

# **Aiken Technical College**

## ***Report on the Financial Statements***

***For the year ended June 30, 2016***

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# Aiken Technical College

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***AIKEN TECHNICAL COLLEGE***

**AREA COMMISSION MEMBERS, OFFICERS, KEY ADMINISTRATIVE STAFF AND OTHER INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2016**

**MEMBERS OF AREA COMMISSION**

**Term Expires**

Dr. Sean Alford	Ex-Officio
Mr. Ernie Allen	Ex-Officio
Mr. Alvin B. Padgett	04/15/17
Mr. Charles L. Munns	04/15/17
Mr. Carlos F. Garcia, Chairman	04/30/18
Mrs. Virginia Hawkins	08/01/18
Mr. Augustus T. Stephens, Jr., Secretary	01/31/19
Mr. Joe E. Lewis, Vice Chairman	01/31/19
Mr. William J. Windley	04/15/20
Ms. Keyatta Priestler	04/15/20
Ms. Fran Jones	04/30/20

**OFFICERS OF AREA COMMISSION**

Mr. Carlos F. Garcia, Chairman  
Mr. Augustus T. Stephens, Jr., Secretary  
Mr. Joe E. Lewis, Vice Chairman

**KEY ADMINISTRATIVE STAFF**

Dr. Susan A. Winsor, President  
Mr. Andy Jordan, Vice-President of Administrative Services  
Dr. Gemma K. Frock, Vice-President of Education and Training  
Dr. Vinson Burdette, Vice President of Enrollment Management and Title IX Coordinator  
Ms. Nikasha Dicks, Interim Director of Marketing and Recruitment

***AIKEN TECHNICAL COLLEGE***

**AREA COMMISSION MEMBERS, OFFICERS, KEY ADMINISTRATIVE STAFF AND OTHER INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2016**

AREA SERVED BY COMMISSION

Aiken County, South Carolina

ENTITIES WHICH PROVIDE FINANCIAL SUPPORT

State Budget and Control Board  
Aiken County, South Carolina  
United States Department of Agriculture  
United States Department of Education  
United States Department of Labor  
United States Department of Energy  
United States Department of Commerce  
United States Environmental Protection Agency  
United States Nuclear Regulatory Commission  
South Carolina Department of Education  
South Carolina Department of Energy  
South Carolina Department of Employment & Welfare  
Aiken Technical College Foundation



## INDEPENDENT AUDITOR'S REPORT

To the Aiken County Commission  
for Technical Education  
Aiken Technical College  
Aiken, South Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Aiken Technical College (the "College"), a component unit of the State of South Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

### ***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 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 Aiken Technical College Foundation, Inc., the only discretely presented component unit of Aiken Technical College. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Aiken Technical College Foundation Inc., is based solely on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Aiken Technical College Foundation were not audited in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

### ***Opinion***

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

### ***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 15, and the Schedule of the College's Proportionate Share of the Net Pension Liability and the Schedule of the College's Contributions, as shown on pages 45 through 46, 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 Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2016, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Elliott Davis Decosimo, LLC". The signature is written in a cursive, flowing style.

Augusta, Georgia  
September 30, 2016

# Aiken Technical College

## *Management's Discussion and Analysis*

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The management of Aiken Technical College (the "College") offers readers of the College's financial statements this narrative overview and analysis of the financial activities of the College for the fiscal year ended June 30, 2016. This discussion should be read in conjunction with the financial statements and the notes thereto, which follow this section.

The financial statements follow Governmental Accounting Standards Board (GASB) codifications and related implementation guides. The financial statement presentation provides a comprehensive, entity-wide perspective of the College's assets, deferred outflows, liabilities, deferred inflows, net position, revenues, expenses, changes in net position, and cash flows, and replaces the fund-group perspective previously required before fiscal year 2002. Fiscal year 2016 continues adjustments, calculations and new information based on GASB Statement 68, relating to economic effects of the College's potential pension responsibilities to employees.

### **Financial Highlights**

- The assets and deferred outflows of Aiken Technical College exceeded its liabilities and deferred inflows at June 30, 2016 by \$27,359,455. Of this amount, \$12,891,827 may be used to meet the College's ongoing legal obligations. The College's net pension liability is not a legal obligation, and the South Carolina Retirement System does not have recourse to collect the College's net pension liability of \$14,467,628, shown on the College's Statement of Net Position.
- The College's total net position increased from beginning net position by \$1,364,946 or 5.25%. The net investment in capital assets decreased by \$455,964, reflecting annual depreciation in excess of capital purchases.
- The College recorded \$1,156,872 in capital funding received during the fiscal year.
- Purchases of capital (over \$5,000 a unit) equipment arose in connection with College needs in the net amount of \$692,269.
- The College experienced an operating loss of \$11,065,848, as reported in the Statement of Revenues, Expenses, and Changes in Net Position. However, this operating loss was offset by state appropriations of \$4,201,441, local appropriations of \$1,984,734, and certain non-operating federal grants of \$4,869,651, primarily for pass-through student financial aid and other non-operating revenues.

### **Overview of the Financial Statements**

The College engages only in Business-Type Activities ("BTA") financed, in part, by fees charged to students for educational services. Accordingly, it reports activities using the following 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 fiscal year and classifies assets and liabilities into current and noncurrent. The difference between the sum of total assets and deferred outflows less total liabilities and deferred inflows equals net position, and is displayed in three broad categories: net investment in capital assets, restricted, and unrestricted.

Current GASB codification allows for Statement of Net Position categories entitled "deferred outflows of resources" and "deferred inflows of resources", considered neither assets nor liabilities, but in limited circumstances affect in which fiscal year certain financial accruals of actual or potential transactions are recorded. Deferred outflows of resources represent consumption of net position that applies to a future reporting period(s) and so will not be recognized as outflows of resources (expense) until then. Deferred inflows of resources

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## **Aiken Technical College**

### ***Management's Discussion and Analysis***

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represent the acquisition of net position that applies to a future reporting period(s) and so will not be recognized as inflows of resources (revenue) until that time. Deferred inflows and outflows are recorded this year in relation to pension liabilities.

Unrestricted net position provides one indication of the current financial condition of the College, while the change in net position indicates whether the overall financial condition has improved or worsened during the year.

The unrestricted net position amount does not reflect a direct relationship to the College's legal financial condition. Recent GASB pronouncements require the College to present a share of the South Carolina Retirement System's ("SCRS") net pension liability, potentially payable to retirees in future years, but not supported by projected SCRS investments and funding. The College is not legally liable for SCRS shortfalls in funding or investment performance, nor does the state require the College to pay out a share of any SCRS potential failure to provide for all future retiree benefits. The College is responsible for annual contributions to the SCRS's retirement plans, based on pre-determined rates noted in the College's financial statement footnotes. SCRS shortfalls may require increases in the College's contribution rate in future years. Without the non-recourse pension liability, the unrestricted net position would increase to \$14,763,955 from \$296,327.

The SC Public Employee Benefit Authority ("PEBA"), the SC government unit overseeing the SCRS states: "Regardless of the Net Pension Liability ("NPL") reported on the employer's financial statement, the employer is responsible only for making the contributions required by state law during any given year".

Additionally, depending on annual changes in the SCRS net pension liability from year to year, future balances of the College's unrestricted net position will be more volatile. The College's balances will depend, in part, on investment fluctuations in: stock and bond markets; private equity; and hedge funds, which will affect future SCRS annual investment performances, and in turn, will affect future SCRS annual net pension liabilities, and therefore the College's future share of the SCRS's net pension liabilities.

The Statement of Revenues, Expenses, and Changes in Net Position is basically a statement of net income that replaces the fund perspective with the entity-wide perspective. Operating and non-operating categories segment the statement, while expenses are reported by object type. A separate footnote displays expenses reported by function, with a cross reference to the object type.

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

### **Financial Analysis**

Net position increased over fiscal year 2015 net position by \$1,364,946. The increase resulted from funds received and expended for construction, cost management appropriate to the College's enrollment size, and related tuition and fees revenue, offset by tuition rate increases, as well as a slight increase in the state appropriations. Operating expenses increased from \$21,015,591 to \$21,488,664, including a salary and fringe decrease from \$11,701,998 to \$11,653,518.



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**Aiken Technical College**  
***Management's Discussion and Analysis***

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Student enrollment increased by 6 full time equivalent students or 0.14%.

The College's total assets and deferred outflows exceeded total liabilities and deferred inflows by \$27,359,455, taking into account the inclusion of a non-legal (non-recourse) net pension liability.

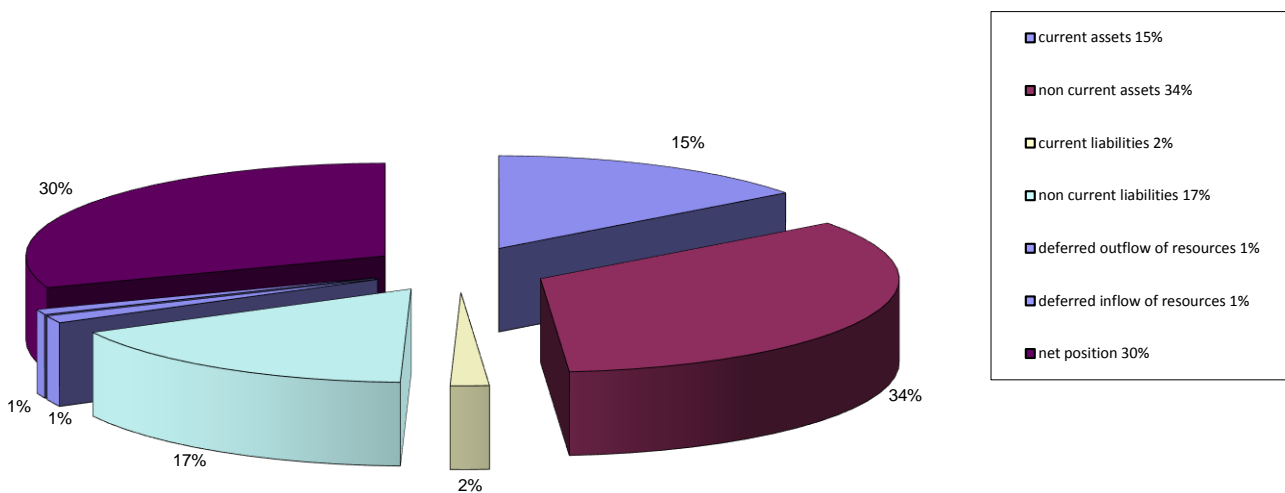
By far the largest portion of the College's net position (98.70%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related outstanding debt used to acquire the assets. The College acquires these capital assets to provide services to students; consequently, these assets are *not* available for future spending. In a similar fashion, non-recourse liabilities, such as the net pension liability, do not reduce liquidity available for future spending. Although the College's investment in its capital assets is reported net of capital related debt, it should be noted that the resources needed to repay legal debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Only 0.22% of the College's net position represents resources subject to external restrictions on how they may be used. The unrestricted net position of \$296,327 (1.08% of total net position), when adjusted for the non-recourse net pension liability of \$14,467,628 results in liquidity of \$14,763,955, that may be used to meet the College's ongoing legal obligations. The State Board for Technical Colleges requires the College to maintain one month's operating funds for liquidity. The current unrestricted net position, adjusted for non-recourse liabilities, represents in excess of nine months normal operating funds

Total operating expenses increased during the year by \$473,073 or 2.25%. Salaries and Benefits, the College's largest expense category, decreased slightly by \$48,480 or 0.41%, while Supplies and Other Services increased by \$746,293 or 16.85%, largely resulting from instructional computer, and non-capital equipment purchases. Utilities increased by \$80,361 or 11.90%. Instruction and Academic Support functions increased by \$1,159,156 or 13.26%. Student Services and Institutional Support functions expenditures decreased by a total of \$307,176 or 6.14%. Plant Maintenance and Operation increased by \$176,497, or 10.45%, resulting from increased utilities. Depreciation increased by \$271,685 or 19.36%, reflecting a new building added in August 2015.

