

Aiken Technical College

Report on the Financial Statements

For the year ended June 30, 2015

Aiken Technical College

Contents

	<u>Page</u>
Area Commission Members, Officers, Key Administrative Staff and Other Information	1-2
Independent Auditor's Report	3-4
Management's Discussion and Analysis	5-15
Financial Statements	
Statement of Net Position	16
Statement of Revenues, Expenses and Changes in Net Position.....	17
Statement of Cash Flows	18-19
Component Unit – Statement of Financial Position and Statement of Activities.....	20-21
Notes to the Financial Statements.....	22-43
Required Supplementary Information	
Schedule of the College's Proportionate Share of Net Pension Liability	44
Schedule of the College's Contributions.....	45

AIKEN TECHNICAL COLLEGE

**AREA COMMISSION MEMBERS, OFFICERS, KEY ADMINISTRATIVE STAFF AND OTHER INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

MEMBERS OF AREA COMMISSION

Term Expires

Mr. Ernie Allen	Ex-Officio
Ms. Collette Ball	04/15/16
Dr. Elizabeth Everitt	Ex-Officio
Mr. Carlos F. Garcia, Chairman	04/30/18
Mr. Justin R. Krueger	08/01/18
Mr. Joe E. Lewis	01/31/19
Mr. Charles L. Munns	04/15/17
Mr. Alvin B. Padgett	04/15/17
Mr. Michael R. Rose, Vice-Chair	04/30/16
Mr. Augustus T. Stephens, Jr., Secretary	01/31/19
Mr. William J. Windley	04/15/16

OFFICERS OF AREA COMMISSION

Mr. Carlos F. Garcia, Chairman
Mr. Augustus T. Stephens, Jr., Secretary
Mr. Michael R. Rose, Vice Chairman

KEY ADMINISTRATIVE STAFF

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

AIKEN TECHNICAL COLLEGE

**AREA COMMISSION MEMBERS, OFFICERS, KEY ADMINISTRATIVE STAFF AND OTHER INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

AREA SERVED BY COMMISSION

Aiken County, South Carolina

ENTITIES WHICH PROVIDE FINANCIAL SUPPORT

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



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Aiken Technical College (the "College"), a component unit of the State of South Carolina, as of and for the year ended June 30, 2015, 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., a discretely presented component unit of Aiken Technical College, which represent 100% of the total assets, 100% of the net assets, and 100% of the total revenues of the discretely presented component unit. 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.

Opinions

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, 2015, 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.

Implementation of New Accounting Standard

As discussed in Notes 1, 6, and 15 to the financial statements, the College adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* effective July 1, 2014. Our audit opinions were not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis as listed on pages 5 through 15, and the Schedule of the College's Proportionate Share of the Net Pension Liability and the Schedule of the College's Contributions, as shown on pages 43 through 44, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2015, 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.



Augusta, Georgia
September 30, 2015

Aiken Technical College

Management's Discussion and Analysis

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, 2015. This discussion should be read in conjunction with the financial statements and the notes thereto, which follow this section.

The financial statements follow Governmental Accounting Standards Board (GASB) codifications and related implementation guides. The financial statement presentation provides a comprehensive, entity-wide perspective of the College's assets, deferred outflows, liabilities, deferred inflows, net position, revenues, expenses, changes in net position, and cash flows, and replaces the fund-group perspective previously required before fiscal year 2002. Due to a GASB related accounting change, the beginning net position was restated, as detailed and discussed below in the Overview paragraphs.

Financial Highlights

- The assets and deferred outflows of Aiken Technical College exceeded its liabilities and deferred inflows at June 30, 2015 by \$25,994,509. Of this amount, \$12,609,891 may be used to meet the College's ongoing legal obligations. The College's net pension liability is not a legal obligation, and the South Carolina Retirement System does not have recourse to collect the College's net pension liability of \$14,133,196, shown on the College's Statement of Net Position.
- The College's total net position increased from the restated beginning net position by \$5,150,780 or 24.71%. The net investment in capital assets increased by \$5,792,681, reflecting construction in progress, new capital purchases, as well as annual depreciation.
- The College received \$4,602,888 in capital funding during the fiscal year.
- Purchases of capital (over \$5,000 a unit) equipment arose in connection with College needs in the net amount of \$90,496.
- The College experienced an operating loss of \$10,753,684, as reported in the Statement of Revenues, Expenses, and Changes in Net Position. However, this operating loss was offset by state appropriations of \$3,887,232, local appropriations of \$1,941,962, and certain non-operating federal grants of \$5,318,785, 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 total assets and total liabilities equals net position, and is displayed in three broad categories: net investment in capital assets, restricted, and unrestricted.

Current GASB codification allows for Statement of Net Position categories entitled "deferred outflows of resources" and "deferred inflows of resources", considered neither assets nor liabilities, but in limited circumstances affect in which fiscal year certain financial accruals of actual or potential transactions are recorded.

Aiken Technical College

Management's Discussion and Analysis

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 that time. Deferred inflows and outflows are recorded this year in relation to pension liabilities.

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

The unrestricted net position amount does not reflect a direct relationship to the College's legal financial condition. Recent GASB pronouncements require the College to present a share of the South Carolina Retirement System's (SCRS) net pension liability, potentially payable to retirees in future years, but not supported by projected SCRS investments and funding. The College is not legally liable for SCRS short falls in funding or investment performance, nor does the state require the College to pay out a share of any SCRS potential failure to provide for all future retiree benefits. The College is responsible for annual contributions to the SCRS's retirement plans, based on pre-determined rates noted in the College's financial statement footnotes. SCRS shortfalls may require increases in the College's contribution rate in future years.

The SC Public Employee Benefit Authority (PEBA), the SC government unit overseeing the SCRS states: "Regardless of the Net Pension Liability (NPL) reported on the employer's financial statement, the employer is responsible only for making the contributions required by state law during any given year."ⁱ The establishment of the net pension liability reduced the College's unrestricted net position from a positive \$11,196,714, as originally stated at June 30, 2014, to a negative net position of \$1,523,305, as of June 30 2015, as noted in further detail below.

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

The College implemented Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ended June 30, 2015. The implementation of the statement required the College to record its proportionate share of the net pension liability of the SCRS and its effect on the College's unrestricted net position. To the extent practical, in this first period the Statement is applied, changes made to comply with this Statement are recorded as an adjustment of prior periods, and financial statements presented for the period are restated. Since a restatement of all prior periods presented is not practical, the cumulative effect of applying this Statement is reported as a restatement of beginning net position. In such circumstances, beginning balances for deferred inflows of resources and deferred outflows of resources related to pensions are not reported. Since the information for the restatement of beginning balances of deferred inflows of resources or deferred outflows of resources is not available for the earliest period presented, the cumulative effect of the Statement implementation is shown as a restatement to ending net position as of June 30, 2014. As a result, the College's ending unrestricted net position for the year ended June 30, 2014 decreased by \$13,933,676. This decrease resulted in the cumulative restatement of unrestricted net position to a deficit balance of \$2,736,962 for the year ended June 30, 2014, and consequently, a beginning deficit balance of the same amount for fiscal year 2015. By the end of fiscal year 2015, the unrestricted deficit net position improved to a deficit balance of \$1,523,305.

Aiken Technical College

Management's Discussion and Analysis

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

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

Financial Analysis

Net position increased over the restated fiscal year 2014 net position by \$5,150,780. The increase resulted from funds received and expended for construction, cost management appropriate to the College's decline in enrollment 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 \$21,942,337 to \$21,015,591, including a salary and fringe decrease from \$12,156,252 to \$11,701,998. Student enrollment decreased by 705 full time equivalent students or 14.24%.

The College's total assets and deferred outflows exceeded total liabilities and deferred inflows by \$25,994,509 taking into account the inclusion of a non-legal (non-recourse) net pension liability.

