and cash equivalents increased by $2.9 million. Cash provided from non-capital financing activities in the amount of $11.8 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 $8.0 million.

Capital Asset and Debt Administration

The capital assets net of depreciation increased by $0.1 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, 2018 with Comparative Totals for June 30, 2017

(In millions)

	2018	2017
Capital Assets		
Construction in Progress	$ 0.2	$ 0.5
Land and Improvements	7.1	7.1
Buildings and Improvements	24.2	23.2
Machinery & Equipment	2.3	2.3
Other Assets	0.5	0.2
Total Capital Assets	34.3	33.3
Less Accumulated Depreciation	(17.3)	(16.4)
Net Capital Assets	$ 17.0	$ 16.9

Economic Factors

Ideally, the College's funding would come in approximately equal measure from three sources: state allocations, local (county) funding and tuition revenue. This has not been the case for 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 $6.3 million made up 27.5% of total revenues for the year, while local appropriations were $2.2 million, or 9% of the total. State appropriations are trending up, however, due to two factors: overall higher education appropriations have grown at the state level, and changes to the funding formula that dictates TCL's share of that appropriation. A number of special, non-recurring appropriations 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 17-18. It appears enrollment will trend slightly negative in the upcoming year. If this forecast holds, the College's enrollment performance will be consistent with that experienced by 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. 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 backlog of capital additions and renovations that it would like to address. The funding in 2017 & 2018 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.

President

Vice-President for Administrative Services

BASIC FINANCIAL STATEMENT

TECHNICAL COLLEGE OF THE LOWCOUNTRY
Statement of Net Position
For the Year Ended June 30, 2018

ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 7,956,278
Investments	3,730,244
Accounts Receivable, net	4,086,780
Inventories	158,692
Prepaid Expenses	75,087
Total Current Assets	16,007,081
Restricted Assets	
Cash and Cash Equivalents	6,465
Noncurrent Assets	
Capital Assets, net of accumulated depreciation	13,472,956
Capital Assets, not subject to depreciation	3,587,489
Total Noncurrent Assets	17,060,445
Total Assets	33,073,991
Deferred Outflows of Resources	
Deferred Outflows of Pension	2,974,473
Deferred Outflows of OPEB	522,589
Total Deferred Outflows of Resources	3,497,062
Total Assets and Deferred Outflows of Resources	$ 36,571,053
LIABILITIES	
Current Liabilities	
Accounts Payable and Accrued Liabilities	$ 304,425
Accrued Payroll and Related Liabilities	615,534
Current Portion of Long-Term Liabilities	197,494
Unearned Revenues	3,479,827
Total Current Liabilities	4,597,280
Liabilities payable from restricted assets	
Funds Held for Others	7,489
Noncurrent Liabilities	
Obligations under Capital Lease	646,370
Compensated Absences Payable	739,222
Other Post Employment Benefit Obligation	14,267,995
Net Pension Obligation	19,081,514
Total Noncurrent Liabilities	34,735,101
Total Liabilities	39,339,870
Deferred Inflows of Resources	
Deferred Inflows for Pension	291,166
Deferred Inflows for OPEB	1,348,947
Total Deferred Inflows of Resources	1,640,113
NET POSITION	
Net Investment in Capital Assets	16,331,213
Restricted	
Expendable	
Loans	14,495
Unrestricted	(20,754,638)
Total Net Position	(4,408,930)
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 36,571,053

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, 2018

REVENUES	
Operating Revenues	
Student Tuition and Fees, net of scholarship allowances of $3,900,400	$ 5,356,865
Capital fees, net of scholarship allowances of $81,020	121,430
Technology Fees	43,114
Federal Grants and Contracts	1,158,100
State Grants and Contracts	1,540,654
Non-governmental Grants and Contracts	143,964
Sales and Services of Educational Programs	35,485
Auxiliary Programs, net of scholarship allowances of $188,523	970,311
Other Operating Revenues	443,845
Total Operating Revenues	9,813,768
EXPENSES	
Operating Expenses	
Salaries	9,794,475
Benefits	4,387,482
Scholarships	2,328,551
Utilities	589,973
Supplies and other services	4,843,262
Depreciation	1,024,928
Total Operating Expenses	22,968,671
Operating Loss	(13,154,903)
Non-operating Revenues (Expenses)	
Federal Grants and Contracts	4,252,002
State Appropriations	6,314,891
County Appropriations	2,201,720
Interest Income	22,617
Interest Expense on Capital Asset Related Debt	(22,022)
Net Non-operating Revenues	12,769,208
Income (Loss) before Other Revenues, Expenses, Gains (Losses)	(385,695)
Other Revenues, Expenses, Gains or (Losses)	
State Capital Grant	379,606
Total Other Revenues, Expenses Gains (Losses)	379,606
INCREASE (DECREASE) IN NET POSITION	(6,089)
NET POSITION	
Net Position, beginning of year	10,321,180
Prior Period Restatement	(14,724,021)
Net Position, end of year	$ (4,408,930)

See accompanying notes to financial statements.

