Aiken Technical College

Report on the Financial Statements

For the year ended June 30, 2017

AIKEN TECHNICAL COLLEGE

AREA COMMISSION MEMBERS, OFFICERS, KEY ADMINISTRATIVE STAFF AND OTHER INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017

MEMBERS OF AREA COMMISSION	Term Expires
Dr. Sean Alford	Ex-Officio
Mr. Teresa Haas	Ex-Officio
Mr. Alvin B. Padgett	04/15/21
Mr. Charles L. Munns	Pending
Mr. Carlos F. Garcia, Chairman	04/30/18
Ms. Virginia Hawkins	08/01/18
Mr. Daniel Lloyd, Jr.	01/31/19
Mr. Joe E. Lewis, Vice Chairman	01/31/19
Mr. William J. Windley, Secretary	04/15/20
Ms. Keyatta Priester	04/15/20
Ms. Monica Key	04/30/20

OFFICERS OF AREA COMMISSION

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

KEY ADMINISTRATIVE STAFF

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

AREA COMMISSION MEMBERS, OFFICERS, KEY ADMINISTRATIVE STAFF AND OTHER INFORMATION FOR THE YEAR ENDED JUNE 30, 2017

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, 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College as of June 30, 2017, and the respective changes in financial position, and where applicable, cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 15, and the Schedule of the College's Proportionate Share of the Net Pension Liability and the Schedule of the College's Contributions, as shown on pages 45 through 46, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the College. The Schedule of Area Commission Members, Officers, Key Administrative Staff and Other Information, for the year ended ended June 30, 2017, is presented for purposes of additional analysis and is not a required part of the financial statements of the College.

The Schedule of Area Commission Members, Officers, key Administrative Staff and Other Information for the year ended June 30, 2017 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2017, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Elliott Davis Decosimo, LLC

Augusta, Georgia
September 28, 2017

The management of Aiken Technical College (the "College") offer 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, 2017. This discussion should be read in conjunction with the financial statements and the notes thereto, which follow this section.

The financial statements follow Governmental Accounting Standards Board ("GASB") codifications and related implementation guides. The financial statement presentation provides a comprehensive, entity-wide perspective of the College's assets, deferred outflows, liabilities, deferred inflows, net position, revenues, expenses, changes in net position, and cash flows, and replaces the fund-group perspective previously required before fiscal year 2002. Fiscal year 2017 includes adjustments, calculations, and new information based on GASB Statement 68, relating to economic effects of the College's potential pension responsibilities to employees.

Financial Highlights

- The assets and deferred outflows of Aiken Technical College exceeded its liabilities and deferred inflows at June 30, 2017 by $28,494,937. Of this amount, $18,346,314 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 $15,791,340, shown on the College's Statement of Net Position.
- The College's total net position increased from beginning net position by $1,135,482 or 4.15%. The net investment in capital assets decreased by $1,124,380 reflecting annual depreciation in excess of capital purchases.
- The College recorded $570,502 in capital funding received during the fiscal year.
- Purchases of capital equipment (over $5,000 a unit) arose in connection with College needs in the net amount of $661,330.
- The College experienced an operating loss of $10,914,329, as reported in the Statement of Revenues, Expenses, and Changes in Net Position. However, this operating loss was offset by state appropriations of $4,417,440, local appropriations of $1,910,298, non-operating state and local grants of $142,993, and certain non-operating federal grants of $4,968,331 primarily for pass-through student financial aid and other non-operating revenues.

Overview of the Financial Statements

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

The Statement of Net Position presents the financial position of the College at the end of the fiscal year and classifies assets and liabilities into current and noncurrent. The difference between the sum of total assets and deferred outflows less total liabilities and deferred inflows equals net position, and is displayed in three broad categories: net investment in capital assets, restricted, and unrestricted.

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

Deferred outflows of resources represent consumption of net position that applies to a future reporting period(s) and so will not be recognized as outflows of resources (expense) until then. Deferred inflows of resources represent the acquisition of net position that applies to a future reporting period(s) and so will not be recognized as inflows of resources (revenue) until then. This year's deferred inflows and outflows relate to pension liabilities.

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

The unrestricted net position amount does not reflect a direct relationship to the College's legal financial condition. Recent GASB pronouncements require the College to present a share of the South Carolina Retirement System's ("SCRS") net pension liability, potentially payable to retirees in future years, but not supported by projected SCRS investments and funding. The College is not legally liable for SCRS shortfalls in funding or investment performance, nor does the state require the College to pay out a share of any SCRS potential failure to provide for all future retiree benefits. The College's only responsibility rests with annual contributions to the SCRS's retirement plans, based on pre-determined rates noted in the College's financial statement footnotes. SCRS shortfalls prompted a SC legislature rate increase of .50% in fiscal year 2017, and a further 2% increase for fiscal year 2018. Without the non-recourse pension liability, the unrestricted net position would increase to $18,346,314 from $2,554,974.

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". [1]

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

Further, the current year's financial statements will not be directly comparable to fiscal year's 2018 financial statements, as the College adopts GASB No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions which will require additional non-recourse (non-legal) liability, similar to the pension liability and potentially as large, for retiree health benefits provided by the SCRS, but not supported by advance funding, or projected investment returns. GASB states "the Board believes a legal requirement does not have to exist to create an obligation for Other Postemployment Benefits ("OEB") of an employer for financial reporting purposes"[2]

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.

[1] http://www.retirement.sc.gov.gasb/GASBFactSheet.pdf
[2] GASB Statement 75, pg. 137, para. B1B, 3rd sentence

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, as noted above, the Statement of Cash Flows will take on increased importance as an indicator of the College's financial viability. The current Statement of Cash Flows will remain more directly comparable to future fiscal year presentations, since annual changes in the net pension liability, net of contributions, will be a non-cash entry, unless changed by the South Carolina legislature.

Financial Analysis

Net position increased over fiscal year 2016 net position by $1,135,482. The increase resulted from funds received and expended for construction, cost management appropriate to the College's enrollment size, and related tuition and fees revenue, offset by tuition rate increases, as well as a slight increase in the state appropriations. Operating expenses increased from $21,488,664 to $22,418,469, including a salary and benefits increase from $11,653,518 to $12,463,201.

Student enrollment increased by 103 full time equivalent students or 2.41%.

The College's total assets and deferred outflows exceeded total liabilities and deferred inflows by $28,494,937, taking into account the inclusion of a non-legal (non-recourse) net pension liability.

