

# **Aiken Technical College**

## ***Report on the Financial Statements***

***For the year ended June 30, 2018***

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# 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, 2018**

MEMBERS OF AREA COMMISSION

Term Expires

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

OFFICERS OF AREA COMMISSION

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

KEY ADMINISTRATIVE STAFF

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

***AIKEN TECHNICAL COLLEGE***

**AREA COMMISSION MEMBERS, OFFICERS, KEY ADMINISTRATIVE STAFF, AND OTHER INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2018**

AREA SERVED BY COMMISSION

Aiken County, South Carolina

ENTITIES WHICH PROVIDE FINANCIAL SUPPORT

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

## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Aiken Technical College (the "College"), a component unit of the State of South Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College as of June 30, 2018, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Implementation of New Accounting Standard***

As discussed in Notes 1, 7, and 14 to the financial statements, the College adopted the provisions of Governmental Accounting Standards Board ("GASB") issued Statement No. 75. *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions ("OPEB")* effective July 1, 2017. Our audit opinions were not modified with respect to this matter.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 15, as well as the Schedule of the College's Proportionate Share of the Net Pension Liability, the Schedule of the College's Pension Contributions, the Schedule of the College's Proportionate Share of the Net OPEB Liability, and the Schedules of the College's OPEB Contributions as shown on pages 49 through 52, 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 Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The Area Commission Members, Officers, Key Administrative Staff, and Other Information as listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September xx, 2018, 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  
October 1, 2018

# Aiken Technical College

## *Management's Discussion and Analysis*

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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, 2018. This discussion should be read in conjunction with the financial statements and the notes thereto, which follow this section.

The financial statements follow Governmental Accounting Standards Board ("GASB") codifications and related implementation guides. The financial statement presentation provides a comprehensive, entity-wide perspective of the College's assets, deferred outflows, liabilities, deferred inflows, net position, revenues, expenses, changes in net position, and cash flows, and replaces the fund-group perspective previously required before fiscal year 2002. Fiscal year 2018 contains adjustments, calculations and information based on GASB statements 68, and 75, relating to economic effects of the College's potential pension and other postemployment benefits ("OPEB"), responsibilities to employees.

### **Financial Highlights**

- The assets and deferred outflows of Aiken Technical College exceeded its liabilities and deferred inflows at June 30, 2018 by \$14,947,867. Of this amount, \$20,691,591 may be used to meet the College's ongoing legal obligations.
- The College's net pension and OPEB liabilities are not legal obligations of the College, and the South Carolina Retirement System does not have recourse to collect either the College's net pension or OPEB liabilities, \$30,781,646, as shown on the College's Statement of Net Position.
- The College's ending total net position decreased from prior year by 47.54%, resulting from a decrease of \$14,119,329 due to the implementation of GASB 75 which was slightly offset by the annual increase in net position of \$572,259. The net investment in capital assets decreased by \$903,431 reflecting annual depreciation in excess of capital purchases.
- The College recorded \$843,671 in capital funding received during the fiscal year.
- Purchases of capital equipment (over \$5,000 a unit) arose in connection with College needs in the net amount of \$540,218.
- The College experienced an operating loss of \$11,760,992 as reported in the Statement of Revenues, Expenses, and Changes in Net Position. However, this operating loss was partially offset by state appropriations of \$4,331,997, local appropriations of \$1,944,069, and certain non-operating federal grants of \$4,791,679, primarily for pass-through student financial aid and other non-operating revenues.

### **Overview of the Financial Statements**

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

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



## **Aiken Technical College**

### ***Management's Discussion and Analysis***

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Current GASB codification allows for Statement of Net Position categories entitled “deferred outflows of resources” and “deferred inflows of resources”, considered neither assets nor liabilities, but in limited circumstances affect in which fiscal year certain financial accruals of actual or potential transactions arise. Deferred outflows of resources represent consumption of net position that applies to a future reporting period(s) and so will not be recognized as outflows of resources (expense) until then. Deferred inflows of resources represent the acquisition of net position that applies to a future reporting period(s) and so will not be recognized as inflows of resources (revenue) until then. This year’s deferred inflows and outflows relate to pension and OPEB liabilities.

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

The unrestricted net position does not reflect a direct relationship to the College’s legal financial condition. Recent GASB pronouncements require the College to present a share of the South Carolina Retirement System’s (“SCRS”) net pension and OPEB liabilities, potentially payable in future years, but not supported by projected SCRS investments and funding. The College is not legally liable for SCRS shortfalls in funding or investment performance, nor does the state require the College to pay out a share of any SCRS potential failure to provide for all future retiree benefits. The College’s only responsibility rests with annual contributions to the SCRS’ retirement and OPEB plans, based on pre-determined rates, noted in the College’s financial statement footnotes. SCRS shortfalls prompted a SC legislature rate increase of 0.50% in fiscal 2017, and a further 2% increase for fiscal year 2018 for pension contributions. Without the non-recourse pension and OPEB liabilities, the unrestricted net position would increase to \$20,691,591 from \$(10,090,055).

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

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

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

# Aiken Technical College

## *Management's Discussion and Analysis*

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### Financial Analysis

Net position decreased over fiscal year 2017 net position by \$13,547,070. As noted in the highlights, the decrease resulted from an adjustment to the beginning net position to implement GASB 75 in the amount of \$14,119,329 which was slightly offset by an annual net increase in net position of \$572,259. The annual increase reflected funds received and expended for capital, cost management appropriate to the College's enrollment size, and related tuition and fees revenue, offset by tuition rate increases, as well as a slight increase in the State appropriations. Operating expenses increased from \$22,418,469 to \$22,734,861, including a moderate salary and fringe increase from \$12,463,201 to \$12,991,929.

Student enrollment decreased by 129 full time equivalent students, or 3.70%.

The College's total assets and deferred outflows exceeded total liabilities and deferred inflows by 14,947,867, taking into account the inclusion of a non-legal (non-recourse) net pension and OPEB liabilities.

By far the largest portion of the College's net position, \$24,976,245, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related outstanding debt used to acquire the assets. The College acquires these capital assets to provide services to students; consequently, these assets are *not* available for future spending. In a similar fashion, non-recourse liabilities, such as the net pension and OPEB liabilities, do not reduce liquidity available for future spending. Although the College's investment in its capital assets is reported net of capital related debt, it should be noted that the resources needed to repay legal debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

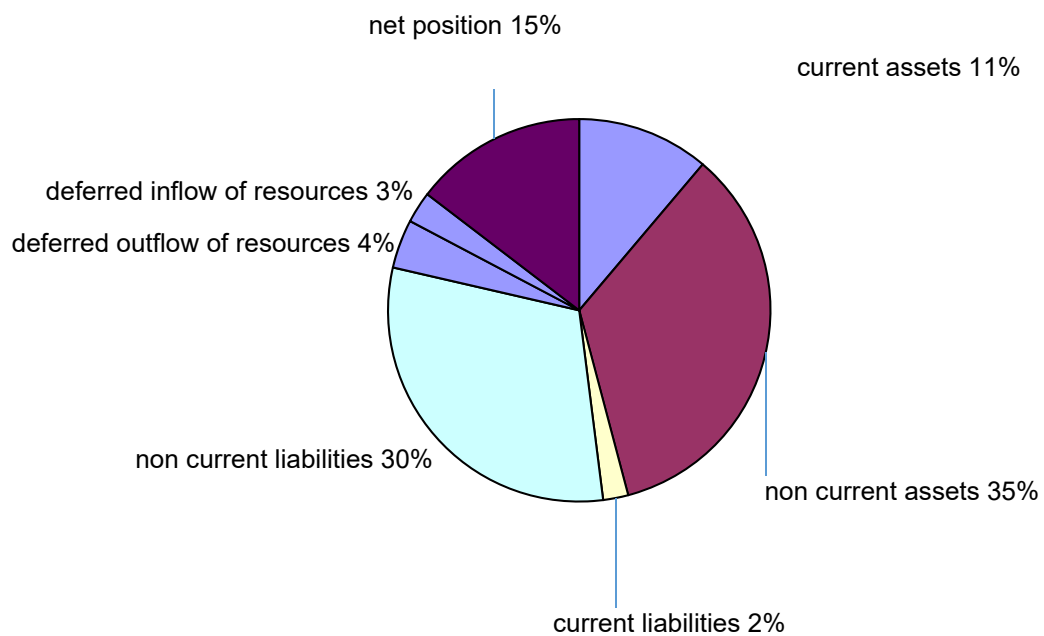
Only 0.41% of the College's net position represents resources subject to external restrictions on how they may be used. The unrestricted net position of \$(10,090,055), when adjusted for the non-recourse net pension and OPEB liabilities of \$30,781,646, results in liquidity of \$20,691,591 that may be used to meet the College's ongoing legal obligations. The State Board for Technical Colleges requires the College to maintain one month's operating funds for liquidity. The current unrestricted net position, adjusted for non-recourse liabilities, represents in excess of twelve months normal operating funds.

Total operating expenses increased during the year by \$316,392 or 1.41% . Salaries and Benefits, the College's largest expense category, increased by \$528,728, or 4.24%. Supplies and Other Services decreased by \$114,347, or 2.38%, largely resulting from reduced instructional computer, and non-capital equipment purchases. Utilities decreased by \$9,216, or 1.15%. Instruction and Academic Support functions decreased by \$127,682, or 1.24%. Student Services and Institutional Support functions expenditures increased by a total of \$286,388, or 6.20%. Plant Maintenance and Operation decreased by \$51,549, or 2.66%, resulting from mild weather and expenditures governed by budget constraints. Depreciation increased by \$22,127 or 1.24%.