By far the largest portion of the College's net position (105.64%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related outstanding debt used to acquire the assets. The College acquires these capital assets to provide services to students; consequently, these assets are *not* available for future spending. In a similar fashion, non-recourse liabilities, such as the net pension liability, do not reduce liquidity available for future spending. Although the College's investment in its capital assets is reported net of capital related debt, it should be noted that the resources needed to repay legal debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Only 0.22% of the College's net position represents resources subject to external restrictions on how they may be used. The deficit unrestricted net position of \$1,523,305 (5.86% of total net position), when adjusted for the non-recourse net pension liability of \$14,133,196 results in liquidity of \$12,609,891, 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 six months normal operating funds

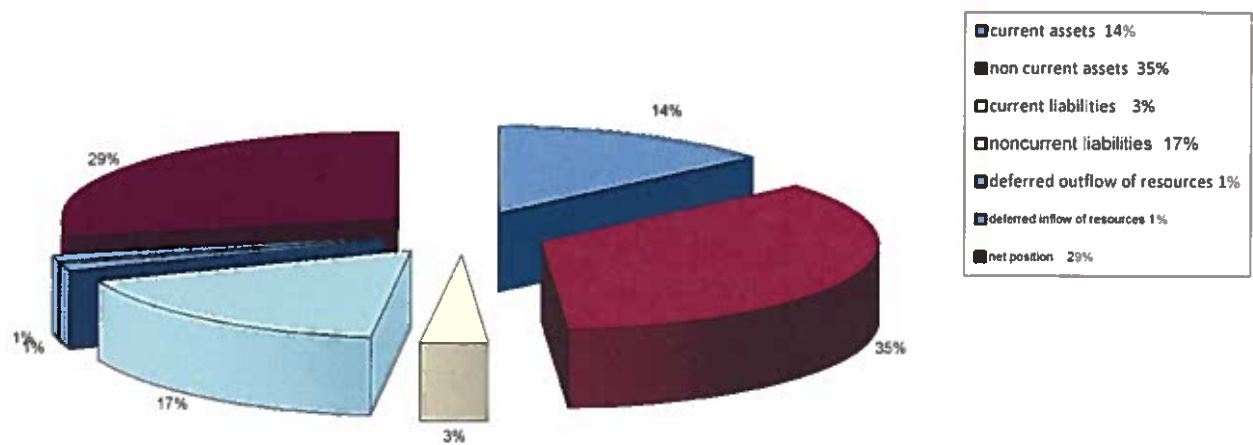
Total operating expenses decreased during the year by \$926,746 or 4.22%. The decrease mainly reflects the effort to align the operating budget within enrollment decreases. Salaries and Benefits, the College's largest expense category, decreased by \$454,254 or 3.74%, while Supplies and Other Services decreased by 3.07%. Utilities increased by 4.00%. Instruction and Academic Support functions decreased by \$569,348 or 6.11%. Student Services and Institutional Support functions expenditures decreased by a total of \$4,516 or .09%. Plant Maintenance and Operation increased by \$37,537, or 2.27%, resulting from increased utilities. Depreciation decreased by \$27,835 or 1.94%.

Aiken Technical College

Management's Discussion and Analysis

Charts and graphs follow that pictorially present specific areas of the College's financial condition at June 30, 2015 and comparisons with the prior year.

Statement of Net Position Pie Chart Summary



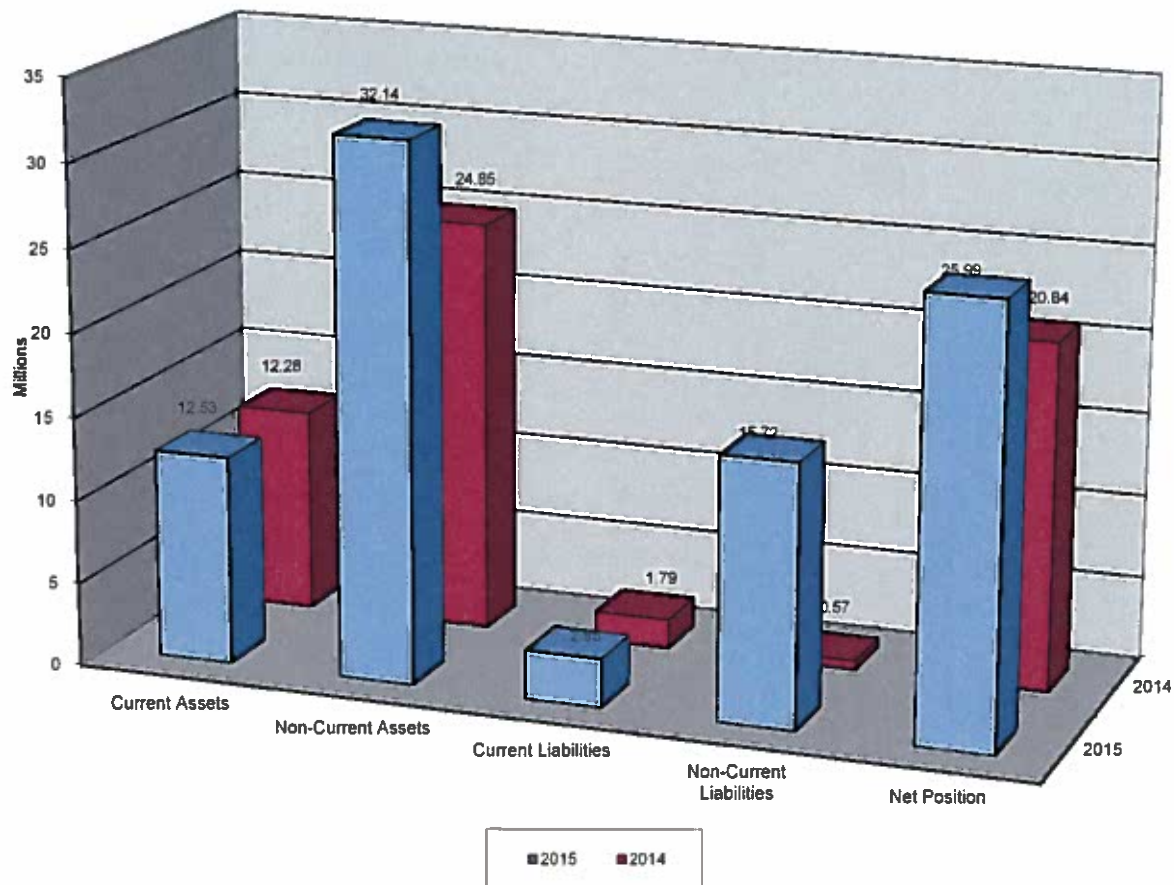
Note: Assets substantially exceed liabilities denoting a sound financial condition for the College.