Charts and graphs follow that pictorially present specific areas of the College's financial condition at June 30, 2016 and comparisons with the prior year.

**Statement of Net Position Pie Chart Summary**



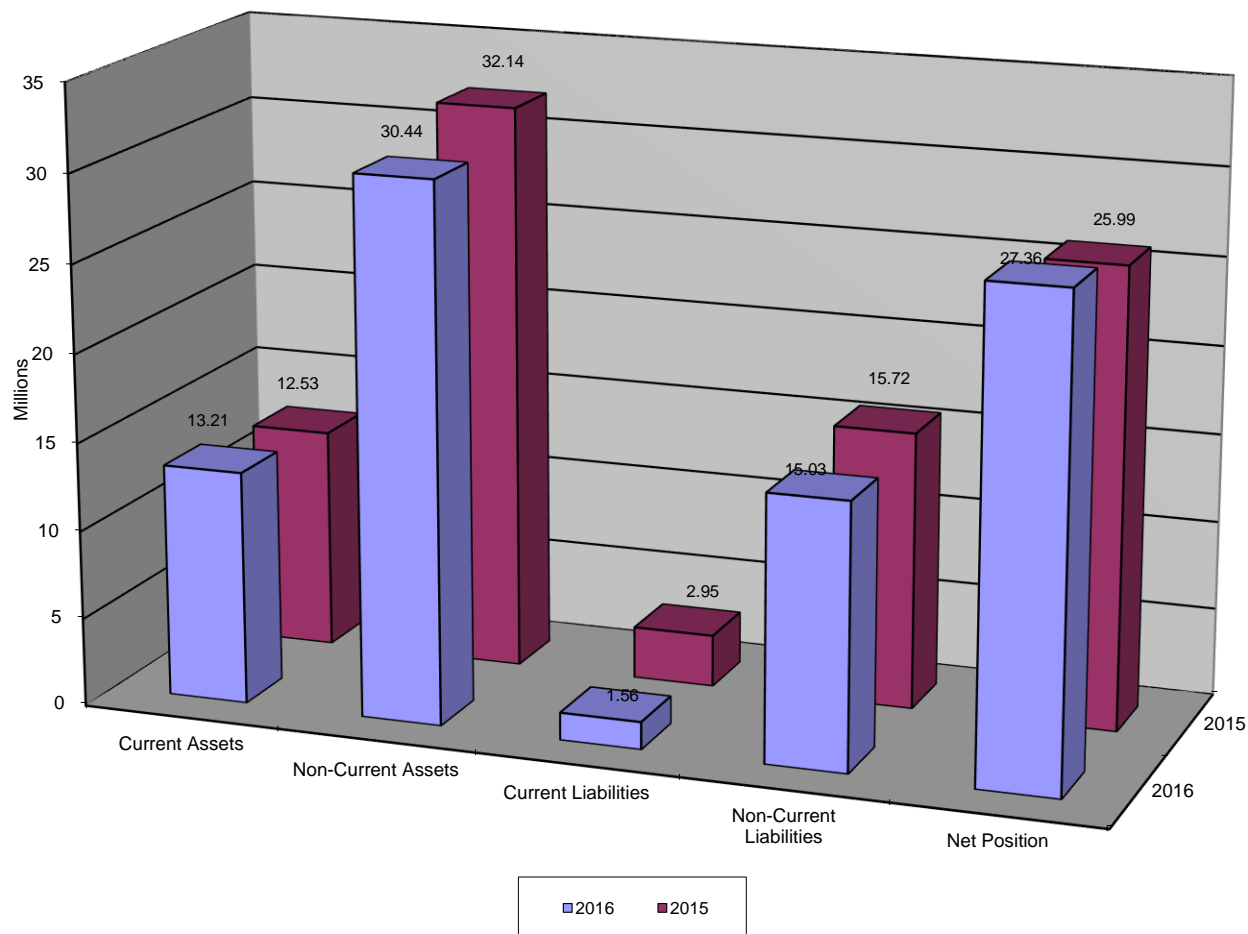
Note: Assets substantially exceed liabilities denoting a sound financial condition for the College.

## Aiken Technical College

### Management's Discussion and Analysis

The following graph illustrates the change from the prior year for Assets, Liabilities and Net Position. Current Assets and Noncurrent Assets increased. Current Liabilities, and Noncurrent Liabilities increased. Noncurrent Liabilities reflect the non-recourse net pension liability. Net Position increased slightly.

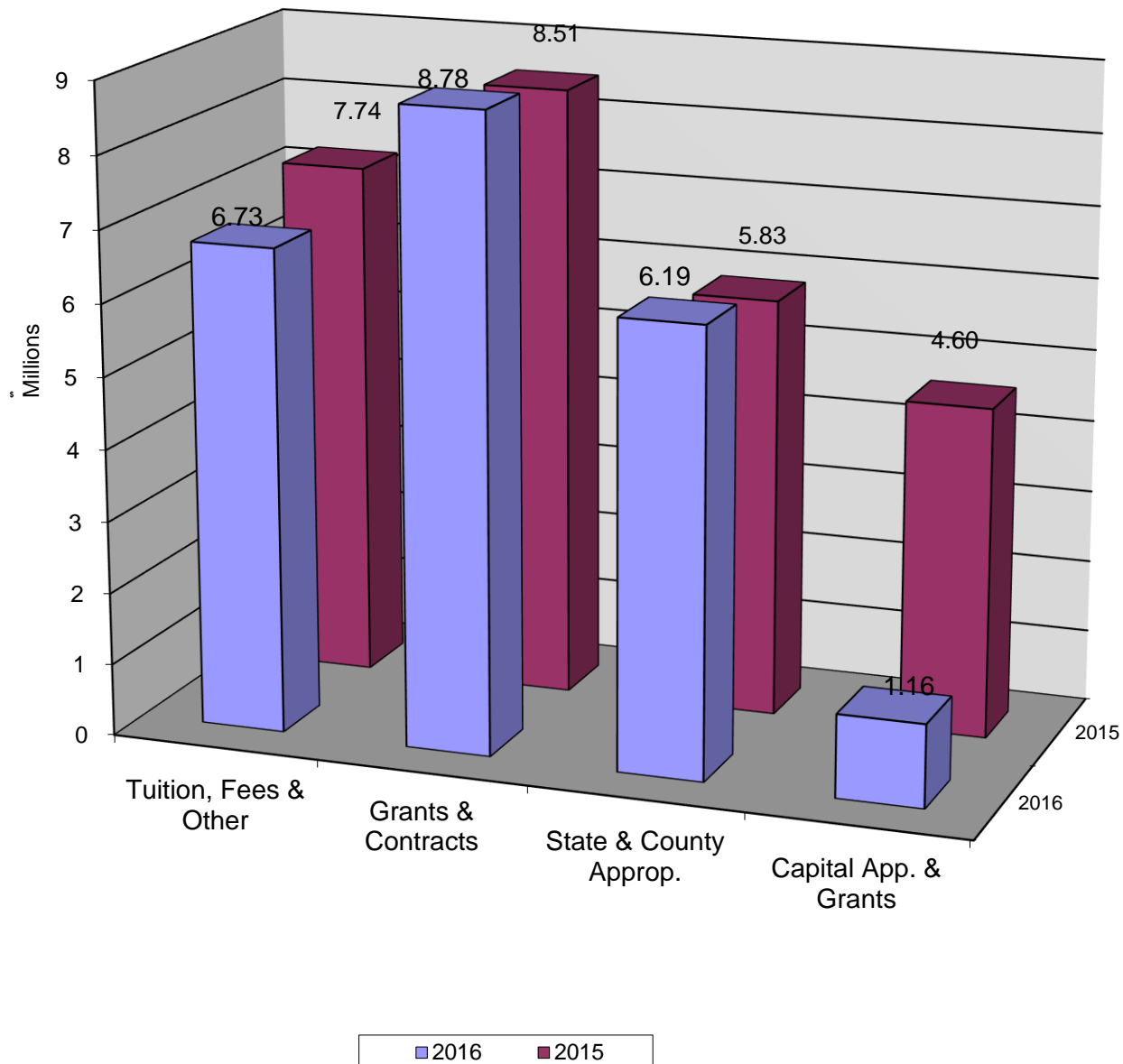
Comparison of Assets, Liabilities, and Net Position



**Revenue Comparisons**

The chart below shows decreased Tuition, Fees, and Other revenue. Combined State and County Appropriations increased slightly. Capital Appropriations decreased reflecting last year's completion of a building project, replaced by smaller equipment and infrastructure appropriations. Grants and Contracts increased slightly resulting from instructional related federal grants.

