Audited Financial Statements and Other Financial Information
Year Ended June 30, 2018
With
Independent Auditors' Report

PIEDMONT TECHNICAL COLLEGE
Table of Contents
June 30, 2018

	Page Number
Organizational Information	ii
Independent Auditors' Report	1
Required Supplementary Information	
Management's Discussion and Analysis	4
Basic Financial Statements	
Statement of Net Position	12
Non-Governmental Discretely Presented Component Unit Statement of Financial Position	13
Statement of Revenues, Expenses and Changes in Net Position	14
Non-Governmental Discretely Presented Component Unit Statement of Activities	15
Statement of Cash Flows	16
Notes to Financial Statements	17
Required Supplementary Information	
Schedule of Proportionate Share of the South Carolina Retirement System Net Pension Liabilities	41
Schedule of Retirement Systems Contributions	42
Schedule of Proportionate Share of the South Carolina Retiree Health Insurance Trust Fund Other Postemployment Benefits Liabilities	44
Schedule of South Carolina Retiree Health Insurance Trust Fund Contributions	45
Notes to Required Supplementary Information	46
Other Financial Information	
Schedule of Reconciliation of Revenues and Cash Reimbursements Received from State Board	47
Schedule of Local Government Support	48
Single Audit Act Requirements and Other Compliance Reports	
Schedule of Expenditures of Federal Awards	49
Notes to Schedule of Expenditures of Federal Awards	51
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*	52
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by The Uniform Guidance	54
Schedule of Findings and Questioned Costs	56
Independent Accountants' Report on State Lottery Tuition Assistance	59

PIEDMONT TECHNICAL COLLEGE
Organizational Information
June 30, 2018

PIEDMONT TECHNICAL EDUCATION COMMISSION	Office	Term Expires	County Represented
H. George Piersol, II	Chairman	2021	Newberry
J. Richard Cain	Vice Chairman	2022	Laurens
Thelma S. Woody	Secretary	2022	Abbeville
Y.J. Ahn	Member	2020	Greenwood
Cherry Houston Brown	Member	2019	McCormick
George P. Cone, Jr., MD	Member	2021	Greenwood
Blake Davis	Member	2019	Laurens
Charles L. Graves	Member	2021	Greenwood
Jane J. Herlong	Member	2021	Edgefield
Peter J. Manning	Member	2018*	Greenwood
Rufus C. Sherard	Member	2022	Abbeville
William A. Whitfield	Member	2015*	Saluda

*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 Fiscal Accountability Authority
U.S. Department of Education
U.S. Department of Labor
National Science Foundation

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CERTIFIED PUBLIC ACCOUNTANTS
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POST OFFICE BOX 5949
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INDEPENDENT AUDITORS' REPORT

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

Report on the 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, 2018, 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.

Auditors' 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in *Note 17* to the financial statements, in 2018 the College adopted new accounting guidance, *GASB Statement No. 75*, *Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Proportionate Share of the South Carolina Retirement Systems Net Pension Liabilities, Schedule of Retirement Systems Contributions, Schedule of Proportionate Share of the South Carolina Retiree Health Insurance Trust Fund Other Postemployment Benefits Liabilities, and Schedule of South Carolina Retiree Health Insurance Trust Fund Contributions on pages 4-11 and 41-45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The Schedule of Reconciliation of Revenues and Cash Reimbursements Received from State Board and the Schedule of Local Government Support are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (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 September 13, 2018, 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
September 13, 2018

PIEDMONT
Technical College

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MANAGEMENT'S DISCUSSION AND ANALYSIS

We present Management's Discussion and Analysis of the College's financial performance during the fiscal year ended June 30, 2018 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 liabilities of Piedmont Technical College exceeded its assets at June 30, 2018 by $10,714,452. The College has recognized a net pension obligation of $32,991,275. This is not a legal obligation, and the South Carolina Retirement System (SCRS) does not have recourse to collect the net pension obligation. In addition, the net other postemployment benefit (OPEB) obligation of $28,230,354 is not a legal obligation, also without recourse; both are shown on the College's Statement of Net Position. The College reports $12,743,452 as unrestricted net position that may be used to meet ongoing obligations.

- The College's total net position increased from the beginning net position (as restated) by $3,166,142 or 23%. The College established several capital projects during fiscal year 2018. The Newberry County Campus Phase III up-fit consisted of creating additional lab space in the rear of the facility. This renovation created a ready-to-use training space for industry partners or additional lab space for current programs at the college. The College also began a renovation and project addition at our Laurens Center for Advanced Manufacturing that includes renovating an existing space to create an additional classroom and lab space and adding 4,800 square foot of additional space to the facility that will be used as a training facility for industry partners and existing programs at the college. In addition, the College began the process of up-fitting a space on the Greenwood Campus that was vacated when the HVAC program moved to its new facility. This up-fit will create a state of the art lab and classroom space to allow the Project lead the Way program to grow.

- The College experienced an operating loss of $20,857,873 as reported in the Statement of Revenues, Expenses, and Changes in Net Position. However, this operating loss was offset by state appropriations of $8,921,674, county appropriations of $2,463,256, federal grants of $11,420,544, capital appropriations and contributions of $1,065,231, 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. Governmental Accounting Standards Board (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 and other post-

employment benefit 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.

In the fiscal year ended June 30, 2015, the College implemented GASB Statement 68, Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27). The implementation of this 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 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. GASB Statement 77, Tax Abatement Disclosures, was effective for fiscal year ended June 30, 2017. Tax abatements are a reduction in tax revenues resulting from an agreement between one or more governments and an individual or entity. Since the college does receive support from four counties in the form of millage, the college is required to disclose relevant tax abatement data. In the fiscal year ended June 30, 2018, the College implemented GASB Statement 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions. The implementation of this statement required the College to record a portion of the net other postemployment benefits (OPEB) liability of the South Carolina Retiree Health Insurance Trust Fund (SCRHITF), and its effect on the College's unrestricted net position. The change in OPEB liability that the college has to report is calculated based on results from the State's prior fiscal year end or measurement period.

At June 30, 2018 the College reported $35,950,795 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, 2016 actuarial valuations, using membership data as of July 1, 2016, projected forward to June 30, 2017, and financial information of the pension trust funds as of June 30, 2017, 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, 2018, the College's SCRS proportion was 0.157390%, and its PORS proportion was 0.01897%.

At June 30, 2018, the College reported a liability of $26,658,676 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The College's proportion of the net OPEB liability was based on a projection of the College's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the College's proportion was .196818%.

As previously communicated by PEBA, the financial reporting changes required by GASB 68 and GASB 75 are likely to result in increased volatility in an employers' reported proportionate share of the net liabilities from one year to the next. Regardless of the net pension liability and net other postemployment benefit liability 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 these liabilities.

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:

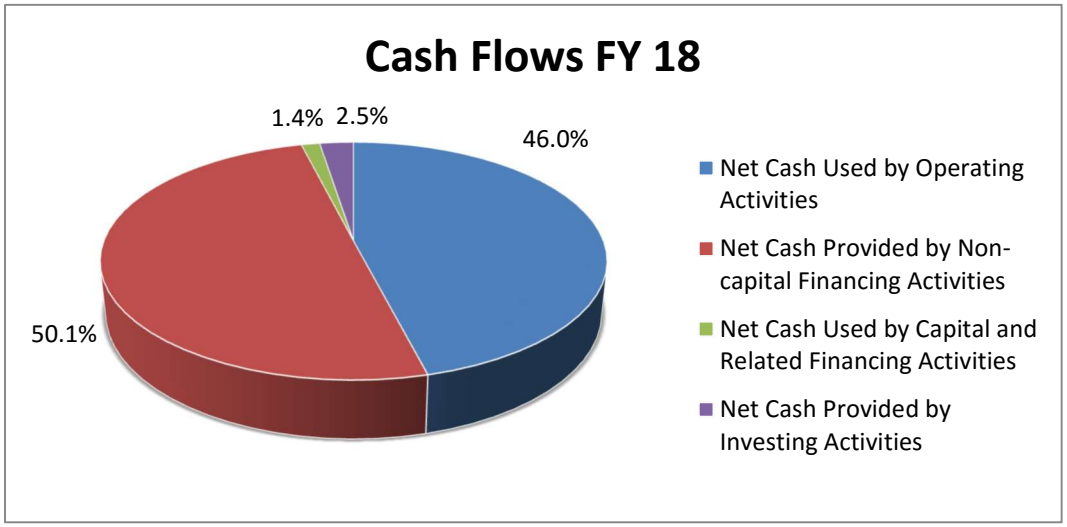
Net Position as of June 30
(in millions)

