

AIKEN TECHNICAL COLLEGE
REPORT ON FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

AIKEN TECHNICAL COLLEGE

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AIKEN TECHNICAL COLLEGE

**AREA COMMISSION MEMBERS, OFFICERS, KEY ADMINISTRATIVE STAFF
AND OTHER INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012**

MEMBERS OF AREA COMMISSION

Term Expires

Mr. Michael R. Rose, Vice-Chair	04/30/16
Mr. Charles L. Munns	04/15/13
Mr. Joe E. Lewis	01/31/15
Dr. Elizabeth Everitt	Ex-Officio
Mr. Carlos F. Garcia, Chairman	04/30/14
Ms. Patricia E. Guglieri	04/15/13
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

We have audited the accompanying financial statements of the business-type activities of Aiken Technical College (the "College"), a department of the State of South Carolina, as of and for the year ended June 30, 2012, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. 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. The Aiken Technical College Foundation, Inc.'s financial 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 of material misstatement. The financial statements of Aiken Technical College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditor provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the College are intended to present the financial position, and the changes in financial position and cash flows, of only that portion of the business-type activities of the State of South Carolina that is attributable to the transactions of the College. They do not purport to, and do not, present fairly the financial position of the State of South Carolina as of June 30, 2012, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the report of the other auditor, 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 Aiken Technical College, as of June 30, 2012, and the respective changes in its financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2012, on our consideration of the College's internal control over financial reporting and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14 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, which consisted of inquires 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.

Elliott Davis, LLC

Augusta, Georgia
September 30, 2012

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, 2012. 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, 2012 by \$31,533,776. Of this amount, \$8,905,529 may be used to meet the College's ongoing obligations.
- The College's total net assets increased by \$1,002,582 or 3.28%. The Investment in capital assets, net of related debt, decreased by \$743,712, reflecting depreciation in excess of capital purchases and construction. The College received \$211,084 in capital funding, including \$64,030 from state resources and \$147,054 from federal resources. Last year the College received \$365,667 in total capital funding. These funds aided ongoing efforts to update equipment.
- Purchases of capital (over \$5,000 a unit) equipment arose in connection with normal replacements in the amount of \$262,187. Purchases of non-capital equipment and supplies, lasting more than one year, totaled \$265,400.
- The College experienced an operating loss of \$11,692,580 as reported in the Statement of Revenues, Expenses, and Changes in Net Assets. However, this operating loss was offset by state appropriations of \$3,472,002, local appropriations of \$1,878,420, and certain non-operating federal grants of \$7,032,005, 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 Assets; Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

The Statement of Net Assets 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 assets, and is displayed in three broad categories: invested in capital assets (net of related debt), restricted, and unrestricted.

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

The Statement of Revenues, Expenses, and Changes in Net Assets 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 assets increased over FY 2011 by \$1,002,582. This increase was well above FY 2011's increase over FY 2010 of \$162,446. The change resulted primarily from a one-time federal stimulus grant, which more than offset slightly increased operating expenses. Operating expenses increased from \$22,131,463 to \$23,793,857. The grant allowed the College to avoid an instructional rate increase. Separately, the enrollment increased by 259 full time equivalent students or 4.62%. This partially offset the prior year's decline of 6.62%.

Net assets may serve over time as a useful indicator of an entity's financial position. The College's total assets exceeded total liabilities by \$31,533,776, at the close of the current fiscal year.

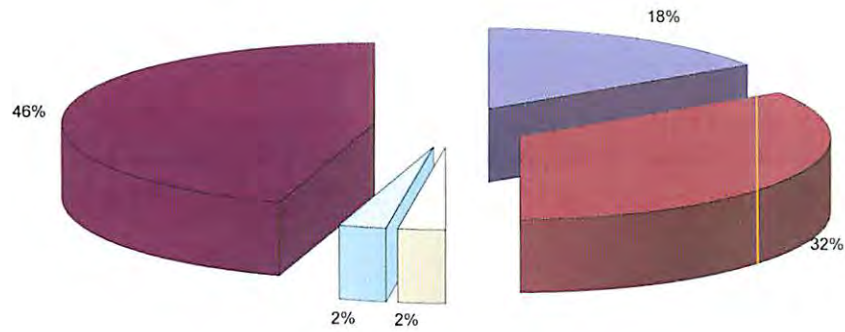
By far the largest portion of the College's net assets (66.86%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related outstanding debt used to acquire the assets. The College acquires these capital assets to provide services to students; consequently, 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 4.90% of the College's net assets represent resources subject to external restrictions on how they may be used. *Unrestricted net assets* of \$8,905,529 (28.24% 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 assets listed above represents in excess of five months normal operating funds.

Total operating expenses increased during the year by \$1,662,394 or 7.51%. The increase mainly reflects the inauguration of federal loans to students resulting in a Scholarships expense increase of 80.40%. The increase is offset by a matching reduction in scholarship allowances charged against tuition. Salaries and Benefits, the College's largest expense category, increased by 2.03%, while Supplies and Other Services increased by 0.16%. Utilities declined by 4.0%, influenced by the College's energy management. Instruction and Academic Support functions increased by \$81,197 or .78%. Student Services and Institutional Support functions increased by a total of \$29,772 or .62%. Plant Maintenance and Operation increased by \$167,792, or 8.50%, resulting from increased non-capital renovation projects, and repairs. Depreciation increased by \$8,772 or 0.62%.

Charts and graphs follow that pictorially present specific areas of the College's financial condition at June 30, 2012 and comparisons with the prior year.

