Aiken Technical College

Report on the Financial Statements

For the year ended June 30, 2019

Page

AIKEN TECHNICAL COLLEGE

AREA COMMISSION MEMBERS, OFFICERS, KEY ADMINISTRATIVE STAFF AND OTHER INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019

MEMBERS OF AREA COMMISSION	Term Expires
Mr. Teresa Haas	Ex-Officio
Mr. Alvin B. Padgett	04/15/21
Mr. Carlos F. Garcia, Chairman	04/30/22
Mr. Daniel Lloyd, Jr.	01/31/23
Mr. Joe E. Lewis, Vice Chairman	01/31/23
Mr. William J. Windley, Secretary	04/15/20
Ms. Keyatta Priester	04/15/20
Ms. Monica Key	04/30/20
Mr. Stuart Mac Vean	04/15/21

OFFICERS OF AREA COMMISSION

Mr. Carlos F. Garcia, Chairman
Mr. William J. Windley, Secretary
Mr. Joe E. Lewis, Vice Chairman

KEY ADMINISTRATIVE STAFF

Dr. Forest Mahan, President
Mr. Andy Jordan, Vice-President of Administrative Services
Dr. Gemma K. Frock, Vice-President of Institutional Effectiveness and Accreditation
Dr. Vinson Burdette, Vice-President of Academic and Student Affairs and Title IX Coordinator
Ms. Nikasha Dicks, Director of Marketing and Recruitment

AIKEN TECHNICAL COLLEGE

AREA COMMISSION MEMBERS, OFFICERS, KEY ADMINISTRATIVE STAFF AND OTHER INFORMATION FOR THE YEAR ENDED JUNE 30, 2019

AREA SERVED BY COMMISSION

Aiken County, South Carolina

ENTITIES WHICH PROVIDE FINANCIAL SUPPORT

South Carolina Department of Administration – Office of Executive Budget
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 Energy Office
South Carolina Department of Employment & Workforce
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, 2019, 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, 2019, 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, the Schedule of the College's Proportionate Share of the Net Pension Liability and the Schedule of the College's Pension Contributions, as shown on pages 52 through 53, and the Schedule of the College's Proportionate Share of the Net OPEB Liability and the Schedule of the College's OPEB Contributions, as shown on pages 54 through 55, 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 inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The "Area Commission Members, Officers, Key Administrative Staff and Other Information" on pages 1 and 2, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information, which is of a non-accounting nature, has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2019, 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.

Elliott Davis, LLC

Augusta, Georgia
September 30, 2019

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, 2019. 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. Fiscal year 2019 contains adjustments, calculations, and information based on GASB statements 68, and 75, relating to economic effects of the College's potential pension and other postemployment benefits (OPEB) responsibilities to employees.

Financial Highlights

- The assets and deferred outflows of Aiken Technical College exceeded its liabilities and deferred inflows at June 30, 2019 by $15,826,022.
- The College's net pension and OPEB liabilities are not legal obligations, and the South Carolina Retirement System does not have recourse to collect either the College's net pension or OPEB liabilities, which total $30,139,062, as shown on the College's Statement of Net Position.
- The College's total net position increased from beginning net position by 5.87%. The net investment in capital assets decreased by $1,424,926 reflecting annual depreciation in excess of capital purchases.
- The College recorded $151,427 in capital funding received during the fiscal year.
- The College experienced an operating loss of $10,882,587 as reported in the Statement of Revenues, Expenses, and Changes in Net Position. However, this operating loss was offset by state appropriations of $4,502,567, local appropriations of $2,023,265, and certain non-operating federal grants of $4,678,871, 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 arise. 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 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 then. This year's deferred inflows and outflows relate to pension and OPEB 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 improved or worsened during the year.

The unrestricted net position 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 and OPEB liabilities, 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's only responsibility rests with annual contributions to the SCRS's retirement plans, based on pre-determined rates, noted in the College's financial statement footnotes. SCRS shortfalls prompted a SC legislature rate increase of 1% in fiscal 2019. Without the non-recourse pension and OPEB liabilities, the unrestricted net position would increase to $22,351,238 from 7,787,824).

Additionally, depending on annual changes in the SCRS net pension and OPEB liabilities 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 and OPEB 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 and OPEB liabilities, net of contributions, will be a non-cash entry, unless changed by the South Carolina legislature.

Financial Analysis

Net position increased over fiscal year 2018 net position by $878,155. The annual increase reflected funds received and expended for capital, 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 decreased from $22,734,862 to $21,291,280, including a moderate salary and fringe decrease from $12,991,929 to $12,583,012.

Student enrollment decreased by 239 full time equivalent students, or 7.70%.

The College's total assets and deferred outflows exceeded total liabilities and deferred inflows by $15,826,022, taking into account the inclusion of non-legal (non-recourse) net pension & OPEB liabilities.

The Net Investment in Capital Assets, by far the largest portion of the College's net position, is $23,551,319, which reflects the College's 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 and OPEB liabilities, 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.

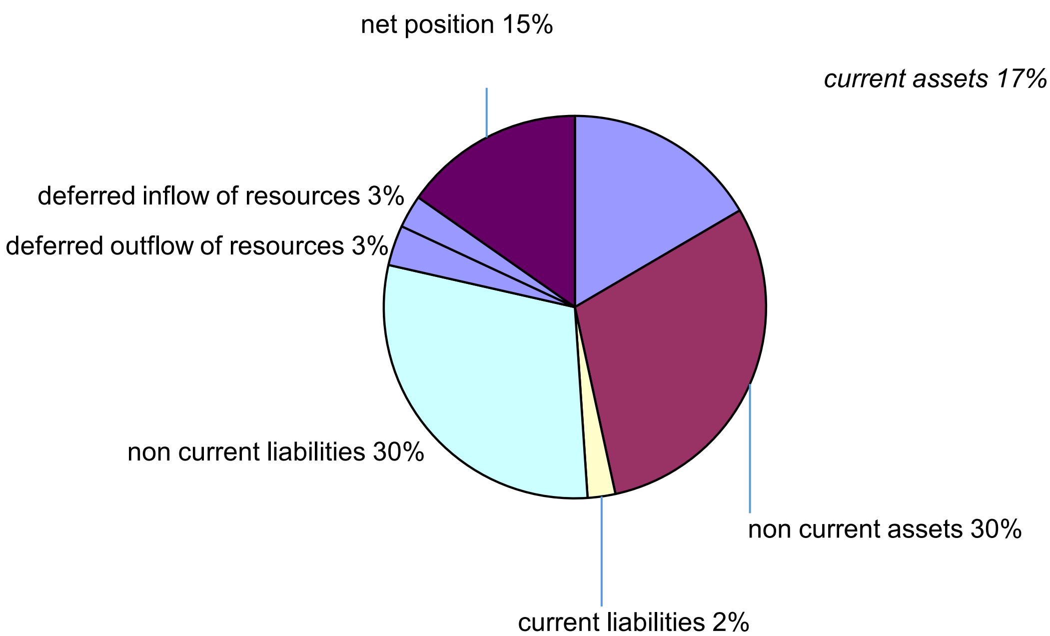
Only 0.40% of the College's net position represents resources subject to external restrictions on how they may be used. The unrestricted net position of $(7,787,825), when adjusted for the non-recourse net pension and OPEB liabilities of $30,139,062, results in liquidity of $22,351,237 that may be used 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 twelve months normal operating funds.

Total operating expenses decreased during the year by $1,443,581 or 6.35%. Salaries and Benefits, the College's largest expense category, decreased by $408,917, or 3.15%. Supplies and Other Services decreased by $970,266, or 20.72%, largely resulting from reduced instructional computer, and non-capital equipment purchases, as well as, a reclassification of software maintenance contracts. Utilities decreased by $200,319, or 25.37%. Instruction and Academic Support functions decreased by $1,099,025, or 10.31%. Student Services and Institutional Support functions expenditures decreased by a total of $219,311, or 4.47%. Plant Maintenance and Operation decreased by $267,858, or 14.21%, resulting from mild weather and expenditures governed by budget constraints. Depreciation decreased by $198,195 or 10.96%.