	FY 2018
Current Assets	$ 25.4
Noncurrent Capital Assets, Net	28.7
Deferred Outflows - Pension Liability	6.4
Total Assets and Deferred Outflows of Resources	60.5
Current Liabilities	2.9
Non-Current Liabilities	63.3
Deferred Inflows - Pension Liability	5.0
Total Liabilities and Deferred Inflows of Resources	71.2
Net Position (Deficit):	
Invested in Capital Assets	28.7
Restricted	9.0
Unrestricted - Unfunded Pension Obligation	(32.9)
Unrestricted - Unfunded OPEB Obligation	(28.2)
Unrestricted - Other	12.7
Total Net Position (Deficit)	$ (10.7)

The College's Statement of Net Position (page 12), is presented on an accrual basis of accounting where capital assets are recorded and depreciated. The Statement of Net Position provides a snapshot of the College's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at the end of the fiscal year; and may serve over time as a useful indicator of an entity's financial position.

Cash Flows

The Statement of Cash Flows is the final statement to be presented. It provides detailed information about the cash activities of the College during the fiscal year and provides the reader with the sources and uses of cash by the major categories of operating, non-capital financing, capital and related financing, and investing activities. The statement shows a net use of cash in the section "Cash Flows from Operating Activities" due to the College's dependence on state and local appropriations.



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

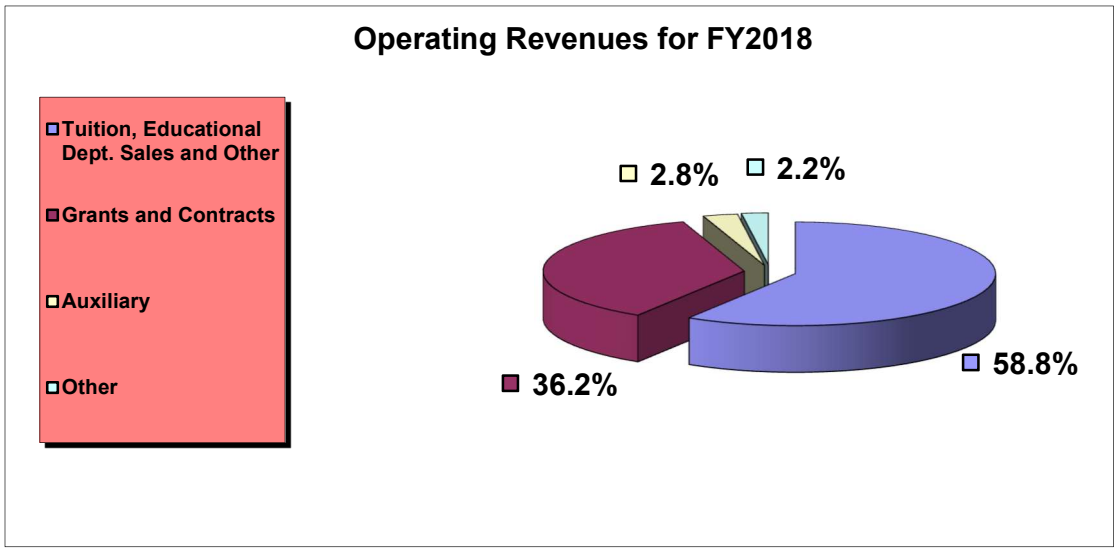
Operating Results
(in millions)

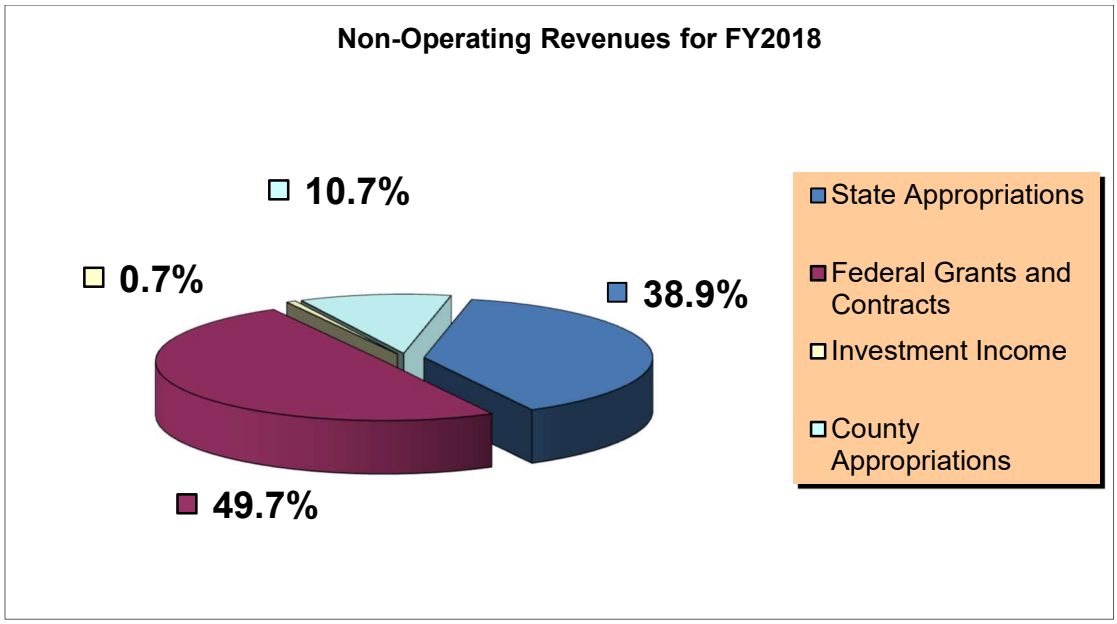
	FY 2018
Operating Revenue	
Student Tuition and Fees	$ 10.7
Grants and Contracts	6.5
Auxiliary Enterprises	0.5
Other	0.4
Total Operating Revenues	18.1
Less Operating Expenses	(39.0)
Net Operating Loss	(20.9)
Non-Operating Revenue	
State Appropriations	8.9
Local Appropriations	2.5
Federal Grants and Contracts	11.4
Interest Income	0.2
Total Non-Operating Revenue	23.0
Income Before Other Revenues, Expenses, Gains or Losses	2.1
Other Revenues, Expenses, Gains or Losses	1.1
Net Position, Beginning of Year (as Restate	(13.9)
Net Position (Deficit), End of Year	$ (10.7)

A large portion of the revenue included in the Federal 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:

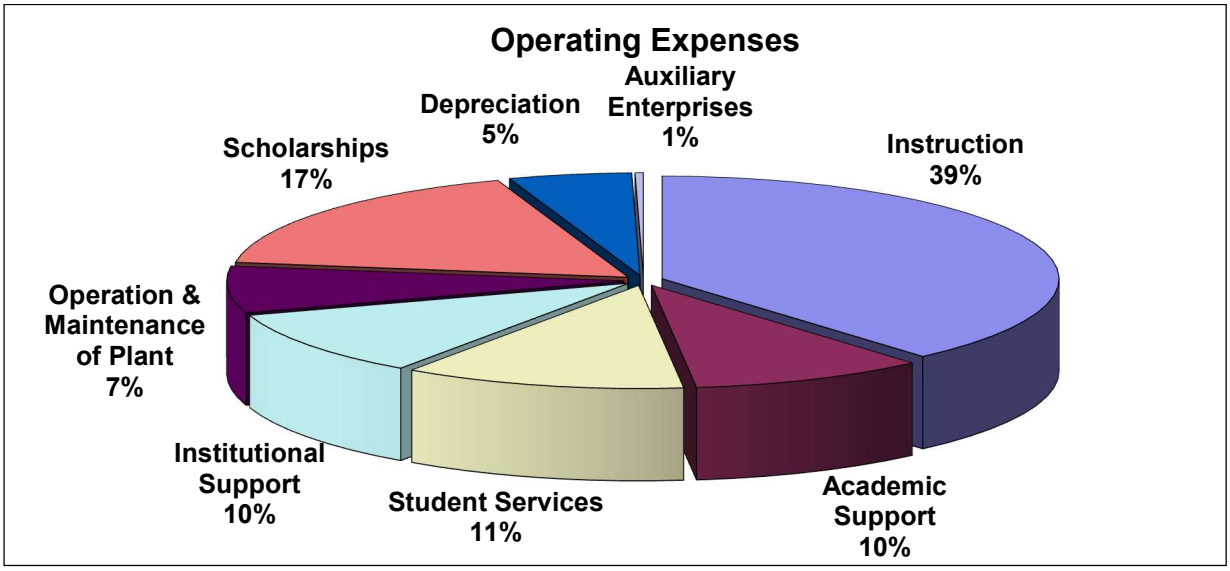
Revenues by Source





Overall operational expenditures decreased six 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.