Charts and graphs follow that pictorially present specific areas of the College's financial condition at June 30, 2018 and comparisons with the prior year.

**Statement of Net Position Pie Chart Summary**

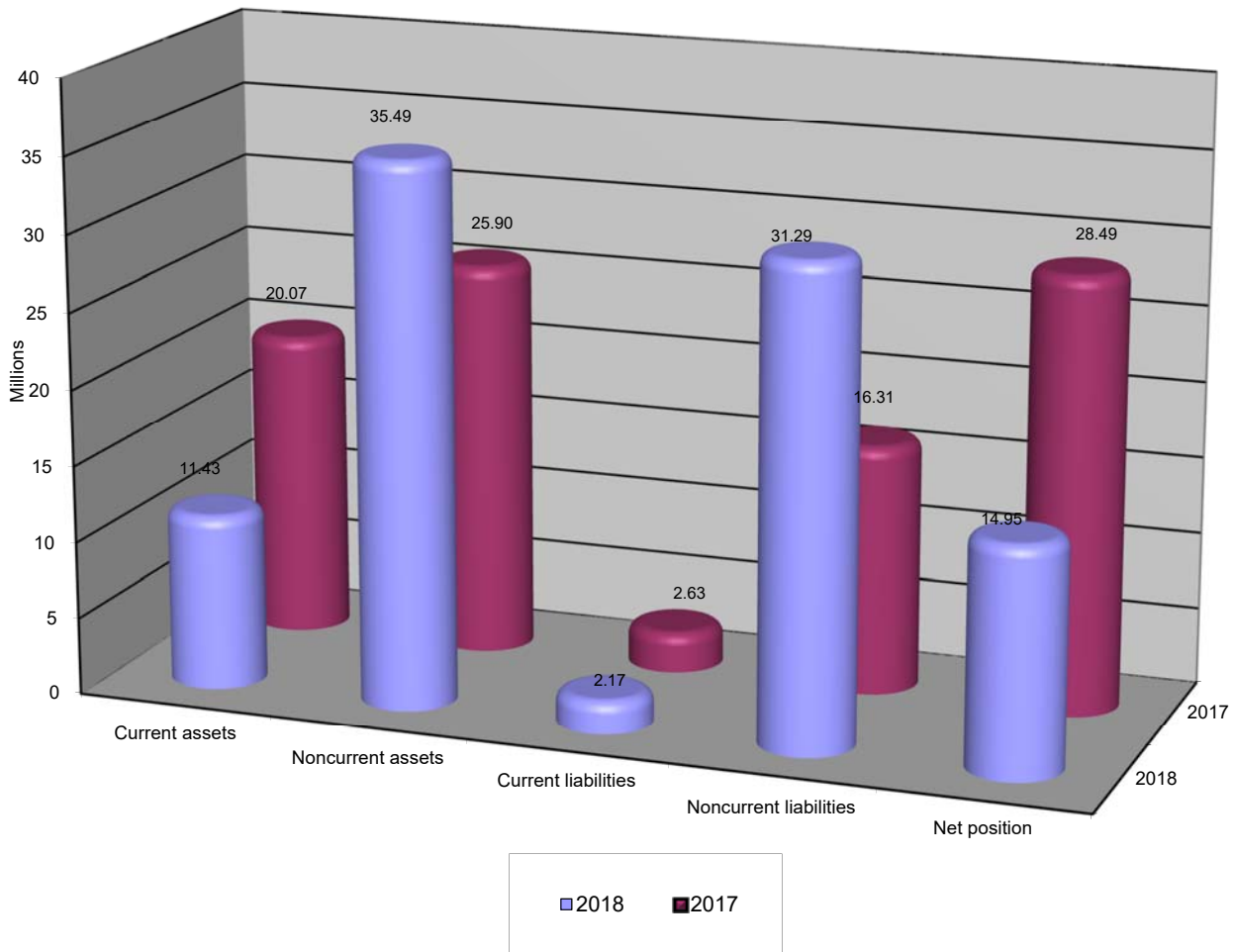
Note: Assets substantially exceed liabilities denoting a sound financial condition for the College.



**Aiken Technical College**  
**Management's Discussion and Analysis**

The following graph illustrates the change from the prior year for Assets, Liabilities and Net Position. Current assets decreased, while noncurrent assets increased as a result of investing cash in long term investments. The noncurrent liabilities increase and net position decrease is the result of the adoption of GASB 75 and recording the OPEB non-recourse liability which was not present in the 2017 financial statements.

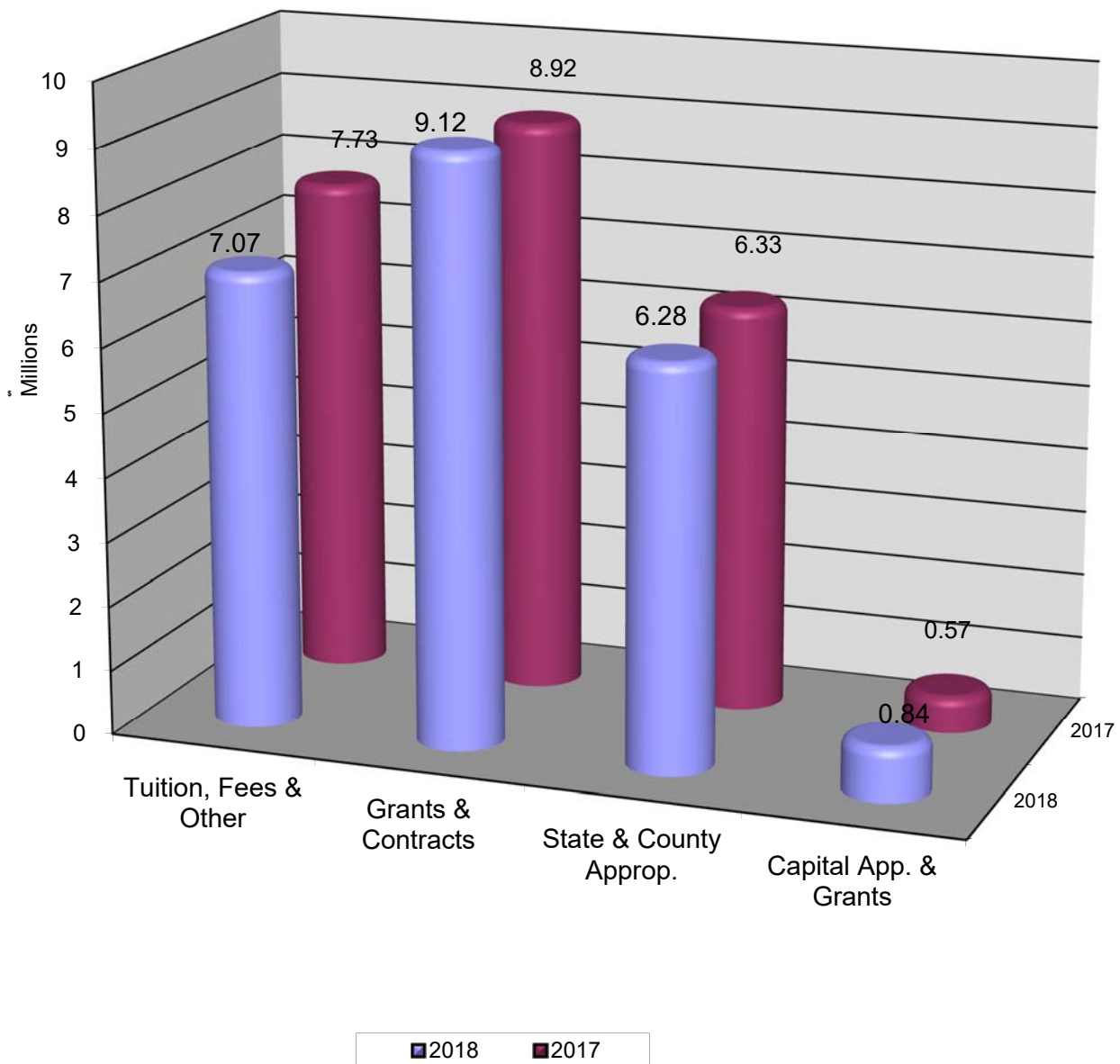
**Comparison of Assets, Liabilities, and Net Position**



**Revenue Comparisons**

The chart below shows decreased Tuition, Fees, and Other revenue as a result of decreased enrollment in fiscal year 2018 in comparison to fiscal year 2017. Combined State and County Appropriations decreased slightly. Capital Appropriations and Grants increased from the receipt and recognition of critical equipment funding revenue. Grants and Contracts increased slightly resulting from instructional related federal grants.