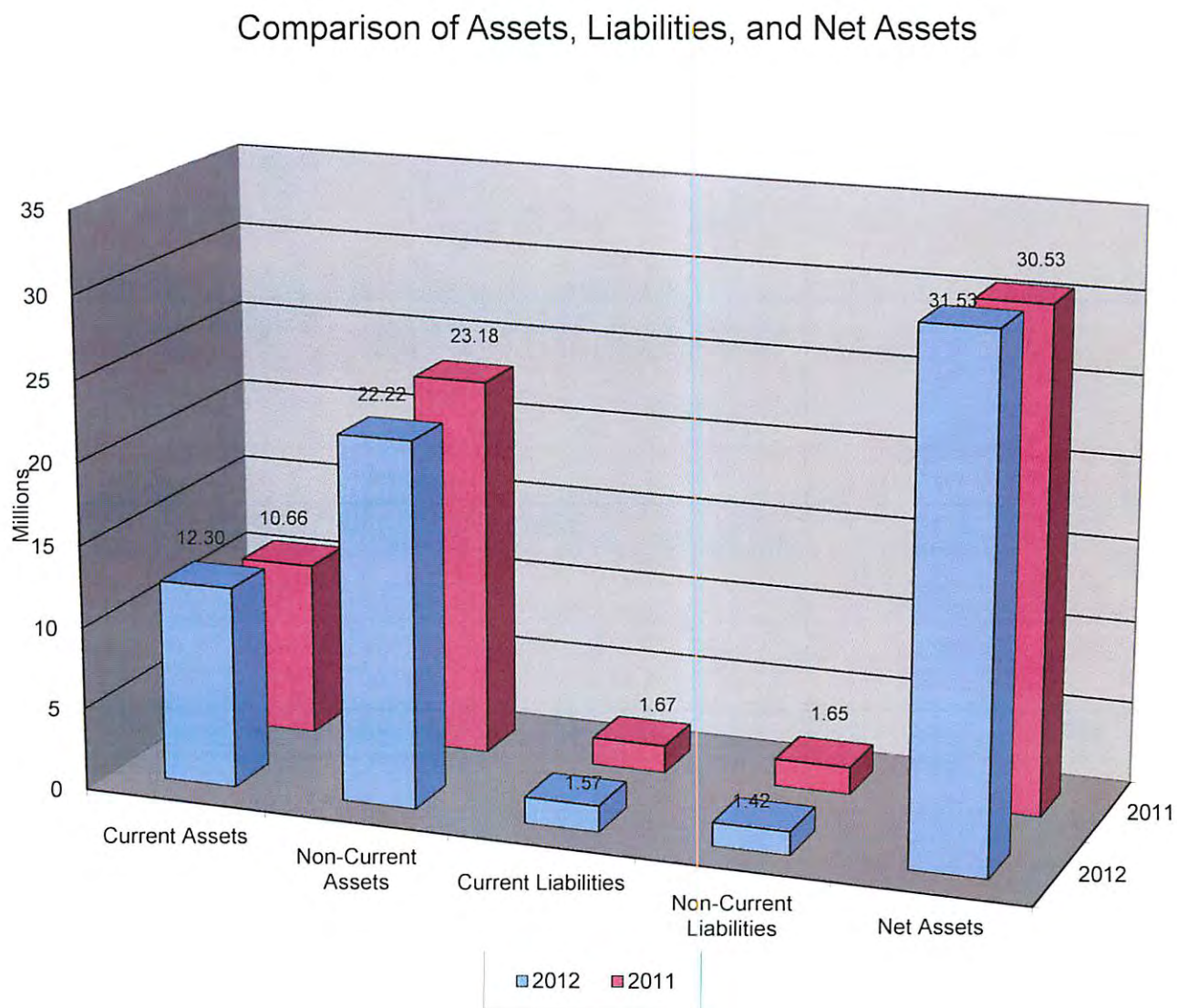
Statement of Net Assets Pie Chart Summary



<div></div>	current assets	18%
<div></div>	non current assets	32%
<div></div>	current liabilities	2%
<div></div>	noncurrent liabilities	2%
<div></div>	net assets	46%

