

HORRY - GEORGETOWN TECHNICAL COLLEGE
CONWAY, SOUTH CAROLINA
INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS AND SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2018

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

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

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**HORRY - GEORGETOWN TECHNICAL COLLEGE
CONWAY, SOUTH CAROLINA
AUDIT PERIOD
JULY 1, 2017 THROUGH JUNE 30, 2018**

AREA COMMISSIONERS

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

EXECUTIVE STAFF

Dr. Marilyn J. Fore	College President
Mr. John P. Dove	Vice President for Technology
Dr. Melissa R. Batten	Vice President for Student Affairs
Mr. Harold N. Hawley	Vice President for Finance and Business Affairs
Dr. Jennifer Wilbanks	Vice President for Academic Affairs
Mr. Gregory L. Mitchell	Vice President for Workforce Development and Continuing Education
Jackie Snyder	Vice President for Human Resources and Employee Relations
Lori Heafner	Assistant Vice President for Institutional Planning, Research & Grants
Lari Roper	Assistant Director for Marketing & Public Relations

AREA SERVED

Horry County
Georgetown County

COUNTIES PROVIDING FINANCIAL SUPPORT

Horry County
Georgetown County



Robert D. Harper, Jr. CPA
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P. O. Box 1550
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Tel (843) 237-9125
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E-mail: HPM2@sc.rr.com

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Horry – Georgetown Technical College, a component unit of the State of South Carolina, as of and for the 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 Horry - Georgetown Technical College Foundation, Inc. which represents 100 percent of the discretely presented component unit presented in the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our report and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Horry – Georgetown Technical College, as of June 30, 2018, and the respective changes in the financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 8 to the financial statements, the College adopted new accounting guidance, GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 11 and supplementary pension information and supplementary OPEB information on pages 50 through 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

required part of the basic financial statements.

The accompanying schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our report and the report of other auditors, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 4, 2018 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Harper, Poston & Moree, P.A.

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

Georgetown, South Carolina
October 4, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of Horry-Georgetown Technical College offer users and other readers of the College's financial statements this narrative overview and analysis of its financial activities for the fiscal years ended June 30, 2018 and June 30, 2017. This discussion and analysis should be read in conjunction with the consolidated financial statements and the footnotes thereto, which follow this section.

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

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

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

Financial Highlights

- The total beginning net position (net assets) of the College was re-stated from \$86,028,827 to \$50,839,429 as of July 1, 2017 due to recording a \$35,189,398 Net Other Postemployment Benefits Other Than Pensions (OPEB) Liability as mandated by the State of South Carolina. This adjustment notwithstanding, the College experienced a strong year financially as evidenced by an increase in net assets of \$4,548,693.
- The College is in the midst of a multi-year capital improvement initiative that includes constructing new academic facilities, refurbishing buildings, and improving its information technology infrastructure. The capital improvements are financed by College Funds, State funding, private donations, Federal grants and the local Educational Capital Improvement Sales and Use (Penny) Tax.
- In spite of ongoing enrollment pressure as part of national trends and holding its tuition rates at the lowest levels in the State, the College was able to significantly increase its net assets, providing overwhelming evidence of its financial strength and overall fiscal health.

Overview of the Financial Statements

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

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

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

The Statement of Cash Flows will aid readers in identifying the sources and uses of cash by the major categories of operating, capital and related financing, non-capital financing, and investing activities. This statement also

emphasizes the College's dependence on state and county appropriations by separating them from operating cash flows.

Financial Analysis

In addition to the financial information, charts and graphs are provided to enhance an understanding of the institutions financial condition and related changes from the prior fiscal year. The 2017 financial information has not been restated for the prior period adjustment.

Net Position For the Years Ended June 30,

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Current assets	\$ 47,465,547	\$ 39,902,175	\$ 7,563,372	18.95%
Non-current assets				
Capital assets, net of depreciation	\$ 77,799,981	\$ 77,844,732	\$ (44,751)	(0.06%)
Other	\$ 11,559,502	\$ 13,826,634	\$ (2,267,132)	(16.40%)
Deferred outflows of resources	<u>\$ 7,975,106</u>	<u>\$ 6,286,111</u>	<u>\$ 1,688,995</u>	<u>26.87%</u>
Total assets and deferred outflows	<u>\$ 144,800,136</u>	<u>\$ 137,859,652</u>	<u>\$ 6,940,484</u>	<u>5.03%</u>
Current liabilities	\$ 7,223,135	\$ 8,916,071	\$ (1,692,935)	(18.99%)
Non-current liabilities	\$ 1,330,453	\$ 1,438,016	\$ (107,563)	(7.48%)
Net Pension and OPEB Liability	\$ 77,215,610	\$ 41,007,554	\$ 36,208,055	88.30%
Deferred inflows of resources	<u>\$ 3,642,816</u>	<u>\$ 469,184</u>	<u>\$ 3,173,632</u>	<u>676.42%</u>
Total liabilities and deferred inflows	<u>\$ 89,412,014</u>	<u>\$ 51,830,825</u>	<u>\$ 37,581,189</u>	<u>72.51%</u>
Investment in capital assets, Net of Related debt	\$ 77,799,981	\$ 77,844,732	\$ (44,751)	(0.06%)
Restricted for capital projects	\$ 12,745,407	\$ 10,151,266	\$ 2,594,141	25.55%
Restricted other	\$ 218,699	\$ 206,800	\$ 11,899	5.75%
Unrestricted	<u>\$ (35,375,965)</u>	<u>\$ (2,173,971)</u>	<u>\$ (33,201,994)</u>	<u>1527.25%</u>
Total Net Position	<u>\$ 55,388,122</u>	<u>\$ 86,028,827</u>	<u>\$ (30,640,705)</u>	<u>(35.62%)</u>

The previous schedule is prepared from the College's Statement of Net Position, which is presented using an accrual basis of accounting, whereby assets are capitalized and depreciated. Total assets and deferred outflows increased by \$6,940,484 or approximately 5.0% over the prior year due to a \$4.4 million increase in cash and a \$2 million increase in short term investments.

Total liabilities and deferred inflows increased \$37,581,189 or 72.5% during the fiscal year due to the State mandated recordation of a Net OPEB Liability (see financial statement footnote #8). Although total liabilities increased, there was a decrease in current liabilities of \$1,692,935 that was primarily driven by a reduction in accounts payable and an increase in deferred (tuition) revenue for the fall semester.

The total beginning net position (net assets) of the College was restated from \$86,028,827 to \$50,839,429 as of July 1, 2017 due to recording a \$35,189,398 OPEB Liability as mandated by the State of South Carolina (see financial statement footnote #8). When the State mandated adjustment is added back of the existing balance, the College would have had a net position of \$90,577,520 at year-end which is an increase of \$4,548,693 over the prior year. Having increased its net position by \$4.54 million over the year provides overwhelming evidence as to the institution's financial strength and economic well-being.

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

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Operating Revenue				
Tuition and Fees	\$ 20,838,840	\$ 19,076,035	\$ 1,762,805	9.24%
Federal and State Contracts	\$ 10,066,831	\$ 9,603,842	\$ 462,989	4.82%
Auxiliary	\$ 763,073	\$ 839,273	\$ (76,200)	(9.08%)
Other	\$ 438,878	\$ 324,049	\$ 114,829	35.44%
Total Operating Revenue	<u>\$ 32,107,622</u>	<u>\$ 29,843,199</u>	<u>\$ 2,264,423</u>	<u>7.59%</u>
Less Operating Expenses				
	<u>\$ 64,210,732</u>	<u>\$ 62,325,724</u>	<u>\$ 1,885,008</u>	<u>3.02%</u>
Net Operating Income (Loss)	<u>\$ (32,103,110)</u>	<u>\$ (32,482,525)</u>	<u>\$ 379,415</u>	<u>1.17%</u>
Non-Operating Revenue (Expenses)				
State Appropriations	\$ 10,598,215	\$ 9,084,891	\$ 1,513,324	16.66%
Horry County	\$ 3,758,841	\$ 3,257,133	\$ 501,708	15.40%
Georgetown County	\$ 465,000	\$ 465,000	\$ -	0.00%
Other	\$ 16,109,030	\$ 14,159,573	\$ 1,949,457	13.77%
Total Non-Operating Revenue (Expenses)	<u>\$ 30,931,086</u>	<u>\$ 26,966,597</u>	<u>\$ 3,964,489</u>	<u>14.70%</u>
Capital Grants and Gifts	<u>\$ 5,720,717</u>	<u>\$ 5,135,086</u>	<u>\$ 585,631</u>	<u>11.40%</u>
Increase in Net Position	<u>\$ 4,548,693</u>	<u>\$ (380,842)</u>	<u>\$ 4,929,535</u>	<u>1294.38%</u>
Net Position - Beginning of Year (Restated)	<u>\$ 50,839,429</u>	<u>\$ 86,409,669</u>	<u>\$ (35,570,240)</u>	<u>(41.16%)</u>
Net Position - End of Year	<u>\$ 55,388,122</u>	<u>\$ 86,028,827</u>	<u>\$ (30,640,705)</u>	<u>(35.62%)</u>

As outlined above, the College experienced a significant increase in its net position or net assets during the year. During 2018, the net position increased by \$4,548,693 as compared to a decline of \$380,842 in 2017. For users of these statements, it should be noted that the decline in 2017 was attributed to a one-time investment of \$4,000,000 to upgrade the College's information technology infrastructure. Even after adjusting for the \$4,000,000 charge in 2017, net assets would have increased by \$3,619,158. This reference is made to emphasize the financial strength of the College and the success of the current year. The beginning net position for July 1, 2017 as restated from \$86,028,827 to \$50,839,429 is a decrease in net position of \$35,189,398 due to the implementation of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement requires the College to record a liability for the actuarial value to future postemployment benefits to current and future retirees.