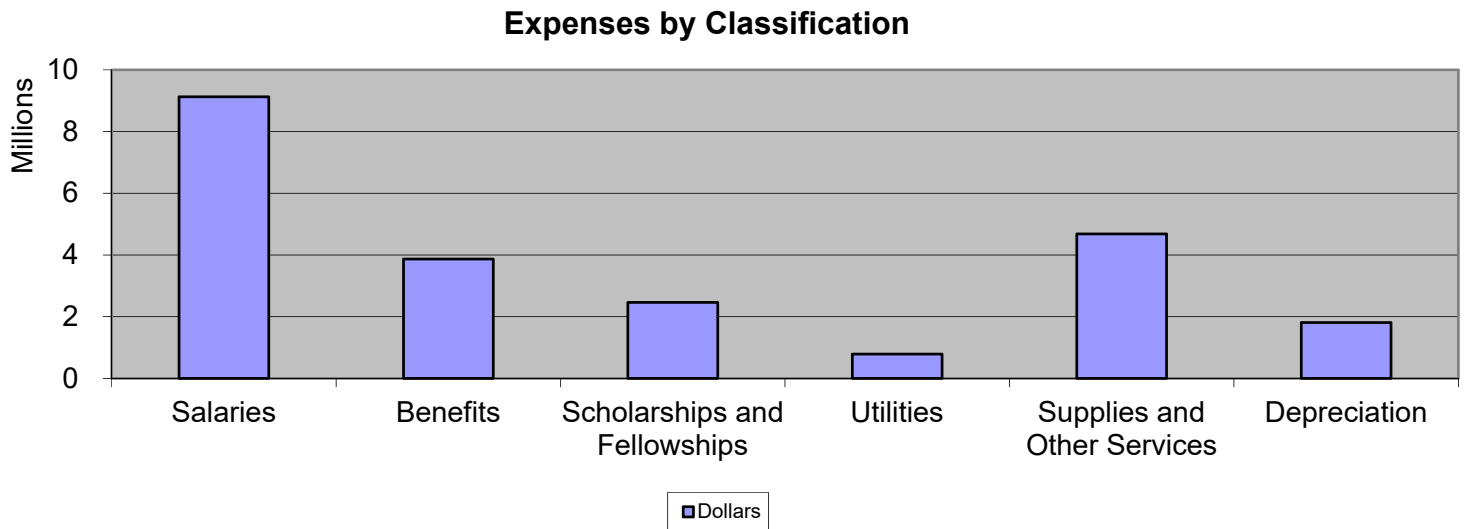
**Revenue Comparisons FY18 to FY17**

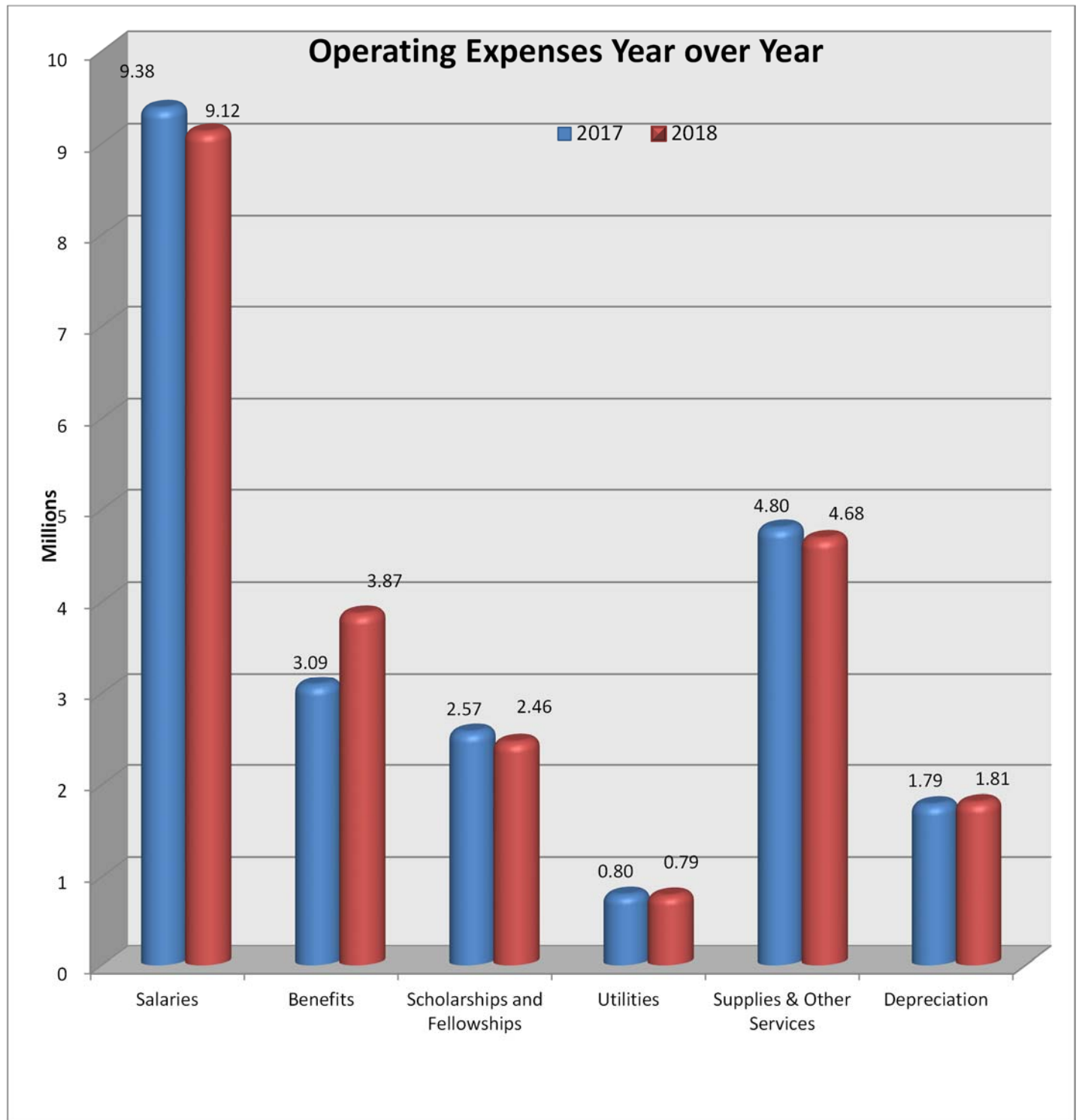


**Expenditure Charts**

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

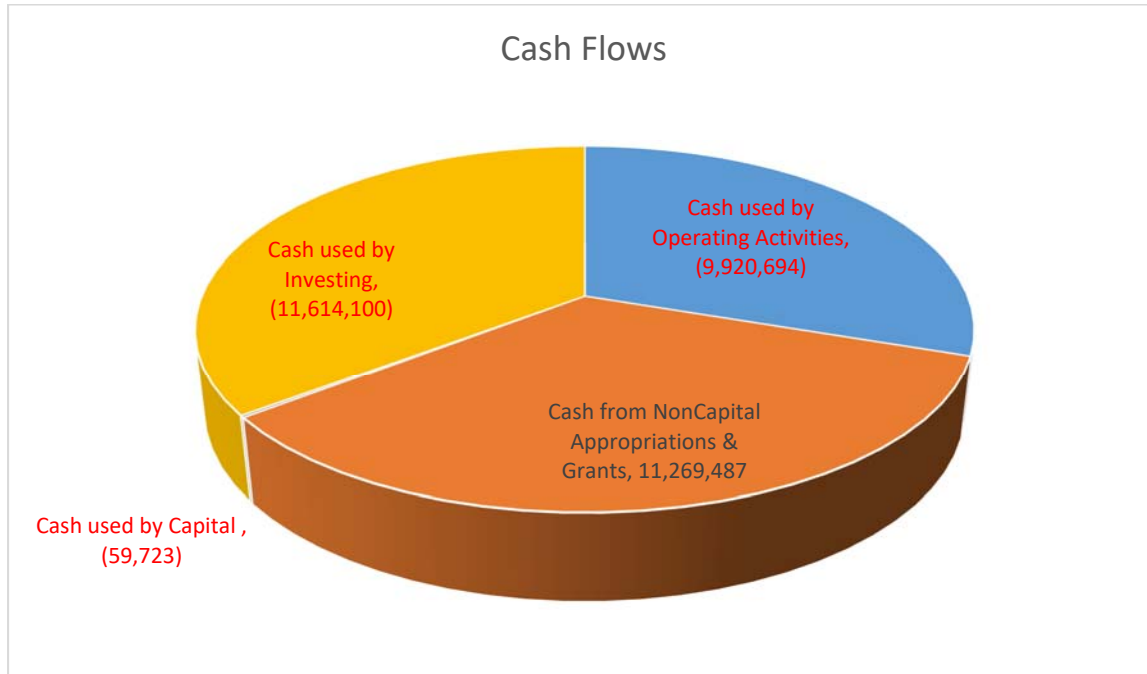
(See Financial Analysis text for details)





**Cash Flows**

Cash and cash equivalents decreased by \$10,325,030.



**Economic Factors**

South Carolina's ("SC") economy continued improvement during fiscal year 2018. By June 2018, the SC Leading Index ("SCLI") ended with a value of 102.55 .<sup>i</sup> According to the SC Department of Commerce, a SCLI value greater than 100 forecasts economic growth through the following three to six months

The SC recovery, reflected in the above indicator, when combined with other state funding priorities, resulted in an increase of the College's share of State revenues for its current operations, from a comparatively low base. SC initial unemployment claims equaled a 2,378 weekly average by the end of June, a low number compared to recession years, resulting in reduced motivation of citizens to return to educational institutions.<sup>ii</sup>

**Summary**

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



## Aiken Technical College

### Management's Discussion and Analysis

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

#### Condensed Statements of Net Position

	6/30/2018	6/30/2017*	Increase (Decrease)	
			\$	%
<b>ASSETS:</b>				
Cash, investments, and other assets	\$ 21,945,725	\$ 20,084,752	\$ 1,860,973	9.27
Capital assets, net	24,976,245	25,879,676	(903,431)	(3.49)
Total Assets	<u>46,921,970</u>	<u>45,964,428</u>	<u>957,542</u>	<u>2.08</u>
Deferred outflows of resources	4,217,218	2,369,499	1,847,719	77.98
<b>LIABILITIES:</b>				
Accounts payable and other current liabilities	2,174,682	2,630,748	(456,066)	(17.34)
Noncurrent liabilities	31,294,520	16,311,105	14,983,415	91.86
Total Liabilities	<u>33,469,202</u>	<u>18,941,853</u>	<u>14,527,349</u>	<u>76.69</u>
Deferred inflows of resources	2,722,119	897,137	1,824,982	203.42
<b>NET POSITION:</b>				
Net investment in capital assets	24,976,245	25,879,676	(903,431)	(3.49)
Restricted	61,677	60,287	1,390	2.31
Unrestricted	<u>(10,090,055)</u>	<u>2,554,974</u>	<u>(12,645,029)</u>	<u>(494.92)</u>
	<u>\$ 14,947,867</u>	<u>\$ 28,494,937</u>	<u>\$ (13,547,070)</u>	<u>(47.54)</u>