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

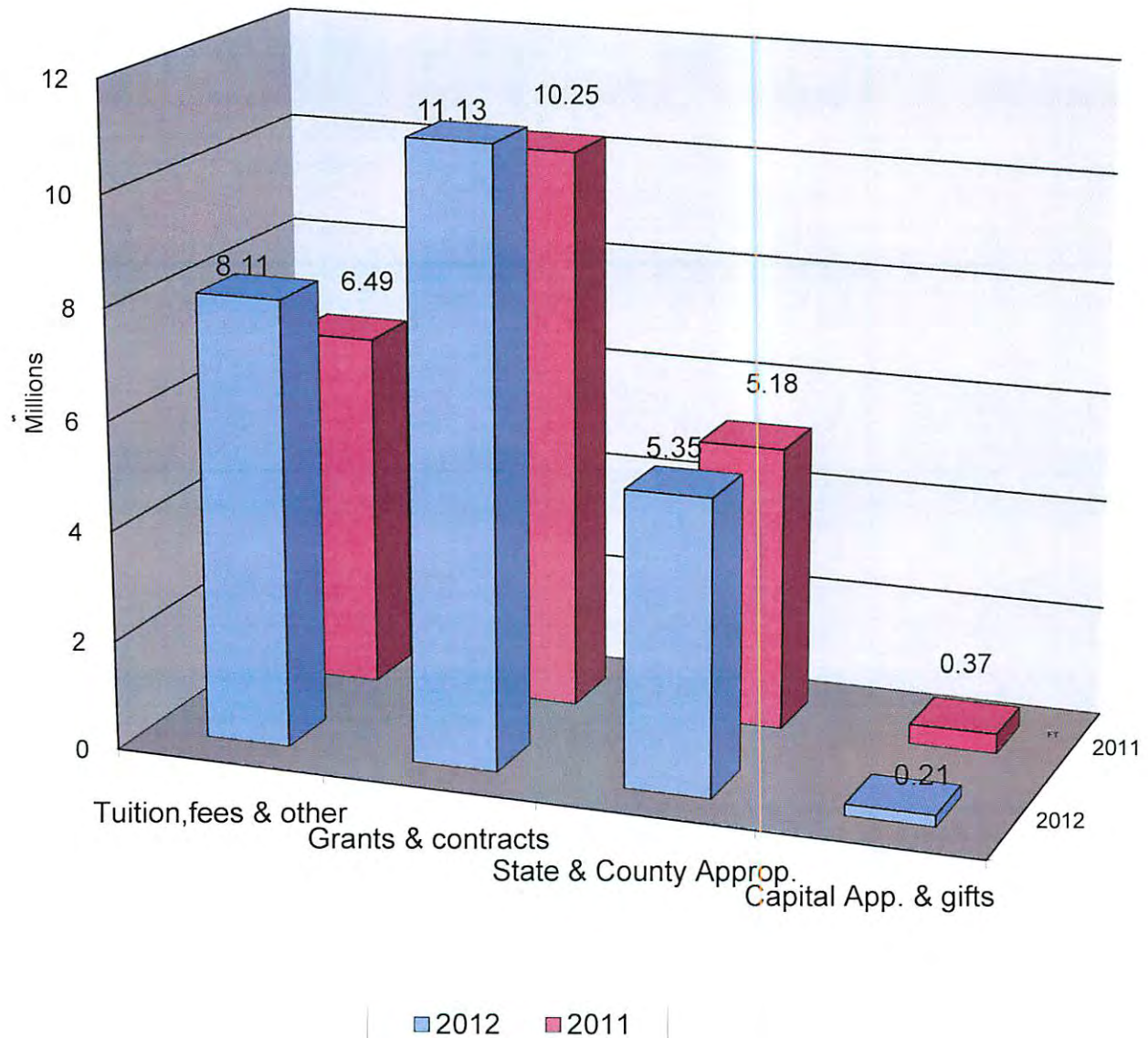
The following graph illustrates the change from the prior year for Assets, Liabilities and Net Assets. Current Assets increased and Noncurrent Assets decreased. Current Liabilities and Noncurrent Liabilities also decreased. Net Assets increased slightly.



Revenue Comparisons

The chart below shows increased Tuition, Fees, and Other revenue. Combined State and County Appropriations increased slightly. Capital Appropriations remained low, reflecting completion of major building projects. Grants and Contracts increased, primarily from federal and state financial aid.