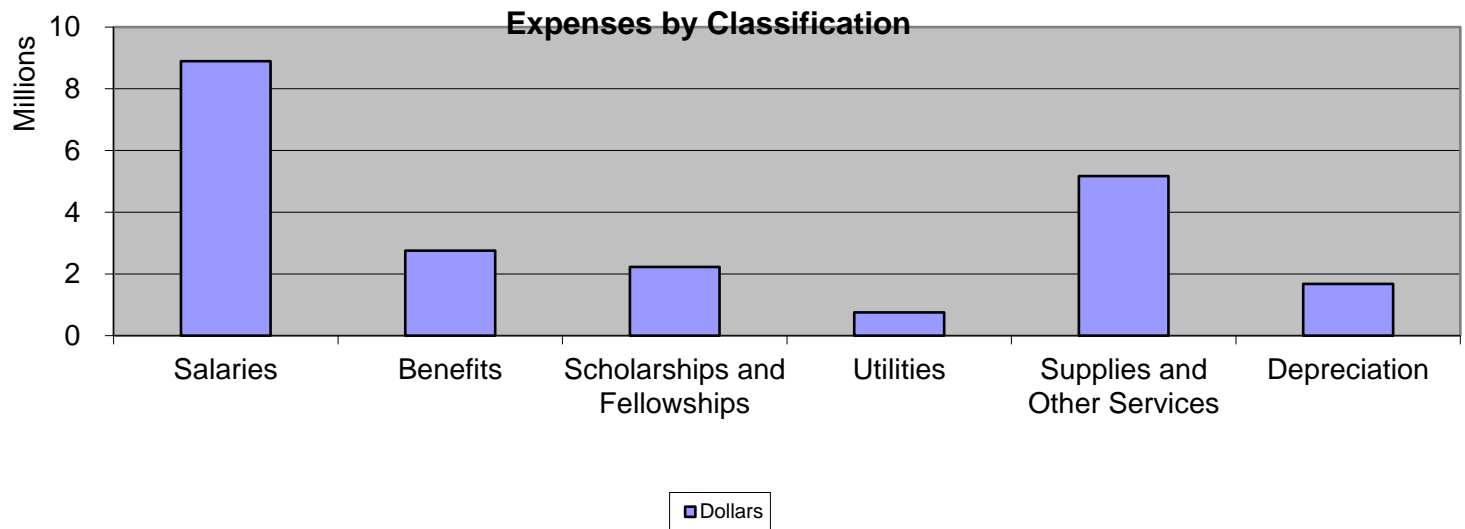
**Revenue Comparisons FY16 to FY15**

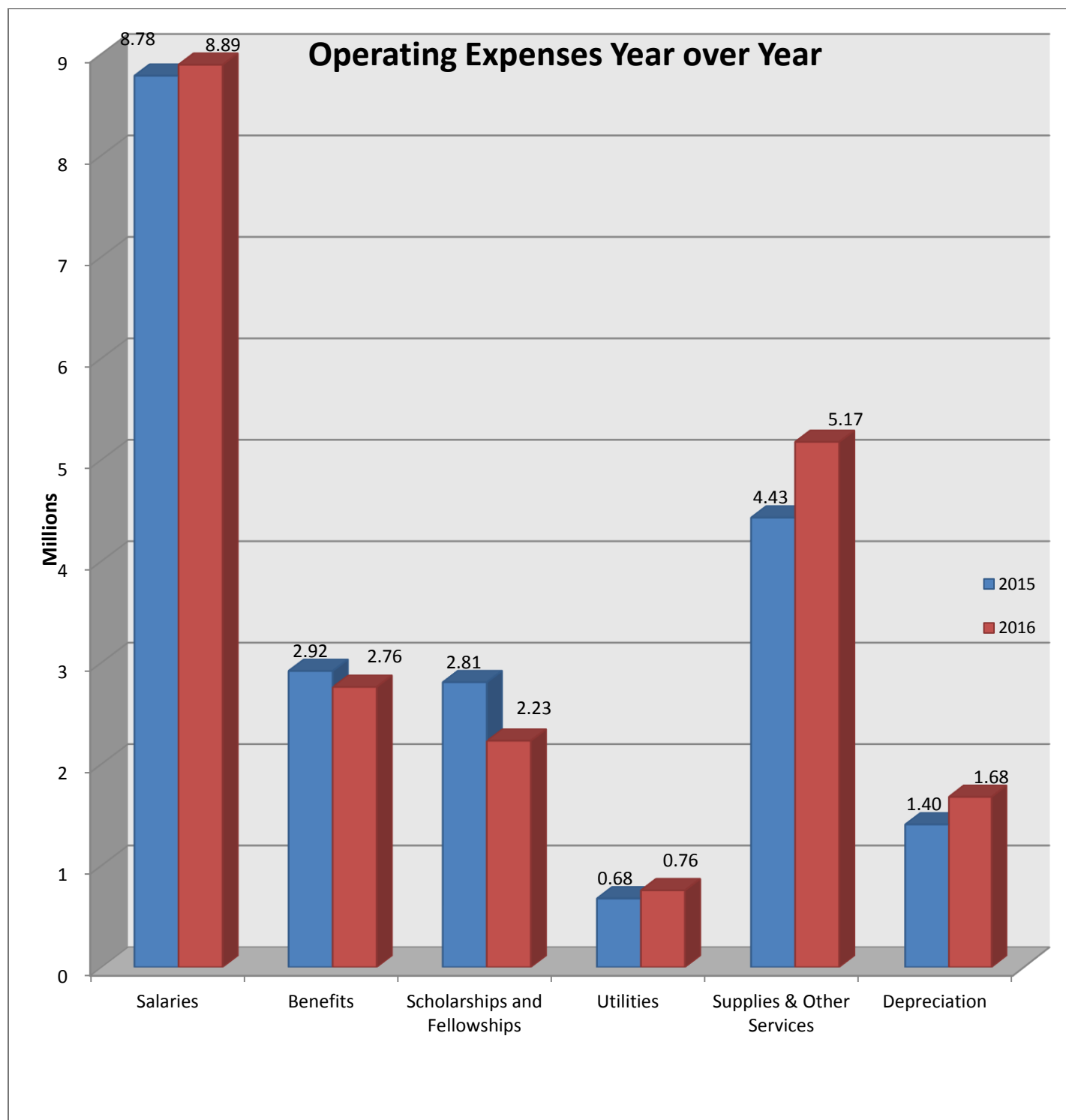


Expenditure Charts

Expenditures for the College are mainly for Salaries and Supplies and Other Services as noted in the chart below:

(See Financial Analysis text for details)





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## **Aiken Technical College**

### ***Management's Discussion and Analysis***

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#### **Cash Flows**

Cash and cash equivalents increased by \$1,541,499.

#### **Economic Factors**

South Carolina's ("SC") economy continued improvement during fiscal year 2016. At the end of June 2016, the SC Leading Index ("SCLI") of 102.080 continued near an eight year high.<sup>i</sup> According to the SC Department of Commerce a SCLI value greater than 100 forecasts economic growth through the following three to six months

The SC recovery, reflected in the above indicator, when combined with other state funding priorities, resulted in an increase of the College's share of state revenues for its current operations, from a comparatively low base. Even though the economy continues a recovery, a 4.5% increase from prior year first time unemployment claims increased motivation for citizens to return to educational institutions.<sup>ii</sup>

#### **Summary**

The College continued towards previously established goals of empowering students, transforming resources into desired outcomes, and aligning College and business resources by managing costs and tuition to enable the funding of current programs, maintain affordability for students, and provide for the maintenance of physical facilities. This year's financial statements reflect this through conservative spending, such as the decrease in non-scholarship operating expenditures, and a low level of state operational funding. Non-state resources aided the achievement of our goals through: College Foundation community program and scholarship support; Aiken County plant maintenance support; and Federal grant funding for financial aid and College operations.

The College's ability to generate Cash, Investments, and Other Assets in excess of Total Liabilities by \$27,359,455 as seen in the Condensed Statement of Net Position on the following page, indicates the fiscal soundness of the College. Readers should note that the soundness depends, in part, on future SC legislative decisions related to the funding of the SCRS net pension liability noted in the Overview section.

# Aiken Technical College

## Management's Discussion and Analysis

### Condensed Statements of Net Position

	6/30/2016	6/30/2015	Increase (Decrease)	
			\$	%
ASSETS				
Cash, investments, and other assets	\$ 16,643,346	\$ 17,205,912	\$ (562,566)	(3.27)
Capital assets, net	27,004,056	27,460,020	(455,964)	(1.66)
Total Assets	43,647,402	44,665,932	(1,018,530)	(2.28)
Deferred outflows of resources	1,133,833	1,181,495	(47,662)	-
LIABILITIES				
Accounts payable and other current liabilities	1,560,601	2,983,106	(1,422,505)	(47.69)
Long-term liabilities	15,032,977	15,678,282	(645,305)	(4.12)
Total Liabilities	16,593,578	18,661,388	(2,067,810)	(11.08)
Deferred inflows of resources	828,202	1,191,530	(363,328)	-
NET POSITION				
Net investment in capital assets	27,004,056	27,460,020	(455,964)	(1.66)
Restricted	59,072	57,794	1,278	2.21
Unrestricted	296,327	(1,523,305)	1,819,632	119.45
	<u>\$ 27,359,455</u>	<u>\$ 25,994,509</u>	<u>\$ 1,364,946</u>	<u>5.25</u>



**Condensed Statements of Revenues, Expenditures and Changes in Net Position**

	For the Years Ended		Increase (Decrease)	
	2016	2015	\$	%
Operating Revenues				
Student tuition and fees (net of scholarship allowances of \$4,683,797 and \$4,168,240, respectively)	\$ 5,302,974	\$ 5,609,988	\$ (307,014)	(5.47)
Grants and contracts	3,752,893	3,092,550	660,343	21.35
Other	1,366,949	1,559,369	(192,420)	(12.34)
Total Operating Revenues	10,422,816	10,261,907	160,909	1.57
Operating Expenses				
Salaries	8,893,500	8,784,876	108,624	1.24
Benefits	2,760,018	2,917,122	(157,104)	(5.39)
Scholarships and fellowships	2,229,110	2,805,896	(576,786)	(20.56)
Utilities	755,882	675,521	80,361	11.90
Supplies and other services	5,174,894	4,428,601	746,293	16.85
Depreciation	1,675,260	1,403,575	271,685	19.36
Total Operating Expenses	21,488,664	21,015,591	473,073	2.25
Operating Loss	(11,065,848)	(10,753,684)	(312,164)	(2.90)
Non Operating Revenues (Expenses)				
State appropriations	4,201,441	3,887,232	314,209	8.08
County appropriations	1,984,734	1,941,962	42,772	2.20
Other nonoperating revenues and expenses	5,087,747	5,472,382	(384,635)	(7.03)
Total nonoperating revenues	11,273,922	11,301,576	(27,654)	(0.24)
Income before other revenues (expenses)	208,074	547,892	(339,818)	(62.02)
Capital appropriations, grants, and gifts	1,156,872	4,602,888	(3,446,016)	(74.87)
Increase in Net Position	1,364,946	5,150,780	(3,785,834)	(73.50)
Net Position:				
Net Position, begin. of year, as originally stated	25,994,509	34,777,405	(8,782,896)	(25.25)
Cumulative effect of implementation of accounting standard (2015)	-	(13,933,676)	13,933,676	-
Net Position, begin. of year, 2015 restated	25,994,509	20,843,729	5,150,780	24.71
Net Position, end of year	\$ 27,359,455	\$ 25,994,509	\$ 1,364,946	5.25

<sup>i</sup> SC Department of Commerce Economic Outlook. Division of Research, Volume 9, Issue 6, June 2016, 1<sup>st</sup> para.

<sup>ii</sup> SC Department of Commerce Economic Outlook. Division of Research, Volume 9, Issue 6, June 2016, pg. 2, 2<sup>nd</sup> para.