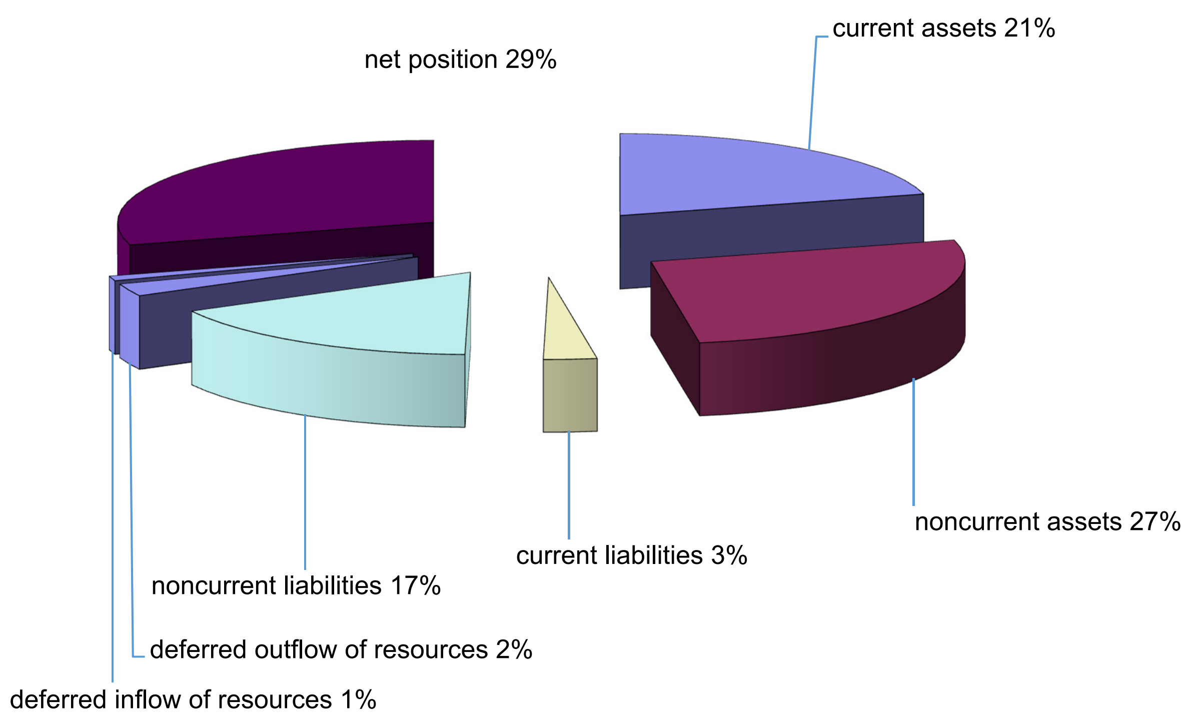
By far, the largest portion of the College's net position (90.82%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related outstanding debt used to acquire the assets. The College acquires these capital assets to provide services to students; consequently, 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 0.21% of the College's net position represents resources subject to external restrictions on how they may be used. The unrestricted net position of $2,554,974 (8.97% of total net position), when adjusted for the non-recourse net pension liability of $15,791,340 results in liquidity of $18,346,314, that may be used to meet the College's ongoing legal obligations. The State Board for Technical Colleges requires the College to maintain one month's operating funds for liquidity. The current unrestricted net position, adjusted for non-recourse liabilities, represents in excess of twelve months normal operating funds.

Total operating expenses increased during the year by $929,805 or 4.33%. Salaries and Benefits, the College's largest expense category, increased by $809,683 or 6.95%, while Supplies and Other Services decreased by $377,531 or 7.3%, largely resulting from reduced instructional computer, and non-capital equipment, purchases. Utilities increased by $42,876 or 5.67% and Scholarships and Fellowships increased by $344,327 or 15.45%. Depreciation increased by $110,450 or 6.59%, reflecting a full year's depreciation for the new Center for Energy and Advanced Manufacturing building.

Charts and graphs follow that pictorially present specific areas of the College's financial condition at June 30, 2017 and comparisons with the prior year.

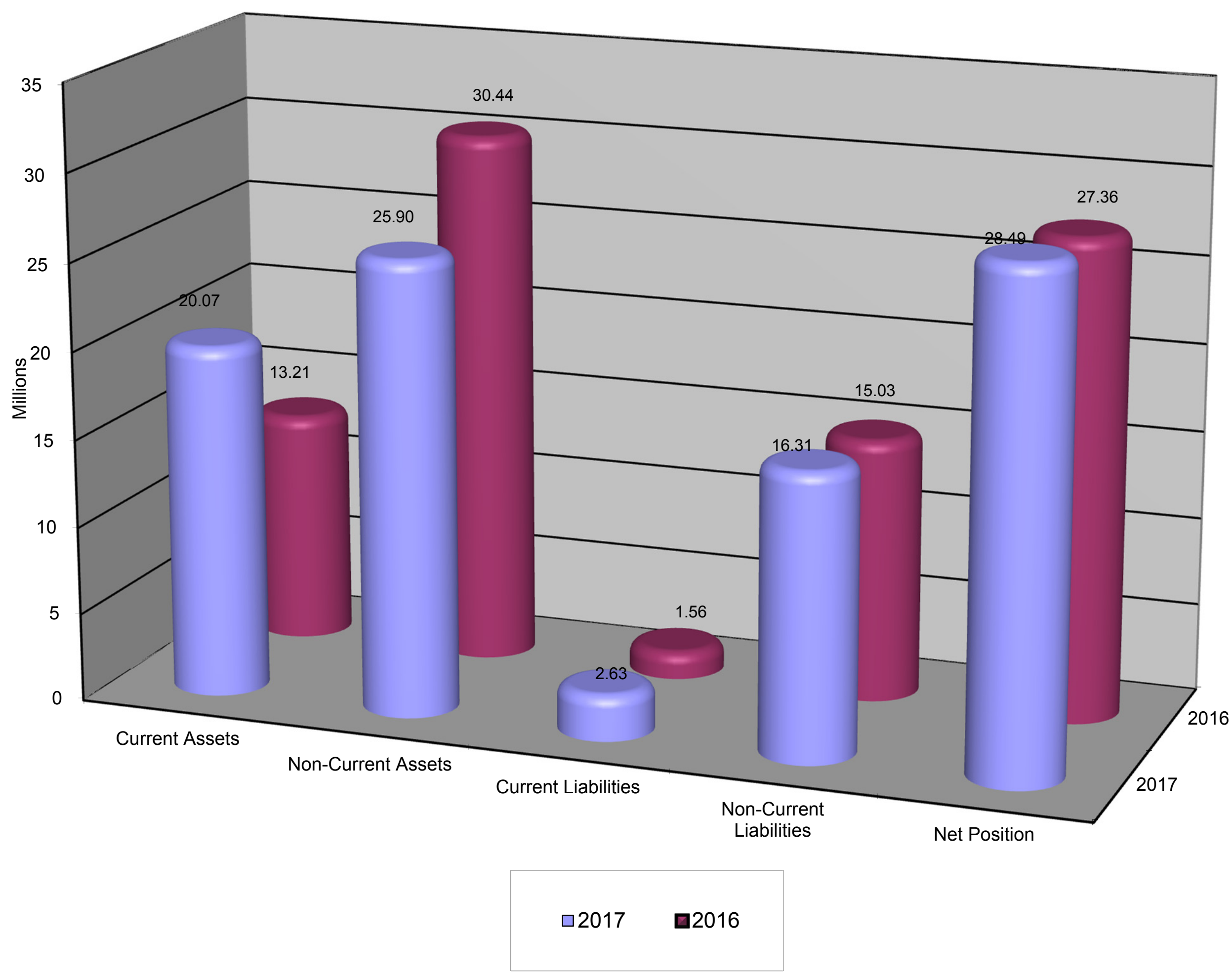
Statement of Net Position Pie Chart Summary



