



**Audited Financial Statements and Other Financial Information**  
**Year Ended June 30, 2016**  
**With**  
**Independent Auditor's Report**

# PIEDMONT TECHNICAL COLLEGE

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June 30, 2016

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**PIEDMONT TECHNICAL COLLEGE**  
Organizational Information  
June 30, 2016

<u>PIEDMONT TECHNICAL EDUCATION COMMISSION</u>	<u>Office</u>	<u>Term Expires</u>	<u>County Represented</u>
Y. J. Ahn	Chairman	2016*	Greenwood
Jane J. Herlong	Vice Chairman	2017	Edgefield
Cherry Houston Brown	Secretary	2019	McCormick
J. Richard Cain	Member	2018	Laurens
George P. Cone, Jr., MD	Member	2017	Greenwood
Stephen M. Lamb	Member	2019	Laurens
Peter J. Manning	Member	2018	Greenwood
H. George Piersol, II	Member	2017	Newberry
Rufus C. Sherard	Member	2018	Abbeville
William I. West	Member	2017	Greenwood
William A. Whitfield	Member	2015*	Saluda
Thelma Woody	Member	2018	Abbeville

\*awaiting reappointment  
by the Governor

KEY ADMINISTRATIVE STAFF

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

AREA SERVED BY THE COMMISSION

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

ENTITIES PROVIDING FINANCIAL SUPPORT FOR THE INSTITUTION

Counties of: Abbeville, Edgefield, Greenwood, Laurens, McCormick, Newberry and Saluda  
S.C. State Budget and Control Board  
U.S. Department of Education  
U.S. Department of Labor  
National Science Foundation

# THE BRITTINGHAM GROUP, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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

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PHONE: (803) 739-3090

FAX: (803) 791-0834

## INDEPENDENT AUDITOR'S REPORT

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

### Report on Financial Statements

We have audited the accompanying financial statements of the business type activities of Piedmont Technical College (the "College"), a component unit of the State of South Carolina and a member institution of the South Carolina Technical College System, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents. We did not audit the financial statements of Piedmont Technical College Foundation, (a discretely presented component unit). The Piedmont Technical College Foundation reflects 100% of total assets, 100% of net position, and 100% of total revenues of the discretely presented component unit.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Piedmont Technical College Foundation, which represent 100% of total assets, 100% of net position, and 100% of total revenues of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Piedmont Technical College Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of

the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

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

### **Opinions**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit, of the College, as of June 30, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of Proportionate Share of the South Carolina Retirement Systems Net Pension Liabilities, and Schedule of Retirement Systems Contributions on pages 4-11 and 36-37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

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

The Schedule of Expenditures of Federal Awards, the Schedule of Reconciliation of Revenues and Cash reimbursements received from State Board, and the Schedule of Local Government Support are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards, the Schedule of Reconciliation of Revenues and Cash reimbursements received from State Board and the Schedule of Local Government Support are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2016, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

*The Brittingham Group LLP*

West Columbia, South Carolina  
August 25, 2016



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## MANAGEMENT DISCUSSION AND ANALYSIS

We present management's discussion and analysis of the College's financial performance during the fiscal year ended June 30, 2016 to assist the reader in understanding the College's operations. This discussion should be read in conjunction with the College's basic financial statements, the component unit's financial statements and the accompanying note disclosures.

### Financial Highlights

- The assets of Piedmont Technical College exceeded its liabilities at June 30, 2016 by \$15,593,129. Of this amount, \$8,912,687 may be used to meet the College's ongoing obligations. The College's net pension liability is not a legal obligation, and the South Carolina Retirement System (SCRS) does not have recourse to collect the College's net pension liability of \$31,864,862 shown on the College's Statement of Net Position.
- The College's total net position decreased from the beginning net position by \$423,298 or 3%. Capital projects during the fiscal year ended June 30, 2016 included the start of renovations to the Student Enrollment Center so that students can come to one centralized location to receive assistance with Admissions, Financial Aid, Advising, Testing, and other services critical to their success. Renovations for Phase III of the Laurens Center for Advanced Manufacturing also began this fiscal year to add a classroom and two additional labs. Renovations to our new HVAC Training Center on the Greenwood Campus were completed. Additionally, parking lots were resurfaced on the Greenwood Campus.
- The College experienced an operating loss of \$23,310,201 as reported in the Statement of Revenues, Expenses, and Changes in Net Position. However, this operating loss was offset by state appropriations of \$7,744,607 county appropriations of \$2,294,396, federal grants of \$12,415,367, capital appropriations and contributions of \$378,283, and other non-operating revenues.

### Overview of the Financial Statements

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

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

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

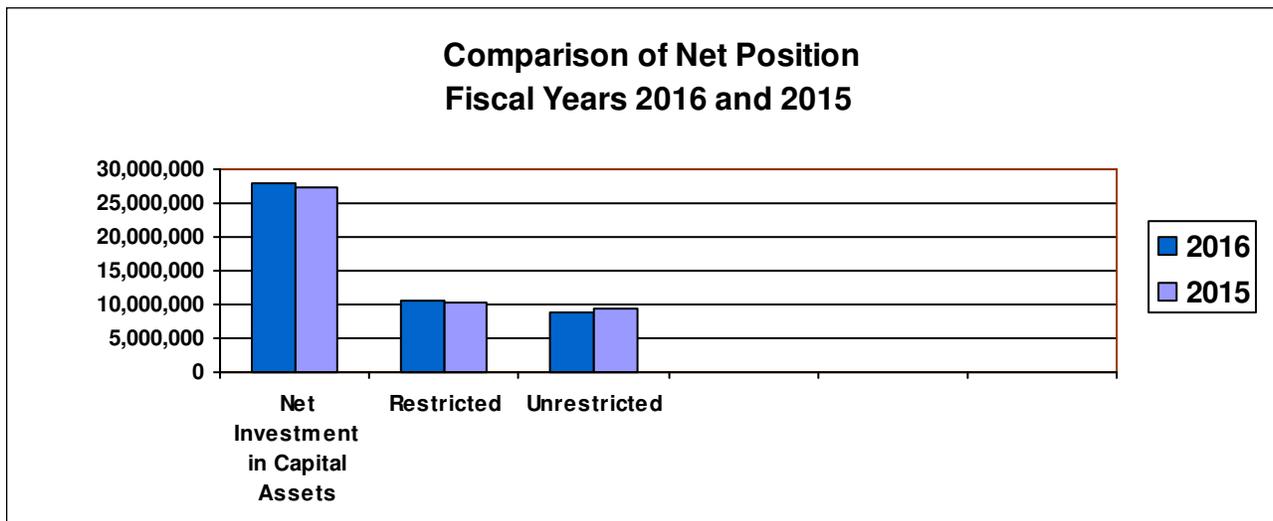
The Statement of Cash Flows will aid readers in identifying the sources and uses of cash by the major categories of operating, non-capital financing, capital and related financing, and investing activities. This statement also emphasizes the College's dependence on State appropriations, County appropriations,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

The College implemented Governmental Accounting Standards Board (GASB) Statement 68, Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27), in the fiscal year ended June 30, 2015. The implementation of the statement required the College to record a portion of the net pension liability of the SCRS, and its effect on the College's unrestricted net position. The net pension liability reduced the College's total unrestricted net position by \$31,864,862 at June 30, 2016. The change in pension liability that the college has to report is calculated based on results from the State's prior fiscal year end or measurement period.

As reported by PEBA in a recent memorandum, a plan's Net Pension Liability (NPL) is determined by reducing its total pension liability by its fiduciary net position. Total pension liability is defined by the Governmental Accounting Standards Board (GASB) as the portion of the actuarial present value of projected benefit payments that is attributed to past periods of member service in conformity with the requirements of GASB 67. Total pension liability may be impacted annually by the cost of service accrued by participants, interest accrued on the liability, the impact of benefit and assumption changes, the cost of benefit payments, and the difference between expected and actual plan experience. The most significant impact on a plan's fiduciary net position relates to the rate of return on its investments. Consequently, significant fluctuations in the market value of investments substantially affect the fiduciary net position component of the NPL calculation, and as a result, cause a direct change in the NPL. Investments earned 1.60% during the plan year ended June 30, 2015 and thus the market value of the South Carolina Retirement System (SCRS) and Police Officers' Retirement System's (PORS) investments increased slightly. However, this resulted in negative cash flows because net investment income plus other plan additions (contributions) were not substantial enough to offset plan deductions (benefit payments and administrative costs). Accordingly, SCRS and PORS experienced an overall decrease in plan fiduciary net position for the fiscal year ended June 30, 2015. This change, coupled with the annual increase in the total pension liability, led to a \$1.75 billion and \$265 million increase in the NPL for SCRS and PORS, respectively, for the measurement period ended June 30, 2015.