\*As originally reported

**Aiken Technical College**  
**Management's Discussion and Analysis**

**Condensed Statements of Revenues, Expenditures and Changes in Net Position**

	For the Years Ended		Increase (Decrease)	
	2018	2017*	\$	%
Operating Revenues				
Student tuition and fees (net of scholarship allowances of \$4,741,245 and \$4,602,682, respectively)	\$ 5,760,124	\$ 6,243,248	\$ (483,124)	(7.74)
Grants and contracts	4,125,399	3,809,427	315,972	8.29
Other	1,088,346	1,451,465	(363,119)	(25.02)
Total Operating Revenues	10,973,869	11,504,140	(530,271)	(4.61)
Operating Expenses				
Salaries	9,124,371	9,375,975	(251,604)	(2.68)
Benefits	3,867,558	3,087,226	780,332	25.28
Scholarships and fellowships	2,462,537	2,573,437	(110,900)	(4.31)
Utilities	789,542	798,758	(9,216)	(1.15)
Supplies and other services	4,683,016	4,797,363	(114,347)	(2.38)
Depreciation	1,807,837	1,785,710	22,127	1.24
Total Operating Expenses	22,734,861	22,418,469	316,392	1.41
Operating Loss	(11,760,992)	(10,914,329)	(846,663)	(7.76)
Non Operating Revenues (Expenses)				
State appropriations	4,331,997	4,417,440	(85,443)	(1.93)
County appropriations	1,944,069	1,910,298	33,771	1.77
Other nonoperating revenues and expenses	5,213,514	5,151,571	61,943	1.20
Total nonoperating revenues	11,489,580	11,479,309	10,271	0.09
Loss before other revenues (expenses)	(271,412)	564,980	(836,392)	(148.04)
Capital appropriations, grants, and gifts	843,671	570,502	273,169	47.88
Increase in Net Position	572,259	1,135,482	(563,223)	(49.60)
Net Position:				
Net Position, beginning of year	28,494,937	27,359,455	1,135,482	4.15
Cumulative effect-implementation of GASB 75	(14,119,329)			
Adjusted beginning Net Position	14,375,608			
Net Position, end of year	\$ 14,947,867	\$ 28,494,937	\$ 572,259	2.01

\*As originally reported

<sup>i</sup> SC Department of Commerce Economic Outlook. Division of Research, Volume 11, Issue 6, July 2018, 1<sup>st</sup> para.

<sup>ii</sup> SC Department of Commerce Economic Outlook. Division of Research, Volume 11, Issue 6, June; 2018, pg. 2, 2<sup>nd</sup> para.

# Aiken Technical College

## Statement of Net Position

As of June 30, 2018

### Assets

#### Current Assets

Cash and cash equivalents	\$ 7,137,653
Investments	1,500,000
Accounts receivable, net	2,156,637
Inventories	503,360
Prepaid expenses	129,452
Total current assets	<u>11,427,102</u>

#### Noncurrent Assets

Investments	10,500,070
Restricted short-term investments	18,553
Capital assets not being depreciated	1,311,519
Capital assets, net of accumulated depreciation	23,664,726
Total noncurrent assets	<u>35,494,868</u>
Total assets	<u>46,921,970</u>

Deferred outflow of resources, related to pensions

3,751,700

Deferred outflow of resources, related to OPEB

465,518

### Liabilities

#### Current Liabilities

Accounts payable	386,936
Accrued payroll liabilities	61,625
Unearned revenues and advances	1,685,622
Accrued compensated absences - current portion	40,499
Total current liabilities	<u>2,174,682</u>

#### Noncurrent Liabilities

Accrued compensated absences	508,268
Net pension liability-non-recourse	17,176,808
Net OPEB liability-non-recourse	13,604,838
Restricted liabilities - funds held for others	4,606
Total noncurrent liabilities	<u>31,294,520</u>
Total liabilities	<u>33,469,202</u>

Deferred inflow of resources, related to pensions

1,435,868

Deferred inflow of resources, related to OPEB

1,286,251

### Net Position

Net investment in capital assets	24,976,245
Restricted expendable for loan fund	61,677
Unrestricted	(10,090,055)
Total net position	<u>\$ 14,947,867</u>

See Notes to the Financial Statements

# Aiken Technical College

## Statement of Revenues, Expenses and Changes in Net Position

For the year ended June 30, 2018

### Revenues

#### Operating Revenues

Student tuition and fees (net of scholarship allowances of \$4,645,159)	\$ 5,397,824
Student tuition and fees pledged for revenue bonds (net of scholarship allowances of \$96,086)	362,300
Federal grants and contracts	1,396,786
State grants and contracts	2,504,591
Local grants and contracts	224,022
Auxiliary enterprises (net of scholarship allowances of \$342,655)	760,124
Other operating revenues	328,222
Total operating revenues	<u>10,973,869</u>

### Expenses

#### Operating Expenses

Salaries	9,124,371
Benefits	3,867,558
Scholarships and fellowships	2,462,537
Utilities	789,542
Supplies and other services	4,683,016
Depreciation	1,807,837
Total operating expenses	<u>22,734,861</u>
Operating loss	<u>(11,760,992)</u>

### Nonoperating revenues

State appropriations	4,331,997
County appropriations	1,944,069
Federal grants and contracts	4,791,679
State and local grants and contracts	205,264
Interest income	216,571
Net nonoperating revenues	<u>11,489,580</u>
Loss before capital grants, gifts, and transfers	(271,412)
Capital grants and state capital appropriations	843,671
Increase in net position	<u>572,259</u>

<i>Net position, beginning of year</i>	28,494,937
<i>Cumulative effect of implementation of GASB 75</i>	<u>(14,119,329)</u>
<i>Net position, beginning of year, restated</i>	14,375,608
<i>Net position, end of year</i>	<u>\$ 14,947,867</u>

See Notes to the Financial Statements

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**Aiken Technical College****Statement of Cash Flows****For the year ended June 30, 2018**

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**Cash flows from operating activities**

Student tuition and fees	\$ 5,845,407
Federal, state and local grants and contracts	3,931,592
Auxiliary enterprise charges	756,144
Other receipts	(45,553)
Payments to employees	(12,148,875)
Payments to vendors	(8,259,409)
Net cash used for operating activities	<u>(9,920,694)</u>

**Cash flows from noncapital financing activities**

State appropriations	4,331,997
County appropriations	1,941,319
Federal, state and local grants, gifts, and contracts, non-operating	4,996,021
Expended for agency funds	150
Net cash provided by noncapital financing activities	<u>11,269,487</u>

**Cash flows from capital and related financing activities**

Federal, state, and local grants and contracts for capital	844,683
Purchase of capital assets	(904,406)
Net cash used for capital and related financing activities	<u>(59,723)</u>

**Cash flows from investing activities**

Interest on cash and cash equivalents	21,620
Interest on investments	124,361
Proceeds from the sale and maturity of investments	239,989
Purchase of investments	(12,000,070)
Net cash used for investing activities	<u>(11,614,100)</u>
Net decrease in cash and cash equivalents	<u>(10,325,030)</u>

**Cash and cash equivalents, beginning of year**

17,462,683

**Cash and cash equivalents, end of year**\$ 7,137,653

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**Aiken Technical College****Statement of Cash Flows****For the year ended June 30, 2018**

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

Operating loss	\$ (11,760,992)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	1,807,837
Pension and OPEB expense attributable to College shares of SCRS expense	848,240
Change in assets and liabilities:	
Accounts receivables, net	(126,042)
Inventories	(133,051)
Prepaid expenses	(93,579)
Accounts payable	(97,683)
Accrued payroll liabilities	3,167
Accrued compensated absences	(7,602)
Unearned revenues	12,787
Advances	(373,776)
Net cash used for operating activities	<u>\$ (9,920,694)</u>

**Aiken Technical College Foundation - Non-Governmental Discretely Presented Component Unit**  
**Statement of Financial Position**  
**June 30, 2018**

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**Assets**

**Current assets**

Cash and cash equivalents	\$ 89,909
Pledges receivable	9,786
Total current assets	<u>99,695</u>

**Non-current assets**

Investments	5,433,486
Pledges receivable, net	9,440
	<u>5,442,926</u>
Total assets	<u><u>\$ 5,542,621</u></u>

**Liabilities and Net Assets**

**Current liabilities**

Accounts payable	\$ 8,512
Total current liabilities	<u>8,512</u>

**Net assets**

Unrestricted	843,435
Temporarily restricted	3,512,670
Permanently restricted	1,178,004
Total net assets	<u>5,534,109</u>
Total liabilities and net assets	<u><u>\$ 5,542,621</u></u>

