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***Orangeburg-Calhoun Technical College***

Financial Statements with Independent Auditor's Report  
for the years ended

June 30, 2010 and 2009

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# *Orangeburg-Calhoun Technical College*

## Organizational Data

June 30, 2010

### **Area Commission Members and Officers \***

<b>Orangeburg County</b>	<b>Calhoun County</b>
Larry Patrick – July 2011	Chairman Robert Pauling – July 2012
Marikay Harris – July 2011	David Rickenbaker – July 2011
John Shuler – July 2012	
Leroy Morant – July 2014	
Margaret Felder-Wilson, Ph.D. – July 2014	

### **Administrative Staff**

Anne Crook, Ph.D., President  
Walt Tobin, Ph. D., Vice President for Academic Affairs  
Retta Guthrie, Vice President for Business Affairs  
Bobbie Felder, Vice President for Student Services

### **Areas Served By Commission**

Orangeburg and Calhoun Counties

### **Location**

3250 St. Matthews Road (Highway 601)  
Orangeburg, South Carolina 29118-8222

### **Audit Period**

July 1, 2009 – June 30, 2010

\* Area Commission Members and Officers serve until new appointments are made

# BROWN CPA, LLC

## Independent Auditor's Report

Orangeburg-Calhoun Commission for Technical Education  
Orangeburg-Calhoun Technical College  
Orangeburg, South Carolina

We have audited the accompanying financial statements of Orangeburg-Calhoun Technical College (the "College") as of and for the year ended June 30, 2010 and June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We 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 the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the discretely presented component unit were audited in accordance with generally accepted auditing standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the Orangeburg-Calhoun Technical College are intended to present the financial position, the changes in financial position, and cash flows, of only that portion of the business-type activities of the State of South Carolina financial reporting entity that is attributable to the transactions of the Orangeburg-Calhoun Technical College, an agency of the State. They do not purport to, and do not, present the financial position of the State of South Carolina as of June 30, 2010 and June 30, 2009, and the changes in its financial position and its cash flows, where applicable, for the year ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Orangeburg-Calhoun Technical College as of June 30, 2010 and June 30, 2009, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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MEMBER:  
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
SOUTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2011, 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* and is important for assessing the results of our audit.

Management's Discussion and Analysis is not a part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Orangeburg-Calhoun Technical College taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects, in relation to the financial statements taken as a whole.

As noted in footnote 18 these financial statements have been revised from the statements originally issued on September 29, 2010 due to the discovery of the following subsequent events. In January 2011 the College received additional grant money totaling \$106,905 from the US Department of Commerce for the construction of a transportation building. Additionally, the College has corrected the expense recorded for a grant received from the US Department of Energy passed through the South Carolina Energy Office.

BROWN CPA, L.L.C.

Irmo, South Carolina  
February 16, 2011

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Orangeburg-Calhoun Technical College, we offer readers of the College's financial statements this narrative overview and analysis of the financial activities of the College for the fiscal years ended June 30, 2010, and June 30, 2009. This discussion should be read in conjunction with the financial statements and the notes thereto, which follow this section. Responsibility for the completeness and fairness of this information rests with the College.

### Financial Highlights

- The assets (\$28,781,492) of Orangeburg-Calhoun Technical College exceeded its liabilities (\$2,588,051) at June 30, 2010, by \$26,193,441 (net assets). Of this amount, \$6,622,396 (unrestricted net assets) may be used to meet the College's ongoing obligations.
- The College experienced an operating loss of \$15,841,686 during the fiscal year ended June 30, 2010, as reported in the Statement of Revenues, Expenses, and Changes in Net Assets. However, this operating loss was offset by federal and state grants of \$10,411,486, state appropriations of \$4,209,644 local appropriations of \$1,686,557, local capital appropriations of \$160,000, federal capital grants of \$1,500,000, and other non-operating revenues. The overall increase in the College's net assets during the year was \$3,211,701 or 13.97%.

### Overview of the Financial Statements

The College is engaged only in Business-Type Activities (BTA) which are financed in part by fees charged to students for educational services. Accordingly, its activities are reported using the three financial statements required for proprietary funds: Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Net Assets; and Statement of Cash Flows.

The Statement of Net Assets presents the financial position of the College at the end of the fiscal year and classifies assets and liabilities into current and noncurrent. The difference between total assets and total liabilities is net assets, which are displayed in three broad categories: Investment in Capital Assets (net of related debt), Restricted, and Unrestricted. Net assets is one indicator of the current financial condition of the College, while the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the year.

The Statement of Revenues, Expenses, and Changes in Net Assets is basically a statement of net income that replaces the fund perspective with the entity-wide perspective. Revenues

and expenses are categorized by operating and non-operating, and expenses are reported by object type.

The Statement of Cash Flows will aid readers in identifying the sources and uses of cash by the major categories of operating, capital and related financing, noncapital financing, and investing activities. This statement also emphasizes the importance of State and County appropriations by displaying them separately from operating cash flows.

## **Financial Analysis**

Net assets may serve over time as a useful indicator of an entity's financial position. In the case of the College, assets exceeded liabilities by \$26,193,441 at the close of the most recent fiscal year. This represents an increase of \$3,211,701 over last year's amount of \$22,981,740.

Over half of the College's net assets (67%) reflect its investment in capital assets (e.g., land, buildings, machinery, and equipment). The College uses these capital assets to provide services to students and industry. Consequently, these assets are *not* available for future spending. Currently, the College has no outstanding debt on any of these assets.

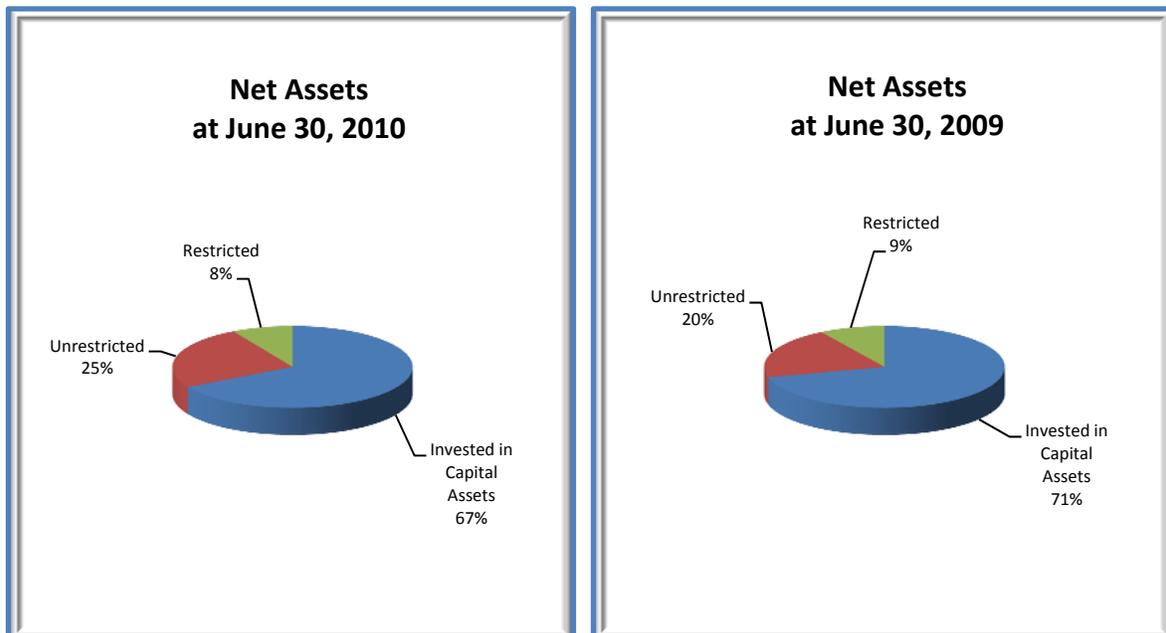
Approximately 8% of the College's net assets represent endowment resources that are subject to external restrictions on how they may be used. The remaining 25% of the College's net assets are unrestricted and may be used to meet the College's ongoing obligations.

Charts and graphs follow that present specific areas of the College's financial condition on June 30, 2010 and June 30, 2009.

**Orangeburg-Calhoun Technical College**  
**Net Assets**  
**As of June 30, 2010 and June 30, 2009**

	<u>2010</u>	<u>2009</u>
Current Assets	\$ 8,455,157	\$6,178,185
Non-Current Assets		
Capital Assets, Net of Depreciation	17,424,082	16,289,025
Accounts Receivable, Net	108,331	268,435
External Investment Pool	<u>2,793,922</u>	<u>2,559,161</u>
Total Assets	<u>28,781,492</u>	<u>25,294,806</u>
Current Liabilities	1,669,091	1,377,314
Non-Current Liabilities- Compensated Absences	<u>918,960</u>	<u>935,752</u>
Total Liabilities	<u>2,588,051</u>	<u>2,313,066</u>
Net Assets		
Investment in Capital Assets, Net of Related Debt	17,424,082	16,289,025
Restricted	2,146,963	2,029,582
Unrestricted	<u>6,622,396</u>	<u>4,663,133</u>
Total Net Assets	<u>\$26,193,441</u>	<u>\$ 22,981,740</u>

This schedule is prepared from the College's statement of net assets, which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated. Please note that assets substantially exceed liabilities, denoting a sound financial position for the College.



**Orangeburg-Calhoun Technical College**  
**Revenues, Expenses, and Changes in Net Assets**  
**For the Years Ended**

	June 30, 2010	June 30, 2009	Increase (Decrease)	Percent Change
<b>Operating</b>				
Operating Revenue				
Tuition and Fees	\$4,716,571	\$4,461,840	\$254,731	5.71%
Federal and State Grants	\$4,121,431	\$4,159,626	(\$38,195)	-0.92%
Auxiliary	\$825,378	\$828,677	(\$3,299)	-0.40%
Other	\$56,472	\$57,737	(\$1,265)	-2.19%
<b>Total Operating Revenue</b>	<b>\$9,719,852</b>	<b>\$9,507,880</b>	<b>\$211,972</b>	<b>2.23%</b>
Less: Operating Expenses	(\$25,561,538)	(\$22,677,980)	(\$2,883,558)	12.72%
<b>Total Operating Income (Loss)</b>	<b>(\$15,841,686)</b>	<b>(\$13,170,100)</b>	<b>(\$2,671,586)</b>	<b>20.29%</b>
<b>Non-Operating</b>				
State Appropriations	\$4,209,644	\$4,712,025	(\$502,381)	-10.66%
Orangeburg County	\$1,373,230	\$1,615,565	(\$242,335)	-15.00%
Calhoun County	\$313,327	\$313,327	\$0	0.00%
Federal and State Grants	\$10,411,486	\$6,339,830	\$4,071,656	64.22%
Investment Income	\$234,761	(\$506,952)	\$741,713	-146.31%
Interest Income	\$77,364	\$127,904	(\$50,540)	-39.51%
Other	\$752,401	\$578,554	\$173,847	30.05%
<b>Total Non-Operating</b>	<b>\$17,372,213</b>	<b>\$13,180,253</b>	<b>\$4,191,960</b>	<b>31.80%</b>
<b>Net Income (Loss) Before Other Revenue, Expenses, Gains, or Losses</b>	<b>\$1,530,527</b>	<b>\$10,153</b>	<b>\$1,520,374</b>	<b>14974.63%</b>
<b>Other Revenue, Expenses, Gains, or Losses</b>				
Federal Capital Grants	\$1,500,000	\$0	\$1,500,000	0.00%
State Capital Appropriations	\$0	\$200,000	(\$200,000)	0.00%
Orangeburg County Capital Appropriations	\$160,000	\$160,000	\$0	0.00%
Capital Grants and Gifts	\$21,174	\$0	\$21,174	0.00%
<b>Total Capital Contributions</b>	<b>\$1,681,174</b>	<b>\$360,000</b>	<b>\$1,321,174</b>	<b>0.00%</b>
<b>Increase in Net Assets</b>	<b>\$3,211,701</b>	<b>\$370,153</b>	<b>\$2,841,548</b>	
<b>Net Assets, Beginning of Year</b>	<b>\$22,981,740</b>	<b>\$22,611,587</b>	<b>\$370,153</b>	<b>1.64%</b>
<b>Net Assets, End of Year</b>	<b>\$26,193,441</b>	<b>\$22,981,740</b>	<b>\$3,211,701</b>	<b>13.98%</b>

Operating revenues as of June 30, 2010 increased by \$211,972 over the previous fiscal year. Tuition revenue showed an increase of \$254,731 over the prior year and auxiliary showed a slight decrease of \$3,299. The amounts for tuition and auxiliary are not reported as gross revenues. They are shown as a net amount, after a deduction has been made for the amount covered by scholarships. Both categories had significant increases in gross revenue. There was also a slight decrease in federal and state operating grants of \$38,195 compared to last fiscal year.