The following is a graphic illustration of operating expenses:



In excess of $23.2 million or 60%, of the College's operating expenses occurred in the instruction, student and academic support classifications.

For your review, a comparative example of the Statement of Net Position before and after the GASB 75 revisions is presented below:

Condensed Statement of Net Position

June 30, 2018

ASSETS	Current	Prior to GASB 75*
Current Assets	$ 25,351,681	$ 25,351,681
Non-Current Assets	28,726,840	28,726,840
Total Assets	54,078,521	54,078,521
DEFERRED OUTFLOWS OF RESOURCES	6,435,796	5,487,068
Total Assets and Deferred Outflows of Resources	60,514,317	59,565,589
LIABILITIES		
Current Liabilities	2,897,067	2,897,067
Non-Current Liabilities	63,283,748	36,625,072
Total Liabilities	66,180,815	39,522,139
DEFERRED INFLOWS OF RESOURCES	5,047,954	2,527,548
Total Liabilities and Deferred Inflows of Resources	71,228,769	42,049,687
NET POSITION		
Net Investment in Capital Assets	28,726,840	28,726,840
Restricted: Expendable Plant Funds	9,036,885	9,036,885
Unrestricted - Unfunded Pension Obligation	(32,991,275)	(32,991,275)
Unrestricted - Unfunded OPEB Obligation	(28,230,354)	-
Unrestricted - Other	12,743,452	12,743,452
Total Net Position	$ (10,714,452)	$ 17,515,902

*This column is for illustrative purposes only.

Economic Factors

Student enrollment declined by approximately five percent for the fiscal year ended 2018, while the College continued to offer competitive tuition rates. The financial position and fiscal stability during 2017-2018 remained strong, 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 2018-2019 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. In addition, with the implementation of GASB 75, agencies were required to recognize their proportionate share of the State's net OPEB liability beginning with fiscal years ending June 30, 2018. As a result of this pronouncement, the College's net position now reflects an unfunded pension obligation of $32.9 million and an unfunded OPEB obligation of $28.2 million.

Capital projects on the horizon include up-fitting space on the Greenwood Campus vacated by the Project Lead the Way Program to expand our current Gunsmithing program, construction of the new 45,000 square foot Upstate Center for Manufacturing Excellence on the Greenwood Campus, replacement of the existing roofing system on the Laurens Center for Advance Manufacturing, replacement of the roof systems on the G-Building and E-Building on the Greenwood Campus, the transfer of the Newberry County Campus from Newberry County to the College, replacement of the HVAC unit for the Veterinary Science program on the Newberry Campus, and structural repairs to the Edgefield County Campus.

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

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

Wendy Hughes

Wendy Hughes, CGFO
Controller

PIEDMONT TECHNICAL COLLEGE
Statement of Net Position
June 30, 2018

ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents (Note 1)	$ 19,498,700
Certificates of Deposit (Note 3)	4,247,875
Accounts Receivable, Net (Note 4)	1,437,608
Prepaid Expense	167,498
Total Current Assets	25,351,681
NON-CURRENT ASSETS	
Non-depreciable Capital Assets (Note 5)	2,418,545
Capital Assets, Net of Accumulated Depreciation (Note 5)	26,308,295
Total Non-Current Assets	28,726,840
Total Assets	54,078,521
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows - Pension Liability (Note 6)	5,487,068
Deferred Outflows - OPEB Liability (Note 7)	948,728
Total Assets and Deferred Outflows of Resources	60,514,317
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable (Note 11)	910,528
Accrued Compensated Absences - Current Portion (Note 12)	526,637
Unearned Revenue	1,459,902
Total Current Liabilities	2,897,067
NON-CURRENT LIABILITIES	
Accrued Compensated Absences (Note 12)	674,277
Pension Liability	35,950,795
OPEB Liability	26,658,676
Total Non-Current Liabilities	63,283,748
Total Liabilities	66,180,815
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows - Pension Liability (Note 6)	2,527,548
Deferred Inflows - OPEB Liability (Note 7)	2,520,406
Total Liabilities and Deferred Inflows of Resources	71,228,769
NET POSITION (DEFICIT)	
Net Investment in Capital Assets	28,726,840
Restricted for:	
Expendable:	
Plant Funds	9,036,885
Unrestricted - Unfunded Pension Obligation	(32,991,275)
Unrestricted - Unfunded OPEB Obligation	(28,230,354)
Unrestricted - Other	12,743,452
Total Net Position (Deficit)	$ (10,714,452)

See Accompanying Notes

PIEDMONT TECHNICAL COLLEGE
Non-Governmental Discretely Presented Component Unit
Statement of Financial Position
Piedmont Technical College Foundation
June 30, 2018

ASSETS

Current Assets	
Cash and Cash Equivalents	$ 138,352
Investments	3,788,864
Pledges Receivable, Net	47,971
Accounts Receivable	2,465
Total Current Assets	3,977,652
Property and Equipment, Net	3,106,399
Other Assets	
Endowment Investments	1,034,346
Pledges Receivable, Net	9,326
Cash Surrender Value of Life Insurance	419,811
Total Other Assets	1,463,483
Total Assets	$ 8,547,534

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts Payable and Accrued Liabilities	$ 13,313
Income Taxes Payable	985
Total Current Liabilities	14,298
Total Liabilities	14,298
Net Assets	
Unrestricted - Undesignated	4,615,686
Unrestricted - Board Designated	1,683,883
Total Unrestricted	6,299,569
Temporarily Restricted	1,199,321
Permanently Restricted	1,034,346
Total Net Assets	8,533,236
Total Liabilities and Net Assets	$ 8,547,534

See Accompanying Notes

PIEDMONT TECHNICAL COLLEGE
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2018

OPERATING REVENUES	
Student Tuition and Fees (Net of Scholarship Allowances of $9,588,510)	$ 10,654,299
Federal Grants and Contracts	1,087,752
State Grants and Contracts	4,952,986
Non-Governmental Contracts	522,729
Auxiliary Enterprises	503,698
Other Operating Revenues	386,848
Total Operating Revenues	18,108,312
OPERATING EXPENSES	
Salaries	17,201,485
Benefits - Other	3,864,016
Benefits - Pension	2,622,498
Benefits - OPEB	(3,112,755)
Scholarships (Net of Scholarship Allowances of $9,588,510)	6,757,045
Utilities	860,932
Supplies and Other Services	8,822,724
Depreciation	1,950,240
Total Operating Expenses	38,966,185
Operating Loss	(20,857,873)
NON-OPERATING REVENUES (EXPENSES)	
State Appropriations	8,921,674
County Appropriations	2,463,256
Federal Grants and Contracts	11,420,544
Interest Income	153,310
Net Non-operating Revenues	22,958,784
Change in Net Position Before Capital Appropriations and Contributions	2,100,911
State Capital Appropriations	1,032,018
Other Capital Appropriations and Contributions	33,213
Total Capital Appropriations and Contributions	1,065,231
Increase in Net Position (Deficit)	3,166,142
Net Position (Deficit) - Beginning of Year (as Restated)	(13,880,594)
Net Position (Deficit) - End of Year	$ (10,714,452)