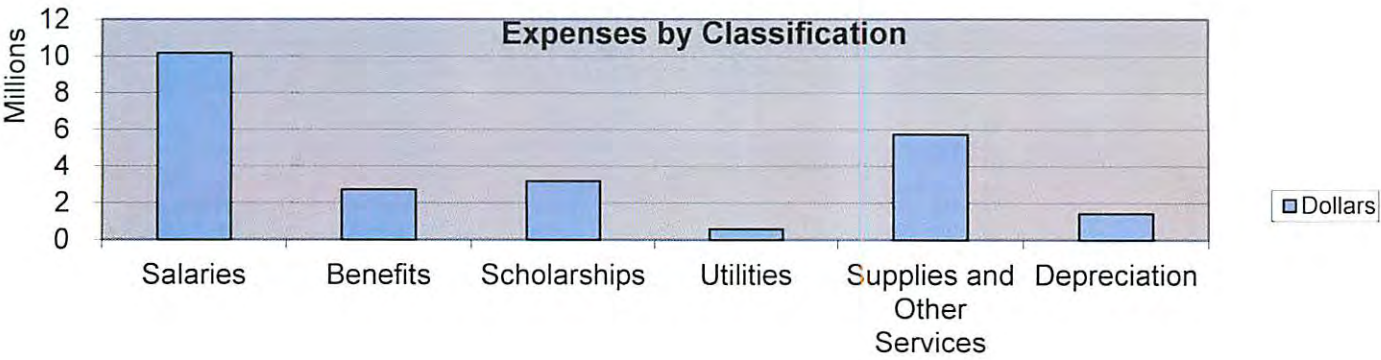
Revenue comparisons FY12 to FY 11

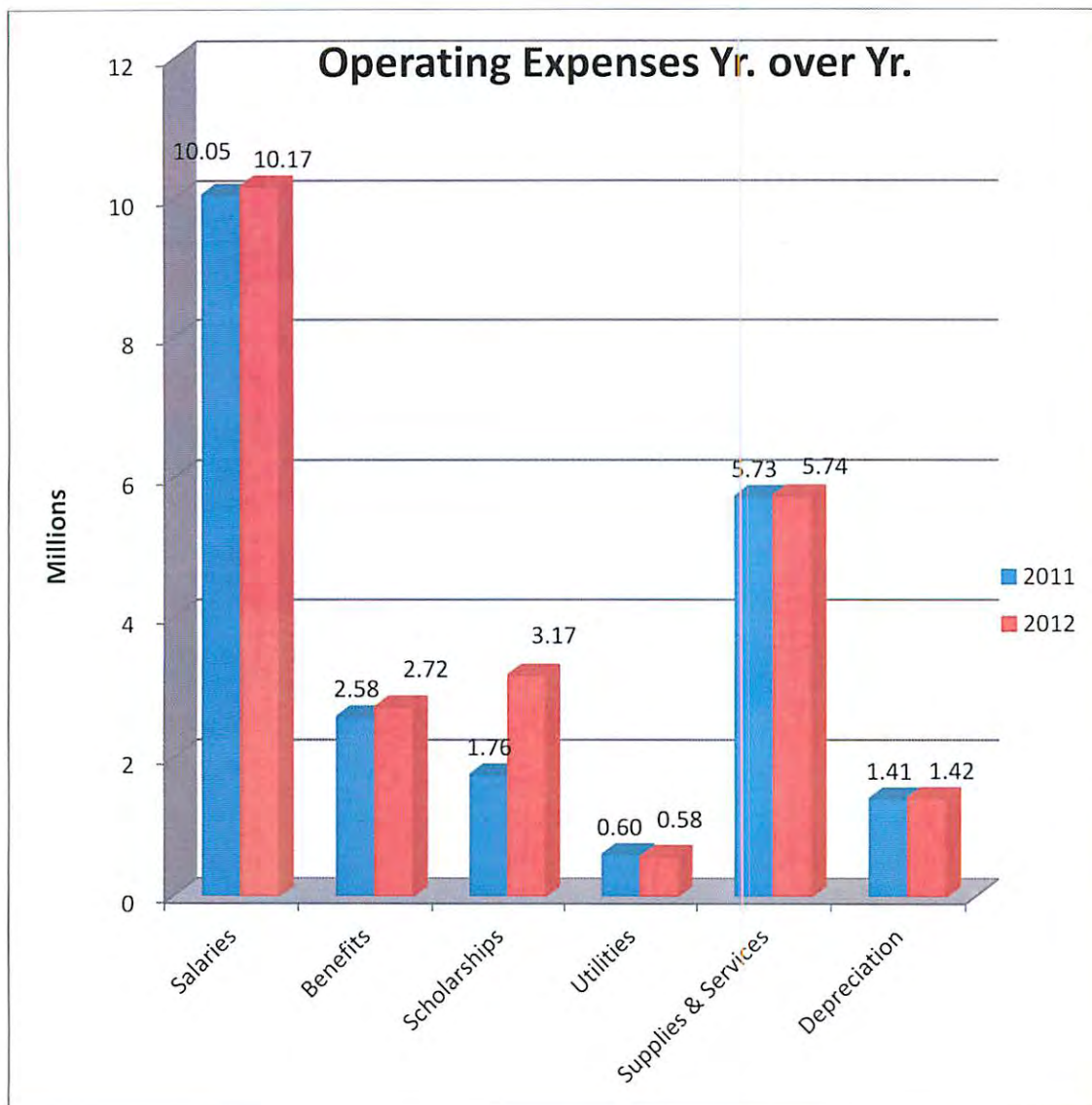


Expenditure Charts

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.)





Cash Flows

Cash and cash equivalents increased by \$1,031,863.

The College continued to maintain current status on all mortgage liabilities with a planned surplus in amounts reserved for debt repayment.

Economic Factors

South Carolina (SC) economic stagnation continued with improvements from fiscal 2011. At the end of fiscal year 2012 the overall SC unemployment rate was at 9.4% a stubbornly high rate.

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 a mixed recovery and termination of many stimulus grants to the private and public economic sectors, sponsorship payments to support student tuition decreased from \$1,279,901 in fiscal year 2011 to \$363,822 in fiscal year 2012. The sponsorship decrease was offset by the inauguration of federal direct loans to students, resulting in slightly increased enrollment.

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 low increases in non-scholarship expenditures, a one-year abeyance of tuition rate increases, an enrollment increase, and a low level of state funding. Non-state resources aided the achievement of our goals through: College Foundation community program and scholarship support; Aiken County plant maintenance support; and Federal grant funding for financial aid and College operations.

The College's ability to increase Cash, Investments, Capital Assets and Other assets in excess of Total Liabilities by \$31,533,776, as seen in the Condensed Statement of Net Assets below, indicates the fiscal soundness of the College.

Condensed Statements of Net Assets

	For the Year Ended		Increase(Decrease)	
	30-Jun-12	30-Jun-11	\$	%
ASSETS				
Cash, Investments, and other assets	\$12,352,546	\$10,682,488	\$1,670,058	15.63%
Capital Assets, net	22,200,373	23,159,204	(958,831)	-4.14%
 Total Assets	 34,552,919	 33,841,692	 711,227	 2.10%
LIABILITIES				
Accounts payable and other current liabilities	1,596,900	1,665,424	(68,524)	-4.11%
Long-term liabilities	1,422,243	1,645,074	(222,831)	-13.55%
 Total Liabilities	 3,019,143	 3,310,498	 (291,355)	 -8.80%
NET ASSETS				
Invested in Capital, net of related debt	21,081,953	21,825,665	(743,712)	-3.41%
Restricted	1,546,294	1,241,328	304,966	24.57%
Unrestricted	8,905,529	7,464,201	1,441,328	19.31%
	<u>\$31,533,776</u>	<u>\$30,531,194</u>	<u>\$1,002,582</u>	3.28%

Condensed Statement of Revenues, Expenditures and Changes In Net Assets

	Year Ended 2012	Year Ended 2011	Increase (Decrease)	
			\$	%
Operating Revenues				
Student tuition and fees (net of scholarship allowances of \$5,624,721 and \$7,039,158)	6,261,261	4,771,342	1,489,919	31.23
Grants & Contracts	3,975,329	3,254,579	720,750	22.15
Other	1,864,687	1,754,522	110,165	6.28
Total Operating Revenues	12,101,277	9,780,443	2,320,834	23.73
Operating Expenses				
Salaries	10,168,261	10,051,182	117,079	1.16
Benefits	2,715,628	2,576,188	139,440	5.41
Scholarships & fellowships	3,168,858	1,756,533	1,412,325	80.40
Utilities	578,877	603,256	(24,379)	(4.04)
Supplies & other services	5,741,120	5,731,963	9,157	0.16
Depreciation	1,421,113	1,412,341	8,772	0.62
Total Operating Expenses	23,793,857	22,131,463	1,662,394	7.51
Operating Loss	(11,692,580)	(12,351,020)	658,440	(5.33)
Non Operating Revenues				
State Appropriations	3,472,002	3,464,477	7,525	0.22
County Appropriations	1,878,420	1,720,000	158,420	9.21
Other nonoperating revenues & expenses	7,133,656	6,963,322	170,334	2.45
Total nonoperating revenues	12,484,078	12,147,799	336,279	2.77
Income before other revenues (expenses)	791,498	(203,221)	994,719	(489.48)
Capital Appropriations, grants & gifts	211,084	365,667	(154,583)	(42.27)
Increase in Net Assets	1,002,582	162,446	840,136	517.18
Net Assets:				
Net Assets, beginning of year	30,531,194	30,368,748	162,446	0.53
Net Assets, end of year	\$31,533,776	\$30,531,194	\$1,002,582	3.28