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

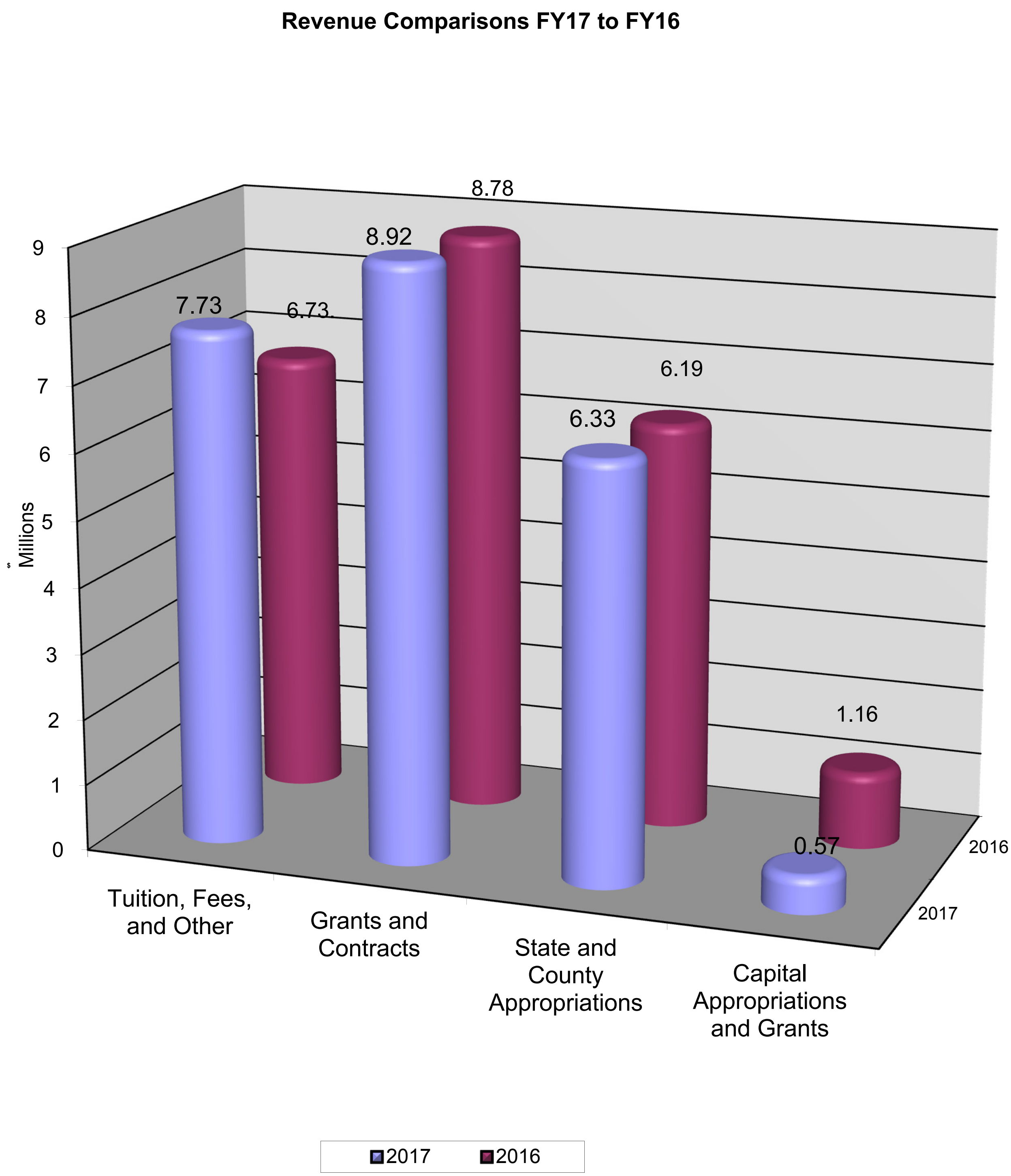
The following graph illustrates the change from the prior year for Assets, Liabilities and Net Position. Current assets increased while noncurrent assets decreased. Current liabilities and noncurrent liabilities increased. Noncurrent liabilities reflect the non-recourse net pension liability. Net Position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

Comparison of Assets, Liabilities, and Net Position



Revenue Comparisons

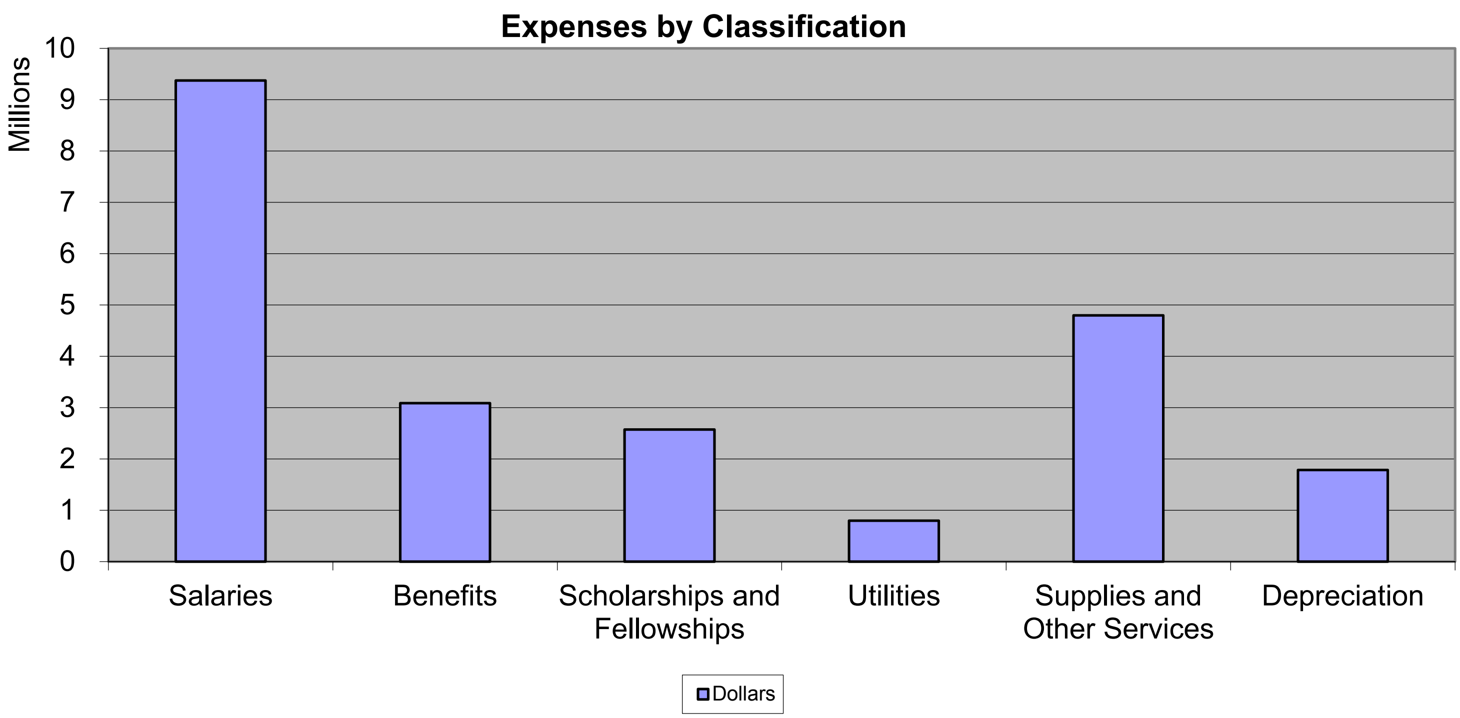
The chart below shows increased Tuition, Fees, and Other revenue. Combined State and County Appropriations increased slightly. Capital Appropriations decreased reflecting last year's completion of a building project, replaced by smaller equipment and infrastructure appropriations. Grants and Contracts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

