

Aiken Technical College

Report on the Financial Statements

For the year ended June 30, 2013

	<u>Page</u>
Area Commission Members, Officers, Key Administrative Staff and Other Information	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-13
Financial Statements	
Statement of Net Position	14
Statements of Revenues, Expenses and Changes in Net Position	15
Statements of Cash Flows	16-17
Component Unit – Statement of Financial Position and Statement of Activities	18-19
Notes to the Financial Statements	20-37

AIKEN TECHNICAL COLLEGE

**AREA COMMISSION MEMBERS, OFFICERS, KEY ADMINISTRATIVE STAFF AND OTHER INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013**

MEMBERS OF AREA COMMISSION

Term Expires

Mr. Michael R. Rose, Vice-Chair	04/30/16
Mr. Charles L. Munns	04/15/17
Mr. Joe E. Lewis	01/31/15
Dr. Elizabeth Everitt	Ex-Officio
Mr. Carlos F. Garcia, Chairman	04/30/14
Ms. Patricia E. Guglieri	04/15/17
Ms. K. D. Justyn	08/01/14
Mr. Augustus T. Stephens, Jr., Secretary	01/31/15
Mr. Timothy W. Simmons	Ex-Officio
Mr. William J. Windley	04/15/16
Ms. Collette Ball	04/15/16

OFFICERS OF AREA COMMISSION

Mr. Carlos F. Garcia, Chairman
Mr. Augustus T. Stephens, Jr., Secretary

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, Dean, Student Development
Mr. Bryan Newton, Associate Vice President of Marketing & Enrollment Management

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 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



INDEPENDENT AUDITOR'S REPORT

Aiken Technical College
Aiken, South Carolina

Report on the Financial Statements

We have audited the accompanying statements of Aiken Technical College (the "College"), as of and for the year ended June 30, 2013, 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 statements reflect 100% of the total assets, 100% of the net assets, and 100% of the total revenues of the discretely presented component unit. Those financial 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.

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 College'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 College'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 College as of June 30, 2013, 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.

Other Matters

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 13 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 27, 2013 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Elliott Davis, LLC

Augusta, Georgia
September 27, 2013

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, 2013. 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) Statements No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, and related subsequent implementation guides. The financial statement presentation required by GASB Statements No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the College's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows and replaces the fund-group perspective previously required.

Financial Highlights

- The assets of Aiken Technical College exceeded its liabilities at June 30, 2013 by \$34,243,912. Of this amount, \$10,184,113 may be used to meet the College's ongoing obligations.
- The College's total net position increased by \$2,710,136 or 8.59%. The net investment in capital assets increased by \$331,175, reflecting new renovations and capital purchases in excess of depreciation. The College received \$2,638,853 in capital funding, including \$2,445,000 from state resources, \$191,850 from state agencies equipment transfers and \$2,003 from federal resources. Last year the College received \$211,084 in total capital funding.
- Purchases of capital (over \$5,000 a unit) equipment arose in connection with normal replacements in the amount of \$520,614. Purchases of non-capital equipment and supplies, lasting more than one year, totaled \$78,751.
- The College experienced an operating loss of \$12,067,482 as reported in the Statement of Revenues, Expenses, and Changes in Net Position. However, this operating loss was offset by state appropriations of \$3,628,774, local appropriations of \$1,781,453, and certain non-operating federal grants of \$6,562,470, 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.

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

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 nonoperating 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.

Financial Analysis

Net Position increased over FY 2012 by \$2,710,136. This increase was well above FY 2012's increase over FY 2011 of \$1,002,582. The change resulted primarily from a one-time state capital appropriation restricted to capital improvements. Operating expenses decreased from \$23,793,857 to \$23,465,991. Student enrollment decreased by 402 full time equivalent students or 6.86%.

Net position may serve over time as a useful indicator of an entity's financial position. The College's total assets exceeded total liabilities by \$34,243,912, at the close of the current fiscal year.

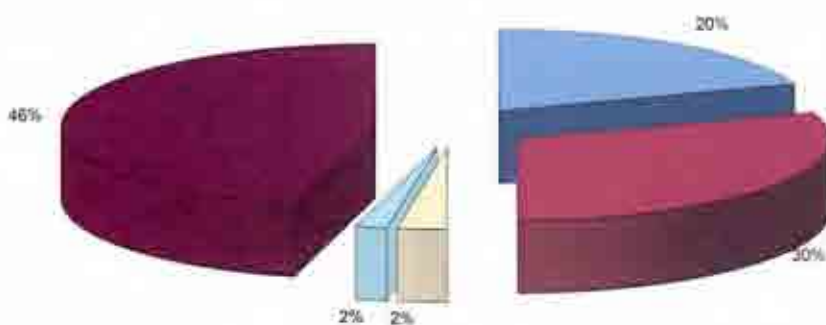
By far the largest portion of the College's net position (62.53%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related outstanding debt used to acquire the assets. The College acquires these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the College's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Only 7.73% of the College's net position represents resources subject to external restrictions on how they may be used. *Unrestricted net position* of \$10,184,113 (29.74% of total net assets) may be used to meet the College's ongoing obligations. The State Board for Technical Colleges requires the College to maintain one month's operating funds for liquidity. The current unrestricted net position listed above represents in excess of five months normal operating funds.