Aiken Technical College

Management's Discussion and Analysis

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

Comparison of Assets, Liabilities, and Net Position



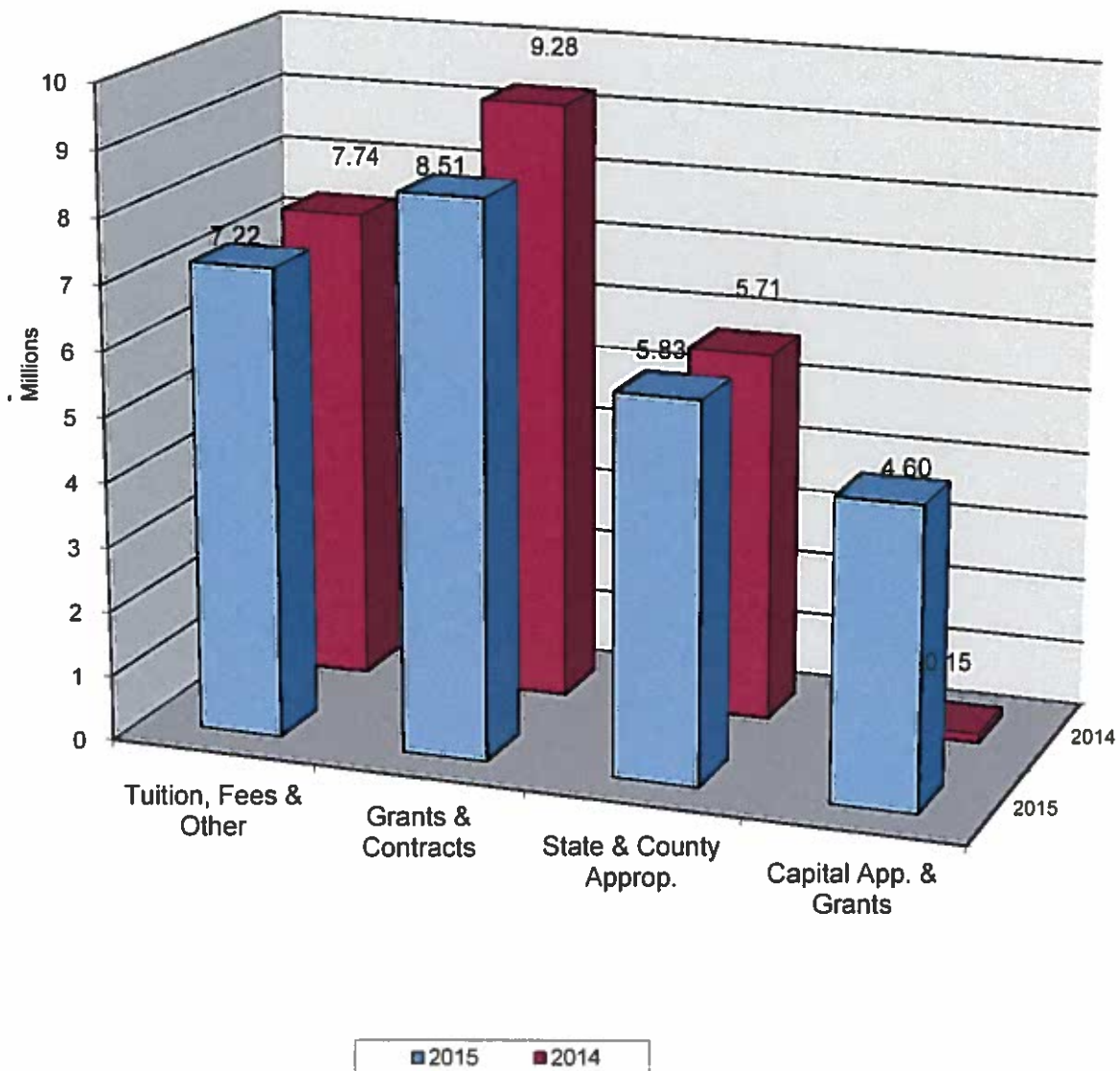
Aiken Technical College

Management's Discussion and Analysis

Revenue Comparisons

The chart below shows decreased Tuition, Fees, and Other revenue. Combined State and County Appropriations increased slightly. Capital Appropriations increased reflecting a federal and ATC Foundation capital appropriation. Grants and Contracts decreased, primarily from federal and state financial aid.

Revenue Comparisons FY15 to FY14



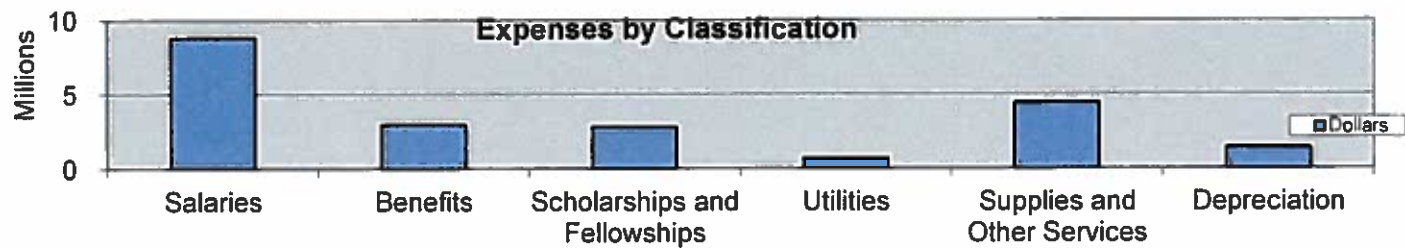
Aiken Technical College

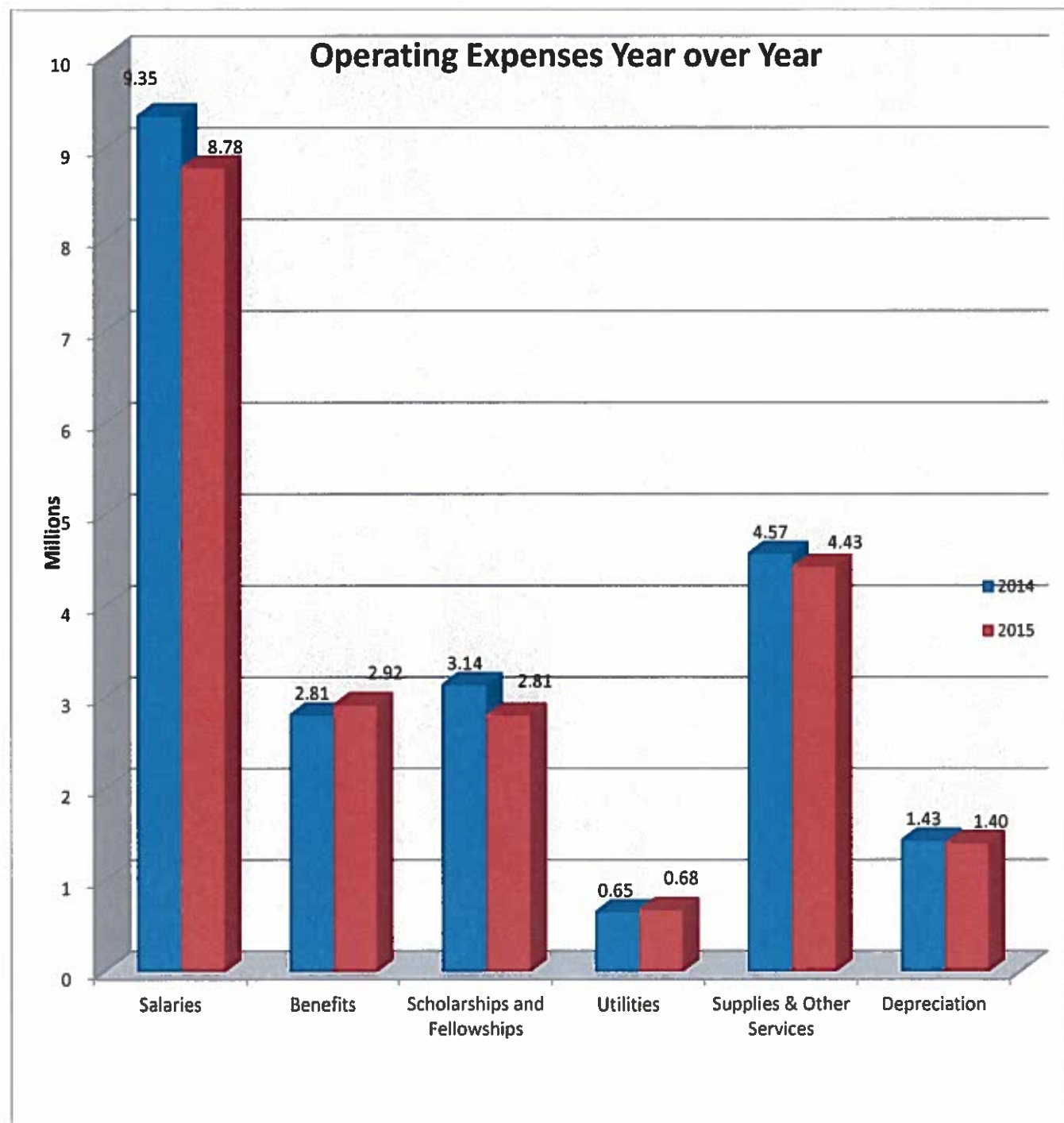
Management's Discussion and Analysis

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)





Aiken Technical College

Management's Discussion and Analysis

Cash Flows

Cash and cash equivalents decreased by \$159,291.

The College expended cash for construction amounting to \$7, 196,256.

Economic Factors

South Carolina's (SC) economy improved during fiscal year 2015. At the end of May 2015, the SC Leading Index (SCLI) of 102.12 closed near an eight year high, according to the SC Department of Commerce, who also noted a SCLI value greater than 100 forecasted for economic growth through the following three to six monthsⁱⁱ.

The SC recovery, reflected in the above indicator, when combined with other state funding priorities, resulted in a small increase of the College's share of state revenues for its current operations, from a comparatively low base. With the improvement in the economy, including a 14.4% lower rate of first time unemployment claims compared to May of 2014ⁱⁱⁱ, fewer citizens returned to school, as reflected in the lower enrollment numbers noted in the first Financial Analysis paragraph.

Summary

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

The College's ability to generate Cash, Investments, and Other Assets in excess of Total Liabilities by \$25,994,509, as seen in the Condensed Statement of Net Position on the following page, indicates the fiscal soundness of the College. Readers should note that the soundness depends, in part, on future SC legislative decisions related to the funding of the SCRS net pension liability, noted in the Overview section.