**Aiken Technical College Foundation - Non-Governmental Discretely Presented Component Unit**  
**Statement of Activities**  
**For the year ended June 30, 2018**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues, Gains, and Other Support</b>				
Contributions	\$ 37,429	\$ 177,058	\$ 10,500	\$ 224,987
Investment and other income	37,658	90,802	-	128,460
Net investment gains	40,723	98,502	-	139,225
Net assets released from restrictions	313,452	(313,452)	-	-
Total revenues, gains, and other support	<u>429,262</u>	<u>52,910</u>	<u>10,500</u>	<u>492,672</u>
<b>Expenses</b>				
<b>Program services</b>				
Scholarships	122,557	-	-	122,557
Equipment and building support	137,652	-	-	137,652
Student programs	23,919	-	-	23,919
Other programs	29,324	-	-	29,324
Total program services	<u>313,452</u>	<u>-</u>	<u>-</u>	<u>313,452</u>
<b>Supporting services</b>				
Management and general	128,345	-	-	128,345
Fundraising	38,943	-	-	38,943
Total expenses	<u>480,740</u>	<u>-</u>	<u>-</u>	<u>480,740</u>
Increase (decrease) in net assets	<u>(51,478)</u>	<u>52,910</u>	<u>10,500</u>	<u>11,932</u>
<b>Net assets, beginning of year</b>	<u>894,913</u>	<u>3,459,760</u>	<u>1,167,504</u>	<u>5,522,177</u>
<b>Net assets, end of year</b>	<u>\$ 843,435</u>	<u>\$ 3,512,670</u>	<u>\$ 1,178,004</u>	<u>\$ 5,534,109</u>

See Notes to the Financial Statements



# Aiken Technical College

## Notes to the Financial Statements

June 30, 2018

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

#### Nature of operations:

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

#### Reporting entity:

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

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

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

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

# Aiken Technical College

## Notes to the Financial Statements

June 30, 2018

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

#### Financial statements:

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

#### Basis of accounting:

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

#### Estimates:

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

#### Cash, cash equivalents and investments:

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

#### Receivables:

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

# Aiken Technical College

## Notes to the Financial Statements

June 30, 2018

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

#### Inventories:

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

#### Capital assets:

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

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

#### Unearned revenues and advances:

Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent year. Unearned revenues also include amounts received from grant and contract sponsors 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.

#### Deferred outflows of resources and deferred inflows of resources:

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

#### Net position:

The College's net position is classified as follows:

# Aiken Technical College

## Notes to the Financial Statements

June 30, 2018

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

#### Net position, continued:

*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, 2018, the College did not have any restricted net position – nonexpendable.

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

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

#### Income taxes:

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

#### Classification of revenues:

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

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

# Aiken Technical College

## Notes to the Financial Statements

June 30, 2018

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

#### Classification of revenues, continued:

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

#### Sales and services of education and other activities:

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

#### Auxiliary enterprises and internal service activities:

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

#### Component unit:

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

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

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

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

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

# Aiken Technical College

## Notes to the Financial Statements

June 30, 2018

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

#### Component unit, continued:

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

#### Pensions:

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

#### New accounting pronouncements – adopted:

The GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, in June 2015, applicable to, and implemented by, the College, in fiscal 2018. The statement details the recognition and disclosure requirements for employers (including the College) with payables to defined benefit OPEB plans, administered through trusts meeting specified criteria. Investments are reported at fair value, except for money market investments and participating interest earning investment contracts having a maturity at the time of purchase on one year or less, which are reported at cost.

GASB Statement No. 75 requires the College, as a participant in South Carolina's ("SC") cost-sharing multiple employer OPEB plan, to recognize a proportionate share of the SC Retiree Health Care Plan's ("SCRHCP") collective net OPEB liability, collective OPEB expense, as well as deferred outflows and inflows of resources related to OPEB. The net OPEB liability is the difference between the total OPEB liability and the plan's fiduciary net position. In traditional actuarial terms, this is analogous to the accrued liability less the market value of assets. The recognition reflects a measurement date of June 30, 2017, and employer contributions made to the OPEB plan subsequent to the measurement date, up to the end of the College's current reporting period, are reported as a deferred outflow of resources.

#### Postemployment Benefits Other Than Pensions (OPEB):

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

#### Subsequent events:

These financial statements have not been updated for subsequent events occurring after October 1, 2018, which is the date these financial statements were available to be issued.

# Aiken Technical College

## Notes to the Financial Statements

June 30, 2018

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### 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, 2018.

#### Non-capital Appropriations

Current year's appropriations:	
Final Appropriations Act appropriation as allocated by the State Board for Technical and Comprehensive Education	\$ 4,331,997
Total non-capital appropriations recorded as current year revenue	<u>\$ 4,331,997</u>

#### Capital Appropriations

Current year's appropriations:	
Critical Training, Information and General Technology, & CEAM building equipment	\$ 843,671
Total capital appropriations recorded as current year revenue	<u>\$ 843,671</u>

### Note 3. Deposits and Investments

#### Deposits:

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

#### Custodial credit risk:

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

The deposits for the College at June 30, 2018 were \$19,353,782 with a book balance of \$19,156,276. 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, 2018 were \$89,909. The Foundation is not bound by State law requiring collateralization of deposits; however, the Federal Deposit Insurance Corporation insured the total amount deposited as of June 30, 2018.

# Aiken Technical College

## Notes to the Financial Statements

June 30, 2018

### Note 3. Deposits and Investments, Continued

#### Investments:

The College is authorized, by the South Carolina Code of Laws, Section 11-9-660, "Investment of Funds", to invest in obligations of the United States and its agencies, obligations of the State of South Carolina and its political subdivisions, collateralized or federally insured certificates of deposit, and collateralized repurchase agreements. As of June 30, 2018, the College holds certificate of deposits maturing over a seven year period. The certificates maturing within one year of June 30, 2018 have been classified as current investments; whereas, the certificates of deposits with maturity dates in excess of one year from June 30, 2018, are classified as noncurrent investments.

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

#### **Statement of Net Position:**

Cash and cash equivalents	\$ 7,137,653
Current Investments	1,500,000
Noncurrent Investments	10,500,070
Restricted investments	18,553
Total statement of net position	<u>\$ 19,156,276</u>

#### **Deposits and Investments:**

Carrying value of deposits	\$ 19,151,826
Cash on hand	4,450
Total deposits and investments	<u>\$ 19,156,276</u>

#### Fair value of financial measurements:

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

The College's investments consist entirely of \$12,000,070 in certificates of deposits issued by commercial banks. Due to the contractual and insured nature of these investments, management does not consider there to be a significant difference between fair value and the carrying amount. These investments have been categorized as Level 2. Cash equivalents consists of cash held in a money market checking account and are not included within the fair value hierarchy.



# Aiken Technical College

## Notes to the Financial Statements

June 30, 2018

### Note 3. Deposits and Investments, Continued

#### Concentration of credit risk:

Concentration of credit risk is the risk of loss attributed to the magnitude of an institution's investment in a single issuer. As of June 30, 2018, the College maintained \$10,000,070 in CDs individually less than \$250,000 and fully insured by the Federal Deposit Insurance Corp (FDIC), and \$2,000,000 in CDs fully collateralized. The College maintains an investment policy procedure awarding investments in certificates of deposit, collateralized, supported by an irrevocable letter of credit, or insured by the FDIC, with no concentration restriction.

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

The Foundation invests in the following rated debt securities:

<u>Rated Debt Securities</u>	<u>Fair Value</u>	<u>Quality Ratings</u>			
		<u>All A ratings</u>	<u>B, BB, BBB</u>	<u>Lower than All B ratings</u>	<u>Unrated</u>
Bond mutual funds-					
international	\$ 229,556	\$22,589	\$ 200,311	\$ 4,430	\$ 2,226
Individual Corporate					
Bonds	1,188,114	1,188,114			
Money market					
Mutual funds	<u>265,263</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>265,263</u>
Total fair value	<u>\$1,682,933</u>	<u>\$1,210,703</u>	<u>\$200,311</u>	<u>\$ 4,430</u>	<u>\$ 267,489</u>

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

#### Interest rate risk:

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

For the year ended June 30, 2018, 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

## Notes to the Financial Statements

June 30, 2018

### Note 3. Deposits and Investments, Continued

#### Aiken Technical College Foundation Rated Debt Securities

<u>Rated Debt Securities</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (in years)</u>
Bond mutual funds - international	\$ 229,556	12.5
Individual Corporate Bonds	1,188,114	3.89
Money market mutual funds	265,263	0.02
Total fair value	<u>\$ 1,682,933</u>	

### Note 4. Receivables

Receivables at June 30, 2018, including applicable allowances for uncollectible receivables, were as follows:

#### Receivables:

Student accounts	\$ 928,979
Aiken County	28,934
Federal grants and contracts	1,066,594
State grants and contracts	3,052
Other receivables	300,280
Interest receivable	78,798
Total accounts receivable	<u>2,406,637</u>
Less: allowance for uncollectibles	<u>(250,000)</u>
Net accounts receivable	<u>\$ 2,156,637</u>

The College recognized a receivable from the Foundation of \$8,512 at June 30, 2018, which is included in the balance above.