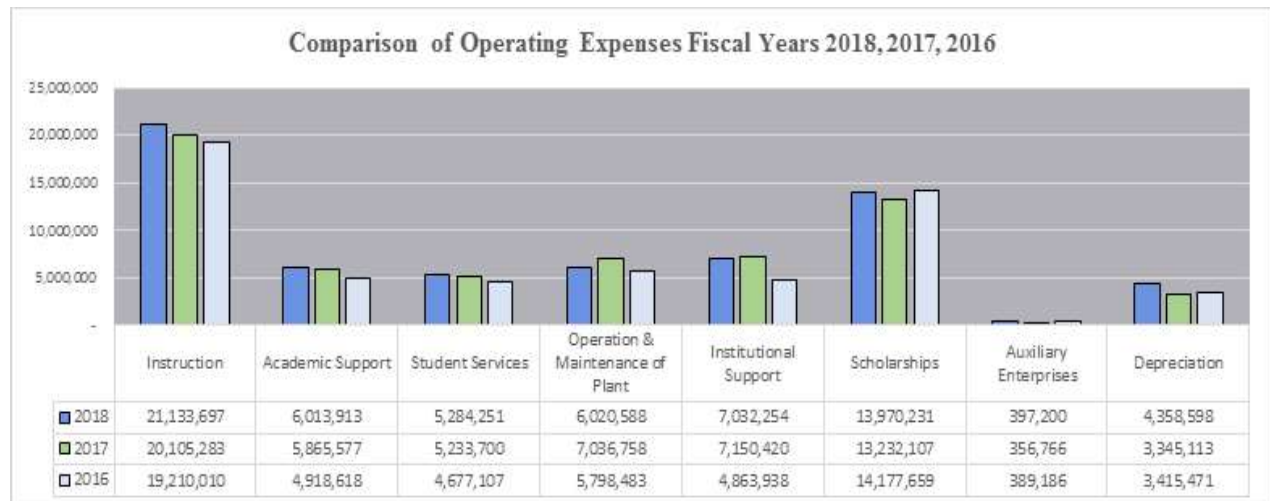
The increase in net assets in 2018 was largely attributed to operating revenues (primarily tuition and Federal and State Contracts) greatly exceeding those of prior year, while operating costs remained roughly consistent with normal inflationary trends. The increase in overall net assets was also driven by increases in both State and County funding and scholarships.

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

Operating Expenses by Function For the Years Ended June 30,

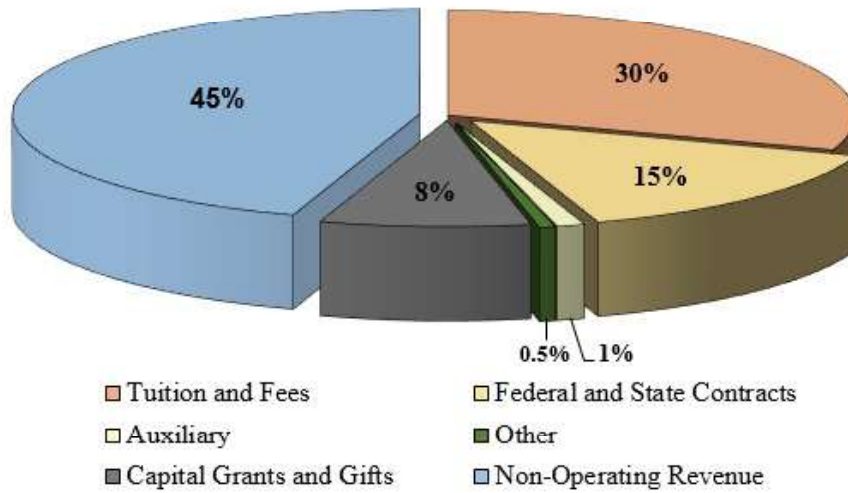
	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Operating Expenses				
Instruction	\$ 21,133,697	\$ 20,105,283	\$ 1,028,414	5.12%
Academic Support	\$ 6,013,913	\$ 5,865,577	\$ 148,336	2.53%
Student Services	\$ 5,284,251	\$ 5,233,700	\$ 50,551	0.97%
Operation and Maintenance of Plant	\$ 6,020,588	\$ 7,036,758	\$ (1,016,170)	(14.44%)
Institutional Support	\$ 7,032,254	\$ 7,150,420	\$ (118,166)	(1.65%)
Scholarships	\$ 13,970,231	\$ 13,232,107	\$ 738,124	5.58%
Auxiliary Enterprises	\$ 397,200	\$ 356,766	\$ 40,434	11.33%
Depreciation	\$ 4,358,598	\$ 3,345,113	\$ 1,013,485	30.30%
Total Operating Expenses	<u>\$ 64,210,732</u>	<u>\$ 62,325,724</u>	<u>\$ 1,885,008</u>	<u>3.02%</u>

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

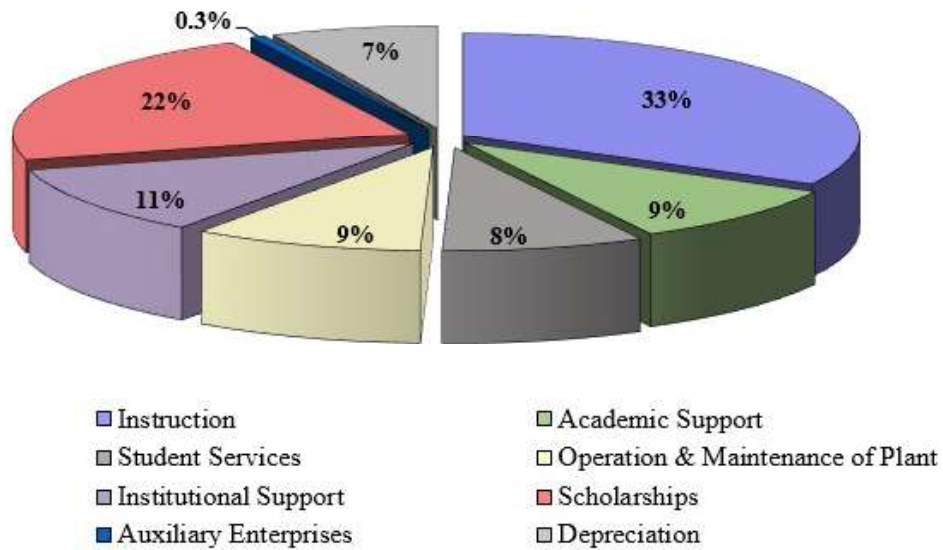


Operating expenses for fiscal year 2018 increased by \$1,885,008 or 3.0% primarily due to an increase in instructional costs and scholarships (financial aid) associated with enrollment growth. There was also an increase in depreciation costs during the year of \$1,013,485 due to the completion of several capital projects over the past year.

Revenue by Source



Operating Expenses



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

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Net Position				
Investment in capital assets, Net of Related debt	\$ 77,799,981	\$ 77,844,732	\$ (44,751)	(0.06%)
Restricted for Capital Projects	\$ 12,745,407	\$ 10,151,266	\$ 2,594,141	25.55%
Restricted for: expendable	\$ 218,699	\$ 206,800	\$ 11,899	5.75%
Unrestricted	\$ (35,375,965)	\$ (2,173,971)	\$ (33,201,994)	1527.25%
Total Net Position	<u>\$ 55,388,122</u>	<u>\$ 86,028,827</u>	<u>\$ (30,640,705)</u>	<u>(35.62%)</u>

Net position may serve over time as a useful indicator of an entity's financial position. In the case of the College, net assets exceeded liabilities by \$55,388,122 providing evidence of the strength and fiscal health of the institution. It should be noted that the beginning net position of the College was re-stated from \$86,028,827 to \$50,839,429 as of July 1, 2017 due to recording a \$35,189,398 OPEB Liability as mandated by the State of South Carolina (see financial statement footnote #8). When this State mandated adjustment is added back to the existing balance, the College would have had a net position of \$90,577,520 at year-end which is an increase of \$4,548,693 over the prior year.

At June 30, 2018, less than 1% or \$216,699 of the College's net position is restricted for revolving loan funds and by other grantor imposed restrictions. At June 30, 2018, 23% of the total net position is restricted for capital projects.

The overall financial strength and economic viability of the institution is evidenced by the increase in net position of \$4.54 million over the prior year.

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

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Capital Assets				
Land and Improvements	\$ 14,364,382	\$ 14,364,382	\$ -	0.00%
Construction in Progress	\$ 1,031,816	\$ 4,265,197	\$ (3,233,381)	(75.81%)
Buildings	\$ 88,794,596	\$ 82,151,863	\$ 6,642,733	8.09%
Equipment	\$ 11,427,435	\$ 11,005,605	\$ 421,830	3.83%
Total Capital Assets	<u>\$ 115,618,229</u>	<u>\$ 111,787,047</u>	<u>\$ 3,831,182</u>	<u>3.43%</u>
Less Accumulated Depreciation	<u>\$ (37,818,248)</u>	<u>\$ (33,942,315)</u>	<u>\$ (3,875,933)</u>	<u>11.42%</u>
Net Capital Assets	<u>\$ 77,799,981</u>	<u>\$ 77,844,732</u>	<u>\$ (44,751)</u>	<u>(0.06%)</u>

As of June 30, 2018, the College had \$115,618,229 in capital assets, which represented a \$3,831,182 or 3.43% increase over the prior fiscal year. The College continued progress on its facilities master planning during the year, both completing existing and starting new projects that are intended to improve and expand academic and

instructional space; enhance administrative and support buildings; upgrade the institution's roads, sidewalks and parking facilities; and modernize the information technology infrastructure. The current year increase in capital assets was precipitated by the completion of the Advanced Manufacturing Center in Conway, renovating buildings to support the Diesel Mechanics and Marine Motor programs, and beginning construction on the Georgetown Center for Advanced Manufacturing.

Cash Flows
For the Years Ended June 30,

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities	\$ (25,914,206)	\$ (26,726,856)
Cash Flows from Non-Capital Financing Activities	\$ 30,608,783	\$ 27,060,506
Cash Flows from Capital and Related Financing Activities	\$ 1,803,572	\$ (2,361,089)
Cash Flows from Investing Activities	<u>\$ (2,079,566)</u>	<u>\$ 3,749,656</u>
Net (Decrease)/Increase in Cash	\$ 4,418,583	\$ 1,722,217
Cash - Beginning of Year	<u>\$ 17,780,945</u>	<u>\$ 16,058,728</u>
Cash - End of Year	<u><u>\$ 22,199,528</u></u>	<u><u>\$ 17,780,945</u></u>

The College's cash position was increased by approximately \$4,418,583 or 25% during the year. The increase in cash was primarily due the receipt of the Educational Capital Sales and Use (Penny) tax.

Capital Asset and Debt Administration

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

Economic Factors

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

Going forward, the College expects some flattening of enrollment growth due to the ongoing economic recovery, national enrollment trends, increased federal restrictions on financial aid, and local competition from private and two-year institutions. The future impact of enrollment increases or decreases however, cannot be measured with any precision.