Aiken Technical College

Management's Discussion and Analysis

Condensed Statements of Net Position

	6/30/2015	6/30/2014	Increase (Decrease)	
			\$	%
ASSETS				
Cash, investments, and other assets	\$ 17,205,912	\$ 15,467,242	\$ 1,738,670	11.24
Capital assets, net	27,460,020	21,667,339	5,792,681	26.73
Total Assets	44,665,932	37,134,581	7,531,351	20.28
Deferred outflows of resources	1,181,495	-	1,181,495	-
LIABILITIES				
Accounts payable and other current liabilities	2,946,069	1,787,825	1,158,244	64.79
Long-term liabilities	15,715,319	569,351	15,145,968	2,660.22
Total Liabilities	18,661,388	2,357,176	16,304,212	691.68
Deferred inflows of resources	1,191,530	-	1,191,530	-
NET POSITION				
Net investment in capital assets	27,460,020	21,667,339	5,792,681	27
Restricted	57,794	1,913,352	(1,855,558)	(96.98)
Unrestricted	(1,523,305)	11,196,714	(12,720,019)	(113.60)
	\$ 25,994,509	\$ 34,777,405	\$ (8,782,896)	(25.25)

Aiken Technical College
Management's Discussion and Analysis

Condensed Statements of Revenues, Expenditures and Changes in Net Position

	For the Years Ended		Increase (Decrease)	
	2015	2014	\$	%
Operating Revenues				
Student tuition and fees (net of scholarship allowances of \$4,168,600 and \$4,575,309, respectively)	\$ 5,609,988	\$ 5,711,462	\$ (101,474)	(1.78)
Grants and contracts	3,092,550	3,226,939	(134,389)	(4.16)
Other	1,559,369	1,590,621	(31,252)	(1.96)
Total Operating Revenues	10,261,907	10,529,022	(267,115)	(2.54)
Operating Expenses				
Salaries	8,784,876	9,349,293	(564,417)	(6.04)
Benefits	2,917,122	2,806,959	110,163	3.92
Scholarships and fellowships	2,805,896	3,136,254	(330,358)	(10.53)
Utilities	675,521	649,531	25,990	4.00
Supplies and other services	4,428,601	4,568,890	(140,289)	(3.07)
Depreciation	1,403,575	1,431,410	(27,835)	(1.94)
Total Operating Expenses	21,015,591	21,942,337	(926,746)	(4.22)
Operating Loss	(10,753,684)	(11,413,315)	659,631	5.78
Non Operating Revenues (Expenses)				
State appropriations	3,887,232	3,782,968	104,264	2.76
County appropriations	1,941,962	1,926,121	15,841	0.82
Other nonoperating revenues and expenses	5,472,382	6,090,394	(618,012)	(10.15)
Total nonoperating revenues	11,301,576	11,799,483	(497,907)	(4.22)
Income before other revenues (expenses)	547,892	386,168	161,724	41.88
Capital appropriations, grants, and gifts	4,602,888	147,325	4,455,563	3,024.31
Increase in Net Position	5,150,780	533,493	4,617,287	865.48
Net Position:				
Net Position, begin. of year, as originally stated	34,777,405	34,243,912	533,493	1.56
Cumulative effect of implementation of accounting standard	(13,933,676)	-	(13,933,676)	-
Net Position, begin. of year, 2015 restated	20,843,729	34,243,912	(13,400,183)	(39.13)
Net Position, end of year	\$ 25,994,509	\$ 34,777,405	\$ (8,782,896)	(25.25)

ⁱ http://www.retirement.sc.gov/gasb/GASB%20Fact%20Sheet%20-%20PUBLIC_final__20140117_MBL.PDF

ⁱⁱ SC Department of Commerce Economic Outlook. Division of Research, Volume 6, Issue 8, June 2015, 1st para.

ⁱⁱⁱ SC Department of Commerce Economic Outlook. Division of Research, Volume 6, Issue 8, June 2015, pg. 2, 2nd para.

Aiken Technical College**Statement of Net Position****As of June 30, 2015**

Assets**Current Assets**

Cash and cash equivalents	\$ 9,471,469
Accounts receivable, net	2,706,046
Inventories	273,795
Prepaid expenses	77,096
Total current assets	<u>12,528,406</u>

Noncurrent Assets

Investments	3,658,977
Restricted short-term investments	1,018,529
Capital assets not being depreciated	8,395,829
Capital assets, net of accumulated depreciation	<u>19,064,191</u>
Total noncurrent assets	<u>32,137,526</u>
Total assets	<u>44,665,932</u>

Deferred outflow of resources, related to pensions1,181,495**Liabilities****Current Liabilities**

Accounts payable	1,415,714
Accrued payroll liabilities	229,642
Unearned revenues and advances	1,253,410
Non-interest delayed payment loan - current portion	37,037
Accrued compensated absences - current portion	<u>47,303</u>
Total current liabilities	<u>2,983,106</u>

Noncurrent Liabilities

Accrued compensated absences	577,577
Non-interest delayed payment loan	962,963
Net pension liability-non-recourse	14,133,196
Restricted liabilities - funds held for others	<u>4,546</u>
Total noncurrent liabilities	<u>15,678,282</u>
Total liabilities	<u>18,661,388</u>

Deferred inflow of resources, related to pensions1,191,530**Net Position**

Net investment in capital assets	27,460,020
Restricted expendable for loan fund	57,794
Unrestricted	<u>(1,523,305)</u>
Total net position	<u>\$ 25,994,509</u>

See Notes to the Financial Statements

Aiken Technical College**Statement of Revenues, Expenses and Changes in Net Position****For the year ended June 30, 2015**

Revenues**Operating Revenues**

Student tuition and fees (net of scholarship allowances of \$4,087,265)	\$ 5,242,431
Student tuition and fees pledged for revenue bonds (net of scholarship allowances of \$80,975)	367,557
Federal grants and contracts	784,678
State grants and contracts	2,227,694
Local grants and contracts	80,178
Auxiliary enterprises (net of scholarship allowances of \$458,551)	1,047,998
Other operating revenues	511,371
Total operating revenues	<u>10,261,907</u>

Expenses**Operating Expenses**

Salaries	8,784,876
Benefits	2,917,122
Scholarships and fellowships	2,805,896
Utilities	675,521
Supplies and other services	4,428,601
Depreciation	1,403,575
Total operating expenses	<u>21,015,591</u>
Operating loss	<u>(10,753,684)</u>

Nonoperating revenues (expenses)

State appropriations	3,887,232
County appropriations	1,941,962
Federal grants and contracts	5,318,785
State and local grants and contracts	100,390
Interest income	53,207
Net nonoperating revenues	<u>11,301,576</u>
Income before capital grants, gifts, and transfers	547,892
Capital grants and gifts	4,602,888
Increase in net position	<u>5,150,780</u>

Net position, beginning of year, as originally stated	34,777,405
Cumulative effect of implementation of accounting pronouncement	<u>(13,933,676)</u>
Net position, beginning of year, restated	20,843,729
Net position, end of year	<u>\$ 25,994,509</u>

See Notes to the Financial Statements

Aiken Technical College

Statement of Cash Flows

For the year ended June 30, 2015

Cash flows from operating activities

Student tuition and fees	\$	5,669,162
Federal, state and local grants and contracts		3,616,632
Auxiliary enterprise charges		1,154,257
Other receipts		723,817
Payments to employees		(11,572,670)
Payments to vendors		(6,808,601)
Net cash used in operating activities		(7,217,403)

Cash flows from noncapital financing activities

State appropriations		3,890,762
County appropriations		1,974,243
Federal, state and local grants, gifts, and contracts, non-operating		5,562,024
Net cash provided by noncapital financing activities		11,427,029

Cash flows from capital and related financing activities

Federal, state, and local grants and contracts for capital		2,798,272
Purchase of capital assets		(7,196,256)
Proceeds non-interest loan		1,000,000
Net cash used in capital and related financing activities		(3,397,984)

Cash flows from investing activities

Interest on cash and cash equivalents		26,891
Interest on investments		4,029
Proceeds from the sale and maturity of investments		999,462
Purchases of investments		(2,001,315)
Net cash used in investing activities		(970,933)
Net decrease in cash and cash equivalents		(159,291)

Cash and cash equivalents, beginning of year

9,630,760

Cash and cash equivalents, end of year

\$ 9,471,469

(Continued)

See Notes to the Financial Statements

Aiken Technical College
Statement of Cash Flows
For the year ended June 30, 2015

Non-cash capital and related financing activities	\$	-
 Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$	(10,753,684)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation		1,403,575
Pension expense attributable to College share of SCRS expense		209,556
Change in assets and liabilities:		
Accounts receivables, net		583,691
Inventories		106,259
Prepaid expenses		62,183
Accounts payable		829,679
Accrued payroll liabilities		124,431
Accrued compensated absences		4,897
Unearned revenues		(520)
Advances		212,530
Net cash used in operating activities	\$	<u>(7,217,403)</u>

See Notes to the Financial Statements

Aiken Technical College Foundation - Non-Governmental Discretely Presented Component Unit
Statement of Financial Position
June 30, 2015

Assets

Current assets

Cash and cash equivalents	\$ 220,677
Pledges receivable	155,578
Total current assets	<u>376,255</u>

Other assets

Investments	5,053,241
Pledges receivable	34,992
	<u>5,088,233</u>
Total assets	<u>\$ 5,464,488</u>

Liabilities and Net Assets

Current liabilities

Accounts payable	\$ 193,705
Total current liabilities	<u>193,705</u>

Net assets

Unrestricted	1,027,290
Temporarily restricted	3,135,215
Permanently restricted	<u>1,108,278</u>
Total net assets	<u>5,270,783</u>
Total liabilities and net assets	<u>\$ 5,464,488</u>