The Foundation's pledges receivable at June 30, 2018 were as follows:

Pledges receivable	\$ 19,786
Less unamortized discount	<u>(560)</u>
Net pledges receivable	<u>\$ 19,226</u>
Amounts due in:	
Less than one year	\$ 9,786
One to five years	<u>10,000</u>
	<u>\$ 19,786</u>

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

# Aiken Technical College

## Notes to the Financial Statements

June 30, 2018

### Note 5. Capital Assets

	Beginning Balance <u>June 30, 2017</u>	Increases	Decreases	Ending Balance <u>June 30, 2018</u>
<b>Capital assets not being depreciated:</b>				
Land and improvements	\$ 926,922	\$ 200,000	\$ -	\$ 1,126,922
Construction in progress	20,409	164,188	-	184,597
Total capital assets not being depreciated	<u>947,331</u>	<u>364,188</u>	<u>-</u>	<u>1,311,519</u>
<b>Other capital assets:</b>				
Buildings and improvements	43,302,882	-	-	43,302,882
Machinery, equipment, and other	5,373,821	540,218	212,027	5,702,012
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	<u>50,674,257</u>	<u>540,218</u>	<u>212,027</u>	<u>51,002,448</u>
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	(19,847,629)	(1,225,378)		(21,073,007)
Machinery, equipment, and other	(4,206,497)	(505,230)	212,027	(4,499,700)
Intangible assets	(461,809)	-	-	(461,809)
Vehicles	(81,887)	-	-	(81,887)
Depreciable land improvements	(1,144,090)	(77,229)	-	(1,221,319)
Total accumulated depreciation	<u>(25,741,912)</u>	<u>(1,807,837)</u>	<u>212,027</u>	<u>(27,337,722)</u>
Other capital assets, net	<u>24,932,345</u>	<u>(1,267,619)</u>	<u>-</u>	<u>23,664,726</u>
Capital Assets, Net	<u>\$ 25,879,676</u>	<u>(903,431)</u>	<u>-</u>	<u>24,976,245</u>

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, 2018

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### Note 6. Retirement Plans

#### General information:

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

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

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

PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is included in the comprehensive annual financial report of the state.

#### Plan descriptions:

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

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

# Aiken Technical College

## Notes to the Financial Statements

June 30, 2018

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### Note 6. Retirement Plans, Continued

#### Plan descriptions, continued

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

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

#### Membership:

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

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

# Aiken Technical College

## Notes to the Financial Statements

June 30, 2018

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### Note 6. Retirement Plans, Continued

#### Membership, continued:

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

#### Benefits:

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

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

# Aiken Technical College

## Notes to the Financial Statements

June 30, 2018

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### Note 6. Retirement Plans, Continued

#### Benefits, continued:

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

#### Contributions:

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

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

Required employee contribution rates<sup>1</sup> are as follows:

	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017</u>
<b>SCRS</b>		
Employee Class Two	9.00%	8.66%
Employee Class Three	9.00%	8.66%
<b>State ORP</b>		
Employee	9.00%	8.66%
<b>PORS</b>		
Employee Class Two	9.75%	9.24%
Employee Class Three	9.75%	9.24%

# Aiken Technical College

## Notes to the Financial Statements

June 30, 2018

### Note 6. Retirement Plans, Continued

#### Contributions, continued:

Required employer contribution rates<sup>1</sup> are as follows:

	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017</u>
<b>SCRS</b>		
Employer Class Two	13.41%	11.41%
Employer Class Three	13.41%	11.41%
Employer Incidental Death Benefit	0.15%	0.15%
<b>State ORP</b>		
Employer Contribution <sup>2</sup>	13.41%	11.41%
Employer Incidental Death Benefit	0.15%	0.15%
<b>PORS</b>		
Employer Class Two	15.84%	13.84%
Employer Class Three	15.84%	13.84%
Employer Incidental Death Benefit	0.20%	0.20%
Employer Accidental Death Program	0.20%	0.20%

<sup>1</sup> Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

<sup>2</sup> Of this employer contribution, 5% of earnable compensation must be remitted by the employer directly to the ORP vendor to be allocated to the member's account with the remainder of the employer contribution remitted to the SCRS.

Contributions to the SCRS pension plan were \$938,741 for the year ended June 30, 2018.

For fiscal year 2018, 2017 and 2016 total ATC employer contribution requirements to the ORP were approximately \$143,374, \$113,978, and \$173,761, (excluding the surcharge). Employee contributions to the ORP plans approximated \$153,415, \$153,954, and \$129,817, for fiscal years 2018, 2017, and 2016.

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

#### Net pension liability:

At June 30, 2018, the College reported a liability of \$17,176,808 for its proportionate share of the SCRS net pension liability. The net pension liability was measured as of June 30<sup>th</sup>, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 and projected forward. The College's proportion of the net pension liability was based on a projection of the College's long-term share of contributions to the pension plan, relative to the projected contributions of all participating agencies, actuarially determined. At June 30, 2017, the College's proportion share of the SCRS plan was 0.0763%



# Aiken Technical College

## Notes to the Financial Statements

June 30, 2018

### Note 6. Retirement Plans, Continued

#### Pension expense:

For the year ended June 30, 2018, the College recognized pension expense of \$1,493,458 as a proportion of the SCRS overall pension expense.

#### Deferred outflows of resources and deferred inflows of resources:

Changes in net pension liability not included in pension expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension liability are reported as deferred outflows of resources. At June 30, 2018, the College also reported its share of SCRS deferred outflows of resources and deferred inflows of resources, related to pensions from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Differences between expected and actual experience	\$ 76,574	\$ 9,521
Assumption changes	1,005,518	
Net difference between projected and actual earnings on pension plan investments	1,385,739	906,243
Changes in proportionate share, plus difference in proportionate share of employer contributions.	345,128	520,104
College contributions subsequent to the measurement date	<u>938,741</u>	-
Total	<u>\$ 3,751,700</u>	<u>\$ 1,435,868</u>

\$938,741 reported as deferred outflows of resources related to pensions resulting from College contributions during the year ended June 30, 2018, subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2019.

Other amounts from the College's share of SCRS deferred outflows of resources and deferred inflows of resources, related to pensions, will be recognized in pension expense as follows:

Years ending June 30:

2019	\$ 222,154
2020	691,038
2021	588,408
2022	(124,509)
Thereafter	-
	<u>\$ 1,377,091</u>

#### Actuarial assumptions and methods:

Actuarial valuations of the ongoing plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued as of July 1, 2015.

# Aiken Technical College

## Notes to the Financial Statements

June 30, 2018

### Note 6. Retirement Plans, Continued

#### Actuarial assumptions and methods, continued:

The June 30, 2017, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by our consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2016. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2017, using generally accepted actuarial principles. The Retirement System Funding and Administration Act of 2017 was signed into law April 25, 2017, and included a provision to reduce the assumed rate of return from 7.50% to 7.25% effective July 1, 2017. As a result of this legislation, GRS made an adjustment to the calculation of the roll-forward total pension liability for this assumption change as of the measurement date of June 30, 2017.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2017.

	<b>SCRS</b>
Actuarial cost method	Entry age
Investment rate of return	7.25%
Projected salary increases	3.0% to 12.5%
Benefit adjustments	lesser of 1% or \$500

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

Assumptions used in the determination of the June 30, 2017, TPL are as follows.

<b>Former Job Class</b>	<b>Males</b>	<b>Females</b>
Educators	2016 PRSC Males multiplied by 92%	2000 Females PRSC multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males multiplied by 125%	Females 2016 PRSC multiplied by 111%

# Aiken Technical College

## Notes to the Financial Statements

June 30, 2018

### Note 6. Retirement Plans, Continued

#### Actuarial assumptions and methods, continued:

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

The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the Retirement System Investment Commission (RSIC). The RSIC has exclusive authority to invest and manage the retirement trust funds' assets. As co-fiduciary of the Systems, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation, which is summarized in the table below. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long Term Expected Portfolio Real Rate of Return</u>
<b>Global Equity</b>	<b>45.00%</b>		
Global Public Equity	31.00%	6.72%	2.08%
Private Equity	9.00%	9.60%	0.86%
Equity Options Strategies	5.00%	5.91%	0.30%
<b>Real Assets</b>	<b>8.00%</b>		
Real Estate (Private)	5.00%	4.32%	0.22%
Real Estate (REITs)	2.00%	6.33%	0.13%
Infrastructure	1.00%	6.26%	0.06%
<b>Opportunistic</b>	<b>17.00%</b>		
GTAA/Risk Parity	10.00%	4.16%	0.42%
Hedge Funds (non-PA)	4.00%	3.82%	0.15%
Other Opportunistic Strategies	3.00%	4.16%	0.12%
<b>Diversified Credit</b>	<b>18.00%</b>		
Mixed Credit	6.00%	3.92%	0.23%
Emerging Markets Debt	5.00%	5.01%	0.25%
Private Debt	7.00%	4.37%	0.31%
<b>Conservative Fixed Income</b>	<b>12.00%</b>		
Core Fixed Income	10.00%	1.60%	0.16%
Cash and Short Duration (Net)	2.00%	0.92%	0.02%
Total Expected Real Return	100.0%		5.31%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.56%

# Aiken Technical College

## Notes to the Financial Statements

June 30, 2018

### Note 6. Retirement Plans, Continued

*Actuarial assumptions and methods, continued:*

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

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

<b>Sensitivity of the Net Pension Liability to Changes in the Discount Rate</b>			
	<b>1.00% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1.00% Increase (8.25%)</b>
<b>College's proportionate share of the net pension liability</b>	\$ 22,138,545	\$ 17,176,808	\$14,166,198

*Pension plan fiduciary net position:*

The net pension liability is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position. As of June 30, 2017, net pension liability amounts for SCRS are as follows (amounts expressed in thousands):

<b>System</b>	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Employers' Net Pension Liability (Asset)</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension</b>
<b>SCRS</b>	\$ 48,244,437,494	\$ 25,732,829,268	\$ 22,511,608,226	53.3%

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

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

# Aiken Technical College

## Notes to the Financial Statements

June 30, 2018

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### Note 7. Postemployment and Other Employee Benefits (OPEB)

#### General Information:

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

PEBA issues audited financial statements and required supplementary information for the other post-employment benefits trusts (the "Trust"). This information is publicly available through the Insurance Benefits' link on PEBA's website at [www.peba.sc.gov](http://www.peba.sc.gov) or a copy may be obtained by submitting a request to PEBA – Insurance Benefits, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina, and therefore, the financial information of the Trust is also included in the comprehensive annual financial report of the State.