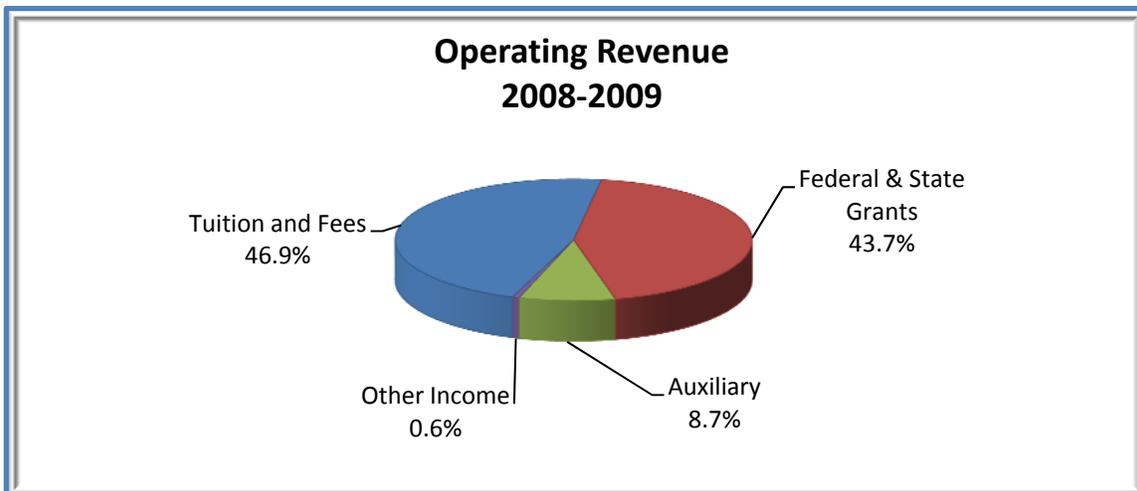
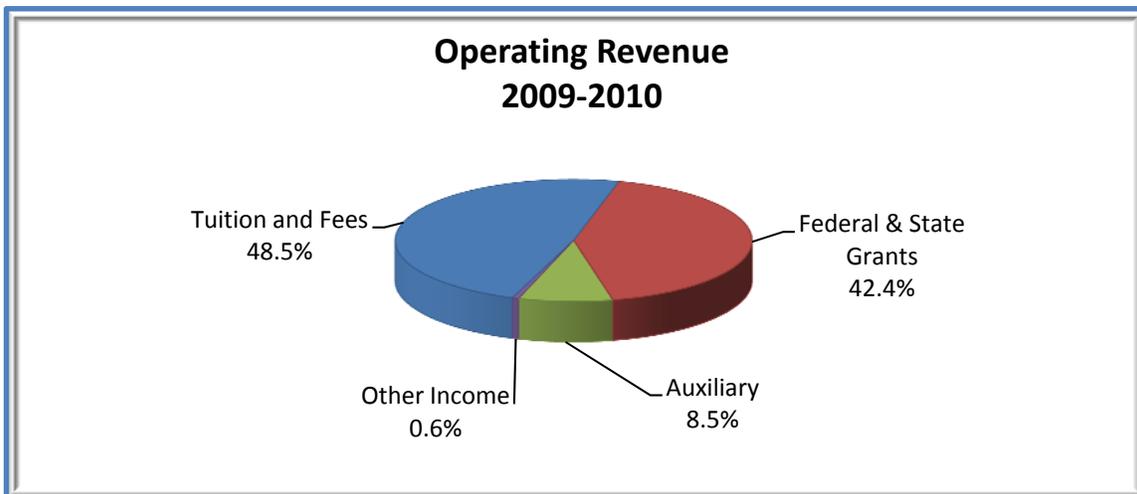
Operating expenses as of June 30, 2010, increased by \$2,883,558 over the same period in the previous fiscal year. The major factors contributing to this overall increase were an increase in Scholarships of \$1,279,929 and an increase in Supplies and Other Services of \$1,299,414. There was also an increase in Salaries and Benefits of \$44,650 and an increase

in Depreciation Expense of \$266,218. The only category with a decrease was Utilities, which dropped \$6,653, mainly due to some energy cost saving plans adopted by the college.

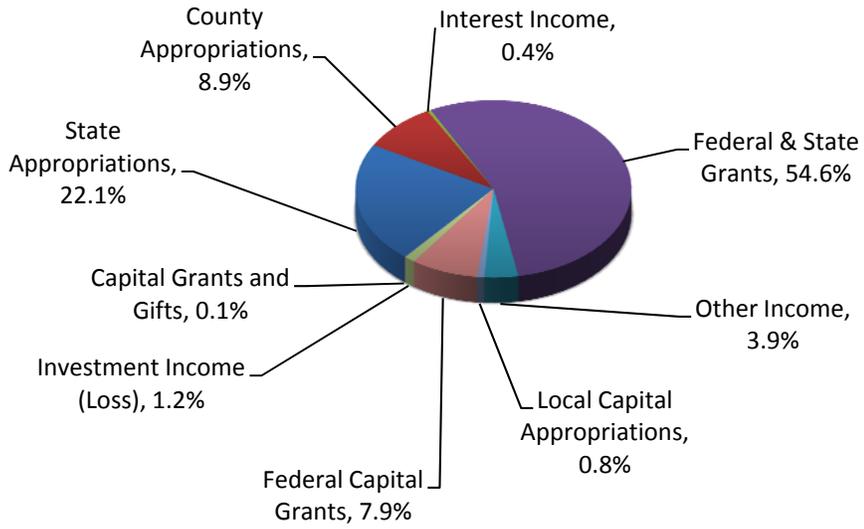
Non-operating revenues increased from last fiscal year to the current year by \$4,191,960. The main factor was an increase in federal and state grants of \$4,071,656, mainly due to a significant increase in pell grants. Two other categories also showed increases. Investment income increased \$741,713 and other funding increased \$173,847. The other categories all showed decreases. There was a decrease in state appropriations of \$502,381, a decrease in county funding of \$242,335, and a decrease in interest income of \$50,540.

Capital contributions increased \$1,321,174 over last year. The college received a federal grant during 2009-10 in the amount of \$1,500,00 for construction of a new transportation building. The college also had a decrease of \$200,000 in state capital funding. This funding was also for the construction of the same building, but was received in the 2008-09 fiscal year. The college also saw an increase of capital grants and gifts from outside sources in the amount of \$21,174.

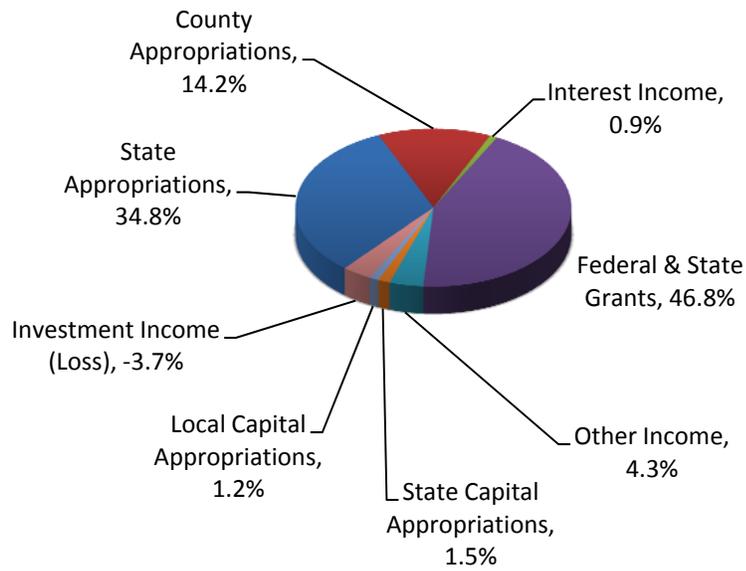
Following are several charts that show the college's revenues and expenditures by major categories. In some instances separate charts are provided for the last two fiscal years. Other charts may include both years to show easier comparisons.



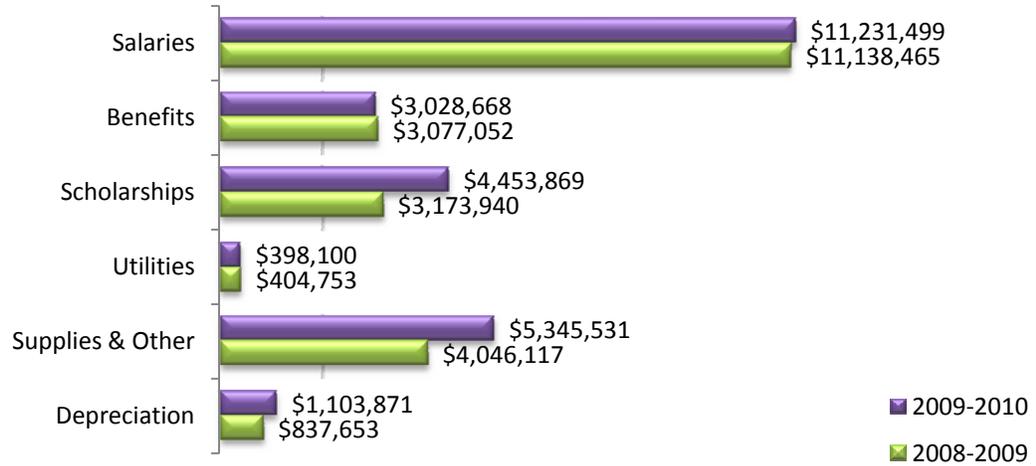
**Non-Operating Revenue/Capital Contributions  
2009-2010**



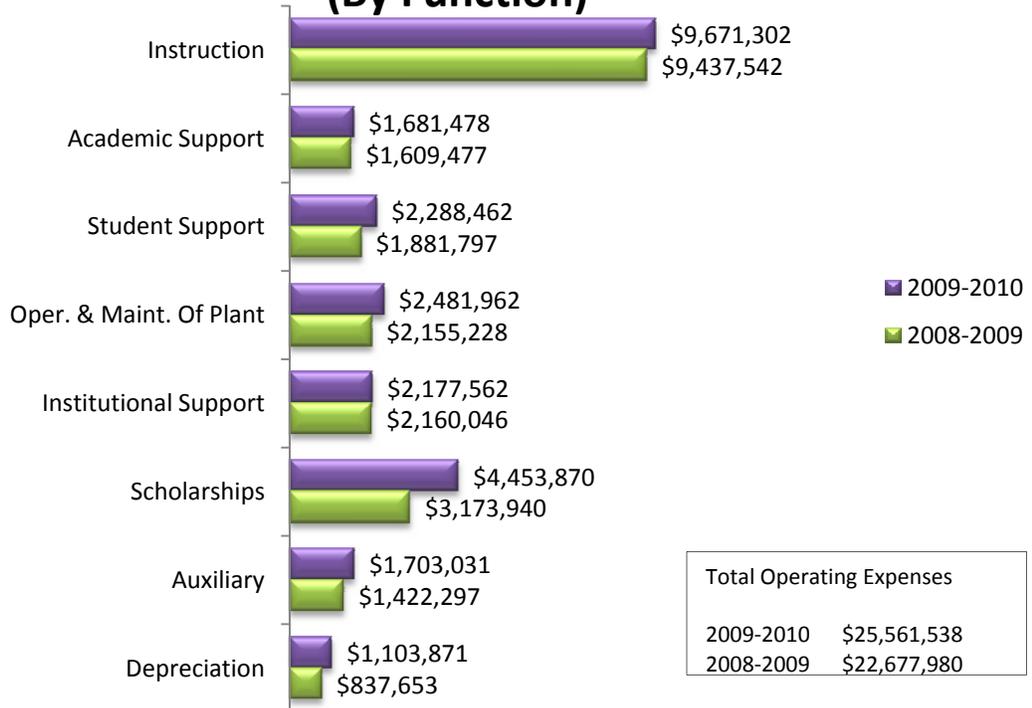
**Non-Operating Revenue/Capital Contributions  
2008-2009**