Total operating expenses decreased during the year by \$327,866 or 1.38%. The decrease mainly reflects the effort to align the operating budget within enrollment decreases. Salaries and Benefits, the College's largest expense category, increased by 2.24%, while Supplies and Other Services decreased by 17.41%. Utilities increased by 5.88%. Instruction and Academic Support functions decreased by \$382,401 or 3.62%. Student Services and Institutional Support functions expenditures increased by a total of \$257,923 or 5.37%, reflecting increased enrollment management cost. Plant Maintenance and Operation decreased by \$232,365, or 10.84%, resulting from decreased non-capital projects, and repairs. Depreciation increased by \$30,477 or 2.14%.

Charts and graphs follow that pictorially present specific areas of the College's financial condition at June 30, 2013 and comparisons with the prior year.

Statement of Net Position Pie Chart Summary

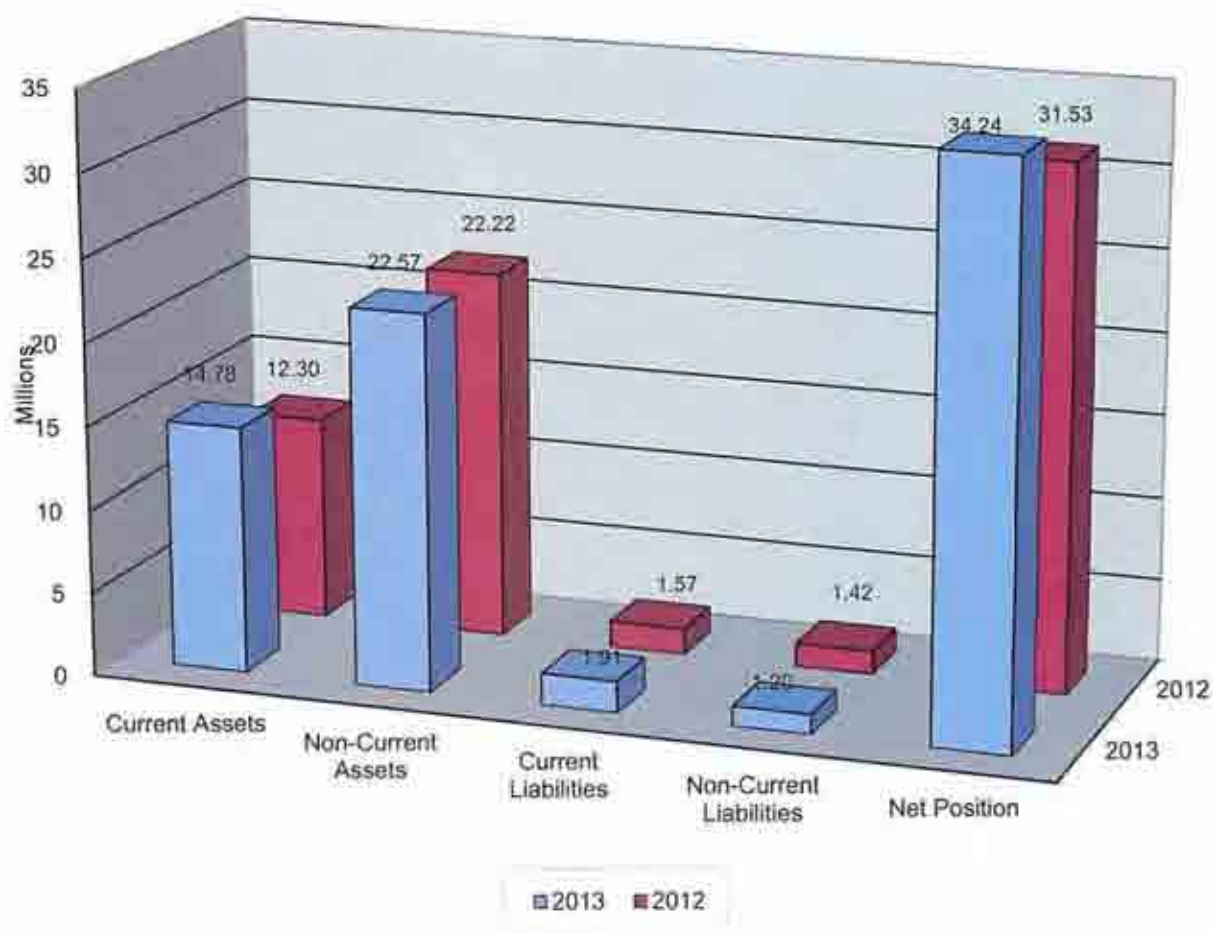


current assets	20%
non current assets	30%
current liabilities	2%
noncurrent liabilities	2%
net position	46%

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 and Noncurrent Assets increased. Current Liabilities increased and Noncurrent Liabilities decreased. Net Position increased slightly.