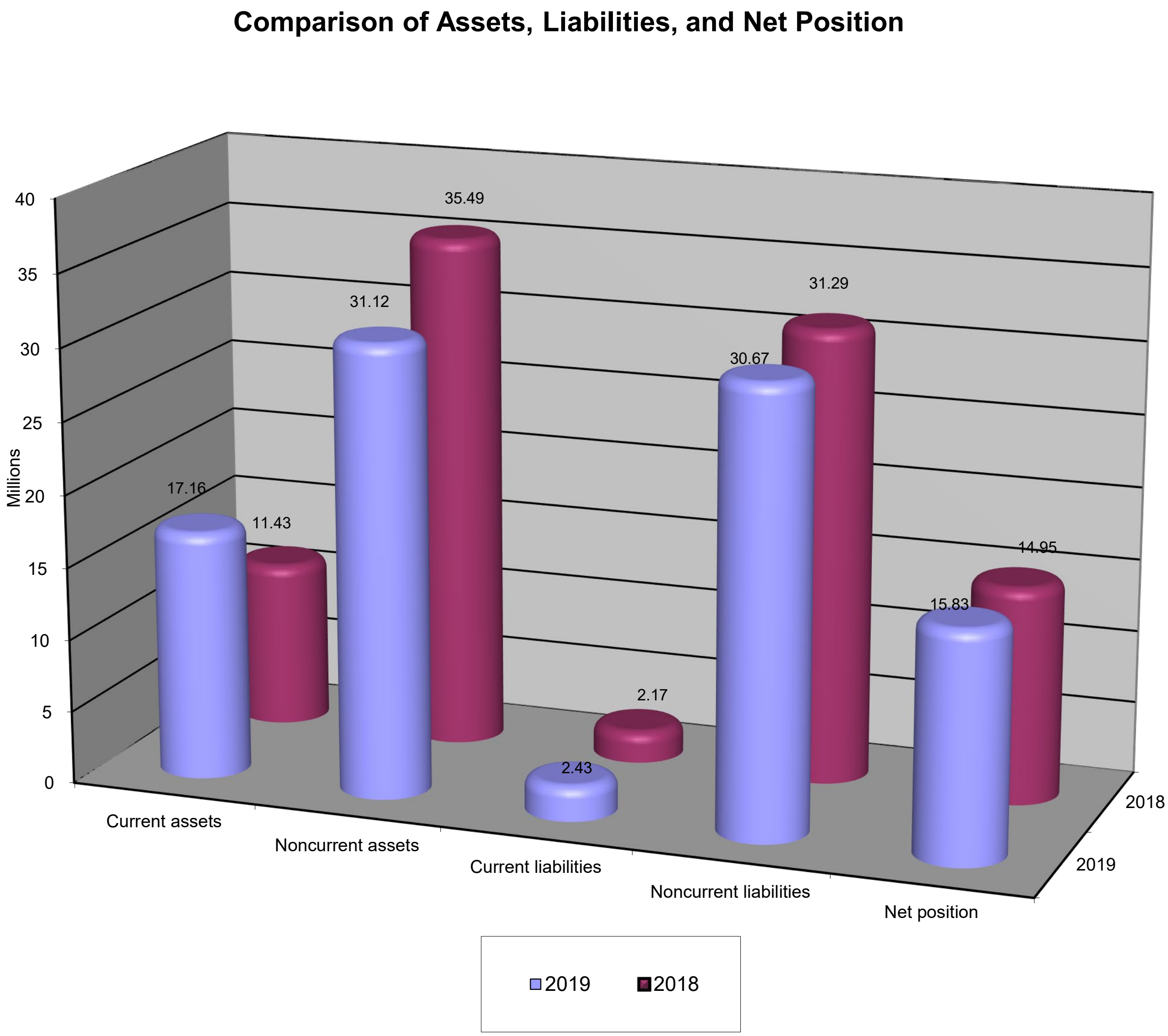
Charts and graphs follow that pictorially present specific areas of the College's financial condition at June 30, 2019 and comparisons with the prior year.

Statement of Net Position Pie Chart Summary

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

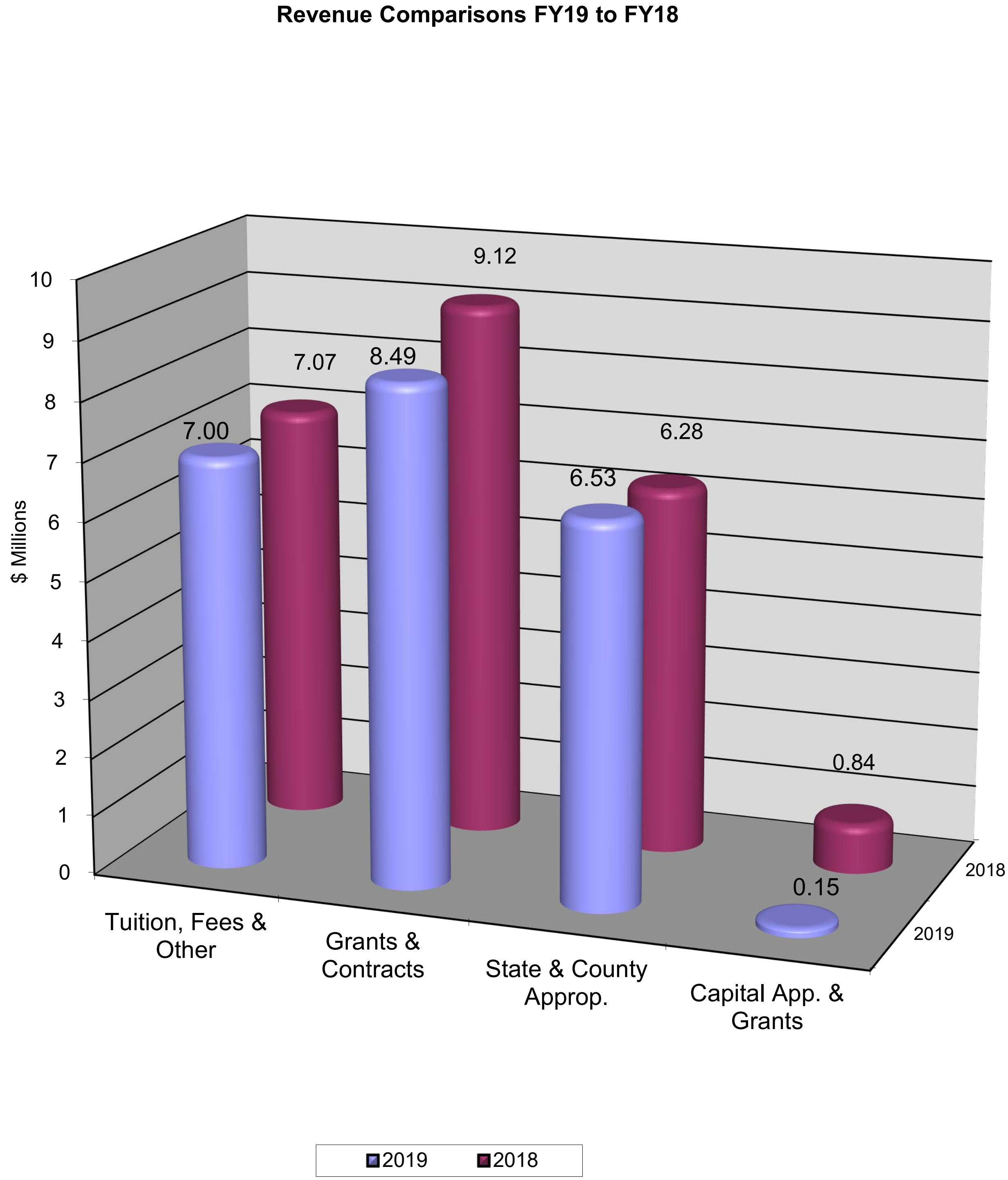


The following graph illustrates the change from the prior year for Assets, Liabilities and Net Position. Current assets increased, while noncurrent assets decreased. The noncurrent liabilities decreased and net position increased.