By State law, the College has no liability for retirement benefits; however, in implementing GASB Statement 75, the College recognizes a non-recourse, non-legal OPEB liability in addition to the College's non-recourse, non-legal pension liability, required by GASB Statement 68.

#### Plan descriptions:

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

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

#### Benefits:

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

# Aiken Technical College

## Notes to the Financial Statements

June 30, 2018

### Note 7. Postemployment and Other Employee Benefits (OPEB)

#### Contributions:

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment benefits to be funded through annual appropriations by the General Assembly for active employees to the PEBA, Insurance Benefits and participating retirees to PEBA, except for the portion funded through the pension surcharge and provided from the other applicable sources of the PEBA, Insurance Benefits. For active employees who are not funded by State General Fund appropriations, participating employers are mandated by State statute to contribute at a rate assessed each year by the Department of Administration Executive Budget Office. The covered payroll surcharge for the year ended June 30, 2017 was 5.33 percent. The South Carolina Retirement System collects the monthly surcharge for all participating employers and remits it directly to the SCRHITF. Other sources of funding for the SCRHITF include mandatory transfers of accumulated PEBA, Insurance Benefits' reserves and income generated from investments.

Employer contributions also include the implicit subsidy, or age-related subsidy inherent in the healthcare premiums structure. The implicit subsidy represents a portion of the health care expenditures paid on behalf of the employer's active employees. For purposes of GASB Statement No. 75, this expenditure on behalf of the active employee is reclassified as a retiree health care expenditure so that the employer's contributions towards the plan reflect the underlying age-adjusted, retiree benefit costs.

Contributions to the SCRHITF plan from the College were \$452,956 for the year ended June 30, 2018.

#### OPEB Liabilities and OPEB Expense:

At June 30, 2018, the College reported a liability of \$13,604,838, for its proportionate share of the SCRHITF's net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined based upon actuarial valuations performed on June 30, 2016 which were then rolled forward to the June 30, 2017 measurement date. The College's proportion of the net OPEB liability was based on a projection of the College's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating state employers, actuarially determined. At June 30, 2017, the College's proportionate shares of the SCRHITF plan's net OPEB liability was 0.100443%, which was the same as its proportionate share measured as of June 30, 2016. For the year ended June 30, 2018, the College recognized OPEB expense of \$828,043 for the SCRHITF plan.

#### Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:

At June 30, 2018 the College reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>SCRHITF</u>	
	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Differences between expected and actual experience	\$ -	\$ 5,905
Changes of assumptions	-	1,280,152
Net difference between projected and actual earnings on OPEB plan investments	23,377	-
Changes in proportion and differences between College contributions and proportionate share of contributions	-	194
College contributions subsequent to the measurement date	<u>442,141</u>	<u>-</u>
Total	<u>\$ 465,518</u>	<u>\$ 1,286,251</u>

# Aiken Technical College

## Notes to the Financial Statements

June 30, 2018

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

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

Years ending June 30:	<u>SCRHITF</u>
2019	\$ (200,088)
2020	(200,088)
2021	(200,088)
2022	(200,088)
2023	(205,932)
Thereafter	<u>(256,590)</u>
	<u>\$ (1,262,874)</u>

#### Actuarial assumptions:

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

The total OPEB liabilities were determined by actuarial valuations performed as of June 30, 2016. Update procedures were used to roll forward the total OPEB liabilities to June 30, 2017. The actuarial valuations were performed using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Additional information as of the latest actuarial valuation for SCRHITF:

#### **SCRHITF:**

Valuation Date: June 30, 2016

Actuarial Cost Method: Entry Age Normal

Inflation: 2.25%

Investment Rate of Return: 4.00%, net of OPEB Plan investment expense; including inflation

Single Discount Rate: 3.56% as of June 30, 2017

# Aiken Technical College

## Notes to the Financial Statements

June 30, 2018

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

#### Actuarial assumptions:

#### SCRHITF, continued:

Demographic Assumptions:	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2015
Mortality:	For healthy retirees, the 2016 Public Retirees of South Carolina Mortality Table for Males and the 2016 Public Retirees of South Carolina Mortality Table for Females are used with fully generational mortality projections based on Scale AA from the year 2016. Multipliers are applied to the base tables based on gender and employment type.
Health Care Trend Rate:	Initial trend starting at 7.00% and gradually decreasing to an ultimate trend rate of 4.15% over a period of 15 years
Aging Factors:	Based on plan specific experience
Retiree Participation:	79% for retirees who are eligible for funded premiums
Notes:	There were no benefit changes during the year. The discount rate changed from 2.92% as of June 30, 2016 to 3.56% as of June 30, 2017

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

This information is summarized in the following table:

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



# Aiken Technical College

## Notes to the Financial Statements

June 30, 2018

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

#### Discount rate:

The Single Discount Rate of 3.56% was used to measure the total OPEB liability for the SCRHITF. The accounting policy for this plan is to set the Single Discount Rate equal to the prevailing municipal bond rate. Due to the plan's investment and funding policies, the difference between a blended discount rate and the municipal bond rate would be less than several basis points (several hundredths of one percent).

A Single Discount Rate of 3.87% was used to measure the total OPEB liability for the SCLTDITF. This Single Discount Rate was based on an expected rate of return on plan investments of 4.00% and a municipal bond rate of 3.56%. The projection of cash flows to determine this Single Discount Rate assumed that employer contributions will remain \$38.64 per year for each covered active employee. Based on these assumptions, the plan's Fiduciary Net Position and future contributions were sufficient to finance the benefit payments through the year 2037. As a result, the long-term expected rate of return on plan investments was applied to project benefit payments through the year 2037, and the municipal bond rate was applied to all benefit payments after that date.

#### Sensitivity analysis:

The following table presents the SCRHITF's net OPEB liability calculated using a Single Discount Rate of 3.56%, as well as what the plan's net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher. In addition, regarding the sensitivity of the SCRHITF's net OPEB liability to changes in the healthcare cost trend rates, the following table presents the plan's net OPEB liability, calculated using the assumed trend rates as well as what the plan's net OPEB liability would be if were calculated using a trend rate that is one percent lower or one percent higher.

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

	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
	<b>2.56%</b>	<b>Discount Rate</b>	<b>4.56%</b>
		<b>3.56%</b>	
SCRHITF Net OPEB Liability	\$ 16,022,656	\$ 13,604,838	\$ 11,655,488

	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
		<b>Healthcare</b>	
		<b>Cost Trend Rate</b>	
SCRHITF Net OPEB Liability	\$ 11,156,532	\$ 13,604,838	\$ 16,774,809

# Aiken Technical College

## Notes to the Financial Statements

June 30, 2018

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

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

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

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

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

The State annually issues capital improvement bonds to fund improvements and expansion of State facilities. The College is not obligated to repay these funds to the State. Authorized funds can be requested as needed once State authorities have given approval to begin specific projects and project expenditures have been incurred. The College has received a commitment to renovate Building Three Hundred and has received an allocation of \$640,000 on a reimbursable basis, when expended, from South Carolina state capital reserve funds, and the College plans to commit approximately \$300,000, for a total project cost of approximately \$940,000. In addition, a state capital appropriation of \$4,000,000 exists for the College's future Life Science building project, available for reimbursement, when expended.

### Note 9. Lease Obligations

The College's non-cancelable operating leases for copiers provides for an annual renewal option at fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases and are generally payable on a monthly basis. Rental payments for copy equipment totaled \$73,622 for fiscal year 2018. The College will continue to lease equipment in the future at these approximate amounts.

### Note 10. Noncurrent Liabilities

#### Accrued compensated absences:

As of June 30, 2017, the College had accrued compensated absences totaling \$556,368. During the fiscal year, College absences decreased by \$7,601 bringing the accrued compensated absences balance to \$548,767 as of June 30, 2018, with \$40,499 being due within one year.

# Aiken Technical College

## Notes to the Financial Statements

June 30, 2018

### Note 10. Noncurrent Liabilities, Continued

#### Notes Payable:

Long-term liability activity, excluding funds held for others, for the year ended June 30, 2018 was as follows:

	June 30, 2017	Additions	Reductions	June 30, 2018	Due Within One Year
Net pension liability	15,791,340	2,275,431	889,963	17,176,808	-
Net OPEB liability	<u>14,532,727</u>	<u>851,418</u>	<u>1,779,307</u>	<u>13,604,838</u>	-
Total non-recourse liabilities	30,324,067	3,126,849	2,669,270	30,781,646	-
Accrued compensated Absences	556,368		7,601	548,767	40,499
Total long-term liabilities	<u>\$30,880,435</u>	<u>\$3,126,849</u>	<u>\$2,676,871</u>	<u>\$31,330,413</u>	\$40,499

### Note 11. Component Unit

Following is a summary of significant transactions between the Foundation and the College for the year ended June 30, 2018.

The College recorded non-governmental gift receipts of \$204,476 from the Foundation in non-operating revenues for the fiscal year ending June 30, 2018. 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 \$81,518 for reimbursement for administrative services provided to the Foundation during the year. The College was due \$8,512 from the Foundation as of June 30, 2018. The College had no payables due to the Foundation as of June 30, 2018. The Foundation's assets as of June 30, 2018 were \$5,542,621 with net assets of \$5,534,109.