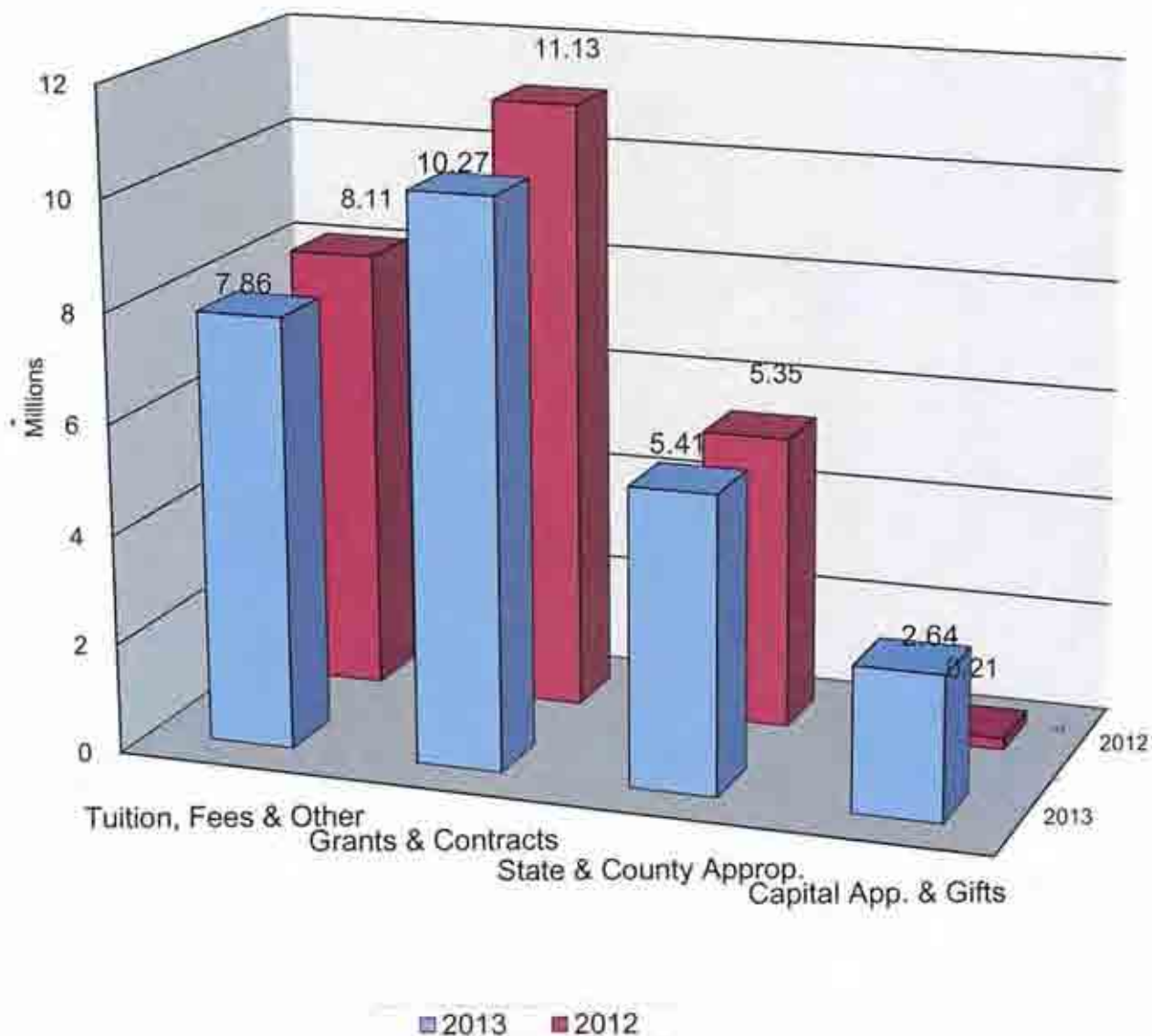
Comparison of Assets, Liabilities, and Net Position