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, 2018

	Unrestricted	Temporarily Restricted	Permanently Resticted	Combined Total
REVENUES, GAINS, AND OTHER SUPPORT				
Contributions	$ 160,916	$ 393,884	$ 32,332	$ 587,132
Investment Income	255,158	102,095	2,758	360,011
Special Events				
Golf Tournament Income	36,780	-	-	36,780
In-kind Contributions	77,400	-	-	77,400
Distance Learning Revenue	383,100	-	-	383,100
Rental Income	90,005	-	-	90,005
Other Income	1,356	-	-	1,356
Reclassification of Donor Intent	99,699	(99,699)	-	-
Net Assets Released from Restrictions	393,443	(393,443)	-	-
Total Revenues, Gains, and Other Support	1,497,857	2,837	35,090	1,535,784
EXPENSES				
Program Services				
Distance Learning Program	104,727	-	-	104,727
Scholarships and Grants	556,892	-	-	556,892
Other Program Services	105,260	-	-	105,260
Total Program Services	766,879	-	-	766,879
Support Services				
Management and General	359,445	-	-	359,445
Total Support Services	359,445	-	-	359,445
Total Expenses	1,126,324	-	-	1,126,324
Change in Net Assets	371,533	2,837	35,090	409,460
Net Assets - Beginning of Year	5,928,036	1,196,484	999,256	8,123,776
Net Assets - End of Year	$ 6,299,569	$ 1,199,321	$ 1,034,346	$ 8,533,236

See Accompanying Notes

PIEDMONT TECHNICAL COLLEGE

Statement of Cash Flows

For the Year Ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees	$ 10,719,581
Federal, State and Local Grants and Contracts	6,920,127
Auxiliary Enterprise Charges	503,698
Other Receipts	386,848
Payments to Vendors	(22,254,964)
Payments to Employees	(17,217,663)
Student Loan Receipts from Lenders	13,570,220
Disbursements to Students on Behalf of Lenders	(13,570,220)
Net Cash Used by Operating Activities	(20,942,373)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Appropriations	8,921,674
County Appropriations	2,463,256
State, Local and Federal Grants, Gifts and Contracts - Non-Operating	11,420,544
Net Cash Provided by Non-capital Financing Activities	22,805,474
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Federal, State and Other Grants for Capital	1,065,231
Purchase of Capital Assets	(1,693,386)
Net Cash Used by Capital and Related Financing Activities	(628,155)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	153,310
Net Purchase/Proceeds of Certificates of Deposit	998,178
Net Cash Provided by Capital and Related Financing Activities	1,151,488
Net Change in Cash and Cash Equivalents	2,386,434
Cash - Beginning of Year	17,112,266
Cash - End of Year	$ 19,498,700

Reconciliation of Net Operating Revenue (Expenses) to Net Cash Used by Operating Activities:	
Operating Loss	$ (20,857,873)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation Expense	1,950,240
Disposal of Assets	72,049
Change in Assets and Liabilities	
Receivables, Net	373,969
Prepaid Expense	(43,831)
Changes in Pension/OPEB Related Items	(2,656,161)
Accounts Payable	187,439
Accrued Compensated Absences	(16,178)
Unearned Revenue	47,973
Net Cash Used by Operating Activities	$ (20,942,373)

See Accompanying Notes

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, a non-major discreetly presented component unit of the state of South Carolina, and the accounts of Piedmont Technical College Foundation (the "Foundation"), its discreetly presented component unit.

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.

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

College:
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*.

Foundation:
The Foundation's policy is to carry investments, other than real estate, at fair value. Gains or losses that result from market fluctuations are recorded in investment income (loss) in the period in which the fluctuations occur. See Note 3 for additional information on fair value measurements. Investments are exposed to various risks such as significant world events, interest rate, credit and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amount reported in the consolidated statement of financial position.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

I. Capital Assets and Property & Equipment

College:
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 at the beginning of the month and year the asset is placed in service and no depreciation is taken in the year of disposition.

Foundation:
Property and equipment are recorded at cost. Donated land, buildings, and equipment are recorded at the approximate fair market value of the asset on the date of donation. Improvements or betterments of a permanent nature are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. The costs of assets retired or otherwise disposed of, and the related accumulated depreciation, are eliminated from the account in the year of disposal. Gains or losses resulting from property disposals are credited or charged to operations currently. Buildings and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. Property and equipment are reviewed on an ongoing basis for impairment based on a comparison of their carrying value to fair value.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

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:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

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, 2018, 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 $6,435,796 as of June 30, 2018.

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 $5,047,954 as of June 30, 2018.

R. Reclassifications
Certain immaterial amounts from the 2017 presentation have been reclassified to conform to the 2018 presentation.

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, 2018.

Non-capital appropriations	
Current year appropriations	
Original appropriations per Annual Appropriations Act	$ 8,127,402
Other adjustments	794,272
Total non-capital appropriations	8,921,674
Capital appropriations	
Special items: Capital Reserve	488,359
Critical Equipment	194,843
Lottery Technology	348,816
Total capital appropriations	1,032,018
Total appropriations recorded as current year revenue	$ 9,953,692

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits
The bank balances for deposits of the College at June 30, 2018, were $25,365,176. Of these, $4,257,851 is covered by the Federal Deposit Insurance Corporation (FDIC). In addition, $21,107,325 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 bank balance of $138,352 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:

Institution	Face rate	Fair Value	Maturing
First Citizens portfolio	Various	$ 4,247,875	Various

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, 2018, are as follows:

Pooled Investments	Fair Value
Money market funds	$ 323,016
U.S. Government obligations	156,841
Corporate common stocks	1,844,446
Corporate bonds and notes	753,348
Publicly traded partnerships	7,336
Exchange traded funds	19,683
Mutual funds	1,718,540
Totals	$ 4,823,210

The Foundation's investment income for the year ended June 30, 2018 consisted of $107,244 in dividends and interest and $252,767 in realized/unrealized gains.

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	$ 19,498,700
Investments	4,247,875
Total College	23,746,575
Statement of financial position	
Current assets	
Cash and cash equivalents	138,352
Investments	3,788,864
Noncurrent assets	
Investments	1,034,346
Total component unit	4,961,562
Total reporting entity	$ 28,708,137
Note disclosure	
Cash on hand	$ 3,100
Deposits with banks	19,495,600
Investments	4,247,875
Total College	23,746,575
Deposits with banks	138,352
Investments	4,823,210
Total discreetly presented component unit	4,961,562
Total reporting entity	$ 28,708,137

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2018, are summarized as follows:

Student accounts	$ 1,268,736
Federal grants and contracts	186,603
State grants and contracts	382,269
Accounts receivable	1,837,608
Allowance for uncollectible	(400,000)
Accounts receivable, net	$ 1,437,608

NOTE 4 - ACCOUNTS RECEIVABLE, Continued

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

Less than one year	$ 50,242
One to five years	9,996
	60,238
Less: discount to net present value	(2,941)
Net pledges receivable	$ 57,297

These pledges 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, 2017	Increases	Decreases	Ending Balance June 30, 2018
Capital assets not being depreciated:				
Land	$ 675,058	$ -	$ -	$ 675,058
Construction in progress	969,763	845,773	(72,049)	1,743,487
Total capital assets not being depreciated	1,644,821	845,773	(72,049)	2,418,545
Other capital assets:				
Depreciable land improvements	1,631,651	-	-	1,631,651
Buildings and improvements	46,321,367	-	-	46,321,367
Machinery, equipment, and other	9,347,170	830,979	(36,092)	10,142,057
Intangibles	790,983	-	-	790,983
Vehicles	270,727	16,634	-	287,361
Total depreciable assets at historic cost	58,361,898	847,613	(36,092)	59,173,419
Less accumulated depreciation For:				
Depreciable land improvements	(360,311)	(95,951)	-	(456,262)
Buildings and improvements	(21,642,616)	(1,061,587)	-	(22,704,203)
Machinery, equipment, and other	(7,930,005)	(773,713)	36,092	(8,667,626)
Intangibles	(790,983)	-	-	(790,983)
Vehicles	(227,061)	(18,989)	-	(246,050)
Total accumulated depreciation	(30,950,976)	(1,950,240)	36,092	(32,865,124)
Other capital assets, net	27,410,922	(1,102,627)	-	26,308,295
Capital assets, net	$ 29,055,743	$ (256,854)	$ (72,049)	$ 28,726,840

Depreciation expense for the current year totaled $1,950,240.