TECHNICAL COLLEGE OF THE LOWCOUNTRY
Statement of Cash Flows
For the Year Ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, net of scholarship allowances	$ 5,107,199
Federal, State and Local Grants and Contracts	4,985,355
Sales and Services of Education Departments	35,485
Auxiliary Enterprise, net of scholarship allowances	970,311
Other	
Revenues from SRENCP	443,845
Scholarships	(2,328,551)
Student Loans Received	3,048,334
Student Loans Paid Out	(1,990,759)
Payments to Vendors	(5,014,372)
Payments to Employees	(9,814,950)
Employee Benefits	(3,118,731)
Increase in Cash Held for Others	(2,380)
Net Cash Used by Operating Activities	(7,679,214)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Appropriations	5,248,531
County Appropriations	2,196,720
Federal Grants and Contracts	4,252,002
Local Grants and Contracts	60,848
Net Cash Provided by Non-Capital Financing Activities	11,758,101
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Capital Assets	(1,168,336)
Principal Paid on Capital Debt	(80,702)
Interest Paid on Capital Debt	(22,022)
Net Cash used by Capital and Related Financing Activities	(1,271,060)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	3,460,554
Interest on Investments	2,646
Purchase of Investments	(3,460,554)
Net Cash Provided by Investing Activities	2,646
Net Increase in Cash	2,810,473
Cash - beginning of year	5,152,272
Cash - end of year	$ 7,962,745
Reconciliation to Statement of Net Position	
Cash and Cash Equivalents	$ 7,956,278
Restricted Cash and Cash Equivalents	6,465
Total Cash and Cash Equivalents	$ 7,962,743
Supplementary Information	
Cash Paid for Income Taxes	$ -
Cash Paid for Interest Expense	$ 22,022
Non-cash State Capital In-Kind Donation	$ 379,606

See accompanying notes to financial statements.

TECHNICAL COLLEGE OF THE LOWCOUNTRY
Statement of Cash Flows
For the Year Ended June 30, 2018

Reconciliation of Net Operating Revenue (Expenses) to	
Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	$ (13,154,903)
Adjustments to Reconcile Operating Income (Loss) to Net Cash	
Provided (Used) by Operating Activities	
Depreciation	1,024,928
Allowance for uncollectible accounts	286,161
Change in Assets and Liabilities	
Decrease in Accounts Receivables	2,706,720
Increase in Inventory	54,996
Decrease in Prepaid Expenses	5,057
Increase in Accounts Payable	78,366
Increase in Accrued Liabilities	209,283
Decrease in Compensated Absences	(10,360)
Increase in Net Pension Obligation	861,560
Decrease in Deferred Outflows of Pension	(158,596)
Increase in Deferred Inflows of Pension	1,033,838
Decrease in Other Post Employment Benefit Obligation	(973,116)
Decrease in Deferred Outflows of OPEB	(5,499)
Increase in Deferred Inflows of OPEB	291,166
Decrease in Unearned Revenue	73,564
Increase in Funds held for Others	(2,380)
Total adjustments	5,475,688
Net Cash Used by Operating Activities	$ (7,679,215)

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, 2018, 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, 2018, 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, 2018, the College received 23.6%, 35.9%, and 9.6% 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	$ 7,956,278
Restricted cash and cash equivalents	6,465
Investments	3,730,244
Total Cash and Investments on Statement of Net Position	$ 11,692,987

Disclosure, Deposits and Investments Plus Reconciling Items:

Carrying value deposits:	
Held by financial institutions	$ 7,961,578
Investments held by financial institutions, reported amount	3,730,244
Cash on hand	1,165
Total Disclosure, Deposits and Investments Plus Reconciling Items	$ 11,692,987

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, 2018 had carrying balances of $11,692,987 and bank balances of $11,915,343 due to outstanding checks exceeding deposits in transit. Of these deposits, $4,500,421 were insured by the Federal Deposit Insurance Corporation, and the remaining $7,414,922 was collateralized with securities held by the pledging institutions in the College's name.

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, 2018, 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 Maturities (in years)			
Investment Type	Fair Value Amount	Less Than 1	1-5	6-10	More Than 10
Certificates of Deposit	$ 3,730,244	$ 3,730,244	$ -	$ -	$ -

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, 2018, including applicable allowances, are summarized as follows:

Receivables:	
Student Accounts	$ 4,128,232
Other Accounts	234,182
Accrued Interest	11,302
County Appropriations	5,000
Due from Federal and Other Grantors - Operating	813,149
Receivable for Student Loans awarded	241,303
Gross Receivables	5,433,168
Less: Allowance for Uncollectible Accounts	
Student Accounts	(1,346,388)
Receivables, net	$ 4,086,780

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, 2018 are summarized as follows:

	Balance 7/1/2017	Increases	Decreases	Balance 6/30/2018
Capital Assets not being depreciated:				
Land and improvements	$ 3,347,857	$ -	$ -	$ 3,347,857
Construction in progress	534,757	217,135	(512,260)	239,632
Total Capital Assets not being depreciated	3,882,614	217,135	(512,260)	3,587,489
Other Capital Assets:				
Depreciable Land Improvements	3,709,644	-	-	3,709,644
Buildings and improvements	23,231,178	980,987	-	24,212,165
Machinery and equipment	2,310,894	161,222	(89,099)	2,383,017
Vehicles	207,852	314,911	-	522,763
Total other capital assets at historical cost	29,459,568	1,457,120	(89,099)	30,827,589
Less accumulated depreciation for:				
Depreciable Land Improvements	(2,758,683)	(263,506)	-	(3,022,189)
Buildings and improvements	(11,746,570)	(549,704)	-	(12,296,274)
Machinery and equipment	(1,785,213)	(178,077)	95,443	(1,867,847)
Vehicles	(134,682)	(33,641)	-	(168,323)
Total accumulated depreciation	(16,425,148)	(1,024,928)	95,443	(17,354,633)
Other capital assets, net	13,034,420	432,192	6,344	13,472,956
Capital Assets, Net	$ 16,917,034	$ 649,327	$ (505,916)	$ 17,060,445

NOTE 5 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses as of June 30, 2018, are summarized as follows:

Payables:

Accounts Payable Trade	$ 260,295
Student Refunds Payable	22,946
Accrued Interest Expense	8,040
Sales and Use Tax Payable	2,528
Other Accrued Liabilities	10,616
Total Accounts Payable	$ 304,425

NOTE 6 UNEARNED REVENUES

Unearned revenues as of June 30, 2018, are summarized as follows:

Unearned Revenues	
Fall Tuition	$ 2,280,473
Summer Tuition	572,627
Fall Registration Fees	69,188
Fall Capital Fees	46,064
Fall Tech Fees	46,064
Fall High Course Fees	25,425
Summer Tech Fees	71,468
Federal Grants and Contracts	540
State Appropriations	362,766
Nongovernmental Grants and Contracts	5,212
Total Unearned Revenue	$ 3,479,827

NOTE 7 LONG-TERM OBLIGATIONS

Long-term obligations for the year ended June 30, 2018 are as follows:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year	Net Long Term
Capital Lease Obligation	$ 809,934	$ -	$ 80,702	$ 729,232	$ 82,862	$ 646,370
Accrued Compensated Absences	864,214	18,187	28,547	853,854	114,632	739,222
Net Pension Obligation	18,219,954	1,850,206	988,646	19,081,514	-	19,081,514
Net OPEB Obligation - Restated	15,241,111	868,405	1,841,521	14,267,995	-	14,267,995
Total Long Term Liabilities	$35,135,213	$2,736,798	$2,939,416	$34,932,595	$ 197,494	$34,735,101

NOTE 8 CAPITAL LEASE OBLIGATION

The College is obligated for payment of $729,232 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, 2018 was $22,022. The scheduled maturities of the Capital Lease Obligation is as follows:

Year Ended June 30,	Principal	Interest	Total Payments
2019	$ 82,862	$ 19,862	$ 102,724
2020	85,089	17,635	102,724
2021	87,384	15,340	102,724
2022	89,749	12,975	102,724
2023	92,188	10,536	102,724
2024-2026	291,960	16,209	308,169
Total	$ 729,232	$ 92,557	$ 821,789

NOTE 9 ACCRUED COMPENSATED ABSENCES

Unused vacation leave liabilities are reported in the government-wide financial statements. With sufficient notification of employment termination, unused vacation will be paid. Employees who are discharged for disciplinary reasons are not eligible to receive pay for unused accrued vacation. The College has no financial liability for its unused sick leave. The accumulated unpaid vacation earned as of June 30, 2018, totaled $853,854. This total reflects the pay rates in effect at July 2018, and includes estimated employee benefits of twenty-seven (27) percent related to the payroll.

NOTE 10 NET PENSION OBLIGATION

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. Effective July 1, 2017, the Retirement System Funding and Administration Act of 2017 assigned the PEBA Board of Directors as the Custodian of the Retirement Trust Funds and assigned SC PEBA and the Retirement Systems Investment Commission (RSIC) as co-trustees of the Retirement Trust Funds.

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 through 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.

NOTE 10 NET PENSION OBLIGATION (Continued)

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

In addition to the plans described above, PEBA also administers three single-employer defined benefit pension plans, which are not covered in this report. They are the Retirement System for Members of the General Assembly of the State of South Carolina (GARS), the Retirement System for Judges and Solicitors of South Carolina (JSRS), and the South Carolina National Guard Supplemental Retirement Plan (SCNG).

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.

- 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. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers. For this reason, State ORP assets are not part of the retirement systems' trust funds for financial statement purposes. 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.

NOTE 10 NET PENSION OBLIGATION (Continued)

Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation/current annual salary. 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.

Contributions

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

NOTE 10 NET PENSION OBLIGATION (Continued)

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

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

Required employee contribution rates[1] for fiscal year 2018-2017 are as follows:

	Fiscal Year 2018[1]	Fiscal Year 2017[1]
SCRS		
Employee Class Two	9.00%	8.66%
Employee Cass Three	9.00%	8.66%
State ORP		
Employee	9.00%	8.66%

Required employer contribution rates[1] for fiscal year 2018-2017 are as follows:

	Fiscal Year 2018[1]	Fiscal Year 2017[1]
SCRS		
Employer Class Two	13.41%	11.41%
Employer Cass Three	13.41%	11.41%
Employer Incidental Death Benefit	0.15%	0.15%
State ORP		
Employer Contribution[2]	13.41%	11.41%
Employer Incidental Death Benefit	0.15%	0.15%

[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 10 NET PENSION OBLIGATION (Continued)

Actuarial Assumptions and Methods

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

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

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

	SCRS
Actuarial cost method	Entry age normal
Investment rate of return[1]	7.25%
Projected salary increases	3.0% to 12.5% (varies by service)[1]
Benefit adjustments	Lesser of 1% or $500 annually

[1] *includes inflation at 2.25%*

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

Assumptions used in the determination of the June 30, 2017, TPL are as follows.

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

NOTE 10 NET PENSION OBLIGATION (Continued)

Net Pension Liability

The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2017, for SCRS and PORS are presented as follows:

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Position as a % of the Total Pension Liability
SCRS	$ 40,893,432	$ 21,811,918	$ 19,081,514	53.3%

The TPL is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The NPL is disclosed in accordance with the requirements of GASB 67 in the Systems' 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 plans' funding requirements.

Long-term Expected Rate of Return

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

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2017 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes 5.00 percent real rate of return and a 2.25 percent inflation component.