## Operating Expenses (By Natural Classification)



## Operating Expenses (By Function)



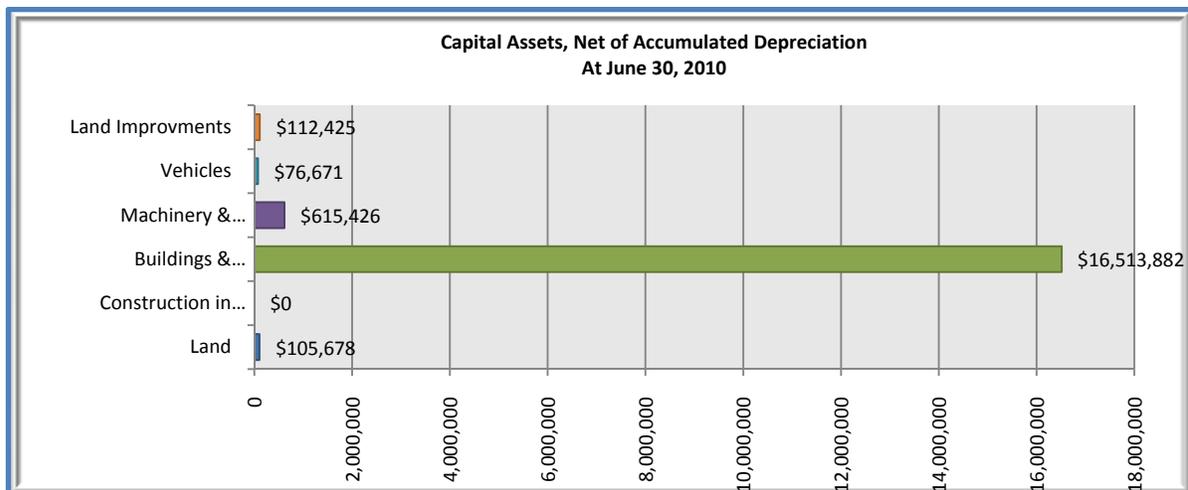
**Orangeburg-Calhoun Technical College**  
**Cash Flows**  
**For the Years Ended**  
**June 30, 2010 and June 30, 2009**

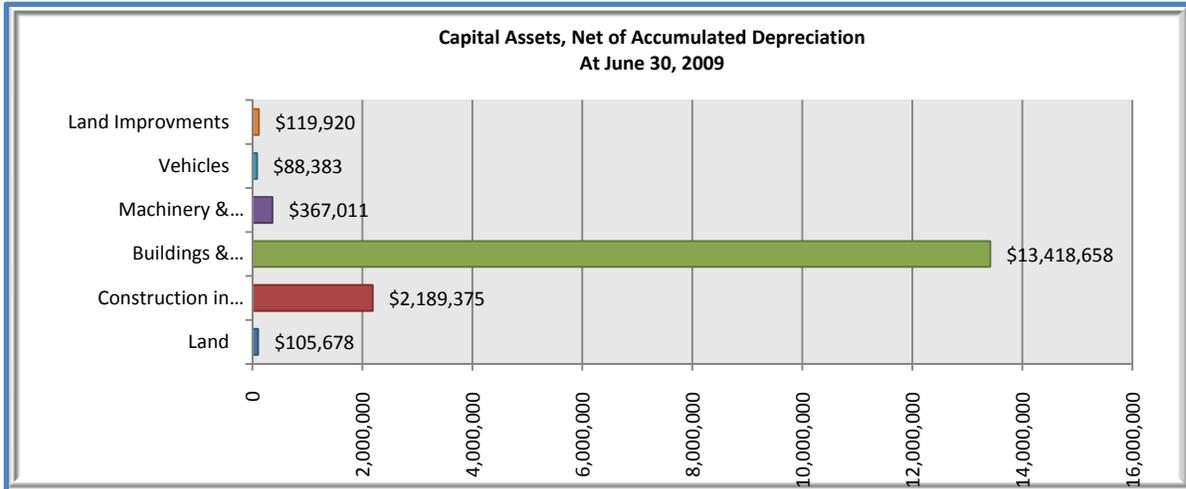
	2010	2009
Cash Flows from Operating Activities	(15,002,053)	\$(11,897,407)
Cash Flows from Non-Capital Financing Activities	17,051,494	13,640,409
Cash Flows from Capital and Related Financing Activities	(889,881)	\$(1,869,264)
Cash Flows from Investing Activities	<u>(1,432,129)</u>	<u>678,049</u>
Net Increase (Decrease) in Cash	(272,569)	\$551,787
Cash – Beginning of Year	\$1,924,563	\$1,372,776
Cash – End of Year	<u>\$1,651,994</u>	<u>\$1,924,563</u>

**Capital Asset and Debt Administration**

The College recently completed construction of a new 25,000 square foot classroom and training building, which houses new and existing academic programs related to the transportation and logistics industry. As of June 30, 2010 the college has only one construction project in process. The college is renovating a welding lab. This project is estimated to cost approximately \$300,000 and to be complete by January, 2011. Local funds will be used to fund this project. The college also expects to begin and complete a roofing project during fiscal year 2010-11. Again, local funds will be used to fund the project.

The College has no long-term debt as of June 30, 2010.





### **Economic Factors**

In the past year the college again experienced significant reductions in funding from the State of South Carolina. State funds are primarily allocated for personnel expenditures, even though there have also been reductions in program specific funding such as Allied Health and lottery technology. Orangeburg County has also reduced its funding for physical plant operations. All of these funding reductions have occurred in the midst of significantly increased enrollment. The college has taken a three prong approach to offset these revenue losses and to maintain services to a growing student population.

First, the college has undertaken a series of cost cutting measures. Careful consideration has been given to strategic reductions that will save money but offer the least amount of negative impact on student learning. Some full time positions have been eliminated; vacancies have been left open indefinitely or filled later than normal; energy reduction measures have been implemented, and travel and miscellaneous spending have been closely monitored.

The college has also increased its pursuit of various Federal and private grants in an attempt to afford opportunities and improved services to students. Several new grants have been received in addition to the ARRA funding from the Federal Government. The ARRA funds were used to hire and pay adjunct faculty throughout the year. It will also be used for adjunct faculty and some part-time staff positions in fiscal year 2010-11. However, this significant funding source will end June 30, 2011.

The third approach to balancing the budget has been to increase tuition by 7% for Fall 2010. While no other increases are scheduled, additional reductions in state and /or county revenue may necessitate future increases. Tuition will also be increased periodically for increases in the Higher Education Price Index.

ORANGEBURG-CALHOUN TECHNICAL COLLEGE  
STATEMENT OF NET ASSETS

	<b>June 30, 2010</b>	<b>June 30, 2009</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and equivalents	\$ 1,651,994	\$ 1,924,563
Investments	4,500,000	3,000,000
Accounts receivable, net	1,870,148	999,767
Inventories	260,750	128,373
Interest receivable	36,831	27,337
Due from component unit	296	1,079
Prepaid expenses	130,713	92,641
Other assets	4,425	4,425
<b>Total current assets</b>	<b>8,455,157</b>	<b>6,178,185</b>
<b>Noncurrent assets</b>		
External investment pool	2,793,922	2,559,161
Accounts receivable, net	108,331	268,435
Capital assets, net	17,424,082	16,289,025
<b>Total noncurrent assets</b>	<b>20,326,335</b>	<b>19,116,621</b>
<b>Total assets</b>	<b>28,781,492</b>	<b>25,294,806</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable	648,380	481,120
Accrued payroll and related liabilities	201,691	213,623
Compensated absences	93,500	77,370
Unearned revenue	725,520	605,201
<b>Total current liabilities</b>	<b>1,669,091</b>	<b>1,377,314</b>
<b>Noncurrent liabilities</b>		
Compensated absences	918,960	935,752
<b>Total noncurrent liabilities</b>	<b>918,960</b>	<b>935,752</b>
<b>Total liabilities</b>	<b>2,588,051</b>	<b>2,313,066</b>
<b>Net assets</b>		
Invested in capital assets	17,424,082	16,289,025
Restricted for:		
Nonexpendable endowment	2,146,963	2,029,582
Unrestricted	6,622,396	4,663,133
<b>Total net assets</b>	<b>\$ 26,193,441</b>	<b>\$ 22,981,740</b>

See accompanying notes to the financial statements

ORANGEBURG-CALHOUN TECHNICAL COLLEGE  
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS

	June 30, 2010	June 30, 2009
<b>Operating Revenue</b>		
Student tuition and fees (net of scholarship allowances of \$5,737,407 for 2010 and \$4,160,979 for 2009)	\$ 4,716,571	\$ 4,461,840
Federal grants and contracts	1,553,565	1,382,647
Federal grants and contracts, American Recovery & Reinvestment Act	59,212	-
State grants and contracts	2,508,654	2,776,979
Auxiliary enterprises (net of scholarship allowances of \$1,202,943 for 2010 and \$824,789 for 2009)	825,378	828,677
Other operating income	56,472	57,737
Total operating revenue	<u>9,719,852</u>	<u>9,507,880</u>
<b>Operating Expenses</b>		
Salaries	11,231,499	11,138,465
Benefits	3,028,668	3,077,052
Scholarships	4,453,869	3,173,940
Utilities	398,100	404,753
Supplies and other services	5,345,531	4,046,117
Depreciation	1,103,871	837,653
	<u>25,561,538</u>	<u>22,677,980</u>
Operating loss	(15,841,686)	(13,170,100)
<b>Nonoperating Revenue</b>		
State appropriations	4,209,644	4,712,025
County appropriations	1,686,557	1,928,892
Federal grants and contracts	9,194,398	5,901,440
Federal grants and contracts, American Recovery & Reinvestment Act	861,901	-
State grants and contracts	355,187	438,390
Other nonoperating revenue	752,401	578,554
Investment income (loss)	234,761	(506,952)
Interest income	77,364	127,904
Total nonoperating revenue	<u>17,372,213</u>	<u>13,180,253</u>
Income (loss) before contributions and transfers	1,530,527	10,153
Federal capital grant	1,500,000	-
State capital appropriations	-	200,000
Local capital appropriations	160,000	160,000
Capital grants and gifts	21,174	-
Change in net assets	<u>3,211,701</u>	<u>370,153</u>
<b>Net Assets</b>		
Beginning of year	22,981,740	22,611,587
End of year	<u>\$ 26,193,441</u>	<u>\$ 22,981,740</u>