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 death 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. For disability applications received after December 31, 2013, a member FCRS will have to be approved for disability benefits from the social security administration in order to be eligible for FCRS disability retirement benefits. 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, 2017, employees participating in the SCRS were required to contribute 9.00% of all earnable compensation. The employer contribution rate for SCRS was 13.56%. Included in the total SCRS employer contribution rate is a base retirement contribution of 13.41%, 0.15% for the incidental death program. Piedmont Technical College's actual retirement and incidental death program contributions to the SCRS for the years ended June 30, 2018, 2017, and 2016 were:

	Retirement		Incidental Death	
Fiscal Year Ended	Rate	Contribution	Rate	Contribution
2018	13.410%	$1,987,022	.15%	$ 22,924
2017	11.410%	$1,743,755	.15%	$ 22,924
2016	10.910%	$1,681,808	.15%	$ 23,123

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, 2017, employees participating in the PORS were required to contribute 9.75% of all earnable compensation. The employer contribution rate for PORS was 16.24%. Included in the total PORS employer contribution rate is a base retirement contribution of 15.84%, 0.20% for the incidental death program, 0.20% for the accidental death program. Piedmont Technical College's actual retirement, incidental death program and accidental death program contributions to the PORS for the years ended June 30, 2018, 2017, and 2016 were:

Fiscal Year	Retirement		Incidental Death		Accidental Death	
Ended	Rate	Contribution	Rate	Contribution	Rate	Contribution
2018	15.840%	$ 40,748	.20%	$ 515	.20%	$ 515
2017	13.840%	$ 35,362	.20%	$ 511	.20%	$ 511
2016	13.340%	$ 31,050	.20%	$ 466	.20%	$ 466

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, 13.41%. Of the 13.41% employer retirement contribution rate, the employer remits 5.00% directly to the participant's ORP account and the remaining 8.41% and 0.15% incidental death program contribution amounts are remitted to SCRS. For fiscal year 2018, total contributions to the ORP were approximately $114,878 from Piedmont Technical College.

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.

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 ended 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.

Pension Liability
At June 30, 2018 the College reported $35,950,795 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, 2016 actuarial valuations, using membership data as of July 1, 2016, projected forward to June 30, 2017, and financial information of the pension trust funds as of June 30, 2017, 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, 2018, the College's SCRS proportion was 0.157390%, and its PORS proportion was 0.01897%. For the year ended June 30, 2018, the College recognized pension expense of $424,578 and $32,016 for SCRS and PORS respectively.

NOTE 6 - PENSION PLAN(S), Continued

At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources to pensions from the following sources:

Deferred outflows of resources	SCRS	PORS	Total
Differences between expected and actual experience	$ 157,951	$ 4,635	$ 162,586
Assumption Changes	2,074,107	49,332	2,123,439
Net difference between projected and actual investment earnings	989,068	18,521	1,007,589
Differences between employer contributions & proportionate Share	-	27,551	27,551
Contributions made from measurement date to June 30, 2018	2,124,126	41,777	2,165,903
Total deferred outflows of resources	$ 5,345,252	$ 141,816	$ 5,487,068
Deferred inflows of resources			
Differences between expected and actual experience	$ 19,638	$ -	$ 19,638
Differences between employer contributions & proportionate Share	2,507,910	-	2,507,910
Total deferred inflows of resources	$ 2,527,548	$ -	$ 2,527,548
Net deferred outflows/(inflows)	$ 2,817,704	$ 141,816	$ 2,959,520

$2,124,126 and $41,777 for SCRS and PORS respectively reported as deferred outflows of resources related to pensions resulting from the College's contributions subsequent to the measurement dates will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expenses as follows:

Year ended June 30,	SCRS	PORS	Total
2019	$ 74,071	$ (30,888)	$ 43,183
2020	(513,517)	(38,919)	(552,436)
2021	(555,838)	(26,873)	(582,711)
2022	301,706	(3,359)	298,347
	$ (693,578)	$ (100,039)	$ (793,617)

Actuarial Assumptions and Methods

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

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

NOTE 6 - PENSION PLAN(S), Continued

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

	SCRS	PORS
Actuarial Cost Method	Entry Age	Entry Age
Actuarial Assumptions:		
Investment Rate of Return	7.25%	7.25%
Includes Inflation Rate at:	2.25%	2.25%
Projected Salary Increase	3.0% to 12.5% (varies by service)	3.5% to 9.5% (varies by service)
Benefit Adjustment	Lesser of 1% or $500 annually	Lesser of 1% or $500 annually

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table (2016 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016. Assumptions used in the determination of the June 30, 2017 total pension liability are as follows:

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

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

For actuarial purposes, the long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding the actuarial expected inflation, which is summarized in the table below. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

NOTE 6 - PENSION PLAN(S), Continued

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Global equity	**45.0%**		
Global public equity	31.0%	6.72%	2.08%
Private equity	9.0%	9.60%	0.86%
Equity Options Strategies	5.0%	5.91%	0.30%
Real assets	**8.0%**		
Real estate (Private)	5.0%	4.32%	0.22%
Commodities (REITs)	2.0%	6.33%	0.13%
Infrastructure	1.0%	6.26%	0.06%
Opportunistic	**17.0%**		
GTAA/Risk parity	10.0%	4.16%	0.42%
Hedge Funds (non-PA)	4.0%	3.82%	0.15%
Other Opportunistic Strategies	3.0%	4.16%	0.12%
Diversified credit	**18.0%**		
Mixed credit	6.0%	3.92%	0.24%
Emerging markets debt	5.0%	5.01%	0.25%
Private debt	7.0%	4.37%	0.31%
Conservative fixed income	**12.0%**		
Core fixed income	10.0%	1.60%	0.16%
Cash and short duration (net)	2.0%	0.92%	0.02%
Total expected real return	**100.0%**		5.32%
Inflation for actuarial purposes			2.25%
Total expected nominal return			**7.57%**

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

The following table presents the College's proportionate share of the net SCRS and PORS pension liabilities as of June 30, 2018 calculated using the discount rate of 7.25 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 (6.25 percent) or 1.00 percent higher (8.25 percent) than the current rate:

Plan	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
SCRS	$ 45,665,718	$ 35,431,020	$ 29,220,964
PORS	701,798	519,775	376,402

NOTE 7 – OPEB AND OTHER BENEFITS

Plan Description

The majority of employees of the College are covered by the South Carolina Retiree Health Insurance Trust Fund (SCRHITF), which was established by the State of South Carolina as Act 195, which became effective on May 2008. The SCRHITF was created to fund and account for the employer costs of the State's retiree health and dental plans. In accordance with Act 195, the SCRHITF is administered by the PEBA Insurance Benefits (IB), and the State Treasurer is the custodian of the funds held in trust. The Board of Directors of PEBA has been designated as the Trustee. The SCRHITF is a cost-sharing multiple-employer defined benefit plans. Article 5 of the State Code of Laws defines the plan and authorizes the Trustee to at any time adjust the plans, including its benefits and contributions, as necessary to insure the fiscal stability of the plans. In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental benefits to retired State and school district employees and their covered dependents.

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

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.

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

Funding Policies

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment and long-term disability benefits to be funded through annual appropriations by the General Assembly for active employees to the PEBA, IB and participating retirees to PEBA, except for the portion funded through the pension surcharge and provided from the other applicable sources of the PEBA IB. For active employees who are not funded by State General Fund appropriations, participating employers are mandated by State statute to contribute at a rate assessed each year by the Department of Administration Executive Budget Office. The covered payroll surcharge for the year ended June 30, 2018 was 5.50%. The South Carolina Retirement System collects the monthly surcharge for all participating employers and remits it directly to the SCRHITF. Other sources of funding for the SCRHITF include mandatory transfers of accumulated PEBA, Insurance Benefits' reserves and income generated from investments. Contributions to the OPEB plan from the College were $902,921 for the year ended June 30, 2018. Employees are not required to contribute to the OPEB plan.