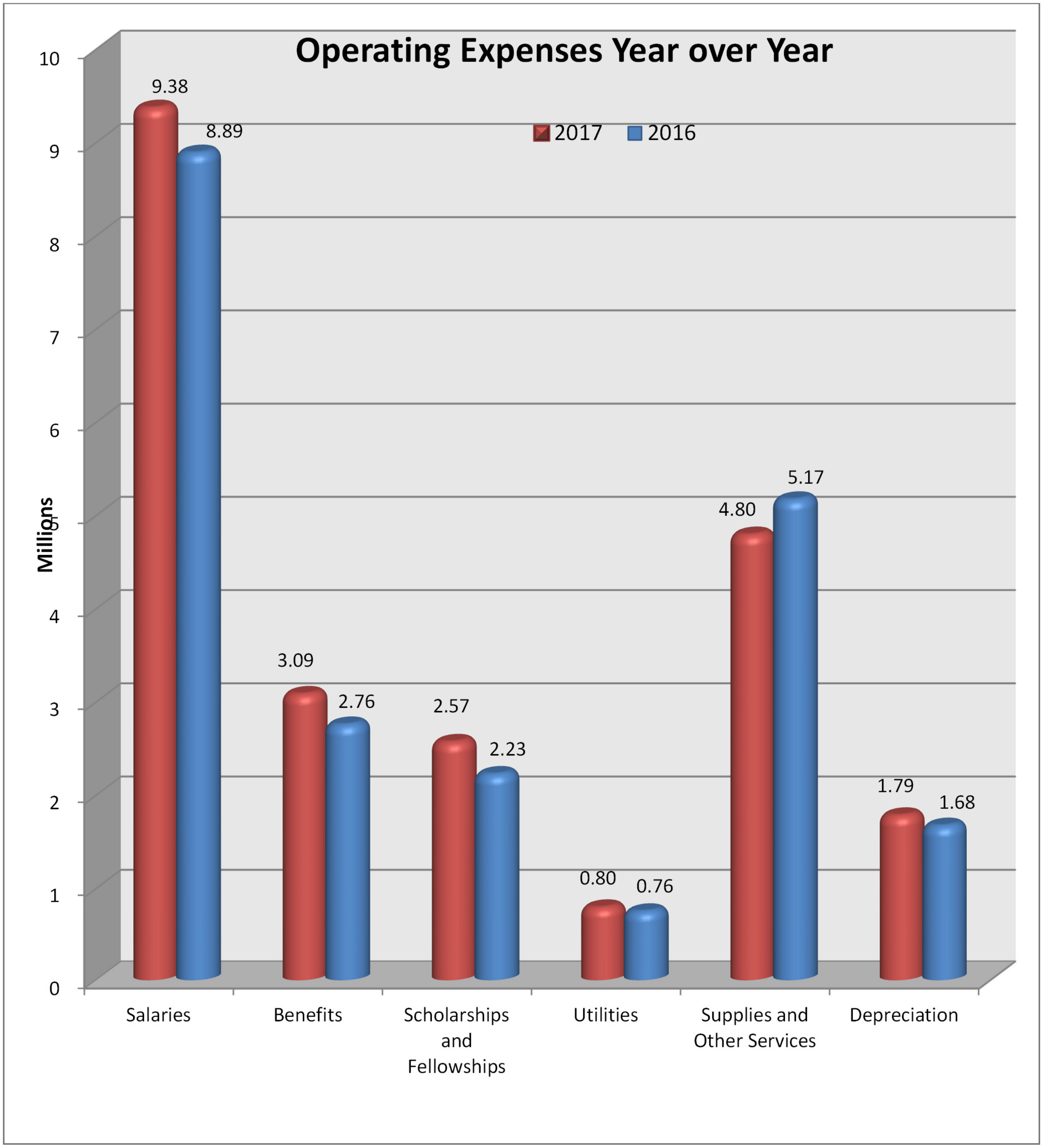


<u>Expenditure Charts</u>

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

(See Financial Analysis text for details)




Operating Expenses Year over Year
2017
2016
Millions
10
9
8
7
6
5
4
3
2
1
0
9.38
8.89
3.09
2.76
2.57
2.23
0.80
0.76
4.80
5.17
1.79
1.68
Salaries
Benefits
Scholarships and Fellowships
Utilities
Supplies and Other Services
Depreciation

Cash Flows

Cash and cash equivalents increased by $6,449,715.

Economic Factors

South Carolina's ("SC") economy continued improvement during fiscal year 2017. At the end of June 2017, the SC Leading Index ("SCLI") of 102.37 continued near a nine year high.[i] According to the SC Department of Commerce a SCLI value greater than 100 forecasts economic growth through the following three to six months.

The SC recovery, reflected in the above indicator, when combined with other state funding priorities, resulted in an increase of the College's share of state revenues for its current year operations, from a comparatively low base. Initial unemployment claims decreased 17.4% from a year ago, suppressing citizens' motivation to return to educational institutions.[ii]

Summary

The College continued towards previously established goals of empowering students, transforming resources into desired outcomes, and aligning College and business resources by managing costs and tuition to enable the funding of current programs, maintain affordability for students, and provide for the maintenance of physical facilities. This year's financial statements reflect this through modest and limited increases in expenditures and tuition rates. Non-state resources aided the achievement of our goals through: College Foundation community program and scholarship support; Aiken County plant maintenance support; and federal & state grant funding for financial aid and College operations.