Revenue Comparisons

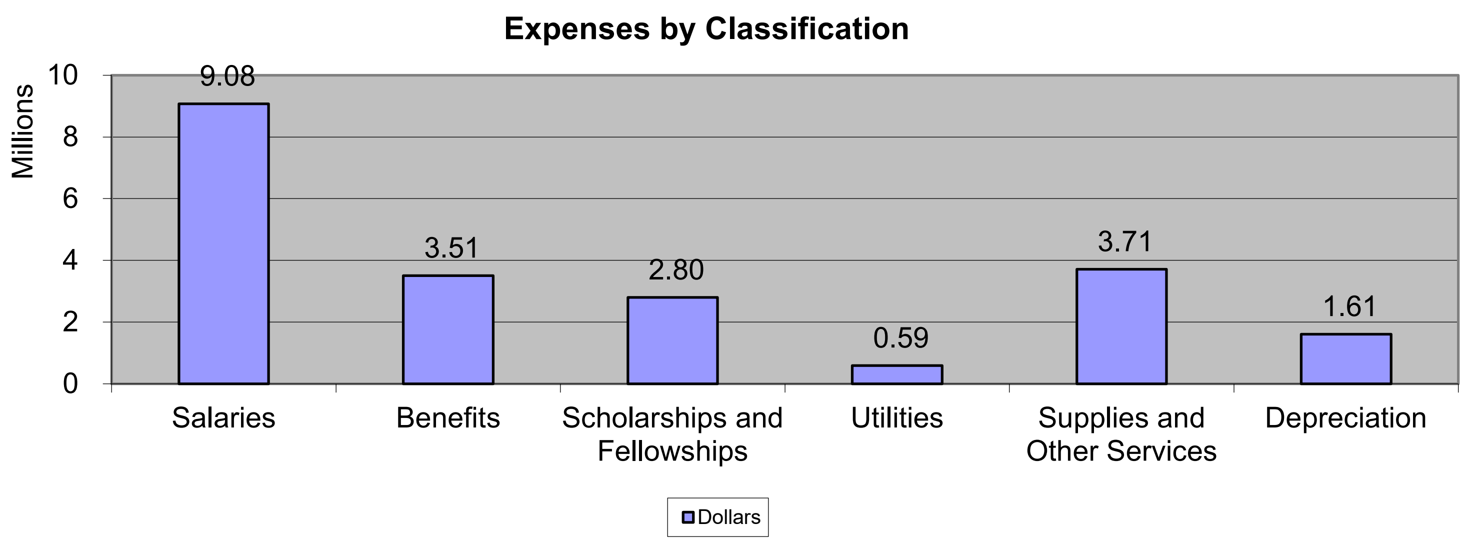
The chart below shows even Tuition, Fees, and Other revenue. Combined State and County Appropriations increased slightly. Capital Appropriations and Grants decreased from the reduction of critical equipment funding revenue. Grants and Contracts decreased resulting from instructional related federal grants.

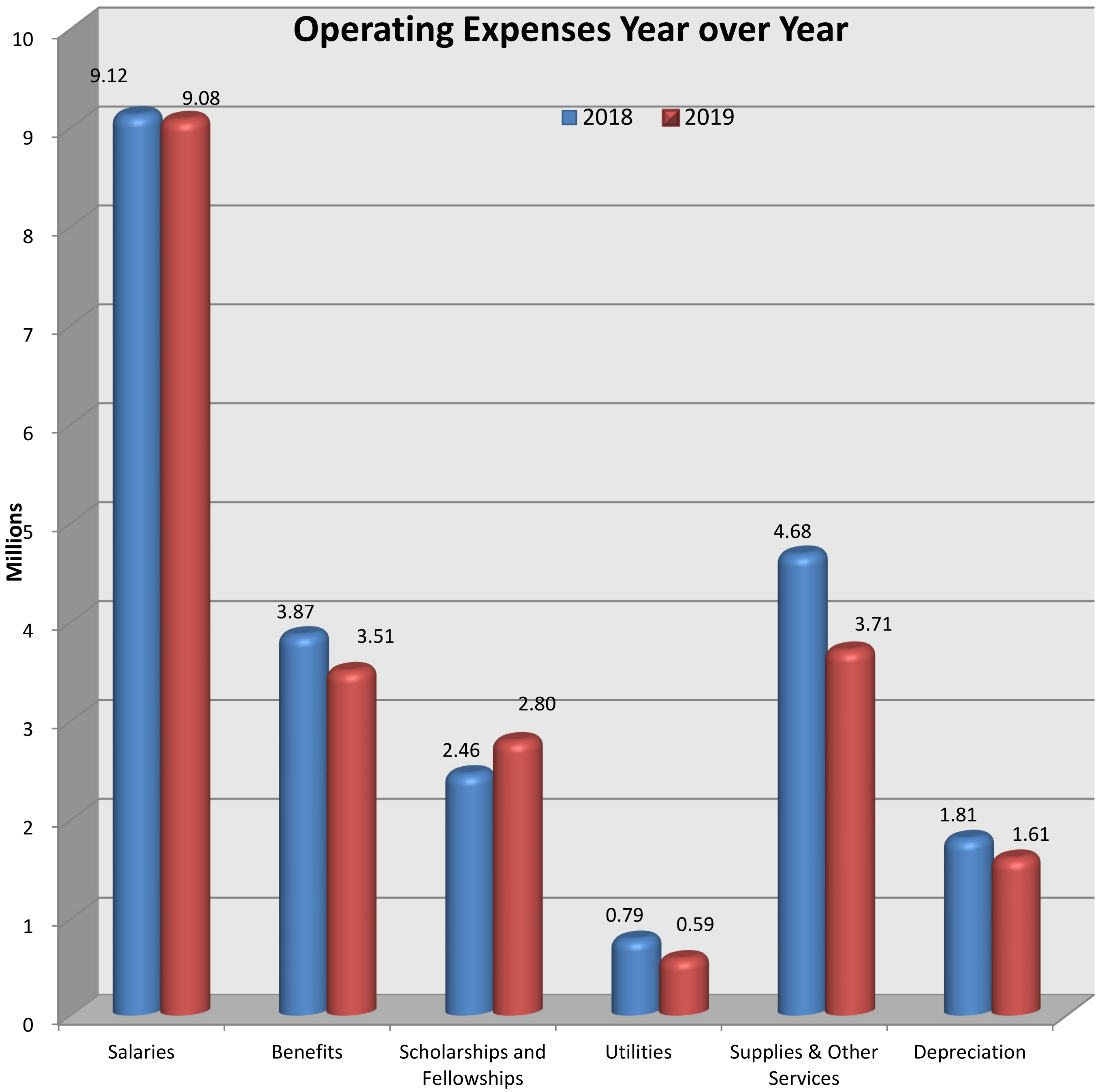


Expenditure Charts

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

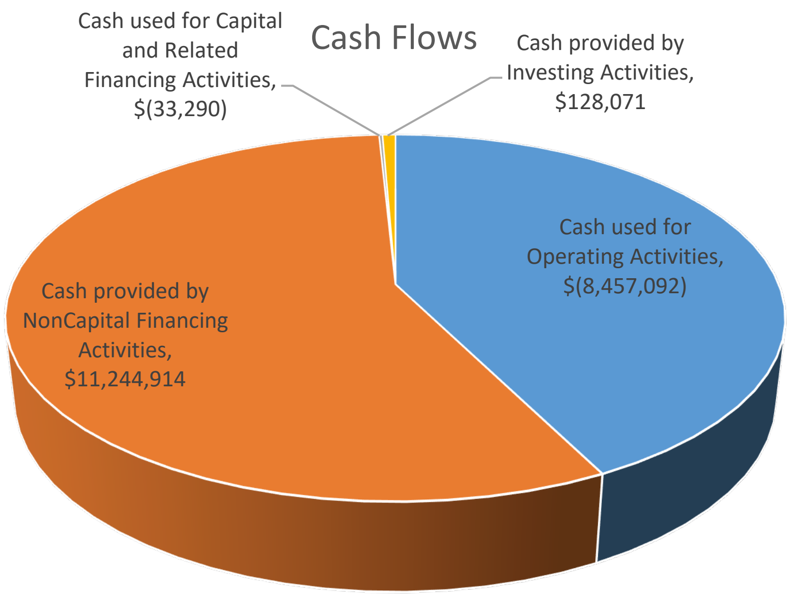
(See Financial Analysis text for details)




Operating Expenses Year over Year
2018
2019
Millions
10
9
8
7
6
5
4
3
2
1
0
9.12
9.08
3.87
3.51
2.46
2.80
0.79
0.59
4.68
3.71
1.81
1.61
Salaries
Benefits
Scholarships and Fellowships
Utilities
Supplies & Other Services
Depreciation

Cash Flows

Cash and cash equivalents increased by $2,882,603.