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

Horry-Georgetown Technical College Foundation

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

FINANCIAL STATEMENTS

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

**STATEMENT OF NET POSITION
JUNE 30, 2018**

ASSETS	<u>2018</u>
Current Assets	
Cash and Cash Equivalents	\$ 22,030,351
Cash and Cash Equivalents (Restricted for Loans)	169,177
Short Term Investments	14,875,466
Accounts Receivable, Net	10,114,990
Interest Receivable	99,704
Loans Receivable	50,789
Prepaid Expenses	125,070
Total Current Assets	<u>\$ 47,465,547</u>
Noncurrent Assets	
Investments	\$ 11,559,502
Capital Assets, Net of Accumulated Depreciation	<u>77,799,981</u>
Total Noncurrent Assets	<u>\$ 89,359,483</u>
Total Assets	<u>\$ 136,825,030</u>
DEFERRED OUTFLOW OF RESOURCES	
Deferred Outflow of Resources - Pension	\$ 6,709,670
Deferred Outflow of Resources - OPEB	<u>1,265,436</u>
Total Deferred Outflow of Resources	<u>\$ 7,975,106</u>
LIABILITIES	
Current Liabilities	
Accounts Payable & Retainage Payable	\$ 799,131
Due to Other State Agencies	817,702
Accrued Payroll and Related Liabilities	1,321,876
Compensated Absences Payable	212,053
Unearned Revenue	3,214,564
Funds Held for Others	857,809
Total Current Liabilities	<u>\$ 7,223,135</u>
Noncurrent Liabilities	
Compensated Absences Payable	\$ 1,330,453
Net Pension Liability	43,294,100
Net OPEB Liability	<u>33,921,510</u>
Total Noncurrent Liabilities	<u>\$ 78,546,063</u>
Total Liabilities	<u>\$ 85,769,198</u>
DEFERRED INFLOW OF RESOURCES	
Deferred Inflow of Resources - Pension	\$ 435,684
Deferred Inflow of Resources - OPEB	<u>3,207,132</u>
Total Deferred Inflow of Resources	<u>\$ 3,642,816</u>
NET POSITION	
Net Investment in Capital Assets	\$ 77,799,981
Restricted for	
Expendable	
Loans	216,818
Other	1,881
Capital Projects	12,745,407
Unrestricted	<u>(35,375,965)</u>
Total Net Position	<u>\$ 55,388,122</u>

The Accompanying Notes are an Integral Part of this Statement

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

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018**

REVENUES	2018
Operating Revenues	
Student Tuition & Fees (Net of Scholarship Allowance of \$10,134,213 for 2018)	\$ 20,838,840
Federal Grants and Contracts	1,704,795
State Grants and Contracts	8,358,953
State Operating Appropriation	3,083
Auxiliary Enterprises	763,073
Sales and Services of Education Departments	155,249
Other Operating Income	283,629
Total Operating Revenue	\$ 32,107,622
 EXPENSES	
Operating Expenses	
Salaries	\$ 23,261,948
Benefits	10,790,977
Scholarships	13,737,223
Utilities	1,701,319
Supplies and Other Services	10,360,667
Depreciation	4,358,598
Total Operating Expenses	\$ 64,210,732
Net Operating Income (Loss)	\$ (32,103,110)
 NONOPERATING REVENUES (EXPENSES)	
State Appropriations	\$ 10,598,215
County Appropriations	4,223,841
Investment Income (Loss)	131,781
Federal Grants and Contracts	14,682,678
State Grants and Contracts	855,956
Gifts	318,519
Other Nonoperating Revenues	120,096
Total Nonoperating Revenues (Expenses)	\$ 30,931,086
Income (Loss) Before Other Revenues, Expenses, Gains or Losses	\$ (1,172,024)
Capital Grants & Gifts	\$ 298,261
Federal Capital Grants	191,691
Education Capital Improvement Tax	5,252,322
Transfers to/from Other State Agency	(21,557)
Increase (Decrease) in Net Position	\$ 4,548,693
Net Position - Beginning of Year (As Restated - Note 20)	\$ 50,839,429
Net Position - End of Year	\$ 55,388,122

The Accompanying Notes are an Integral Part of this Statement

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

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018**

	2018
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees (Net of Scholarship Allowances)	\$ 20,897,429
Federal, State and Local Grants and Contracts	8,763,122
Auxiliary Enterprise	763,073
Sales and Services of Education Departments	155,249
Other Receipts	283,629
Student Loan Proceeds	21,253,238
Student Loan Disbursements	(21,253,238)
Payments to Vendors	(33,701,111)
Payments to Employees	(23,075,597)
Net Cash Provided (Used) by Operating Activities	<u>\$ (25,914,206)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	\$ 10,598,215
County Appropriations	4,523,841
State, Local and Federal Grants, Gifts and Contracts - Nonoperating	15,256,407
Other Income (Expense) - Nonoperating	251,877
Transfer to Other State Agency	(21,557)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>\$ 30,608,783</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Grants State and Local	\$ 6,117,419
Purchase of Capital Assets	(4,313,847)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ 1,803,572</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	\$ 3,484,423
Interest on Investments	131,781
Purchase of Investments	(5,695,770)
Net Cash Provided (Used) by Investing Activities	<u>\$ (2,079,566)</u>
Net Increase (Decrease) in Cash	\$ 4,418,583
Cash - Beginning of Year	<u>17,780,945</u>
Cash - End of Year	<u><u>\$ 22,199,528</u></u>

The Accompanying Notes are an Integral Part of this Statement

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

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018**

RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	<u>2018</u>
Operating Income (Loss)	\$ (32,103,110)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	4,358,598
Change in Assets, Liabilities, and Deferred Resources:	
Operational Receivables, Net	1,219,875
Loan Receivable	(2,609)
Accrued Payroll and Related Liabilities	(186,351)
Change in Net Pension Liability and Related Deferred Resources	1,829,497
Change in Net OPEB Liability and Related Deferred Resources	673,807
Prepaid Expenses	(89,768)
Accounts and Retainage Payable	(906,438)
Compensated Absences	(48,161)
Unearned Revenue - Operating Activities	(389,268)
Due to Other State Agencies	(368,506)
Funds Held for Others	98,228
Net Cash Provided (Used) by Operating Activities	<u>\$ (25,914,206)</u>

The Accompanying Notes are an Integral Part of this Statement

HORRY - GEORGETOWN TECHNICAL COLLEGE FOUNDATION, INC.
CONWAY, SOUTH CAROLINA
COMPONENT UNIT
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

	2018
ASSETS	
Cash	\$ 928,352
Contributions Receivable, Net	860,218
Investments	10,730,566
Other Assets	5,525
Property, Plant & Equipment, Net of Accumulated Depreciation	14,172
Total Assets	\$ <u><u>12,538,833</u></u>
LIABILITIES	
Accounts Payable and Accrued Expenses	\$ <u>631,514</u>
Total Liabilities	\$ <u>631,514</u>
NET ASSETS	
Unrestricted	\$ 36,365
Temporarily Restricted	8,846,197
Permanently Restricted	3,024,757
Total Net Assets	\$ <u><u>11,907,319</u></u>
Total Liabilities and Net Assets	\$ <u><u>12,538,833</u></u>

HORRY - GEORGETOWN TECHNICAL COLLEGE FOUNDATION, INC.
CONWAY, SOUTH CAROLINA
COMPONENT UNIT
STATEMENT OF ACTIVITY FOR THE YEAR ENDED JUNE 30, 2018

	2018
SUPPORT AND REVENUE	
Contributions	\$ 1,024,331
Investment Income	703,821
Total Support and Revenue	\$ <u>1,728,152</u>
EXPENSES	
Projects and Programs	\$ 579,427
Administrative Expenses	309,699
Total Expenses	\$ <u>889,126</u>
Change in Net Assets	\$ 839,026
Net Assets - Beginning of Year	<u>11,068,293</u>
Net Assets - End of Year	\$ <u><u>11,907,319</u></u>

The Accompanying Notes are an Integral Part of this Statement

NOTES TO FINANCIAL STATEMENTS

**HORRY - GEORGETOWN TECHNICAL COLLEGE
CONWAY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

**HORRY - GEORGETOWN TECHNICAL COLLEGE
CONWAY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Effective for the fiscal year ending June 30, 2018, the College adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The College will now report its proportionate share of the State of South Carolina's net OPEB liability. Changes in net OPEB liability not included in pension expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension liability are reported as deferred outflows of resources. See note 8 for further discussion of this change. As required by GASB, this statement was implemented retroactively by restating beginning net position.

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

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

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

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

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

**HORRY - GEORGETOWN TECHNICAL COLLEGE
CONWAY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Deposits represent student fee refunds, and other miscellaneous deposits. Student deposits are recognized as revenue during the semester for which the fee is applicable and earned when the deposit is nonrefundable to the student under the forfeit terms of the agreement.

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

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

Postemployment Benefits Other Than Pensions (OPEB): For purposes of measuring the College's OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long Term Disability Insurance Trust Fund (SCLTDITF) and additions to/deductions from the SCRHITF and the SCLTDITF net position have been determined on the same basis as they are reported by the SCRHITF and SCLTDITF Plan. For this purpose, the SCRHITF and the SCLTDITF recognize benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

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

Net Position: The College's net position is classified as follows:

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

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

**HORRY - GEORGETOWN TECHNICAL COLLEGE
CONWAY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

Capitalized Interest: The College capitalizes as a component of construction in progress interest cost in excess of earnings on debt associated with capital projects. Therefore, capital asset values do include such interest costs. During the fiscal year ending June 30, 2018, no interest cost was capitalized.

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

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**HORRY - GEORGETOWN TECHNICAL COLLEGE
CONWAY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

Restricted Cash: The College has funds which were donated by private citizens to be used as short-term loans for students having financial difficulties. The loans are short-term and payable within 90 days. The restricted cash amount equals funds available at June 30, 2018 for such loans.

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

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

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

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

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

**HORRY - GEORGETOWN TECHNICAL COLLEGE
CONWAY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

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

Primary Government

Statement of Net Position	2018
Cash and Cash Equivalents (Current)	\$ 22,030,351
Cash and Cash Equivalents (Restricted for Loans)	169,177
Short-Term Investments	14,875,466
Investments (Noncurrent)	11,559,502
Total Cash and Investments	\$ 48,634,496
(On the Statement of Net Position)	
Disclosure of Deposits and Investments	2018
Carrying Value of Deposits and Investments:	
Cash in Banks	\$ 4,387,376
Investments, Reported Amount	44,242,045
Total Deposits and Investments	\$ 48,629,421
Cash on Hand	5,075
Total Cash, Deposits, and Investments	\$ 48,634,496

Discretely Presented Component Unit

Horry - Georgetown Technical College Foundation

Statement of Net Assets	2018
Cash and Cash Equivalents	\$ 928,352
Investments	10,730,566
Total Cash and Investments	\$ 11,658,918
Disclosure of Deposits and Investments	2018
Carrying Value of Deposits and Investments:	
Cash in Banks	\$ 928,352
Investments, Reported Amount	10,730,566
Total Deposits and Investments	\$ 11,658,918

**HORRY - GEORGETOWN TECHNICAL COLLEGE
CONWAY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

DEPOSITS

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

Custodial Credit Risk

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

The College's bank balances on deposit were \$5,613,177 at June 30, 2018. Of these, \$1,536,337 were exposed to custodial credit risk as uninsured; however, were collateralized with securities held by the pledging institution in the College's name. The carrying value of these deposits was \$4,387,376. Restricted cash includes \$169,177 held for student loans. The cash balance at brokerage firms are insured up to \$250,000 by the Securities Investor Protection Corporation (SIPC) with additional insurance provided by the brokerage firm through an excess SIPC policy.

