

ORANGEBURG-CALHOUN TECHNICAL COLLEGE

FINANCIAL STATEMENTS

WITH INDEPENDENT
AUDITOR'S REPORT
Fiscal Year Ended June 30, 2016



ORANGEBURG-CALHOUN TECHNICAL COLLEGE

Audited Financial Statements

Fiscal Year Ended June 30, 2016

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Orangeburg-Calhoun Technical College

Organizational Data

June 30, 2016

Area Commission Members and Officers *

Orangeburg County	Calhoun County
Chairman John Shuler - June 2020	Fred Gantt - July 2016
Lawrence Weathers - July 2019	David Rickenbaker - July 2011
Jacqueline Shaw - July 2019	(Still serving, as no new appointment has been made)
Leroy Morant - July 2020	
Margaret Felder-Wilson, Ph.D. - July 2018	

Administrative Staff

Walt Tobin, Ph. D., President
Donna Elmore, Vice President for Academic Affairs
Kim Huff, CPA, Vice President for Business Affairs
Sandra Davis, Ph. D., 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, 2015 - June 30, 2016

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

THE BRITTINGHAM GROUP, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

501 STATE STREET

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INDEPENDENT AUDITORS REPORT

Members of the Orangeburg-Calhoun Commission for Technical Education
Orangeburg-Calhoun Technical College
3250 St. Matthews Road
Orangeburg, South Carolina, 29118-8299

Report on Financial Statements

We have audited the accompanying financial statements of the business type activities of Orangeburg-Calhoun Technical College (the "College"), a component unit of the State of South Carolina and a member institution of the South Carolina Technical College System, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents. We did not audit the financial statements of Orangeburg-Calhoun Technical College Foundation, (a discretely presented component unit). The Orangeburg-Calhoun Technical College Foundation reflects 100% of total assets, 100% of net position, and 100% of total revenues of the discretely presented component unit.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Orangeburg-Calhoun Technical College Foundation, which represent 100% of total assets, 100% of net position, and 100% of total revenues of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Orangeburg-Calhoun Technical College Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit, of the College, as of June 30, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of Proportionate Share of Retirement Systems Net Pension Liabilities, and Schedule of Retirement Systems Contributions on pages 6 – 15, 51, and 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2016 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

The Brittingham Group LLP

West Columbia, South Carolina
September 15, 2016

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, 2016, and June 30, 2015. This discussion should be read in conjunction with the transmittal letter, the College's basic financial statements, the component unit's financial statements and the notes to the financial statements. Responsibility for the completeness and fairness of this information rests with the College.

Component Unit

The College has included the Orangeburg-Calhoun Technical College Foundation, Inc., (the "Foundation") in its financial statements in accordance with Governmental Accounting Standards Board Statement No. 39, Determining Whether Certain Organizations are Component Units. The Foundation is reported as a discretely presented component unit of the College. The Statement of Financial Position, the Statement of Activities and relevant note disclosures for the Foundation follow the College's financial statements.

Complete financial statements for the Foundation may be obtained by mailing a request to Orangeburg-Calhoun Technical College Foundation, 3250 St. Matthews Road, Orangeburg, South Carolina 29118-8299.

Financial Highlights

- The assets and deferred outflow of resources (\$30,989,093) of Orangeburg-Calhoun Technical College exceeded its liabilities and deferred inflow of resources (\$24,371,719) at June 30, 2016, by \$6,617,374 (total net position). The unrestricted net position portion of (\$8,563,420) is a result of the net unfunded pension obligation of (\$20,004,138). However, the remaining \$11,440,718 may be used to meet the College's ongoing obligations and \$1,671,507 is restricted for use of capital projects – specifically a new Nursing and Health Science building and college infrastructure projects.
- The College experienced an operating loss of \$16,087,973 during the fiscal year ended June 30, 2016, as reported in the Statement of Revenues, Expenses, and Changes in Net Position. However, this operating loss was offset by federal and state grants of \$7,352,240, state appropriations of \$4,780,817, local appropriations of \$1,448,740, investment income of \$65,190, and other non-operating revenues. The overall decrease in the College's net position during the year was \$804,881 or 10.84%

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 Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows.