Economic Factors

South Carolina's ("SC") economy continued improvement during fiscal year 2019. By June 2019, the SC Leading Index ("SCLI") ended with a value of 102.44 .[i] 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. SC Initial unemployment claims equaled a 2,301 weekly average by the end of June, a low number compared to recession years, resulting in reduced motivation of citizens to return to educational institutions.[ii]

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 & state grant funding for financial aid and College operations.

The College's ability to generate assets and deferred outflows of resources in excess of total liabilities and deferred inflows of resources, as seen in the Condensed Statement of Net Position below, indicates the fiscal soundness of the College. Continuing soundness depends, in part, on future SC legislative decisions related to the funding of the SCRS net pension and OPEB liabilities noted in the Overview section.

Condensed Statements of Net Position

			Increase (Decrease)	
ASSETS	6/30/2019	6/30/2018	$	%
Cash, investments, and other assets	$ 24,722,874	$ 21,945,725	$ 2,777,149	12.65
Capital assets, net	23,551,320	24,976,245	(1,424,925)	(5.71)
Total Assets	48,274,194	46,921,970	1,352,224	2.88
Deferred outflows of resources	3,528,693	4,217,218	(688,525)	(16.33)
LIABILITIES				
Accounts payable and other current liabilities	2,429,903	2,174,682	255,221	11.74
Noncurrent liabilities	30,667,798	31,294,520	(626,722)	(2.00)
Total Liabilities	33,097,701	33,469,202	(371,501)	(1.11)
Deferred inflows of resources	2,879,164	2,722,119	157,045	5.77
NET POSITION				
Net investment in capital assets	23,551,320	24,976,245	(1,424,925)	(5.71)
Restricted	62,527	61,677	850	1.38
Unrestricted	(7,787,825)	(10,090,055)	2,302,230	(22.82)
	$ 15,826,022	$ 14,947,867	$ 878,155	5.87

Condensed Statements of Revenues, Expenditures and Changes in Net Position

	For the Years Ended		Increase (Decrease)	
Operating Revenues	2019	2018	$	%
Student tuition and fees (net of scholarship allowances of $4,490,378 and $4,741,245, respectively)	$ 5,683,073	$ 5,760,124	$ (77,051)	(1.34)
Grants and contracts	3,677,631	4,125,399	(447,768)	(10.85)
Other	1,047,989	1,088,346	(40,357)	(3.71)
Total Operating Revenues	10,408,693	10,973,869	(565,176)	(5.15)
Operating Expenses				
Salaries	9,077,828	9,124,371	(46,543)	(0.51)
Benefits	3,505,184	3,867,558	(362,374)	(9.37)
Scholarships and fellowships	2,796,653	2,462,537	334,116	13.57
Utilities	589,223	789,542	(200,319)	(25.37)
Supplies and other services	3,712,750	4,683,016	(970,266)	(20.72)
Depreciation	1,609,642	1,807,837	(198,195)	(10.96)
Total Operating Expenses	21,291,280	22,734,861	(1,443,581)	(6.35)
Operating Loss	(10,882,587)	(11,760,992)	878,405	7.47
Non Operating Revenues (Expenses)				
State appropriations	4,502,567	4,331,997	170,570	3.94
County appropriations	2,023,265	1,944,069	79,196	4.07
Other nonoperating revenues and expenses	5,083,483	5,213,514	(130,031)	(2.49)
Total nonoperating revenues	11,609,315	11,489,580	119,735	1.04
Income before other revenues (expenses)	726,728	(271,412)	998,140	(367.76)
Capital appropriations, grants, and gifts	151,427	843,671	(692,244)	(82.05)
Increase in Net Position	878,155	572,259	305,896	53.45
Net Position:				
Net Position, beginning of year	14,947,867	28,494,937	(13,547,070)	(47.54)
Cumulative effect-implementation of GASB 75	-	(14,119,329)		
Adjusted begininning Net Position	14,947,867	14,375,608	572,259	3.98
Net Position, end of year	$ 15,826,022	$ 14,947,867	$ 878,155	5.87

[i] SC Department of Commerce Economic Outlook. Division of Research, Volume 12, Issue 4, July 2019, 1st para.
[ii] SC Department of Commerce Economic Outlook. Division of Research, Volume 12, Issue 4, July; 2019, pg. 2, 2nd para.

Aiken Technical College

Statement of Net Position

As of June 30, 2019

Assets	
Current assets	
Cash and cash equivalents	$ 10,020,256
Investments	4,268,035
Accounts receivable, net	2,433,635
Inventories	374,051
Prepaid expenses	62,327
Total current assets	17,158,304
Noncurrent assets	
Investments	7,546,017
Restricted short-term investments	18,553
Capital assets not being depreciated	1,147,332
Capital assets, net of accumulated depreciation	22,403,988
Total noncurrent assets	31,115,890
Total assets	48,274,194
Deferred outflow of resources, related to pensions	2,830,018
Deferred outflow of resources, related to OPEB	698,675
Liabilities	
Current liabilities	
Accounts payable	54,096
Accrued payroll liabilities	59,359
Unearned revenues and advances	2,260,339
Accrued compensated absences - current portion	56,109
Total current liabilities	2,429,903
Noncurrent liabilities	
Accrued compensated absences	524,130
Net pension liability-non-recourse	16,531,900
Net OPEB liability-non-recourse	13,607,162
Restricted liabilities - funds held for others	4,606
Total noncurrent liabilities	30,667,798
Total liabilities	33,097,701
Deferred inflow of resources, related to pensions	1,203,361
Deferred inflow of resources, related to OPEB	1,675,803
Net Position	
Net investment in capital assets	23,551,320
Restricted expendable for loan fund	62,527
Unrestricted	(7,787,825)
Total net position	$ 15,826,022

See Notes to the Financial Statements

Aiken Technical College

Statement of Revenues, Expenses and Changes in Net Position
For the year ended June 30, 2019

Revenues	
Operating revenues	
Student tuition and fees (net of scholarship allowances of $4,409,647)	$ 5,322,215
Student tuition and fees pledged for revenue bonds	360,858
(net of scholarship allowances of $80,731)	
Federal grants and contracts	750,557
State grants and contracts	2,869,707
Local grants and contracts	57,367
Auxiliary enterprises (net of scholarship allowances of $286,620)	826,853
Other operating revenues	221,136
Total operating revenues	10,408,693
Expenses	
Operating expenses	
Salaries	9,077,828
Benefits	3,505,184
Scholarships and fellowships	2,796,653
Utilities	589,223
Supplies and other services	3,712,750
Depreciation	1,609,642
Total operating expenses	21,291,280
Operating loss	(10,882,587)
Nonoperating revenues	
State appropriations	4,502,567
County appropriations	2,023,265
Federal grants and contracts	4,678,871
State and local grants and contracts	130,858
Interest income	273,754
Net nonoperating revenues	11,609,315
Income before capital grants, gifts, and transfers	726,728
Capital grants and state capital appropriations	151,427
Increase in net position	878,155
Net position, beginning of year	14,947,867
Net position, end of year	$ 15,826,022