See accompanying notes to the financial statements

ORANGEBURG-CALHOUN TECHNICAL COLLEGE  
STATEMENT OF CASH FLOWS

	<b>June 30, 2010</b>	<b>June 30, 2009</b>
<b>Cash flows from operating activities</b>		
Tuition and fees (net of scholarship allowances)	\$ 4,749,052	\$ 4,362,203
Federal, State and local grants and contracts	3,792,133	4,142,852
Auxiliary enterprise charges (net of scholarship allowances)	825,378	828,677
Other receipts	(21,448)	268,039
Payments to suppliers	(5,621,084)	(4,118,399)
Payments to employees	(11,236,792)	(11,129,786)
Payment for benefits	(3,035,422)	(3,077,052)
Payments to students	(4,453,870)	(3,173,941)
Student loan receipts from lenders	4,837,922	4,284,071
Disbursements to or on behalf of student borrowers	(4,837,922)	(4,284,071)
Net cash used in operating activities	<u>(15,002,053)</u>	<u>(11,897,407)</u>
<b>Cash flows from noncapital financing activities</b>		
State appropriations	4,201,050	4,711,329
County appropriations	1,686,557	1,928,892
State, local and federal grants and contracts - nonoperating	10,411,486	6,492,942
Other income - nonoperating	752,401	507,246
Net cash provided by noncapital financing activities	<u>17,051,494</u>	<u>13,640,409</u>
<b>Cash flows from capital and related financing activities</b>		
Federal capital grant	1,189,047	-
State appropriations	-	200,000
Local appropriations	160,000	160,000
Purchase of capital assets	(2,238,928)	(2,229,264)
Net cash used in capital and related financing activities	<u>(889,881)</u>	<u>(1,869,264)</u>
<b>Cash flows from investing activities</b>		
Proceeds from sales and maturities of investments	3,000,000	5,750,000
Interest on investments	67,871	178,049
Purchase of investments	(4,500,000)	(5,250,000)
Net cash (used in) provided by investing activities	<u>(1,432,129)</u>	<u>678,049</u>
<b>Net increase in cash</b>	<b>(272,569)</b>	<b>551,787</b>
<b>Cash and cash equivalents</b>		
Beginning of year	1,924,563	1,372,776
End of year	<u>\$ 1,651,994</u>	<u>\$ 1,924,563</u>

See accompanying notes to the financial statements

ORANGEBURG-CALHOUN TECHNICAL COLLEGE  
STATEMENT OF CASH FLOWS

	<b>June 30, 2010</b>	<b>June 30, 2009</b>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>		
Operating loss	\$ (15,841,686)	\$ (13,170,100)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	1,103,871	837,653
Changes in assets and liabilities:		
Receivables, net	(399,324)	81,431
Inventories	(132,377)	(6,314)
Due from component unit	783	94,263
Deferred charges and prepaid expenses	(8,305)	(152,236)
Accounts and other payables	167,260	192,637
Accrued payroll and related liabilities	(11,932)	7,896
Compensated absences	(662)	14,165
Unearned revenue	120,319	203,198
Net cash used in operating activities	<u>\$ (15,002,053)</u>	<u>\$ (11,897,407)</u>
<b>Supplemental Information</b>		
Contributions of equipment	<u>\$ -</u>	<u>\$ 82,486</u>
Changes in fair value of external investment pool	<u>\$ 302,632</u>	<u>\$ (523,905)</u>
Equipment transferred from other State Agency	<u>\$ 66,696</u>	<u>\$ -</u>

See accompanying notes to the financial statements

**ORANGEBURG-CALHOUN TECHNICAL COLLEGE FOUNDATION, INC.**  
**NON-GOVERNMENTAL COMPONENT UNIT**  
**STATEMENT OF FINANCIAL POSITION**

	<b>June 30, 2010</b>	<b>June 30, 2009</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 588,369	\$ 612,841
Accounts receivable	339	2,411
Contributions Receivable	126,644	214,961
Investments	792,837	701,937
Assets to be gifted	14,000	-
Total current assets	1,522,189	1,532,150
Noncurrent assets		
Equipment	-	21,238
College pool of investments	2,793,922	2,559,161
Total noncurrent assets	2,793,922	2,580,399
Total assets	\$ 4,316,111	\$ 4,112,549
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable	\$ 393	\$ 209
Due to the college	296	1,079
	689	1,288
Noncurrent liabilities		
Funds held for others	2,793,922	2,559,161
Total liabilities	2,794,611	2,560,449
Net assets		
Unrestricted		
Board designated	183,190	228,612
Unrestricted	1,001,844	1,030,568
Total unrestricted	1,185,034	1,259,180
Temporarily restricted	148,450	121,994
Permanently restricted	188,016	170,926
Total net assets	1,521,500	1,552,100
Total liabilities and net assets	\$ 4,316,111	\$ 4,112,549

The accompanying notes are an integral part of these financial statements.

**ORANGEBURG-CALHOUN TECHNICAL COLLEGE FOUNDATION, INC.**  
**NON-GOVERNMENTAL COMPONENT UNIT**  
**STATEMENT OF ACTIVITIES**  
**June 30, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Support and Revenues</b>				
Contributions	\$ 18,950	\$ 105,463	\$ 17,090	\$ 141,503
Interest and dividends	15,917	3,332	-	19,249
Net realized gain (loss) from investments	(5,803)	-	-	(5,803)
Net unrealized gain from investments	61,110	11,419	-	72,529
Other income	351	-	-	351
Event income	63,853	-	-	63,853
Direct event expenses	(17,728)	-	-	(17,728)
Net assets released from:				
Time restrictions	(1,668)	1,668	-	-
Program restrictions	95,426	(95,426)	-	-
Total support and revenues	<u>\$ 230,408</u>	<u>\$ 26,456</u>	<u>\$ 17,090</u>	<u>\$ 273,954</u>
<b>Expenses</b>				
Program services				
Scholarships	78,496	-	-	78,496
Faculty support	86,604	-	-	86,604
Other program services	70,229	-	-	70,229
Total program services	<u>235,329</u>	<u>-</u>	<u>-</u>	<u>235,329</u>
Support Services				
Management and general	52,804	-	-	52,804
Fund-raising expenses	4,091	-	-	4,091
	<u>56,895</u>	<u>-</u>	<u>-</u>	<u>56,895</u>
Total expenses	<u>292,224</u>	<u>-</u>	<u>-</u>	<u>292,224</u>
<b>Other Income and (Expense)</b>				
Loss on sale of assets	(12,330)	-	-	(12,330)
Total Other income and Expense	<u>(12,330)</u>	<u>-</u>	<u>-</u>	<u>(12,330)</u>
Change in net assets	(74,146)	26,456	17,090	(30,600)
Net assets beginning of year	<u>1,259,180</u>	<u>121,994</u>	<u>170,926</u>	<u>1,552,100</u>
Net assets at end of year	<u>\$ 1,185,034</u>	<u>\$ 148,450</u>	<u>\$ 188,016</u>	<u>\$ 1,521,500</u>

The accompanying notes are an integral part of these financial statements.

## **Note 1 – Summary of Significant Accounting Policies**

The financial statements of Orangeburg-Calhoun Technical College (the “College”) were prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The Government Accounting Standards Board (GASB) is the accepted standard-setting body in the United States of America for establishing governmental accounting and financial reporting principles. The more significant of the College’s accounting policies are described below.

### Nature of Operations

Orangeburg-Calhoun Technical 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 Orangeburg and Calhoun counties. Included in this range of programs are technical and occupational associate degree, 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 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 core of the financial reporting entity is the primary government which has a separately elected governing body. As required by generally accepted accounting principles, the financial reporting entity includes both the primary government and all of its component units. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In turn component units may have component units.

The financial reporting entity, as defined by Governmental Accounting Standards Board (“GASB”) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, 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 could cause the financial statements to be misleading or incomplete.

As a member institute of the South Carolina Technical College System, the College is reported as a part of the primary government of the State of South Carolina (the “State”) in the State’s Comprehensive Annual Financial Report. In addition, the accompanying financial statements present the College as the primary government with its component unit. The College has identified the Orangeburg Calhoun Technical College Foundation (the “Foundation”) as a discretely presented component unit. However, based on the nature and significance of the Foundation’s relationship with the State, the Foundation is not a component unit of the State.

The Foundation is a legally separate eleemosynary organization with a self-perpetuating Board of Trustees. It was chartered to receive private funds for the exclusive benefit and support 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 are restricted to solely support activities of the College. Therefore, the Foundation qualifies as a discretely presented component unit. As a non-governmental not-for-profit organization the Foundation's reports are prepared under guidance issued by the Financial Accounting Standards Board ("FASB"), which differs from the reporting guidance of GASB. No modifications have been made to the Foundation's financial statements included in the College's statements for these differences.

Complete financial statements for the Foundation may be obtained at its administrative offices 3250 Saint Matthews Road, Orangeburg, South Carolina 29118

### Financial Statements

The financial statements of the College are presented in accordance with GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*; The financial statement presentation required by these statements provides a comprehensive, entity-wide perspective of the College's net assets, revenues, expenses and changes in net assets and cash flows. The College, as part of the State of South Carolina is required to implement Government Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* and No. 53, *Accounting and Financial Reporting for Derivative Instruments for the year ended June 30, 2010*. No significant changes to these financial statements resulted from the adoption of these statements.

### Basis of Accounting

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

The College has elected not to apply FASB pronouncements issued after November 30, 1989.

The Foundation's statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for Not-for-Profit Organizations through guidance from FASB. The Foundation's revenue and expenses are recognized as increases and decreases in one of three net asset classifications, unrestricted, temporarily restricted and permanently restricted. Permanently restricted net assets consist of contributions and other inflows of assets whose use is limited in perpetuity by donor imposed stipulations. Temporarily restricted net assets consist of contributions and other transactions whose use is limited by time or purpose by donor imposed stipulations. Unrestricted net assets are transactions which are neither temporarily nor permanently restricted. The use of temporarily restricted net assets through satisfaction of time or purpose restriction is recognized in the Statement of Activities as a simultaneous increase and decrease in the classes of net assets thereby as a release from restrictions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State of South Carolina State Treasurer's Office are also considered cash equivalents.

The Area Commission, governing board of the College, has established policies regarding the custodial credit risk of the deposits with financial institutions that require the collateralization of all deposits with obligations of the United States or its agencies. The policies require that all deposits be denominated in United States dollars.

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 Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain or loss on the carrying value of investments are reported as a component of investment income in the statement of revenue, expenses, and changes in net assets.

Disclosures related to deposit risks, such as custodial credit risk, and investment risks, such as credit risks (including custodial credit risk and concentrations of credit risks) and interest rate risk are required by GASB Statement No. 40, *Deposits and Investment Risk Disclosures — an amendment to GASB Statement No. 3*.

The Area Commission has established investment policies allowing the investment in overnight repurchase agreements or certificates of deposits. The certificates of deposit are required to be guaranteed by obligations of the United States or collateralized by pledged securities by a third party. Furthermore the investments must be in accordance with the Code of Laws of South Carolina. The policy states that the most competitive yield available should be selected for investment purchases. The investment policy does not specifically address diversification of investments.

The College is authorized by the Code of Laws of South Carolina 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, certain rated obligations of corporations within the United States, and collateralized repurchase agreements.

The Foundation accounts for its investments at fair value in accordance with Financial Accounting Standards Codification section 958 Not-for-Profit Entities section 320 *Investments-Debt and Equity Securities*. Changes in unrealized gain or loss are reported as increases or decreases in unrestricted net assets unless donor stipulation restricts the use of these changes for specific purposes or reinvestment in the corpus which would be reported as temporarily or permanently restricted net assets, respectively.

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students. Accounts receivable also includes amounts due from the Federal government, State and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts.

The College has established an allowance for uncollectible accounts receivable based upon past collection experience, current market conditions, and other factors known to management. Generally speaking the allowance has been calculated as follows:

All debts over 4 years	100.00%
Debts 2-3 yrs old	80.00%
Debts 1 yr old	70.00%
Debts last 3 semesters	50.00%

Receivables for the Foundation include contributions receivable recognized as a receivable at the date of notification of the promise to give. The amount reported net of allowance and discount for time value is the present value of the estimated future cash flows expected to be collected.