Revenue Comparisons

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

Revenue Comparisons FY13 to FY12



Aiken Technical College

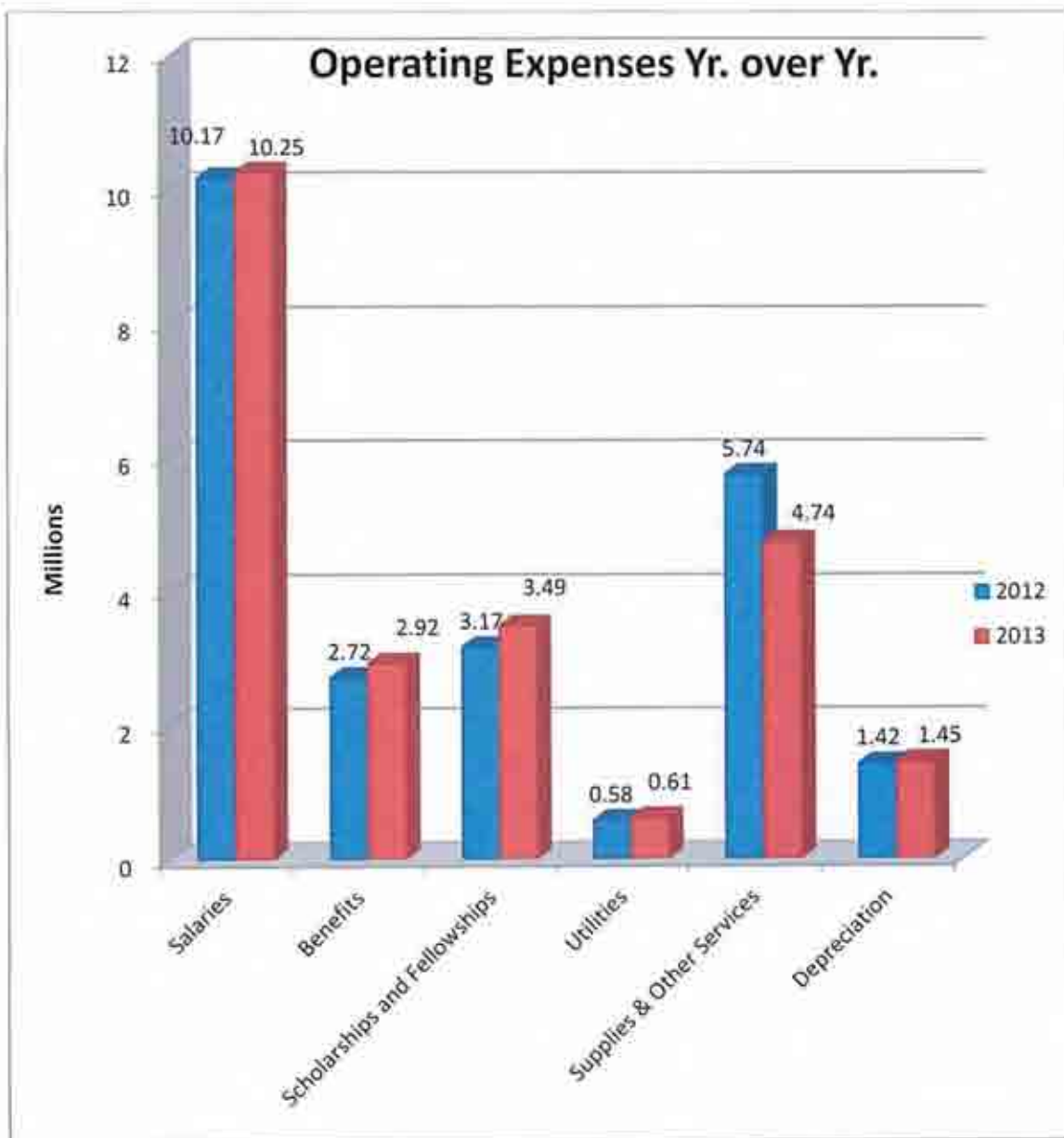
Management's Discussion and Analysis

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 increased by \$2,748,723.

The College continued to maintain current status on all mortgage liabilities.

Economic Factors

South Carolina (SC) economic stagnation improved. At the end of fiscal year 2013 the overall SC unemployment rate was at 8.1%, down from 9.4% at the end of fiscal year 2012.

The slow 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 fewer students decided to return to school which is reflected in lower enrollment numbers.

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, reflected by a decrease in non-scholarship expenditures, and a low level of state operational funding. The state provided special line item capital funds of \$2,445,000. 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 increase Cash, Investments, and Other Assets in excess of Total Liabilities by \$34,243,912, as seen in the Condensed Statement of Net Position below, indicates the fiscal soundness of the College.

Aiken Technical College

Management's Discussion and Analysis

Condensed Statements of Net Position

	For the Year Ended		Increase(Decrease)	
	30-Jun-13	30-Jun-12	\$	%
ASSETS				
Cash, Investments, and other assets	\$15,047,705	\$12,352,546	\$2,695,159	21.82%
Capital Assets, net	22,305,194	22,200,373	104,821	0.47%
Total Assets	37,352,899	34,552,919	2,799,980	8.10%
LIABILITIES				
Accounts payable and other current liabilities	1,913,519	1,596,900	316,619	19.83%
Long-term liabilities	1,195,468	1,422,243	(226,775)	-15.94%
Total Liabilities	3,108,987	3,019,143	89,844	2.98%
NET POSITION				
Net investment in capital assets	21,413,128	21,081,953	331,175	1.57%
Restricted	2,646,671	1,546,294	1,100,377	71.16%
Unrestricted	10,184,113	8,905,529	1,278,584	14.36%
	\$34,243,912	\$31,533,776	\$2,710,136	8.59%

Aiken Technical College

Management's Discussion and Analysis

Condensed Statement of Revenues, Expenditures and Changes In Net Position

	Year Ended 2013	Year Ended 2012	Increase (Decrease)	
			\$	%
Operating Revenues				
Student tuition and fees (net of scholarship allowances of \$7,039,158 and \$7,121,471)	6,080,994	6,261,261	(180,267)	(2.88)
Grants & Contracts	3,530,652	3,975,329	(444,677)	(11.19)
Other	1,786,863	1,864,687	(77,824)	(4.17)
Total Operating Revenues	11,398,509	12,101,277	(702,768)	(5.81)
Operating Expenses				
Salaries	10,248,126	10,168,261	79,865	0.79
Benefits	2,924,305	2,715,628	208,677	7.68
Scholarships & fellowships	3,487,212	3,168,858	318,354	10.05
Utilities	612,938	578,877	34,061	5.88
Supplies & other services	4,741,820	5,741,120	(999,300)	(17.41)
Depreciation	1,451,590	1,421,113	30,477	2.14
Total Operating Expenses	23,465,991	23,793,857	(327,866)	(1.38)
Operating Loss	(12,067,482)	(11,692,580)	(374,902)	3.21
Non Operating Revenues				
State Appropriations	3,628,774	3,472,002	156,772	4.52
County Appropriations	1,781,453	1,878,420	(96,967)	(5.16)
Other nonoperating revenues & expenses	6,728,538	7,133,656	(405,118)	(5.68)
Total nonoperating revenues	12,138,765	12,484,078	(345,313)	(2.77)
Income before other revenues (expenses)	71,283	791,498	(720,215)	(90.99)
Capital Appropriations, grants & gifts	2,638,853	211,084	2,427,769	1,150.14
Increase in Net Position	2,710,136	1,002,582	1,707,554	170.32
Net Position:				
Net Position, beginning of year	31,533,776	30,531,194	1,002,582	3.28
Net Position, end of year	\$34,243,912	\$31,533,776	\$2,710,136	8.59