See Notes to the Financial Statements

Aiken Technical College Foundation - Non-Governmental Discretely Presented Component Unit
Statement of Activities
For the year ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains, and Other Support				
Contributions	\$ 48,262	\$ 359,164	\$ -	\$ 407,426
Investment income	31,127	68,543	-	99,670
Net investment gains and other income	(15,175)	(7,283)	-	(22,458)
Net assets released from restrictions	2,147,442	(2,147,442)	-	-
Total revenues, gains, and other support	2,211,656	(1,727,018)	-	484,638
Expenses				
Program services				
Scholarships	91,793	-	-	91,793
Equipment and building support	2,016,445	-	-	2,016,445
Student programs	19,968	-	-	19,968
Other programs	19,236	-	-	19,236
Total program services	2,147,442	-	-	2,147,442
Supporting services				
Management and general	147,933	-	-	147,933
Fundraising	51,402	-	-	51,402
Total expenses	2,346,777	-	-	2,346,777
Decrease in net assets	(135,121)	(1,727,018)	-	(1,862,139)
Net assets, beginning of year	1,162,411	4,862,233	1,108,278	7,132,922
Net assets, end of year	\$ 1,027,290	\$ 3,135,215	\$ 1,108,278	\$ 5,270,783

See Notes to the Financial Statements

Aiken Technical College
Notes to the Financial Statements
June 30, 2015

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.

Aiken Technical College
Notes to the Financial Statements
June 30, 2015

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

Reporting entity, continued

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.

Financial statements:

The financial statements of the College are presented in accordance with GASB's *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB's *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The financial statement presentation required by these GASB Statements provides a comprehensive, entity-wide perspective of the College's net position, revenues, expenses and changes in net position and cash flows that replaces the fund-group perspective previously required.

Basis of accounting:

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

Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities 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.

Adoption of new accounting standards:

Effective for the fiscal year ended June 30, 2015, the College adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*. As a result of this implementation, the College will now report its portion of the State of South Carolina's net pension liability for the South Carolina Retirement System Plan. Since the information for the restatement of beginning balances of deferred inflows of resources or deferred outflows of resources is not available for the earliest period presented, the cumulative effect of the Statement implementation will be shown as restatement to ending net position as of June 30, 2014. The effect of this implementation is discussed in Notes 6 and 15.

Aiken Technical College
Notes to the Financial Statements
June 30, 2015

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

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*. Changes in unrealized gain (loss) on the fair value of investments are reported as a component of investment income in the Statement of Revenues, Expenses and Changes in Net Position.

Receivables:

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

Inventories:

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

Capital assets:

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

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

Unearned revenues and advances:

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

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

Compensated absences:

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

Net Position:

The College's net position is classified as follows:

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

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, 2015, the College did not have any restricted net position – nonexpendable.

Unrestricted net position: Unrestricted net position represents resources derived from student tuition and fees, appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff. A deficit in unrestricted net position does not represent reduced liquidity to the extent resources are applied to non-legal or non-contractual obligations, or liabilities, included in the financial statements.

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

Income taxes:

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

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

Classification of revenues:

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

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

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

Sales and services of education and other activities:

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

Auxiliary enterprises and internal service activities:

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

Component unit:

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

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

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

Aiken Technical College
Notes to the Financial Statements
June 30, 2015

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

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

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

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

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

Subsequent events:

These financial statements have not been updated for subsequent events occurring after September 30, 2015 which is the date these financial statements were available to be issued.

Note 2. State Appropriations

State funds for the South Carolina Technical College System are appropriated to the State Board for Technical and Comprehensive Education (the "Board"), and the Board allocates funds budgeted for the technical colleges in a uniform and equitable manner. Appropriations are recognized as revenue when received and available. Amounts that are not expended by fiscal year-end lapse and are required to be returned to the General Fund of the State unless the Board receives authorization from the General Assembly to carry the funds over to the next year.

The following is a reconciliation of the state appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2015:

Non-capital Appropriations

Current year's appropriations:	
Final Appropriations Act appropriation as allocated by the State Board for	
Technical and Comprehensive Education	\$ 3,887,232
Total non-capital appropriations recorded as current year revenue	<u>\$ 3,887,232</u>

Capital Appropriations

Current year's appropriations:	
None	\$ -
Total capital appropriations recorded as current year revenue	<u>\$ -</u>

Aiken Technical College
Notes to the Financial Statements
June 30, 2015

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 to protect the State against any loss.

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, 2015, were \$14,391,437 with a book balance of \$14,148,975. 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, 2015, were \$220,677. 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, 2015.

Investments:

The College is authorized, by the South Carolina Code of Laws, Section 11-9-660, "Investment of Funds", to invest in obligations of the United States and its agencies, obligations of the State of South Carolina and its political subdivisions, collateralized or federally insured certificates of deposit, and collateralized repurchase agreements. The College holds certificates of deposit that mature on various dates from October 2016 to July 2017.

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

Statement of Net Position:

Cash and cash equivalents	\$ 9,471,469
Investments	3,658,977
Restricted short-term investments	1,018,529
Total statement of net position	<u>\$ 14,148,975</u>

Deposits and Investments:

Carrying value of deposits	\$ 14,144,525
Cash on hand	4,450
Total deposits and investments	<u>\$ 14,148,975</u>

Aiken Technical College
Notes to the Financial Statements
June 30, 2015

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, 2015, the College maintained less than \$500,000 in any CD or money market investment. The College maintains a \$1,000,000 non-interest earning account segregated as collateral for an irrevocable letter of credit, issued to support a US Department of Agriculture sponsored equipment loan. The College maintains an investment policy procedure awarding investments in certificates of deposit, collateralized or supported by an irrevocable letter of credit, to the highest Aiken County financial institution bidders (branches or home bases), without restriction as to concentration. An exception was made to this policy to diversify investing in FDIC insured money market funds and certificates of deposit at a variety of banks in the Central Savannah River Area.

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:

Aiken Technical College Foundation					
Investment Type	Fair Value	Investment Maturities (in years)			
		Less than 1	1 - 5	6 - 10	More than 10
<u>Debt Securities</u>					
Money market mutual funds	\$ 215,942	\$ 215,942	\$ -	\$ -	\$ -
Bond mutual funds - international	190,333	15,369	42,094	72,750	60,120
Bond mutual funds – domestic	758,487	-	299,613	243,133	215,741
Total debt securities	1,164,762	231,311	341,707	315,883	275,861
<u>Other Securities</u>					
Mutual funds - equities	3,277,842	-	-	-	-
Real estate funds	610,637	-	-	-	-
Total investments	\$ 5,053,241	\$ 231,311	\$ 341,707	\$ 315,833	\$ 275,861

The Foundation invests in the following rated debt securities:

<u>Rated Debt Securities</u>	<u>Fair Value</u>	<u>Quality Ratings</u>				
		<u>AA</u>	<u>B</u>	<u>BA</u>	<u>Lower than BA</u>	<u>Unrated</u>
Bond mutual funds-international	\$ 190,333	\$ 89,996	\$ 78,865	\$ 10,468	\$ 7,754	\$ 3,250
Bond mutual funds-domestic	758,487	424,893	177,904	99,173	31,299	25,218
Money market mutual funds	215,942	-	-	-	-	215,942
Total fair value	\$ 1,164,762	\$ 514,889	\$ 256,769	\$ 109,641	\$ 39,053	\$ 244,410

Aiken Technical College
Notes to the Financial Statements
June 30, 2015

Note 3. Deposits and Investments, Continued

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, 2015, the following tables show the securities by the weighted average method. The shorter the maturities, the lower the interest rate risk, with correspondingly less yield.

Aiken Technical College Foundation Rated Debt Securities

<u>Rated Debt Securities</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (in years)</u>
Bond mutual funds - international	\$ 190,333	10.91
Bond mutual funds - domestic	758,487	5.79
Money market mutual funds	215,942	0.08
Total fair value	<u>\$ 1,164,762</u>	

Note 4. Receivables

Receivables at June 30, 2015, including applicable allowances for uncollectible receivables, were as follows:

Receivables:

Student accounts	\$ 554,933
Aiken County	75,437
Federal grants and contracts	1,966,372
State grants and contracts	1,634
Other receivables	371,259
Interest receivable	36,411
Total accounts receivable	<u>3,006,046</u>
Less: allowance for uncollectibles	<u>(300,000)</u>
Net accounts receivable	<u>\$ 2,706,046</u>

The College recognized a receivable from the Foundation of \$193,705 at June 30, 2015, which is included in the balance above.