The College's ability to generate assets and deferred outflows of resources in excess of total liabilities and deferred inflows of resource flows by $28,494,937, as seen in the Condensed Statement of Net Position on the following page, indicates the fiscal soundness of the College. Continuing soundness depends, in part, on future SC legislative decisions related to the funding of the SCRS net pension liability noted in the Overview section.

Condensed Statements of Net Position

			Increase (Decrease)	
ASSETS	06/30/17	06/30/16	$	%
Cash, investments, and other assets	$ 20,084,752	$ 16,643,346	$ 3,441,406	20.68
Capital assets, net	25,879,676	27,004,056	(1,124,380)	(4.16)
Total Assets	45,964,428	43,647,402	2,317,026	5.31
DEFERRED OUTFLOWS OF RESOURCES	2,369,499	1,133,833	1,235,666	-
LIABILITIES				
Accounts payable and other current liabilities	2,630,748	1,560,601	1,070,147	68.57
Long-term liabilities	16,311,105	15,032,977	1,278,128	8.50
Total Liabilities	18,941,853	16,593,578	2,348,275	14.15
DEFERRED INFLOWS OF RESOURCES	897,137	828,202	68,935	-
NET POSITION				
Net investment in capital assets	25,879,676	27,004,056	(1,124,380)	(4.16)
Restricted	60,287	59,072	1,215	2.06
Unrestricted	2,554,974	296,327	2,258,647	762.21
	$ 28,494,937	$ 27,359,455	$ 1,135,482	4.15

Condensed Statements of Revenues, Expenditures and Changes in Net Position

	For the Years Ended		Increase (Decrease)	
Operating Revenues	2017	2016	$	%
Student tuition and fees (net of scholarship allowances of $4,602,682 and $4,683,797, respectively)	$ 6,243,248	$ 5,302,974	$ 940,274	17.73
Grants and contracts	3,809,427	3,752,893	56,534	1.51
Other (net of scholarship allowances of $404,587 and $447,444, respectively)	1,451,465	1,366,949	84,516	6.18
Total Operating Revenues	11,504,140	10,422,816	1,081,324	10.37
Operating Expenses				
Salaries	9,375,975	8,893,500	482,475	5.43
Benefits	3,087,226	2,760,018	327,208	11.86
Scholarships and fellowships	2,573,437	2,229,110	344,327	15.45
Utilities	798,758	755,882	42,876	5.67
Supplies and other services	4,797,363	5,174,894	(377,531)	(7.30)
Depreciation	1,785,710	1,675,260	110,450	6.59
Total Operating Expenses	22,418,469	21,488,664	929,805	4.33
Operating Loss	(10,914,329)	(11,065,848)	151,519	1.37
Non Operating Revenues				
State appropriations	4,417,440	4,201,441	215,999	5.14
County appropriations	1,910,298	1,984,734	(74,436)	(3.75)
Other nonoperating revenues	5,151,571	5,087,747	63,824	1.25
Total nonoperating revenues	11,479,309	11,273,922	205,387	1.82
Income before other revenues	564,980	208,074	356,906	171.53
Capital appropriations, grants, and gifts	570,502	1,156,872	(586,370)	(50.69)
Increase in Net Position	1,135,482	1,364,946	(229,464)	(16.81)
Net Position:				
Net Position, beginning of year	27,359,455	25,994,509	1,364,946	5.25
Net Position, end of year	$ 28,494,937	$ 27,359,455	$ 1,135,482	4.15

[i] SC Department of Commerce Economic Outlook. Division of Research, Volume 10, Issue 6, June 2017, 1st para.
[ii] SC Department of Commerce Economic Outlook. Division of Research, Volume 10, Issue 6, June 2017, pg. 2, 2nd para.

Aiken Technical College

Statement of Net Position

As of June 30, 2017

Assets	
Current Assets	
Cash and cash equivalents	$ 17,462,683
Investments	240,000
Accounts receivable, net	1,957,345
Inventories	370,309
Prepaid expenses	35,873
Total current assets	20,066,210
Noncurrent Assets	
Restricted short-term investments	18,542
Capital assets not being depreciated	947,331
Capital assets, net of accumulated depreciation	24,932,345
Total noncurrent assets	25,898,218
Total assets	45,964,428
Deferred outflow of resources, related to pensions	2,369,499
Liabilities	
Current Liabilities	
Accounts payable	484,619
Accrued payroll liabilities	58,458
Unearned revenues and advances	2,046,611
Accrued compensated absences - current portion	41,060
Total current liabilities	2,630,748
Noncurrent Liabilities	
Accrued compensated absences	515,308
Net pension liability-non-recourse	15,791,340
Restricted liabilities - funds held for others	4,457
Total noncurrent liabilities	16,311,105
Total liabilities	18,941,853
Deferred inflow of resources, related to pensions	897,137
Net Position	
Net investment in capital assets	25,879,676
Restricted expendable for loan fund	60,287
Unrestricted	2,554,974
Total net position	$ 28,494,937

See Notes to the Financial Statements

Aiken Technical College

Statement of Revenues, Expenses and Changes in Net Position

For the year ended June 30, 2017

Revenues	
Operating Revenues	
Student tuition and fees (net of scholarship allowances of $4,513,553)	$ 5,860,563
Student tuition and fees pledged for revenue bonds (net of scholarship allowances of $89,129)	382,685
Federal grants and contracts	1,255,828
State grants and contracts	2,546,003
Local grants and contracts	7,596
Auxiliary enterprises (net of scholarship allowances of $404,587)	927,545
Other operating revenues	523,920
Total operating revenues	11,504,140
Expenses	
Operating Expenses	
Salaries	9,375,975
Benefits	3,087,226
Scholarships and fellowships	2,573,437
Utilities	798,758
Supplies and other services	4,797,363
Depreciation	1,785,710
Total operating expenses	22,418,469
Operating loss	(10,914,329)
Nonoperating revenues	
State appropriations	4,417,440
County appropriations	1,910,298
Federal grants and contracts	4,968,331
State and local grants and contracts	142,993
Interest income	40,247
Net nonoperating revenues	11,479,309
Income before capital grants, gifts, and transfers	564,980
Capital grants and state capital appropriations	570,502
Increase in net position	1,135,482
Net position, beginning of year	27,359,455
Net position, end of year	$ 28,494,937