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

## Financial Analysis of the College as a whole



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

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

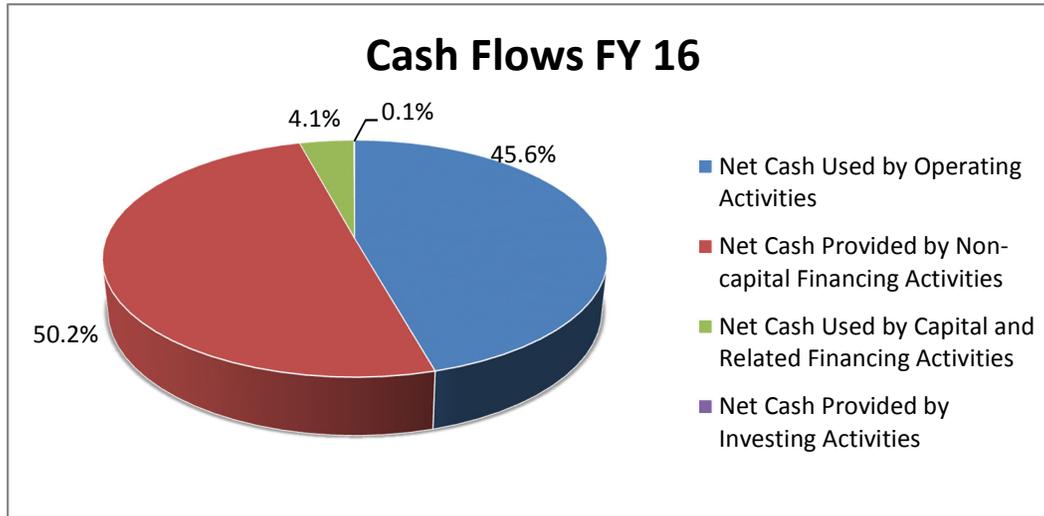
	<u>FY 2016</u>	<u>FY2015</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
Current Assets	\$ 23.5	\$ 23.7	\$ (0.2)	-0.8%
Noncurrent Capital Assets, Net	27.9	27.5	0.4	1.5%
Deferred Outflows - Pension Liability	2.6	2.7	(0.1)	-3.7%
Total Assets and Deferred Outflows of Resources	<u>54.0</u>	<u>53.9</u>	<u>0.1</u>	<u>0.2%</u>
Current Liabilities	3.0	3.1	(0.1)	-3.2%
Non-Current Liabilities	35.1	32.2	2.9	9.0%
Deferred Inflows - Pension Liability	0.3	2.6	(2.3)	-88.5%
Total Liabilities and Deferred Inflows of Resources	<u>38.4</u>	<u>37.9</u>	<u>0.5</u>	<u>1.3%</u>
Net Position:				
Invested in Capital Assets	27.9	27.5	0.4	1.5%
Restricted	10.6	10.4	0.2	1.9%
Unrestricted - Unfunded Pension Obligation	(31.8)	(31.2)	(0.6)	1.9%
Unrestricted - Other	8.9	9.3	(0.4)	-4.3%
Total Net Position	<u>\$ 15.6</u>	<u>\$ 16.0</u>	<u>\$ (0.4)</u>	<u>-2.5%</u>

This schedule is prepared from the College's Statement of Net Position (page 12), which is presented on an accrual basis of accounting where capital assets are recorded and depreciated. Total net position at June 30, 2016 decreased to \$15.6 million from \$16 million in fiscal year 2015.

Net position may serve over time as a useful indicator of an entity's financial position (page 10). In the case of the College, assets exceeded liabilities by \$15,593,129 at the close of the most recent fiscal year end. By far, the largest portion of the College's net position (59 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that are still outstanding. The College uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Approximately 22 percent, or \$10,643,092, of the College's net position represents resources that are subject to external restrictions on how they may be used. *Unrestricted net position* of \$8,912,687, or approximately 19 percent, may be used to meet the College's ongoing obligations.

## Cash Flows

Cash provided from non-capital financial activities included State and County appropriations; grants and gifts; and other income; and totaled approximately \$22 million dollars. This cash was used to fund operating activities.



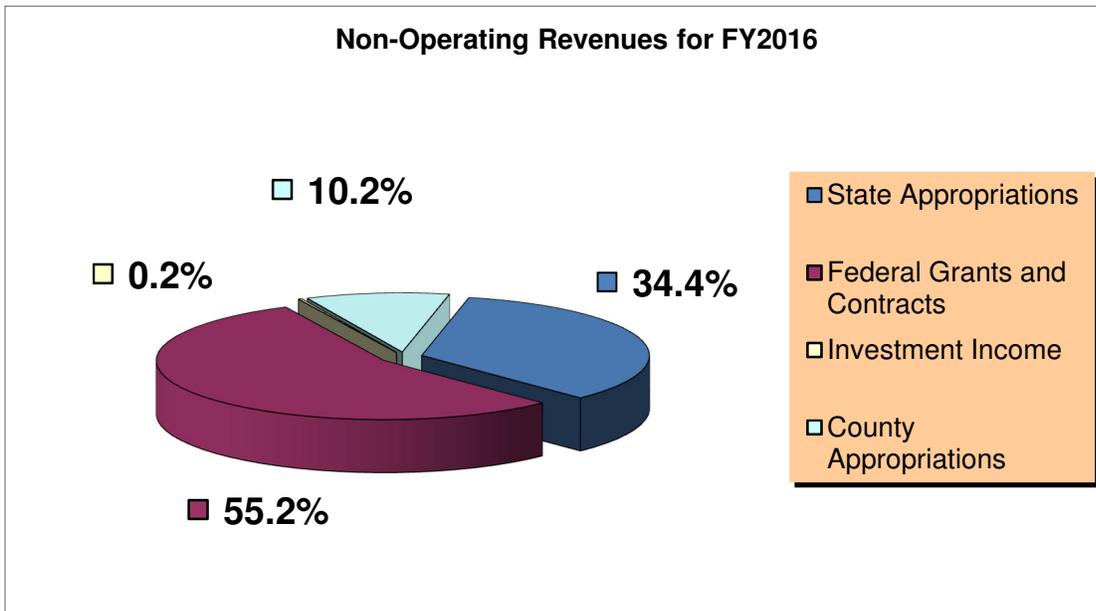
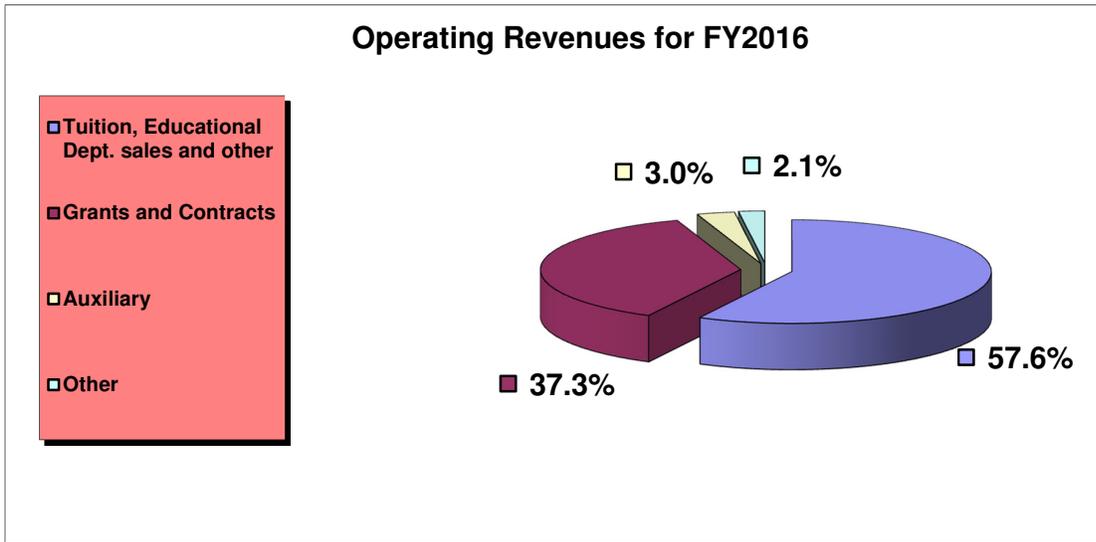
The following schedule is a summary of the College's operating results for the fiscal year:

<b>Operating Results (in millions)</b>	<b>FY 2016</b>	<b>FY 2015</b>	<b>Increase/ (Decrease)</b>	<b>Percent Change</b>
Operating Revenue				
Student Tuition and Fees	\$ 11.3	\$ 10.2	\$ 1.1	10.8%
Grants and Contracts	7.3	7.9	(0.6)	-7.6%
Auxiliary Enterprises	0.6	0.7	(0.1)	-14.3%
Other	0.4	0.4	-	0.0%
Total Operating Revenues	<u>19.6</u>	<u>19.2</u>	<u>0.4</u>	<u>2.1%</u>
Less Operating Expenses	<u>(42.9)</u>	<u>(44.0)</u>	<u>1.1</u>	<u>-2.5%</u>
Net Operating Loss	<u>(23.3)</u>	<u>(24.8)</u>	<u>1.5</u>	<u>-6.0%</u>
Non-Operating Revenue				
State Appropriations	7.7	6.9	0.8	11.6%
Local Appropriations	2.3	2.2	0.1	4.5%
Federal Grants and Contracts	12.5	15.2	(2.7)	-17.8%
Total Non-Operating Revenue	<u>22.5</u>	<u>24.3</u>	<u>(1.8)</u>	<u>-7.4%</u>
Income Before Other Revenues, Expenses, Gains or Losses	(0.8)	(0.5)	(0.3)	0.0%
Other Revenues, Expenses, Gains or Losses	0.4	0.3	0.1	33.3%
Net Position, Beginning of Year	<u>16.0</u>	<u>16.2</u>	<u>(0.2)</u>	<u>-1.2%</u>
Net Position, End of Year	<u>\$ 15.6</u>	<u>\$ 16.0</u>	<u>\$ (0.4)</u>	<u>-2.5%</u>

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 scholarship allowances, in order to eliminate duplication of revenues.