Aiken Technical College**Statement of Net Position****As of June 30, 2013**

Assets**Current Assets**

Cash and cash equivalents	\$ 10,079,494
Investments	1,708,458
Accounts receivable, net	2,286,914
Inventories	596,308
Prepaid expenses	112,282
Total current assets	<u>14,783,456</u>

Noncurrent Assets

Investments	245,745
Restricted short-term investments	18,504
Capital assets, net of accumulated depreciation	22,305,194
Total noncurrent assets	<u>22,569,443</u>
Total assets	<u>\$ 37,352,899</u>

Liabilities**Current Liabilities**

Accounts payable	\$ 483,015
Accrued payroll liabilities	30,518
Deferred revenues and advances	1,115,771
Bonds and loans payable - current portion	226,365
Accrued compensated absences - current portion	57,850
Total current liabilities	<u>1,913,519</u>

Noncurrent Liabilities

Bonds and loans payable	665,701
Accrued compensated absences	525,311
Restricted liabilities - funds held for others	4,456
Total noncurrent liabilities	<u>1,195,468</u>
Total liabilities	<u>3,108,987</u>

Net Position

Net investment in capital assets	21,413,128
Restricted for debt service	271,918
Restricted for loan fund	55,364
Restricted for capital improvements	2,319,389
Unrestricted	10,184,113
Total net position	<u>\$ 34,243,912</u>

See Notes to the Financial Statements

Aiken Technical College

Statement of Revenue, Expenses and Changes in Net Position

For the year ended June 30, 2013

Revenues

Operating Revenues

Student tuition and fees (net of scholarship allowances of \$5,076,198)	\$ 5,636,633
Student tuition and fees pledged for revenue bonds (net of scholarship allowances of \$103,573)	444,361
Federal grants and contracts	868,485
State grants and contracts	2,636,630
Local grants and contracts	25,537
Auxiliary enterprises (net of scholarship allowances of \$511,034)	1,297,832
Other operating revenues	489,031
Total operating revenues	<u>11,398,509</u>

Expenses

Operating Expenses

Salaries	10,248,126
Benefits	2,924,305
Scholarships and fellowships	3,487,212
Utilities	612,938
Supplies and other services	4,741,820
Depreciation	1,451,590
Total operating expenses	<u>23,465,991</u>
Operating loss	<u>(12,067,482)</u>

Nonoperating revenues (expenses)

State appropriations	3,628,774
County appropriations	1,781,453
Federal grants and contracts	6,562,470
State and local grants and contracts	171,909
Interest income	44,107
Interest expense	(49,948)
Net nonoperating revenues	<u>12,138,765</u>
Income before capital grants, gifts, and transfers	71,283

State capital appropriations	2,445,000
Capital grants and gifts	2,003
Capital transferred in from other state agencies	191,850
Increase in net position	<u>2,710,136</u>

Net position, beginning of year	31,533,776
Net position, end of year	<u>\$ 34,243,912</u>

See Notes to the Financial Statements

Aiken Technical College

Statement of Cash Flows

For the year ended June 30, 2013

Cash flows from operating activities

Student tuition and fees (net of scholarship allowances)	\$ 6,282,825
Federal, state and local grants and contracts	3,893,034
Auxiliary enterprise charges (net of scholarship allowances)	1,033,770
Other receipts	650,485
Payments to employees	(13,149,998)
Payments to vendors	(8,588,431)
Net cash used in operating activities	<u>(9,878,315)</u>

Cash flows from noncapital financing activities

State appropriations	3,521,933
County appropriations	1,766,453
Federal, state and local grants, gifts, and contracts, non-operating	6,503,236
Expended for agency funds	(60)
Net cash provided by noncapital financing activities	<u>11,791,562</u>

Cash flows from capital and related financing activities

State appropriations for capital	2,445,000
Federal, state, and local grants and contracts for capital	193,853
Principal paid on federal loan	(10,066)
Purchase of capital assets	(1,556,411)
Principal paid on capital debt	(216,289)
Interest paid on capital debt	(49,948)
Net cash provided by capital and related financing activities	<u>806,139</u>

Cash flows from investing activities

Interest on cash and cash equivalents	30,673
Interest on investments	10,222
Proceeds from the sale and maturity of investments	1,456,361
Purchases of investments	(1,467,919)
Net cash provided by investing activities	<u>29,337</u>
Net increase in cash and cash equivalents	<u>2,748,723</u>

Cash and cash equivalents, beginning of year

7,330,771

Cash and cash equivalents, end of year

\$ 10,079,494

(Continued)

Aiken Technical College

Statement of Cash Flows

For the year ended June 30, 2013

Non-cash capital and related financing activities

The College received, as non-cash transactions, \$168,366 in capitalized equipment and \$23,483 in non-capital equipment transferred in from another technical college.