See Notes to the Financial Statements

Aiken Technical College

Statement of Cash Flows

For the year ended June 30, 2017

Cash flows from operating activities	
Student tuition and fees	$ 5,869,065
Federal, state and local grants and contracts	4,044,158
Auxiliary enterprise charges	859,580
Other receipts	1,319,969
Payments to employees	(12,487,106)
Payments to vendors	(7,784,806)
Net cash used for operating activities	(8,179,140)
Cash flows from noncapital financing activities	
State appropriations	4,417,440
County appropriations	1,929,232
Federal, state and local grants, gifts, and contracts, non-operating	5,103,734
Net cash provided by noncapital financing activities	11,450,406
Cash flows from capital and related financing activities	
Federal, state, and local grants and contracts for capital	570,502
Purchase of capital assets	(661,330)
Net cash provided by capital and related financing activities	(90,828)
Cash flows from investing activities	
Interest on cash and cash equivalents	32,593
Interest on investments	62,920
Proceeds from the sale and maturity of investments	3,173,764
Net cash provided by investing activities	3,269,277
Net increase in cash and cash equivalents	6,449,715
Cash and cash equivalents, beginning of year	11,012,968
Cash and cash equivalents, end of year	$ 17,462,683

See Notes to the Financial Statements

(Continued)

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

Operating loss	$ (10,914,329)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	1,785,710
Pension expense attributable to College share of SCRS expense	156,981
Change in assets and liabilities:	
Accounts receivables, net	(194,555)
Inventories	(67,965)
Prepaid expenses	30,456
Accounts payable	354,297
Accrued payroll liabilities	(135,698)
Accrued compensated absences	(45,190)
Unearned revenues	55,328
Advances	795,825
Net cash used for operating activities	$ (8,179,140)

See Notes to the Financial Statements

(Continued)

Aiken Technical College Foundation - Non-Governmental Discretely Presented Component Unit
Statement of Financial Position
June 30, 2017

Assets	
Current assets	
Cash and cash equivalents	$ 142,198
Pledges receivable	42,055
Total current assets	184,253
Non-current assets	
Investments	5,331,469
Pledges receivable, net	14,045
	5,345,514
Total assets	$ 5,529,767
Liabilities and Net Assets	
Current liabilities	
Accounts payable	$ 7,590
Total current liabilities	7,590
Net assets	
Unrestricted	894,913
Temporarily restricted	3,459,760
Permanently restricted	1,167,504
Total net assets	5,522,177
Total liabilities and net assets	$ 5,529,767

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, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains, and Other Support				
Contributions	$ 28,182	$ 202,451	$ 2,076	$ 232,709
Investment income	33,098	72,930	-	106,028
Net investment gains and other income	157,094	346,211	-	503,305
Net assets released from restrictions	185,165	(185,165)	-	-
Total revenues, gains, and other support	403,539	436,427	2,076	842,042
Expenses				
Program services				
Scholarships	128,491	-	-	128,491
Equipment and building support	18,642	-	-	18,642
Student programs	11,692	-	-	11,692
Other programs	26,341	-	-	26,341
Total program services	185,166	-	-	185,166
Supporting services				
Management and general	139,948	-	-	139,948
Fundraising	29,950	-	-	29,950
Total expenses	355,064	-	-	355,064
Increase in net assets	48,475	436,427	2,076	486,978
Net assets, beginning of year	846,438	3,023,333	1,165,428	5,035,199
Net assets, end of year	$ 894,913	$ 3,459,760	$ 1,167,504	$ 5,522,177

See Notes to the Financial Statements

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

Nature of operations:

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

Reporting entity:

The financial reporting entity, as defined by the Governmental Accounting Standards Board ("GASB"), consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial statements to be misleading or incomplete. Accordingly, the financial statements include the accounts of Aiken Technical College, as the primary government, and the accounts of Aiken Technical College Foundation, Inc. (the "Foundation"), its discretely presented component unit. The College is a component unit of the State of South Carolina.

The Foundation is a legally separate, tax-exempt organization. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The 40-member board of the Foundation is elected by the Foundation's Board of Trustees and consists of the President of the College, one or more members of the Aiken County Commission for Technical Education, the Development Office of the College, and other graduates and friends of the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests, are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College. The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below.

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

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

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

Financial statements:

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

Basis of accounting:

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

Estimates:

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

Cash, cash equivalents and investments:

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

Receivables:

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

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

Inventories:

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

Capital assets:

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

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

Unearned revenues and advances:

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

Compensated absences:

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

Net position:

The College's net position is classified as follows:

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

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

Net position, continued:

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

Restricted net position - nonexpendable: Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. At June 30, 2017, 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.,

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

Income taxes:

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

Classification of revenues:

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

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

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

Classification of revenues, continued:

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

Sales and services of education and other activities:

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

Auxiliary enterprises and internal service activities:

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

Component unit:

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

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

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

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

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

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

Component unit, continued:

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

New accounting pronouncements - adopted:

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

Subsequent events:

These financial statements have not been updated for subsequent events occurring after September 28, 2017, 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, 2017:

Non-capital Appropriations	
Current year's appropriations:	
Final Appropriations Act appropriation as allocated by the State Board for Technical and Comprehensive Education	$ 4,417,440
Total non-capital appropriations recorded as current year revenue	$ 4,417,440
Capital Appropriations	
Current year's appropriations:	
Critical Training and CEAM building related equipment	$ 290,082
Total capital appropriations recorded as current year revenue	$ 290,082

Note 3. Deposits and Investments

Deposits:

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

Custodial credit risk:

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

The deposits for the College at June 30, 2017 were $17,798,934 with a book balance of $17,721,225. 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, 2017 were $142,198. 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, 2017.

Investments:

The College is authorized, by the South Carolina Code of Laws, Section 11-9-660, "Investment of Funds", to invest in obligations of the United States and its agencies, obligations of the State of South Carolina and its political subdivisions, collateralized or federally insured certificates of deposit, and collateralized repurchase agreements. As of June 30, 2017, the College holds one certificate of deposit maturing in July 2017.

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

Statement of Net Position:	
Cash and cash equivalents	$ 17,462,683
Investments	240,000
Restricted investments	18,542
Total statement of net position	$ 17,721,225
Deposits and Investments:	
Carrying value of deposits	$ 17,716,775
Cash on hand	4,450
Total deposits and investments	$ 17,721,225

Note 3. Deposits and Investments, Continued

Fair value of financial instruments:

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

The College's investments consist entirely of $258,542 in certificates of deposits issued by commercial banks. Due to the short-term duration of these investments, management does not consider there to be a significant difference between fair value and the carrying amount. These investments have been categorized as Level 2. Cash equivalents consists of cash held in a money market account and are not included within the fair value hierarchy.

Concentration of credit risk:

Concentration of credit risk is the risk of loss attributed to the magnitude of an institution's investment in a single issuer. As of June 30, 2017, the College maintained less than $250,000 in any CD or money market investment. The College maintains an investment policy procedure awarding investments in certificates of deposit, collateralized, supported by an irrevocable letter of credit, or insured by the Federal Deposit Insurance Corporation ("FDIC"), with no concentration restriction.