See Notes to the Financial Statements

Aiken Technical College

Statement of Cash Flows

For the year ended June 30, 2019

Cash flows from operating activities	
Student tuition and fees	$ 5,881,893
Federal, state and local grants and contracts	3,239,383
Auxiliary enterprise charges	830,833
Other receipts	804,615
Payments to employees	(11,978,783)
Payments to vendors	(7,235,033)
Net cash used for operating activities	(8,457,092)
Cash flows from noncapital financing activities	
State appropriations	4,502,567
County appropriations	1,933,479
Federal, state and local grants, gifts, and contracts, non-operating	4,808,868
Net cash provided by noncapital financing activities	11,244,914
Cash flows from capital and related financing activities	
Federal, state, and local grants and contracts for capital	151,427
Purchase of capital assets	(184,717)
Net cash used for capital and related financing activities	(33,290)
Cash flows from investing activities	
Interest on cash and cash equivalents	55,634
Interest on investments	258,455
Proceeds from the sale and maturity of investments	58,982
Purchase of investments	(245,000)
Net cash provided by investing activities	128,071
Net decrease in cash and cash equivalents	2,882,603
Cash and cash equivalents, beginning of year	7,137,653
Cash and cash equivalents, end of year	$ 10,020,256

See Notes to the Financial Statements (Continued)

Aiken Technical College

Statement of Cash Flows

For the year ended June 30, 2019

Reconciliation of operating loss to net cash used for operating activities:

Operating loss	$ (10,882,587)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	1,609,642
Pension and OPEB expense attributable to College shares of SCRS expense	575,023
Change in assets and liabilities:	
Accounts receivables, net	(226,688)
Inventories	129,309
Prepaid expenses	67,125
Accounts payable	(332,840)
Accrued payroll liabilities	(2,265)
Accrued compensated absences	31,472
Unearned revenues	973
Advances	573,744
Net cash used for operating activities	$ (8,457,092)

See Notes to the Financial Statements

Aiken Technical College Foundation - Non-Governmental Discretely Presented Component Unit

Statement of Financial Position

As of June 30, 2019

Assets		
Current assets		
Cash and cash equivalents	$	117,895
Pledges receivable		10,428
Prepaid expenses and other current assets		2,182
Total current assets		130,505
Non-current assets		
Investments		5,770,781
Pledges receivable, net		10,000
		5,780,781
Total assets	$	5,911,286
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$	9,529
Total current liabilities		9,529
Net assets		
Net assets without donor restrictions		
Board designated - endowment fund		846,876
Net assets with donor restrictions		5,054,881
Total net assets		5,901,757
Total liabilities and net assets	$	5,911,286

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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support			
Contributions	$ 112,905	$ 172,988	$ 285,893
Investment and dividend income	60,862	89,976	150,838
Realized and unrealized gains on investments	68,465	241,730	310,195
Net assets released from restriction	187,517	(187,517)	-
Total revenues, gains, and other support	429,749	317,177	746,926
Expenses			
Program services	187,517	-	187,517
Management and general	157,153	-	157,153
Fundraising	34,608	-	34,608
Total expenses	379,278	-	379,278
Change in net assets	50,471	317,177	367,648
Net assets, beginning of year	796,405	4,737,704	5,534,109
Net assets, end of year	$ 846,876	$ 5,054,881	$ 5,901,757

See Notes to the Financial Statements

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 commonsm@atc.edu.

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.

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 (certificates of deposit excluded) 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.

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 net realizable value 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 for which eligibility requirements have not been met.

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.

Deferred outflows of resources and deferred inflows of resources:

Changes in net pension and OPEB liabilities not included in pension and OPEB expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension and OPEB liabilities are reported as deferred outflows of resources.

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

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.

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, 2019, 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, non-recourse, or non-contractual obligations, or liabilities.

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:

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

Classification of revenues, continued:

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.

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.

Student tuition and fees:

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:

Net assets without donor restrictions: represent resources over which the Foundation has discretionary control and are used to carry out the operations of the Foundation in accordance with its bylaws.

Net assets with donor restrictions: represent resources currently available for use, but expendable only for those operating purposes specified by the donor. Resources of this classification originate from contributions and grants received with designations placed thereon by the donor and resources that are subject to donor-imposed stipulations that do nor expire with time nor can be fulfilled or otherwise removed by actions of the Foundation. The donor of these assets permits the Foundation to use all of the income earned on the related investments for general and specific purposes.

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

Component unit, continued:

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Contributions for in-kind gifts from outside sources are not recorded in the Foundation's financial records, but are accounted for and acknowledged separately.

Expenses are reported as decreases in undesignated or designated net assets without donor restrictions as appropriate. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

Pensions:

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

Postemployment benefits other than pensions (OPEB):

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

Subsequent events:

These financial statements have not been updated for subsequent events occurring after September 30, 2019, 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.

Note 2. State Appropriations, Continued

The following is a reconciliation of the state appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2019:

Non-capital Appropriations	
Current year's appropriations:	
Final Appropriations Act appropriation as allocated by the State Board for Technical and Comprehensive Education	$ 4,502,567
Total non-capital appropriations recorded as current year revenue	$ 4,502,567
Capital Appropriations	
Current year's appropriations:	
Critical Training, Information and General Technology, & CEAM building equipment	$ 151,427
Total non-capital appropriations recorded as current year revenue	$ 151,427

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, 2019 were $22,254,015 with a book balance of $21,852,861. 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, 2019 were $117,895. 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, 2019.

Note 3. Deposits and Investments, Continued

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. As of June 30, 2019, the College holds certificate of deposits maturing over a seven year period. The certificates maturing within one year of June 30, 2019 have been classified as current investments; whereas, the certificates of deposits with maturity dates in excess of one year from June 30, 2019 are classified as noncurrent investments.

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	$ 10,020,256
Current Investments	4,268,035
Noncurrent Investments	7,546,017
Restricted investments	18,553
Total statement of net position	$ 21,852,861
Deposits and Investments:	
Carrying value of deposits	$ 21,848,411
Cash on hand	4,450
Total deposits and investments	$ 21,852,861

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 $11,814,053 in certificates of deposits issued by commercial banks. Due to the contractual and insured nature 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 checking account and are not included within the fair value hierarchy.

Note 3. Deposits and Investments, Continued

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, 2019, the College maintained $9,755,070 in CDs which were individually less than $250,000 and fully insured by the Federal Deposit Insurance Corp (FDIC), and $2,058,982 in CDs which were fully collateralized. The College maintains an investment policy procedure awarding investments in certificates of deposit, collateralized, supported by an irrevocable letter of credit, or insured by the FDIC, with no concentration restriction.

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:

	Quality Ratings				
Rated Debt Securities	**Fair Values**	**All A Ratings**	**B, BB, BBB**	**Lower than All B Ratings**	**Unrated**
Bond mutual funds-					
International	$ 245,574	$ 39,906	$ 199,209	$ 6,459	$ -
Individual corporate	-	-	-	-	-
bonds	1,472,360	919,645	201,581	-	351,134
Money-market	-	-	-	-	-
mutual funds	380,351	-	-	-	380,351
Total fair value	$ 2,098,284	$ 959,551	$ 400,790	$ 6,459	$ 731,485

The Foundation's investments have all been categorized as Level 1.

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, 2019, 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.

Note 3. Deposits and Investments, Continued

Concentration of credit risk:

Aiken Technical College Foundation Rated Debt Securities

	Fair Value	Weighted Average Maturity (in years)
Rated Debt Securities		
Bond Mutual Funds – International	$ 245,574	12.38
Individual Corporate Bonds	1,472,360	3.65
Money Market Mutual Funds	380,351	.02
Total fair value	$ 2,098,285	

Note 4. Receivables

Receivables at June 30, 2019, including applicable allowances for uncollectible receivables, were as follows:

Receivables:	
Student accounts	$ 776,567
Aiken County	118,720
Federal grants and contracts	1,463,663
State grants and contracts	34,517
Other receivables	251,705
Interest receivable	38,463
Total accounts receivable	2,683,635
Less: allowance for uncollectibles	(250,000)
Net accounts receivable	$ 2,433,635

The College recognized a receivable from the Foundation of $9,372 at June 30, 2019, which is included in the balance above.

The Foundation's pledges receivable at June 30, 2019 were as follows:

Pledges receivable	$ 21,003
Less unamortized discount	(575)
Net pledges receivable	$ 20,428
Amounts due in:	
Less than one year	$ 10,428
One to five years	10,000
	$ 20,428

Pledges receivable are reflected at the present value of estimated future cash flows using a discount rate of 2.80%.