NOTE 10 NET PENSION OBLIGATION (Continued)

Asset class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Global Equity	**45.0%**		
Global Public Equity	31.0%	6.72%	2.08%
Private Equity	9.0%	9.60%	0.86%
Equity Options Strategies	5.0%	5.91%	0.30%
Real Assets	**8.0%**		
Real Estate (Private)	5.0%	4.32%	0.22%
Real Estate (REITs)	2.0%	6.33%	0.13%
Infrastructure	1.0%	6.26%	0.06%
Opportunistic	**17.0%**		
GTAA/Risk Parity	10.0%	4.16%	0.42%
Hedge Funds (non-PA)	4.0%	3.82%	0.15%
Other Opportunistic Strategies	3.0%	4.16%	0.12%
Diversified Credits	**18.0%**		
Mixed Credit	6.0%	3.92%	0.24%
Emerging Markets Debt	5.0%	5.01%	0.25%
Private Debt	7.0%	4.37%	0.31%
Conservative Fixed Income	**12.0%**		
Core Fixed Income	10.0%	1.60%	0.16%
Cash and Short Duration (Net)	2.0%	0.92%	0.02%
Total Expected Real Return	100.0%		5.32%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.57%

Discount Rate

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

Sensitivity Analysis

The following table presents the collective NPL of the participating employers calculated using the discount rate of 7.25 percent, as well as what the employers' NPL would be if it were calculated using a discount rate that is 1.00 percent lower (6.25 percent) or 1.00 percent higher (8.25 percent) than the current rate.

NOTE 10 NET PENSION OBLIGATION (Continued)

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

System	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
SCRS	$ 24,593,451	$ 19,081,514	$ 15,737,064

Pension Expense

Components of collective pension expense reported in the Schedules of Pension Amounts by Employer for the fiscal year ended June 30, 2017, are presented below:

Description	SCRS
Service cost (annual cost of current service)	$ 681,543
Interest on the total pension liability	2,812,480
Changes in plan benefits	-
Plan administrative costs	11,417
Plan member contributions	(700,602)
Expected return on plan assets	(1,491,976)
Recognition of current year amortization - Difference between expected and actual experience & assumption changes	503,292
Recognition of current year amortization - Difference between projected and actual investment earnings	116,626
Other	1,313
Total	$ 1,934,093

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 NPL 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 10 NET PENSION OBLIGATION (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 85,065	$ 10,576
Assumption changes	1,117,018	-
Net difference between projected and actual earnings	532,666	-
Changes in proportion and differences between contributions and proportionate share of contributions	56,449	280,590
Contributions subsequent to the measurement date	1,183,275	-
Total	$ 2,974,473	$ 291,166

Difference between expected and actual experience

		SCRS
Balance		$ 85,065
Amortization period[1]		4.15
Amortized[2] **period ending June 30,**		
	2018	$ (50,781)
	2019	$ (20,979)
	2020	$ (12,475)
	2021	$ (830)

Assumption Changes

		SCRS
Initial Balance		$ 1,117,018
Amortization period[3]		4.15
Amortized[2] **period ending June 30,**		
	2018	$ (363,494)
	2019	$ (363,494)
	2020	$ (363,494)
	2021	$ (26,536)

NOTE 10 NET PENSION OBLIGATION (Continued)

Difference between projected and actual investment earnings

	SCRS
Initial Balance	$ 532,666
Amortization period[3]	5
Amortized[2] period ending June 30,	
2018	$ (116,626)
2019	$ (424,208)
2020	$ (166,621)
2021	$ 174,789

[1]In accordance with GASB 68, paragraph 71a, the difference between each year's expected and actual experience is required to be amortized over the average remaining service lives of all employees provided with pensions through the plan at June 30.

[2]Amount amortized and included in pension expense during the measurement period listed.

[3]In accordance with GASB 68, paragraph 71b, the difference between each year's projected and actual investment earnings is required to be amortized over a closed, 5 year period.

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.

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, 2017. 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.

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.

NOTE 10 NET PENSION OBLIGATION (Continued)

		SCRS
Employer Contributions Reported in SCRS Statement of Changes in Net Position for the fiscal year ended June 30, 2017	$	990,750
Deduct: Employer Contributions Not Representative of Future Contribution Effort		(2,104)
Employer Contributions Used as the Basis for Allocating Employers' Proportionate Shares of Collective Pension Amounts - June 30, 2017 Measurement Date	$	988,646

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, 2017, and the accounting and financial reporting actuarial valuation as of June 30, 2017. 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.

Payables to the Pension Plan

At June 30, 2018, the Town reported payables of $396,394 that represents the amount due for the months of May and June.

NOTE 11 OTHER POST EMPLOYMENT BENEFIT OBLIGATIONS

Description of the Entity and Summary of Significant Accounting Policies

The South Carolina Public Employee Benefit Authority (PEBA) was created by the South Carolina General Assembly as part of Act No. 278 effective July 1, 2012. PEBA is a state agency responsible for the administration and management of the state's employee insurance programs, other post-employment benefits trusts and retirement systems and is part of the State of South Carolina primary government.

NOTE 11 OTHER POST EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

The governing board of PEBA is a board of 11 members. The membership composition is three members appointed by the Governor, two members appointed by the President Pro Tempore of the Senate, two members appointed by the Chairman of the Senate Finance Committee, two members appointed by the Speaker of the House of Representatives and two members appointed by the Chairman of the House Ways and Means Committee. Individuals appointed to the PEBA board must possess certain qualifications. Members of the PEBA board serve for terms of two years and until their successors are appointed and qualify. Terms commence on July first of even numbered years. The PEBA board appoints the Executive Director. The laws of the State and the policies and procedures specified by the State for State agencies are applicable to all activities of PEBA. By law, the State Fiscal Accountability Authority (SFFA), which consists of five elected officials, also reviews certain PEBA Board decisions in administering the State Health Plan and other post-employment benefits (OPEB).