Inventories

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

Capital Assets

Capital assets are recorded at cost at the date of acquisition or fair value at the date of donation in the case of gifts. 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 was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally fifteen to fifty years for buildings and improvements and land improvements and two to twenty-five years for machinery, equipment and vehicles. A full year of depreciation is taken the year the asset is placed in service and no depreciation is taken in the year of disposition

Unearned Revenue and Deposits

Unearned revenue includes amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenue

also includes amounts received from exchange type grants 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 current and long-term liabilities in the statement of net assets and as a component of salary and benefit expenses in the statement of revenue, expense, and changes in net assets.

#### Net Assets

The College's net assets are classified as follows:

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

*Restricted net assets – expendable:* Restricted expendable net assets include resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

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

*Unrestricted net assets:* Unrestricted net assets represent resources derived from student tuition and fees, appropriations, and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

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

#### Classification of Revenue

The College has classified its revenue as either operating or nonoperating revenue according to the following criteria:

*Operating revenue:* Operating revenue generally results from exchange transactions to provide goods or services related to the College's principal ongoing operations. These revenue 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.

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

#### Auxiliary Enterprises and Internal Service Activities

Auxiliary enterprise revenue primarily represents revenue generated by the bookstore and cafeteria services. Revenue of internal service and auxiliary enterprise activities and the related expenditures of college departments have been eliminated.

#### Nonexchange Transactions

Nonexchange transactions involving financial or capital resources are transactions in which the College either gives value to another party without directly receiving equal value in exchange or receives value from another party without directly giving equal value in exchange. The types of nonexchange transactions the College engages in include “Voluntary nonexchange transactions” (certain grants and donations), “Imposed nonexchange revenue” (fines and penalties), and “Government-mandated nonexchange transactions.”

Voluntary nonexchange transactions usually involve eligibility requirements that must be met before transactions are recognized. The eligibility requirements can include one or more of the following:

- a) The recipient has the characteristics specified by the provider.
- b) Time requirements specified by the provider have been met.
- c) The provider offers resources on a reimbursement basis and allowable costs have been incurred under the applicable program.
- d) The provider’s offer of resources is contingent upon a specified action of the recipient and that action occurred.

Resources transmitted before the eligibility requirements are met are reported as advances by the provider and as deferred revenue by recipients.

Assets from imposed nonexchange revenue are recognized when an enforceable legal claim to the assets arises or when the resources are received, whichever occurs first.

#### Income Taxes

The College is exempt from income taxes under the Internal Revenue Code. The Foundation is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code.

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets,

liabilities, revenues and expenses and affect disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Reclassification

Certain prior year amounts have been reclassified to conform with the current year presentation.

**Note 2 – Deposits and Investments**

Deposits

The College’s policies regarding the risk of financial instruments are included in Note 1. The College is exposed to certain custodial credit risks from the use of local financial institutions for its depository accounts. At June 30, 2010 a total of \$7,056,801 was on deposit with local institutions in the name of the College. These deposits are covered by the Federal Deposit Insurance Corporation up to \$250,000 per institution. Of the \$6,306,801 in excess of the insurance coverage, \$6,306,801 is collateralized by securities held by the pledging financial institution in the College’s name. The College did not recognize any losses due to default by counterparties relating to depository relationships.

The Foundation’s uninsured cash balances, which were collateralized by United States Government agency securities held by the institution’s agent in the institution’s portfolio, were \$338,561 and \$379,322 as of June 30, 2010 and June 30, 2009, respectively.

Investments

For the years ended June 30, 2010 and 2009 the College held no debt or equity securities. See below for a reconciliation of the investment classification differences for statement and note disclosure presentation.

The Foundation’s investments included the following pools:

	June 30, 2010		June 30, 2009	
	Cost	Fair Value	Cost	Fair Value
Scholarship Endowment	\$ 203,153	\$ 185,574	\$ 196,388	\$ 156,038
Term Endowment	634,338	607,263	622,732	545,630
College Pool of Investments	3,307,064	2,793,922	3,246,449	2,559,161
Total	<u>\$ 4,144,555</u>	<u>\$ 3,586,759</u>	<u>\$ 4,065,569</u>	<u>\$ 3,261,099</u>

Orangeburg-Calhoun Technical College  
Notes to Financial Statements  
June 30, 2010

Securities held by the pool as of June 30, 2010 include the following:

	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Money market	\$ 72,263	\$ —	\$ —	\$ 72,263
Equity funds	2,890,619	25,642	(594,267)	2,321,995
Mutual bond funds	1,165,888	10,851	(213)	1,168,093
Corporate bonds	20,000	189	—	20,190
General Investments	<u>\$ 4,148,770</u>	<u>\$ 36,682</u>	<u>\$ (594,480)</u>	<u>\$ 3,582,544</u>

Securities held by the pool as of June 30, 2009 include the following:

	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Money market	\$ 194,898	\$ —	\$ —	\$ 194,898
Equity funds	3,457,282	832	(766,393)	2,691,721
International equity funds	115,760	—	(27,856)	87,904
Equity securities	197,629	17,094	(27,941)	186,782
Corporate bonds	20,000	30	—	20,030
US Government obligations	80,000	—	(236)	79,764
General Investments	<u>\$ 4,065,569</u>	<u>\$ 17,956</u>	<u>\$ (822,426)</u>	<u>\$ 3,261,099</u>

*Custodial Credit Risk*

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the investor will not be able to recover the value of the investments or collateral securities that are in the possession of the outside party. All of the investment pool assets are uninsured and unregistered, held by the counter party's trust department or agent in the investor's name.

The Foundation has not experienced any losses resulting from custodial credit risk or credit risk.

*Credit Risk*

Credit risk is managed through the diversification of securities and types of securities within the investment pools.

*Interest Rate Risk*

Interest rate risk is managed through the diversification of securities and types of securities within the investment pools.

*Liquidity Risk*

Liquidity risk is managed through the diversification of types of securities, issuers, and issues within the investment pools.

Orangeburg-Calhoun Technical College  
Notes to Financial Statements  
June 30, 2010

The following schedule reconciles cash and investments as reported in the Statement of Net Assets to the footnote disclosures provided for deposits and investments:

	June 30, 2010	June 30, 2009
Statement of net assets		
Current assets		
Cash and cash equivalents	\$ 1,651,994	\$ 1,924,563
Investments	<u>4,500,000</u>	<u>3,000,000</u>
Total College	<u>6,151,994</u>	<u>4,924,563</u>
Statement of financial position		
Current assets		
Cash and cash equivalents	588,369	612,841
Investments	792,837	701,937
Noncurrent assets		
Investments	<u>2,793,922</u>	<u>2,559,161</u>
Total component unit	<u>4,175,128</u>	<u>3,873,939</u>
Total reporting entity	<u>\$ 10,327,122</u>	<u>\$ 8,798,502</u>
Note disclosure		
Cash on hand	\$ 2,375	\$ 2,375
Deposits with banks	<u>6,149,619</u>	<u>4,922,188</u>
Total College	<u>6,151,994</u>	<u>4,924,563</u>
Deposits with banks	588,369	612,841
Investments	<u>3,586,759</u>	<u>3,261,098</u>
Total component unit	<u>4,175,128</u>	<u>3,873,939</u>
Total reporting entity	<u>\$ 10,327,122</u>	<u>\$ 8,798,502</u>

**Note 3 – External Investment Pool**

The College entered into an agreement with Orangeburg-Calhoun Technical College Foundation to maintain custody and manage the investments of the College's Endowment funds. This transfer was made in accordance with South Carolina Code Section 59-101-410. This transaction was approved by the United States Department of Education on January 17, 2002. At June 30, 2010 and June 30, 2009, the value of the external investment pool was \$2,793,922 and \$2,559,161, respectively representing the fair value of the Endowment funds invested through the Foundation.

Orangeburg-Calhoun Technical College  
Notes to Financial Statements  
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**Note 4 – Accounts and Contributions Receivables**

	Current	Non Current	June 30, 2010
Student accounts	\$ 655,762	\$ 717,106	\$ 1,372,868
Federal government	613,724	-	613,724
State agencies	669,617	-	669,617
Other	104,270	-	104,270
	<u>2,043,373</u>	<u>717,106</u>	<u>2,760,479</u>
Less, allowance for uncollectibles	<u>(173,225)</u>	<u>(608,775)</u>	<u>(782,000)</u>
Net accounts receivable	<u>\$ 1,870,148</u>	<u>\$ 108,331</u>	<u>\$ 1,978,479</u>

	Current	Non Current	June 30, 2009
Student accounts	\$ 449,010	\$ 644,174	\$ 1,093,184
Federal government	198,163	-	198,163
State agencies	434,181	-	434,181
Other	12,510	-	12,510
	<u>1,093,864</u>	<u>644,174</u>	<u>1,738,038</u>
Less, allowance for uncollectibles	<u>(94,097)</u>	<u>(375,739)</u>	<u>(469,836)</u>
Net accounts receivable	<u>\$ 999,767</u>	<u>\$ 268,435</u>	<u>\$ 1,268,202</u>

Allowance for losses for student accounts receivable are established based upon actual losses experienced in prior years, evaluations of the current account portfolio, and management's estimate of ultimate collectability.

Contributions Receivable

At June 30, 2010, the Foundation had recognized unconditional promises to give as contributions receivable, which are due to be collected as follows:

	June 30, 2010	June 30, 2009
Unconditional promises to give	\$ 137,045	\$ 233,742
Less: Unamortized discount	<u>(5,727)</u>	<u>(14,107)</u>
	131,318	219,635
Less, allowance for uncollectible pledges	<u>(4,674)</u>	<u>(4,674)</u>
Net unconditional promises to give	<u>\$ 126,644</u>	<u>\$ 214,961</u>
Amounts due in:		
Less than one year	\$ 85,376	\$ 104,001
One to five years	<u>41,268</u>	<u>110,960</u>
Total	<u>\$ 126,644</u>	<u>\$ 214,961</u>

Orangeburg-Calhoun Technical College  
Notes to Financial Statements  
June 30, 2010

**Note 5 – Capital Assets**

	Balance June 30, 2009	Increases	Decreases	Balance June 30, 2010
Capital assets not being depreciated				
Land and improvements	\$ 105,678	\$ -	\$ -	\$ 105,678
Construction in progress	2,189,375	1,655,451	(3,844,826)	-
Total capital assets not being depreciated	<u>2,295,053</u>	<u>1,655,451</u>	<u>(3,844,826)</u>	<u>105,678</u>
Other capital assets:				
Building and improvements	23,426,456	3,844,826	-	27,271,282
Machinery, equipment and other	2,653,778	522,445	(7,145)	3,169,078
Vehicles	335,122	61,032	(41,500)	354,654
Depreciable land improvements	797,950	-	-	797,950
Intangibles	207,000	-	-	207,000
Total other Capital assets	<u>27,420,306</u>	<u>4,428,303</u>	<u>(48,645)</u>	<u>31,799,964</u>
Less, accumulated depreciation for:				
Building and improvements	(10,007,798)	(749,602)	-	(10,757,400)
Machinery, equipment and other	(2,286,767)	(274,030)	7,145	(2,553,652)
Vehicles	(246,739)	(72,744)	41,500	(277,983)
Depreciable land improvements	(678,030)	(7,495)	-	(685,525)
Intangibles	(207,000)	-	-	(207,000)
Total accumulated depreciation	<u>(13,426,334)</u>	<u>(1,103,871)</u>	<u>48,645</u>	<u>(14,481,560)</u>
Other capital assets, net	<u>13,993,972</u>	<u>3,324,432</u>	<u>-</u>	<u>17,318,404</u>
Capital assets, net	<u>\$ 16,289,025</u>	<u>\$ 4,979,883</u>	<u>\$ (3,844,826)</u>	<u>\$ 17,424,082</u>

	Balance June 30, 2008	Increases	Decreases	Balance June 30, 2009
Capital assets not being depreciated				
Land and improvements	\$ 105,678	\$ -	\$ -	\$ 105,678
Construction in progress	182,750	2,006,625	-	2,189,375
Total capital assets not being depreciated	<u>288,428</u>	<u>2,006,625</u>	<u>-</u>	<u>2,295,053</u>
Other capital assets:				
Building and improvements	23,426,456	-	-	23,426,456
Machinery, equipment and other	2,492,031	200,690	(38,943)	2,653,778
Vehicles	358,323	21,949	(45,150)	335,122
Depreciable land improvements	797,950	-	-	797,950
Intangibles	207,000	-	-	207,000
Total other Capital assets	<u>27,281,760</u>	<u>222,639</u>	<u>(84,093)</u>	<u>27,420,306</u>
Less, accumulated depreciation for:				
Building and improvements	(9,420,808)	(586,990)	-	(10,007,798)
Machinery, equipment and other	(2,105,926)	(219,784)	38,943	(2,286,767)
Vehicles	(268,505)	(23,384)	45,150	(246,739)
Depreciable land improvements	(670,535)	(7,495)	-	(678,030)
Intangibles	(207,000)	-	-	(207,000)
Total accumulated depreciation	<u>(12,672,774)</u>	<u>(837,653)</u>	<u>84,093</u>	<u>(13,426,334)</u>
Other capital assets, net	<u>14,608,986</u>	<u>(615,014)</u>	<u>-</u>	<u>13,993,972</u>
Capital assets, net	<u>\$ 14,897,414</u>	<u>\$ 1,391,611</u>	<u>\$ -</u>	<u>\$ 16,289,025</u>

The decreases shown were disposals of assets with no sales proceeds for recognition of a gain.