# Aiken Technical College

## Statement of Net Position

As of June 30, 2016

### Assets

#### Current Assets

Cash and cash equivalents	\$ 11,012,968
Accounts receivable, net	1,829,399
Inventories	302,344
Prepaid expenses	66,329
Total current assets	<u>13,211,040</u>

#### Noncurrent Assets

Investments	3,413,777
Restricted short-term investments	18,529
Capital assets not being depreciated	947,331
Capital assets, net of accumulated depreciation	<u>26,056,725</u>
Total noncurrent assets	<u>30,436,362</u>
Total assets	<u>43,647,402</u>

### Deferred outflow of resources, related to pensions

1,133,833

### Liabilities

#### Current Liabilities

Accounts payable	130,322
Accrued payroll liabilities	194,156
Unearned revenues and advances	1,195,458
Accrued compensated absences - current portion	40,665
Total current liabilities	<u>1,560,601</u>

#### Noncurrent Liabilities

Accrued compensated absences	560,893
Net pension liability-non-recourse	14,467,628
Restricted liabilities - funds held for others	4,456
Total noncurrent liabilities	<u>15,032,977</u>
Total liabilities	<u>16,593,578</u>

### Deferred inflow of resources, related to pensions

828,202

### Net Position

Net investment in capital assets	27,004,056
Restricted expendable for loan fund	59,072
Unrestricted	296,327
Total net position	<u>\$ 27,359,455</u>

See Notes to the Financial Statements

# Aiken Technical College

## Statement of Revenues, Expenses and Changes in Net Position

For the year ended June 30, 2016

### Revenues

#### Operating Revenues

Student tuition and fees (net of scholarship allowances of \$4,566,292)	\$ 4,975,104
Student tuition and fees pledged for revenue bonds (net of scholarship allowances of \$117,505)	327,870
Federal grants and contracts	1,199,284
State grants and contracts	2,531,173
Local grants and contracts	22,436
Auxiliary enterprises (net of scholarship allowances of \$447,444)	853,722
Other operating revenues	513,227
Total operating revenues	<u>10,422,816</u>

### Expenses

#### Operating Expenses

Salaries	8,893,500
Benefits	2,760,018
Scholarships and fellowships	2,229,110
Utilities	755,882
Supplies and other services	5,174,894
Depreciation	1,675,260
Total operating expenses	<u>21,488,664</u>
Operating loss	<u>(11,065,848)</u>

### Nonoperating revenues (expenses)

State appropriations	4,201,441
County appropriations	1,984,734
Federal grants and contracts	4,869,651
State and local grants and contracts	159,082
Interest income	59,014
Net nonoperating revenues	<u>11,273,922</u>
Income before capital grants, gifts, and transfers	208,074
State capital appropriations	<u>1,156,872</u>
Increase in net position	<u>1,364,946</u>

Net position, beginning of year

25,994,509

Net position, end of year

\$ 27,359,455

See Notes to the Financial Statements

# Aiken Technical College

## Statement of Cash Flows

For the year ended June 30, 2016

### **Cash flows from operating activities**

Student tuition and fees	\$	5,343,622
Federal, state and local grants and contracts		2,805,451
Auxiliary enterprise charges		825,173
Other receipts		430,844
Payments to employees		(11,693,562)
Payments to vendors		(9,434,510)
Net cash used in operating activities		(11,722,982)

### **Cash flows from noncapital financing activities**

State appropriations		4,201,441
County appropriations		2,015,053
Federal, state and local grants, gifts, and contracts, non-operating		5,028,643
Net cash provided by noncapital financing activities		11,245,137

### **Cash flows from capital and related financing activities**

Federal, state, and local grants and contracts for capital		2,961,488
Purchase of capital assets		(1,219,296)
Repayment non-interest loan		(1,000,000)
Net cash provided by capital and related financing activities		742,192

### **Cash flows from investing activities**

Interest on cash and cash equivalents		28,701
Interest on investments		3,251
Proceeds from the sale and maturity of investments		1,245,200
Net cash provided by investing activities		1,277,152
Net increase in cash and cash equivalents		1,541,499

**Cash and cash equivalents, beginning of year**

9,471,469

**Cash and cash equivalents, end of year**

\$ 11,012,968

**Non-cash capital and related financing activities**

\$ -

(Continued)

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## Aiken Technical College

### Statement of Cash Flows

For the year ended June 30, 2016

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**Reconciliation of operating loss to net cash provided by operating activities:**

Operating loss	\$	(11,065,848)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation		1,675,260
Pension expense attributable to College share of SCRS expense		18,765
Change in assets and liabilities:		
Accounts receivables, net		(931,225)
Inventories		(28,549)
Prepaid expenses		10,768
Accounts payable		(1,285,392)
Accrued payroll liabilities		(35,486)
Accrued compensated absences		(23,323)
Unearned revenues		24,429
Advances		(82,381)
Net cash used in operating activities	\$	<u>(11,722,982)</u>

See Notes to the Financial Statements

**Aiken Technical College Foundation - Non-Governmental Discretely Presented Component Unit**  
**Statement of Financial Position**  
**June 30, 2016**

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**Assets**

**Current assets**

Cash and cash equivalents	\$ 229,630
Pledges receivable, net	24,185
Total current assets	<u>253,815</u>

**Other assets**

Investments	4,933,704
Pledges receivable, net	3,807
	<u>4,937,511</u>
Total assets	<u>\$ 5,191,326</u>

**Liabilities and Net Assets**

**Current liabilities**

Accounts payable	\$ 156,127
Total current liabilities	<u>156,127</u>

**Net assets**

Unrestricted	846,438
Temporarily restricted	3,023,333
Permanently restricted	1,165,428
Total net assets	<u>5,035,199</u>
Total liabilities and net assets	<u>\$ 5,191,326</u>

**See Notes to the Financial Statements**

**Aiken Technical College Foundation - Non-Governmental Discretely Presented Component Unit**  
**Statement of Activities**  
**For the year ended June 30, 2016**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues, Gains, and Other Support</b>				
Contributions	\$ 48,277	\$ 155,759	\$ 57,150	\$ 261,186
Investment income	31,564	67,827	-	99,391
Net investment losses	(57,668)	(122,085)	-	(179,753)
Net assets released from restrictions	213,383	(213,383)	-	-
Total revenues, gains, and other support	<u>235,556</u>	<u>(111,882)</u>	<u>57,150</u>	<u>180,824</u>
<b>Expenses</b>				
<b>Program services</b>				
Scholarships	100,842	-	-	100,842
Equipment and building support	57,554	-	-	57,554
Student programs	24,497	-	-	24,497
Other programs	30,489	-	-	30,489
Total program services	<u>213,382</u>	<u>-</u>	<u>-</u>	<u>213,382</u>
<b>Supporting services</b>				
Management and general	152,371	-	-	152,371
Fundraising	50,655	-	-	50,655
Total expenses	<u>416,408</u>	<u>-</u>	<u>-</u>	<u>416,408</u>
Decrease in net assets	(180,852)	(111,882)	57,150	(235,584)
<b>Net assets, beginning of year</b>	<u>1,027,290</u>	<u>3,135,215</u>	<u>1,108,278</u>	<u>5,270,783</u>
<b>Net assets, end of year</b>	<u>\$ 846,438</u>	<u>\$ 3,023,333</u>	<u>\$ 1,165,428</u>	<u>\$ 5,035,199</u>

See Notes to the Financial Statements

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## Aiken Technical College

### *Notes to the Financial Statements*

*June 30, 2016*

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#### **Note 1. Nature of Operations and Summary of Significant Accounting Policies**

##### *Nature of operations:*

Aiken 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 Aiken County, South Carolina. Included in this range of programs are technical and occupational associate degrees, diploma and certificate curricula that are consistent with the needs of employers in the College's service area. As an integral part of this mission, the College provides a program of continuing education designed to satisfy the occupational demands of employers through retraining and upgrading the skills of individual employees. The College also provides a variety of developmental education programs, support services and offerings to assist students in meeting their personal and professional educational objectives.

##### *Reporting entity:*

The financial reporting entity, as defined by the Governmental Accounting Standards Board ("GASB"), 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 would cause the financial statements to be misleading or incomplete. Accordingly, the financial statements include the accounts of Aiken Technical College, as the primary government, and the accounts of Aiken Technical College Foundation, Inc. (the "Foundation"), its discretely presented component unit. The College is a component unit of the State of South Carolina.

The Foundation is a legally separate, tax-exempt organization. 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 40-member board of the Foundation is elected by the Foundation's Board of Trustees and consists of the President of the College, one or more members of the Aiken County Commission for Technical Education, the Development Office of the College, and other graduates and 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 Standards Board ("FASB") pronouncements. Most significant to the Foundation's operations and reporting model are FASB's, *Accounting for Contributions Received and Contributions Made*, and FASB's, *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.

The complete financial statements for the Foundation can be obtained by mailing a request to Mary Commons, Aiken Technical College Foundation, Inc., P. O. Drawer 696, Aiken, SC 29802-0696, by calling (803) 508-7413, or by e-mailing a request to [commons@atc.edu](mailto:commons@atc.edu).



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## Aiken Technical College

### *Notes to the Financial Statements*

*June 30, 2016*

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#### **Note 1. Nature of Operations and Summary of Significant Accounting Policies, Continued**

##### Financial statements:

The financial statements of the College are presented in accordance with GASB's *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB's *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The financial statement presentation required by these GASB Statements 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.

##### 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.

##### Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as well as non-recourse liabilities, at the date of the financial statements, and the reported amounts of revenues and expenses, during the reporting period. Actual results could differ from those estimates.

##### Cash, cash equivalents and investments:

Deposits and investments for the College are governed by the South Carolina Code of Laws, Section 11-9-660, "Investment of Funds". The College accounts for its investments at fair value in accordance with GASB's *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and GASB's *Fair Value Measurement and Application*. Changes in unrealized gain (loss) on the fair value of investments are reported as a component of investment income in the Statement of Revenues, Expenses and Changes in Net Position.

##### Receivables:

Receivables consist of tuition and fee charges to students, gifts pledged and auxiliary enterprise services provided to students, faculty, and staff. Receivables also include amounts due from federal, state and local governments or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Receivables are reported net of estimated uncollectible amounts. The College maintains an allowance for uncollectible amounts, which is based upon actual losses experienced in prior years and management's evaluations of the current account portfolio.

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## Aiken Technical College

### *Notes to the Financial Statements*

*June 30, 2016*

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#### **Note 1. Nature of Operations and Summary of Significant Accounting Policies, Continued**

##### Inventories:

Inventories for internal use are valued at cost. Inventories for resale are carried at the lower of cost or market on the first-in, first-out ("FIFO") basis.

##### Capital assets:

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation, if received by gift. 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 is incurred.

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

##### Unearned revenues and advances:

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 year. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

##### Compensated absences:

Employee vacation pay expense is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as a component of liabilities in the Statement of Net Position and as a component of benefit expenses in the Statement of Revenues, Expenses, and Changes in Net Position, respectively.

##### 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 debt 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.

**Note 1. Nature of Operations and Summary of Significant Accounting Policies, Continued**

Net position, continued:

*Restricted net position - expendable:* This represents resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties. Restricted expendable net position consists of amounts restricted for debt service, capital improvements, and for the loan fund.