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

The Foundation invests in the following rated debt securities at June 30, 2017:

Note 3. Deposits and Investments, Continued

		Quality Ratings				
Rated Debt Securities	**Fair Value**	**AA**	**B**	**BA**	**Lower than BA**	**Unrated**
Bond mutual funds-international	$ 222,913	$ 31,514	$ 63,863	$ 47,246	$ 18,803	$ 61,487
Bond mutual funds-domestic	747,824	549,694	118,023	44,084	15,639	20,385
Money market Mutual funds	194,957	-	-	-	-	194,957
Total fair value	$1,165,694	$ 581,208	$181,886	$ 91,330	$ 34,442	$ 276,829

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, 2017, 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

Rated Debt Securities	**Fair Value**	**Weighted Average Maturity (in years)**
Bond mutual funds - international	$ 222,913	12.71
Bond mutual funds - domestic	747,824	5.39
Money market mutual funds	194,957	0.09
Total fair value	$ 1,165,694	

Aiken Technical College Foundation Investments

Investments	**Fair Value**
Rated debt securities	$ 1,165,694
Equities	3,639,710
Real assets	526,065
Total fair value	$ 5,331,469

Note 4. Receivables

Receivables at June 30, 2017, including applicable allowances for uncollectible receivables, were as follows:

Receivables:	
Student accounts	$ 835,416
Aiken County	26,184
Federal grants and contracts	850,415
State grants and contracts	25,685
Other receivables	451,438
Interest receivable	8,207
Total accounts receivable	2,197,345
Less: allowance for uncollectible receivables	(240,000)
Accounts receivable, net	$ 1,957,345

The College recognized a receivable from the Foundation of $7,590 at June 30, 2017, which is included in the balance above.

The Foundation's pledges receivable at June 30, 2017 were as follows:

Pledges receivable	$ 57,055
Less unamortized discount	(955)
Net pledges receivable	$ 56,100
Amounts due in:	
Less than one year	$ 42,055
One to five years	15,000
	$ 57,055

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

Note 5. Capital Assets

	Beginning Balance July 1, 2016	Increases	Decreases	Ending Balance June 30, 2017
Capital assets not being depreciated:				
Land and improvements	$ 926,922	$ -	$ -	$ 926,922
Construction in progress	20,409	-	-	20,409
Total capital assets not being depreciated	947,331	-	-	947,331
Other capital assets:				
Buildings and improvements	43,302,882	-	-	43,302,882
Machinery, equipment, and other	4,911,856	661,330	199,365	5,373,821
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	50,212,292	661,330	199,635	50,674,257
Less accumulated depreciation for:				
Buildings and improvements	(18,601,106)	(1,246,523)	-	(19,847,629)
Machinery, equipment, and other	(3,943,904)	(461,958)	199,365	(4,206,497)
Intangible assets	(461,809)	-	-	(461,809)
Vehicles	(81,887)	-	-	(81,887)
Depreciable land improvements	(1,066,861)	(77,229)	-	(1,144,090)
Total accumulated depreciation	(24,155,567)	(1,785,710)	199,365	(25,741,912)
Other capital assets, net	26,056,725	(1,124,380)	-	24,932,345
Capital Assets, Net	$ 27,004,056	$ (1,124,380)	$ -	$ 25,879,676

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

Note 6. Retirement Plans

General information:

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

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

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

PEBA issues a Comprehensive Annual Financial Report ("CAFR") containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29222. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is included in the comprehensive annual financial report of the state.

Plan descriptions:

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

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

Note 6. Retirement Plans, Continued

Plan descriptions, continued

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

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

Membership:

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

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

Note 6. Retirement Plans, Continued

Membership, continued:

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

Benefits:

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

- SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.
- The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.
- PORS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

Note 6. Retirement Plans, Continued

Benefits, continued:

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

Contributions:

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. Upon recommendation by the actuary in the annual actuarial valuation, the PEBA Board may adopt and present to the State Fiscal Accountability Authority for approval an increase in the SCRS and PORS employer and employee contribution rates, but any such increase may not result in a differential between the employee and total employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS and 5 percent for PORS.

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

Required employee contribution rates[1] are as follows:

	Fiscal Year 2017	Fiscal Year 2016
SCRS		
Employee Class Two	8.66%	8.16%
Employee Class Three	8.66%	8.16%
State ORP		
Employee	8.66%	8.16%
PORS		
Employee Class Two	9.24%	8.74%
Employee Class Three	9.24%	8.74%

Note 6. Retirement Plans, Continued

Contributions, continued:

Required employer contribution rates[1] are as follows:

	Fiscal Year 2017	Fiscal Year 2016
SCRS		
Employer Class Two	11.41%	10.91%
Employer Class Three	11.41%	10.91%
Employer Incidental Death Benefit	0.15%	0.15%
State ORP		
Employer Contribution[2]	11.41%	10.91%
Employer Incidental Death Benefit	0.15%	0.15%
PORS		
Employer Class Two	13.84%	13.34%
Employer Class Three	13.84%	13.34%
Employer Incidental Death Benefit	0.20%	0.20%
Employer Accidental Death Program	0.20%	0.20%

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

For fiscal year 2017, 2016, and 2015 total ATC employer contribution requirements to the ORP were approximately $113,978, $173,761, and $199,151, (excluding the surcharge). Employee contributions to the State ORP plans approximated $153,954, $129,817, and $147,551, for fiscal years 2017, 2016, and 2015.

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

Net pension liability:
At June 30, 2017, the College reported a liability of $15,791,340 for its proportionate share of the SCRS net pension liability. The net pension liability was measured as of June 30th, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 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, 2016, the College's proportion was 0.074 percent.

Note 6. Retirement Plans, Continued

Pension expense:

For the year ended June 30, 2017, the College recognized pension expense of $1,046,072 as a proportion of the SCRS overall pension expense.

Deferred outflows of resources and deferred inflows of resources:

Changes in net pension liability not included in pension expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension liability are reported as deferred outflows of resources. At June 30, 2017, the College also reported its share of SCRS deferred outflows of resources and deferred inflows of resources, related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 163,696	$ 17,149
Net difference between projected and actual earnings on pension plan investments	1,328,559	-
Changes in proportionate share, plus difference in proportionate share of employer contributions.	-	879,988
College contributions subsequent to the measurement date	877,244	-
Total	$ 2,369,499	$ 897,137

$877,244 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, 2017.

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:

For years ended June 30:

2018	$ 6,311
2019	(79,255)
2020	381,643
2021	286,419
2022	-
Thereafter	-

Note 6. Retirement Plans, Continued

Actuarial assumptions and methods:

The following provides a summary of the actuarial assumptions and methods used in the July 1, 2015 valuations for SCRS.

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

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. Assumptions used in the July 1, 2015 valuations for SCRS are as follows.

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%

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Actuarial assumptions and methods used during the annual valuation process are subject to periodic revision, typically with an experience study, as actual results over an extended period of time are compared with past expectations and new estimates are made about the future.