The following are graphic illustrations of revenues by source:

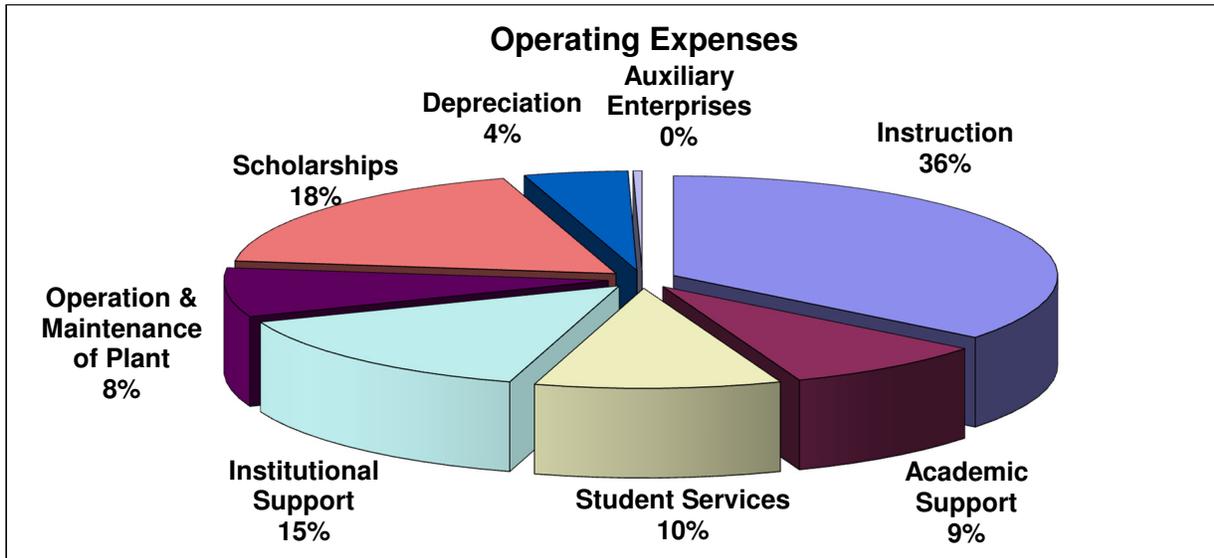
### Revenues by Source



Overall operational expenditures decreased 2 percent for the current fiscal year. The decrease is a result of the College's continued efforts to manage costs while providing our students the best educational environment possible through improved instruction, student services, programs and information technology needs.

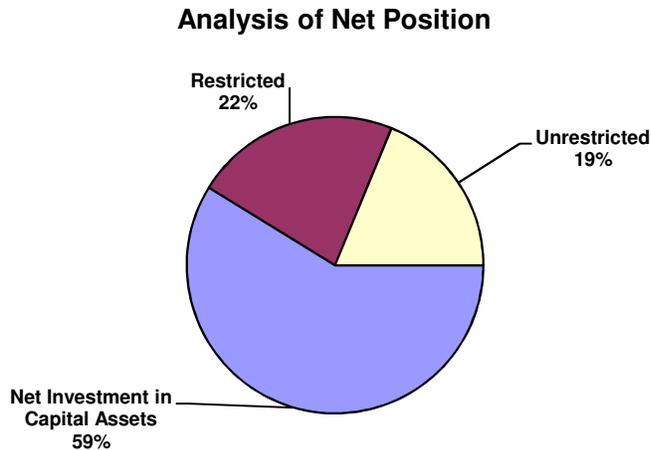
<b>Operating Expense (in millions)</b>				
	<u>FY 2016</u>	<u>FY 2015</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
Operating Expense				
Instruction	\$ 15.3	\$ 15.9	\$ (0.6)	-3.8%
Academic Support	3.7	3.7	-	0.0%
Student Services	4.4	5.2	(0.8)	-15.4%
Operation and Maintenance	3.4	3.4	-	0.0%
Instructional Support	6.2	5.9	0.3	5.1%
Scholarships	7.8	7.8	-	0.0%
Auxiliary Enterprises	0.2	0.2	-	0.0%
Depreciation	1.9	1.8	0.1	5.6%
<b>Total Operating Expense</b>	<u>\$ 42.9</u>	<u>\$ 43.9</u>	<u>\$ (1.0)</u>	<u>-2.3%</u>

The following is a graphic illustration of operating expenses:



In excess of \$23,423,680 or 55%, of the College's operating expenses occurred in the instruction, student and academic support classifications.

The following is a graphic illustration of net position:



For your review, a comparative example of the Statement of Net Position before and after the GASB 68 revisions is presented below. Please note that, prior to the revisions, the College would have recognized an increase in net position of \$197,157.

**Condensed Statement of Net Position  
June 30, 2016**

ASSETS	Current	Prior to GASB 68*
Current Assets	\$ 23,488,933	\$ 23,488,933
Non-Current Assets	27,902,212	27,902,212
Total Assets	51,391,145	51,391,145
 DEFERRED OUTFLOWS OF RESOURCES	 2,648,531	 -
Total Assets and Deferred Outflows of Resources	54,039,676	51,391,145
 LIABILITIES		
Current Liabilities	3,056,897	3,056,897
Non-Current Liabilities	35,110,746	35,110,746
Total Liabilities	38,167,643	38,167,643
 DEFERRED INFLOWS OF RESOURCES	 278,904	 -
Total Liabilities and Deferred Inflows of Resources	38,446,547	38,167,643
 NET POSITION		
Net Investment in Capital Assets	27,902,212	27,902,212
Restricted: Expendable Plant Funds	10,643,092	10,643,092
Unrestricted - Unfunded Pension Obligation	(31,864,862)	-
Unrestricted - Other	8,912,687	8,912,687
Total Net Position	\$ 15,593,129	\$ 47,457,991

\*This column is for illustrative purposes only.

**Economic Factors**

Student enrollment declined by approximately 8% for the fiscal year ended 2016, while the College continued to offer competitive tuition rates. The financial position and fiscal stability during 2015-2016 were stable, and management will work to ensure the College's continued financial health. The College is well positioned to maintain and provide adequate resources to successfully serve its students. A continued decline in enrollment is anticipated for the 2016-2017 academic year, and the College is adjusting accordingly. Also, as noted with the implementation of GASB 68, agencies were required to recognize their proportionate share of the State's net pension liability beginning with fiscal years ending June 30, 2015. As a result of this pronouncement the College's net position now reflects an unfunded pension obligation of \$31.8 million. The financial statements that follow reflect a small decrease in net position also due to the GASB 68 pronouncement.

**Component Units**

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

Sincerely,

Dr. Luther R. Brooks  
President

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

Wendy Hughes, CGFO  
Controller

**PIEDMONT TECHNICAL COLLEGE**

Statement of Net Position

June 30, 2016

(with comparative amounts for the year ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents (Note 1)	\$ 16,533,505	\$ 16,387,879
Certificates of Deposit (Note 3)	6,098,955	6,075,210
Accounts Receivable (Note 4)	785,185	1,216,116
Other Assets	<u>71,288</u>	<u>70,418</u>
Total Current Assets	<u>23,488,933</u>	<u>23,749,623</u>
<b>NON-CURRENT ASSETS</b>		
Non-depreciable Capital Assets (Note 5)	1,912,400	623,896
Capital Assets, Net of Accumulated Depreciation (Note 5)	<u>25,989,812</u>	<u>26,853,870</u>
Total Non-Current Assets	<u>27,902,212</u>	<u>27,477,766</u>
Total Assets	<u>51,391,145</u>	<u>51,227,389</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Outflows - Pension Liability	<u>2,648,531</u>	<u>2,740,517</u>
Total Assets and Deferred Outflows of Resources	<u>54,039,676</u>	<u>53,967,906</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable (Note 11)	1,041,184	758,666
Long Term Liabilities - Current Portion (Note 12)	543,780	563,200
Unearned Revenue	<u>1,471,933</u>	<u>1,777,477</u>
Total Current Liabilities	<u>3,056,897</u>	<u>3,099,343</u>
<b>NON-CURRENT LIABILITIES</b>		
Accrued Compensated Absences (Note 12)	876,257	867,212
Pension Liability	<u>34,234,489</u>	<u>31,333,239</u>
Total Non-Current Liabilities	<u>35,110,746</u>	<u>32,200,451</u>
Total Liabilities	<u>38,167,643</u>	<u>35,299,794</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Inflows - Pension Liability	<u>278,904</u>	<u>2,651,685</u>
Total Liabilities and Deferred Inflows of Resources	<u>38,446,547</u>	<u>37,951,479</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	27,902,212	27,477,766
Restricted for:		
Expendable:		
Plant Funds	10,643,092	10,404,886
Unrestricted - Unfunded Pension Obligation	(31,864,862)	(31,244,407)
Unrestricted - Other	<u>8,912,687</u>	<u>9,378,182</u>
Total Net Position	<u>\$ 15,593,129</u>	<u>\$ 16,016,427</u>

See Accompanying Notes

**PIEDMONT TECHNICAL COLLEGE**  
Non-governmental Discretely Presented Component Unit  
Statement of Financial Position  
Piedmont Technical College Foundation  
June 30, 2016  
(with comparative amounts for the year ended June 30, 2015)