The Statement of Net Position presents the financial position of the College at the end of the fiscal year and classifies assets and liabilities into current and noncurrent. The difference between total assets and deferred outflow of resources and total liabilities and deferred inflow of resources is net position, which is displayed in three broad categories: Investment in Capital Assets (net of related debt), Restricted, and Unrestricted. Net position is one indicator of the current financial condition of the College, while the change in net position 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 Position 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 position may serve over time as a useful indicator of an entity's financial position. In the case of the College, assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by \$6,617,374 at the close of the most recent fiscal year. This represents a decrease of \$804,881 over last year's amount of \$7,422,255.

The College's net investment in capital assets (e.g., land, buildings, machinery, and equipment) is \$13,509,287. 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.

The College's unrestricted portion that may be used to meet the College's ongoing obligations is \$11,440,718. The area commission has designated a portion of these funds for capital projects. A total of \$1,671,507 is restricted for capital projects.

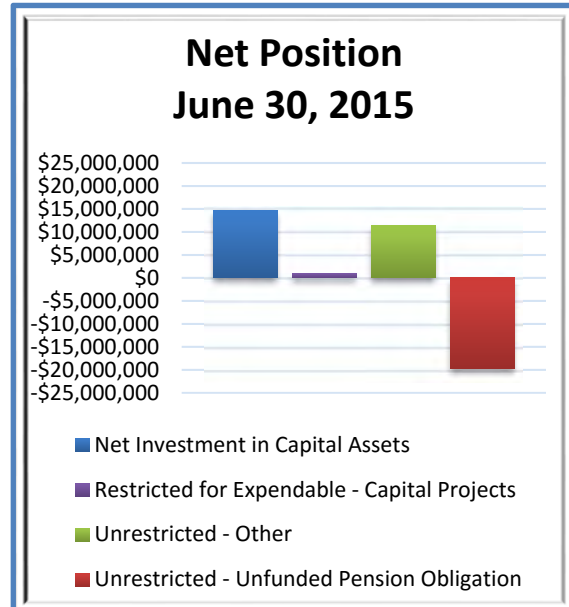
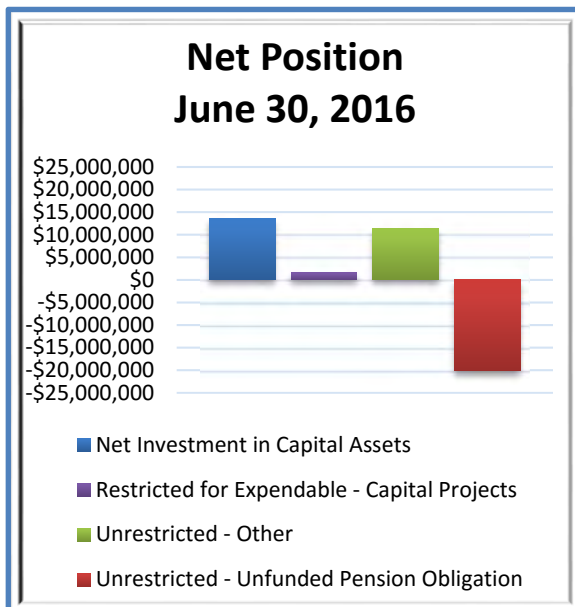
The charts and graphs that follow presents specific areas of the College's financial condition on June 30, 2016 and June 30, 2015.

Certain prior year amounts have been reclassified to conform with current year presentation. Most notably is the reclassification of several state grants from non-operating to operating due to further examination of the underlying purpose of the activities being funded.

Orangeburg-Calhoun Technical College
Net Position
As of June 30, 2016 and June 30, 2015