Note 5. Capital Assets

	Beginning Balance June 30, 2018	Increases	Decreases	Ending Balance June 30, 2019
Capital assets not being depreciated:				
Land and improvements	$ 1,126,922	$ -	$ -	$ 1,126,922
Construction in progress	184,597	117,303	(281,490)	20,410
Total capital assets not being depreciated	1,311,519	117,303	(281,490)	1,147,332
Other capital assets:				
Buildings and improvements	43,302,882	281,492	-	43,584,374
Machinery, equipment, and other	5,702,012	101,528	(254,528)	5,549,012
Intangible assets	461,809	-	-	461,809
Vehicles	81,887	-	(34,114)	47,773
Depreciable land improvements	1,453,858	-	-	1,453,858
Total other capital assets at historical costs	51,002,448	383,020	(288,642)	51,096,826
Less accumulated depreciation for:				
Buildings and improvements	(20,995,776)	(1,098,998)	-	(22,094,774)
Machinery, equipment, and other	(4,499,700)	(425,997)	212,994	(4,712,703)
Intangible assets	(461,809)	-	-	(461,809)
Vehicles	(81,887)	-	34,114	(47,773)
Depreciable land improvements	(1,298,550)	(77,229)	-	1,375,779)
Total accumulated depreciation	(27,337,722)	(1,602,224)	247,108	(28,692,838)
Other capital assets, net	23,664,726	(1,219,204)	(41,534)	22,403,988
Capital assets, net	$ 24,976,245	$ (1,101,901)	$ (323,024)	$ 23,551,320

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

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

PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 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 and other benefits for teachers and employees of the state-and its political subdivisions. SCRS covers employees of state agencies, public Colleges, higher education institutions, other participating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.

The State Optional Retirement Program (ORP) is a defined contribution plan that is offered as an alternative to SCRS to certain newly hired employees of state agencies, institutions of higher education, public Colleges and individuals first elected to the General Assembly at or after the general election in November 2012. State ORP participants direct the investment of their funds into an account administered by one of four third party record keepers.

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 The South Carolina Police Officers Retirement System (PORS), a cost–sharing multiple-employer defined benefit pension plan, was established 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 and other benefits to police officers and firefighters. PORS also covers peace officers, coroners, probate judges and magistrates.

Membership:

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

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

State ORP - As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State ORP. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the four third party record keepers. For this reason, State ORP assets are not part of the retirement systems' trust funds for financial statement purposes. Contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employer~~s~~ to the member's account with the ORP vendor 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.

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.

Note 6. Retirement Plans, Continued

Benefits:

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

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

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

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.

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. If the scheduled employee and employer contributions provided in statute, or the rates last adopted by the board, are insufficient to maintain the amortization period set in statute, the board shall increase employer contribution rates as necessary.

Note 6. Retirement Plans, Continued

Contributions, continued:

After June 30, 2027, if the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than eighty-five percent, then the board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than eighty-five percent. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than eighty-five percent, then effective on the following July first, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than eighty-five percent.

The Retirement System Funding and Administration Act establishes a ceiling on employee contribution rates at 9 percent and 9.75 percent for SCRS and PORS, respectively. The employer contribution rates will continue to increase annually by 1 percent through July 1, 2022. The legislation's ultimate scheduled employer rate is 18.56 percent for SCRS and 21.24 percent for PORS. The amortization period is scheduled to be reduced one year for each of the next 10 years to a twenty year amortization schedule.

Required **employee** contribution rates[1] are as follows:

	Fiscal Year 2019	Fiscal Year 2018
SCRS		
Employee Class Two	9.00%	9.00%
Employee Class Three	9.00%	9.00%
State ORP		
Employee	9.00%	9.00%
PORS		
Employee Class Two	9.75%	9.75%
Employee Class Three	9.75%	9.75%

Note 6. Retirement Plans, Continued

Contributions, continued:

Required **employer** contribution rates[1] are as follows:

	Fiscal Year 2019	Fiscal Year 2018
SCRS		
Employee Class Two	14.41%	13.41%
Employee Class Three	14.41%	13.41%
Employer Incidental Death Benefit	.15%	.15%
State ORP		
Employer Contribution[2]	14.41%	13.41%
Employer Incidental Death Benefit	.15%	.15%
PORS		
Employee Class Two	16.84%	15.84%
Employee Class Three	16.84%	15.84%
Employer Incidental Death Benefit	.20%	.20%
Employer Incidental Death Program	.20%	.20%

[1] Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.
[2] Of this employer contribution, 5% of earnable compensation must be remitted by the employer directly to the ORP vendor to be allocated to the member's account with the remainder of the employer contribution remitted to the SCRS.

Contributions to the SCRS and ORP pension plans from the College were $915,762 and $177,141, respectively, for the year ended June 30, 2019.

For fiscal year 2019, 2018 and 2017 total ATC employer contribution requirements to the ORP were approximately $177,141, $143,374, and $113,978, (excluding the surcharge). Employee contributions to the ORP plans approximated $169,423, $153,415, and $153,954, for fiscal years 2019, 2018, and 2017, respectively.

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.

Note 6. Retirement Plans, Continued

Net pension liability:

At June 30, 2019, the College reported a net pension liability of $16,531,900 for its proportionate share of the SCRS net pension liability ("NPL"). The net pension liability was measured as of June 30th, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 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, 2018, the College's proportion was 0.0738%.

Non-employer contributions:

Employer's proportionate shares were calculated on the basis of employer contributions remitted to the plan by employers and non-employer contributions appropriated in the State's budget. In an effort to offset a portion of the burden of the increased contribution requirement for employers, the General Assembly funded 1 percent of the SCRS and PORS contribution increases for fiscal year 2018. The State budget appropriated these funds directly to PEBA and a credit was issued for each employer to use when submitting their quarterly remittances to PEBA. For the year ended June 30, 2018 measurement period, PEBA provided non-employer contributions to the College in the amount of $80,371 which is shown as a reduction to net pension liability and other grant revenue in the year ended June 30, 2019.

Pension expense:

For the year ended June 30, 2019, the College recognized pension expense of $1,235,190 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, 2019, 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	$ 29,842	$ 97,286
Assumption changes	655,893	-
Net difference between projected and actual earnings on pension plan investments	818,562	555,952
Changes in proportionate share, plus difference in proportionate share of employer contributions	232,818	550,123
College contributions subsequent to the measurement date	1,092,903	-
Total	$ 2,830,018	$ 1,203,361

Note 6. Retirement Plans, Continued

Deferred outflows of resources and deferred inflows of resources, continued:

Amounts 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, 2020. Also, legislated PEBA credits related to pensions, subsequent to the measurement date, will be recognized as revenue in the fiscal year ending June 30, 2020.

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:

	SCRHITF
Years ending June 30:	
2020	$ 484,389
2021	389,630
2022	(302,763)
2023	(37,502)
2024	-
Thereafter	-
	$ 533,754

Actuarial assumptions and methods:

Actuarial valuations of the plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ending June 30, 2015.

The June 30, 2018, total pension liability ("TPL"), net pension liability ("NPL"), and sensitivity information shown in this report were determined by the Systems' consulting actuary, Gabriel, Roeder, Smith and Company ("GRS") and are based on an actuarial valuation performed as of July 1, 2017. The TPL was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2018, using generally accepted actuarial principles.

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

[1] ***Includes inflation at 2.25%***

Note 6. Retirement Plans, Continued

Actuarial assumptions and methods, continued:

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

Assumptions used in the determination of the June 30, 2018, TPL are as follows.

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

Pension plan fiduciary net position:

The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2018, for SCRS and PORS are presented below.

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	$ 48,821,730,067	$ 26,414,916,370	$ 22,406,813,697	54.1%

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

Note 6. Retirement Plans, Continued

Actuarial assumptions and methods, continued:

Long-term expected rate of return:

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

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2018 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.28 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.03 percent real rate of return and a 2.25 percent inflation component.