South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued as of July 1, 2015. The June 30, 2016, total pension liability, net pension liability, and sensitivity information were determined by the Systems consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on the July 1, 2015, actuarial valuations, as adopted by the PEBA Board and SFAA which utilized membership data as of July 1, 2015. The total pension liability was rolled-forward from the valuation date to the Systems' fiscal year ended June 30, 2016, using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by GRS.

Note 6. Retirement Plans, Continued

Actuarial assumptions and methods, continued:

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Global Equity	**43.00%**		
Global Public Equity	34.00%	6.52%	2.22%
Private Equity	9.00%	9.30%	0.84%
Real Assets	**8.00%**		
Real Estate	5.00%	4.32%	0.22%
Commodities	3.00%	4.53%	0.13%
Opportunistic	**20.00%**		
GTAA/Risk Parity	10.00%	3.90%	0.39%
HF (Low Beta)	10.00%	3.87%	0.39%
Diversified Credit	**17.00%**		
Mixed Credit	5.00%	3.52%	0.17%
Emerging Markets Debt	5.00%	4.91%	0.25%
Private Debt	7.00%	4.47%	0.31%
Conservative Fixed Income	**12.00%**		
Core Fixed Income	10.00%	1.72%	0.17%
Cash and Short Duration (Net)	2.00%	0.71%	0.01%
Total Expected Real Return	100.00%		5.10%
Inflation for Actuarial Purpose			2.75%
Total Expected Nominal Return			7.85%

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS 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	$ 19,699,264	$ 15,791,340	$ 12,538,140

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, 2016, 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	$ 45,356,214,752	$ 23,996,362,354	$ 21,359,852,398	52.9%

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 GASB 67 in the System's notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.

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.

Note 7. Postemployment and Other Employee Benefits, Continued

The College recorded benefit expenses for these insurance benefits for active employees in the amount of $21,381 for the year ended June 30, 2017. As discussed in Note 6, the College paid $451,462 applicable to the 5.33% surcharge included with the employer contributions for SCRS (excluding ORP) retirement benefits. These amounts were remitted to the South Carolina Retirement Systems for distribution to the Office of Insurance Services for retiree health and dental insurance benefit.

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

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

Note 8. Contingencies, Litigation, and Project Commitments

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

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

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

Note 9. Lease Obligations

The College's non-cancelable operating leases for copiers provides for an annual renewal option at fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases and are generally payable on a monthly basis. Rental payments for copy equipment totaled $55,603 for fiscal year 2017. The College will continue to lease equipment in the future at these approximate amounts.

Note 10. Noncurrent Liabilities

Accrued compensated absences:

As of June 30, 2016, the College had accrued compensated absences totaling $601,557. During the fiscal year ended June 30, 2017, College absences decreased by $45,189 bringing the accrued compensated absences balance to $556,368 as of June 30, 2017, with $41,060 being due within one year.

Notes Payable:

Long-term liability, excluding funds held for others, activity for the year ended June 30, 2017 was as follows:

	June 30, 2016	Additions	Reductions	June 30, 2017	Due Within One Year
Net pension liability	$14,467,628	$2,184,448	$860,736	$15,791,340	$ -
Accrued compensated absences	601,557	-	45,189	556,368	41,060
Total long-term liabilities	$15,069,185	$2,184,448	$905,925	$16,347,708	$41,060

Note 11. Component Unit

Following is a summary of significant transactions between the Foundation and the College for the year ended June 30, 2017.

The College recorded non-governmental gift receipts of $141,627 from the Foundation in non-operating revenues for the fiscal year ending June 30, 2017. 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 $77,692 for reimbursement for administrative services provided to the Foundation during the year. The College was due $7,590 from the Foundation as of June 30, 2017. The College had no payables due to the Foundation as of June 30, 2017. The Foundation's assets as of June 30, 2017 were $5,529,767 with net assets of $5,522,177.

Note 12. Risk Management

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

Note 12. Risk Management, Continued

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

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

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

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

Theft, damage to, or destruction of assets	Torts
Real property, its contents, and other equipment	Natural disasters
Motor vehicles and watercraft	Medical malpractice claims against the Infirmary

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

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

Note 13. Operating Expenses by Function

Operating expenses by functional classification for the year ended June 30, 2017 are summarized as follows:

	Salaries	Benefits	Scholarships and Fellowships	Utilities	Supplies and Other Services	Depreciation	Total
Instruction	$ 5,656,591	$ 1,809,781	$ -	$ -	$ 1,518,517	$ -	$ 8,984,889
Academic support	853,883	270,256	-	-	174,896	-	1,299,035
Student services	1,266,352	396,086	-	-	397,152	-	2,059,590
Operation and maintenance of plant	218,635	75,342	-	798,758	844,111	-	1,936,846
Institutional support	1,376,744	535,761	-	-	646,609	-	2,559,114
Scholarships	-	-	2,573,437	-	-	-	2,573,437
Auxiliary enterprises	3,770	-	-	-	1,216,078	-	1,219,848
Depreciation	-	-	-	-	-	1,785,710	1,785,710
Total operating expenses	$ 9,375,975	$ 3,087,226	$ 2,573,437	$ 798,758	$ 4,797,363	$ 1,785,710	$ 22,418,469

Schedules of Required Supplementary Information
Schedule of the College's Proportionate Share of the Net Pension Liability
For the year ended June 30, 2017

	SCRS			
	2017	**2016**	**2015**	**2014**
College's proportion of the net pension liability	0.73930%	0.07628%	0.08209%	0.08209%
College's proportionate share of the net pension liability	$ 15,791,340	$ 14,467,628	$ 14,133,196	$ 14,724,018
College's covered payroll during measurement period	$ 6,286,230	$ 6,151,445	$ 6,294,265	$ 6,605,935
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	251.21%	235.19%	224.54%	222.89%
Plan fiduciary net position as a percentage of the total pension liability	52.91%	56.99%	59.90%	56.39%

Schedules of Required Supplementary Information
Schedule of the College's Contributions
For the year ended June 30, 2017

	SCRS									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	$ 763,266	$ 685,828	$ 661,280	$ 657,751	$ 690,320	$ 604,289	$ 510,140	$ 509,942	$ 526,626	$ 593,478
Contributions in relation to the contractually required contribution	763,266	685,828	661,280	657,751	690,320	604,289	510,140	509,942	526,626	593,478
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College's covered-employee payroll	$ 6,689,450	$ 6,286,230	$ 6,151,445	$ 6,294,265	$ 6,605,935	$ 6,438,879	$ 6,334,137	$ 6,329,092	$ 6,510,501	$ 6,493,596
Contributions as a percentage of covered-employee payroll	11.41%	10.91%	10.75%	10.45%	10.45%	9.39%	8.05%	8.06%	8.09%	9.14%