AIKEN TECHNICAL COLLEGE
STATEMENT OF NET ASSETS
June 30, 2012

ASSETS

Current Assets

Cash and cash equivalents	\$ 7,330,771
Investments	1,942,645
Accounts receivable, net	2,614,328
Inventories	332,503
Prepaid expenses	113,867
	<hr/>
Total current assets	12,334,114

Noncurrent Assets

Restricted short-term investments	18,432
Capital assets, net of accumulated depreciation	22,200,373
	<hr/>
Total noncurrent assets	22,218,805
	<hr/>
Total assets	34,552,919

LIABILITIES

Current Liabilities

Accounts payable	231,066
Deferred revenues and advances	1,073,900
Bonds and loans payable - current portion	226,365
Accrued compensated absences - current portion	65,569
	<hr/>
Total current liabilities	1,596,900

Noncurrent Liabilities

Bonds and loans payable	892,055
Accrued compensated absences	525,672
Restricted liabilities - funds held for others	4,516
	<hr/>
Total noncurrent liabilities	1,422,243
	<hr/>
Total liabilities	3,019,143

NET ASSETS

Invested in capital assets, net of related debt	21,081,953
Restricted for debt service	1,492,118
Restricted for loan fund	54,176
Unrestricted	8,905,529
	<hr/>
Total net assets	\$ 31,533,776

The accompanying notes are an integral part of this financial statement.

AIKEN TECHNICAL COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2012

REVENUES

Operating Revenues

Student tuition and fees (net of scholarship allowances of \$5,477,480)	\$ 5,834,378
Student tuition and fees pledged for revenue bonds (net of scholarship allowances of \$147,241)	426,883
Federal grants and contracts	1,762,096
State grants and contracts	2,190,525
Local grants and contracts	22,708
Auxiliary enterprises (net of scholarship allowances of \$667,617)	1,395,477
Other operating revenues	<u>469,210</u>
Total operating revenues	<u>12,101,277</u>

EXPENSES

Operating Expenses

Salaries	10,168,261
Benefits	2,715,628
Scholarships and fellowships	3,168,858
Utilities	578,877
Supplies and other services	5,741,120
Depreciation	<u>1,421,113</u>
Total operating expenses	<u>23,793,857</u>
Operating loss	<u>(11,692,580)</u>

NONOPERATING REVENUES (EXPENSES)

State appropriations	3,472,002
County appropriations	1,878,420
Federal grants and contracts	7,032,005
State and local grants and contracts	120,703
Interest income	46,633
Interest expense	<u>(65,685)</u>
Net nonoperating revenues	<u>12,484,078</u>
Income before capital grants and gifts	791,498
Capital appropriations	64,030
Capital grants and gifts	<u>147,054</u>
Increase in net assets	1,002,582

NET ASSETS, BEGINNING OF YEAR	<u>30,531,194</u>
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NET ASSETS, END OF YEAR	<u><u>\$ 31,533,776</u></u>
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The accompanying notes are an integral part of this financial statement.

AIKEN TECHNICAL COLLEGE
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

Student tuition and fees (net of scholarship allowances)	\$ 6,541,284
Federal, state and local grants and contracts	4,663,539
Auxiliary enterprise charges (net of scholarship allowances)	1,487,126
Other receipts	486,308
Payments to employees	(12,930,614)
Payments to vendors	<u>(9,440,479)</u>
Net cash used in operating activities	<u>(9,192,836)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State appropriations	3,472,002
County appropriations	1,878,420
Federal, state and local grants, gifts, and contracts, non-operating	7,152,708
Expended for agency funds	<u>(1,698)</u>
Net cash provided by noncapital financing activities	<u>12,501,432</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Federal, state, and local grants and contracts for capital	355,444
Principal paid on federal loan	(10,066)
Purchase of capital assets	(462,282)
Principal paid on capital debt	(205,053)
Interest paid on capital debt	<u>(65,685)</u>
Net cash used in capital and related financing activities	<u>(387,642)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on cash and cash equivalents	25,507
Interest on investments	28,047
Proceeds from the sale and maturity of investments	2,160,000
Purchases of investments	<u>(4,102,645)</u>
Net cash used in investing activities	<u>(1,889,091)</u>

Net increase in cash and cash equivalents	1,031,863
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CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>6,298,908</u>
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CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 7,330,771</u></u>
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(Continued)

The accompanying notes are an integral part of this financial statement.

AIKEN TECHNICAL COLLEGE
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2012

NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES

The College received, as non-cash transactions, \$2,603 in donated equipment and supplies from the College's Foundation which is a Component Unit.

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

Operating loss	\$ (11,692,580)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	1,421,113
Change in assets and liabilities:	
Accounts receivables, net	1,023,323
Inventories	92,206
Prepaid expenses	66,863
Accounts payable	(18,487)
Accrued payroll liabilities	(52,583)
Accrued compensated absences	5,858
Deferred revenues	(63,674)
Advances	25,125
	<hr/>
Net cash used in operating activities	<u><u>\$ (9,192,836)</u></u>

The accompanying notes are an integral part of this financial statement.