Plan Descriptions

The Other Post-Employment Benefits Trust Funds (OPEB Trusts), collectively refers to the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF), were established by the State of South Carolina as Act 195, which became effective on May 2008. The SCRHITF was created to fund and account for the employer costs of the State's retiree health and dental plans. The SCLTDITF was created to fund and account for the employer costs of the State's Basic Long-Term Disability Income Benefit Plan.

In accordance with Act 195, the OPEB Trusts are administered by the PEBA, Insurance Benefits and the State Treasurer is the custodian of the funds held in trust. The Board of Directors of PEBA has been designated as the Trustee.

The OPEB Trusts are cost-sharing multiple-employer defined benefit plans. Article 5 of the State Code of Laws defines the two plans and authorizes the Trustee to at any time adjust the plans, including its benefits and contributions, as necessary to insure the fiscal stability of the plans. In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents.

At June 30, 2018, the College had an SCLTDITF net OPEB liability of $1,105, which was not accrued due to it being considered immaterial to the financial statements as a whole.

Benefits

The SCRHITF is a healthcare plan that covers retired employees of the State of South Carolina, including all agencies, and public school districts. The SCRHITF provides health and dental insurance benefits to eligible retirees. Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires beginning employment May 2, 2008 and after, retirees are eligible for benefits if they have established 25 years of service for 100% employer funding and 15-24 years of service for 50% employer funding.

The SCLTDITF is a long-term disability plan that covers employees of the State of South Carolina, including all agencies and public school districts and all participating local governmental entities. The SCLTDITF provides disability payments to eligible employees that have been approved for disability.

NOTE 11 OTHER POST EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

Contributions and Funding Policies

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment and long-term disability benefits to be funded through annual appropriations by the General Assembly for active employees to the PEBA, Insurance Benefits and participating retirees to PEBA, except for the portion funded through the pension surcharge and provided from the other applicable sources of the PEBA, Insurance Benefits. For active employees who are not funded by State General Fund appropriations, participating employers are mandated by State statute to contribute at a rate assessed each year by the Department of Administration Executive Budget Office. The covered payroll surcharge for the year ended June 30, 2017 was 5.33 percent. The South Carolina Retirement System collects the monthly surcharge for all participating employers and remits it directly to the SCRHITF. Other sources of funding for the SCRHITF include mandatory transfers of accumulated PEBA, Insurance Benefits' reserves and income generated from investments. Employer contributions also include the implicit subsidy, or age-related subsidy inherent in the healthcare premiums structure. The implicit subsidy represents a portion of the health care expenditures paid on behalf of the employer's active employees. For purposes of GASB Statement No. 75, this expenditure on behalf of the active employee is reclassified as a retiree health care expenditure so that the employer's contributions towards the plan reflect the underlying age-adjusted, retiree benefit costs.

BLTD benefits are funded through a person's premium charged to State agencies, public school districts and other participating local governments. The monthly premium per active employee was $3.22 for the fiscal year ended June 30, 2017. The SCLTDITF premium is billed monthly by PEBA, Insurance Benefits and transferred monthly to the SCLTDITF. It is also funded through investment income.

In accordance with part (b) of paragraph 69 of GASB Statement No. 75, participating employers should recognize revenue in an amount equal to the employer's proportionate share of the change in the collective net OPEB liability arising from contributions to the OPEB plan during the measurement period from non-employer contributing entities for purposes other than the separate financing of specific liabilities to the OPEB plan. Therefore, employers should classify this revenue in the same manner as it classifies grants from other entities.

For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Trusts, and additions to and deductions from the OPEB Trusts fiduciary net position have been determined on the same basis as they were reported by the OPEB Trusts. For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Therefore, benefit and administrative expenses are recognized when due and payable. Investments are reported at fair value.

PEBA, Insurance Benefits issues audited financial statements and required supplementary information for the OPEB Trust Funds. This information is publicly available through the Insurance Benefits' link on PEBA's website at www.peba.sc.gov or a copy may be obtained by submitting a request to PEBA – Insurance Benefits, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, OPEB Trust fund financial information is also included in the comprehensive annual financial report of the state.

NOTE 11 OTHER POST EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

Actuarial Assumptions and Methods

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

Additional information as of the latest actuarial valuation for SCRHITF:

Valuation Date:	June 30, 2016
Actuarial Cost Method:	Entry Age Normal
Inflation:	2.25%
Investment Rate of Return:	4.00, net of OPEB Plan investment expense; including inflation
Single Discount Rate:	3.56% as of June 30, 2017
Demographic Assumptions:	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2015
Mortality:	For healthy retirees, the 2016 Public Retirees of South Carolina Mortality Table for Males and the 2016 Public Retirees of South Carolina Mortality Table for Females are used with fully generational mortality projections based on Scale AA from the year 2016. Multipliers are applied to the base tables based on gender and employment type.
Health Care Trend Rate:	Initial trend starting at 7.00% and gradually decreasing to an ultimate trend rate of 4.15% over a period of 15 years
Aging Factors:	Based on plan specific experience
Retiree Participation:	79% for retirees who are eligible for funded premiums
Notes:	There were no benefit changes during the year; the discount rate changed from 2.92% as of June 30, 2016 to 3.56% as of June 30, 2017

NOTE 11 OTHER POST EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

Additional information as of the latest actuarial valuation for SCLTDITF:

Valuation Date:	June 30, 2016
Actuarial Cost Method:	Entry Age Normal
Inflation:	2.25%
Investment Rate of Return:	4.00, net of Plan investment expense; including inflation
Single Discount Rate:	3.87% as of June 30, 2017
Salary, Termination, and Retirement Rates:	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2015
Disability Incidence:	The rates used in the valuation are based on the rates developed for the South Carolina Retirement Systems pension plans
Disability Recovery:	For participants in payment, 1987 CGDT Group Disability; for active employees, 60% were assumed to recover after the first year and 92% were assumed to recover after the first two years
Offsets:	40% are assumed to be eligible for Social Security benefits; assumed percentage who will be eligible for a pension plan offset varies based on employee group
Notes:	There were no benefit changes during the year. The discount rate changed from 3.74% as of June 30, 2016 to 3.87% as of June 30, 2017

Roll Forward Disclosure

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

Net OPEB Liability

The Net OPEB Liability (NOL) is calculated separately for each OPEB Trust Fund and represents that particular Trust's Total OPEB Liability (TOL) determined in accordance with GASB No. 74 less that Trust's fiduciary net position. The allocation of each employer's proportionate share of the collective Net OPEB Liability and collective OPEB Expense was determined using the employer's payroll-related contributions over the measurement period. This method is expected to be reflective of the employer's long-term contribution effort as well as be transparent to individual employers and their external auditors.

The following table represents the components of the net OPEB liability as of June 30, 2017:

System	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability	Plan Fiduciary Net Position as a % of the Total OPEB Liability
SCRHITF	$ 15,442,288	$ 1,174,293	$ 14,267,995	7.6%

NOTE 11 OTHER POST EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

The TOL is calculated by the Trusts' actuary, and each Trust's fiduciary net position is reported in the Trust's financial statements. The NOL is disclosed in accordance with the requirements of GASB No. 74 in the Trusts' notes to the financial statements and required supplementary information. Liability calculations performed by the Trusts' actuary for the purpose of satisfying the requirements of GASB Nos. 74 and 75 and are not applicable for other purposes, such as determining the Trusts' funding requirements.

Single Discount Rate

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

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

Long-term Expected Rate of Return

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

Asset class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Allocation-Weighted Long-Term Expected Portfolio Real Rate of Return
U.S. Domestic Fixed Income	80%	2.09%	1.67%
Cash	20%	0.84%	0.17%
Total	100%		1.84%
Expected Inflation			2.25%
Total Return			4.09%
Investment Return Assumption			**4.00%**

NOTE 11 OTHER POST EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

Sensitivity Analysis

The following table presents the SCRHITF's net OPEB liability calculated using a Single Discount Rate of 3.56%, as well as what the plan's net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

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

System	1% Decrease 2.56%	Current Discount Rate 3.56%	1% Increase 4.56%
SCRHITF	$ 16,803,665	$ 14,267,995	$ 12,223,624

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

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

System	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
SCRHITF	$ 11,700,347	$ 14,267,995	$ 17,592,482

OPEB Expense

Components of collective OPEB expense reported in the Allocation of the OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB for the fiscal year ended June 30, 2017 are presented below.

NOTE 11 OTHER POST EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

Description		SCRHITF
Service cost (annual cost of current service)	$	643,456
Interest on the Total OPEB Liability		479,604
Current-Period Benefit Changes		-
Employee Contributions		-
Projected Earnings on Plan Investments		(44,824)
OPEB Plan Administrative Expense		11
Other Changes in Plan Fiduciary Net Position		(215,937)
Recognition of Outflow (Inflow) of Resources due to Liabilities		6,129
Total	$	868,439

Additional items included in Total Aggregate OPEB Expense are the current period amortized portions of deferred outflows and/or inflows of resources related to changes in employers' proportionate share of the collective NOL and differences between actual employer contributions and proportionate share of total plan employer contributions.

Deferred Outflows and Inflows of Resources

As discussed in paragraph 86 of GASB Statement No. 75, differences between expected and actual experience and changes in assumptions are recognized in OPEB expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided OPEB through the OPEB plan (active and inactive members) determined as of the beginning of the measurement period.

Additionally, differences between projected and actual earnings on OPEB plan investments should be recognized in OPEB expense using a systematic and rational method over a closed five-year period. For this purpose, the deferred outflows and inflows of resources are recognized in the OPEB expense as a level dollar amount over the closed period identified above.

The schedules on the following page reflects the amortization of collective deferred outflows/(inflows) of resources related to OPEB outstanding at June 30, 2017. As a reminder, in addition to recognizing a proportionate share of the deferred outflows and inflows shown on the following page, employers will also need to establish:

a. Deferred outflows and inflows related to changes in proportionate shares and differences between contributions and proportionate share of contributions;
b. A deferred outflow related to contributions made after the measurement date. This deferred outflow should include payroll-related surcharge contributions and implicit subsidies.

NOTE 11 OTHER POST EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

Difference between expected and actual experience

		SCRHITF June 30, 2017
Initial Balance (Inflow)/Outflow	$	(6,192)
Amortization period[1]		7.2460
Amortized[2] period ending June 30,		
2017	$	855
2018		855
2019		855
2020		855
2021		855
2022		855
Thereafter		1,062

Assumption changes

		SCRHITF June 30, 2017
Initial Balance (Inflow)/Outflow	$	(1,342,552)
Amortization period[3]		7.2460
Amortized[2] period ending June 30,		
2017	$	185,282
2018		185,282
2019		185,282
2020		185,282
2021		185,282
2022		185,282
Thereafter		230,860

NOTE 11 OTHER POST EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

Difference between projected and actual investment earnings

		SCRHITF June 30, 2017
Initial Balance (Inflow)/Outflow	$	24,516
Amortization period[3]		5.0000
Amortized[2] period ending June 30,		
2017	$	(4,903)
2018		(4,903)
2019		(4,903)
2020		(4,903)
2021		(4,904)

Additional Financial and Actuarial Information

Information contained in these Notes to the Schedules of Employer Allocation of the Net OPEB Liability, Contributions from Non-employer Contributing Entities, and Implicit Subsidy and the Schedules of Employer Allocation of the OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB (the Schedules) were compiled from the OPEB Trust Funds audited financial statements for the fiscal year ended June 30, 2017, and the accounting and financial reporting actuarial valuation as of June 30, 2017. 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 OPEB Trust Funds audited financial statements. Employers are encouraged to review Illustration II in Appendix C of GASB Statement No. 75, which provides a sample footnote disclosure and required supplementary information for a cost-sharing multiple-employer defined benefit plan.