The College completed the construction of a new classroom and training building, which will house new and existing academic programs related to the transportation and logistics industry. The college received a federal grant from the US Department of Commerce up to \$1,500,000 (subject to certain restrictions) and state funds of \$200,000 to be used towards construction costs. As part of grant from the US Department of Commerce the College has granted the Federal Government a 20 year encumbrance on the land that the building was constructed. Should the College use the building for the purpose for which it was constructed the encumbrance will be removed in 2030. The terms of the agreement allow for the US Department of Commerce to seek certain remedies should the College not use the building as intended including but not limited to the repayment of funds received for construction to the US Department of Commerce. Construction retainage payable by the College for this project totaled \$119,015 at year-end.

The Foundation's capital assets consisted of equipment as of year-end. Depreciation expense was \$8,907 and \$11,198, for the year ended June 30, 2010 and June 30, 2009, respectively.

#### **Note 6 – Pension Plan and Other Employee Benefits**

All employees of the College are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division of the State Budget and Control Board, a public employee retirement system. Generally all state employees are required to participate in and contribute to the System as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws. This plan provides annuity benefits as well as disability, cost of living adjustment, death and group-life insurance benefits to eligible employees and retirees.

The Retirement Division maintains five independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to the Retirement Division, 202 Arbor Lake Drive, Columbia, South Carolina, 29223. Furthermore, the Division and the five pension plans are included in the CAFR of the State of South Carolina.

Article X, Section 16 of the South Carolina Constitution requires that all state operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefit and employee/employer contributions for each retirement system. Employee and employer contribution rates to SCRS are actuarially determined. The surcharges to fund retiree health and dental insurance are not part of the actuarially established rates. Annual benefits, payable monthly for life, are based on length of service and on average final compensation (an annualized average of the employee's highest twelve consecutive quarters of compensation).

The Systems do not make separate measurement of assets and pension benefit obligations for individual employers. Under Title 9 of the South Carolina Code of Laws, the College's liability under the retirement plans is limited to the amount of contributions (stated as a percentage of covered payroll) established by the State Budget and Control Board. Therefore, the College's liability under the pension plan is limited to the contribution requirements for the applicable year

Orangeburg-Calhoun Technical College  
Notes to Financial Statements  
June 30, 2010

from amounts appropriated therefore in the South Carolina Appropriation Act and amounts from other applicable revenue sources. Accordingly, the College recognizes no contingent liability for unfunded costs associated with participation in the plans.

At retirement, employees participating in the SCRS may receive additional service credit for up to 90 days for accumulated unused sick leave.

*South Carolina Retirement System*

Since July 1, 2006, employees participating in the SCRS have been required to contribute 6.5% of all compensation. The required contribution rates for the employer were 9.24%, 9.24%, and 9.06%, for the years ended June 30, 2010 and 2009 and 2008. The College's actual contributions to the SCRS for these fiscal years were equal to the required contributions and were approximately \$902,779 and \$921,569 and \$941,888 for the years ended June 30, 2010 and 2009 and 2008, respectively. In addition, the College, as employer, is required to contribute a surcharge to fund retiree health and dental insurance coverage of 3.50%, 3.50%, and 3.42% for the years ended June 30, 2010 and 2009 and 2008, respectively. As a result the actual contribution rates were 12.74%, 12.74%, and 12.48% for the years ended June 30, 2010 and 2009 and 2008, respectively. Also, the College paid employer group-life insurance contributions of approximately \$14,656 and \$14,961 for the fiscal years ended June 30, 2010 and 2009 at the rate of 0.15% of compensation.

*Police Officers Retirement System*

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple-employer defined benefit public employee retirement plan administered by the Retirement Division. Generally, all full-time employees whose principal duties are the preservation of public order or the protection or prevention and control of property destruction by fire are required to participate in and contribute to the System as a condition of employment. This plan provides annuity benefits as well as disability and group-life insurance benefits to eligible employees and retirees. In addition, participating employers in the PORS contribute to the accidental death fund which provides annuity benefits to beneficiaries of police officers and firemen killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.

The required contribution rates from the employees participating in the PORS were 6.5% for the fiscal years ended June 30, 2010 and 2009 and 2008. The required contribution rate from the employer was 10.65% for these fiscal ended June 30, 2010. The Colleges actual contributions to the PORS for these fiscal years were equal to the required contributions and amounted to \$16,582, \$17,154, and \$16,313, respectively. In addition, the College, as employer, is required to contribute a surcharge to fund retiree health and dental insurance coverage at a rate of 3.50%, 3.50%, and 3.42% for June 30, 2010 and 2009 and 2008, respectively. Also, the College paid employer group-life insurance contributions of \$311, \$322, and \$317 and accidental death insurance contributions of \$311, \$322, and \$317 in the respective fiscal years for PORS participants. The rate for each of these insurance benefits is 0.20% of compensation.

*Optional Retirement Program*

Certain state employees may elect to participate in the Optional Retirement Program (ORP), a defined contribution plan. The ORP was established in 1987 under Title 9, Chapter 17, of the South Carolina Code of Laws. The ORP provides retirement and death benefits through the purchase of

individual fixed or variable annuity contracts, which are issued to, and become the property of, the participants. The State assumes no liability for this plan other than for payment of contributions to designated insurance companies.

ORP participation is limited to faculty and administrative staff of the State's higher education institutions who meet all eligibility requirements for membership in the SCRS. To elect participation in the ORP, eligible employees must irrevocably waive SCRS membership within their first ninety days of employment.

Under State law, contributions to the ORP are required at the same rates as for the SCRS, 9.24% plus the retiree surcharge of 3.50% from the employer in fiscal year 2010.

Certain of the College's employees have elected to be covered under optional retirement plans. For the fiscal year contributions totaled \$24,083 from employees as plan members. In addition, the College paid \$556 for group-life insurance coverage, \$12,968 to fund retiree health and dental insurance coverage, and \$15,709, as employer contribution to SCRS required under the ORP plans for these employees.

All amounts were remitted to the Retirement Division of the State Budget and Control Board for distribution to the respective annuity policy providers. The obligation for payment of benefits resides with the insurance companies,

#### *Deferred Compensation Plans*

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

#### *Teacher and Employee Retention Incentive*

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not earn service credit and are ineligible to receive group life insurance benefits or disability retirement benefits. Effective July 1, 2005, employees who choose to participate in the TERI Program will be required to make SCRS contributions. Due to the South Carolina Supreme Court decision in *Layman et al v. South Carolina Retirement System and the State of South Carolina*, employees who chose to participate in the TERI Program, prior to July 1, 2005, will not be required to make SCRS contributions.

## **Note 7 – Post Employment Benefits Other Than Pensions**

### **a. Plan Description**

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents. The College contributes to the Retiree Medical Plan (RMP) and the Long-term Disability Plan (LTDP), cost-sharing multiple-employer defined benefit postemployment healthcare and long-term disability plans administered by the Employee Insurance Program (EIP), a part of the State Budget and Control Board (SBCB). 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 May 2, 2008 and after, retirees are eligible for benefits if they have established twenty-five years of service for 100% employer funding and fifteen through twenty-four years of service for 50% employer funding. Benefits become effective when the former employee retires under a State retirement system. Basic long-term disability (BLTD) benefits are provided to active state, public school district and participating local government employees approved for disability.

### **b. Funding Policies**

Section 1-11-710 and 1-11-720 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment healthcare and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the EIP and participating retirees to the SBCB except the portion funded through the pension surcharge and provided from other applicable sources of the EIP for its active employees who are not funded by State General Fund appropriations. Employers participating in the RMP are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 3.50%, 3.50% and 3.42% of annual covered payroll for 2010, 2009 and 2008, respectively. The EIP sets the employer contribution rate based on a pay-as-you-go basis. The College paid approximately \$360,379, \$376,129 and \$302,802 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2010, 2009 and 2008, respectively. BLTD benefits are funded through a per person premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to EIP was \$3.23 for the fiscal years ended June 30, 2010 and 2009.

Effective May 1, 2008 the State established two trust funds through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits and long-term disability insurance benefits. The South Carolina Retiree Health Insurance Trust Fund is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated EIP reserves, and income generated from investments. The Long Term Disability Insurance Trust Fund is primarily funded through investment income and employer contributions.

One may obtain complete financial statements for the benefit plans and the trust funds from Employee Insurance Program, 1201 Main Street, Suite 360, Columbia, SC 29201.

*Other Employee Benefits*

In accordance with the South Carolina Code of Laws and the annual Appropriation Act, the State of South Carolina provides certain health care, dental, and life insurance benefits to all permanent full-time and certain permanent part-time employees of the College. These benefits are provided on a reimbursement basis by the employer agency based on rates established at the beginning of the service period by the Employee Insurance Program within the SC Budget and Control Board.

The College recorded benefit expenses for these insurance benefits for active employees in the amount of \$810,484 and \$800,632 for the year ended June 30, 2010 and 2009.

**Note 8 – Contingencies, Litigation, and Project Commitments**

From time to time the College may be a party to various lawsuits arising out of the normal conduct of its operations. In the opinion of College 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.

Additionally, see Capital Assets footnote regarding construction commitment.

**Note 9 – Transactions with Component Unit**

The College recorded non-governmental gift receipts of \$120,391 and \$165,431 from the Foundation in nonoperating revenues and capital grants and gifts for the fiscal year ending June 30, 2010 and 2009. In addition, scholarships and fellowships totaling \$78,496 and \$73,154 was awarded to students enrolled at the College and paid to the College on their behalf.

The Foundation reimburses the College for any disbursements made by the College on its behalf. During the year ended June 30, 2010 and 2009, the Foundation paid the College approximately \$22,395 and \$3,185 as reimbursement for these disbursements. The Foundation also paid the College \$2,400 for administrative services and office space during each year ended June 30, 2010 and 2009. As of June 30, 2010 and 2009, the Foundation owed the College \$296 and \$1,079 respectively, for reimbursements of disbursements made by the College.

The College has entered into an agreement to provide the College's Endowment Fund to the Foundation for investment custodial and managerial responsibility. The funds held by the Orangeburg-Calhoun Technical College Foundation at June 30, 2010 and June 30, 2009 were \$2,793,922 and \$2,559,161, respectively.

During the year ended June 30, 2009 the Foundation donated a fountain with a construction cost of \$82,486 to the College.