Effective May 1, 2008 the State established the trust fund through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental 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.

NOTE 7 – OPEB AND OTHER BENEFITS, Continued

OPEB Liability

At June 30, 2018, the College reported a liability of $26,658,676 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The College's proportion of the net OPEB liability was based on a projection of the College's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the College's proportion was .196818%.

For the year ended June 30, 2018, the College recognized a negative OPEB expense in the amount of $3,112,755. At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Assumption changes	$ -	$ 2,508,457
Net difference between projected and actual earnings	-	11,570
Net difference between projected and actual investment earnings	45,807	-
Deferred amounts from changes in proportionate share and differences between employer contributions & proportionate share of total plan employer contributions	-	379
Current year employer contributions	902,921	-
Total	$ 948,728	$ 2,520,406

$902,921 reported as deferred outflows of resources related to OPEB resulting from Fund contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Net
2019	$ (392,072)
2020	(392,072)
2021	(392,072)
2022	(392,072)
2023	(403,524)
Thereafter	(502,787)
	$ (2,474,599)

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

NOTE 7 – OPEB AND OTHER BENEFITS, Continued

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

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

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

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

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

NOTE 7 – OPEB AND OTHER BENEFITS, Continued

This information is summarized in the following table:

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Allocation-Weighted Long-Term Expected Real Rate of Return
U.S. Domestic Fixed Income	80.00%	2.09%	1.67%
Cash	20.00%	0.84%	0.17%
Total	100.00%		1.84%
Expected Inflation			2.25%
Total Return			4.09%
Investment Return Assumption			4.00%

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

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

	1% Decrease 2.56%	Current Discount Rate 3.56%	1% Increase 4.56%
Net OPEB Liability	$ 31,396,385	$ 26,658,676	$ 22,838,922

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

	1% Decrease (6.00% decreasing to 3.15%)	Current Healthcare Cost Trend Rate (7.00% decreasing to 4.15%)	1% Increase (8.00% decreasing to 5.15%)
Net OPEB Liability	$ 21,861,219	$ 26,658,676	$ 32,870,229

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued SCRHITF financial report.

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 $1,637,176 for the year ended June 30, 2018.

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:

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.

Project Commitments
As of June 30, 2018 the College had various open project commitments with remaining balances approximating $4,519,390. 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 $270 to $2,500 for terms averaging 24 months. The future minimum lease payments required for these operating leases as of June 30, 2018 were as follows:

Year Ended June 30	
2019	$ 93,239
2020	3,239
2021	540
Total minimum lease payments	$ 97,018

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 $471,276 was recognized for the fiscal year 2018.

Facilities Leased to Others
The College leased certain office space to other State agencies under non-cancellable leases ranging from 7 to 12 months. The monthly lease payments required were determined based on square footage used and ranged from $1,287 to $2,195. The required future minimum payments to be received are $26,343 for Fiscal Year 2019.

The College recognized $35,356 as revenue under these operating leases during the fiscal year ended June 30, 2018.

NOTE 11- ACCOUNTS PAYABLE

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

Accounts payable	$ 387,962
Benefits payable	466,514
Student deposits	56,052
Total accounts payable	$ 910,528

NOTE 12 - LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2018 was as follows:

	June 30, 2017	Additions	Reductions	June 30, 2018	Due Within One Year
Accrued compensated absences	$ 1,217,092	$ 665,171	$ (681,349)	$ 1,200,914	$ 526,637

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 the 2017-2018 academic year:

Tuition for students from fully supporting counties	$2,070
Greenwood, McCormick, Newberry and Saluda	
Tuition for students from non-fully supporting counties may be increased by a maximum of $240 for students from counties listed below which contribute only partial support:	
Abbeville, Edgefield and Laurens	$2,310
Other South Carolina counties	$2,430
Out of state	$3,030
Out of country	$3,882

NOTE 14 - OPERATING EXPENSES BY FUNCTION

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

	Salaries	Benefits	Scholarships	Utilities	Supplies and Other Services	Depreciation	Total
Instruction	$ 8,415,678	$ 2,786,933	$ -	$ -	$ 3,847,727	$ -	$ 15,050,338
Academic support	2,470,697	796,853	-	-	460,510	-	3,728,060
Student services	2,593,605	850,639	-	-	1,024,391	-	4,468,635
Operation and maintenance of plant	818,555	289,728	-	860,932	892,949	-	2,862,164
Institutional support	2,892,757	(1,352,432)*	-	-	2,479,150	-	4,019,475
Scholarships	-	-	6,757,045	-	-	-	6,757,045
Auxiliary enterprises	10,193	2,038	-	-	117,997	-	130,228
Depreciation	-	-	-	-	-	1,950,240	1,950,240
Total operating expenses	$ 17,201,485	$ 3,373,759	$ 6,757,045	$ 860,932	$ 8,822,724	$ 1,950,240	$ 38,966,185

* - GASB 68 and 75 entries are recorded in Benefits within Institutional Support. Due to GASB 75 having a negative OPEB expense, the total expense for that category is a negative.

NOTE 15 - REQUIRED INFORMATION ON BUSINESS - TYPE ACTIVITIES

The following information is provided in accordance with the South Carolina Office of Comptroller General's 2018 Audited Financial Statement Manual:

	2018
Charges for services	$ 18,108,312
Operating grants and contributions	14,037,110
Capital appropriations and contributions	1,065,231
Less: expenses	(38,966,185)
Net program revenue (expense)	(5,755,532)
Transfers:	
Non-capital appropriations	8,921,674
Change in net assets	3,166,142
Net Assets - Beginning (as restated)	(13,880,594)
Net Assets - Ending	$ (10,714,452)

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 discreetly presented component unit of the College.

The Foundation paid a total of $574,000 in scholarships, grants, and supplements to the College during 2018. 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 $77,400 for the year ended June 30, 2018.

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 $378,000 for the use of seventeen rooms and for use of the PEN system.

There were no related receivables or payables as of June 30, 2018.

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, 2018:

- 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, 2018.

	Fair value measurements at June 30, 2018			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Money market funds	$ -	$ 323,016	$ -	$ 323,016
U.S. Government obligations	-	156,841	-	156,841
Corporate bonds and notes	-	753,348	-	753,348
Publicly traded parternships	7,336	-	-	7,336
Corporate common stocks	1,844,446	-	-	1,844,446
Exchange traded funds	19,683	-	-	19,683
Mutual funds	1,718,540	-	-	1,718,540
Cash surrender value of life insurance	-	419,811	-	419,811
Total assets at fair value	$ 3,590,005	$ 1,653,016	$ -	$ 5,243,021

NOTE 18 – TAX ABATEMENTS

The State of South Carolina has enacted the Fee-in-Lieu of Tax Program, the Special Source Revenue Credit Program, and the Infrastructure Program as part of Title 12 of the South Carolina Code of Laws in support of economic development. The legislation allows the counties to enter into negotiated fee-in-lieu of tax (FILOT) arrangements with entities in exchange for making investments in facilities and jobs in the county. The FILOT's typically include millage caps and reduced assessment ratios for entities who commit to certain investment and employment targets. Some FILOT's also include Special Source Revenue Credits which further reduce the negotiated fee by a percentage for a specified time period.

The College is subjected to tax abatements granted by Greenwood County since Greenwood County provides funding to the College based on tax millage. For the fiscal year ended June 30, 2018, Greenwood County abated property taxes totaling $6,632,954 of which $503,314 would have been paid to the College without such abatements. See the chart below for further details:

Tax abatement Program	Amount of Taxes Abated during the Fiscal Year
Fee-in-Lieu of Taxes Program (FILOT)	$ 254,790
Special Source Revenue Credit Program (SSRC)	52,769
Fee-in-Lieu of Tax and Special Source Revenue Credit Program (FILOT + SSRC)	193,368
Special Source Revenue Credit and Infrastructure Program (SSRC + IP)	2,387
	$ 503,314

Newberry County abated property taxes totaling $4,585,380 of which $41,773 would have been paid to the College without such abatements.

Laurens and Saluda Counties also fund the College based on millage, but their information was not available at the time the College's financial statements were issued. The Counties do not provide any reimbursement to the College to offset abatements.