INVESTMENTS

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

The College's investments at June 30, 2018, that are not with the State Treasurer's Office are presented below. All investments are presented by investment type and by maturity.

Horry - Georgetown Technical College Investments

Investment Type	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
Repurchase Agreements	\$ 20,004,876	\$ 20,004,876	\$ 0	\$ 0	\$ 0
Money Market Mutual Funds	10,925,028	10,925,028	0	0	0
FHLB Bonds	135,645	0	135,645	0	0
Federal Farm Credit Bonds/Notes	304,731	0	0	304,731	0
Federal Home Loan Mortgage	296,055	296,055	0	0	0
Federal National Mortgage Association Notes	334,470	0	0	334,470	0
U.S. Treasury Bonds/Notes	676,597	349,762	0	0	326,835
Municipal Bonds	3,903,157	298,779	1,029,450	2,056,882	518,046
Corporate Bonds	7,661,486	2,202,089	5,216,107	243,290	0
Total Investment	\$ 44,242,045	\$ 34,076,589	\$ 6,381,202	\$ 2,939,373	\$ 844,881

**HORRY - GEORGETOWN TECHNICAL COLLEGE
CONWAY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

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

	<u>June 30, 2018</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments by Fair Value Level				
Debt Securities				
Money Market Mutual Funds	\$ 10,925,028	\$ 10,925,028	\$ 0	\$ 0
Corporate Bonds	7,661,486	0	7,661,486	0
Government Bonds	1,070,901	0	1,070,901	0
Municipal Bonds	3,903,157	0	3,903,157	0
U.S. Treasury Notes/Bonds	676,597	676,597	0	0
Repurchase Agreement	<u>20,004,876</u>	<u>0</u>	<u>20,004,876</u>	<u>0</u>
Total Debt Securities	<u>\$ 44,242,045</u>	<u>\$ 11,601,625</u>	<u>\$ 32,640,420</u>	<u>\$ 0</u>

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

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

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

The College did not have any Level 3 investments as of June 30, 2018.

Deposits - Discretely Presented Component Unit

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

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**HORRY - GEORGETOWN TECHNICAL COLLEGE
CONWAY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Discretely Presented Component Unit

Horry - Georgetown Technical College Foundation

Investment Type	Fair Value Amount
Debt Securities:	
Corporate Bonds	\$ 51,532
Mutual and Money Market Funds	4,856,064
Common Stocks	5,047,616
Other Investments	775,354
Total Investment	\$ 10,730,566

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counter-party to a transaction, the College will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. The College does not have a formal investment policy that addresses custodial credit risk. Of the College's \$20,004,876 investment in repurchase agreements, \$20,004,876 of the underlying securities are held by the investments counter-party in the College's Name.

Interest Rate Risk

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

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

Credit Risk

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

The College's rated debt investments as of June 30, 2018, were rated by Standard & Poor's and are listed below using the Standard & Poor's rating scale.

Horry - Georgetown Technical College Rated Debt Investments

<u>Rated Debt Investments</u>	<u>Fair Value</u>	<u>Rating</u>
Repurchase Agreements	\$ 20,004,876	Unrated
Money Market Mutual Fund	10,925,028	Unrated
Corporate Bonds	503,695	AAA
Corporate Bonds	865,598	A-
Corporate Bonds	959,592	A+
Corporate Bonds	2,271,525	A
Corporate Bonds	1,397,577	AA

**HORRY - GEORGETOWN TECHNICAL COLLEGE
CONWAY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Horry - Georgetown Technical College Rated Debt Investments (Continued)

<u>Rated Debt Investments</u>	<u>Fair Value</u>	<u>Rating</u>
Corporate Bonds	917,672	AA-
Corporate Bonds	246,372	BBB
Corporate Bonds	255,587	BBB+
Corporate Bonds	243,868	Unrated
Federal Farm Credit Bonds	304,731	AA+
FHLB Bonds	135,645	AA+
Federal Home Loan Mortgage Corporation	296,055	AA+
Federal National Mortgage Corporation	334,470	AA+
Municipal Bonds	145,651	A-
Municipal Bonds	1,111,609	A
Municipal Bonds	556,281	AA+
Municipal Bonds	1,152,965	AA
Municipal Bonds	936,651	AAA
US Treasury Notes/Bonds	<u>676,597</u>	Unrated
Total Investment	<u>\$ 44,242,045</u>	

Concentration of Credit Risk

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

The College had Debt Securities at June 30, 2018 totaling 30 percent of its investments. The following Debt Type Investments represented 5 percent or more of total investments:

<u>Debt Type Investments</u>	<u>Percentage</u>
Corporate Bonds	17.32%
Municipal Bonds	<u>8.82%</u>
Total Investments	<u>26.14%</u>

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

**HORRY - GEORGETOWN TECHNICAL COLLEGE
CONWAY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 - ACCOUNTS RECEIVABLE

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

	2018
Student Accounts	\$ 5,609,628
State Appropriations	3,083
Federal Grants and Contracts	1,255,537
State Grants and Contracts	2,402,959
Local Grants and Contracts	1,008,425
	10,279,632
Less Allowance for Doubtful Accounts - Students	(164,642)
Net Accounts Receivable	\$ 10,114,990

Allowances for losses for student accounts receivable are established based upon actual losses experienced in prior years and evaluations of the current account portfolio. At June 30, 2018, the allowance for uncollectible student accounts is valued at \$164,642.

NOTE 4 - LOANS RECEIVABLE

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

NOTE 5 - CONTRIBUTIONS RECEIVABLE

The composition of Discretely Presented Component Unit contributions receivable at June 30, 2018 is summarized as follows:

Contributions Receivable:	
Temporarily Restricted	\$ <u>1,058,691</u>
Total Contributions Receivable	\$ 1,058,691
Less:	
Unamortized discount to present value	(198,473)
Net Contributions Receivable	\$ 860,218
Amounts due in:	
Less than one	\$ 326,309
One to five years	214,967
Five to ten years	318,942
Total	\$ 860,218

The discount rate used to determine the fair value of contributions receivable was five percent for the fiscal year ended June 30, 2018.

**HORRY - GEORGETOWN TECHNICAL COLLEGE
CONWAY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 6 - CAPITAL ASSETS

PRIMARY GOVERNMENT

	Beginning Balance July 1, 2017	Increases	Decreases	Ending Balance June 30, 2018
Capital assets not being depreciated:				
Land	\$ 6,039,573	\$ 0	\$ 0	\$ 6,039,573
Construction in progress	<u>4,265,197</u>	<u>896,145</u>	<u>4,129,526</u>	<u>1,031,816</u>
Total capital assets not being depreciated	<u>\$ 10,304,770</u>	<u>\$ 896,145</u>	<u>\$ 4,129,526</u>	<u>\$ 7,071,389</u>
Other capital assets:				
Buildings and improvements	\$ 82,151,863	\$ 6,642,733	\$ 0	\$ 88,794,596
Machinery, equipment, and other	10,489,206	895,879	(472,038)	10,913,047
Vehicles	516,399	8,616	(10,627)	514,388
Depreciable land improvements	<u>8,324,809</u>	<u>0</u>	<u>0</u>	<u>8,324,809</u>
Total other capital assets	<u>\$ 101,482,277</u>	<u>\$ 7,547,228</u>	<u>\$ (482,665)</u>	<u>\$ 108,546,840</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ (23,637,106)	\$ (2,372,248)	\$ 0	\$ (26,009,354)
Machinery, equipment, and other	(6,991,689)	(1,528,556)	472,038	(8,048,207)
Vehicles	(482,858)	(23,127)	10,627	(495,358)
Depreciable land improvements	<u>(2,830,662)</u>	<u>(434,667)</u>	<u>0</u>	<u>(3,265,329)</u>
Total accumulated depreciation	<u>\$ (33,942,315)</u>	<u>\$ (4,358,598)</u>	<u>\$ 482,665</u>	<u>\$ (37,818,248)</u>
Other capital assets, net	<u>\$ 67,539,962</u>	<u>\$ 3,188,630</u>	<u>\$ 0</u>	<u>\$ 70,728,592</u>
Capital assets, net	<u>\$ 77,844,732</u>	<u>\$ 4,084,775</u>	<u>\$ 4,129,526</u>	<u>\$ 77,799,981</u>
State inventory listing movable equipment				\$ 11,427,435
Total equipment per books				11,427,435
Reconciled difference				<u>\$ 0</u>

Discretely Presented Component Unit

Property and equipment purchased by the Foundation consist of a vehicle reported as follows:

Total Property and Equipment (Vehicle)	\$29,525
Accumulated Depreciation	<u>(15,353)</u>
Capital Assets, Net of Accumulated Depreciation	<u>\$14,172</u>

**HORRY - GEORGETOWN TECHNICAL COLLEGE
CONWAY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 - PENSION AND RETIREMENT PLAN

Plan Descriptions

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

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

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

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

PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Membership

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

SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

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**HORRY - GEORGETOWN TECHNICAL COLLEGE
CONWAY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 - PENSION AND RETIREMENT PLAN (continued)

State ORP – As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election have the option to participate in the State Optional Retirement Program (State ORP), which is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers. Employee and Employer contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employers to the member's account with investment providers for the employee contribution (9 percent) and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution (8.41 percent) and an incidental death benefit contribution (.15 percent), if applicable, which is retained by SCRS.

PORS – To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

Benefits

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

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

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

**HORRY - GEORGETOWN TECHNICAL COLLEGE
 CONWAY, SOUTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018**

NOTE 7 - PENSION AND RETIREMENT PLAN (continued)

PORS – A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits area also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

Contributions

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

- Required employee contribution rates¹ are as follows:

	2018
SCRS	
Employee Class Two	9.00%
Employee Class Three	9.00%
State ORP	
Employee	9.00%
PORS	
Employee Class Two	9.75%
Employee Class Three	9.75%

**HORRY - GEORGETOWN TECHNICAL COLLEGE
CONWAY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 - PENSION AND RETIREMENT PLAN (continued)

- Required employer contribution rates¹ are as follows:

	2018
SCRS	
Employer Class Two	13.41%
Employer Class Three	13.41%
Employer Incidental Death Benefit	0.15%
State ORP²	
Employer Contribution	13.41%
Employer Incidental Death Benefit	0.15%
PORS	
Employer Class Two	15.84%
Employer Class Three	15.84%
Employer Incidental Death Benefit	0.20%
Employer Accidental Death Program	0.20%

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

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

Employer contribution rates increased by more than one percentage point for the 2017-2018 fiscal year; therefore, in accordance with the South Carolina 2017-2018 Appropriation Act, Section 117.151 State funds were appropriated to PEBA for the Retirement Trust Funds. PEBA issued credit invoices to each employer for one percent of employer contributions based on its share of the appropriated funds. The College's share of appropriated funds were \$205,661 and will be reported as revenues from a contribution made by a non-employer contributing entity and a reduction of net pension liability as of June 30, 2018 measurement date.