**Note 10 – Risk Management**

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

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

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

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

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

- Theft, damage to, or destruction of assets
- Real property, its contents, and other equipment
- Motor vehicles and watercrafts
- Torts
- Natural disasters

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 obtains coverage through a commercial insurer for employee fidelity bond insurance for all employees for losses arising from theft or misappropriation.

**Note 11 – Federal Family Education Loan**

Students attending the College may be eligible to participate in the Federal Family Education Loan Program, which allows the College to disburse federal loans to students, which are administered by financial institutions selected by the students from the established list of lenders. The loan activity is not reported in the accompanying financial statements, except for the cash flow statement, because the responsibility for administration and collection remains with the originating financial entity.

	June 30, 2010	June 30, 2009
Federal Direct Loans	\$ 3,184	\$ 0
Federal Nondirect Loans	\$ 4,794,718	\$ 4,268,070

**Note 12 – Operating Expenses by Function**

Operating expenses by functional classification for the year ended June 30, 2010 and 2009 are summarized as follows:

	<u>Salaries</u>	<u>Benefits</u>	<u>Scholarships</u>	<u>Utilities</u>	<u>Supplies and Other Services</u>	<u>Depreciation</u>	<u>Total</u>
Instruction	\$ 6,655,111	\$ 1,695,961	\$ -	\$ -	\$ 1,320,231	\$ -	\$ 9,671,303
Academic support	972,451	271,863	-	-	437,164	-	1,681,478
Student services	1,257,859	337,281	-	-	693,321	-	2,288,461
Operation and maintenance of plant	833,128	297,957	-	398,100	952,778	-	2,481,963
Institutional support	1,359,442	392,683	-	-	425,437	-	2,177,562
Scholarships	-	-	4,453,869	-	-	-	4,453,869
Auxiliary enterprises	153,508	32,923	-	-	1,516,600	-	1,703,031
Depreciation	-	-	-	-	-	1,103,871	1,103,871
<b>Total</b>	<b>\$ 11,231,499</b>	<b>\$ 3,028,668</b>	<b>\$ 4,453,869</b>	<b>\$ 398,100</b>	<b>\$ 5,345,531</b>	<b>\$ 1,103,871</b>	<b>\$ 25,561,538</b>

	<u>Salaries</u>	<u>Benefits</u>	<u>Scholarships</u>	<u>Utilities</u>	<u>Supplies and Other Services</u>	<u>Depreciation</u>	<u>Total</u>
Instruction	\$ 6,590,807	\$ 1,756,466	\$ -	\$ -	\$ 1,090,269	\$ -	\$ 9,437,542
Academic support	1,067,822	286,140	-	-	255,515	-	1,609,477
Student services	1,146,815	290,197	-	-	444,785	-	1,881,797
Operation and maintenance of plant	843,999	314,450	-	404,753	592,026	-	2,155,228
Institutional support	1,350,429	398,802	-	-	410,815	-	2,160,046
Scholarships	-	-	3,173,940	-	-	-	3,173,940
Auxiliary enterprises	138,593	30,997	-	-	1,252,707	-	1,422,297
Depreciation	-	-	-	-	-	837,653	837,653
<b>Total</b>	<b>\$ 11,138,465</b>	<b>\$ 3,077,052</b>	<b>\$ 3,173,940</b>	<b>\$ 404,753</b>	<b>\$ 4,046,117</b>	<b>\$ 837,653</b>	<b>\$ 22,677,980</b>

**Note 13 – Donor Restricted Accounts**

**College**

Funds in the College’s Endowment are comprised solely of match grant funds provided by the US Department of Education. The grant placed temporary restrictions on the original amount, as well as one-half of the net appreciation (realized and unrealized) of the investments.

At June 30, 2010, the Endowment had net appreciation of \$1,293,926. The temporarily restricted amount is comprised of the original amount of \$1,500,000 plus one—half of the appreciation, \$646,963, for a total of \$2,146,963 included in restricted net assets. This is in compliance with SC Code of Laws Section 34-6-20, 34-6-30, and 34-6-60.

Orangeburg-Calhoun Technical College  
Notes to Financial Statements  
June 30, 2010

The Endowment funds are reflected as funds held by others on the financial statements rather than investments.

**Foundation**

The Foundation's temporarily restricted net assets are available for the following programs:

	June 30, 2010	June 30, 2009
Scholarship Endowment	\$ 86,013	\$ 61,568
College Pool of Investments	62,437	60,426
	<u>\$ 148,450</u>	<u>\$ 121,994</u>

The income from the Foundation's permanently restricted net assets of \$188,016 and \$170,926 each year ended June 30, 2010 and 2009, respectively is included in the above amount for scholarships.

**Note 14 – Long Term Liabilities**

Long-term liability activity for the years ended is as follows:

	<u>June 30, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2010</u>	<u>Due within 1 year</u>
Accrued compensated absences and related benefits	<u>\$ 1,013,122</u>	<u>\$ 596,477</u>	<u>\$ 597,139</u>	<u>\$ 1,012,460</u>	<u>\$ 93,500</u>

**Note 15 – Contingent Rentals**

During the fiscal year ended June 30, 2010 and 2009, respectively, Orangeburg-Calhoun Technical College expended \$58,798 and \$48,521 to vendors on contingent rentals for copier and other equipment rentals, which is based upon the usage of the machine.

**Note 16 – Operating Leases**

The College is party to an operating lease through the South Carolina State Fleet Management Division. The lease provides month-to-month use of two vehicles for which a \$100 monthly payment is made with additional charges for mileage. During the fiscal year ended June 30, 2010, the College expended \$2,400 for minimum payments under the cancelable operating lease. The College expended \$4,688 in mileage charges during the year ended June 30, 2010 under the terms of the lease.

**Note 17 – State Appropriations**

State funds for operations 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 technical colleges in a uniform manner based upon the number of students.

The following is a detail schedule of State appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2010 and 2009.

Non-Capital Appropriations	2010	2009
Per annual appropriations act	\$ 4,076,160	\$ 4,508,655
Lottery technology funds	112,550	180,398
Nursing supplement	20,791	22,806
From Commission on higher education:		
Academic Endowment	143	166
Total recorded as current year revenue	\$ 4,209,644	\$ 4,712,025

**Note 18 – Subsequent Event and Report Reissuance**

Subsequent to year end the College, and certain employees of the College, were named in a civil lawsuit filed by a former student alleging among other things that the College did not adequately protect the rights of the student. The lawsuit was filed in August 2010 and a trial date has not yet been set. The College believes that the suit is without merit; however, should a judgment against the College be made, it is anticipated that any financial consequences would be covered by tort insurance or insignificant to the financial position of the College.

The June 30, 2010 financial statements with an audit report dated September 29, 2010 have been corrected for the following changes.

**Transportation Building**

For the year ended June 30, 2010 the College completed construction of a transportation building. The US Department of Commerce agreed to provide funding up to \$1,500,000 towards this project. The overall construction cost was less than originally anticipated and the College was informed that it would receive a total of \$1,393,095 from the US Department of Commerce and not the original \$1,500,000 as originally awarded as a result of the construction cost savings. In January 2011 the College received notice that the full \$1,500,000 would be awarded and collected the balance of the original grant money totaling \$106,905. The College has revised the expensed shown on the Schedule of Federal Expenditures shown on page 42 from \$1,393,095 to \$1,500,000.

**US Department of Energy American Recovery and Reinvestment Act Award**

Due to a misunderstanding of the grant agreement, the College has corrected the expense recorded for a grant received from the US Department of Energy passed through the South Carolina Energy Office as shown on page 43. The original amount recorded was \$58,298 and has been corrected to \$77,730.

# BROWN CPA, LLC

## Independent Auditor's Report on Supplementary Information Summarized Schedule of Financial Information

Orangeburg-Calhoun Commission for Technical Education  
Orangeburg-Calhoun Technical College  
Orangeburg, South Carolina

Our report on our audit of the basic financial statements of Orangeburg-Calhoun Technical College for the year ended June 30, 2010 and June 30, 2009 appears on page 1. That report was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole.

The summarized schedule of condensed financial information on the following page for the years ended June 30, 2010 and June 30, 2009 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*BROWN CPA, L.L.C.*

Irmo, South Carolina  
February 16, 2011

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MEMBER:  
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
SOUTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

ORANGEBURG-CALHOUN TECHNICAL COLLEGE  
SUMMARIZED SCHEDULE OF FINANCIAL INFORMATION  
ENTERPRISE FUNDS

	June 30, 2010	June 30, 2009	Increase Decrease
Charges for services	\$ 9,663,380	\$ 9,450,143	\$ 213,237
Operating grants and contributions	13,219,041	8,525,965	4,693,076
Capital grants and contributions	1,681,174	160,000	1,521,174
Less: expenses	<u>(25,561,538)</u>	<u>(22,677,980)</u>	<u>(2,883,558)</u>
Net program revenue (expenses)	(997,943)	(4,541,872)	3,543,929
 Transfers:			
State appropriations	4,209,644	4,712,025	(502,381)
State capital appropriations	-	200,000	(200,000)
Change in net assets	<u>3,211,701</u>	<u>370,153</u>	<u>2,841,548</u>
<b>Net assets</b>			
Beginning of year	22,981,740	22,611,587	370,153
End of year	<u>\$ 26,193,441</u>	<u>\$ 22,981,740</u>	<u>\$ 3,211,701</u>

The above information is proved in accordance with the requirements of the South Carolina Office of Comptroller General Audited Financial Statement Manual.

See accompanying notes to the financial statements

# BROWN CPA, LLC

## Independent Auditor's Report on Supplementary Information State Lottery Tuition Assistance

Orangeburg-Calhoun Commission for Technical Education  
Orangeburg-Calhoun Technical College  
Orangeburg, South Carolina

As a part of the examination of the financial statements of Orangeburg-Calhoun Technical College as of and for the year ended June 30, 2010, we reviewed the administrative procedures and internal controls related to the State Lottery Tuition Assistance Program to determine that the College administered the program in accordance with State Law and Policy 3-2-307 and Procedure 3-2-307.1 of the State Board for Technical and Comprehensive Education.

A random sample of 40 students was selected from the College's list of financial aid recipients.

We reviewed the student records maintained by the financial aid office of each applicant randomly selected to determine that they contained all necessary information and documentation to determine eligibility. We also determined that any lottery tuition assistance awarded did not exceed the remaining cost of tuition and academic fees for the applicable semester after first applying Pell grants, Federal Supplemental Education Opportunity Grants, South Carolina Need-Based grants, and other applicable grants.

For students included in our samples not receiving funds from the Lottery Tuition Assistance Program we determined that the students were granted the right to appeal the decision by submitting a written request to the institution's Director of Financial Aid, and determined that the students' requests were handled in accordance with the institution's financial aid procedures as reflected in the student's financial aid record.

We traced amounts to the student account detail to determine that the awarded amounts were identifiably credited to the student's account.

By analytical tools we tested all lottery recipients for the lottery award compliance with restrictions regarding limitations associated with other awards received, amounts received within each term, and eligibility criteria associated with the Life Scholarship program.

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

In our opinion, the State Lottery Tuition Assistance Program has been administered in accordance with State Law and Policy 3-2-307 and Procedure 3-2-307.1 of the State Board for Technical and Comprehensive Education.

This report is intended solely for the use of management and of the Orangeburg-Calhoun Technical College Area Commission and management of the State Board for Technical and Comprehensive Education and should not be used by anyone other than these specified parties.

BROWN CPA, L.L.C.