NOTE 19 – RESTATEMENT

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

Audited net position as of June 30, 2017	$ 17,462,515
OPEB liability and deferred items	(31,343,109)
Restated net position (deficit) as of June 30, 2017	$ (13,880,594)

NOTE 20 – SUBSEQUENT EVENTS

Subsequent events were evaluated through September 13, 2018, 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 Share of the South Carolina
Retirement Systems Net Pension Liabilities
June 30, 2018

SOUTH CAROLINA RETIREMENT SYSTEM
LAST TEN FISCAL YEARS*

	2018	2017	2016	2015	2014
College's proportion of the net pension Liability	0.157390%	0.165428%	0.178534%	0.18011%	0.18011%
College's proportionate share of the net pension liability	$ 35,431,020	$ 35,335,175	$ 33,859,834	$ 31,009,791	$ 30,572,033
College's covered payroll	$ 15,282,691	$ 15,415,291	$ 16,047,329	$ 15,716,099	$ 15,583,527
College's proportionate share of the net pension liability as a percentage of its covered employee-payroll	231.84%	229.22%	211.00%	197.31%	196.18%
Plan fiduciary net position as a percentage of the total pension liability	53.34%	52.91%	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 five years of information is available.

POLICE OFFICERS RETIREMENT SYSTEM
LAST TEN FISCAL YEARS*

	2018	2017	2016	2015	2014
College's proportion of the net pension Liability	0.01897%	0.01826%	0.01719%	0.01689%	0.01689%
College's proportionate share of the net pension liability	$ 519,775	$ 463,084	$ 374,655	$ 323,448	$ 323,945
College's covered payroll	$ 255,505	$ 232,757	$ 212,964	$ 203,085	$ 149,072
College's proportionate share of the net pension liability as a percentage of its covered employee-payroll	203.43%	198.96%	175.92%	159.27%	217.31%
Plan fiduciary net position as a percentage of the total pension liability	60.94%	60.44%	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 five years of information is available.

PIEDMONT TECHNICAL COLLEGE
Schedule of Retirement Systems Contributions
June 30, 2018

SCHEDULE OF SOUTH CAROLINA RETIREMENT SYSTEM CONTRIBUTIONS

LAST TEN FISCAL YEARS

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contributions	$ 1,987,022	$ 1,743,755	$ 1,681,808	$ 1,725,088	$ 1,642,332	$ 1,628,479	$ 1,409,569	$ 1,366,243	$ 1,343,064	$ 1,317,500
Contributions in relation to the contractually required contribution	(1,987,022)	(1,743,755)	(1,681,808)	(1,725,088)	(1,642,332)	(1,628,479)	(1,409,569)	(1,366,243)	(1,343,064)	(1,317,500)
Contribution deficiency/(excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College's covered payroll	$ 14,817,463	$ 15,282,691	$ 15,415,291	$ 16,047,329	$ 15,716,099	$ 15,583,527	$ 15,019,377	$ 14,786,177	$ 14,535,320	$ 14,258,662
Contributions as a percentage of College's covered payroll	13.410%	11.410%	10.910%	10.750%	10.450%	10.450%	9.385%	9.240%	9.240%	9.240%

PIEDMONT TECHNICAL COLLEGE
Schedule of Retirement Systems Contributions
June 30, 2018

SCHEDULE OF POLICE OFFICERS RETIREMENT SYSTEM CONTRIBUTIONS

LAST TEN FISCAL YEARS

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contributions	$ 40,748	$ 35,362	$ 31,050	$ 27,707	$ 25,264	$ 17,740	$ 19,237	$ 13,937	$ 10,206	$ 8,783
Contributions in relation to the contractually required contribution	(40,748)	(35,362)	(31,050)	(27,707)	(25,264)	(17,740)	(19,237)	(13,937)	(10,206)	(8,783)
Contribution deficiency/(excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College's covered payroll	$ 257,249	$ 255,505	$ 232,757	$ 212,964	$ 203,085	$ 149,072	$ 169,292	$ 125,218	$ 95,830	$ 82,468
Contributions as a percentage of College's covered payroll	15.840%	13.840%	13.340%	13.010%	12.440%	11.900%	11.363%	11.130%	10.650%	10.650%

PIEDMONT TECHNICAL COLLEGE
Schedule of Proportionate Share of the South Carolina Retiree Health Insurance
Trust Fund Other Postemployment Benefits Liabilities
June 30, 2018

LAST TEN FISCAL YEARS*

	2018	2017
College's proportion of the OPEB Liability	0.196818%	0.196818%
College's proportionate share of the net OPEB liability	$ 26,658,676	$ 28,476,870
College's covered payroll	$ 16,597,396	$ 16,751,821
College's proportionate share of the net OPEB liability as a percentage of its covered employee-payroll	160.62%	169.99%
Plan fiduciary net position as a percentage of the total OPEB liability	7.60%	6.62%

* - The College implemented *GASB 75* during fiscal year 2018. As such, only the last two years of information are available.

PIEDMONT TECHNICAL COLLEGE

Schedule of South Carolina Retiree Health Insurance Trust Fund Contributions

June 30, 2018

LAST TEN FISCAL YEARS

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contributions	$ 902,921	$ 884,641	$ 893,172	$ 877,006	$ 842,139	$ 769,055	$ 692,885	$ 614,598	$ 538,758	$ 524,977
Contributions in relation to the contractually required contribution	(902,921)	(884,641)	(893,172)	(877,006)	(842,139)	(769,055)	(692,885)	(614,598)	(538,758)	(524,977)
Contribution deficiency/(excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College's covered payroll	$ 16,416,750	$ 16,597,396	$ 16,751,821	$ 17,540,111	$ 17,116,641	$ 16,902,309	$ 16,113,609	$ 15,758,929	$ 15,092,683	$ 14,676,544
Contributions as a percentage of College's covered payroll	5.500%	5.330%	5.332%	5.000%	4.920%	4.550%	4.300%	3.900%	3.570%	3.577%

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Changes of Assumptions

Amounts reported for the year ended June 30, 2018 reflect actuarial assumption changes effective July 1, 2016 based on the results of an actuarial experience study completed in 2017.

Schedule 1

Schedule of Reconciliation of Revenues and Cash
Reimbursements Received from State Board
For the Year Ended June 30, 2018

	CURRENT FUND	
	UNRESTRICTED	**RESTRICTED**
NET REIMBURSEMENTS REQUESTED		
(PER COLLEGE RECORDS)		
State Operational Allocation	$ 7,947,756	$ -
General Fund- Nursing	-	39,557
Critical Needs Workforce STEM	-	144,030
Ready SC	-	499,282
EEDA Pathways	-	37,784
Lottery-Tuition Assistance	-	2,695,579
Lottery- Critical Needs Equipment	-	194,843
SCAI Grant	-	239,164
Apprenticeship Evolved	-	2,247
Laurens Center for Advanced Manufacturing	-	577,039
Lottery Allied Health	-	191,239
Lottery Spec Allocation	-	39,057
Career/Workforce (Pathways)	-	54,732
Career/Workforce (Scholarships)	-	518,169
System Outreach	-	8,750
SC Con-Ed Professional Conference	-	95
Total Net Reimbursements Requested	**7,947,756**	**5,241,567**
RECONCILIATION - RECEIPTS TO REQUESTS		
Cash Received from State Board:		
State Operational Allocation	$ 7,947,756	-
General Fund- Nursing	-	39,557
Critical Needs Workforce STEM	-	144,030
Ready SC	-	499,755
State Pathways	-	37,784
Lottery-Tuition Assistance	-	3,211,801
Lottery Critical Needs Equipment	-	194,843
SCAI Grant	-	225,520
Apprenticeship Evolved	-	2,247
LCAM Phase III	-	959,488
Lottery Allied Health	-	191,239
Lottery Spec Allocation	-	39,057
Career/Workforce (Pathways)	-	54,732
Career/Workforce (Scholarships)	-	518,169
System Outreach	-	8,750
SC Con-Ed Professional Conference	-	95
	7,947,756	6,127,067
Add: Reimbursements Receivable at 6/30/18		
SCAI Grant	-	13,644
	-	13,644
Deduct: Reimbursements Receivable at 6/30/17		
Ready SC	-	472
LCAM	-	382,449
Lottery - Tuition	-	516,223
	-	899,144
Total Reconciliation - Receipts to Requests	**$ 7,947,756**	**$ 5,241,567**