NOTE 12 CONTINGENCIES, LITIGATIONS, AND PROJECT COMMITMENTS

The College has legal litigation from time to time. Most of the litigation is covered by insurance or settled through subsequent agreements. In the opinion of the College the resolution of these matters will not have a material adverse effect on the financial condition of the College. 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, 2018, the College had 3 outstanding commitments. A contract for the construction of the New River Road Project was entered into for $450,000, with a balance of $285,442 at June 30, 2018. A contract for the construction of the TCL Parking Lot Project was entered into for $10,000, with a balance of $1,775 at June 30, 2018. A contract for the construction of the New River Campus Connector Road Project was entered into for $47,213, with a balance of $3,937 at June 30, 2018.

NOTE 13 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 $45,085 during fiscal year 2018.

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***
2019	$ 10
2020	10
2021	10
2022	10
2023	10
2024-2028	50
2029-2032	30
Total future minimum lease payments	130
Less: interest portion	(41)
Lease obligation outstanding	$ 89

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	(3,282,930)
Assets acquired under capital lease, net	$ 6,541,383

NOTE 14 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, 2018.

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 $120,309 from the Foundation in operating revenues for the fiscal year ending June 30, 2018. 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, 2018. The College does not provide administrative services to the Foundation.

The net position of the TCL Foundation was $1,640,169 at June 30, 2018. $109,415 was due to the College from the TCL Foundation as of June 30, 2018.

NOTE 15 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 15 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 16 OPERATING EXPENSES BY FUNCTION

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

	Compensation	Benefits	Scholarships	Supplies/serv.	Utilities	Depreciation	Total
Instruction	$ 4,784,636	$ 2,033,368	$ -	$ 1,503,646	$ -	$ -	$ 8,321,650
Academic Support	1,386,178	660,642	-	568,008	-	-	2,614,828
Student Services	1,522,589	734,739	-	706,005	-	-	2,963,333
Operation & Maintenance of Plant	477,346	257,031	-	210,524	560,803	-	1,505,704
Institutional Support	1,475,590	639,655	-	999,072	-	-	3,114,317
Scholarships	-	-	2,328,551	-	-	-	2,328,551
Auxiliary Enterprises	148,136	62,047	-	856,007	29,170	-	1,095,360
Depreciation	-	-	-	-	-	1,024,928	1,024,928
Total Operating Expenses	$ 9,794,475	$ 4,387,482	$ 2,328,551	$ 4,843,262	$ 589,973	$ 1,024,928	$ 22,968,671

NOTE 15 RESTATEMENT OF NET POSITION

In accordance with generally accepted accounting principles for fiscal year 17-18, the Board made prior adjustments due to the adoption of GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions," which require the restatement of the July 1, 2017 net position in Governmental Activities. The result in net position as of July 1, 2017 is a decrease of $14,724,021 in Governmental Activities.

Governmental Activities		
Net Position June 30, 2017 as Previously Reported	$	10,321,180
Prior Period Restatement		(14,724,021)
Net Position July 1, 2017 as Restated	$	(4,402,841)

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, 2018

Last 10 Fiscal Years*

	2018	2017	2016	2015	2014
TCL Proportion of Net Pension Liability	0.084763%	0.085300%	0.087397%	0.086284%	0.086284%
TCL Proportioante Share of Net Pension Liability	$ 19,081,514	$ 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	$ 8,267,116
TCL Proportionate Share of Net Pension Liability as a Percentage of Covered Employee Payroll	214.81%	211.25%	173.87%	162.46%	187.20%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	53.30%	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, 2018

Last 10 Fiscal Years

	2018	2017	2016	2015	2014
Contractually Required Contribution	$ 1,183,275	$ 989,178	$ 865,610	$ 893,244	$ 794,980
Contributions in Relation to the Contractally Required Contribution	(1,183,275)	(989,178)	(865,610)	(893,244)	(794,980)
Contribution Deficiency/(Excess)	$ -	$ -	$ -	$ -	$ -
TCL Covered Employee Payroll	$ 9,055,859	$ 8,883,071	$ 8,624,879	$ 9,533,240	$ 9,144,015
Contributions as a Percentage of Covered-Employee Payroll	13.07%	11.14%	10.04%	9.37%	8.69%

cont.	2013	2012	2011	2010	2009
Contractually Required Contribution	$ 800,641	$ 713,164	$ 716,255	$ 728,770	$ 730,205
Contributions in Relation to the Contractally Required Contribution	(800,641)	(713,164)	(716,255)	(728,770)	(730,205)
Contribution Deficiency/(Excess)	$ -	$ -	$ -	$ -	$ -
TCL Covered Employee Payroll	$ 9,288,451	$ 9,261,324	$ 9,278,009	$ 9,337,510	$ 9,010,179
Contributions as a Percentage of Covered-Employee Payroll	8.62%	7.70%	7.72%	7.80%	8.10%