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

Operating loss	\$ (12,067,482)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	1,451,590
Change in assets and liabilities:	
Accounts receivables, net	683,539
Inventories	(263,805)
Prepaid expenses	1,585
Accounts payable	251,949
Accrued payroll liabilities	30,518
Accrued compensated absences	(8,080)
Deferred revenues	(125,592)
Advances	167,463
Net cash used in operating activities	<u>\$ (9,878,315)</u>

Aiken Technical College - Component Unit**Statement of Financial Position - Aiken Technical College Foundation, Inc.****June 30, 2013**

Assets**Current assets**

Cash and cash equivalents	\$ 1,394,720
Pledges receivable	299,339
Prepaid expenses and other current assets	199
Total current assets	<u>1,694,258</u>

Other assets

Investments	4,475,537
Pledges receivable	293,208
	<u>4,768,745</u>
Total assets	<u>\$ 6,463,003</u>

Liabilities and Net Assets**Current liabilities**

Accounts payable	\$ 231,143
Total current liabilities	<u>231,143</u>

Net assets

Unrestricted	1,002,365
Temporarily restricted	4,122,342
Permanently restricted	<u>1,107,153</u>
Total net assets	<u>6,231,860</u>
Total liabilities and net assets	<u>\$ 6,463,003</u>

See Notes to the Financial Statements

Aiken Technical College - Component Unit*Statement of Activities - Aiken Technical College Foundation, Inc.**For the year ended June 30, 2013*

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains, and Other Support				
Contributions	\$ 65,957	\$ 964,823	\$ 300	\$ 1,031,080
Investment income	54,440	88,043	-	142,483
Net investment gains and other income	121,550	206,671	-	328,221
Net assets released from restrictions	195,963	(195,963)	-	-
Total revenues, gains, and other support	437,910	1,063,574	300	1,501,784
Expenses				
Program services				
Scholarships	109,304	-	-	109,304
Equipment and building support	53,673	-	-	53,673
Student programs	22,427	-	-	22,427
Other programs	31,518	-	-	31,518
Total program services	216,922	-	-	216,922
Supporting services				
Management and general	116,206	-	-	116,206
Fundraising	49,732	-	-	49,732
Total expenses	382,860	-	-	382,860
Increase in net assets	55,050	1,063,574	300	1,118,924
Net assets, beginning of year	947,315	3,058,768	1,106,853	5,112,936
Net assets, end of year	\$ 1,002,365	\$ 4,122,342	\$ 1,107,153	\$ 6,231,860

See Notes to the Financial Statements

Aiken Technical College

Notes to the Financial Statements

June 30, 2013

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 component unit. The College is a component unit of the State of South Carolina.

The Foundation is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The 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, 2013

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) 593-9231, ext. 1332, 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.

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.

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

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.

Deferred revenues and advances:

Deferred 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. Deferred 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.

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

Net Position:

In June 2011, the GASB approved Statement Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement Number 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period. Concepts Statement Number 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amended the net asset reporting requirements in Statement Number 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. Management implemented this Statement this year. The impact of this Statement did not have a material effect on the College's financial statements.

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, 2013, the College did not report 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.

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.

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

Income taxes:

The College and Foundation are exempt from income taxes under the Internal Revenue Code and similar state tax code.

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.

Capitalized interest:

When material, the College capitalizes as a component of construction in progress interest cost in excess of earnings on debt associated with capital projects that will be capitalized in the applicable capital asset categories upon completion. The College incurred \$55,630 of interest cost during the year ended June 30, 2013, of which \$5,682 was capitalized as part of construction in progress.

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

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.

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 27, 2013 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.

Aiken Technical College
Notes to the Financial Statements
June 30, 2013

Note 2. State Appropriations, Continued

The following is a reconciliation of the state appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2013:

Non-capital Appropriations

Current year's appropriations:

Final Appropriations Act appropriation as allocated by the State Board for
Technical and Comprehensive Education

\$ 3,628,774

Total non-capital appropriations recorded as current year revenue

\$ 3,628,774

Capital Appropriations

Current year's appropriations:

Special line item Center for Engineering and Manufacturing Project

\$ 2,445,000

Total capital appropriations recorded as current year revenue

\$ 2,445,000

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, 2013, were \$12,927,977 with a book balance of \$12,052,201. 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, 2013, were \$1,394,720. The Foundation is not bound by State law requiring collateralization of deposits; however the Federal Deposit Insurance Corporation insured the total amount deposited.

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 2013 to June 2015.

Aiken Technical College
Notes to the Financial Statements
June 30, 2013

Note 3. Deposits and Investments, Continued

Investments, continued:

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	\$ 10,079,494
Investments	1,954,203
Restricted short-term investments	18,504
Total statement of net position	<u>\$ 12,052,201</u>

Deposits and Investments:

Carrying value of deposits	\$ 12,047,951
Cash on hand	4,250
Total deposits and investments	<u>\$ 12,052,201</u>

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, 2013, 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 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 less than \$250,000 each 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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More than 10</u>
<u>Debt Securities</u>					
Money market mutual funds	\$ 122,698	\$ 122,698	\$ -	\$ -	\$ -
Bond mutual funds - international	268,320	-	-	-	268,320
Bond mutual funds - domestic	959,953	-	107,784	852,169	-
Total debt securities	1,350,971	122,698	107,784	852,169	268,320
<u>Other Securities</u>					
Mutual funds - equities	2,680,576	-	-	-	-
Real estate funds	443,990	-	-	-	-
Total investments	<u>\$ 4,475,537</u>	<u>\$ 122,698</u>	<u>\$ 107,784</u>	<u>\$ 852,169</u>	<u>\$ 268,320</u>