*Restricted net position - nonexpendable:* Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. At June 30, 2016, the College did not have any restricted net position – nonexpendable.

*Unrestricted net position:* Unrestricted net position represents 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. A deficit in unrestricted net position does not represent reduced liquidity to the extent resources are applied to non-legal or non-contractual obligations, or liabilities, included in the financial statements.

The College's 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.

Income taxes:

The College is exempt from income taxes under the Internal Revenue Code and similar state tax code. The Foundation has been classified by the Internal Revenue Service as an organization other than a private foundation. However, the Foundation is not exempt from unrelated business income tax ("UBIT").

Classification of revenues:

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

*Operating revenues:* Operating revenues generally result from exchange transactions to provide goods or services related to the College's principal ongoing operations. These revenues include (1) student tuition and fees received in exchange for providing educational services 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.

**Note 1. Nature of Operations and Summary of Significant Accounting Policies, Continued**

Classification of revenues, continued:

*Non-operating revenue:* Non-operating revenues include activities that have the characteristics of non-exchange transactions. These revenues include gifts, 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 education and other activities:

Revenues from sales and services of educational and other activities generally consist of amounts received from instructional activities that incidentally create goods and services which may be sold to students, faculty, staff, and the general public.

Auxiliary enterprises and internal service activities:

Auxiliary enterprise revenues primarily represent revenues generated by bookstores and food services. Revenues of internal service activities conducted separately, and in conjunction with auxiliary enterprise activities, and their related College department expenditures, have been eliminated.

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 the passage of time.

*Unrestricted designated net assets:* Unrestricted designated net assets are not subject to donor-imposed restrictions but subject to Foundation Board imposed stipulations.

Revenues are reported as increases in unrestricted net assets 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.

**Note 1. Nature of Operations and Summary of Significant Accounting Policies, Continued**

Component unit, continued:

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

New accounting pronouncements – adopted:

The GASB issued Statement No. 72, *Fair Value Measurement and Application*, in February 2015. This statement provides guidance for determining a fair value measurement for financial reporting purposes, and also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. See Note 3 for more information.

Subsequent events:

These financial statements have not been updated for subsequent events occurring after September 30, 2016 which is the date these financial statements were available to be issued.

**Note 2. State Appropriations**

State funds 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. Appropriations are recognized as revenue when received and available. Amounts that are not expended by fiscal year-end lapse and are required to be returned to the General Fund of the State unless the Board receives authorization from the General Assembly to carry the funds over to the next year.

The following is a reconciliation of the state appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2016:

**Non-capital Appropriations**

Current year’s appropriations:	
Final Appropriations Act appropriation as allocated by the State Board for	
Technical and Comprehensive Education	\$ 4,201,441
<b>Total non-capital appropriations recorded as current year revenue</b>	<b>\$ 4,201,441</b>

**Capital Appropriations**

Current year’s appropriations:	
Network Infrastructure and CEAM building related equipment	\$ 1,156,872
<b>Total capital appropriations recorded as current year revenue</b>	<b>\$ 1,156,872</b>

**Note 3. Deposits and Investments**

Deposits:

State Law requires that a bank or savings and loan association (both depository financial institutions) receiving State funds must secure the deposits by deposit insurance, surety bonds, collateral securities, or letters of credit as a means to protect the State.

Custodial credit risk:

Custodial credit risk for deposits is the risk that, a government will not be able to recover its deposits if the depository financial institution fails to recover the value of collateral securities that are in the possession of an outside party if the counterparty to the deposit transaction fails. The College's deposits are categorized to give an indication of the level of risk assumed by the College at year-end.

The deposits for the College at June 30, 2016 were \$14,915,963 with a book balance of \$14,445,274. Of these, none were exposed to custodial credit risk as uninsured and uncollateralized or not subject to an irrevocable letter of credit. The College recognized no losses due to default by counterparties to investment transactions and amounts recovered from prior period losses.

The deposits for the Foundation at June 30, 2016 were \$229,630. The Foundation is not bound by State law requiring collateralization of deposits; however, the Federal Deposit Insurance Corporation insured the total amount deposited as of June 30, 2016.

Investments:

The College is authorized, by the South Carolina Code of Laws, Section 11-9-660, "Investment of Funds", 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 holds certificates of deposit that mature on various dates from October 2016 to July 2017.

The following schedule reconciles cash and cash equivalents, investments, and restricted deposits as reported on the Statement of Net Position.

**Statement of Net Position:**

Cash and cash equivalents	\$ 11,012,968
Investments	3,413,777
Restricted investments	18,529
Total statement of net position	<u>\$ 14,445,274</u>

**Deposits and Investments:**

Carrying value of deposits	\$ 14,440,824
Cash on hand	4,450
Total deposits and investments	<u>\$ 14,445,274</u>

**Note 3. Deposits and Investments, Continued**

*Fair value of financial instruments:*

The College has adopted applicable accounting standards for its financial assets and liabilities which clarify that fair value is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The College utilizes market data or assumptions that market participants would use in pricing the asset or liability. The standards establish a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The College's investments consist entirely of \$3,413,777 in certificates of deposits issued by commercial banks. Due to the short-term duration of these investments, management does not consider there to be a significant difference between fair value and the carrying amount. These investments have been categorized as Level 2. Cash equivalents consists of cash held in a money market account and are not included within the fair value hierarchy.

*Concentration of credit risk:*

Concentration of credit risk is the risk of loss attributed to the magnitude of an institution's investment in a single issuer. As of June 30, 2016, the College maintained less than \$500,000 in any CD or money market investment. The College maintains an investment policy procedure awarding investments in certificates of deposit, collateralized or supported by an irrevocable letter of credit, to the highest Aiken County financial institution bidders (branches or home bases), without restriction as to concentration. An exception was made to this policy to diversify investing in FDIC insured money market funds and certificates of deposit at a variety of banks in the Central Savannah River Area.

**Aiken Technical College**  
**Notes to the Financial Statements**  
**June 30, 2016**

**Note 3. Deposits and Investments, Continued**

The Aiken Technical College Foundation, Inc. is not bound by the State investment restrictions that apply to the College, thereby allowing investments in both equities and fixed income securities as listed below:

The Foundation invests in the following rated debt securities:

<u><b>Rated Debt Securities</b></u>	<u><b>Fair Value</b></u>	<u><b>Quality Ratings</b></u>				
		<u><b>AA</b></u>	<u><b>B</b></u>	<u><b>BA</b></u>	<u><b>Lower than BA</b></u>	<u><b>Unrated</b></u>
Bond mutual funds-international	\$ 193,054	\$ 65,039	\$ 90,089	\$ 16,892	\$ 11,555	\$ 9,479
Bond mutual funds-domestic	749,007	413,091	177,215	78,300	28,252	52,149
Money market						
Mutual funds	<u>303,814</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>303,814</u>
Total fair value	<u>\$1,245,875</u>	<u>\$ 478,130</u>	<u>\$267,304</u>	<u>\$ 95,192</u>	<u>\$ 39,807</u>	<u>\$ 365,442</u>

**Interest rate risk:**

Interest rate risk is the risk that changes in interest rates of debt securities will adversely affect the fair value of a security. It occurs because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase, thereby affording potential purchasers more favorable rates on essentially equivalent securities. The Foundation has no policy on interest rate risk.

For the year ended June 30, 2016, the following tables show the securities by the weighted average method. The shorter the maturities, the lower the interest rate risk, with correspondingly less yield.

**Aiken Technical College Foundation Rated Debt Securities**

<u><b>Rated Debt Securities</b></u>	<u><b>Fair Value</b></u>	<u><b>Weighted Average Maturity (in years)</b></u>
Bond mutual funds - international	\$ 193,054	13.67
Bond mutual funds - domestic	749,007	4.88
Money market mutual funds	303,814	0.08
Total fair value	<u>\$ 1,245,875</u>	



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**Aiken Technical College**  
**Notes to the Financial Statements**  
**June 30, 2016**

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**Note 4. Receivables**

Receivables at June 30, 2016, including applicable allowances for uncollectible receivables, were as follows:

Receivables:

Student accounts	\$ 492,827
Aiken County	45,118
Federal grants and contracts	1,054,554
State grants and contracts	56,277
Other receivables	397,149
Interest receivable	63,474
Total accounts receivable	<u>2,109,399</u>
Less: allowance for uncollectibles	<u>(280,000)</u>
Net accounts receivable	<u>\$ 1,829,399</u>

The College recognized a receivable from the Foundation of \$156,127 at June 30, 2016, which is included in the balance above.

The Foundation's pledges receivable at June 30, 2016 were as follows:

Pledges receivable	\$ 28,185
Less unamortized discount	<u>(193)</u>
Net pledges receivable	<u>\$ 27,992</u>
Amounts due in:	
Less than one year	\$ 24,185
One to five years	<u>4,000</u>
	<u>\$ 28,185</u>

Pledges receivable are reflected at the present value of estimated future cash flows using a discount rate of 1.66%.

**Aiken Technical College**  
**Notes to the Financial Statements**  
**June 30, 2016**

**Note 5. Capital Assets**

	<b>Beginning Balance June 30, 2015</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance June 30, 2016</b>
<b>Capital assets not being depreciated:</b>				
Land and improvements	\$ 926,922	\$ -	\$ -	\$ 926,922
Construction in progress	7,468,907	1,012	7,449,510	20,409
Total capital assets not being depreciated	8,395,829	1,012	7,449,510	947,331
<b>Other capital assets:</b>				
Buildings and improvements	35,327,357	7,975,525	-	43,302,882
Machinery, equipment, and other	4,267,592	692,269	48,005	4,911,856
Intangible assets	461,809	-	-	461,809
Vehicles	81,887	-	-	81,887
Depreciable land improvements	1,453,858	-	-	1,453,858
Total other capital assets at historical cost	41,592,503	8,667,794	48,005	50,212,292
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	(17,296,281)	(1,304,825)	-	(18,601,106)
Machinery, equipment, and other	(3,621,474)	(370,435)	48,005	(3,943,904)
Intangible assets	(461,809)	-	-	(461,809)
Vehicles	(81,887)	-	-	(81,887)
Depreciable land improvements	(1,066,861)	-	-	(1,066,861)
Total accumulated depreciation	(22,528,312)	(1,675,260)	48,005	(24,155,567)
Other capital assets, net	19,064,191	6,992,534	-	26,056,725
Capital Assets, Net	\$ 27,460,020	\$ 6,993,546	\$ 7,449,510	\$ 27,004,056

A lien has been recorded as to purpose and use restrictions for a manufacturing and technology building in connection with a \$1,500,000 Economic Development Authority ("EDA") construction grant. EDA permission and refunding of a portion of the grant is necessary for any change in use or purpose as well as for any sale, lease, conveyance, or other transfer.