Contributions to the pension plan from the College were as follows for the year ended June 30, 2018:

	2018
SCRS	\$ 2,124,246
PORS	\$ 0
ORP – Remitted to SCRS	\$ 384,193
ORP – Remitted to Vendor	\$ 224,412

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

At June 30, 2018, the College reported \$43,294,100 and \$0 for its proportionate shares of the net pension liabilities of SCRS and PORS, respectively. The net pension liability of each defined benefit pension plan was determined based on the July 1, 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 proportion of the net pension liability was based on the College's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2018, the College SCRS proportion was .192319 percent measured as of June 30, 2017. The College's PORS proportion of the net pension liability at June 30, 2017 was .00 percent.

**HORRY - GEORGETOWN TECHNICAL COLLEGE
CONWAY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 - PENSION AND RETIREMENT PLAN (continued)

Pension Expense

Components of collective pension expense reported in the Schedules of Pension Amounts by Employer for the fiscal year ended June 30, 2018, are presented below:

<u>Description</u>	<u>SCRS</u>	<u>PORS</u>
Service cost (annual cost of current service)	\$ 1,546,354	\$ 0
Interest on the total pension liability	6,381,243	0
Changes in plan benefits	0	0
Plan administrative costs	25,905	0
Plan member contributions	(1,589,598)	0
Expected return on plan assets	(3,385,149)	0
Recognition of current year amortization – Difference between expected and actual experience	1,141,921	0
Recognition of current year amortization – Difference between projected and actual investment earnings	264,613	0
Other	2,979	0
Change in proportionate share	5,174	(37,932)
Total Pension Expense	<u>\$ 4,393,442</u>	<u>\$ (37,932)</u>

Additional items included in Total Employer Pension Expense in the Schedules of Pension Amounts by Employer are the current period amortized portions of deferred outflows and/or inflows of resources related to changes in employers' proportionate share of the collective net pension liability and differences between actual employer contributions and proportionate share of total plan employer contributions. These two deferrals are specific to cost-sharing multiple-employer defined benefit pension plans as discussed in paragraphs 54 and 55 of GASB 68.

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

	<u>SCRS</u>	<u>PORS</u>
Deferred Outflows of Resources:		
Difference between expected and actual experience	\$ 193,005	\$ 0
Assumption Changes	2,534,405	0
Net difference between projected and actual earnings	1,208,568	0
Deferred amounts from changes in proportionate share and difference between employer contributions and proportionate share of total plan employer contributions	265,253	0
College contributions subsequent to measurement date	<u>2,508,439</u>	<u>0</u>
	<u>\$ 6,709,670</u>	<u>\$ 0</u>

**HORRY - GEORGETOWN TECHNICAL COLLEGE
CONWAY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 - PENSION AND RETIREMENT PLAN (continued)

	<u>SCRS</u>	<u>PORS</u>
Deferred Inflows of Resources:		
Net difference between expected and actual experience	\$ 23,996	\$ 0
Deferred amounts from changes in proportionate share and difference between employer contributions and proportionate share of total plan employer contributions	<u>280,626</u>	<u>131,062</u>
	\$ <u>304,622</u>	\$ <u>131,062</u>

College contributions subsequent of the measurement date of \$2,508,439 and \$0 reported as deferred outflow of resources for the SCRS and PORS, will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30:</u>	<u>SCRS</u>	<u>PORS</u>
2019	\$ 1,189,122	\$ (37,932)
2020	1,767,337	(37,762)
2021	1,270,630	(36,250)
2022	(330,480)	(19,118)
Thereafter	<u>0</u>	<u>0</u>
	<u>\$ 3,896,609</u>	<u>\$ (131,062)</u>

Payable to Pension Plan

At June 30, 2018, the College had \$206,108 in outstanding payables to the plans for legally required contributions. This amount is reported in the statement of net positions with withholdings and benefits payable.

Actuarial Assumptions and Methods

Actuarial valuations 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 assumption about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the systems was most recently issued as of July 1, 2015.

The June 30, 2017, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by our 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 actuarial 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.

**HORRY - GEORGETOWN TECHNICAL COLLEGE
CONWAY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 - PENSION AND RETIREMENT PLAN (continued)

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

	SCRS	PORS
Actuarial cost method	Entry age normal	Entry age normal
Investment rate of return ¹	7.25%	7.25%
Projected salary increases	3.0% to 12.5% (varies by service) ¹	3.5% to 9.5% (varies by service) ¹
Benefit adjustments	lesser of 1% or \$500 annually	lesser of 1% or \$500 annually
¹ includes inflation at 2.25%		

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

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

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

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

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Position Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 48,244,437,494	\$ 25,732,829,268	\$ 22,511,608,226	53.3%
PORS	7,013,684,001	4,274,123,178	2,739,560,823	60.9%

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

**HORRY - GEORGETOWN TECHNICAL COLLEGE
CONWAY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 - PENSION AND RETIREMENT PLAN (continued)

Long-term Expected Rate of Return

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

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2017 fiscal year. The long-term expected rate of return is produced by weighing the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table following. 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.

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Global Equity	45.0%		
Global Public Equity	31.0%	6.72%	2.08%
Private Equity	9.0%	9.60%	0.86%
Equity Options Strategies	5.0%	5.91%	0.30%
Real Assets	8.0%		
Real Estate (Private)	5.0%	4.32%	0.22%
Real Estate (REITs)	2.0%	6.33%	0.13%
Infrastructure	1.0%	6.26%	0.06%
Opportunistic	17.0%		
GTAA/Risk Parity	10.0%	4.16%	0.42%
Hedge Funds (non-PA)	4.0%	3.82%	0.15%
Other Opportunistic Strategies	3.0%	4.16%	0.12%
Diversified 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%		5.31%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.56%

Discount Rate

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

**HORRY - GEORGETOWN TECHNICAL COLLEGE
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NOTES TO FINANCIAL STATEMENTS
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NOTE 7 - PENSION AND RETIREMENT PLAN (continued)

Sensitivity Analysis

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
System	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
SCRS	\$ 55,800,147	\$ 43,294,100	\$ 35,705,868
PORS	\$ 0	\$ 0	\$ 0

Deferred Retirement Option Plans

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

Optional Retirement Program

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

Under State law, College contributions to the ORP are at the same rates as of the SCRS (see Subsection c, Funding Policies). A direct remittance is required from the employers to the investment providers for the employee contribution (9.00%) and a portion of the employer contribution (5.00%), which is immediately vested to the employee. A direct remittance is also required to the SCRS for a portion of the employer contribution (8.41%) and a group life contribution (.015%), which is retained by the SCRS. The activity for the College participation in the State ORP is as follows:

Covered payroll.....	\$ 4,488,232
Employee contributions to providers.....	403,941
Employer contributions to providers.....	224,412
Payments to SCRS.....	384,193

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NOTE 8 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

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

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

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

Funding Policies/Benefits/Contributions

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these post-employment and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the IB and participating retirees to the PEBA, except for the portion funded through the pension surcharge and provided from the other applicable sources of the IB, for its active employees who are not funded by State General Fund appropriations. Employers participating in the RMP are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 5.50% of annual covered payroll for the fiscal year ended June 30, 2018. The IB sets the employer contribution rate based on a pay-as-you-go basis. Horry – Georgetown Technical College paid \$1,191,874 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal year ended June 30, 2018. BLTD benefits are funded through a person's premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to IB was \$3.22 for the fiscal year ended June 30, 2018. Horry – Georgetown Technical College recorded employer contributions expenses applicable to these insurance benefits for active employees in the amount of approximately \$13,735 for the year ended June 30, 2018. The College recognized non-employer contributions of \$198,596 to the SCRHITF as revenue for the year ended June 30, 2018. The College recognized \$708 non-employer contributions to the SCLTDITF as revenue for the year ended June 30, 2018.

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

A copy of the separately issued financial statements for the benefit plans and the trust funds may be obtained by writing to the South Carolina Public Employee Benefit Authority – Insurance Benefits Division, P.O. Box 11960, Columbia, South Carolina 29211-1960.

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NOTE 8 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources related to Post-Employment Benefits Other Than Pensions

At June 30, 2018, Horry – Georgetown Technical College reported an OPEB (Other Post-Employment Benefits) liability of \$33,918,302 for Retiree Health Insurance. 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. At June 30, 2017, the college’s proportion of the OPEB Health Liability was .250415%, the same as it’s proportion as of June 30, 2016.

For the year ended June 30, 2018, Horry – Georgetown Technical College recognized OPEB Health expense of \$2,064,398 for OPEB Health. At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to Post-Employment Benefits Other Than Pensions (OPEB) for South Carolina Retiree Health Insurance Trust Fund (SCRHITF) from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability Experience	\$ 0	\$ 14,721
Assumption Changes	0	3,191,554
Investment Experience	58,281	0
Outstanding balance between Horry – Georgetown Technical College contributions and proportionate share of plan contributions	0	486
Horry – Georgetown Technical College contributions subsequent to the measurement date	1,191,874	0
Total	\$ <u>1,250,155</u>	\$ <u>3,206,761</u>

\$1,191,874 reported as deferred outflows of resources related to pensions resulting from Horry – Georgetown Technical College OPEB Health Insurance 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 or resources and deferred inflows of resources related to OPEB Health will be recognized in OPEB expense as follows:

Year ended June 30:	
2019	(498,840)
2020	(498,840)
2021	(498,840)
2022	(498,840)
2023	(513,411)
Thereafter	(639,709)

At June 30, 2018, Horry – Georgetown Technical College reported an OPEB liability of \$3,208 for Long-Term Disability Insurance. 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. At June 30, 2017, the College’s proportion of the OPEB Long-Term Disability Liability was .176957%, the same as it’s proportion as of June 30, 2016.