	<u>2016</u>	<u>2015</u>
Current Assets	\$15,635,289	\$15,260,981
Non-Current Assets		
Capital Assets, Net of Depreciation	<u>13,509,287</u>	<u>14,557,917</u>
Total Assets	<u>29,144,576</u>	<u>29,818,898</u>
Deferred Outflow of Resources		
Deferred pension outflows	<u>1,844,517</u>	<u>1,742,014</u>
Total Assets and Deferred Outflows of Resources	<u>30,989,093</u>	<u>31,560,912</u>
Current Liabilities	1,345,207	1,668,208
Non-Current Liabilities- Compensated Absences	1,177,857	1,107,763
Non-Current Liabilities – Pension Liability	<u>21,810,394</u>	<u>19,692,626</u>
Total Liabilities	<u>24,333,458</u>	<u>22,468,597</u>
Deferred Inflow of Resources		
Deferred pension inflows	<u>38,261</u>	<u>1,670,060</u>
Total Liabilities and Deferred Inflows of Resources	<u>24,371,719</u>	<u>24,138,657</u>
Net Position		
Net Investment in Capital Assets	13,509,287	14,557,917
Restricted for expendable-Capital projects	1,671,507	1,032,000
Unrestricted–unfunded pension obligation	(20,004,138)	(19,620,672)
Unrestricted-other	<u>11,440,718</u>	<u>11,453,010</u>
Total Net Position	<u>\$ 6,617,374</u>	<u>\$ 7,422,255</u>

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



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

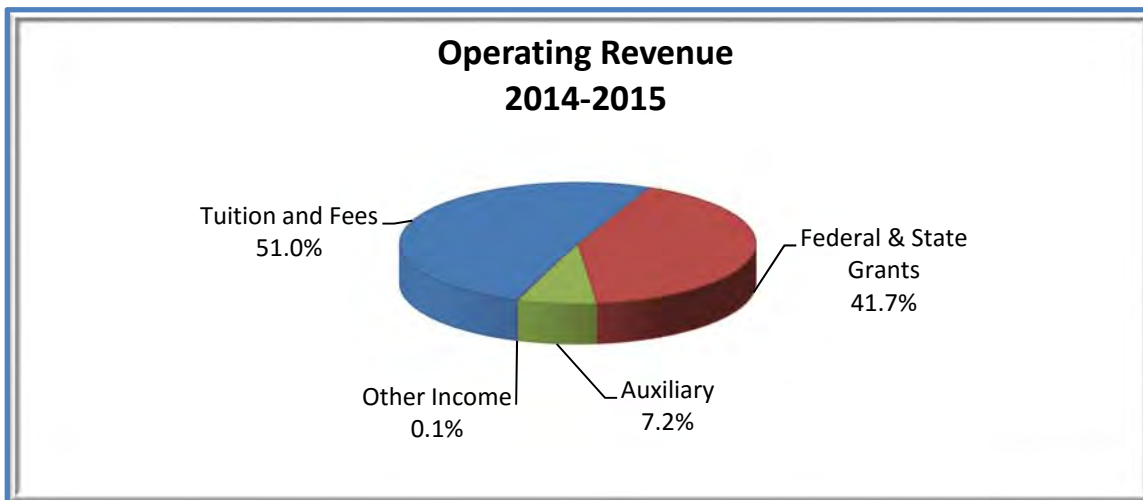
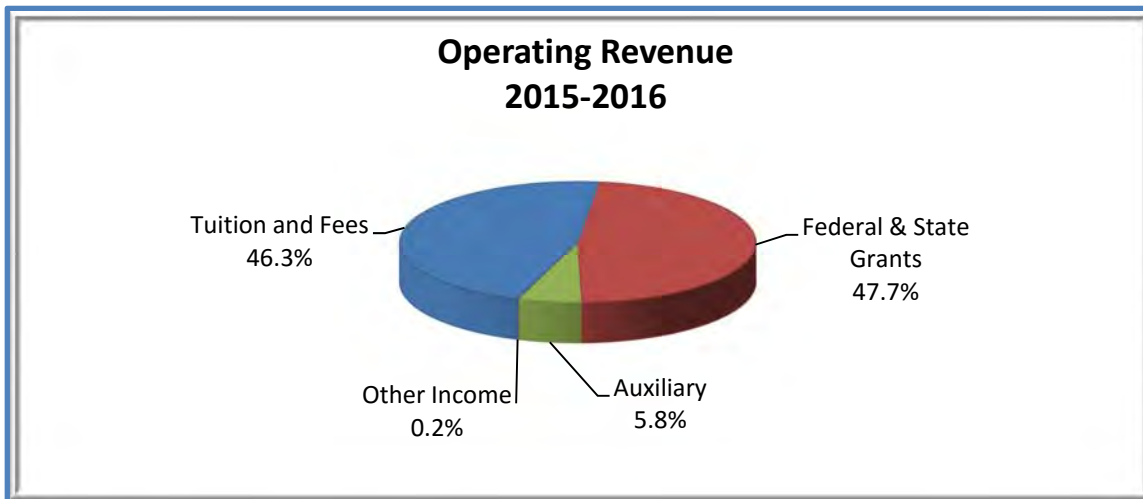
	June 30, 2016	June 30, 2015	Increase (Decrease)	Percent Change
Operating				
Operating Revenue				
Tuition and Fees	\$ 4,489,197	\$ 4,971,760	\$ (482,563)	-9.71%
Federal and State Grants	4,626,092	4,066,391	559,701	13.76%
Auxiliary	557,035	704,560	(147,525)	-20.94%
Other	18,299	6,904	11,395	165.05%
Total Operating Revenue	<u>9,690,623</u>	<u>9,749,615</u>	<u>(58,992)</u>	<u>-0.61%</u>
Less: Operating Expenses	<u>(25,778,596)</u>	<u>(26,238,366)</u>	<u>459,770</u>	<u>-1.75%</u>
Total Operating Income (Loss)	<u>(16,087,973)</u>	<u>(16,488,751)</u>	<u>400,778</u>	<u>-2.43%</u>
Non-Operating				
State Appropriations	4,780,817	4,378,875	401,942	9.18%
Orangeburg County	1,130,740	1,110,740	20,000	1.80%
Calhoun County	318,000	318,000	-	0.00%
Federal and State Grants	7,352,240	9,768,419	(2,416,179)	-24.73%
Investment Income	65,190	56,058	9,132	16.29%
Other	636,105	658,256	(22,151)	-3.37%
Total Non-Operating	<u>14,283,092</u>	<u>16,290,348</u>	<u>(2,007,256)</u>	<u>-12.32%</u>
Net Income (Loss) Before Other				
Revenue, Expenses, Gains, or Losses	(1,804,881)	(198,403)	(1,606,478)	809.70%
Other Revenue, Expenses, Gains, or Losses				
State Capital Appropriations	1,000,000	1,000,000	-	0.00%
County Capital Appropriations	-	32,000	(32,000)	0.00%
Transfer from Other State Agencies	-	28,576	(28,576)	-100.00%
Capital grants and gifts	-	12,439	(12,439)	-100.00%
Total Capital Contributions	<u>1,000,000</u>	<u>1,073,015</u>	<u>(73,015)</u>	<u>-6.80%</u>
Increase in Net Position	(804,881)	874,612	(1,679,493)	
Net Position, Beginning of Year	<u>7,422,255</u>	<u>6,547,643</u>	<u>874,612</u>	
Net Position, End of Year	<u>\$ 6,617,374</u>	<u>\$ 7,422,255</u>	<u>\$ (804,881)</u>	