**Note 6. Retirement Plans**

*General information:*

Substantially all College employees are covered by a retirement plan through the South Carolina Retirement System ("SCRS"), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division of the South Carolina Public Employee Benefit Authority ("PEBA"), a public employee retirement system. Generally, all employees are required to participate in and contribute to the SCRS or are eligible to participate in the State Optional Retirement Program ("ORP"). The SCRS plan provides retirement and disability benefits, survivor options, annual benefit adjustments, death benefits and incidental benefits to eligible employees and retired members.

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 (State Fiscal Accountability Authority effective July 1, 2015), 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.

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

PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at [www.peba.sc.gov](http://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 included in the comprehensive annual financial report of the state.

*Plan descriptions:*

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

The 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.

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## Aiken Technical College

### *Notes to the Financial Statements*

*June 30, 2016*

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#### **Note 6. Retirement Plans, Continued**

##### *Plan descriptions, continued*

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

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive ("TERI") program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits, which will include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not earn service credit and are ineligible to receive group life insurance benefits or disability retirement benefits. The TERI program will end effective June 30, 2018, but was closed to new hires effective July 1, 2012.

##### *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, teachers, and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.
- State ORP - As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State Optional Retirement Program (State ORP), which is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers. For this reason, State ORP programs are not part of the retirement systems' trust funds for financial statement purposes. Employee and Employer contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employers to the member's account with investment providers for the employee contribution and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution, if applicable, which is retained by SCRS.

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## Aiken Technical College

### Notes to the Financial Statements

June 30, 2016

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#### Note 6. Retirement Plans, Continued

##### Membership, continued:

- 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 service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.
- The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.
- 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 are 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.

**Note 6. Retirement Plans, Continued**

Benefits, continued:

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. Upon recommendation by the actuary in the annual actuarial valuation, the PEBA Board may adopt and present to the Budget and Control Board for approval an increase in the SCRS and PORS employer and employee contribution rates, but any such increase may not result in a differential between the employee and total employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS and 5 percent for PORS.

An increase in the contribution rates adopted by the Board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the Board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the Board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty- year amortization period; and, this increase is not limited to one-half of one percent per year.

Required employee contribution rates<sup>1</sup> are as follows:

	<u>Fiscal Year 2016</u>	<u>Fiscal Year 2015</u>
<b>SCRS</b>		
Employee Class Two	8.16%	8.00%
Employee Class Three	8.16%	8.00%
<b>State ORP</b>		
Employee	8.16%	8.00%
<b>PORS</b>		
Employee Class Two	8.74%	8.41%
Employee Class Three	8.74%	8.41%

**Note 6. Retirement Plans, Continued**

Contributions, continued:

Required employer contribution rates<sup>1</sup> are as follows:

	<u>Fiscal Year 2016</u>	<u>Fiscal Year 2015</u>
<b>SCRS</b>		
Employer Class Two	10.91%	10.75%
Employer Class Three	10.91%	10.75%
Employer Incidental Death Benefit	0.15%	0.15%
<b>State ORP</b>		
Employer Contribution <sup>2</sup>	10.91%	10.75%
Employer Incidental Death Benefit	0.15%	0.15%
<b>PORS</b>		
Employer Class Two	13.34%	13.01%
Employer Class Three	13.34%	13.01%
Employer Incidental Death Benefit	0.20%	0.20%
Employer Accidental Death Program	0.20%	0.20%

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

<sup>2</sup> 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 the SCRS.

For fiscal year 2016, 2015 and 2014 total contribution requirements to the ORP were approximately \$173,761, \$199,151, and \$224,062, (excluding the surcharge) from the College as employer. Employee contributions to the ORP plans approximated \$129,817, \$147,551, and \$160,652 for fiscal years 2016, 2015, and 2014.

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

Net pension liability:

At June 30, 2016, the College reported a liability of \$14,467,628 for its proportionate share of the SCRS net pension liability. The net pension liability was measured as of June 30<sup>th</sup>, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 and projected forward. The College's proportion of the net pension liability was based on a projection of the College's long-term share of contributions to the pension plan, relative to the projected contributions of all participating agencies, actuarially determined. At June 30, 2015, the College's proportion was 0.076 percent.

## Aiken Technical College

### Notes to the Financial Statements

June 30, 2016

#### Note 6. Retirement Plans, Continued

##### Pension expense:

For the year ended June 30, 2016, the College recognized pension expense of \$797,347, as a proportion of the SCRS overall pension expense.

##### Deferred outflows of resources and deferred inflows of resources:

Changes in net pension 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. At June 30, 2016, the College also reported its share of SCRS deferred outflows of resources and deferred inflows of resources, related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 257,040	\$ 25,873
Net difference between projected and actual earnings on pension plan investments	96,839	-
Changes in proportionate share, plus difference in proportionate share of employer contributions.	-	802,329
College contributions subsequent to the measurement date	779,954	-
Total	<u>\$ 1,133,833</u>	<u>\$ 828,202</u>

\$779,954 reported as deferred outflows of resources related to pensions resulting from College contributions, subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2016.

Other amounts from the College's share of SCRS deferred outflows of resources and deferred inflows of resources, related to pensions, will be recognized in pension expense as follows:

Years Ended June 30:	
2017	\$(191,642)
2018	(191,642)
2019	(279,931)
2020	188,892
2021	-
Thereafter	-



**Note 6. Retirement Plans, Continued**

Actuarial assumptions and methods:

The total pension liability in the June 30<sup>th</sup> 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

	SCRS
Actuarial cost method	Entry age normal
Investment rate of return	7.50%
Projected salary increases	3.5 to 12.5% (varies by service)
Includes inflation at	2.75%
Benefit adjustments	Lesser of 1% or \$500

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates, which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000.

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

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30-year capital market outlook at the end of the third quarter 2013. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission (RSIC) using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

**Note 6. Retirement Plans, Continued**

Actuarial assumptions and methods, continued:

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long Term Expected Portfolio Real Rate of Return</u>
<b>Short Term</b>	<b>5.00%</b>		
Cash	2.00%	1.90%	0.04%
Short Duration	3.00%	2.00%	0.06%
<b>Domestic Fixed Income</b>	<b>13.00%</b>		
Core Fixed Income	7.00%	2.70%	0.19%
Mixed Credit	6.00%	3.80%	0.23%
<b>Global Fixed Income</b>	<b>9.00%</b>		
Global Fixed Income	3.00%	2.80%	0.08%
Emerging Markets Debt	6.00%	5.10%	0.31%
<b>Global Public Equity</b>	<b>31.00%</b>	7.10%	2.20%
<b>Global Tactical Asset Allocation</b>	<b>10.00%</b>	4.90%	0.49%
<b>Alternatives</b>	<b>32.00%</b>		
Hedge Funds (Low Beta)	8.00%	4.30%	0.34%
Private Debt	7.00%	9.90%	0.69%
Private Equity	9.00%	9.90%	0.89%
Real Estate (Broad Market)	5.00%	6.00%	0.30%
Commodities	3.00%	5.90%	0.18%
Total Expected Real Return	100.0%		6.00%
Inflation for Actuarial Purposes			2.75%
Total Expected Nominal Return			8.75%

The discount rate used to measure the total pension liability was 7.5 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 State Code of Laws. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Note 6. Retirement Plans, Continued**

Actuarial assumptions and methods, continued:

The following table presents the sensitivity of the net pension liability to changes in the discount rate:

<b>Sensitivity of the Net Pension Liability to Changes in the Discount Rate</b>			
	<b>1.00% Decrease (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1.00% Increase (8.50%)</b>
<b>College's proportionate share of the net pension liability</b>	\$ 18,239,545	\$ 14,467,628	\$11,306,282

Pension plan fiduciary net position:

The net pension liability is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position. As of June 30, 2015, net pension liability amounts for SCRS are as follows (amounts expressed in thousands):

<b>System</b>	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Employers' Net Pension Liability (Asset)</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension</b>
<b>SCRS</b>	\$ 44,097,310	\$ 25,131,828	\$ 18,965,482	56.99%

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASSB 67 in the System's notes to the financial statements and required supplementary information.

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for SCRS, which can be accessed via the contact information provided above.

**Note 7. Postemployment and Other Employee Benefits**

In accordance with the South Carolina Code of Laws and the annual Appropriation Act, the State of South Carolina provides certain health care, dental, and life insurance benefits to certain active and retired State employees and certain surviving dependents of retirees. All permanent full-time and certain permanent part-time employees of the College are eligible to receive these benefits. The State provides post-employment health and dental benefits to employees who retire from State service or who terminated with at least 20 years of State service who meet one or more of the eligibility requirements, such as age, length of service, and hire date. Generally, those who retire must have at least 10 years of retirement service credit to qualify for these State-funded benefits. Benefits are effective at date of retirement when the employee is eligible for retirement benefits.

**Note 7. Postemployment and Other Employee Benefits, Continued**

These benefits are provided through annual appropriations by the General Assembly to the College for its active employees and to the State Budget and Control Board for all participating State retirees except the portions funded through the pension surcharge and provided from other applicable fund sources of the College for its active employees who are not funded by State General Fund appropriations. The State finances health and dental plan benefits on a pay-as-you-go basis.

The College recorded benefit expenses for these insurance benefits for active employees in the amount of \$20,796 for the year ended June 30, 2016. As discussed in Note 6, the College paid \$420,137 applicable to the 5.33% surcharge included with the employer contributions for SCRS (excluding ORP) retirement benefits. These amounts were remitted to the South Carolina Retirement Systems for distribution to the Office of Insurance Services for retiree health and dental insurance benefit.

Information regarding the cost of insurance benefits applicable to the College's retirees is not available. By State law, the College has no liability for retirement benefits.

In addition, the State General Assembly periodically directs the Retirement Systems to pay supplemental (cost of living) increases to retirees. Such increases are primarily funded from Systems' earnings; however, a portion of the required amount is appropriated from the State General Fund annually for the SCRS benefits.

**Note 8. Contingencies, Litigation, and Project Commitments**

In the opinion of the College's management, there are no material claims or lawsuits against the College that are not covered by insurance or whose settlement would materially affect the College's financial position.

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

The State annually issues capital improvement bonds to fund improvements and expansion of State facilities. The College is not obligated to repay these funds to the State. Authorized funds can be requested as needed once State authorities have given approval to begin specific projects and project expenditures have been incurred. The College has received a commitment to renovate Building Three Hundred and has received an allocation of \$640,000 on a reimbursable basis, when expended, from South Carolina state capital reserve funds, and the College plans to commit approximately \$300,000, for a total project cost of approximately \$940,000.

**Note 9. Lease Obligations**

The College's non-cancelable operating leases for copiers and mail machines provides for an annual renewal option at fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases and are generally payable on a monthly basis. Rental payments for copy equipment totaled \$55,306 for fiscal year 2016. The College will continue to lease equipment in the future at these approximate amounts.