Asset Class	Allocation	of Return	Real Rate of Return
Global Equity	**47.00%**		
Global Public Equity	33.00%	6.99%	2.31%
Private Equity	9.00%	8.73%	0.79%
Equity Options Strategies	5.00%	5.52%	0.28%
Real Assets	**10.00%**		
Real Estate (Private)	6.00%	3.54%	0.21%
Real Estate (REITs)	2.00%	5.463%	0.11%
Infrastructure	2.00%	5.09%	0.10%
Opportunistic	**13.00%**		
GTAA/Risk Parity	8.00%	3.75%	0.30%
Hedge Funds (non-PA)	2.00%	3.45%	0.07%
Other Opportunistic Strategies	3.00%	3.75%	0.11%
Diversified Credit	**18.00%**		
Mixed Credit	6.00%	3.05%	0.18%
Emerging Markets Debt	5.00%	3.94%	0.20%
Private Debt	7.00%	3.89%	0.27%
Conservative Fixed Income	**12.00%**		
Core Fixed Income	10.00%	0.94%	0.09%
Cash and Short Duration (Net)	2.00%	0.34%	0.01%
Total Expected Real Return	100.0%		5.03%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.28%

Note 6. Retirement Plans, Continued

Actuarial assumptions and methods, continued:

Discount rate:

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

Sensitivity analysis:

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

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
	1.00% Decrease (6.25%)	**Current Discount Rate (7.25%)**	**1.00% Increase (8.25%)**
College's proportionate share of the net pension liability	$ 21,124,698	$ 16,531,900	$ 13,248,489

Additional financial and actuarial information:

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the Systems' audited financial statements for the fiscal year ended June 30, 2018 (including the unmodified audit opinion on the financial statements). Additional actuarial information is available in the accounting and financial reporting actuarial valuation as of June 30, 2018.

Note 7. Postemployment and Other Employee Benefits (OPEB)

General information:

As previously discussed, PEBA is a state agency responsible for the administration and management of the state's employee insurance programs, other post-employment benefits trusts and retirement systems and is part of the State of South Carolina primary government (the "State"). The laws of the State and the policies and procedures specified by the State for State agencies are applicable to all activities of PEBA. By law, the State Fiscal Accountability Authority ("SFFA"), which consists of five elected officials, also reviews certain PEBA Board decisions in administering the State Health Plan and OPEB.

Note 7. Postemployment and Other Employee Benefits (OPEB), Continued

General information, continued:

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

Plan descriptions:

The South Carolina Retiree Health Insurance Trust Fund ("SCRHITF or Trust") was established by the State of South Carolina as Act 195, which became effective on May 2008. The Trust was created to fund and account for the employer costs of the State's retiree health and dental plans. In accordance with Act 195, SCRHITF is administered by PEBA, Insurance Benefits. The State Treasurer is the custodian of the funds held in trust. The Board of Directors of PEBA has been designated as the Trustee.

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

Benefits:

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

Contributions:

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment and long-term disability benefits to be funded through non-employer and employer contributions for active employees and retirees to PEBA, Insurance Benefits. Non-employer contributions consist of an annual appropriation by the General Assembly and the statutorily required transfer from PEBA, Insurance Benefits reserves.

The SCRHITF is funded through participating employers that are mandated by the State statute to contribute at a rate assessed each year by the Department of Administration Executive Budget Office on active employee covered payroll The covered payroll surcharge for the year ended June 30, 2018 was 5.50 percent. The South Carolina Retirement System collects the monthly surcharge for all participating employers and remits it directly to the SCRHITF. Other sources of funding for the SCRHITF include mandatory transfers of accumulated PEBA, Insurance Benefits' reserves and income generated from investments.

Note 7. Postemployment and Other Employee Benefits (OPEB), Continued

Contributions, continued:

Employer contributions also include the implicit subsidy, or age-related subsidy inherent in the healthcare premiums structure. The implicit subsidy represents a portion of the health care expenditures paid on behalf of the employer's active employees. For purposes of GASB Statement No. 75, this expenditure on behalf of the active employee is reclassified as a retiree health care expenditure so that the employer's contributions towards the plan reflect the underlying age-adjusted, retiree benefit costs. Non-employer contributions include the mandatory transfer of accumulated PEBA – Insurance Benefits' reserves and the annual appropriation budgeted by the General Assembly. It is also funded through investment income.

Contributions to the SCRHITF plan from the College were $442,659 for the year ended June 30, 2019.

In accordance with part (b) of paragraph 69 of GASB Statement No. 75, participating employers should recognize revenue in an amount equal to the employer's proportionate share of the change in the collective net OPEB liability arising from contributions to the OPEB plan during the measurement period from non-employer contributing entities for purposes other than the separate financing of specific liabilities to the OPEB plan. Therefore, employers should classify this revenue in the same manner as it classifies grants from other entities. Contributions to the SCRHITF plan from the College was $102,696 for the year ended June 30, 2019.

OPEB liabilities and OPEB expense:

At June 30, 2019, the College reported a liability of $13,607,162, for its proportionate share of the SCRHITF's net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined based upon actuarial valuations performed on June 30, 2017 which were then rolled forward to the June 30, 2018 measurement date.

This method is expected to be reflective of the College's long-term contribution effort, as well as, be transparent to individual employers and their external auditors. The College's proportion of the net OPEB liability was based on a projection of the College's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating state employers, actuarially determined. At June 30, 2018, the College's proportionate shares of the SCRHITF plan's net OPEB liability was 0.096024%. For the year ended June 30, 2019, the College recognized OPEB expense of 704,590 for the SCRHITF plan.

Note 7. Postemployment and Other Employee Benefits (OPEB), Continued

Deferred outflows of resources and deferred inflows of resources related to OPEB:

At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SCRHITF	
	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 203,841	$ 4,741
Changes of assumptions	-	1,108,034
Net difference between projected and actual earnings on OPEB plan investments	52,175	563,028
Changes in proportion and differences between College contributions and proportionate share of contributions	-	-
College contributions subsequent to the measurement date	442,659	-
Total	$ 698,675	$ 1,675,803

Of the total amount reported as deferred outflows of resources related to OPEB, $442,659 resulting from College contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2020.

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

	SCRHITF
Years ending June 30:	
2020	$ (253,234)
2021	(253,234)
2022	(253,234)
2023	(258,821)
2024	(267,674)
Thereafter	(133,590)
	$ (1,419,787)

Note 7. Postemployment and Other Employee Benefits (OPEB), Continued

Actuarial assumptions:

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

The total OPEB liabilities were determined by actuarial valuations performed as of June 30, 2017. Update procedures were used to roll forward the total OPEB liabilities to June 30, 2018. The actuarial valuations were performed using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Additional information as of the latest actuarial valuation for SCRHITF:

Actuarial Cost Method	Entry Age Normal
Inflation	2.25%
Single Discount Rate	3.62% as of June 30,2018
Investment rate of return	4.00%, net of OPEB plan investment expense, including inflation
Demographic Assumptions	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2015
Mortality Assumptions	RP-2016 Mortality (White Collar Adjustment for Educators), projected using Scale AA from Year 2016. Male rates multiplied by 100% for non-educators and 110% for educators. Female rates multiplies by 90% for non-educators, and 95% for educators.
Healthcare cost Trend rates	Initial trend starting at 6.75% and gradually decreasing to an ultimate trend rate of 4.15%, over a period of 14 years.
Participant Assumptions	79% participation for retirees who are eligible for Funded Premiums 59% participation for retirees who are eligible for Partial Funded Premiums 20% participation for retirees who are eligible for Non-Funded Premiums
Aging Factors	Based on plan specific experience
Expenses	The investment return assumption is net of the investment expenses; Administrative expenses related to the health care benefits are included in the age-adjusted claims costs.
Roll forward Disclosure	The actuarial valuation was performed as of June 30, 2017. Update procedures were used to roll forward the total OPEB liability to June 30, 2018.

Note 7. Postemployment and Other Employee Benefits (OPEB), Continued

Actuarial assumptions:

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

This information is summarized in the following table:

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

Discount rate:

The Single Discount Rate of 3.62% was used to measure the total OPEB liability for the SCRHITF. The accounting policy for this plan is to set the Single Discount Rate equal to the prevailing municipal bond rate. Due to the plan's investment and funding policies, the difference between a blended discount rate and the municipal bond rate would be less than several basis points (several hundredths of one percent).