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CONWAY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
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NOTE 8 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)

For the year ended June 30, 2018, Horry – Georgetown Technical College recognized OPEB Long-Term Disability expense of \$14,322 for OPEB Long-Term Disability. At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to Post-Employment Benefits Other Than Pensions (OPEB) for South Carolina Retiree Health Insurance Trust Fund (SCRHITF) from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability Experience	\$ 0	\$ 0
Assumption Changes	0	291
Investment Experience	1,546	0
Outstanding balance between Horry – Georgetown Technical College contributions and proportionate share of plan contributions	0	80
Horry – Georgetown Technical College contributions subsequent to the measurement date	13,735	0
Total	\$ 15,281	\$ 371

\$13,735 reported as deferred outflows of resources related to pensions resulting from Horry – Georgetown Technical College OPEB Long-Term Disability Insurance 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 or resources and deferred inflows of resources related to OPEB Long-Term Disability will be recognized in OPEB expense as follows:

Year ended June 30:	
2019	345
2020	345
2021	345
2022	345
2023	(41)
Thereafter	(164)

Payable to OPEB Plans

As of June 30, 2018, the College had \$90,497 in outstanding payables for the SCRHITF and \$0 in outstanding payables to the SCLTDITF at year end. These amounts are reported in the statement of net positions salaries and benefits payable.

Actuarial Assumptions and Methods

Actuarial valuations 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 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.

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NOTE 8 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)

The following table provides a summary of the actuarial assumptions and methods used in the June 30, 2016 actuarial valuation for SCRHITF:

Actuarial Assumptions:	SCRHITF
Valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Inflation	2.25%
Investment rate of return	4.00, net of OPEB Plan investment expense; including inflation
Single discount rate	3.56% as of June 30, 2017
Demographic assumptions	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2015
Healthcare 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
Expenses	The investment return assumption is net of the investment expenses; Administrative expenses related to the health care benefits are included in the age-adjusted claims costs
Notes	The discount rate changed from 2.92% as of June 30, 2016 to 3.56% as of June 30, 2017
Roll-forward Disclosure	The actuarial valuation was performed as of June 30, 2016. Update procedures were used to roll forward the total OPEB liability to June 30, 2017.

The following table provides a summary of the actuarial assumptions and methods used in the June 30, 2016 actuarial valuation for SCLTDITF:

Actuarial Assumptions:	SCLTDITF
Valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Inflation	2.25%
Investment rate of return	4.00, net of Plan investment expense; including inflation
Single discount rate	3.87% as of June 30, 2017
Salary, Termination, and Retirement Rates	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2015
Disability Incidence	The rates used in the valuation are based on the rates developed for the South Carolina Retirement Systems plans
Disability Recovery	For participants in payment, 1987 CGDT Group Disability; for active employees, 60% were assumed to recover after the first year and 92% were assumed to recover after the first two years
Offsets	40% are assumed to be eligible for Social Security benefits; assumed percentage who will be eligible for a pension plan offset varies based on employee group
Expenses	The investment return assumption is net of the investment expenses; Third party administrative expenses are included in the benefit projections
Notes	The discount rate changed from 3.74% as of June 30, 2016 to 3.87% as of June 30, 2017

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NOTE 8 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)

Single Discount Rate

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

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

Long Term Expected Rate of Return

Asset Class	Target Asset Allocation	Long-Term Expected 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%

For the SCRHITF and the SCLTDITF, the annual money-weighted rate of return on the plan investments were 1.36% and 1.00%, respectively.

Sensitivity Analysis

The following table presents the College's proportionate share of the SCRHITF net other postemployment benefits (OPEB) liability calculated using the discount rate of 3.56 percent, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.56 percent) or 1 percentage point higher (4.56 percent) than the current rate:

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

1.00% Decrease (2.56%)	Current Discount Rate (3.56%)	1.00% Increase (4.56%)
\$39,946,172	\$33,918,302	\$29,058,362

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NOTE 8 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)

Regarding the sensitivity of the SCRHITF's net OPEB liability to changes in the healthcare cost trend rates, the following table presents the plan's net OPEB liability, calculated using the assumed trend rates as well as what the plan's net OPEB liability would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

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

1.00% Decrease	Current Healthcare Cost Trend Rate	1.00% Increase
\$27,814,413	\$33,918,302	\$41,821,370

The following table presents the College's proportionate share of the SCLTDITF net OPEB liability calculated using the discount rate of 3.87 percent, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87 percent) or 1 percentage point higher (4.87 percent) than the current rate:

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

1.00% Decrease (2.87%)	Current Discount Rate (3.87%)	1.00% Increase (4.87%)
\$5,707	\$3,208	\$755

NOTE 9 - CONTINGENCIES, LITIGATION, AND PROJECT COMMITMENTS

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

As of June 30, 2018 the outstanding project commitments were as follows:

Project	Expenditures To Date	Estimated Total Project	Estimated Completion Date
Fire Station Acquisition	\$ 371,061	\$ 375,000	Fall 2018
Georgetown Advanced Manufacturing Center	660,755	13,500,000	Summer 2019
	\$ 1,031,816	\$ 13,875,000	

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

**HORRY - GEORGETOWN TECHNICAL COLLEGE
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NOTE 10 - LEASE OBLIGATIONS

Contingent Rentals

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

<u>Rental Agreement</u>	<u>Year</u>	<u>Expended for Contingent Rentals</u>
Automobiles	2018	\$ 4,817
Copiers	2018	\$ 48,373

Operating Leases

The College has five operating leases as of June 30, 2018. The operating leases payments for equipment rental and facility rent made for 2018 were as follows:

<u>Rental Agreement</u>	<u>Year</u>	<u>Expended for Operating Leases</u>
Equipment	2018	\$ 82,261

Future operating lease payments are as follows:

<u>Rental Agreement</u>	<u>Year</u>	<u>Future Operating Lease Payments</u>
Equipment	2019	\$ 99,067
	2020	\$ 93,743
	2021	\$ 79,896
	2022	\$ 46,259

NOTE 11 - RELATED PARTIES

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

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

Following is a more detailed discussion of this entity and a summary of significant transactions (if any) between this entity and the College for the year ended June 30, 2018.

The Horry - Georgetown Technical College Foundation, Inc.

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

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

The College recorded non-governmental gift receipts of \$507,172 from the Foundation in nonoperating revenues for the fiscal year ended June 30, 2018. These funds were used primarily to support the College by way of program development, construction projects, and program support. The Foundation reimburses the College for any purchases made by the College on behalf of the Foundation. The College provides office space and support services to the Foundation. The value of this office space and support services was approximately \$3,600 for the year ended June 30, 2018.

The Foundation's assets as of June 30, 2018 were \$12,538,833. As of June 30, 2018 the Foundation had \$860,218 in receivables, primarily due from donors (via pledges) and \$631,514 in outstanding liabilities primarily due to the College, for the Speir expansion.

NOTE 12 - RISK MANAGEMENT

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

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

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

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

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

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

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

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

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

The College participates in the National Federal Direct Subsidized and Unsubsidized Stafford Loan Program, which allows the College to disburse federal loans to students which are administered by the U.S. Department of Education. The loan activity is not reported in the accompanying financial statements because the responsibility for administration and collection passes to the U.S. Department of Education after the loans are disbursed. The College made loan disbursements of \$18,669,643 under this program during the fiscal year 2018.

NOTE 14 - AGENCY FUNDS

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

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

	June 30, 2017			June 30, 2018
	Balance	Receipts	Disbursements	Balance
Student Activity	\$738,331	\$264,720	\$167,480	\$835,571
GCSAA	21,250	2,000	1,012	22,238
Engineering Day	0	577	577	0
	<u>\$759,581</u>	<u>\$267,297</u>	<u>\$169,069</u>	<u>\$857,809</u>

NOTE 15 - LONG-TERM LIABILITIES

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

	Balance			Balance		Due within
	June 30, 2017	Additions	Reductions	June 30, 2018	one year	
Compensated Absences Payable	\$ 1,590,668	\$ 115,021	\$ 163,183	\$ 1,542,506	\$ 212,053	
	<u>\$ 1,590,668</u>	<u>\$ 115,021</u>	<u>\$ 163,183</u>	<u>\$ 1,542,506</u>	<u>\$ 212,053</u>	

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

The College had significant financial transactions with other South Carolina public institutions of higher education during the fiscal year. The College provided goods and/or services to other South Carolina higher education institutions for a fee during the fiscal year ending June 30, 2018, as listed below:

<u>Institution</u>	<u>Amount</u>
Coastal Carolina University	\$ 26,175
Spartanburg Community College	151
Greenville Technical College	<u>6,800</u>
Total	<u>\$ 33,126</u>

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

The College received goods and/or services from other South Carolina higher education institutions for a fee during the fiscal year ending June 30, 2018, as listed below:

<u>Institution</u>	<u>Amount</u>
Clemson University	\$ 500
Coastal Carolina University	2,321,872
Spartanburg Community College	23,899
York Technical College	108
South Carolina Technical College	<u>1,392</u>
Total	<u>\$2,347,771</u>

NOTE 17 - STATE APPROPRIATIONS

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

The following is a detailed schedule of State appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2018:

<u>NON-CAPITAL APPROPRIATIONS</u>	<u>2018</u>
Appropriations per Annual Appropriations Act	\$ 9,369,257
Critical Needs Nursing Initiative - Proviso 5A.27	17,790
Lottery STEM/Workforce	509,794
Pathways to Prosperity	39,123
Critical Needs Workforce	157,945
System Outreach Initiative	7,832
CATT ReadySC	3,083
Lottery Technology Funds	186,144
Special Item Stem	2,469
Proviso 25.9 Stem	78,458
Workforce Pathways	<u>229,403</u>
Total non-capital appropriations recorded as current year revenue	<u>\$ 10,601,298</u>

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**HORRY - GEORGETOWN TECHNICAL COLLEGE
CONWAY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 18 - OPERATING EXPENSES BY FUNCTION

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

	<u>June 30, 2018</u>						
	Salaries	Benefits	Scholar- ships	Utilities	Supplies and Other Serv.	Depreciation	Total
Instruction	\$ 13,233,534	\$ 5,873,957	\$ 0	\$ 0	\$ 2,026,206	\$ 0	\$ 21,133,697
Academic Support	2,901,523	1,381,175	0	0	1,731,215	0	6,013,913
Student Services	2,883,378	1,562,219	0	0	838,654	0	5,284,251
Operation & Maint. of Plant	1,221,200	707,539	0	1,701,319	2,390,530	0	6,020,588
Institutional Support	2,699,997	1,172,843	0	0	3,159,414	0	7,032,254
Scholarships	233,008	0	13,737,223	0	0	0	13,970,231
Auxiliary Enterprises	89,308	93,244	0	0	214,648	0	397,200
Depreciation	0	0	0	0	0	4,358,598	4,358,598
Total Operating Exp.	<u>\$ 23,261,948</u>	<u>\$ 10,790,977</u>	<u>\$ 13,737,223</u>	<u>\$ 1,701,319</u>	<u>\$ 10,360,667</u>	<u>\$ 4,358,598</u>	<u>\$ 64,210,732</u>