**AIKEN TECHNICAL COLLEGE
COMPONENT UNIT
AIKEN TECHNICAL COLLEGE FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2012**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 751,085
Unconditional promises to give	91,978
Prepaid expenses and other current assets	1,391
Total current assets	<u>844,454</u>

OTHER ASSETS

Investments	4,270,791
Pledges receivable	170,400
Property and equipment, net	733
	<u>4,441,924</u>

TOTAL ASSETS	<u>\$ 5,286,378</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 173,442
Total current liabilities	<u>173,442</u>

NET ASSETS

Unrestricted	947,315
Temporarily restricted	3,058,768
Permanently restricted	1,106,853
	<u>5,112,936</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,286,378</u>
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The accompanying notes are an integral part of this financial statement.

**AIKEN TECHNICAL COLLEGE
COMPONENT UNIT
AIKEN TECHNICAL COLLEGE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES, GAINS, AND OTHER SUPPORT				
Contributions	\$ 61,135	\$ 453,728	\$ 725	\$ 515,588
Investment income	67,589	87,441	-	155,030
Net investment gains and other income	(73,260)	(96,500)	-	(169,760)
Net assets released from restrictions	190,203	(190,203)	-	-
Total revenues, gains, and other support	<u>245,667</u>	<u>254,466</u>	<u>725</u>	<u>500,858</u>
EXPENSES				
Program services				
Scholarships	103,977	-	-	103,977
Equipment and building support	2,603	-	-	2,603
Student programs	15,736	-	-	15,736
Other programs	50,466	-	-	50,466
Total program services	172,782	-	-	172,782
Supporting services				
Management and general	102,460	-	-	102,460
Fundraising	54,449	-	-	54,449
Total expenses	<u>329,691</u>	<u>-</u>	<u>-</u>	<u>329,691</u>
Increase (decrease) in net sssets	(84,024)	254,466	725	171,167
NET ASSETS, BEGINNING OF YEAR	<u>1,031,339</u>	<u>2,804,302</u>	<u>1,106,128</u>	<u>4,941,769</u>
NET ASSETS, END OF YEAR	<u><u>\$ 947,315</u></u>	<u><u>\$ 3,058,768</u></u>	<u><u>\$ 1,106,853</u></u>	<u><u>\$ 5,112,936</u></u>

The accompanying notes are an integral part of this financial statement.

AIKEN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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.

B. Reporting Entity

The financial reporting entity, as defined by 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 part of the primary government of the State of South Carolina. However, based on the nature and significance of the Foundation's relationship with the State of South Carolina, the Foundation is not 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.

(Continued)

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, 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.

C. 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 assets, revenues, expenses and changes in net assets and cash flows that replaces the fund-group perspective previously required.

D. 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.

The College has elected not to apply Financial Accounting Standards Board ("FASB") pronouncements issued after November 30, 1989.

E. 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.

F. 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 assets.

G. 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

(Continued)

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. Receivables, (continued)

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.

H. 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.

I. 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.

J. 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.

K. 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 Assets and as a component of benefit expenses in the statement of revenues, expenses, and changes in net assets, respectively.

L. Net Assets

The College's net assets are classified as follows:

Invested in capital assets, net of related debt: This represents the College's total investment in capital assets, net of outstanding debt obligations, 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 invested in capital assets, net of related debt.

Restricted net assets – expendable: Restricted expendable net assets include resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed

(Continued)

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. Net Assets, (continued)

by external third parties. Net assets restricted for debt service and for the loan fund are restricted expendable net assets.

Restricted net assets - nonexpendable: Nonexpendable restricted net assets consist 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, 2012, the College did not report any restricted net assets – nonexpendable.

Unrestricted net assets: Unrestricted net assets represent 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.

M. Income Taxes

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

N. 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.

O. 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.

(Continued)

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

P. 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.

Q. 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 \$65,685 of interest cost during the year ended June 30, 2012, of which \$1,179 was capitalized as part of construction in progress.

R. 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 undesignated net assets: Unrestricted undesignated net assets are not 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.

S. Subsequent Events

These financial statements have not been updated for subsequent events occurring after September 30, 2012 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, 2012:

Non-capital Appropriations

Current year's appropriations:

Original appropriations per Annual Appropriations Act	\$ 3,472,002
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Total non-capital appropriations recorded as current year revenue	<u>\$ 3,472,002</u>
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Capital Appropriations

Current year's appropriations:

Lottery Equipment and State Technology Fund	\$ 64,030
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Total capital appropriations recorded as current year revenue	<u>\$ 64,030</u>
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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, 2012, were \$9,924,574 with a book balance of \$9,291,848. 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, 2012, were \$751,085. The Foundation is not bound by State law requiring collateralization of deposits; however the Federal Deposit Insurance Corporation insured the total amount deposited.

(Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS, Continued**INVESTMENTS**

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

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

Statement of Net Assets:

Cash and cash equivalents	\$ 7,330,771
Investments	1,942,645
Restricted short-term investments	<u>18,432</u>
Total statement of net assets	<u>\$ 9,291,848</u>

Deposits and Investments:

Carrying value of deposits	\$ 9,288,298
Cash on hand	<u>3,550</u>
Total deposits and investments	<u>\$ 9,291,848</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, 2012, 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

Investment Type	Fair Value	Investment Maturities (in years)			
		Less than 1	1 - 5	6 - 10	More than 10
Debt Securities					
Money market mutual funds	\$ 24,366	\$ 24,366	\$ -	\$ -	\$ -
Bond mutual funds	1,433,127	12,788	298,951	797,504	323,884
Total debt securities	1,457,493	37,154	298,951	797,504	323,884
Other Securities					
Mutual funds - equities	2,343,995	-	-	-	-
Real estate funds	469,303	-	-	-	-
Total investments	\$ 4,270,791	\$ 37,154	\$ 298,951	\$ 797,504	\$ 323,884

(Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS, 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 - average	\$ 1,433,127	\$ 115,391	\$ 114,153	\$ 65,885	\$ 44,406	\$ 1,093,292
Money market mutual funds	24,366	-	-	-	-	24,366
Total fair value	<u>\$ 1,457,493</u>	<u>\$ 115,391</u>	<u>\$ 114,153</u>	<u>\$ 65,885</u>	<u>\$ 44,406</u>	<u>\$ 1,117,658</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, 2012, 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 - domestic	\$ 1,159,943	11.01
Bond fund - international	273,184	6.77
Money market mutual funds	24,366	0.07
Total fair value	<u>\$ 1,457,493</u>	

NOTE 4 - RECEIVABLES

Receivables at June 30, 2012, including applicable allowances for uncollectibles, were as follows:

Receivables:

Student accounts	\$ 965,946
Sponsorship and other accounts	860,000
Federal grants and contracts	347,673
State grants and contracts	313,960
Local grants and contracts	417,882
Interest receivable	8,867
Total accounts receivable	<u>2,914,328</u>
Less: allowance for uncollectibles	<u>(300,000)</u>
Net accounts receivable	<u>\$ 2,614,328</u>

The College recognized a receivable from the Foundation of \$173,442 at June 30, 2012.

The Foundation's unconditional promises to give at June 30, 2012 were as follows:

Unconditional promises to give	\$ 266,978
Less unamortized discount	<u>(4,600)</u>
Net unconditional promises to give	<u>\$ 262,378</u>
Amounts due in:	
Less than one year	\$ 91,978
One to five years	<u>170,400</u>
	<u>\$ 262,378</u>

Unconditional promises to give are reflected at the present value of estimated future cash flows using a discount rate of 0.72%.

NOTE 5 - CAPITAL ASSETS

	Beginning Balance July 1, 2011	Increases	Decreases	Ending Balance June 30, 2012
Capital assets not being depreciated depreciated:				
Land and improvements	\$ 926,922	\$ -	\$ -	\$ 926,922
Construction in progress	-	82,697	-	82,697
Total capital assets not being depreciated	926,922	82,697	-	1,009,619
Other capital assets:				
Buildings and improvements	33,966,241	127,823	-	34,094,064
Machinery, equipment, and other	3,769,171	262,188	58,410	3,972,949
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	39,732,966	390,011	58,410	40,064,567
Less accumulated depreciation for:				
Buildings and improvements	13,021,102	1,079,005	-	14,100,107
Machinery, equipment, and others	3,194,288	264,881	47,984	3,411,185
Intangible assets	461,809	-	-	461,809
Vehicles	65,538	-	-	65,538
Depreciable land improvements	757,947	77,227	-	835,174
Total accumulated depreciation	17,500,684	1,421,113	47,984	18,873,813
Other capital assets, net	22,232,282	(1,031,102)	10,426	21,190,754
Capital Assets, Net	\$ 23,159,204	\$ (948,405)	\$ 10,426	\$ 22,200,373

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

NOTE 6 - RETIREMENT PLANS

The Retirement Division of the State Budget and Control Board maintains four independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to Financial Services, South Carolina Retirement Systems, Post Office Box 11960, Columbia, South Carolina 29211. Furthermore, the Retirement System and the four pension plans are included in the CAFR of the State of South Carolina.

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefits, and employee/employer contributions for each pension plan. Employee and employer contribution rates for the South Carolina Retirement System and the Police Officers Retirement System are actuarially determined. Annual benefits, payable monthly for life, are based on length of service and on average final compensation.

South Carolina Retirement System

The majority of employees of the College 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, a public employee retirement system. Generally all State employees are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws. This plan provides retirement annuity benefits as well as disability, cost of living adjustment, death, and group-life insurance benefits to eligible employees and retirees.

Since July 1, 2006, employees participating in SCRS have been required to contribute at 6.5 percent of compensation. Effective July 1, 2011, the employer contribution rate became 13.685 percent which included a 4.30 percent surcharge to fund retiree health and dental insurance coverage. The College's actual contributions to the SCRS for the three most recent fiscal years ending June 30, 2012, 2011, and 2010, were \$604,289, \$510,140, and \$509,942, respectively, and equaled the required contributions (excluding the surcharge) for each year. Also, the College paid employer group-life insurance contributions of \$9,658 in the current fiscal year at the rate of 0.15 percent of compensation.

Optional Retirement Program

The State Optional Retirement Program (State ORP) was first established as the Optional Retirement Program for Higher Education in 1987. In its current form, the State ORP is an alternative to the defined benefit SCRS plan offered to certain state, public school and higher education employees of the State. The State ORP, which is administered by the South Carolina Retirement Systems, is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by investment providers. The State assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers and are governed by the terms of the contracts issued by them.

Under State law, contributions to the ORP are required at the same rates as for the SCRS, 9.385 percent plus the retiree surcharge of 4.30 percent from the employer in fiscal year 2012. Employees are eligible for group-life insurance benefits while participating in the State ORP. However, employees who participate in the State ORP are not eligible for postretirement group-life insurance benefits. For the years ended 2012, 2011 and 2010, total contribution requirements to the ORP were \$210,752, \$167,937, and \$166,447, respectively (excluding the surcharge) from the College as employer and \$57,263, \$53,197, and \$52,725, respectively from its employees as plan members. In addition, the College paid to the SCRS employer group-life insurance contributions of \$3,368 in the current fiscal year at the rate of 0.15 percent of compensation.

(Continued)

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.

Teacher and Employee Retention Incentive

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. Employees who choose to participate in the TERI Program after July 1, 2006 are required to make SCRS contributions.

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 \$22,703 for the year ended June 30, 2012. As discussed in Note 6, the College paid \$276,872 applicable to the 4.30 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.

(Continued)

NOTE 7 - POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS, Continued

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.

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 \$1,900,000, which will be capitalized in the applicable capital asset categories upon completion. At June 30, 2012, 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, 2012.

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 \$76,870 for fiscal year 2012. The College will continue to lease equipment in the future at these approximate amounts.