Aiken Technical College
Notes to the Financial Statements
June 30, 2013

Note 3. Deposits and Investments, Continued

Concentration of credit risk, continued:

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 fund - International	\$ 268,320	\$ -	\$ -	\$ -	\$ -	\$ 268,320
Bond mutual fund - domestic	959,953	-	5,654	54,594	111,130	788,575
Money market mutual funds	122,698	-	-	-	-	122,698
Total fair value	<u>\$ 1,350,971</u>	<u>\$ -</u>	<u>\$ 5,654</u>	<u>\$ 54,594</u>	<u>\$ 111,130</u>	<u>\$ 1,179,593</u>

Interest Rate Risk:

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

For the year ended June 30, 2013, 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 fund - international	\$ 268,320	9.99
Bond fund - domestic	959,953	5.59
Money market mutual funds	122,698	0.07
Total fair value	<u>\$ 1,350,971</u>	

Aiken Technical College

Notes to the Financial Statements

June 30, 2013

Note 4. Receivables

Receivables at June 30, 2013, including applicable allowances for uncollectibles, were as follows:

Receivables:

Student accounts	\$ 956,885
Aiken County	875,000
Federal grants and contracts	233,588
State grants and contracts	172,505
Local grants and contracts	362,929
Interest receivable	12,007
Total accounts receivable	2,612,914
Less: allowance for uncollectibles	(326,000)
Net accounts receivable	<u>\$ 2,286,914</u>

The College recognized a receivable from the Foundation of \$231,143 at June 30, 2013.

The Foundation's pledges receivable at June 30, 2013 were as follows:

Pledges receivable	\$ 604,304
Less unamortized discount	(11,757)
Net pledges receivable	<u>\$ 592,547</u>
Amounts due in:	
Less than one year	\$ 286,065
One to five years	306,482
	<u>\$ 592,547</u>

Pledges receivable are reflected at the present value of estimated future cash flows using a discount rate of 1.39%.

Aiken Technical College
Notes to the Financial Statements
June 30, 2013

Note 5. Capital Assets

	Beginning Balance July 1, 2012	Increases	Decreases	Ending Balance June 30, 2013
Capital assets not being depreciated:				
Land and improvements	\$ 926,922	\$ -	\$ -	\$ 926,922
Construction in progress	82,697	19,134	82,697	19,134
Total capital assets not being depreciated	1,009,619	19,134	82,697	946,056
Other capital assets:				
Buildings and improvements	34,094,064	1,100,388	-	35,194,452
Machinery, equipment, and other	3,972,949	520,614	276,634	4,216,929
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	40,064,567	1,621,002	276,634	41,408,935
Less accumulated depreciation for:				
Buildings and improvements	(14,100,107)	(1,095,770)	-	(15,195,877)
Machinery, equipment, and others	(3,411,185)	(262,242)	(275,606)	(3,949,033)
Intangible assets	(461,809)	-	-	(461,809)
Vehicles	(65,538)	(16,349)	-	(81,887)
Depreciable land improvements	(835,174)	(77,229)	-	(912,403)
Total accumulated depreciation	(18,873,813)	(1,451,590)	(275,606)	(20,049,797)
Other capital assets, net	21,190,754	169,412	1,028	21,359,138
Capital Assets, Net	\$ 22,200,373	\$ 188,546	\$ 83,725	\$ 22,305,194

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.

Aiken Technical College

Notes to the Financial Statements

June 30, 2013

Note 6. Retirement Plans

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. The Retirement Division and the five pension plans are also included in the State of South Carolina's CAFR.

Employees participating in the SCRS plan were required to contribute 7.0% of their annual covered salary effective July 1, 2012. The College is required to contribute at an actuarially determined rate of 15.15% of annual covered payroll. Included in the total SCRS employer contribution rate is a base contribution of 10.45%, .15% for the incidental death program and a 4.55% surcharge that will fund retiree health and dental insurance coverage. The College's contributions to SCRS for the years ended June 30, 2013, 2012 and 2011 were \$690,320, \$604,289 and \$510,140 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.

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, 10.60% plus the retiree surcharge of 4.55% from the employer in fiscal year 2013. Of the 10.60% employer retirement contribution rate, the employer remits 5.00% directly to the participant's ORP account and the remaining 5.45% and .15% incidental death program contribution amounts are remitted to SCRS.

For fiscal year 2013, 2012 and 2011 total contributions requirements to the ORP were approximately \$249,262, \$210,752, and \$167,937 (excluding the surcharge) from the College as employer and approximately \$60,927, \$57,263, and \$53,197 from its employees as plan members, respectively.

Note 6. Retirement Plans, Continued

Deferred Compensation Plans:

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

Note 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 \$23,086 for the year ended June 30, 2013. As discussed in Note 6, the College paid \$300,570 applicable to the 4.55 percent surcharge included with the employer contributions for 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.

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. Accordingly, the cost of providing these benefits for retirees is not included in the accompanying financial statements.

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 and PORS benefits.

Aiken Technical College
Notes to the Financial Statements
June 30, 2013

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 acquisition, construction, renovation and equipping of certain facilities with an approximate cost of \$93,000, which will be capitalized in the applicable capital asset categories upon completion. At June 30, 2013, the College had no outstanding commitment balances with property owners, engineering firms, construction contractors and vendors related to these projects.

The College anticipates funding these projects with current resources, current and future bond issues, private gifts, student fees, and State capital improvement bond proceeds. The State has issued 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, 2013.