**ASSETS**

	2016	2015
Current Assets		
Cash and Cash Equivalents	\$ 245,472	\$ 118,622
Investments	2,805,776	2,931,486
Pledges Receivable, Net	26,650	37,667
Accounts Receivable	3,520	3,310
Bequests Receivable	300,000	-
Prepaid Expenses	-	2,000
Total Current Assets	3,381,418	3,093,085
Property, Furniture and Equipment, Net	3,423,979	3,479,094
Other Assets		
Endowment Investments	936,493	897,675
Pledges Receivable, Net	55,997	82,916
Cash Surrender Value of Life Insurance	403,439	408,084
Total Other Assets	1,395,929	1,388,675
Total Assets	\$ 8,201,326	\$ 7,960,854

**LIABILITIES AND NET ASSETS**

Current Liabilities		
Accounts Payable and Accrued Liabilities	\$ 11,214	\$ 2,506
Current Portion of Notes Payable	9,709	9,709
Income Taxes Payable	589	1,892
Total Current Liabilities	21,512	14,107
Long-term Liabilities		
Annuity Payable	-	10,000
Total Long-term Liabilities	-	10,000
Total Liabilities	21,512	24,107
Net Assets		
Unrestricted	5,808,190	5,945,431
Temporarily Restricted	1,435,131	1,093,641
Permanently Restricted	936,493	897,675
Total Net Assets	8,179,814	7,936,747
Total Liabilities and Net Assets	\$ 8,201,326	\$ 7,960,854

See Accompanying Notes

**PIEDMONT TECHNICAL COLLEGE**  
Statement of Revenues, Expenses and Changes in Net Position  
For the Year Ended June 30, 2016  
(with comparative amounts for the year ended June 30, 2015)

	2016	2015
<b>OPERATING REVENUES</b>		
Student Tuition and Fees (Net of Scholarship Allowances of \$10,030,441)	\$ 11,290,711	\$ 10,163,710
Federal Grants and Contracts	1,803,273	2,599,653
State Grants and Contracts	5,468,504	5,337,653
Non-Governmental Contracts	38,873	47,920
Auxiliary Enterprises	595,442	677,735
Other Operating Revenues	411,806	351,611
Total Operating Revenues	19,608,609	19,178,282
<b>OPERATING EXPENSES</b>		
Salaries	17,895,474	18,798,385
Benefits - Other	3,959,685	3,998,221
Benefits - Pension	2,425,237	2,201,656
Scholarships (Net of Scholarship Allowances of \$10,030,441)	7,819,024	7,852,077
Utilities	915,927	867,563
Supplies and Other Services	8,026,464	8,425,963
Depreciation	1,876,999	1,792,444
Total Operating Expenses	42,918,810	43,936,309
Operating Loss	(23,310,201)	(24,758,027)
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
State Appropriations	7,744,607	6,986,658
County Appropriations	2,294,396	2,219,817
Federal Grants and Contracts	12,415,367	15,026,094
Interest Income	54,250	31,440
Net Non-operating Revenues	22,508,620	24,264,009
Change in Net Position Before Capital Appropriations and Contributions	(801,581)	(494,018)
Capital Appropriations and Contributions	378,283	326,029
Decrease in Net Position	(423,298)	(167,989)
Net Position - Beginning of Year	16,016,427	16,184,416
Net Position - End of Year	\$ 15,593,129	\$ 16,016,427

See Accompanying Notes

**PIEDMONT TECHNICAL COLLEGE**  
Non-governmental Discretely Presented Component Unit  
Statement of Activities  
Piedmont Technical College Foundation  
For the Year Ended June 30, 2016  
(with comparative amounts for the year ended June 30, 2015)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Combined Total 2016	Summary Total 2015
<b>Revenues, Gains, and Other Support</b>					
Contributions	\$ 20,390	\$ 606,450	\$ 39,010	\$ 665,850	\$ 445,531
Investment Income	(34,094)	(16,236)	(192)	(50,522)	84,675
Special Events		-	-		
Golf Tournament Income	40,917	-	-	40,917	38,396
In-kind Contributions	55,464	-	-	55,464	51,654
Distance Learning Revenue	351,700	-	-	351,700	398,400
Rental Income	90,005	-	-	90,005	90,005
Other Income	24,156	-	-	24,156	31
Gain (Loss) on Sale of Assets	-	-	-	-	(100,253)
Net Assets Released from Restrictions	248,724	(248,724)	-	-	-
<b>Total Revenues, Gains, and Other Support</b>	<u>797,262</u>	<u>341,490</u>	<u>38,818</u>	<u>1,177,570</u>	<u>1,008,439</u>
<b>Expenses</b>					
Program Services					
Distance Learning Program	53,052	-	-	53,052	53,052
Scholarships and Grants	343,689	-	-	343,689	360,134
Other Program Services	104,971	-	-	104,971	99,648
<b>Total Program Services</b>	<u>501,712</u>	<u>-</u>	<u>-</u>	<u>501,712</u>	<u>512,834</u>
Support Services					
Management and General	428,868	-	-	428,868	264,345
Fundraising	3,923	-	-	3,923	5,519
<b>Total Support Services</b>	<u>432,791</u>	<u>-</u>	<u>-</u>	<u>432,791</u>	<u>269,864</u>
<b>Total Expenses</b>	<u>934,503</u>	<u>-</u>	<u>-</u>	<u>934,503</u>	<u>782,698</u>
Change in Net Assets	(137,241)	341,490	38,818	243,067	225,741
Net Assets - Beginning of Year	5,945,431	1,093,641	897,675	7,936,747	7,711,006
<b>Net Assets - End of Year</b>	<u>\$ 5,808,190</u>	<u>\$ 1,435,131</u>	<u>\$ 936,493</u>	<u>\$ 8,179,814</u>	<u>\$ 7,936,747</u>

See Accompanying Notes

**PIEDMONT TECHNICAL COLLEGE**

Statement of Cash Flows

For the Year Ended June 30, 2016

(with comparative amounts for the year ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and Fees	\$ 11,160,303	\$ 9,981,772
Federal, State and Local Grants and Contracts	7,566,443	8,543,998
Auxiliary Enterprise Charges	595,442	677,735
Other Receipts	411,807	351,611
Payments to Vendors	(25,145,484)	(23,485,429)
Payments to Employees	(15,004,598)	(18,400,056)
Student Loan Receipts from Lendors	16,733,435	13,857,030
Disbursements to Students on Behalf of Lendors	<u>(16,733,435)</u>	<u>(13,857,030)</u>
Net Cash Used by Operating Activities	<u>(20,416,087)</u>	<u>(22,330,369)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
State Appropriations	7,744,607	6,986,658
County Appropriations	2,294,396	2,219,817
State, Local and Federal Grants, Gifts and Contracts - Non-Operating	12,415,367	15,026,094
Net Cash Provided by Non-capital Financing Activities	<u>22,454,370</u>	<u>24,232,569</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Federal, State and Other Grants for Capital	378,283	326,029
Purchase of Capital Assets	<u>(2,301,445)</u>	<u>(1,591,166)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(1,923,162)</u>	<u>(1,265,137)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on Investments	54,250	31,440
Purchase of Investments	(150,241)	(142,375)
Proceed from Maturity of Certificates of Deposit	126,496	124,998
Net Cash Provided by Capital and Related Financing Activities	<u>30,505</u>	<u>14,063</u>
Net Change in Cash and Cash Equivalents	145,626	651,126
Cash - Beginning of Year	16,387,879	15,736,753
Cash - End of Year	<u>\$ 16,533,505</u>	<u>\$ 16,387,879</u>
<b>Reconciliation of Net Operating Revenue (Expenses) to Net Cash Used by Operating Activities:</b>		
Operating Loss	\$ (23,310,201)	\$ (24,758,028)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities		
Depreciation Expense	1,876,999	1,792,444
Change in Assets and Liabilities		
Receivables, Net	430,931	322,565
Deferred Charges and Prepaid Expenses	91,116	(2,755,969)
Accounts Payable	282,518	(35,665)
Long Term Liabilities	2,890,875	398,329
Unearned Revenue	<u>(2,678,325)</u>	<u>2,705,955</u>
Net Cash Used by Operating Activities	<u>\$ (20,416,087)</u>	<u>\$ (22,330,369)</u>

See Accompanying Notes

# PIEDMONT TECHNICAL COLLEGE

Notes to Financial Statements

June 30, 2016

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

### **A. Nature of Operations**

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

### **B. Reporting Entity**

The financial reporting entity, as defined by the Governmental Accounting Standards Board (GASB) consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete. Accordingly, the financial statements include the accounts of Piedmont Technical College, as the primary government, and the accounts of Piedmont Technical College Foundation (the "Foundation"), its component unit. The College is part of the primary government of the State of South Carolina. However, based on the nature and significance of the Foundation's relationship with the State of South Carolina, the Foundation is not a component unit of the State of South Carolina.

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

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

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

### **C. Financial Statements**

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

### **D. Basis of Accounting**

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

**PIEDMONT TECHNICAL COLLEGE**  
Notes to Financial Statements  
June 30, 2016

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

**E. Cash and Cash Equivalents**

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

**F. Deposits**

State law requires that a bank or savings and loan association receiving State funds must secure the deposits by deposit insurance, surety bonds, collateral securities, or letters of credit to protect the State against any loss. To address the custodial credit risk and compliance with the above mentioned law, the College has a written policy that collateral securities are held in the name of the College for any deposits with financial institutions that are in excess of the amount covered by the Federal Deposit Insurance Corporation (FDIC).