Aiken Technical College
Notes to the Financial Statements
June 30, 2015

Note 4. Receivables, Continued

The Foundation's pledges receivable at June 30, 2015 were as follows:

Pledges receivable	\$	191,678
Less unamortized discount		(1,108)
Net pledges receivable	\$	<u>190,570</u>
Amounts due in:		
Less than one year	\$	155,578
One to five years		<u>36,100</u>
	\$	<u>191,678</u>

Pledges receivable are reflected at the present value of estimated future cash flows using a discount rate of 1.34%.

Aiken Technical College
Notes to the Financial Statements
June 30, 2015

Note 5. Capital Assets

	Beginning Balance June 30, 2014	Increases	Decreases	Ending Balance June 30, 2015
Capital assets not being depreciated:				
Land and improvements	\$ 926,922	\$ -	\$ -	\$ 926,922
Construction in progress	501,229	6,967,678	-	7,468,907
Total capital assets not being depreciated	1,428,151	6,967,678	-	8,395,829
Other capital assets:				
Buildings and improvements	35,327,357	-	-	35,327,357
Machinery, equipment, and other	4,177,096	228,578	138,082	4,267,592
Intangible assets	461,809	-	-	461,809
Vehicles	81,887	-	-	81,887
Depreciable land improvements	1,453,858	-	-	1,453,858
Total other capital assets at historical cost	41,502,007	228,578	138,082	41,592,503
Less accumulated depreciation for:				
Buildings and improvements	(16,251,453)	(1,044,828)	-	(17,296,281)
Machinery, equipment, and other	(3,478,038)	(281,518)	138,082	(3,621,474)
Intangible assets	(461,809)	-	-	(461,809)
Vehicles	(81,887)	-	-	(81,887)
Depreciable land improvements	(989,632)	(77,229)	-	(1,066,861)
Total accumulated depreciation	(21,262,819)	(1,403,575)	138,082	(22,528,312)
Other capital assets, net	20,239,188	(1,174,997)	-	19,064,191
Capital Assets, Net	\$ 21,667,339	\$ 5,792,681	\$ -	\$ 27,460,020

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

Note 6. Retirement Plans

General information:

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

PEBA maintains five independent benefit plans and issues a publicly available Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information. That report may be obtained by writing the South Carolina Public Employee Benefit Authority, Post Office Box 11960, Columbia, South Carolina 29211-1960, or visiting their website at www.peba.sc.gov. PEBA is division of the SC state government, and therefore the retirement trust fund information is also included in the CAFR of the state.

Plan Descriptions and Contributions:

Employees participating in the SCRS plan were required to contribute 8.0% of their annual covered salary during the 2014-15 fiscal year. The College is required to contribute at an actuarially determined rate of 10.75% of annual covered payroll. Included in the total SCRS employer contribution rate is a base contribution of 10.75%, .15% for the incidental death program and a 5% surcharge that will fund retiree health and dental insurance coverage. The College's contributions to SCRS for the years ended June 30, 2015, 2014 and 2013 were \$661,280, \$657,751, and \$690,320, respectively, and equaled the required contributions for each year.

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

As an alternative to membership in SCRS, newly hired employees may elect to participate in the State Optional Retirement Program ("ORP"), a defined contribution plan. The ORP was established in 1987 under Title 9, Chapter 20, of the South Carolina Code of Laws. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. The State assumes no liability for the ORP plan other than for payment of contributions to designated companies. To elect participation in the ORP, eligible employees must elect membership within their first 30 days of employment. Under State law, contributions to the ORP are required at the same rates as for the SCRS, 10.75% plus the retiree surcharge of 5% from the employer in fiscal year 2015. Of the 10.75% employer retirement contribution rate, the employer remits 5% directly to the participant's ORP account and the remaining 5.75% and .15% incidental death program contribution amounts are remitted to SCRS.

Note 6. Retirement Plans, Continued

For fiscal year 2015, 2014 and 2013 total contribution requirements to the ORP were approximately \$199,151, \$224,062, and \$249,262, (excluding the surcharge) from the College as employer.

Employee contributions to the ORP plans approximated \$55,577, \$62,609, and \$60,927 for fiscal years 2015, 2014, and 2013.

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.

Benefits:

PEBA managed retirement funds provide retirement and death benefits.

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

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's fiduciary net position have been determined on the same basis as they are reported by SCRS or PORS. 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.

Net pension liability:

At June 30, 2015 the College reported a liability of \$14,133,196, for its proportionate share of the SCRS net pension liability. The net pension liability was measured as of June 30th, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013 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, 2014, the College's proportion was .082 percent.

Pension expense:

For the year ended June 30, 2015, the College recognized pension expense of \$990,597.

Aiken Technical College
Notes to the Financial Statements
June 30, 2015

Note 6. Retirement Plans, Continued

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, 2015 the College also reported its share of SCRS deferred outflows of resources and deferred inflows of resources, related to pensions from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Differences between expected and actual experience	\$ 400,475	\$ -
Net difference between projected and actual earnings on pension plan investments	-	1,191,530
University contributions subsequent to the measurement date	<u>781,020</u>	<u>-</u>
Total	<u>\$ 1,181,495</u>	<u>\$ 1,191,530</u>

\$781,020 reported as deferred outflows of resources related to pensions resulting from College contributions, subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts from the College's share of SCRS deferred outflows of resources and deferred inflows of resources, related to pensions, will be recognized in pension expense as follows:

Years Ended June 30:	
2016	\$174,012
2017	174,012
2018	174,012
2019	269,021
2020	-
Thereafter	-

Actuarial assumptions and methods:

The total pension liability in the June 30th 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

	SCRS
Actuarial cost method	Entry age
Investment rate of return	7.5%
Projected salary increases	Levels off at 3.5%
Includes inflation at	2.75%
Benefit adjustments	Lesser of 1% or \$500

Note 6. Retirement Plans, Continued

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

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

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30 year capital market outlook at the end of the third quarter 2012. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission (RSIC) using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

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

Aiken Technical College
Notes to the Financial Statements
June 30, 2015

Note 6. Retirement Plans, Continued

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Short Term			
Cash	2.0%	0.3%	0.01%
Short Duration	3.0%	0.6%	0.02%
Domestic Fixed Income			
Core Fixed Income	7.0%	1.1%	0.08%
High Yield	2.0%	3.5%	0.07%
Bank Loans	4.0%	2.8%	0.11%
Global Fixed Income			
Global Fixed Income	3.0%	0.8%	0.02%
Emerging Markets Debt	6.0%	4.1%	0.25%
Global Public Equity	31.0%	7.8%	2.42%
Global Tactical Asset Allocation	10.0%	5.1%	0.51%
Alternatives			
Hedge Funds (Low Beta)	8.0%	4.0%	0.32%
Private Debt	7.0%	10.2%	0.71%
Private Equity	9.0%	10.2%	0.92%
Real Estate (Broad Market)	5.0%	5.9%	0.29%
Commodities	3.0%	5.1%	0.15%
Total Expected Real Return	100.0%		5.88%
Inflation for Actuarial Purposes			2.75%
Total Expected Nominal Return			8.63%

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. 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 (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
College's proportionate share of the net pension liability	\$ 18,289,230	\$ 14,133,196	\$10,665,871

Aiken Technical College
Notes to the Financial Statements
June 30, 2015

Note 6. Retirement Plans, Continued

Pension plan fiduciary net position:

The net pension liability is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position. As of June 30, 2014, net pension liability amounts for SCRS are as follows (amounts expressed in thousands):

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension
SCRS	\$ 42,955,205,796	\$ 25,738,521,026	\$ 17,216,684,770	59.9%

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

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

Note 7. Postemployment and Other Employee Benefits

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

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

The College recorded benefit expenses for these insurance benefits for active employees in the amount of \$20,796 for the year ended June 30, 2015. As discussed in Note 6, the College paid \$400,752 applicable to the 5.00% surcharge included with the employer contributions for SCRS (excluding ORP) retirement benefits. These amounts were remitted to the South Carolina Retirement Systems for distribution to the Office of Insurance Services for retiree health and dental insurance benefits.

Note 7. Postemployment and Other Employee Benefits, Continued

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

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

Note 8. Contingencies, Litigation, and Project Commitments

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

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

Necessary funding has been obtained for the future acquisition, construction, renovation and equipping of certain facilities with an approximate cost of \$8,335,007, which will be capitalized in the applicable capital asset categories upon completion. At June 30, 2015, the College had outstanding commitment balances with engineering firms, construction contractors and vendors related to the project for the above amount.

The College received in part, and anticipates funding the project with current internal resources, private gifts donated through the ATC Foundation, state capital appropriations, and federal grants. 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 had no authorized State capital improvement bond proceeds available to draw at June 30, 2015.

Note 9. Lease Obligations

The College's non-cancelable operating leases for copiers and mail machines provides for an annual renewal option at fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases and are generally payable on a monthly basis. Rental payments for copier and mailing equipment totaled \$49,120 for fiscal year 2015. The College will continue to lease equipment in the future at these approximate amounts.