**Aiken Technical College**  
**Notes to the Financial Statements**  
**June 30, 2016**

**Note 10. Noncurrent Liabilities**

Accrued compensated absences:

As of June 30, 2015, the College had accrued compensated absences totaling \$624,880. During the fiscal year, College absences decreased by \$23,323 bringing the accrued compensated absences balance to \$601,557 as of June 30, 2016, with \$40,665 being due within one year.

Notes Payable:

In March 2015, the College entered into a non-interest loan agreement with Aiken Electric Cooperative (the "Cooperative"), as a pass through loan from the USDA Rural Economic Development program \$1,000,000. Monthly installments of \$9,260 were scheduled to begin March 31, 2016; however, the College did not utilize the \$1,000,000, and returned the funds in full to the Cooperative in November 2015.

Long-term liability, excluding funds held for others, activity for the year ended June 30, 2016 was as follows:

	<b>June 30, 2015</b>	<b>Additions</b>	<b>Reductions</b>	<b>June 30, 2016</b>	<b>Due Within One Year</b>
Electric Cooperative Loan	\$ 1,000,000	\$ -	\$ 1,000,000	\$ -	\$ -
Net pension liability	14,133,196	1,160,675	826,243	14,467,628	-
Accrued compensated Absences	624,880	-	23,323	601,557	40,665
Total long-term liabilities	<u>\$ 15,758,076</u>	<u>\$ 1,160,675</u>	<u>\$ 1,849,566</u>	<u>\$ 15,069,185</u>	<u>\$ 40,665</u>

**Note 11. Component Unit**

Following is a summary of significant transactions between the Foundation and the College for the year ended June 30, 2016.

The College recorded non-governmental gift receipts of \$155,104 from the Foundation in non-operating revenues for the fiscal year ending June 30, 2016. These funds were used to support College programs such as scholarships, Allied Health Salaries, and educational equipment. The Foundation reimburses the College for any purchases made by the College on behalf of the Foundation. The College provides office space and administrative services to the Foundation. The College invoiced the Foundation a total of \$92,682 for reimbursement for administrative services provided to the Foundation during the year. The College was due \$156,127 from the Foundation as of June 30, 2016. The College had no payables due to the Foundation as of June 30, 2016. The Foundation's assets as of June 30, 2016 were \$5,191,326 with net assets of \$5,035,199.

**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.

**Note 12. Risk Management, Continued**

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 either through 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	Torts
Real property, its contents, and other equipment	Natural disasters
Motor vehicles and watercraft	Medical malpractice claims against the Infirmary

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

The College also has employee fidelity bond insurance for all employees for losses arising from theft or misappropriation.

**Note 13. Operating Expenses by Function**

Operating expenses by functional classification for the year ended June 30, 2016 are summarized as follows:

	Salaries	Benefits	Scholarships and Fellowships	Utilities	Supplies and Other Services	Depreciation	Total
Instruction	\$ 5,146,647	\$ 1,639,395	\$ -	\$ -	\$ 1,806,217	\$ -	\$ 8,592,259
Academic support	879,396	258,369	-	-	170,509	-	1,308,274
Student services	1,208,742	368,268	-	-	533,513	-	2,110,523
Operation and maintenance of plant	205,258	73,746	-	755,882	830,145	-	1,865,031
Institutional support	1,448,179	420,210	-	-	719,705	-	2,588,094
Scholarships	-	-	2,229,110	-	-	-	2,229,110
Auxiliary enterprises	5,278	30	-	-	1,114,805	-	1,120,113
Depreciation	-	-	-	-	-	1,675,260	1,675,260
<b>Total operating expenses</b>	<b>\$ 8,893,500</b>	<b>\$ 2,760,018</b>	<b>\$ 2,229,110</b>	<b>\$ 755,882</b>	<b>\$ 5,174,894</b>	<b>\$ 1,675,260</b>	<b>\$ 21,488,664</b>

**Schedules of Required Supplementary Information**  
**Schedule of the College's Proportionate Share of the Net Pension Liability**  
**For the year ended June 30, 2016**

	SCRS		
	2016	2015	2014
College's proportion of the net pension liability	0.07628%	0.08209%	0.08209%
College's proportionate share of the net pension liability	\$ 14,467,628	\$ 14,133,196	\$ 14,724,018
College's covered payroll during measurement period	\$ 6,151,445	\$ 6,294,265	\$ 6,605,935
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	235.19%	224.54%	222.89%
Plan fiduciary net position as a percentage of the total pension liability	56.99%	59.90%	56.39%

**Schedules of Required Supplementary Information**  
**Schedule of the College's Contributions**  
**For the year ended June 30, 2016**

	SCRS									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 685,828	\$ 661,280	\$ 657,751	\$ 690,320	\$ 604,289	\$ 510,140	\$ 509,942	\$ 526,626	\$ 593,478	\$ 522,707
Contributions in relation to the contractually required contribution	685,828	661,280	657,751	690,320	604,289	510,140	509,942	526,626	593,478	522,707
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College's covered-employee payroll	\$ 6,286,230	\$ 6,151,445	\$ 6,294,265	\$ 6,605,935	\$ 6,438,879	\$ 6,334,137	\$ 6,329,092	\$ 6,510,501	\$ 6,493,596	\$ 6,302,329
Contributions as a percentage of covered-employee payroll	10.91%	10.75%	10.45%	10.45%	9.39%	8.05%	8.06%	8.09%	9.14%	8.29%



# **Aiken Technical College**

## **Reports Required by *Government Auditing Standards* and Uniform Guidance**

***For the year ended June 30, 2016***

<b>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 <i>Government Auditing Standards</i> .....</b>	<b>1-2</b>
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**Independent Auditor's Report on Internal Control Over Financial  
Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

To the Aiken County Commission  
for Technical Education  
Aiken Technical College  
Aiken, South Carolina

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

**Internal Control over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

A handwritten signature in black ink that reads "Elliott Davis Decosimo, LLC". The signature is written in a cursive, flowing style.

Augusta, Georgia  
September 30, 2016



**Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Federal Awards Required by the Uniform Guidance**

To the Aiken County Commission  
For Technical Education  
Aiken Technical College  
Aiken, South Carolina

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

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

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

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

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

## **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-001 and 2016-002. Our opinion on each major federal program is not modified with respect to these matters.

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

## **Report on Internal Control Over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2016-001 and 2016-002 that we consider to be significant deficiencies.

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

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

#### **Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance**

We have audited the financial statements of the College as of and for the year ended June 30, 2016, and have issued our report thereon dated September 30, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance") is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Elliott Davis Decosimo, LLC". The signature is written in a cursive, flowing style.

Augusta, Georgia  
September 30, 2016

**Aiken Technical College****Schedule of Expenditures of Federal Awards****For the year ended June 30, 2016**

<b>FEDERAL GRANTOR Pass-Through Entity Program Title</b>	<b>CFDA Number</b>	<b>Grant/Contract Number</b>	<b>Federal Expenditures</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
<b><u>STUDENT FINANCIAL ASSISTANCE CLUSTER</u></b>			
<b>U. S. Department of Education</b>			
Federal Pell Grant Program (PELL )	84.063P	P063P153288	\$ 4,871,310
Federal Supplemental Educational Opportunity Grants (SEOG)	84.007A	P007A153759	87,849
Federal Work-Study Program (FWS)	84.033A	P033A153759	84,918
Federal Direct Student Loans (FDSL)	84.268	P268K163288	2,918,126
Total Student Financial Assistance Cluster			<u>7,962,203</u>
<b>OTHER PROGRAMS</b>			
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
<b><u>Passed Through South Carolina Department of Education</u></b>			
Vocational Education-Basic Grants to States	84.048A	16VA401	129,185
Subcontract from USC-Aiken Math-Science-Project	84.366B	USCA-Subcontract	4,368
<b>Total U.S. Department of Education - Other Programs</b>			<u>133,553</u>
<b><u>U.S. DEPARTMENT OF LABOR</u></b>			
<b><u>Contract Passed Through South Carolina Army National Guard</u></b>			
Youth Challenge SCANG			
Sub-Contract	17.261	Subcontract	111,718
<b><u>Direct to ATC</u></b>			
Trade Adjustment Assistance Community College & Career Training			
Grant, Tower Project	17.282	TC26452-14-60-A-45	108,444
Grant, Tower Project	17.282	TC26452-14-60-A-45	371,954
<b>Total U.S. Department of Labor</b>			<u>592,116</u>
<b><u>U.S. Department of Commerce</u></b>			
<b><u>Nuclear Regulatory Commission</u></b>			
Nuclear Welding Technical Education Project (WSTEP)	77.006	NRC-84-14-G-0062	2,838
Nuclear Welding Technical Education Project (WSTEP)	77.006	NRC-84-14-G-0062	31,295
<b>Total Nuclear Regulatory Commission</b>			<u>34,133</u>
<b><u>U.S. DEPARTMENT OF ENERGY</u></b>			
<b><u>Passed Through Savannah River Site Community Reuse Organization</u></b>			
ANSR Education in Nuclear Science Field Subgrant YearFive	81.104	DE-EM0001232	252,975
<b>Total U.S. Department of Energy</b>			<u>252,975</u>
<b>Total Other Programs</b>			<u>1,012,777</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 8,974,980</u>



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## Aiken Technical College

### *Notes to Schedule of Expenditures of Federal Awards*

*For the year ended June 30, 2016*

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#### **Note 1. Basis of Presentation**

The schedule of expenditures of federal awards (the Schedule) includes the federal grants activity of Aiken Technical College under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with 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"). Because the schedule presents only a selected portion of the operations of Aiken Technical College, it is not intended to and does not present the financial position, changes in net assets or cash flows of Aiken Technical College.

#### **Note 2. Summary of Significant Accounting Policies**

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual 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.

Expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Expenditures for student financial aid programs include the federal share of student's Federal Supplemental Educational Opportunity Grant program grants and Federal Work Study program earnings, certain other federal financial aid for students and administrative cost allowances, where applicable.

Expenditures for nonfinancial aid awards include indirect costs, related primarily to facilities operation and maintenance and general, divisional and departmental administrative services, which are allocated to direct cost objectives (including federal awards) based on negotiated formulas commonly referred to as facilities and administrative cost rates. Facilities and administrative costs allocated to such awards for the year ended June 30, 2016, were based on predetermined fixed rates negotiated with the College's cognizant federal agency.

#### **Note 3. Loans**

The Federal District Student Loan program provides loan capital directly from the federal government to students and their parents. No loan balance is recorded at the College level.

In March 2015, the College entered into a non-interest loan agreement with Aiken Electric Cooperative (the "Cooperative"), as a pass through loan from the USDA Rural Economic Development program for \$1,000,000. Monthly installments of \$9,260 were scheduled to begin on March 31, 2016; however, the College did not utilize the \$1,000,000 and returned the funds in full to the Cooperative in November 2015.

#### **Note 4. Contingencies**

The College receives funds under various federal grant programs and such awards are to be expended in accordance with the provisions of the various grants. Compliance with the grants is subject to audit by various government agencies which may impose sanctions in the event of non-compliance. Management believes that they have complied with all aspects of the various grant provisions and the results of adjustments, if any, relating to such audits would not have any material financial impact.