**G. Investments**

The College accounts for its investments at fair value. Changes in unrealized gain (loss) on the fair value of investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net position.

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

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

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

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

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

**H. Accounts Receivable**

Accounts receivable consists of tuition and fee charges to students, gift pledges and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Accounts receivable are recorded net of an allowance for estimated uncollectible amounts. The allowance for losses for student accounts receivable are established based upon actual losses experienced in prior years and evaluations of the current account portfolio.

**PIEDMONT TECHNICAL COLLEGE**  
Notes to Financial Statements  
June 30, 2016

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

**I. Capital Assets**

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

Routine repairs and maintenance and library materials, except individual items costing in excess of \$5,000, are charged to operating expenses in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and improvements and land improvements and 2 to 25 years for machinery, equipment, and vehicles. Depreciation is taken beginning the month and year the asset is placed in service and no depreciation is taken in the year of disposition.

**J. Unearned Revenues**

Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

**K. Compensated Absences**

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

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

**L. Net Position**

The College's net position is classified as follows:

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

***Restricted net position - expendable:*** Restricted expendable net position includes resources in which the College is legally or contractually obligated to spend in accordance with restrictions imposed by enabling legislation or external third parties.

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

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

**PIEDMONT TECHNICAL COLLEGE**  
Notes to Financial Statements  
June 30, 2016

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

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

The College's policy for spending either restricted or unrestricted resources is delegated to the departmental administrative level. General practice is to first apply the expense to restricted resources and then to unrestricted resources.

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

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

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

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

**M. Income Taxes**

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

**N. Classification of Revenues**

The College has classified its revenues as either operating or non-operating revenues according to the following criteria:

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

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

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

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

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

**PIEDMONT TECHNICAL COLLEGE**

Notes to Financial Statements

June 30, 2016

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

**O. Auxiliary Enterprises and Internal Service Activities**

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

**P. Capitalized Interest**

The College capitalizes as a component of construction in progress interest cost in excess of earnings on debt associated with capital projects that will be capitalized in the applicable capital asset categories upon completion. The College did not have interest cost during the year ended June 30, 2016, and no interest was capitalized.

**Q. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The College currently reports deferred outflows of resources of \$2,648,531 as of June 30, 2016.

In addition to the liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separated financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The College currently reports deferred inflows of resources of \$278,904 as of June 30, 2016.

**R. Comparative Information**

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

**NOTE 2 - STATE APPROPRIATIONS**

State funds for operations for the South Carolina Technical College System are appropriated to the State Board for Technical and Comprehensive Education (the "Board") and the Board allocates funds budgeted for the technical colleges in a uniform and equitable manner. The following is a detail schedule of State appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2016.

Non-Capital Appropriations	
Current Years Appropriations	
Original Appropriations per Annual Appropriations Act	\$ 7,228,323
Other Adjustments	516,284
Total Non-Capital Appropriations	<u>7,744,607</u>
Capital Appropriations	
Special Items: Capital Reserve	20,253
Surplus Equipment	125,470
Lottery Technology	232,560
Total Capital Appropriations	<u>378,283</u>
Total Appropriations Recorded as Current Year Revenue	<u>\$ 8,122,890</u>

**PIEDMONT TECHNICAL COLLEGE**

Notes to Financial Statements

June 30, 2016

**NOTE 3 – DEPOSITS AND INVESTMENTS**

*Deposits*

The bank balances for deposits of the College at June 30, 2016, were \$23,985,528. Of these, \$137,238 is covered by the Federal Deposit Insurance Corporation (FDIC). In addition, \$23,848,290 is collateralized by securities held by the institution pledged in the College's name. The College recognized no loss due to default by counterparties to investment transactions and amounts recovered from prior period losses.

The Foundation reports a book balance of \$245,472 with a bank balance of \$245,472 all of which is covered by FDIC.

*Investments*

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

<u>Institution</u>	<u>Face rate</u>	<u>Fair Value</u>	<u>Maturing</u>
United Community Bank	0.07%	\$ 908,359	Feb 19, 2017
Park Sterling	0.40%	126,496	Sep 24, 2017
First Citizens Portfolio	Various	5,064,100	Various
		<u>\$ 6,098,955</u>	

The Foundation pools assets of restricted and unrestricted funds in order to maximize potential earnings. Income, realized gains and losses, and unrealized gains and losses are allocated among the various funds in the pool of assets. Major classifications in investments at June 30, 2016, are as follows:

<u>Pooled Investments</u>	<u>Cost</u>	<u>Fair Value</u>
Money Market Funds	\$ 1,891,648	\$ 1,891,648
U.S. Government Obligations	72,027	72,566
Publicly Traded Partnerships	-	-
Corporate Common Stocks	526,777	538,809
Corporate Bonds and Notes	766,215	845,690
Exchange Traded Funds	185,272	205,675
Mutual Funds	190,210	187,881
Totals	<u>\$ 3,632,149</u>	<u>\$ 3,742,269</u>

The Foundation's investment income for the year ended June 30, 2016 consisted of \$89,798 in dividends and interest, \$172,548 in realized gains and \$312,868 in unrealized losses.

**PIEDMONT TECHNICAL COLLEGE**

Notes to Financial Statements

June 30, 2016

**NOTE 3 – DEPOSITS AND INVESTMENTS**, Continued

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

Statement of net position	
Current assets	
Cash and cash equivalents	\$ 16,533,505
Investments	6,098,955
Total College	<u>22,632,460</u>
Statement of financial position	
Current assets	
Cash and cash equivalents	245,472
Investments	2,805,776
Noncurrent assets	
Investments	936,493
Total component unit	<u>3,987,741</u>
Total reporting entity	<u>\$ 26,620,201</u>
Note disclosure	
Cash on hand	\$ 3,100
Deposits with banks	22,629,360
Total College	<u>22,632,460</u>
Deposits with banks	245,472
Investments	3,742,269
Total component unit	<u>3,987,741</u>
Total reporting entity	<u>\$ 26,620,201</u>

**NOTE 4 - ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2016, are summarized as follows:

Student Accounts	\$ 904,486
Federal Grants and Contracts	170,218
State Grants and Contracts	110,481
Accounts Receivable	<u>1,185,185</u>
Allowance for Uncollectible	<u>(400,000)</u>
Accounts Receivable, Net	<u>\$ 785,185</u>

**PIEDMONT TECHNICAL COLLEGE**

Notes to Financial Statements

June 30, 2016

**NOTE 4 - ACCOUNTS RECEIVABLE**, Continued

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

Less than One Year	\$ 26,992
One to Five Years	<u>57,270</u>
	84,262
Less: Discount to Net Present Value	<u>(1,615)</u>
Net Contributions Receivable	<u><u>\$ 82,647</u></u>

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

**NOTE 5 - CAPITAL ASSETS**

	Ending Balance June 30, 2015	Increases	Decreases	Ending Balance June 30, 2016
Capital Assets Not Being Depreciated:				
Land	\$ 389,206	\$ -	\$ -	\$ 389,206
Construction in Progress	234,690	1,448,647	(160,143)	1,523,194
Total Capital Assets Not Being Depreciated	<u>\$ 623,896</u>	<u>\$ 1,448,647</u>	<u>\$ (160,143)</u>	<u>\$ 1,912,400</u>
Other Capital Assets:				
Depreciable Land Improvements	\$ 1,088,375	\$ -	\$ -	\$ 1,088,375
Buildings and Improvements	43,756,068	518,060	-	44,274,128
Machinery, Equipment, and Other	8,457,212	486,743	(111,074)	8,832,881
Intangibles	790,983	-	-	790,983
Vehicles	246,272	24,455	-	270,727
Total Depreciable Assets at Historic Cost	<u>54,338,910</u>	<u>1,029,258</u>	<u>(111,074)</u>	<u>55,257,094</u>
Less Accumulated Depreciation For:				
Depreciable Land Improvements	(210,664)	(59,732)	-	(270,396)
Buildings and Improvements	(19,604,796)	(1,006,089)	-	(20,610,885)
Machinery, Equipment, and Other	(6,684,805)	(796,404)	94,757	(7,386,452)
Intangibles	(790,983)	-	-	(790,983)
Vehicles	(193,792)	(14,774)	-	(208,566)
Total Accumulated Depreciation	<u>(27,485,040)</u>	<u>(1,876,999)</u>	<u>94,757</u>	<u>(29,267,282)</u>
Other Capital Assets, Net	<u>\$ 26,853,870</u>	<u>\$ (847,741)</u>	<u>\$ (16,317)</u>	<u>\$ 25,989,812</u>
Capital Assets, Net	<u><u>\$ 27,477,766</u></u>	<u><u>\$ 600,906</u></u>	<u><u>\$ (176,460)</u></u>	<u><u>\$ 27,902,212</u></u>

Depreciation expenses for the current year totaled \$1,876,999.

**PIEDMONT TECHNICAL COLLEGE**

Notes to Financial Statements

June 30, 2016

**NOTE 6 - PENSION PLAN(S)**

***South Carolina Retirement System***

The majority of employees of Piedmont Technical College are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division of the South Carolina Public Employee Benefit Authority (PEBA), a public employee retirement system. Generally, all full-time or part-time equivalent State employees in a permanent position are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws, as amended, or are eligible and elect to participate in the State Optional Retirement Program (ORP). The SCRS plan provides a life-time monthly retirement annuity benefits to members as well as disability, survivor options, annual benefit adjustments, death benefits, and incidental benefits to eligible employees and retired members.