Contingent copier leases/payments amounted to \$49,120 for the fiscal year 2015.

Aiken Technical College
Notes to the Financial Statements
June 30, 2015

Note 10. Noncurrent Liabilities

Accrued compensated absences:

As of June 30, 2014, the College had accrued compensated absences totaling \$619,983. During the fiscal year, the College added \$4,897 bringing the accrued compensated absences balance to \$624,880 as of June 30, 2015, with \$47,303 being due within one year.

Notes payable:

In March 2015, the College entered into a loan agreement Aiken Electric Cooperative (the "Cooperative") which is a pass through from the USDA Rural Economic Development for the benefit of the College. The College promises to pay the Cooperative \$1,000,000 in monthly installments of \$9,260 beginning on March 31, 2016 until the principal sum stated above has been repaid in full.

Debt obligations as of June 30, 2015 consist of the following:

USDA Economic Development Loan – For \$1,000,000, zero interest, due in \$ 1,000,000
monthly payments of \$9,260. A service charge will be due every March at a
rate of 1% of the principal balance from the previous March effective
beginning in March 2016. The note matures February 28, 2025.

Less – Current maturities

1,000,000
(37,037)
<u>\$ 962,963</u>

Long-term liability, excluding funds held for others, activity for the year ended June 30, 2015 was as follows:

	<u>June 30, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2015</u>	<u>Due Within One Year</u>
Federal grant loan	\$ -	\$ 1,000,000	\$ -	\$ 1,000,000	\$ 37,037
Net pension liability	14,728,785	990,957	1,586,546	14,133,196	-
Accrued compensated Absences	619,983	4,897	-	624,880	47,303
Total long-term liabilities	<u>\$ 15,348,768</u>	<u>\$ 1,995,854</u>	<u>\$ 1,586,546</u>	<u>\$15,758,076</u>	<u>\$ 84,340</u>

Aiken Technical College
Notes to the Financial Statements
June 30, 2015

Note 10. Noncurrent Liabilities, Continued

The long term portion of the College's notes payable mature as follows:

For the Years Ending	
June 30,	
2016	\$ 37,037
2017	111,111
2018	111,111
2019	111,111
2020	111,111
Thereafter	518,519
	<u>\$ 1,000,000</u>

Note 11. Component Unit

Following is a summary of significant transactions between the Foundation and the College for the year ended June 30, 2015.

The College recorded non-governmental gift receipts of \$2,102,278 from the Foundation in non-operating revenues for the fiscal year ending June 30, 2015. 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 \$91,591 for reimbursement for administrative services provided to the Foundation during the year. The College was due \$193,705 from the Foundation as of June 30, 2015. The College had no payables due to the Foundation as of June 30, 2015. The Foundation's assets as of June 30, 2015 were \$5,464,488, with net assets of \$5,270,783.

Note 12. Risk Management

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

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

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

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

Aiken Technical College**Notes to the Financial Statements****June 30, 2015**

Note 12. Risk Management, Continued

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. Statement of Activities Format

The following information is required by the Office of the Comptroller General for the State of South Carolina's comprehensive annual financial report:

	2015	2014	Increase (Decrease)
Charges for services	\$ 9,850,926	\$ 10,091,988	\$ (241,062)
Operating grants and contributions	7,825,325	8,460,228	(634,903)
Capital grants and contributions	4,602,888	147,325	4,455,563
Less: expenses	(21,015,591)	(21,949,016)	(933,425)
Net program expense	1,263,548	(3,249,475)	4,513,023
Transfers			
State appropriations	3,887,232	3,782,968	104,264
State capital appropriations		-	
Total transfers	3,887,232	3,782,968	104,264
Change in net position	5,150,780	533,493	4,617,287
Net position, beginning of year (Restated for 2015)	20,843,729	34,243,912	(13,400,183)
Net position, end of year	\$ 25,994,509	\$ 34,777,405	\$ (8,782,896)

Aiken Technical College
Notes to the Financial Statements
June 30, 2015

Note 14. Operating Expenses by Function

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

	Salaries	Benefits	Scholarships and Fellowships	Utilities	Supplies and Other Services	Depreciation	Total
Instruction	\$ 4,821,096	\$ 1,586,004	\$ -	\$ -	\$ 1,104,322	\$ -	\$ 7,511,422
Academic support	836,984	246,617	-	-	146,354	-	1,229,955
Student services	1,129,450	345,371	-	-	492,877	-	1,967,698
Operation and maintenance of plant	220,364	72,300	-	675,521	720,349	-	1,688,534
Institutional support	1,772,682	666,783	-	-	598,630	-	3,038,095
Scholarships	-	-	2,805,896	-	-	-	2,805,896
Auxiliary enterprises	4,300	47	-	-	1,366,069	-	1,370,416
Depreciation	-	-	-	-	-	1,403,575	1,403,575
Total operating expenses	\$ 8,784,876	\$ 2,917,122	\$ 2,805,896	\$ 675,521	\$ 4,428,601	\$ 1,403,575	\$ 21,015,591

Note 15. Restatement for Implementation of New Accounting Standard

The College implemented Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions (An Amendment of GASB Statement No. 27)*, in the fiscal year ended June 30, 2015. The implementation of the Statement required the College to record beginning net pension liability and the effect on unrestricted net position of contributions made by the College during the measurement period (fiscal year ended June 30, 2014). As a result, ending unrestricted net position for the College for the year ended June 30, 2014 decreased by \$13,933,676. This decrease resulted in the restatement of unrestricted net position to a deficit balance of \$2,736,962 for the year ended June 30, 2014.

Schedules of Required Supplementary Information
Schedule of the College's Proportionate Share of the Net Pension Liability
For the year ended June 30, 2015

	SCRS	
	2015	2014
College's proportion of the net pension liability	0.08209%	0.08209%
College's proportionate share of the net pension liability	<u>\$ 14,133,177</u>	<u>\$ 14,724,018</u>
College's covered payroll during measurement period	<u>\$ 6,294,265</u>	<u>\$ 6,605,935</u>
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	224.54054%	222.89075%
Plan fiduciary net position as a percentage of the total pension liability	59.90%	56.39%

Schedules of Required Supplementary Information
Schedule of the College's Contributions
For the year ended June 30, 2015

	SCRS									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 661,280	\$ 657,751	\$ 690,320	\$ 604,289	\$ 510,140	\$ 509,942	\$ 526,626	\$ 593,478	\$ 522,707	\$ 499,236
Contributions in relation to the contractually required contribution	661,280	657,751	690,320	604,289	510,140	509,942	526,626	593,478	522,707	499,236
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College's covered-employee payroll	\$ 6,151,445	\$ 6,294,265	\$ 6,605,935	\$ 6,438,879	\$ 6,334,137	\$ 6,329,092	\$ 6,510,501	\$ 6,493,596	\$ 6,302,329	\$ 6,510,960
Contributions as a percentage of covered-employee payroll	10.75%	10.45%	10.45%	9.39%	8.05%	8.06%	8.09%	9.14%	8.29%	7.67%

Aiken Technical College

OMB Circular A-133 Reports

For the year ended June 30, 2015

	<u>Page</u>
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1-2
Independent Auditor’s Report on Compliance for Each Major Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	3-5
Schedule of Expenditures of Federal Awards.....	6
Notes to Schedule of Expenditures of Federal Awards.....	7
Schedule of Findings and Questioned Costs.....	8-11
Summary Schedule of Prior Audit Findings	12



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and discretely presented component unit of Aiken Technical College (the "College") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated September 30, 2015. Our report includes a reference to other auditors who audited the financial statements of Aiken Technical College Foundation, Inc., as described in our report on Aiken Technical College's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by that auditor. The financial statements of Aiken Technical College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2015-1 and 2015-2.

Purpose of this Report

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

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

Augusta, Georgia
September 30, 2015



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER
COMPLIANCE; REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED
BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited Aiken Technical College's (the "College") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2015. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2015-1 and 2015-2 that we consider to be significant deficiencies.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the business-type activities and discretely presented component unit of Aiken Technical College as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated September 30, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purposes of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements.