Operating revenues as of June 30, 2016 decreased by \$58,992 over the previous fiscal year. Tuition revenue shows a decrease of \$482,563 over the prior year and auxiliary shows a decrease of \$147,525. 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. There was also an increase in federal and state operating grants of \$559,701 compared to last fiscal year.

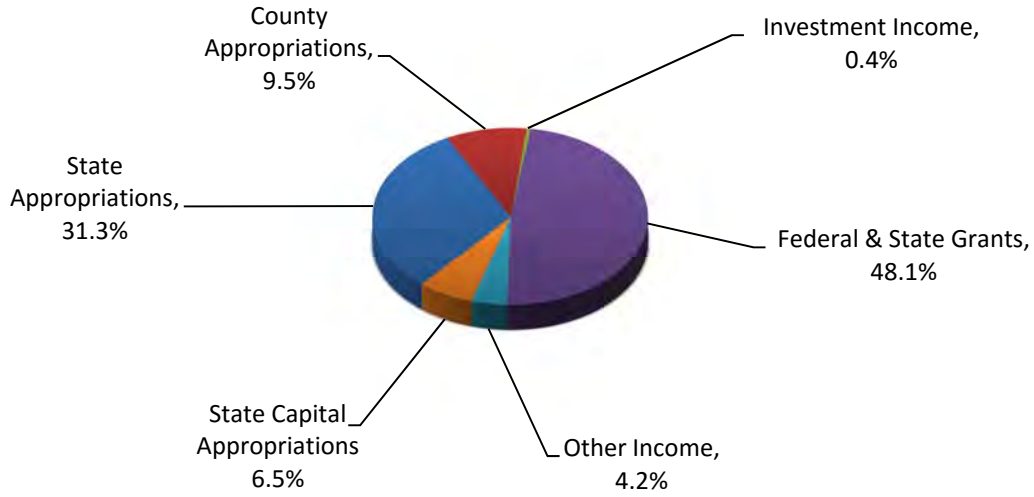
Operating expenses as of June 30, 2016, decreased by \$459,770 over the same period in the previous fiscal year. Major factors contributing to this overall decrease were a decrease in scholarships of \$576,619, decrease in supplies and other services of \$176,901. There was also a decrease in utilities of \$32,170, and a decrease in depreciation expense of \$74,966. There were increases in salaries of \$57,033 and benefits of \$343,853.