NOTE 19 – TAX ABATEMENTS

The College does not negotiate or enter into an agreement for tax abatements. The College is subject to any tax abatement agreements entered by Horry County. Horry County provides tax abatement incentives through three programs to encourage economic development, attract new businesses, and retain existing businesses – Fee in Lieu of Tax, Multi-County Business Parks, and Special Source Revenue Credits:

- A Fee in Lieu of Tax (FILOT) is authorized under South Carolina Code Title 12, Chapter 44, Title 4, Chapter 29, or Title 4, Chapter 12. The FILOT is used to encourage investment and provides a reduction of property tax when a business invests a minimum of \$2,500,000 within a 5-6 year investment period (beginning with date property is placed in service, ending five years after the last day of the property tax year in which the property is initially placed in service). The reduction in property taxes is accomplished by a reduction of assessed value, reduction in millage rate and elimination of (or reduction in) number of times millage rates are changed. In addition, an agreement may allow the possible use of net present value method over term of FILOT to equalize payments. Repayment of incentive is required by state law if taxpayer fails to meet statutory minimum investment requirement. Other recapture provisions may be negotiated (such as a pro rata clawback for failure to meet and/or maintain jobs/investment).
- A Multi-County Business Park (MCBP) is authorized under Article VIII, Section 13(d) of the Constitution of South Carolina, as amended and South Carolina Title 4, Chapter 1. A MCBP is used to promote the economic welfare of their citizens by inducing businesses to invest in the Counties through the offer of benefits available under South Carolina law pursuant to multi-county business park arrangements. The designation as a MCBP provides that all real and personal property located in the Park shall be exempt from all ad valorem taxation. This is typically used in the creation of a FILOT or SSRC, but also has the additional benefit of exemption of property from the rollback taxes when the property was previously taxed as agricultural property. When agricultural real property is applied to a use other than agricultural, it is subject to additional taxes, referred to as rollback taxes. The amount of the rollback taxes is equal to the sum of the differences, if any, between the taxes paid or payable on the basis of the fair market value for agricultural purposes and the taxes that would have been paid or payable if the real property had been valued, assessed, and taxed as other real property in the taxing district (except the value of standing timber is excluded), for the current tax year (the year of change in use) and each of the immediately preceding five tax years.

**HORRY - GEORGETOWN TECHNICAL COLLEGE
CONWAY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 19 – TAX ABATEMENTS (continued)

- A Special Source Revenue Credit (SSRC) is authorized under South Carolina Code Sections 4-29-68, 4- 1-170, and 12-44-70. The SSRC is used to encourage investment and provides a credit against property taxes in the form of a percentage reduction or a dollar amount reduction. County manually applies SSRC to reduce applicable property tax bill. To receive the credit, a business must incur costs of designing, acquiring, constructing, improving, or expanding improved or unimproved real estate or personal property used in the operation of a manufacturing or commercial enterprise, infrastructure servicing the project, or certain aircraft.

For the fiscal year ended June 30, 2018, the County abated College property tax revenues of \$4,852 under agreements entered into by the County. The table below summarizes the tax abatements by program:

<u>Tax Abatement Program</u>	<u>Horry County Abatement</u>
Fee In Lieu of Tax (FILOT)	\$ 4,501
Multi-County Business Park (Rollback Taxes)	0
Special Source Revenue Credit (SSRC)	351
Total	<u>\$ 4,852</u>

The College has chosen to disclose information about some of its tax abatement agreements individually. It established a quantitative threshold of 10 percent of the total dollar amount of taxes abated during the year.

- A FILOT agreement with a manufacturer for expansion of their existing facility located in the City of Myrtle Beach. This agreement was completed in 1999. The abatement amounted to \$2,422.
- A FILOT agreement with a manufacturer for expansion of their existing facility located in the Atlantic Center Industrial Park. This agreement was completed in 2009. The abatement amounted to \$1,117.
- A FILOT agreement with a forest product manufacturer for expansion of their existing facility located in unincorporated area of Horry County. This agreement was completed in 2003. The abatement amounted to \$906.

NOTE 20 – RESTATEMENT OF PRIOR YEAR FUND EQUITY

A prior period adjustment was made as a result of implementing GASB No. 75.

Net Position, June 30, 2017, As Originally Reported	\$ 86,028,827
Net OPEB Liability – SCRHITF	(36,231,622)
Deferred Outflows of Resources – SCRHITF	1,030,643
Net OPEB Liability – SCLTDITF	(1,228)
Deferred Outflows of Resources – SCLTDITF	12,809
	<u>\$ 50,839,429</u>

NOTE 21 – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

GASB has issued GASB Statement No. 87 *Leases* in June 2017. This standard requires all leases to be reported as capital leases and eliminates the classification of an operating lease unless the lease is in a short term, defined as 12 months or less. Under the single approach to accounting for and reporting leases, a lessee will recognize a least liability and corresponding intangible asset representing the lessee’s controlling “right to use” the asset. This standard is applicable for periods beginning after December 15, 2019.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
South Carolina Retirement System (SCRS)										
College's proportion of the net pension liability (asset)	0.192319%	0.191139%	0.194067%	0.192164%						
College's proportionate share of the net pension liability (asset)	\$ 43,294,100	\$ 40,827,008	\$ 36,805,742	\$ 33,084,270	\$	\$	\$	\$	\$	\$
College's covered payroll	\$ 15,795,240	\$ 14,843,066	\$ 14,632,645	\$ 14,287,047	\$	\$	\$	\$	\$	\$
College's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	274.10%	275.10%	251.50%	231.57%						
Plan fiduciary net position as a percentage of the total pension liability	53.30%	52.90%	57.00%	59.90%						
South Carolina Police Officer Retirement System (PORS)										
College's proportion of the net pension liability (asset)	0.000000%	0.007120%	0.007680%	0.007870%						
College's proportionate share of the net pension liability (asset)	\$ -	\$ 180,546	\$ 167,298	\$ 150,608	\$	\$	\$	\$	\$	\$
College's covered payroll	\$ -	\$ 78,726	\$ 82,705	\$ 81,312	\$	\$	\$	\$	\$	\$
College's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	N/A	229.40%	202.40%	85.22%						
Plan fiduciary net position as a percentage of the total pension liability	60.90%	60.40%	64.60%	67.50%						

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

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

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
South Carolina Retirement System (SCRS)										
Contractually required contribution	\$ 2,508,439	\$ 2,224,667	\$ 2,047,121	\$ 1,983,903	\$ 1,849,447	\$ 1,856,038	\$ 1,577,616	\$ 1,507,527	\$ 1,450,808	\$ 1,454,757
Contributions in relation to the contractually required contribution (see note)	<u>(2,508,439)</u>	<u>(2,224,667)</u>	<u>(2,047,121)</u>	<u>(1,983,903)</u>	<u>(1,849,447)</u>	<u>(1,856,038)</u>	<u>(1,577,616)</u>	<u>(1,507,527)</u>	<u>(1,450,808)</u>	<u>(1,454,757)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
College's covered payroll	\$ 21,670,437	21,110,861	20,162,012	19,794,088	\$ 19,213,096	\$ 18,991,077	\$ 18,083,798	\$ 17,564,361	\$ 16,868,595	\$ 16,896,681
Contributions as a percentage of covered payroll	11.57%	10.54%	10.15%	10.02%	9.62%	9.77%	8.72%	8.58%	8.60%	8.61%

South Carolina Police Officer Retirement System (PORS)

Contractually required contribution	\$ 0	\$ 888	\$ 12,468	\$ 12,753	\$ 12,149	\$ 12,667	\$ 10,661	\$ 17,033	\$ 14,646	\$ 13,360
Contributions in relation to the contractually required contribution	<u>0</u>	<u>(888)</u>	<u>(12,468)</u>	<u>(12,753)</u>	<u>(12,149)</u>	<u>(12,667)</u>	<u>(10,661)</u>	<u>(17,033)</u>	<u>(14,646)</u>	<u>(13,360)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
College's covered payroll	\$ 0	\$ 6,238	\$ 90,744	\$ 95,097	\$ 94,616	\$ 102,987	\$ 90,630	\$ 147,726	\$ 132,547	\$ 120,902
Contributions as a percentage of covered payroll	N/A	14.24%	13.74%	13.41%	12.84%	12.20%	11.76%	11.53%	11.05%	11.03%

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

HORRY – GEORGETOWN TECHNICAL COLLEGE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLANS
JUNE 30, 2018

The table below provides a summary of the actuarial methods and assumptions used in calculations of the actuarially determined contributions for the South Carolina Retirement System (SCRS) and South Carolina Police Officer Retirement System (PORS). This information was obtained from the financial statements of the SCRS, which is administered by the retirement division of the South Carolina Public Employee Benefit Authority (PEBA) for the year ended June 30, 2017.

Summary of Actuarial Methods and Significant Assumptions

	<u>SCRS</u>	<u>PORS</u>
Valuation date	07/01/16	07/01/16
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level percent of pay	Level percent of pay
Amortization period	30 years, open	27 years variable, but not to exceed 30 years
Asset Valuation method	20% difference recognition method	20% difference recognition method
Inflation rate	2.25%	2.25%
Projected salary increases	3.0% to 12.5% (varies by service) ¹	3.5% to 9.5% (varies by service) ¹
Investment rate of return	7.25%	7.25%
Benefit adjustments	Lesser of 1.0% or \$500 annually	Lesser of 1.0% or \$500 annually

¹ Includes inflation at 2.25%.

HORRY - GEORGETOWN TECHNICAL COLLEGE
SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
LAST 10 FISCAL YEARS

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
South Carolina Retiree Health Insurance Trust Fund										
College's proportion of the net OPEB liability	0.250400%	0.250400%								
College's proportionate share of the net OPEB liability	\$ 33,918,302	\$ 36,231,622	\$	\$	\$	\$	\$	\$	\$	\$
College's covered payroll	\$ 21,112,640	\$ 20,376,705	\$	\$	\$	\$	\$	\$	\$	\$
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	160.54%	177.80%								
Plan fiduciary net position as a percentage of the total OPEB liability	7.60%	6.62%								
South Carolina Long-Term Disability Insurance Trust Fund										
College's proportion of the net OPEB liability	0.176950%	0.176950%								
College's proportionate share of the net OPEB liability	\$ 3,208	\$ 1,228	\$	\$	\$	\$	\$	\$	\$	\$
College's covered payroll	\$ N/A	\$ N/A	\$	\$	\$	\$	\$	\$	\$	\$
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	N/A	N/A								
Plan fiduciary net position as a percentage of the total OPEB liability	95.29%	98.15%								

Notes: The OPEB schedule is intended to show information for ten years; additional years' information will be displayed as it becomes available.