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

Elliott David Decosimo, LLC

Augusta, Georgia
September 30, 2015

Aiken Technical College**Schedule of Expenditures of Federal Awards****For the year ended June 30, 2015**

FEDERAL GRANTOR Pass-Through Entity Program Title	CFDA Number	Grant/Contract Number	Federal Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<u>STUDENT FINANCIAL ASSISTANCE CLUSTER</u>			
U. S. Department of Education			
Federal Pell Grant Program (PELL)	84.063P	P063P133288	\$ 5,319,834
Federal Supplemental Educational Opportunity Grants (SEOG)	84.007A	P007A133759	79,924
Federal Work-Study Program (FWS)	84.033A	P033A133759	80,040
Federal Direct Student Loans (FDSL)	84.268	P268K143288	3,035,737
Total Student Financial Assistance Cluster			<u>8,515,535</u>
OTHER PROGRAMS			
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<u>Passed Through South Carolina Department of Education</u>			
Vocational Education-Basic Grants to States	84.048A	14VA401	129,105
Subcontract from USC-Aiken Math-Science-Project	84.366B	USCA-Subcontract	6,297
Total U.S. Department of Education			<u>135,402</u>
<u>U.S. DEPARTMENT OF LABOR</u>			
<u>Contract Passed Through Florence Darlington Technical College</u>			
Trade Adjustment Assistance Community College & Career Training Grant, ASSIST	17.282	Subcontract	51,824
<u>Direct to ATC</u>			
Trade Adjustment Assistance Community College & Career Training Grant, Tower Project	17.282	TC26452-14-60-A-45	180,925
Total U.S. Department of Labor			<u>232,749</u>
<u>U.S. Department of Commerce</u>			
<u>Economic Development Administration</u>			
EDA CEAM Construction grant LEED Silver Certified Training Center	11.300	04-01-06658	2,600,000
Total Nuclear Regulatory Commission			<u>2,600,000</u>
<u>U.S. DEPARTMENT OF ENERGY</u>			
<u>Passed Through Savannah River Site Community Reuse Organization</u>			
ANSR Education in Nuclear Science Field Subgrant Year Four	81.104	DE-EM0001232	145,621
ANSR Education in Nuclear Science Field Subgrant YearFive	81.104	DE-EM0001232	15,943
Nuclear Welding Infrastructure- Orbital Welder Grant	81.121	DE-EM0000669	95,000
Total U.S. Department of Energy			<u>256,564</u>
Total Other Programs			<u>3,224,715</u>
Total Expenditures of Federal Awards			<u>\$ 11,740,250</u>

Aiken Technical College

Notes to Schedule of Expenditures of Federal Awards For the year ended June 30, 2015

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal awards programs of Aiken Technical College. All Federal awards received directly from Federal agencies, as well as Federal awards passed through other government agencies, are included on the schedule. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented or used in the preparation of the basic financial statements.

Note 2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting. For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credit made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. Expenditures for student financial aid programs include the federal share of student's Federal Supplemental Educational Opportunity Grant program grants and Federal Work Study program earnings, certain other federal financial aid for students and administrative cost allowances, where applicable.

Expenditures for nonfinancial aid awards include indirect costs, related primarily to facilities operation and maintenance and general, divisional and departmental administrative services, which are allocated to direct cost objectives (including federal awards) based on negotiated formulas commonly referred to as facilities and administrative cost rates. Facilities and administrative costs allocated to such awards for the year ended June 30, 2015, were based on predetermined fixed rates negotiated with the College's cognizant federal agency.

Note 3. Loans

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

Note 4. Contingencies

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

**AIKEN TECHNICAL COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015**

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness identified?	No
• Significant deficiency identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness identified?	No
• Significant deficiency identified?	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	Yes

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
84.063	Student Financial Aid Cluster
84.007	Student Financial Aid Cluster
84.268	Student Financial Aid Cluster
84.033	Student Financial Aid Cluster
11.300	EDA CEAM Construction grant LEED Silver Certified Training Center

Dollar threshold used to distinguish between type A and type B programs	\$352,208
Auditee qualified as low-risk auditee?	Yes

Section II. Financial Statement Findings

None

**AIKEN TECHNICAL COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015**

Section III. Federal Award Findings and Questioned Costs

Finding 2015-1

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

**Criteria or Specific
Requirement:**

For recipients of Title IV grant or loan assistance that experience a change in enrollment, fall below half time, or withdraw from an institution, information must be reported to the National Student Loan Data System (NSLDS) by the institution within certain time frames. Official change of enrollment status, student officially withdraws from an institution, is required to be reported to the NSLDS within 30 days. Unofficial change of enrollment status, students that stop attending class and so forth, is generally determined at the end of the semester and is required to be reported to the NSLDS within 60 days (34 CFR section 685.309).

Condition: For one student who withdrew from the College during a period of enrollment in which the recipient began attendance in the 2014-2015 fiscal year, the College failed to report the student's change in enrollment status within the 60 day requirement.

Questioned Costs: \$0

Context: Through a test of students who withdrew from the College during a period of enrollment in which the recipient began attendance during the year, one student out of a sample of 23 selected for testing was identified that for which the change of enrollment status was not reported within the required 60 days. Change in enrollment status reports run by the Information Systems Management Department failed to include all student status changes which resulted in late or unreported enrollment status changes ultimately reported to NSLDS.

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

Cause: Enrollment changes are reported through the National Student Clearinghouse to NSLDS by the Registrar's Office. Due to incomplete report parameters in the change in enrollment status reports run by the Information Systems Management Department, information submitted to the National Student Clearing House was incomplete and did not include enrollment changes for all students with enrollment status changes.

Recommendation: Review and correct the parameters set for reports run by the Information Systems Management Department and utilized by the Registrar's Office to report student enrollment changes to the National Student Clearing House and NSLDS. Review procedures should also be implemented to verify all students with enrollment status changes are contained within the report used to verify enrollment changes sent to the National Student Clearinghouse and NSLDS. Additionally, interdepartmental communication procedures between the Registrar, Student Financial Aid Offices, and the Information Systems Management Department should be established to ensure complete student enrollment changes are reported to the National Student Clearing House and NSLDS within the required timeframe.

**AIKEN TECHNICAL COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015**

Section III. Federal Award Findings and Questioned Costs, Continued

Finding 2015-1, continued

View of Responsible
Official and

Corrective Actions: The College is in agreement with audit finding 2015-1. To ensure corrective action for the future, the following plan has been put implemented.

1. The Dean of Enrollment Services, the Director of Financial Aid, and Registrar, in collaboration with the Information Systems Management Department, will review the current reporting parameters to determine if any adjustments are needed. At the time of data collection, any questionable student record data will be investigated for accuracy, corrected as needed, and verified prior to report submission.

Finding 2015-2

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

Criteria or Specific
Requirement:

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

Condition:

For two students who withdrew from the College during a payment period or period of enrollment in which the recipient began attendance in the 2014-2015 fiscal year, the College failed to calculate and return the amount of Title IV funds for which it is responsible within the required 45 days from the dates of the institution's determination that the each student withdrew.

Questioned Costs: \$0

Context:

A test of students who withdrew from the College during a payment period or period of enrollment in which the recipient began attendance during the year revealed two students out of a sample of 23 selected for testing for which the return of Title IV funds was not calculated and returned within the required 45 days from the respective dates of the institution's determination that the each student withdrew.

**AIKEN TECHNICAL COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015**

Section III. Federal Award Findings and Questioned Costs, Continued

Finding 2015-2, continued

Effect: The allocation of unearned aid which is the responsibility of the student and institution, respectively, was not calculated and returned in the required timeframe of 45 days from the date of determination each respective student withdrew. Due to the late return calculations, the College returned Title IV funds in the amount of \$771 after the required timeframe of 45 days. The untimely reporting of this student population has resulted in delayed repayment of Federal Pell Grants.

Cause: The calculation for return of Title IV funds is completed within the College's software for student accounts. Due to incomplete report parameters, reports did not include enrollment changes for certain withdrawn students. The untimely reporting of this student population has resulted in delayed calculation of the return of Title IV funds.

Recommendation: Review and correct the parameters set for reports run and utilized by the Registrar's Office and the Student Financial Aid Office to report student enrollment changes to NSLDS and calculate the return of Title IV funds to ensure all withdrawn students are contained within the reports. Additionally, interdepartmental communication procedures between the Registrar, Student Financial Aid Offices, and the Information Systems Management Department should be established to ensure complete student enrollment changes are reported to NSLDS within the required timeframe.

**View of Responsible
Official and**

Corrective Actions: The College is in agreement with audit finding 2015. To ensure corrective action for the future, the following plan has been implemented.

1. The Financial Aid Office will initiate a Return to Title IV processing review. Specifically, the following will occur:

Return to Title IV calculations will be performed on a monthly basis using the automated report that currently exists. The Director of Financial Aid will complete an internal audit of each month's Return to Title IV calculations utilizing the automated report, a secondary enrollment comparison report, and access to imaged withdrawal forms. The internal audit will clearly reveal any missed students, and their Return to Title IV calculations will be completed at that time.

**AIKEN TECHNICAL COLLEGE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2015**

Section IV. Summary Schedule of Prior Year Findings

In accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, the following is the status of known material findings and recommendations from prior year audits:

No matters were reported.