Irmo, South Carolina  
February 16, 2011

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MEMBER:  
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
SOUTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

## SINGLE AUDIT ACT REQUIREMENTS

ORANGEBURG-CALHOUN TECHNICAL COLLEGE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2010

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Project Number/ Period	Balance June 30, 2009	Receipts	Expenditures	Balance June 30, 2010
<b>Direct Programs:</b>						
<b>U.S. Department of Education</b>						
Federal Supplemental Educational Opportunity Grants	84.007	06/30/10	\$ 17,837	\$ 139,842	\$ 133,563	\$ 11,558
Federal Supplemental Educational Opportunity Grants	84.007	06/30/09	-	7,305	7,305	-
			<u>17,837</u>	<u>147,147</u>	<u>140,868</u>	<u>11,558</u>
Federal Family Education Loans (FFEL)	84.032	06/30/10	-	4,800,171	4,794,718	(5,453)
ARRA - Federal Work-Study Program	84.033	06/30/10	-	32,019	32,019	-
Federal Work-Study Program	84.033	06/30/10	25,842	144,567	144,176	25,451
Federal Work-Study Program	84.033	06/30/09	-	139	139	-
			<u>25,842</u>	<u>176,725</u>	<u>176,334</u>	<u>25,451</u>
Federal Pell Grant Program	84.063	06/30/10	970	12,495	12,505	980
Federal Pell Grant Program	84.063	06/30/10	49,417	8,863,761	8,881,520	67,176
Federal Pell Grant Program	84.063	06/30/09	-	-	-	-
Federal Pell Grant Program	84.063	06/30/09	-	(16,968)	(16,968)	-
			<u>50,387</u>	<u>8,859,288</u>	<u>8,877,057</u>	<u>68,156</u>
Federal Direct Loan (FDL)	84.268	06/30/10	-	1,194	3,184	1,990
Total Student Financial Aid Cluster			<u>94,066</u>	<u>13,984,525</u>	<u>13,992,161</u>	<u>101,702</u>
TRIO Student Support Services	84.042	06/30/10	-	241,916	262,796	20,880
TRIO Student Support Services	84.042	08/31/09	28,646	71,002	42,356	-
Total TRIO Student Support Services			<u>28,646</u>	<u>312,918</u>	<u>305,152</u>	<u>20,880</u>
Total U.S. Department of Education			<u>122,712</u>	<u>14,297,443</u>	<u>14,297,313</u>	<u>122,582</u>
<b>U.S. Department of Commerce</b>						
Investment for Public Works and Economic Development	11.300	0405955-000	-	1,189,047	1,500,000	310,953
Total U.S. Department of Commerce			<u>-</u>	<u>1,189,047</u>	<u>1,500,000</u>	<u>310,953</u>
<b>U.S. Department of Transportation</b>						
Commercial Motor Vehicle Operator Training	20.235	06/30/10	32,720	116,961	104,059	19,818
Total U.S. Department of Transportation			<u>32,720</u>	<u>116,961</u>	<u>104,059</u>	<u>19,818</u>
<b>National Science Foundation</b>						
Education and Human Resources	47.076	07/31/10	-	109,774	284,511	174,737
Education and Human Resources	47.076	07/31/09	75,451	154,798	79,347	-
Total National Science Foundation			<u>75,451</u>	<u>264,572</u>	<u>363,858</u>	<u>174,737</u>
<b>Total Direct Programs</b>			<u>230,883</u>	<u>15,868,023</u>	<u>16,265,230</u>	<u>628,090</u>

ORANGEBURG-CALHOUN TECHNICAL COLLEGE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2010

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Project Number/ Period	Balance June 30, 2009	Receipts	Expenditures	Balance June 30, 2010
<b>Indirect Programs:</b>						
<b>U.S. Department of Education</b>						
Passed through South Carolina Department of Education						
Adult Education - Basic Grants to States	84.002	09EA410	-	68,897	117,259	48,362
Career and Technical Education - Basic Grants to States	84.048	09VA410	73,071	276,890	259,171	55,352
Career & Technical Education - National Programs	84.051	09VA410-50	3,977	97,437	170,385	76,925
			<u>77,048</u>	<u>443,224</u>	<u>546,815</u>	<u>180,639</u>
Passed through South Carolina Commission on Higher Education						
College Access Challenge Grant Program	84.378	06/30/10	-	1,795	3,041	1,246
Passed through University of South Carolina						
Teacher Quality Enhancement Grants	84.336	09/30/10	19,013	30,858	11,845	-
Passed through State Board for Technical & Comp Ed						
ARRA - State Fiscal Stabilization Fund (SFSF) Education State Grants Recovery Act	84.394	06/30/10	-	778,013	779,027	1,014
Total U.S. Department of Education			<u>96,061</u>	<u>1,253,890</u>	<u>1,340,728</u>	<u>182,899</u>
<b>U.S. Department of Energy</b>						
Passed through South Carolina Energy Office						
ARRA - State Energy Program	81.041	12/15/2010	-	-	77,730	77,730
Total U.S. Department of Energy			<u>-</u>	<u>-</u>	<u>77,730</u>	<u>77,730</u>
<b>U.S. Department of Health and Human Resources</b>						
Passed through First Steps of South Carolina						
Child Care and Development Block Grant	93.575	06/30/10	(7,146)	2,500	4,408	(5,238)
Total U.S. Department of Health and Human Services			<u>(7,146)</u>	<u>2,500</u>	<u>4,408</u>	<u>(5,238)</u>

ORANGEBURG-CALHOUN TECHNICAL COLLEGE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2010

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Project Number/ Period	Balance June 30, 2009	Receipts	Expenditures	Balance June 30, 2010
<b>U.S. Department of Labor</b>						
Passed through South Carolina Department of Commerce						
WIA Youth Activities Program	17.259	09/30/09	36,982	40,457	3,475	-
WIA Dislocated Workers	17.260	12/31/09	31,408	87,779	56,371	-
Total WIA Cluster			<u>68,390</u>	<u>128,236</u>	<u>59,846</u>	<u>-</u>
Passed through State Board for Technical & Comp Ed						
ARRA - WIA Youth Activities Program	17.259	6/30/2010	-	5,184	5,144	(40)
Incentive Grant - WIA Section 503	17.267	6/30/2010	2,000	7,001	11,597	6,596
			<u>2,000</u>	<u>12,185</u>	<u>16,741</u>	<u>6,556</u>
Passed through South Carolina Department of Education						
Incentive Grant - WIA Section 503	17.267	09EQ410-01	5,705	18,256	13,692	1,141
Passed through Lower Savannah Council of Governments						
ARRA - WIA Adult Program	17.258	9SE6970A	-	3,696	3,696	-
Passed through MDC (a nonprofit in North Carolina)						
Program of Competitive Grants for Worker Training and Placement in High ARRA - Growth and Emerging Industry Sectors	17.275	11/28/2012	-	-	23,496	23,496
Total U.S. Department of Labor			<u>76,095</u>	<u>162,373</u>	<u>117,471</u>	<u>31,193</u>
<b>U.S. Department of State Bureau of Education and Cultural Affairs</b>						
Academic Exchange Programs - Undergraduate Programs	19.009	07/31/10	-	126,012	161,412	35,400
Total U.S. Department of State Bureau of Education and Cultural Affairs			<u>-</u>	<u>126,012</u>	<u>161,412</u>	<u>35,400</u>
<b>National Science Foundation</b>						
Passed through South Carolina State University						
Education and Human Resources	47.076	10/31/09	2,250	2,250	-	-
Total National Science Foundation			<u>2,250</u>	<u>2,250</u>	<u>-</u>	<u>-</u>
<b>Total Indirect Programs</b>			<u>167,260</u>	<u>1,547,025</u>	<u>1,701,749</u>	<u>321,984</u>
<b>Total Federal Awards</b>			<u>\$ 398,143</u>	<u>\$ 17,415,048</u>	<u>\$ 17,966,979</u>	<u>\$ 950,074</u>

ARRA - Denotes a program that contains American Recovery and Reinvestment Acts awards

**1. Description**

Orangeburg-Calhoun Technical College has adopted the Federal Office of Management and Budget's OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, whereby the Single Audit Act Amendments of 1996 were adopted to fulfill the financial and compliance audit requirements of federal grantor agencies. For purposes of implementing OMB Circular A-133, federal grant awards were made susceptible to audit and are included in the Schedule of Expenditures of Federal Awards.

**2. Summary of Significant Accounting Policies**

The financial activity shown on the Schedule of Expenditures of Federal Awards reflects amounts recorded by Orangeburg-Calhoun Technical College during its fiscal year, July 1, 2009 through June 30, 2010, and, accordingly, does not include a full year's financial activity for grants awarded or terminated on dates not coinciding with the College's fiscal year. The College reports these on the accrual basis of accounting.

**3. Federal Loan Programs**

The College has students who have approved loans which were received by those students during the current year. The College is not the lender, it only processes them for the lender the student chooses.

The totals and types of loans received for the current fiscal year are:

Department of Education CFDA # 84.032		
	Subsidized	\$3,259,776
	Unsubsidized	<u>1,534,942</u>
		<u>\$4,794,718</u>
Department of Education CFDA # 84.268		
	Subsidized	\$3,184
	Unsubsidized	<u>0</u>
		<u>\$3,184</u>

## **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***

Orangeburg-Calhoun Commission for Technical Education  
Orangeburg-Calhoun Technical College  
Orangeburg, South Carolina

We have audited the accompanying basic financial statements of Orangeburg-Calhoun Technical College (the “College”) as of and for the year ended June 30, 2010, and have issued our report thereon dated February 16, 2011. 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.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the College’s internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College’s internal control over financial reporting.

*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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the College's financial statements are free of 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*.

This report is intended solely for the information and use of the Orangeburg-Calhoun Commission for Technical Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BROWN CPA, L.L.C.

Irmo, South Carolina  
February 16, 2011

# BROWN CPA, LLC

## **Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133**

Orangeburg-Calhoun Commission for Technical Education  
Orangeburg-Calhoun Technical College  
Orangeburg, South Carolina

### **Compliance**

We have audited Orangeburg-Calhoun Technical College (the “College”) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Orangeburg-Calhoun Technical College’s major federal programs for the year ended June 30, 2010. Orangeburg-Calhoun Technical College’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Orangeburg-Calhoun Technical College’s management. Our responsibility is to express an opinion on Orangeburg-Calhoun Technical College’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Orangeburg-Calhoun Technical 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. Our audit does not provide a legal determination of Orangeburg-Calhoun Technical College’s compliance with those requirements.

In our opinion, Orangeburg-Calhoun Technical College complied, in all material respects, with the 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, 2010.

## Internal Control Over Compliance

The management of Orangeburg-Calhoun Technical College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Orangeburg-Calhoun Technical College's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Orangeburg-Calhoun Technical 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the information and use of management, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BROWN CPA, L.L.C.

Irmo, South Carolina  
February 16, 2011

**Summary of Auditor's Results:**

1. The auditors' report expresses an unqualified opinion on the financial statements of Orangeburg-Calhoun Technical College.
2. No material weaknesses relating to the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of Orangeburg-Calhoun Technical College were disclosed during the audit.
4. No significant deficiencies relating to the audit of major federal awards is reported in the Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Orangeburg Calhoun Technical College expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for Orangeburg-Calhoun Technical College are reported below in this schedule.
7. Major federal programs:

Student Financial Aid Cluster	
Federal Supplemental Educational Opportunity Grant	CFDA #84.007
Federal Family Education Loans	CFDA #84.032
Federal Work-study	CFDA #84.033
Pell Grants	CFDA #84.063
Federal Direct Loan	CFDA #84.268
ARRA – State Fiscal Stabilization Fund (SFSF) Education	
Grants Recovery Act	CFDA #84.394
Investment for Public Works and Economic Development	CFDA #11.300
8. The threshold for distinguishing between Type A and Type B Programs was \$395,072 which is 3% of total Federal Award expended at the College. Orangeburg-Calhoun Technical College total federal awards expended for the year ended June 30, 2010 were between \$10 million and \$100 million.
9. Orangeburg-Calhoun Technical College qualified to be a low risk auditee.

**Financial Statement Findings:** None.

**Federal Awards Findings and Questioned Costs:** No findings or questioned costs.

**Summary of Prior Year Findings from 2009 Audit:**

No findings or questioned costs were reported in the prior year.