TECHNICAL COLLEGE OF THE LOWCOUNTRY
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS

	2018
Total OPEB Liability	
Service cost at the end of the year	$ 643,456
Interest on the TOL and Cash Flows	479,604
Projected earnings on plan investments	(44,824)
OPEB plan administrative expense	11
Other changes in plan fiduciary net position	(215,937)
Recognition of outflows (inflows) of resources due to liabilities	6,129
Difference between expected and actual experience	18,087
Changes of assumption or other inputs	(1,859,642)
Net change in Total OPEB Liability	$ (973,116)
Total OPEB Liability - beginning	$15,241,111
Total OPEB Liability - ending	$14,267,995
Covered Payroll	$ 8,883,071
Total OPEB Liability as a percentage of covered payroll	160.62%

Until a full 10-year trend is compiled, the Board will present information for those years for which information is available.

TECHNICAL COLLEGE OF THE LOWCOUNTRY
SCHEDULE OF OPEB CONTRIBUTIONS
LAST TEN FISCAL YEARS

Description	2017	2018
Acturarially Determined Employer Contribution (ADEC)	$ 473,468	$ 498,073
Contributions in relation to the ADEC	-	-
Annual contribution deficiency (excess)	$ 473,468	$ 498,073
Covered Payroll*	$ 8,883,071	$ 9,055,859
Actual contributions as a percentage of covered payroll	5.3%	5.5%

*For years following the valuation date (when no new valuation is performed), covered payroll has been set equal to the covered payroll from the most recent valuation.

COMPLIANCE SECTION

TECHNICAL COLLEGE OF THE LOWCOUNTRY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

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		$ -	$ 110,184
Federal Supplemental Education and Opportunity Grants	84.007		-	156,615
Federal Pell Grant Program	84.063		-	4,191,483
Federal Direct Student Loans	84.268		-	1,990,759
Total Student Financial Assistance Program Cluster			-	6,449,041
Strengthening Minority Serving Institutions				
Predominantly Black Institution Grant - Formula Grant	84.031		-	4,304
TRIO Program Cluster				
Student Support Services	84.042		-	282,748
Upward Bound	84.044		-	102,225
Talent Search	84.047		-	368,228
Total TRIO Program Cluster			-	753,201
Passed through S.C. Department of Education				
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334		-	61,780
Perkins IV	84.048		-	129,525
Department of Health and Human Services				
Early Childhood Development	93.575		-	3,010
Total Expenditures of Federal Awards			$ -	$ 7,400,861

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, 2018

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 $64,047 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.

CROWLEY WECHSLER & ASSOCIATES LLC
CERTIFIED PUBLIC ACCOUNTANTS

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

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

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, 2018, and the related notes to the financial statements, which collectively comprise the Technical College of the Lowcountry's basic financial statements, and have issued our report thereon dated September 30, 2018.

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 30, 2018

CROWLEY WECHSLER & ASSOCIATES LLC

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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, 2018. 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 the 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, 2018.

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Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2018-001. Our opinion on each major federal program is not modified with respect to these matters.

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

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 a 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. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2018-001, that we consider to be material weaknesses.

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

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

Crowley Wechsler & Associates LLC

Crowley Wechsler & Associates LLC
Beaufort, South Carolina
September 30, 2018

TECHNICAL COLLEGE OF THE LOWCOUNTRY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

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?	X Yes	___ 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)?	X Yes	___ 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

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

US Department of Education
Program Name: Student Financial Assistance Program Cluster
CFDA 84.033, 84.007, 84.063, 84.268

Finding 2018-001

Criteria: In accordance with the grant contract, the requirement applicable in this case, is to make payments in accordance with policies and compliance requirements outlined in the 2018 OMB Compliance Supplement.

Condition: Two instances in which two males were awarded grants and were not registered for selective service.

Questioned Costs: Known questioned costs for the 2 students are the grant awards of $4,003 and $4,440 for the current fiscal year. Total awards for the two students, including prior years, are $10,820 and $14,475.

Context: Of the 22 male students tested, 2 were not registered for selective service.

Effect: Two students received grant awards while not appearing to be in grant compliance.

Cause: Staff is not routinely reviewing student records made into computer system for FAFSAs (Free Application for Federal Student Aid).

Recommendation: Provide training to staff to update them on related compliance to aid them in reviewing files before awarding grants.

Management Response: The College will review FAFSA reports for accuracy with regard to compliance requirements.

TECHNICAL COLLEGE OF THE LOWCOUNTRY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2018

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

TECHNICAL COLLEGE OF THE LOWCOUNTRY
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2018

US Department of Education
Program Name: Student Financial Assistance Program Cluster
CFDA 84.033, 84.007, 84.063, 84.268

Finding Number: 2018–001

___ Repeat Finding _X_ Material Weakness _X_ Questioned Cost ___ Significant Deficiency

Description of Finding: Two instances in which two males were awarded grants and were not registered for selective service.

Questioned Costs: Known questioned costs for the 2 students are the grant awards of $4,003 and $4,440 for the current fiscal year. Total awards for the two students, including prior years, are $10,820 and $14,475.

Did you, as the Recipient agree with this finding?

We are in agreement with the finding as noted.

If No, provide an explanation and specific reasons for the non-concurrence.

Planned Corrective Action Plan:

The College will review FAFSA reports for accuracy with regard to compliance requirements.

Due Date to Complete the Implementation of the Corrective Action Plan:

December 30, 2018

Accountable Official's Name: Andrew Smith
Signature: AH Smith
Date: 9/30/18