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

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

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

Effective July 1, 2015, employees participating in the SCRS were required to contribute 8.16% of all earnable compensation. The employer contribution rate for SCRS was 16.39%. Included in the total SCRS employer contribution rate is a base retirement contribution of 10.91%, 0.15% for the incidental death program and a 5.33% surcharge that will fund retiree health and dental insurance coverage. Employer contributions for State ORP include a 5.91% employer retirement contribution, 5.33% retiree insurance surcharge and 0.15% incidental death program. Piedmont Technical College's actual retirement and incidental death program contributions to the SCRS for the years ended June 30, 2016, 2015, and 2014 were:

Fiscal Year <u>Ended</u>	Retirement		Incidental Death	
	<u>Rate</u>	<u>Contribution</u>	<u>Rate</u>	<u>Contribution</u>
2016	10.910%	\$1,681,808	.15%	\$ 23,123
2015	10.750%	\$1,725,088	.15%	\$ 24,071
2014	10.450%	\$1,642,332	.15%	\$ 23,574

**PIEDMONT TECHNICAL COLLEGE**

Notes to Financial Statements

June 30, 2016

**NOTE 6 - PENSION PLAN(S)**, Continued

***Police Officers Retirement System***

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

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

Effective July 1, 2015, employees participating in the PORS were required to contribute 8.74% of all earnable compensation. The employer contribution rate for PORS was 19.07%. Included in the total PORS employer contribution rate is a base retirement contribution of 13.34%, 0.20% for the incidental death program, 0.20% for the accidental death program, and a 5.33% surcharge that will fund retiree health and dental insurance coverage. Piedmont Technical College's actual retirement, incidental death program and accidental death program contributions to the PORS for the years ended June 30, 2016, 2015, and 2014 were:

Fiscal Year <u>Ended</u>	Retirement		Incidental Death		Accidental Death	
	<u>Rate</u>	<u>Contribution</u>	<u>Rate</u>	<u>Contribution</u>	<u>Rate</u>	<u>Contribution</u>
2016	13.340%	\$ 31,050	.20%	\$ 466	.20%	\$ 466
2015	13.010%	\$ 27,707	.20%	\$ 426	.20%	\$ 426
2014	12.440%	\$ 25,264	.20%	\$ 406	.20%	\$ 406

***Optional Retirement Program***

As an alternative to membership to SCRS, newly hired State and school district employees may elect to participate in the State Optional Retirement Program (ORP), a defined contribution plan. The ORP was established in 1987 under Title 9, Chapter 20, of the South Carolina Code of Laws. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. The State assumes no liability for State ORP plan other than for payment of contributions to designated companies. To elect participation in the ORP, eligible employees must elect membership within their first 30 days of employment. Under State law, contributions to the ORP are required at the same rates as for the SCRS, 10.91% plus the retiree surcharge of 5.33% from the employer in fiscal year 2016. Of the 10.91% employer retirement contribution rate, the employer remits 5.00% directly to the participant's ORP account and the remaining 5.91% and 0.15% incidental death program contribution amounts are remitted to SCRS.

For fiscal year 2016, total contributions requirements to the ORP were approximately \$66,889 (excluding the surcharge) from Piedmont Technical College as employer and approximately \$90,068 from its employees as plan members.

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

**PIEDMONT TECHNICAL COLLEGE**

Notes to Financial Statements

June 30, 2016

**NOTE 6 - PENSION PLAN(S)**, Continued

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

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

***Teacher and Employee Retention Incentive***

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

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

***Deferred Compensation Plans***

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

***GASB 68 Pension Liability***

During 2015, the College adopted the provisions of GASB 68 "Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement 27". GASB required that the College recognize in its government wide statements their proportionate share of pension liability as a participant in the South Carolina Retirement Systems.

At June 30, 2016 the College reported \$34,234,489 for its proportionate share of the net pension liabilities of SCRS and PORS. The net pension liability defined of the SCRS defined benefit pension plan was determined based on the July 1, 2014 actual valuations, using membership data as of July 1, 2014, projected forward to June 30, 2015, and financial information of the pension trust funds as of June 30, 2015, using generally accepted actuarial procedures. The College's portion of the net pension liability was based on the College's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2015, the College's SCRS proportion was 0.178534%, and its PORS proportion was 0.01719%. The portion of the net pension liability changed from 0.18011% for SCRS and 0.01689% for PORS measured as of June 30, 2014. For the year ended June 30, 2016, the College recognized pension expense of \$2,390,565 and \$34,672 for SCRS and PORS respectively.

**PIEDMONT TECHNICAL COLLEGE**

Notes to Financial Statements

June 30, 2016

**NOTE 6 - PENSION PLAN(S)**, Continued

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

	SCRS	PORS	Total
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$ 828,215	\$ 16,515	\$ 844,730
Contributions made from measurement date to June 30, 2016	1,771,820	31,981	1,803,801
<b>Total deferred outflows of resources</b>	<u>\$ 2,600,035</u>	<u>\$ 48,496</u>	<u>\$ 2,648,531</u>
<b>Deferred Inflows of Resources</b>			
Net differences between projected and actual earnings on Pension Plan Investments	\$ 278,904	\$ -	\$ 278,904
<b>Net Deferred Outflows</b>	<u>\$ 2,321,131</u>	<u>\$ 48,496</u>	<u>\$ 2,369,627</u>

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

Year ended June 30,	SCRS	PORS	Total
2017	\$ (1,847,770)	\$ (34,460)	\$ (1,882,230)
2018	(75,950)	(2,480)	(78,430)
2019	130,681	(2,152)	128,529
2020	(528,092)	(9,404)	(537,496)
	<u>\$ (2,321,131)</u>	<u>\$ (48,496)</u>	<u>\$ (2,369,627)</u>

The total pension liabilities in the July 1, 2014 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

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

South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2010, and the next experience, performed on data through June 30, 2015, is currently underway.

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

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

**PIEDMONT TECHNICAL COLLEGE**

Notes to Financial Statements

June 30, 2016

**NOTE 6 - PENSION PLAN(S)**, Continued

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

The RSIC has exclusive authority to invest and manage the retirement trust funds' assets. As co-fiduciary of the Systems, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the table below. For actuarial purposes, the 7.50 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all SCRS and PORS participating employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**PIEDMONT TECHNICAL COLLEGE**

Notes to Financial Statements

June 30, 2016

**NOTE 6 - PENSION PLAN(S)**, Continued

The following table presents the College's proportionate share of the net SCRS and PORS pension liabilities as of June 30, 2016 calculated using the discount rate of 7.50 percent, as well as what the College's respective net pension liabilities would be if it were calculated using a discount rate of 1.00 percent lower (6.50 percent) or 1.00 percent higher (8.50 percent) than the current rate.

<u>Plan</u>	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
SCRS	\$ 42,687,575	\$ 33,859,834	\$ 26,461,064
PORS	510,368	374,655	253,336

**NOTE 7 - POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS**

***Plan Description***

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

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

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

***Funding Policies***

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the IB and participating retirees to the PEBA, except for the portion funded through the pension surcharge and provided from the other applicable sources of the IB, for its active employees who are not funded by State General Fund appropriations. Employers participating in the RMP are mandated by Statute to contribute at a rate assessed each year by the State, 5.33% of the annual covered payroll for 2016 and 5.00% of annual payroll for 2015. The IB sets the employer contribution rate based on a pay-as-you-go basis. Piedmont Technical College paid approximately \$892,872 and \$877,006 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2016 and 2015, respectively. BLTD benefits are funded through a person's premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to IB was \$3.22 for the fiscal years ended June 30, 2016 and 2015.

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

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

**PIEDMONT TECHNICAL COLLEGE**

Notes to Financial Statements

June 30, 2016

**NOTE 7 - POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS**, Continued

***Other Employee Benefits***

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

The College recorded benefit expenses for these insurance benefits for active employees in the amount of \$1,748,332 for the year ended June 30, 2016.

**NOTE 8 - RISK MANAGEMENT**

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

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

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

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

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

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

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

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

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

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

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

**PIEDMONT TECHNICAL COLLEGE**  
Notes to Financial Statements  
June 30, 2016

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

***Project Commitments***

As of June 30, 2016 the College had various open project commitments with remaining balances approximating \$3,345,207. The amount and timing of payment depends on the availability of the vendor and consideration of the inconvenience to students while the work is being performed.

**NOTE 10 - LEASE OBLIGATIONS**

***Operating Leases***

The College uses various pieces of equipment under non-cancellable lease agreements. The terms of the agreements require monthly payments ranging from \$1 to \$27,750 for terms averaging 48 months. The future minimum lease payments required for these operating leases as of June 30, 2016 were as follows:

<u>Year Ended June 30</u>	
2017	\$ 470,897
2018	<u>471,062</u>
Total Minimum Lease Payments	<u><u>\$ 941,959</u></u>

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

Total rent expense of \$425,520 was recognized for the fiscal year 2016.

***Facilities Leased to Others***

The College leased certain office space to other State agencies under non-cancellable leases ranging from 12 to 24 months. The monthly lease payments required were determined based on square footage used and ranged from \$2,038 to \$5,113. The required future minimum payments to be received are:

<u>Year Ended June 30,</u>	
2017	<u>\$ 61,350</u>
Total	<u><u>\$ 61,350</u></u>

The College recognized \$112,156 as revenue under these operating leases during the fiscal year ended June 30, 2016.