A Single Discount Rate of 3.91% was used to measure the total OPEB liability for the SCLTDITF. This Single Discount Rate was based on an expected rate of return on plan investments of 4.00% and a municipal bond rate of 3.62%. The projection of cash flows to determine this Single Discount Rate assumed that employer contributions will remain $38.64 per year for each covered active employee. Based on these assumptions, the plan's Fiduciary Net Position and future contributions were sufficient to finance the benefit payments through the year 2037. As a result, the long-term expected rate of return on plan investments was applied to project benefit payments through the year 2037, and the municipal bond rate was applied to all benefit payments after that date.

Note 7. Postemployment and Other Employee Benefits (OPEB), Continued

<u>*Sensitivity analysis*</u>:

The following table presents the SCRHITF's net OPEB liability calculated using a Single Discount Rate of 3.62%, as well as what the plan's net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher. In addition, regarding the sensitivity of the SCRHITF's net OPEB liability to changes in the healthcare cost trend rates, the following table presents the plan's net OPEB liability, calculated using the assumed trend rates as well as what the plan's net OPEB liability would be if were calculated using a trend rate that is one percent lower or one percent higher.

The College's sensitivity resulting from its proportion share follows as:

	1% Decrease 2.62%	Current Discount Rate 3.62%	1% Increase 4.62%
SCRHITF Net OPEB Liability	$ 16,030,545	$ 13,607,162	$ 11,653,725

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
SCRHITF Net OPEB Liability	$ 11,196,498	$ 13,607,162	$ 16,723,705

<u>*OPEB plan fiduciary net position*</u>:

Detailed information about the OPEB Trusts' fiduciary net position is available in the separately issued PEBA financial report.

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.

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

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 the State of South Carolina capital reserve funds, and the College plans to commit approximately $300,000, for a total project cost of approximately $940,000. In addition, a state capital appropriation of $4,650,000 exists for the College's future Life Science building and equipment project, available for reimbursement, when expended.

Note 9. Lease Obligations

The College's non-cancelable operating leases for copiers 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 $81,206 for fiscal year 2019. The College will continue to lease equipment in the future at these approximate amounts.

Note 10. Noncurrent Liabilities

Accrued compensated absences:

As of June 30, 2018, the College had accrued compensated absences totaling $548,767. During the fiscal year, College absences increased by $31,472 bringing the accrued compensated absences balance to $580,239 as of June 30, 2019, with $56,109 being due within one year.

Notes payable:

Long-term liability, excluding funds held for others, activity for the year ended June 30, 2019 was as follows:

	June 30, 2018	Additions	Reductions	June 30, 2019	Due Within One Year
Net pension liability	$ 17,176,808	$ 1,467,697	$ 2,112,605	$ 16,531,900	$ -
Net OPEB liability	13,604,838	937,230	934,906	13,607,162	-
Total non-recourse liabilities	30,781,646	2,404,927	3,047,511	30,139,062	-
Accrued compensated Absences	548,767	31,472	-	580,239	56,109
Total long-term liabilities	$ 31,330,413	$ 2,436,399	$ 3,047,511	$ 30,719,301	$ 56,109

Note 11. Component Unit

Following is a summary of significant transactions between the Foundation and the College for the year ended June 30, 2019.

The College recorded non-governmental gift receipts of $125,738 from the Foundation in non-operating revenues for the fiscal year ended June 30, 2019. 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 $67,148 for reimbursement for administrative services provided to the Foundation during the year. The College was due $9,372 from the Foundation as of June 30, 2019. The College had no payables due to the Foundation as of June 30, 2019. The Foundation's assets as of June 30, 2019 were $5,911,286 with net assets of $5,901,757.

Note 12. Risk Management

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

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

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

Employees elect health insurance coverage 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, 2019 are summarized as follows:

	Salaries	Benefits	Scholarships And Fellowships	Utilities	Supplies and Other Services	Depreciation	Total
Instruction	$ 5,486,528	$ 1,884,665	$ -	$ -	$ 991,279	$ -	$ 8,362,472
Academic support	777,410	284,833	-	-	136,372	-	1,198,615
Student services	1,067,679	412,582	-	-	260,221		1,740,482
Operation and maintenance of plant	150,777	64,155	-	589,223	813,284		1,617,439
Institutional support	1,519,923	831,505		-	593,871	-	2,945,299
Scholarships	-	-	2,796,653	-	-	-	2,796,653
Auxiliary enterprises	75,511	27,444	-	-	917,723	-	1,020,678
Depreciation	-	-	-	-	-	1,609,642	1,609,642
Total operating expenses	$ 9,077,828	$ 3,505,184	$ 2,796,65	$ 589,223	$ 3,712,750	$ 1,609,642	$ 21,291,280

Aiken Technical College

Schedule of the College's Proportionate Share of the Net Pension Liability

For the year ended June 30, 2019

	SCRS					
	2019	**2018**	**2017**	**2016**	**2015**	**2014**
College's proportion of the net pension liability	0.07378%	0.07630%	0.07393%	0.07628%	0.08209%	0.08209%
College's proportionate share of the net pension liability	$ 16,531,900	$ 17,176,808	$ 15,791,340	$ 14,467,628	$ 14,133,196	$ 14,724,018
College's covered payroll during measurement period	$ 6,530,764	$ 6,689,450	$ 6,286,230	$ 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	253.14%	256.77%	251.21%	235.19%	224.54%	222.89%
Plan fiduciary net position as a percentage of the total pension liability	54.10%	53.30%	52.90%	56.99%	59.90%	56.39%

Aiken Technical College

Schedule of the College's Pension Plan Contributions

For the year ended June 30, 2019

	SCRS										
	2019	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**
Contractually required contribution	$ 915,762	$ 938,741	$ 875,775	$ 763,266	$ 685,828	$ 661,280	$ 657,751	$ 690,320	$ 604,289	$ 510,140	$ 509,942
Contributions in relation to the contractually required contribution	915,762	938,741	875,775	763,266	685,828	661,280	657,751	690,320	604,289	510,140	509,942
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College's covered-employee payroll	$ 6,355,042	$ 6,530,764	$ 6,689,450	$ 6,286,230	$ 6,151,445	$ 6,294,265	$ 6,605,935	$ 6,438,879	$ 6,334,137	$ 6,329,092	$ 6,510,501
Contributions as a percentage of covered-employee payroll	14.41%	14.37%	13.09%	12.14%	11.15%	10.51%	9.96%	10.72%	9.54%	8.06%	7.83%

Aiken Technical College

Schedule of the College's Proportionate Share of the Net OPEB Liability

For the year ended June 30, 2019

	2019	2018	2017
College proportion of the net OPEB liability	0.09602%	0.10004%	0.10004%
College proportionate share of the net OPEB liability	$ 13,607,162	$ 13,604,838	$ 14,532,727
College covered employee payroll	$ 6,530,764	$ 6,689,450	$ 6,286,230
College proportionate share of the net OPEB liability (asset) as a percentage of its covered employee payroll	208%	203%	231%
Plan fiduciary net position as a percentage of the total OPEB liability	7.91%	7.60%	6.62%

Note: Information available for prior fiscal years has been presented.

SCRHITF: Changes of assumptions: The discount rate changed from 3.59% as of June 30, 2017 to 3.62% as of June 30, 2018.

Aiken Technical College

Schedule of the College's OPEB Contributions

For the year ended June 30, 2019

	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 442,659	$ 442,141	$ 413,398	$ 335,056	$ 307,572	$ 309,678
Contributions in relation to the contractually required contribution	442,659	442,141	413,398	335,056	307,572	309,678
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
College covered-employee payroll	$ 6,355,042	$ 6,530,764	$ 6,689,450	$ 6,286,230	$ 6,151,445	$ 6,294,265
Contributions as a percentage of covered-employee payroll	6.97%	6.77%	6.18%	5.33%	5.00%	4.92%

Note: Information available for prior fiscal years has been presented.