PIEDMONT TECHNICAL COLLEGE Schedule 2

Schedule of Local Government Support

For the Year Ended June 30, 2018

(with comparative amounts for the year ended June 30, 2017)

LOCAL GOVERNMENT	2018	2017
Greenwood County	$ 1,382,974	$ 1,256,483
Laurens County	203,370	179,987
Abbeville County	155,325	155,325
Newberry County	415,919	405,775
Saluda County	170,538	170,538
McCormick County	85,130	85,130
Edgefield County	50,000	47,000
Total Support	$ 2,463,256	$ 2,300,238

Piedmont Technical College
Schedule of Expenditures of Federal Awards
June 30, 2018

Federal Grantor Pass-Through Entity Program Title	CFDA Number	Grant Period	Award Number	Expenditures
U.S. DEPARTMENT OF EDUCATION				
STUDENT FINANCIAL AID CLUSTER:				
Federal Supplemental Educational Opportunity Grant	84.007	2017-2018	P007A173801	$ 209,264
Total Supplemental Educational Opportunity Grant Program				**209,264**
Federal Work Study Grant Program	84.033	2016-2017	P033A163801	9,716
Federal Work Study Grant Program	84.033	2017-2018	P033A173801	146,547
Total Work Study Grant Program				**156,263**
Federal Pell Grant Program	84.063	2016-2017	P063P162479	(3,717)
Federal Pell Grant Program	84.063	2017-2018	P063P172479	11,214,996
Total Federal Pell Grant Program				**11,211,279**
Direct Loans				
Federal Direct Loans	84.268	2015-2016	P268K162479	(5,904)
Federal Direct Loans	84.268	2016-2017	P268K172479	43,321
Federal Direct Loans	84.268	2017-2018	P268K182479	13,532,803
Total Federal Direct Loan Program				**13,570,220**
Total Student Financial Aid Cluster				**25,147,026**
TRIO CLUSTER:				
Student Support Services	84.042A	2016-2017	P042A160279	61,092
Student Support Services	84.042A	2016-2017	P042A160279-17	220,355
Student Support Services- Veterans	84.042A	2015-2016	P042A151462	1,251
Student Support Services- Veterans	84.042A	2016-2017	P042A151462-16	28,444
Student Support Services- Veterans	84.042A	2017-2018	P042A151462-17	75,758
Total Trio Cluster				**386,900**
PASS-THROUGH SC DEPARTMENT OF EDUCATION:				
Career and Technical Education - Basic Grants to States	84.048A	2016-2017	17VA411	415
Career and Technical Education - Basic Grants to States	84.048A	2017-2018	H63010107118	307,262
Total Career and Technical Education				**307,677**
Total U.S. Department of Education				**25,841,603**

Piedmont Technical College
Schedule of Expenditures of Federal Awards
June 30, 2018

Federal Grantor Pass-Through Entity Program Title	CFDA Number	Grant Period	Award Number	Expenditures
PASS-THROUGH SC DEPARTMENT OF EMPLOYMENT and WORKFORCE				
Priority Populations Apprenticeship Grant-SWDB	17.258	2017-2018	16APP01	12,994
Total SWDB				**12,994**
PASS-THROUGH SC TECHNICAL COLLEGE SYSTEM				
SC Apprenticeship Initiative	17.268 H-1B	2015-2020	SC Apprenticeship Intiative	221,672
SC Apprenticeship Evolved	17.285	2016-2018		2,247
Total SC Apprenticeship				**223,919**
Total U.S. Department of Labor				**236,913**
TOTAL FEDERAL AWARDS				**$ 26,078,516**

PIEDMONT TECHNICAL COLLEGE
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

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 $13,570,220.

4. INDIRECT COST

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

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

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, 2018, 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 September 13, 2018. 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 were 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
September 13, 2018

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INDEPENDENT AUDITORS' 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, 2018. 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.

Auditors' 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, 2018.

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

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

Report on Internal Control Over Compliance
Management of the 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
September 13, 2018

PIEDMONT TECHNICAL COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2018

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. One audit finding was reported relative to the major federal award programs for Piedmont Technical College as depicted below in this schedule.

7. Major federal programs:

TRIO – Student Support Services	CFDA #84.042
Student Financial Aid Cluster	
Federal 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 Finding:

Finding 2018-001: Other Compliance Finding

Criteria:
Piedmont Technical College ("the College") did not meet the Earmarking portion of compliance audit requirements under Uniform Guidance regarding the Student Support Services - Veteran program (SSSV).

Condition:
College was required to have at least two-thirds (66%) of students served under SSSV as low-income individuals who are first generation college students or individuals with disabilities. As of June 30, 2018, 60% of students served under SSSV met the compliance criteria.

Cause:
The College has elected to accept all veterans who meet SSSV eligibility criteria, which caused them to slightly miss required compliance ratios under the Earmarking portion of Uniform Guidance compliance. Additionally, the population of Veterans applying to and enrolling at Piedmont Technical College is limited, which makes the number of Veterans requesting services from SSSV who are also considered low-income first-generation students or individuals with disabilities even lower. The SSSV program regulations prohibit the staff from recruiting, which means the staff can only reach out to those Veterans who have applied to PTC or are enrolled at PTC.

Effect:
The College was not in compliance with the Earmarking portion of Uniform Guidance compliance requirements.

Auditors' Recommendation:
College management should implement procedures to ensure that all required compliance ratios are met.

Financial Statement Finding (Continued):

Finding 2018-001: Other Compliance Finding (Continued)

Management's Response:
Management is aware that the Student Support Services – Veteran program (SSSV) does not meet the two-thirds requirement. This information has also been reported to the Department of Education through the required Annual Performance Report. The SSSV staff will continue to work to identify participants who meet the two-thirds requirement of low-income individuals who are first generation college students or individuals with disabilities. The Project Director has recently transitioned into a direct supervisory role of the SSSV staff and will allocate additional resources to assist with identifying eligible participants. There will be a focus on ensuring the Project Director and SSSV staff are trained to assist participants on the both the process of applying for Veterans Affairs education benefits as well as completing the enrollment certification. In addition, an Academic Support Coordinator will be hired in the near future to assist with the case management of academically high-risk participants. This will allow the SSSV Counselor more time to determine strategies for identifying eligible participants. The SSSV staff will also continue to collaborate with the Veterans Services Coordinator at the College to identify eligible participants. Management is committed to working to ensure continuous improvement in complying with the requirements of the Student Support Services Veterans program.

Federal Awards Findings and Questioned Costs:

No findings or questioned costs.

Status of Prior Year Findings:

None were reported.

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INDEPENDENT ACCOUNTANTS' REPORT ON STATE LOTTERY TUITION ASSISTANCE

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

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

A random sample of 25 students was selected from the College's list of financial aid recipients.

We reviewed the student records maintained by the financial aid office of each applicant randomly selected to determine that they contained all necessary information and documentation to determine eligibility. We also determined that any lottery tuition assistance awarded did not exceed the remaining cost of tuition and academic fees for the applicable semester after first applying Pell grants, Federal Supplemental Education Opportunity Grants, South Carolina Need-Based grants, and other applicable grants.

For students included in our sample not receiving funds from the Lottery Tuition Assistance Program, we determined that the students were granted the right to appeal the decision by submitting a written request to the institution's Director of Financial Aid and determined that the students' requests were handled in accordance with the institution's financial aid procedures as reflected in the student's financial aid record.

We traced amounts to the student account detail to determine that the awarded amounts were identifiably credited to the student's account. By analytical tools we tested all lottery recipients for the lottery award compliance with restrictions regarding limitations associated with other awards received, amounts received within each term, and eligibility criteria associated with the Life Scholarship program. The results of our tests disclosed no instances of noncompliance that is required to be reported under *Government Auditing Standards*.

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

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

The Brittingham Group LLP

West Columbia, South Carolina
September 13, 2018