**NOTE 11- ACCOUNTS PAYABLE**

Accounts Payable as of June 30, 2016 are summarized as follows:

Accounts Payable	\$ 617,097
Benefits Payable	386,707
Student Deposits	<u>37,380</u>
Total Accounts Payable	<u><u>\$ 1,041,184</u></u>

**PIEDMONT TECHNICAL COLLEGE**

Notes to Financial Statements

June 30, 2016

**NOTE 12 - LONG-TERM LIABILITIES**

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

	<u>June 30, 2015</u>	<u>Addition</u>	<u>Reductions</u>	<u>June 30, 2016</u>	<u>Due Within One Year</u>
Accrued Compensated Absences	\$ 1,430,412	\$ 762,660	\$ (773,035)	\$ 1,420,037	\$ 543,780
Total Long-Term Liabilities	<u>\$ 1,430,412</u>	<u>\$ 762,660</u>	<u>\$ (773,035)</u>	<u>\$ 1,420,037</u>	<u>\$ 543,780</u>

**NOTE 13 - STUDENT INSTRUCTIONAL FEES**

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

Tuition for students from fully supporting counties Greenwood, McCormick, Newberry and Saluda	\$1,962
Tuition for students from non-fully supporting counties may be increased by a maximum of \$156 for students from counties listed below which contribute only partial support:	
Abbeville, Edgefield and Laurens	\$2,118
Other South Carolina counties	\$2,238
Out of State	\$2,838
Out of Country	\$3,774

**NOTE 14 - OPERATING EXPENSES BY FUNCTION**

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

	<u>Salaries</u>	<u>Benefits</u>	<u>Scholarships</u>	<u>Utilities</u>	<u>Supplies and Other Services</u>	<u>Depreciation</u>	<u>Total</u>
Instruction	\$ 9,114,888	\$ 2,800,077	\$ -	\$ -	\$ 3,388,426	\$ -	\$ 15,303,391
Academic support	2,512,048	748,955	-	-	418,735	-	3,679,738
Student services	2,596,222	781,465	-	-	1,062,864	-	4,440,551
Operation and maintenance of plant	868,300	287,893	-	915,927	1,341,613	-	3,413,733
Institutional support	2,793,906	1,764,510	-	-	1,667,506	-	6,225,922
Scholarships	-	-	7,819,024	-	-	-	7,819,024
Auxiliary enterprises	10,110	2,022	-	-	147,320	-	159,452
Depreciation	-	-	-	-	-	1,876,999	1,876,999
Total Operating Expenses	<u>\$ 17,895,474</u>	<u>\$ 6,384,922</u>	<u>\$ 7,819,024</u>	<u>\$ 915,927</u>	<u>\$ 8,026,464</u>	<u>\$ 1,876,999</u>	<u>\$ 42,918,810</u>

**PIEDMONT TECHNICAL COLLEGE**

Notes to Financial Statements

June 30, 2016

**NOTE 15 - REQUIRED INFORMATION ON BUSINESS - TYPE ACTIVITIES**

The following information is provided in accordance with the South Carolina Office of Comptroller General's 2016 Audited Financial Statement Manual:

	<u>2016</u>	<u>2015</u>
Charges for services	\$ 19,608,609	\$ 19,178,282
Operating grants and contributions	14,764,013	17,277,351
Capital appropriations and contributions	378,283	326,029
Less: expenses	<u>(42,918,810)</u>	<u>(43,936,309)</u>
Net program revenue (expense)	(8,167,905)	(7,154,647)
Transfers:		
Non-capital appropriations	<u>7,744,607</u>	<u>6,986,658</u>
Change in net assets	(423,298)	(167,989)
Net Assets - Beginning (as restated)	<u>16,016,427</u>	<u>16,184,416</u>
Net Assets - Ending	<u>\$ 15,593,129</u>	<u>\$ 16,016,427</u>

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

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

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

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

The Foundation paid a total of \$405,000 in scholarships, grants, and supplements to the College during 2016. The Foundation reimburses the College for any purchases made by the College on behalf of the Foundation. The College provides office space and management services to the Foundation. The value of this office space and management services totaled \$51,084 for the year ended June 30, 2016.

Piedmont Technical College is one of the partners in network with other educational institutions in the seven county area serviced by Piedmont Technical College in distance learning technology (PEN) for the delivery of classes. Piedmont Technical College paid the Foundation \$333,000 for the use of seventeen rooms and for use of the PEN system.

There were no related receivables or payables as of June 30, 2016.

**PIEDMONT TECHNICAL COLLEGE**  
Notes to Financial Statements  
June 30, 2016

**NOTE 17 – FAIR VALUE**

***College:***

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

The College has the following recurring fair value measurements as of June 30, 2016:

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

***Foundation:***

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets and liabilities at fair value as of June 30, 2016.

Fair value measurements at June 30, 2016				
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Money market Funds	\$ -	\$ 1,891,648	\$ -	\$ 1,891,648
U.S. Government obligations	-	72,566	-	\$ 72,566
Corporate bonds and notes	-	538,809	-	\$ 538,809
Corporate common stocks	845,690	-	-	\$ 845,690
Exchange traded funds	205,675	-	-	\$ 205,675
Mutual funds	187,881	-	-	\$ 187,881
Cash surrender value of life insurance	-	403,439	-	\$ 403,439
Total assets at fair value	\$ 1,239,246	\$ 2,906,462	\$ -	\$ 4,145,708
Liabilities measured at fair value				
Annuity obligations	\$ -	\$ -	\$ 9,709	\$ 9,709
Total liabilities at fair value	\$ -	\$ -	\$ 9,709	\$ 9,709

The following table sets forth a summary of changes in fair value of the Foundation's Level 3 liabilities for the year ended June 30, 2016.

Level 3 liabilities for the year ended June 30, 2016

	Annuity Obligations
Balance, beginning of year	\$ 19,709
Payments to beneficiaries	(10,000)
Balance, end of year	\$ 9,709

**NOTE 18 – SUBSEQUENT EVENTS**

Subsequent events were evaluated through August 25, 2016, which is the date the financial statements were available for issuance. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

**PIEDMONT TECHNICAL COLLEGE**  
Schedule of Proportionate Shares of Retirement Systems  
Net Pension Liabilities  
June 30, 2016

THE SOUTH CAROLINA RETIREMENT SYSTEM  
NET PENSION LIABILITIES

LAST TEN FISCAL YEARS\*

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

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

THE POLICE OFFICERS RETIREMENT SYSTEM  
NET PENSION LIABILITIES

LAST TEN FISCAL YEARS\*

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

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

**PIEDMONT TECHNICAL COLLEGE**  
Schedule of Retirement Systems Contributions  
June 30, 2016

SCHEDULE OF SOUTH CAROLINA RETIREMENT SYSTEM CONTRIBUTIONS

LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contributions	\$ 1,681,808	\$ 1,725,088	\$ 1,642,332	\$ 1,628,479	\$ 1,409,569	\$ 1,366,243	\$ 1,343,064	\$ 1,317,500	\$ 1,311,975	\$ 1,584,894
Contributions in relation to the contribution	(1,681,808)	(1,725,088)	(1,642,332)	(1,628,479)	(1,409,569)	(1,366,243)	(1,343,064)	(1,317,500)	(1,311,975)	(1,584,894)
Contribution deficiency/(excess)	<u>\$ -</u>									
State covered-employee payroll	\$ 15,415,291	\$ 16,047,329	\$ 15,716,099	\$ 15,583,527	\$ 15,019,377	\$ 14,786,177	\$ 14,535,320	\$ 14,258,662	\$ 14,480,962	\$ 13,902,580
Contributions as a percentage of covered-employee payroll	10.910%	10.750%	10.450%	10.450%	9.385%	9.240%	9.240%	9.240%	9.060%	11.400%

**PIEDMONT TECHNICAL COLLEGE**  
Schedule of Retirement Systems Contributions  
June 30, 2016

SCHEDULE OF POLICE OFFICERS RETIREMENT SYSTEM CONTRIBUTIONS

LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contributions	\$ 31,050	\$ 27,707	\$ 25,264	\$ 17,740	\$ 19,237	\$ 13,937	\$ 10,206	\$ 8,783	\$ 7,952	\$ 8,436
Contributions in relation to the contribution	(31,050)	(27,707)	(25,264)	(17,740)	(19,237)	(13,937)	(10,206)	(8,783)	(7,952)	(8,436)
Contribution deficiency/(excess)	<u>\$ -</u>									
State covered-employee payroll	\$ 232,757	\$ 212,964	\$ 203,085	\$ 149,072	\$ 169,292	\$ 125,218	\$ 95,830	\$ 82,468	\$ 77,200	\$ 61,805
Contributions as a percentage of covered-employee payroll	13.340%	13.010%	12.440%	11.900%	11.363%	11.130%	10.650%	10.650%	10.300%	13.650%

Schedule of Reconciliation of Revenues and Cash  
 Reimbursements Received from State Board  
 For the Year Ended June 30, 2016