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 \$50,043 for fiscal year 2013. The College will continue to lease equipment in the future at these approximate amounts.

Contingent copier leases/payments amounted to \$39,525 for the fiscal year 2013.

Note 10. Bonds and Loan Payable

Bonds and loans payable consisted of the following at June 30, 2013:

Revenue Bonds

Special Fee Capital Improvement and Refunding Bonds, Series 2001, issued December 20, 2001 due in semi-annual installments (June 15, December 15) of \$135,959 at 5.25% per annum simple interest.

\$ 881,999

Total Bonds Payable

\$ 881,999

Subsequent to June 30, 2013, the College paid the remaining balance of the bonds payable. As of the date of this report, there is no remaining balance on the bonds.

Aiken Technical College
Notes to the Financial Statements
June 30, 2013

Note 10. Bonds and Loan Payable, Continued

The Commission imposes, maintains and collects the Special Fee upon all students in attendance at the College such that the Special Fee will produce sufficient revenues during each fiscal year to pay the principal and interest due on the Bonds.

Federal Grant Loan

SC Energy Office S09-0119 Lighting award loan, due on January 1st of 2014, at zero percent interest.

Total Loan Payable

\$	10,067
\$	10,067

The scheduled maturities of the loan are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
2014	\$ 10,067	\$ -	\$ 10,067

Note 11. Noncurrent Liabilities

Long-term liability, excluding funds held for others, activity for the year ended June 30, 2013 was as follows:

	<u>July 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2013</u>	<u>Due Within One Year</u>
Bonds payable	\$ 1,098,288	\$ -	\$ (216,289)	\$ 881,999	\$ 881,999
Federal grant loan	20,133	-	(10,066)	10,067	10,067
Accrued compensated Absences	591,241	-	(8,080)	583,161	57,850
Total long-term liabilities	\$ 1,709,662	\$ -	\$ (234,435)	\$ 1,475,227	\$ 949,916

Additional information regarding Bonds and Loan Payable is included in Note 10.

Note 12. Component Unit

Following is a summary of significant transactions between the Foundation and the College for the year ended June 30, 2013.

The College recorded non-governmental gift receipts of \$170,937 from the Foundation in non-operating revenues for the fiscal year ending June 30, 2013. 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 \$58,353 for reimbursement for administrative services provided to the Foundation during the year. The College was due \$231,143 from the Foundation as of June 30, 2013. The College had no payables due to the Foundation as of June 30, 2013. The Foundation's assets as of June 30, 2013 were \$6,463,003, with net assets of \$6,231,860.

Note 13. Risk Management

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

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

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

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

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

Theft, damage to, or destruction of assets	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.

Aiken Technical College
Notes to the Financial Statements
June 30, 2013

Note 14. 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:

	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease)</u>
Charges for services	\$ 11,101,327	\$ 11,609,359	\$ (508,032)
Operating grants and contributions	8,880,604	9,569,680	(689,076)
Capital grants and contributions	170,369	147,053	23,316
Less: expenses	(23,515,938)	(23,859,542)	343,604
Net program expense	(3,363,638)	(2,533,450)	(830,188)
Transfers			
State appropriations	3,628,774	3,472,001	156,773
State capital appropriations	2,445,000	64,031	2,380,969
Total transfers	6,073,774	3,536,032	2,537,742
Change in net position	2,710,136	1,002,582	1,707,554
Net position, beginning of year	31,533,776	30,531,194	1,002,582
Net position, end of year	<u>\$ 34,243,912</u>	<u>\$ 31,533,776</u>	<u>\$ 2,710,136</u>

Note 15. American Recovery and Reinvestment Act Funds

The College incurred American Recovery and Reinvestment Act grant expenditures of \$2,003 during fiscal year 2013. These funds were awarded to the College as pass-through funding from the U.S. Department of Commerce (Broadband Technology Opportunities Program). The College ARRA expended amounts included broadband technology center development and maintenance.

	<u>Salaries</u>	<u>Benefits</u>	<u>Supplies/ Services</u>	<u>Capitalized</u>	<u>Total</u>
Functional area:					
Student Services	\$ -	\$ -	\$ 2,003	\$ -	\$ 2,003

Aiken Technical College
Notes to the Financial Statements
June 30, 2013

Note 16. Operating Expenses by Function

Operating expenses by functional classification for the year ended June 30, 2013 are summarized as follows:

	Salaries	Benefits	Scholarships and Fellowships	Utilities	Supplies and Other Services	Depreciation	Total
Instruction	\$ 6,028,150	\$ 1,704,305	\$ -	\$ -	\$ 1,131,737	\$ -	\$ 8,864,192
Academic support	834,398	236,358	-	-	232,419	-	1,303,175
Student services	1,357,605	411,658	-	-	675,650	-	2,444,913
Operation and maintenance of plant	233,055	63,721	-	612,938	1,000,886	-	1,910,600
Institutional support	1,730,353	503,106	-	-	378,942	-	2,612,401
Scholarships	-	-	3,487,212	-	-	-	3,487,212
Auxiliary enterprises	64,565	5,157	-	-	1,322,186	-	1,391,908
Depreciation	-	-	-	-	-	1,451,590	1,451,590
Total operating expenses	\$ 10,248,126	\$ 2,924,305	\$ 3,487,212	\$ 612,938	\$ 4,741,820	\$ 1,451,590	\$ 23,465,991