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

**HORRY - GEORGETOWN TECHNICAL COLLEGE
SCHEDULE OF THE COLLEGE CONTRIBUTIONS - OPEB PLANS
LAST 10 FISCAL YEARS**

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
South Carolina Retiree Health Insurance Trust Fund										
Contractually required contribution	\$ 1,191,874	\$ 1,125,541	\$	\$	\$	\$	\$	\$	\$	\$
Contribution in relation to the contractually required contribution (see note)	<u>(1,191,874)</u>	<u>(1,125,541)</u>								
Contribution deficiency (excess)	\$ <u>0</u>	\$ <u>0</u>	\$	\$	\$	\$	\$	\$	\$	\$
College's covered payroll	\$ 21,670,436	21,117,099								
Contributions as a portion of covered payroll	5.50%	5.32%								
South Carolina Long-Term Disability Insurance Trust Fund										
Contractually required contribution	\$ 13,735	\$ 12,809	\$	\$	\$	\$	\$	\$	\$	\$
Contribution in relation to the contractually required contribution	<u>(13,735)</u>	<u>(12,809)</u>								
Contribution deficiency (excess)	\$ <u>0</u>	\$ <u>0</u>	\$	\$	\$	\$	\$	\$	\$	\$
College's covered payroll	\$ N/A	N/A	\$	\$	\$	\$	\$	\$	\$	\$
Contributions as a portion of covered payroll	N/A	N/A								

Notes: The OPEB schedule is intended to show information for ten years; additional years' information will be displayed as it becomes available.

The amounts reported as contributions to the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF) include the contractually required contributions to the SCRHITF and SCLTDITF.

**HORRY – GEORGETOWN TECHNICAL COLLEGE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB PLANS
JUNE 30, 2018**

The table below provides a summary of the actuarial methods and assumptions used in calculations of the actuarially determined contributions for the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and South Carolina Long-Term Disability Trust Fund (SCLTDTF). This information was obtained from the financial statements of South Carolina Public Employee Benefit Authority (PEBA), Insurance Benefits and Other Post-Employment Benefits Trust Funds for the year ended June 30, 2017.

Summary of Actuarial Methods and Significant Assumptions

Actuarial Assumptions:	SCRHITF
Valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Inflation	2.25%
Investment rate of return	4.00, net of OPEB Plan investment expense; including inflation
Single discount rate	3.56% as of June 30, 2017
Demographic assumptions	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2015
Mortality Assumptions	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.
Healthcare trend rates	Initial trend starting at 7.00% and gradually decreasing to an ultimate trend rate of 4.15% over a period of 15 years
Participation assumptions	79% participation for retirees who are eligible for Funded Premiums. 59% participation for retirees who are eligible for Partial Funded Premiums. 20% participation for retirees who are eligible for Non-Funded Premiums.
Roll-forward Disclosure	The actuarial valuation was performed as of June 30, 2016. Update procedures were used to roll forward the total OPEB liability to June 30, 2017.

**HORRY – GEORGETOWN TECHNICAL COLLEGE
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB PLANS
 JUNE 30, 2018**

Summary of Actuarial Methods and Significant Assumptions (continued)

Actuarial Assumptions:	SCLTDITF
Valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Inflation	2.25%
Investment rate of return	4.00, net of Plan investment expense; including inflation
Single discount rate	3.87% as of June 30, 2017
Salary, Termination, and Retirement Rates	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2015
Disability Incidence	The rates used in the valuation are based on the rates developed for the South Carolina Retirement Systems plans
Disability Recovery	For participants in payment, 1987 CGDT Group Disability; for active employees, 60% were assumed to recover after the first year and 92% were assumed to recover after the first two years
Offsets	40% are assumed to be eligible for Social Security benefits; assumed percentage who will be eligible for a pension plan offset varies based on employee group
Expenses	The investment return assumption is net of the investment expenses; Third party administrative expenses are included in the benefit projections
Notes	The discount rate changed from 3.74% as of June 30, 2016 to 3.87% as of June 30, 2017

SINGLE AUDIT ACT REQUIREMENTS

**HORRY - GEORGETOWN TECHNICAL COLLEGE
CONWAY, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

<u>Grantor/Program Title</u>	<u>Project Number</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
Federal Grantor/Pass-Through			
U.S. Department of Education			
Direct programs			
TRIO Cluster			
TRIO - Upward Bound	P047A170732	84.047A	\$ 195,848
TRIO - Upward Bound	P047A120950	84.047A	78,410
TRIO - Student Support Services	P042A151122	84.042A	266,446
Total - Trio Cluster			<u>\$ 540,704</u>
Student Financial Aid Cluster			
Federal Work Study	P033A093788	84.033	\$ 244,658
SEOG	P007A103788	84.007	239,278
PELL	P063P102577	84.063	14,564,457
Direct Federal Subsidized & Unsubsidized Loans	P268K112577	84.268	18,669,643
Total - Student Financial Aid Cluster			<u>\$ 33,718,036</u>
Title III Strengthening Institutions	P031A160155	84.031A	<u>\$ 282,800</u>
Total U.S. Department of Education Direct Programs			<u>\$ 34,541,540</u>
Pass Through State Dept. of Education:			
Perkins III	13VA408	84.048	\$ 346,460
Total Pass Through State Dept. of ED.			<u>\$ 346,460</u>
Total U.S. Department of Education			<u>\$ 34,888,000</u>
U.S. Department of Health & Human Service			
Pass Through Greenville Technical College			
Early Childhood Development/ABC Greenville	N/A	93.575	\$ 2,000
Total Pass through Florence Darlington Technical College			<u>\$ 2,000</u>
Total U.S. Department of Health & Human Service			<u>\$ 2,000</u>

**HORRY - GEORGETOWN TECHNICAL COLLEGE
CONWAY, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

<u>Grantor/Program Title</u>	<u>Project Number</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
Federal Grantor/Pass-Through			
U.S. Department of Interior			
Pass Thru Bureau of Indian Affairs			
Indian Affairs Work Agreement	AG11C50007	15.046	\$ <u>90,101</u>
Total U.S. Department of Interior			\$ <u>90,101</u>
U.S. Department of Commerce			
Direct Program			
EDA Grant	04-01-06987	11.300	\$ <u>191,691</u>
Total U.S. Department of Commerce			\$ <u>191,691</u>
U.S. Department of Labor			
Pass Thru SC Technical College System			
SC Apprenticeship Initiative (AP-27836-15-60-A-45)	H5901APPRE16	17.268	\$ 37,500
Pass Through SCDEW (WIOA)			
State Workforce Development Board	N/A	17.258	<u>11,395</u>
Total U.S. Department of Labor			\$ <u>48,895</u>
U.S. Department of Agriculture			
Direct Program			
USDA Forestry Service	N/A	10.699	\$ 25,624
Santee Experimental Forest Project	N/A	10.652	<u>2,496</u>
Total U.S. Department of Agriculture			\$ <u>28,120</u>
Total Federal Programs			\$ <u><u>35,248,807</u></u>

**HORRY - GEORGETOWN TECHNICAL COLLEGE
CONWAY, SOUTH CAROLINA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

1. BASIS OF PRESENTATION

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

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

2. FEDERAL NON-CASH ASSISTANCE

Horry - Georgetown Technical College did not receive or expend federal awards in the form of non-cash assistance and had no federal loan guarantees at June 30, 2018.

3. DETERMINATION OF MAJOR PROGRAMS

Major federal programs were determined in accordance with the Uniform Guidance. For the year ended June 30, 2018, the following program was determined to be a major program in accordance with the Uniform Guidance: Student Financial Aid Cluster, Title III – Strengthening Institutions.

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

Total per Expenditures of Federal Awards	<u>\$35,248,807</u>
Total Federal Revenue	
Federal Grants Operating	\$ 1,704,795
Non Operating Grant	<u>14,682,678</u>
	<u>\$16,387,473</u>
Federal Direct Loans	
Subsidized, Unsubsidized & Plus Stafford Loans	\$18,669,643
EDA Grant Funds	
	<u>191,691</u>
Total Federal Expenditures	<u>\$35,248,807</u>

5. FEDERAL DIRECT LOANS

Federal Family Education Loans were disbursed in the amount of \$18,669,643 have not been recorded as revenues in the financial statements as administration and collection passes to the U.S. Department of Education after the loans are disbursed.

6. TYPE A PROGRAM DOLLAR THRESHOLD

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

**HORRY - GEORGETOWN TECHNICAL COLLEGE
CONWAY, SOUTH CAROLINA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

7. INDIRECT COST

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

8. PASS THROUGH GRANTS

Horry – Georgetown Technical College did not provide any federal awards to sub recipients for the year ended June 30, 2018.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Horry – Georgetown Technical College, as of and for the year ended June 30, 2018 and the related notes to the financial statements which collectively comprise Horry – Georgetown Technical Colleges' basic financial statements and have issued our report thereon dated October 4, 2018. Our report includes a reference to other auditors who audited the financial statements of the Horry – Georgetown Technical College Foundation, Inc., as described in our report on Horry – Georgetown Technical College's financial statements. The financial statements of Horry – Georgetown Technical College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Horry – Georgetown Technical College Foundation. As described in Note 8 to the financial statements, the College adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct

misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Harper, Poston & Moree, P.A.

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

Georgetown, South Carolina
October 4, 2018



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

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

Report on Compliance for Each Major Federal Program

We have audited Horry – Georgetown Technical College's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Horry – Georgetown Technical College's major federal programs for the year ended June 30, 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Horry – Georgetown Technical College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

Harper, Poston & Moree, P.A.

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

Georgetown, South Carolina
October 4, 2018

**HORRY - GEORGETOWN TECHNICAL COLLEGE
CONWAY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

SUMMARY OF THE AUDITOR’S RESULTS

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

<u>Programs</u>	<u>CFDA #</u>
Student Financial Aid Cluster	84.033, 84.007, 84.063, 84.268
Title III Strengthening Institutions	84.031A
8. The dollar threshold for Type A programs for Horry-Georgetown Technical College was \$750,000. It was determined that the student financial aid cluster which included the national direct subsidized and unsubsidized loans should be excluded from the determination and audited as a major program.
9. Horry - Georgetown Technical College qualifies as a low-risk auditee.

FINDINGS IN RELATION TO THE AUDIT OF THE FINANCIAL STATEMENTS

1. No matters were reported.

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

1. No matters were reported.

**HORRY - GEORGETOWN TECHNICAL COLLEGE
CONWAY, SOUTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

Prior Year Findings – Financial Statement Audit

No matters were reported.

Prior Year Findings – Major Federal Award Programs

No matters were reported.