Schedule 1

	<b>CURRENT FUND</b>	
	<b>UNRESTRICTED</b>	<b>RESTRICTED</b>
<b>NET REIMBURSEMENTS REQUESTED</b>		
(PER COLLEGE RECORDS)		
State Operational Allocation	\$ 6,680,329	\$ -
General Fund- Nursing	-	39,557
Critical Needs Workforce STEM	-	139,727
Ready SC	-	34,754
EEDA Pathways	-	37,784
Lottery-Tuition Assistance	-	3,030,201
South Carolina Manufacturing Certified	-	25,153
Learn2Earn	-	130,762
Laurens Center for Advanced Manufacturing	-	20,253
STEM - Surplus Equipment	-	125,470
Career/Workforce (Pathways)	-	57,547
Career/Workforce (Scholarships)	-	279,453
System Outreach	-	10,000
Performance Funding	-	392,320
Bonus Disb PTC	-	145,675
Other	-	265
<b>Total Net Reimbursements Requested</b>	<b>6,680,329</b>	<b>4,468,921</b>
<b>RECONCILIATION - RECEIPTS TO REQUESTS</b>		
Cash Received from State Board:		
State Operational Allocation	\$ 6,680,329	-
General Fund- Nursing	-	39,557
Lottery Critical Needs Equipment	-	-
Critical Needs Workforce	-	139,727
Advance SC	-	-
Ready SC	-	38,584
State Pathways	-	37,784
Lottery-Tuition	-	3,030,201
South Carolina Manufacturing Certified	-	25,153
Unemployment Reimbursement	-	-
Work Keys	-	-
Learn2Earn	-	123,840
STEM - Surplus Equipment	-	125,470
Career/Workforce (Pathways)	-	57,547
Career/Workforce (Scholarships)	-	279,453
System Outreach	-	10,000
Performance Funding	-	392,320
Bonus Disb PTC	-	145,675
Other	-	265
	<b>6,680,329</b>	<b>4,445,576</b>
Add: Reimbursements Receivable at 6/30/16		
Learn2Earn	-	6,922
Laurens Center for Advanced Manufacturing	-	20,253
	<b>-</b>	<b>27,175</b>
Deduct: Reimbursements Receivable at 6/30/15		
Ready SC	-	3,830
	<b>-</b>	<b>3,830</b>
<b>Total Reconciliation - Receipts to Requests</b>	<b>\$ 6,680,329</b>	<b>\$ 4,468,921</b>

**PIEDMONT TECHNICAL COLLEGE**  
 Schedule of Local Government Support  
 For the Year Ended June 30, 2016

Schedule 2

(with comparative amounts for the year ended June 30, 2015)

<b>LOCAL GOVERNMENT</b>	2016	2015
Greenwood County	\$ 1,282,742	\$ 1,171,475
Laurens County	151,087	192,337
Abbeville County	155,325	155,325
Newberry County	405,775	397,135
Saluda County	167,337	171,416
McCormick County	85,130	85,130
Edgefield County	47,000	47,000
Total Support	\$ 2,294,396	\$ 2,219,818

**Piedmont Technical College**  
**Schedule of Expenditures of Federal Awards**  
**June 30, 2016**

FEDERAL GRANTOR Pass-Through Entity Program Title	CFDA Number	Grant Period	Award Number	Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>				
STUDENT FINANCIAL AID CLUSTER:				
Federal Supplemental Educational Opportunity Grant	84.007	2014-2015	P007A143801	\$ 2,603
Federal Supplemental Educational Opportunity Grant	84.007	2015-2016	P007A143801	238,457
<b>Total Supplemental Educational Opportunity Grant Program</b>				<b>241,060</b>
Federal Work Study Grant Program	84.033	2014-2015	P033A133801	39,623
Federal Work Study Grant Program	84.033	2015-2016	P033A143801	173,954
<b>Total Work Study Grant Program</b>				<b>213,577</b>
Federal Pell Grant Program	84.063	2014-2015	P063P132479	(49,237)
Federal Pell Grant Program	84.063	2015-2016	P063P142479	12,223,546
<b>Total Federal Pell Grant Program</b>				<b>12,174,309</b>
Direct Loans				
Federal Direct Loans	84.268	2014-2015	P268K142479	(60,124)
Federal Direct Loans	84.268	2015-2016	P268K152479	16,793,559
<b>Total Federal Direct Loan Program</b>				<b>16,733,435</b>
<b>Total Student Financial Aid Cluster</b>				<b>29,362,381</b>
Higher Education Institutional Aid	84.031	2012-2013	P031A110213-12	6,215
Higher Education Institutional Aid	84.031	2013-2014	P031A110213-13	38,471
Higher Education Institutional Aid	84.031	2014-2015	P031A112013-14	103,611
Higher Education Institutional Aid	84.031	2015-2016	P031A110213-15	158,179
<b>Total Higher Education Institutional Aid</b>				<b>306,476</b>
Student Support Services	84.042	2014-2015	P042A111018-14	46,261
Student Support Services	84.042	2015-2016	P042A111018-15	216,740
Student Support Services- Veterans	84.042A	2015-2016	P042A151462	68,744
<b>Total Student Support Services</b>				<b>331,745</b>
Project Genesis	84.382	2012-2013	P382A110035-12	12,081
Project Genesis	84.382	2013-2014	P382A110035-13	57,037
Project Genesis	84.382	2014-2015	P382A110035-14	157,753
<b>Total Project Genesis</b>				<b>226,871</b>
<b>Total Direct Programs</b>				<b>865,092</b>
PASS-THROUGH SC DEPARTMENT OF EDUCATION:				
Career and Technical Education - Basic Grants to States	84.048	2014-2015	16VA411	347,054
<b>Total U.S. Department of Education</b>				<b>1,212,146</b>

**U.S. DEPARTMENT OF LABOR**  
PASS-THROUGH UPPER SAVANNAH COUNCIL OF GOVERNMENTS:

**Piedmont Technical College**  
**Schedule of Expenditures of Federal Awards**  
**June 30, 2016**

FEDERAL GRANTOR Pass-Through Entity Program Title	CFDA Number	Grant Period	Award Number	Expenditures
WIA Adult Program	17.258	2015-2016	41396A1	73,943
WIA Adult Workforce Readiness	17.258	2015-2016	41W96A1	26,643
<b>Total WIA Adult</b>				<b>100,586</b>
WIA Dislocated Worker Program	17.278	2015-2016	42396A1	42,175
WIA Dislocated Worker NEG On-the Job Training	17.278	2013-2014	32N96A1	12,460
WIA Dislocated Worker Workforce Readiness	17.278	2015-2016	42W96A1	18,974
<b>Total WIA Dislocated</b>				<b>73,609</b>
WIA Youth Workforce Readiness	17.259	2015-2016	43W96A1	11,301
<b>Total WIA Youth</b>				<b>11,301</b>
<b>Total WIA</b>				<b>185,496</b>
<b>PASS-THROUGH SC DEPARTMENT OF EMPLOYMENT and WORKFORCE</b>				
Evolve SC-11 Presbyterian Home	17.258	2015-2016		8,000
Evolve SC-12 Assisting Angels	17.258	2015-2016		2,000
Evolve SC-15 SPF	17.259	2015-2016		2,100
				12,100
<b>PASS-THROUGH SC TECHNICAL COLLEGE SYSTEM</b>				
Learn 2 Earn Initiative	17.267	2015-2016		130,762
				130,762
<b>Total U.S. Department of Labor</b>				<b>328,358</b>
<b>National Science Foundation</b>				
NSF Hi-Tech Scholars Program	47.076	2014-2015	DUE-1060587	49,193
<b>Total NSF Hi-Tech Scholars Program</b>				<b>49,193</b>
<b>Total National Science Foundation</b>				<b>49,193</b>
<b>TOTAL FEDERAL AWARDS</b>				<b>\$ 30,952,078</b>

## **PIEDMONT TECHNICAL COLLEGE**

### Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2016

#### 1. GENERAL

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

#### 2. BASIS OF ACCOUNTING

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

#### 3. LOAN PROGRAMS

The College has students who have approved Federal Direct Loans. Those loans were disbursed to the students during the current fiscal year. The College is not the lender. The College only processes the loans for the lender, the Department of Education. The total Federal Direct Loans for the current fiscal year were \$16,733,435.

# THE BRITTINGHAM GROUP, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

501 STATE STREET

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WEST COLUMBIA, SOUTH CAROLINA 29171

## **Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance**

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

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

We have audited Piedmont Technical College's (the "College") compliance with the types of compliance requirements described in the *OMB Circular Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2016. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

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

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

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

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

**Report on Internal Control Over Compliance**

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

Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

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

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

*The Brittingham Group LLP*  
West Columbia, South Carolina  
August 25, 2016

# THE BRITTINGHAM GROUP, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

501 STATE STREET

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## **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, the aggregate discretely presented component unit of Piedmont Technical College (the "College"), as of and for the year ended June 30, 2016, and the related notes to the financial statements. These financial statements and notes to the financial statements together with the financial statements of the College's discretely presented component unit, which were audited by other auditors, collectively comprise the College's basic financial statements, and have issued our report thereon which dated August 25, 2016. Our report includes a reference to other auditors who audited financial statements of Piedmont Technical College Foundation, as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Foundation was not audited in accordance with *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*The Brittingham Group LLP*

West Columbia, South Carolina  
August 25, 2016

PIEDMONT TECHNICAL COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2016

**Summary of Auditors' Results:**

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

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

**Financial Statement Findings:**

None

**Federal Awards Findings and Questioned Costs:**

PIEDMONT TECHNICAL COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(CONTINUED)

No findings or questioned costs.

**Status of Prior Year Findings:**

None were reported.