Non-operating revenues also decreased from last fiscal year to the current year by \$2,007,256. The decrease was affected by the decrease in federal and state non-operating grants of \$2,416,179. There was an increase in state appropriations of \$401,942. A slight increase in Orangeburg County funding of \$20,000. Other areas netted to a decrease of \$13,019.

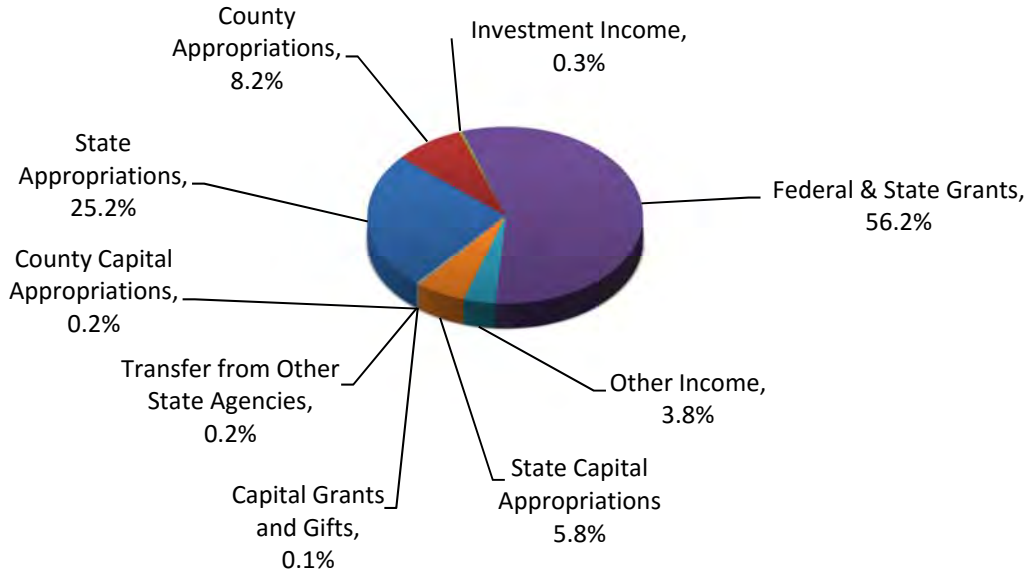
Following are several charts that show the college's revenues and expenditures by major categories. In some instances separate charts are provided for the last two fiscal years. Other charts may include both years to show easier comparisons.