Contingent copier leases/payments amounted to \$42,788 for the fiscal year 2012.

NOTE 10 - BONDS AND LOANS PAYABLE

Bonds and loans payable consisted of the following at June 30, 2012:

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.

\$ 1,098,288

Total Bonds Payable

\$ 1,098,288

The scheduled maturities of the bonds are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
Revenue Bonds			
2013	\$ 216,299	\$ 55,619	\$ 271,918
2014	227,965	43,953	271,918
2015	240,261	31,657	271,918
2016	253,220	18,698	271,918
2017	160,543	5,041	165,584
Total	<u>\$ 1,098,288</u>	<u>\$ 154,968</u>	<u>\$ 1,253,256</u>

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 in equal installments of \$10,066 on January 1st of 2013 and 2014, at zero percent interest.

\$ 20,132

Total Loans Payable

\$ 20,132

The scheduled maturities of the bonds are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
Federal Grant Loan			
2013	\$ 10,066	\$ -	\$ 10,066
2014	10,066	-	10,066
Total	<u>\$ 20,132</u>	<u>\$ -</u>	<u>\$ 20,132</u>

NOTE 11 - NONCURRENT LIABILITIES

Long-term liability, excluding funds held for others, activity for the year ended June 30, 2012 was as follows:

	<u>July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2012</u>	<u>Due Within One Year</u>
Bonds payable	\$ 1,098,110	\$ -	\$ (216,121)	\$ 881,989	\$ 216,299
Federal grant loan	20,133	-	(10,067)	10,066	10,066
Accrued compensated Absences	520,464	5,208	-	525,672	65,569
Total long-term liabilities	<u>\$ 1,638,707</u>	<u>\$ 5,208</u>	<u>\$ (226,188)</u>	<u>\$ 1,417,727</u>	<u>\$ 291,934</u>

Additional information regarding Bonds 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, 2012.

The College recorded non-governmental gift receipts of \$120,703 from the Foundation in non-operating revenues for the fiscal year ending June 30, 2012. 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 \$52,740 for reimbursement for administrative services provided to the Foundation during the year. The College was due \$173,442 from the Foundation as of June 30, 2012. The College had no payables due to the Foundation as of June 30, 2012. The Foundation's assets as of June 30, 2012 were \$5,286,378, with net assets of \$5,112,936.

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.

(Continued)

NOTE 13 - RISK MANAGEMENT, Continued

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

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

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

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

NOTE 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:

	2012	2011	Increase (Decrease)
Charges for services	\$ 11,609,359	\$ 9,780,443	\$ 1,828,916
Operating grants and contributions	9,569,680	8,760,515	809,165
Capital grants and contributions	147,053	265,001	(117,948)
Less: expenses	(23,859,542)	(22,208,656)	(1,650,886)
Net program expense	(2,533,450)	(3,402,697)	869,247
Transfers			
State appropriations	3,472,001	3,464,477	7,524
State capital appropriations	64,031	100,666	(36,635)
Total transfers	3,536,032	3,565,143	(29,111)
Change in net assets	1,002,582	162,446	840,136
Net assets, beginning of year	30,531,194	30,368,748	162,446
Net assets, end of year	<u>\$ 31,533,776</u>	<u>\$ 30,531,194</u>	<u>\$ 1,002,582</u>

NOTE 15 - AMERICAN RECOVERY AND REINVESTMENT ACT FUNDS

The College incurred American Recovery and Reinvestment Act grant expenditures of \$1,143,849 during fiscal year 2012. These funds were awarded to the College as pass-through funding from the U.S. Department of Education (State Fiscal Stabilization Grant), and the U.S. Department of Commerce (Broadband Technology Opportunities Program). The College ARRA expended amounts included broadband technology center development, maintenance, as well as salaries and fringe benefits, as scheduled below:

Fund	Funds applied Fiscal Year 2012
ARRA Broadband TOP Round 1	\$ 28,023
ARRA State Fiscal Stabilization Grant to States	1,115,826
	<u>\$ 1,143,849</u>

	Salaries	Benefits	Supplies/ Services	Capitalized	Total
Functional area:					
Instruction	\$ 818,974	\$ 1,714	\$ -	\$ -	\$ 820,688
Student Services	90,555	-	-	-	90,555
Academic Support	67,243	-	6,000	22,023	95,266
Operations and Maintenance	2,359	-	-	-	2,359
Institutional Support	129,232	-	-	-	129,232
Auxiliary	5,749	-	-	-	5,749
Total Expenditures	<u>\$ 1,114,112</u>	<u>\$ 1,714</u>	<u>\$ 6,000</u>	<u>\$ 22,023</u>	<u>\$ 1,143,849</u>

NOTE 16 - OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification for the year ended June 30, 2012 are summarized as follows:

	Salaries	Benefits	Scholarships and Fellowships	Utilities	Supplies and Other Services	Depreciation	Total
Instruction	\$ 6,118,173	\$ 1,633,051	\$ -	\$ -	\$ 1,577,329	\$ -	\$ 9,328,559
Academic support	778,452	213,901	-	-	228,856	-	1,221,209
Student services	1,167,663	331,416	-	-	666,903	-	2,165,982
Operation and maintenance of plant	337,961	82,771	-	578,877	1,143,357	-	2,142,966
Institutional support	1,682,358	447,342	-	-	503,709	-	2,633,409
Scholarships	-	-	3,168,858	-	-	-	3,168,858
Auxiliary enterprises	83,654	7,141	-	-	1,620,966	-	1,711,761
Depreciation	-	-	-	-	-	1,421,113	1,421,113
Total operating expenses	<u>\$ 10,168,261</u>	<u>\$ 2,715,628</u>	<u>\$ 3,168,858</u>	<u>\$ 578,877</u>	<u>\$ 5,741,120</u>	<u>\$ 1,421,113</u>	<u>\$ 23,793,857</u>