### Note 12. Risk Management

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

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

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

# Aiken Technical College

## Notes to the Financial Statements

June 30, 2018

### Note 12. Risk Management, Continued

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

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

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

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

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

### Note 13. Operating Expenses by Function

Operating expenses by functional classification for the year ended June 30, 2018 are summarized as follows:

	Salaries	Benefits	Scholarships and Fellowships	Utilities	Supplies and Other Services	Depreciation	Total
Instruction	\$ 5,540,833	2,302,808	-	-	1,600,772	-	9,444,413
Academic support	782,870	265,098	-	-	167,731	-	1,215,699
Student services	1,186,652	431,234	-	-	339,559	-	1,957,445
Operation and maintenance of plant	220,889	80,719	-	789,542	794,147	-	1,885,297
Institutional support	1,353,397	772,176	-	-	822,074	-	2,947,647
Scholarships	-	-	2,462,537	-	-	-	2,462,537
Auxiliary enterprises	39,730	15,523	-	-	958,733	-	1,013,986
Depreciation	-	-	-	-	-	1,807,837	1,807,837
<b>Total operating expenses</b>	<b>\$ 9,124,371</b>	<b>3,867,558</b>	<b>2,462,537</b>	<b>789,542</b>	<b>4,683,016</b>	<b>1,807,837</b>	<b>22,734,861</b>

### Note 14. Restatement for Implementation of New Accounting Standard

The College implemented GASB Statement No. 75. *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)* in fiscal 2018. The implementation of the Statement required the College to record beginning net pension liability and the effect on unrestricted net position of contributions made by the College during the measurement period (fiscal year ended June 30, 2017). As a result, ending unrestricted net position for the College for the year ended June 30, 2017 decreased by \$14,119,329. This decrease resulted in the restatement of unrestricted net position to a balance of \$14,375,608 the year ended June 30, 2017.

**Schedules of Required Supplementary Information**  
**Schedule of the College's Proportionate Share of the Net Pension Liability**  
**For the year ended June 30, 2018**

	<b>2018</b>	<b>2017</b>	<b>SCRS 2016</b>	<b>2015</b>	<b>2014</b>
College's proportion of the net pension liability	0.07630%	0.07393%	0.07628%	0.08209%	0.08209%
College's proportionate share of the net pension liability	<u>\$ 17,176,808</u>	<u>\$ 15,791,340</u>	<u>\$ 14,467,628</u>	<u>\$ 14,133,196</u>	<u>\$ 14,724,018</u>
College's covered payroll during measurement period	<u>\$ 6,689,450</u>	<u>\$ 6,286,230</u>	<u>\$ 6,151,445</u>	<u>\$ 6,294,265</u>	<u>\$ 6,605,935</u>
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	256.77%	251.21%	235.19%	224.54%	222.89%
Plan fiduciary net position as a percentage of the total pension liability	53.30%	52.90%	56.99%	59.90%	56.39%

**Schedules of Required Supplementary Information**  
**Schedule of the College's Pension Plan Contributions**  
**For the year ended June 30, 2018**

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

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

**Schedules of Required Supplementary Information**  
**Schedule of the College's Proportionate Share of the Net OPEB Liability**  
**For the year ended June 30, 2018**

	<u>2018</u>	<u>2017</u>
College proportion of the net OPEB liability	0.10004%	0.10004%
College proportionate share of the net OPEB liability	<u>\$ 13,604,838</u>	<u>\$ 14,532,727</u>
College covered employee payroll	<u>\$ 6,530,764</u>	<u>\$ 6,286,230</u>
College proportionate share of the net OPEB liability (asset) as a percentage of its covered employee payroll	208%	231%
Plan fiduciary net position as a percentage of the total OPEB liability	7.60%	6.62%

**Schedules of Required Supplementary Information**  
**Schedule of the College's OPEB Contributions**  
**For the year ended June 30, 2018**

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

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



**Aiken Technical College**

**Reports Required by *Government Auditing Standards*  
and Uniform Guidance**

*For the year ended June 30, 2018*

**Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* ..... 1-2**

**Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Federal Awards Required by the Uniform Guidance ..... 3-5**

**Schedule of Expenditures of Federal Awards ..... 6**

**Notes to Schedule of Expenditures of Federal Awards ..... 7**

**Schedule of Findings and Questioned Costs ..... 8**

**Summary Schedule of Prior Audit Findings ..... 9**

**Independent Auditor's Report on Internal Control Over Financial  
Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and discretely presented component unit of Aiken Technical College (the "College") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 1, 2018. Our report includes a reference to other auditors who audited the financial statements of Aiken Technical College Foundation, Inc., as described in our report on Aiken Technical College's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by that auditor. The financial statements of Aiken Technical College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

**Internal Control over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit; and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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



Augusta, Georgia  
October 1, 2018



**Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Federal Awards Required by the Uniform Guidance**

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

**Report on Compliance for Each Major Federal Program**

We have audited Aiken Technical College’s (the “College”) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2018. The College's major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, contracts, and terms and conditions of its federal awards applicable to its federal programs.

**Auditor’s Responsibility**

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

## **Opinion on Each Major Federal Program**

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

## **Report on Internal Control Over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

## Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance

We have audited the financial statements of the College as of and for the year ended June 30, 2018, and have issued our report thereon dated October 1, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance") is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.



Augusta, Georgia  
October 1, 2018

**Aiken Technical College**  
**Schedule of Expenditures of Federal Awards**  
**For the year ended June 30, 2018**

FEDERAL GRANTOR Pass-Through Entity Program Title	CFDA Number	Grant/Contract Number	Passed Through to Subrecipients	Federal Expenditures
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<b><u>STUDENT FINANCIAL ASSISTANCE CLUSTER</u></b>				
<b>U. S. Department of Education</b>				
Federal Pell Grant Program (PELL )	84.063	P063P133288	\$ -	\$ 4,778,901
Federal Supplemental Educational (SEOG)	84.007	P007A163759	-	91,500
Federal Work-Study Program (FWS)	84.033	P033A163759	-	70,209
Federal Direct Student Loans (FDSL)	84.268	P268K173288	-	2,889,180
			-	7,829,790
<b>OTHER PROGRAMS</b>				
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<b><u>Passed Through South Carolina Department of Education</u></b>				
Vocational Education-Basic Grants to States	84.048	14VA401-H6301010716	-	155,229
Subcontract from USCA: STEM Forward	84.366	USCA-Subcontract	-	22,500
			-	177,729
<b>Total U.S. Department of Education</b>			-	8,007,519
<b><u>U.S. DEPARTMENT OF LABOR</u></b>				
<b><u>Passed Through South Carolina Army National Guard-Sub Contract</u></b>				
Youth Challenge SCANG	17.261	FOA-ETA-15-01	-	40,154
<b><u>Pass Through SC State Board for Technical and Comprehensive Education</u></b>				
South Carolina Apprenticeship Initiative	17.268	AP-27836-15-60-A-45	-	19,882
<b><u>Pass Through SC Department of Employment &amp; Workforce</u></b>				
Adult WIA Priority Populations Apprenticeship	17.258	16APP02	-	67,170
			-	127,206
<b><u>Direct to ATC</u></b>				
Trade Adjustment Assistance Community College & Career Training				
Grant, Tower Project	17.282	TC26452-14-60-A-45	-	105,528
Grant, Tower Project	17.282	TC26452-14-60-A-45	-	676,735
			-	782,263
<b>Total U.S. Department of Labor</b>			-	909,469
<b><u>U.S. DEPARTMENT OF ENERGY</u></b>				
<b><u>Passed Through Savannah River Site Community Reuse Organization</u></b>				
Workforce Opportunities in Regional Careers	81.104	DE-EM0004214	-	151,049
<b>Total U.S. Department of Energy</b>			-	151,049
<b>Total Expenditures of Federal Awards</b>			\$ -	\$ 9,068,037



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## **Aiken Technical College**

### ***Notes to Schedule of Expenditures of Federal Awards*** ***For the year ended June 30, 2018***

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#### **Note 1. Basis of Presentation**

The Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grants activity of Aiken Technical College under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the schedule presents only a selected portion of the operations of Aiken Technical College, it is not intended to and does not present the financial position, changes in net assets or cash flows of Aiken Technical College.

#### **Note 2. Summary of Significant Accounting Policies**

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

Expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Expenditures for student financial aid programs include the federal share of student's Federal Supplemental Educational Opportunity Grant program grants and Federal Work Study program earnings, certain other federal financial aid for students and administrative cost allowances, where applicable.

Expenditures for nonfinancial aid awards include indirect costs, related primarily to facilities operation and maintenance and general, divisional and departmental administrative services, which are allocated to direct cost objectives (including federal awards) based on negotiated formulas commonly referred to as facilities and administrative cost rates. Facilities and administrative costs allocated to such awards for the year ended June 30, 2018, were based on predetermined fixed rates negotiated with the College's cognizant federal agency.

#### **Note 3. Contingencies**

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

#### **Note 4. Indirect Cost Rate**

The College has elected not to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance.

**Aiken Technical College**  
*Schedule of Findings and Questioned Costs*  
*For the year ended June 30, 2018*

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**Section I. Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Unmodified  
 Internal control over financial reporting:

- Material weakness identified? \_\_\_\_\_ Yes      X   No
- Significant deficiency identified? \_\_\_\_\_ Yes      X   None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes      X   No

Federal Awards

Internal control over major federal programs:

- Material weakness identified? \_\_\_\_\_ Yes      X   No
- Significant deficiency identified? \_\_\_\_\_ Yes      X   None reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? \_\_\_\_\_ Yes      X   No

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.063, 84.007, 84.033, 84.268 17.282	Student Financial Assistance Cluster Trade Adjustment Assistance Community College & Career Training Grant, Tower Project

Dollar threshold used to distinguish between Type A and Type B Programs \$750,000

Auditee qualified as low-risk auditee?   X   Yes    \_\_\_\_\_ No

**Section II. Financial Statement Findings**

None

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**Aiken Technical College*****Schedule of Findings and Questioned Costs******For the year ended June 30, 2018***

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**Section III. Federal Award Findings and Questioned Costs**

None

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

None noted.