# Aiken Technical College

## Schedule of Findings and Questioned Costs

For the year ended June 30, 2016

### Section I. Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- |                                      |               |     |              |               |
|--------------------------------------|---------------|-----|--------------|---------------|
| • Material weakness identified?      | <u>      </u> | Yes | <u>  X  </u> | No            |
| • Significant deficiency identified? | <u>      </u> | Yes | <u>  X  </u> | None reported |

Noncompliance material to financial statements noted?

       Yes   X   No

#### Federal Awards

Internal control over major federal programs:

- |                                      |               |     |               |               |
|--------------------------------------|---------------|-----|---------------|---------------|
| • Material weakness identified?      | <u>      </u> | Yes | <u>  X  </u>  | No            |
| • Significant deficiency identified? | <u>  X  </u>  | Yes | <u>      </u> | None reported |

Type of auditor's report issued on compliance  
for major federal programs:

Unmodified

Any audit findings disclosed that are required to be  
reported in accordance with Section 2 CFR  
200.516(a)?

  X   Yes        No

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.063, 84.007, 84.033, 84.268	Student Financial Aid Cluster

Dollar threshold used to distinguish between  
Type A and Type B Programs

\$750,000

Auditee qualified as low-risk auditee?

  X   Yes        No

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**Aiken Technical College**  
***Schedule of Findings and Questioned Costs***  
***For the year ended June 30, 2016***

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**Section II. Financial Statement Findings**

None

**Section III. Federal Award Findings and Questioned Costs**

**Finding 2016-001**

Program: Student Financial Cluster - CFDA Nos. 84.007, 84.033, 84.063, and 84.268

Criteria or Specific

Requirement: For recipients of Title IV grant or loan assistance that withdraw from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date, calculate the portion of unearned aid which is the responsibility of the student and institution, respectively, and return the amount of Title IV funds for which it is responsible no later than 45 days after the date of the institution's determination that the student withdrew (34 CFR section 668.22(a-j)).

Condition: For one student who withdrew from the College during a payment period or period of enrollment in which the recipient began attendance in the 2015-2016 fiscal year, the College failed to calculate and return the amount of Title IV funds for which it is responsible within the required 45 days from the date of the institution's determination that the student withdrew.

Questioned Costs: \$0

Context: A test of students who withdrew from the College during a payment period or period of enrollment in which the recipient began attendance during the year revealed one student out of a sample of twenty-four selected for testing for which the return of Title IV funds was not calculated and returned within the required 45 days from the respective dates of the institution's determination that the each student withdrew.

Effect: The allocation of unearned aid which is the responsibility of the student and institution, respectively, was not calculated and returned in the required timeframe of 45 days from the date of determination each respective student withdrew. Due to the late return calculations, the College returned Title IV funds in the amount of \$591 after the required timeframe of 45 days. The untimely reporting of this student has resulted in delayed repayment of Federal Pell Grants and Federal Direct Loans.

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## Aiken Technical College

### *Schedule of Findings and Questioned Costs*

*For the year ended June 30, 2016*

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#### Section III. Federal Award Findings and Questioned Costs, Continued

##### Finding 2016-001, continued

**Cause:** The calculation for return of Title IV funds is completed within the College's software for student accounts. This student was an unofficial withdrawal student whose date of determination was based on the last day of the term. However, the instructor did not report the student timely as an unofficial withdrawal at the end of the term. Due to the untimely reporting by the instructor to the Registrar, the report parameters used to run the change in enrollment status reports run for the Spring term by the Information Systems Management Department did not include enrollment changes for this specific unofficial withdrawal student which occurred after the last day of the term. This student was identified as having a status of withdrawn when the first enrollment report for Fall 2016 was generated. Although the calculation of the return of Title IV funds was performed two days after identification of the student withdrawal, the College was outside of the required 45-day time period.

**Recommendation:** Run an additional report in the month following the end of each term to capture any unofficial withdrawn students who may not have been reported timely by professors to avoid any enrollment status changes not being identified until the following term. These reports should be utilized to ensure all withdrawn students are captured and the calculation of the return of Title IV funds is completed on a timely basis. Additionally, interdepartmental communication procedures between the Registrar, Student Financial Aid Offices, and the Information Systems Management Department should be established to ensure complete student enrollment changes are identified in order to calculate the return of Title IV funds on a timely basis.

##### View of Responsible Official and Corrective

**Actions:** The College is in agreement with audit finding 2016-001. To ensure corrective action for the future, the following plan has been implemented.

1. The Vice President of Enrollment Management, the Director of Financial Aid, and Registrar, in collaboration with the Information Systems Management Department, have identified the cause for the exclusion of this withdrawn student related to the late reporting of her unofficial withdrawal status after the end of the term. In the future, if any withdrawals are reported beyond the last submission date to the Clearinghouse for the term, the student's record will be updated in NSLDS directly and reported to Financial Aid immediately for consideration of the return of Title IV calculation. At the time of data collection, any questionable student record data will be investigated for accuracy, corrected as needed, and verified prior to report submission. The College will also provide additional training and communications for faculty regarding timely reporting of student changes in course enrollment status.

# Aiken Technical College

## *Schedule of Findings and Questioned Costs*

*For the year ended June 30, 2016*

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### **Finding 2016-002**

Program: Student Financial Cluster - CFDA Nos. 84.007, 84.033, 84.063, and 84.268

#### Criteria or Specific

**Requirement:** For recipients of Title IV grant or loan assistance that experience a change in enrollment, fall below half time, or withdraw from an institution, information must be reported to the National Student Loan Data System (NSLDS) by the institution within 30 days after the date the school discovers the change in status, unless it expects to submit its next updated enrollment report within the next 60 days (34 CFR section 685.309). Unofficial changes of enrollment status, such as students that stop attending class, are generally determined at the end of the term and are required to be reported to the NSLDS.

**Condition:** For three students selected who withdrew from the College during a period of enrollment in which the recipient began attendance in the 2015-2016 fiscal year, the College failed to report the student's change in enrollment status within the 60 day requirement.

**Questioned Costs:** \$0

**Context:** Through a test of students who withdrew from the College during a period of enrollment in which the recipient began attendance during the year, three students out of a sample of twenty-four selected for testing were identified for which the change of enrollment status was not reported within the required 60 days. Change in enrollment status reports run by the Information Systems Management Department failed to include all student status changes which resulted in late or unreported enrollment status changes ultimately reported to NSLDS.

**Effect:** Late or unreported enrollment changes can result in delayed repayment of student Federal loans and grants.

**Cause:** Enrollment changes are reported through the National Student Clearinghouse to NSLDS by the Registrar's Office. The College previously utilized a screen within the software which allowed a student to be marked as being on an active hiatus status; however, this function is no longer being utilized. One of the three students identified above had been previously marked with an active hiatus status. Due to incomplete report parameters in the change in enrollment status reports run by the Information Systems Management Department, the tables within the software that are utilized to create the report excluded any enrolled students which had been previously marked with an active hiatus status in prior years.

The second student identified above withdrew from the College prior to the date the College submitted its first report to the National Student Clearinghouse.

# Aiken Technical College

## *Schedule of Findings and Questioned Costs*

*For the year ended June 30, 2016*

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### Section III. Federal Award Findings and Questioned Costs, Continued

#### Finding 2016-002, continued

Cause, continued: For the other student identified above with a late reporting of the enrollment status change, this student was an unofficial withdrawal student whose date of determination was based on the last day of the term. However, the instructor did not report to the Registrar in a timely manner the status of this student until after the end of the term. Due to the untimely reporting by the instructor to the Registrar, the report parameters used to generate the change in enrollment status reports at the end of the Spring term did not include enrollment changes for this specific unofficial withdrawal student which occurred after the last day of the term. This student was captured as having a status of withdrawn when the first enrollment report for the Fall 2016 term was generated.

Recommendation: Run an additional report in the month following the end of the term to capture any unofficial withdrawn students who may not have been reported timely by professors to avoid enrollment status changes not being identified until the following term. These reports should be utilized by the Registrar to ensure all unofficially withdrawn students are contained within the reports in order to submit all student enrollment changes to NSLDS.

Identify all students that were previously marked with an active hiatus status to terminate the active status to ensure that these students will not be excluded from the report parameters used to run the change in enrollment status reports.

In addition, interdepartmental communication procedures between the Registrar, Student Financial Aid Offices, and the Information Systems Management Department should be established to ensure complete student enrollment changes are identified in order to identify all student enrollment changes, including those made before the initial enrollment reporting done for a term, are reported to the National Student Clearinghouse and NSLDS within the required timeframe.

View of Responsible  
Official and Corrective  
Actions:

The College is in agreement with audit finding 2016-002. To ensure corrective action for the future, the following plan has been implemented.

1. The Vice President of Enrollment Management, the Director of Financial Aid, and Registrar, in collaboration with the Information Systems Management Department, have identified the cause for the exclusion of the withdrawn student related to a prior hiatus status that was activated in the system. The Information Systems Management Department has modified the appropriate tables to end all active hiatus statuses for students, so these students will no longer be excluded from the listing used for the enrollment reporting. At the time of data collection, any questionable student record data will be investigated for accuracy, corrected as needed, and verified prior to report submission.

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## **Aiken Technical College**

### ***Schedule of Findings and Questioned Costs***

***For the year ended June 30, 2016***

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#### **Section III. Federal Award Findings and Questioned Costs, Continued**

##### **Finding 2016-002, continued**

View of Responsible  
Official and Corrective  
Actions, continued:

2. The Registrar will be added to the distribution of the weekly report of withdrawn students, which is currently provided to the Financial Aid staff. The Registrar will review the report to identify students who completely withdraw prior to the College's first submission of enrollment data to the National Student Clearinghouse. The Registrar will update any identified students' records in NSLDS directly.
3. The Vice President of Enrollment Management, the Director of Financial Aid, and Registrar, in collaboration with the Information Systems Management Department, have identified the cause for the exclusion of this withdrawn student related to the late reporting of her unofficial withdrawal status after the end of the term. In the future, if any withdrawals are reported beyond the last submission date to the Clearinghouse for the term, the student's record will be updated in NSLDS directly. At the time of data collection, any questionable student record data will be investigated for accuracy, corrected as needed, and verified prior to report submission. The College will also provide additional training and communications for faculty regarding timely reporting of student changes in course enrollment status.

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**Aiken Technical College*****Summary Schedule of Prior Year Findings******For the year ended June 30, 2016***

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**Finding 2015-1 – Calculation for return of Title IV**

Status: Prior year finding was corrected in the current year under audit, and no repeat finding was noted. The cause of the current year return of Title IV finding was deemed to be different and separate from the prior year finding.

**Finding 2015-2 – Timely enrollment reporting**

Status: Prior year finding was corrected in the current year under audit, and no repeat finding was noted. The cause of the current year return of enrollment status reporting finding was deemed to be different and separate from the prior year finding.