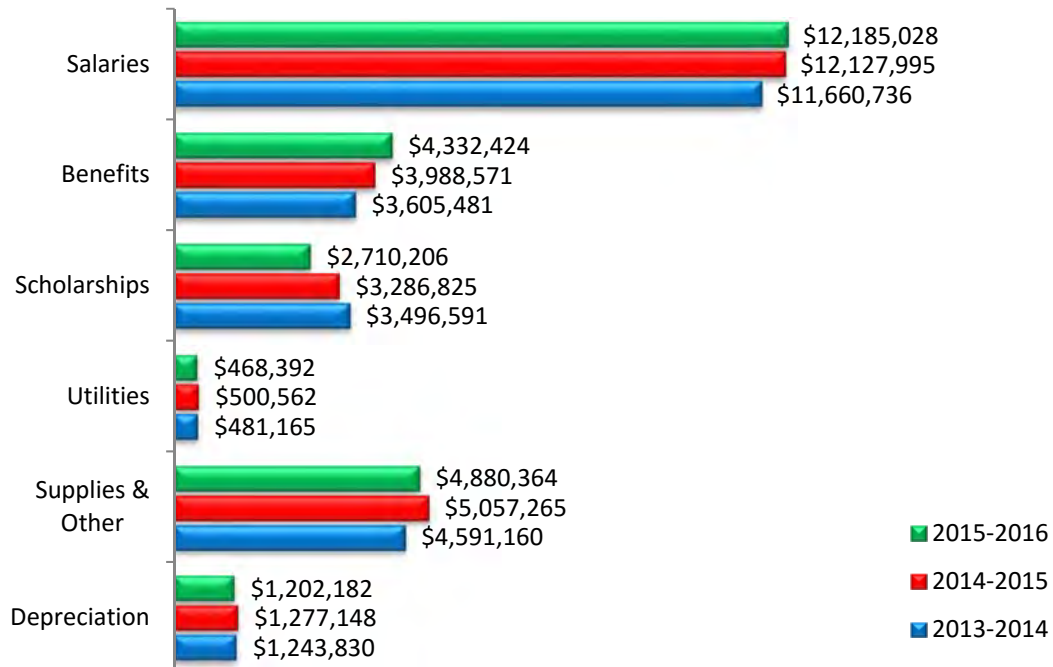
**Non-Operating Revenue/Capital Contributions
2015-2016**



**Non-Operating Revenue/Capital Contributions
2014-2015**



Operating Expenses (By Natural Classification)



Orangeburg-Calhoun Technical College Cash Flows For the Years Ended June 30, 2016 and June 30, 2015

	2016	2015
Cash Flows from Operating Activities	\$(14,180,767)	\$(14,874,936)
Cash Flows from Non-Capital Financing Activities	14,227,152	16,234,290
Cash Flows from Capital and Related Financing Activities	837,198	146,991
Cash Flows from Investing Activities	<u>(918,864)</u>	<u>(117,833)</u>
Net Increase in Cash	1,802,447	1,388,512
Cash – Beginning of Year	<u>6,180,892</u>	<u>4,792,380</u>
Cash – End of Year	<u>\$ 7,983,339</u>	<u>\$ 6,180,892</u>

Capital Asset and Debt Administration

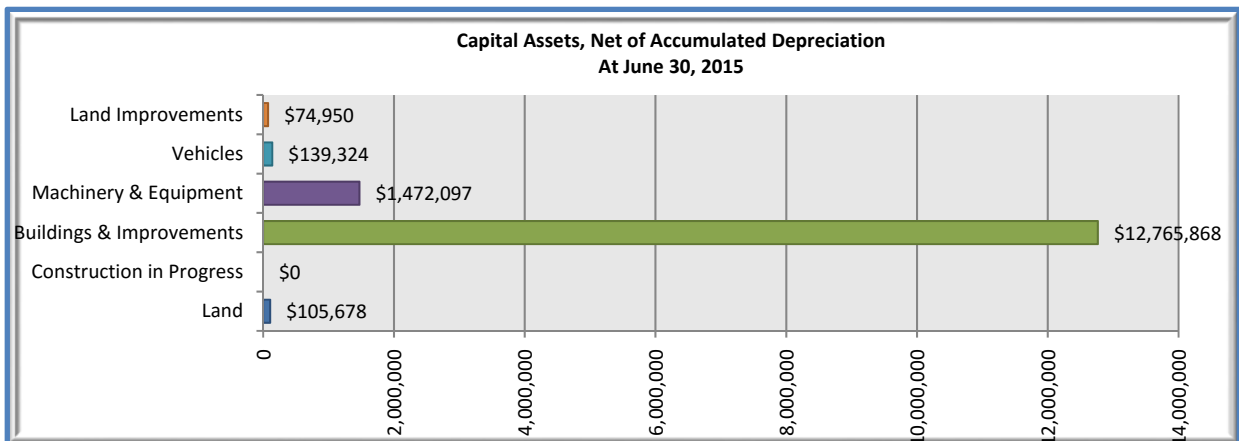
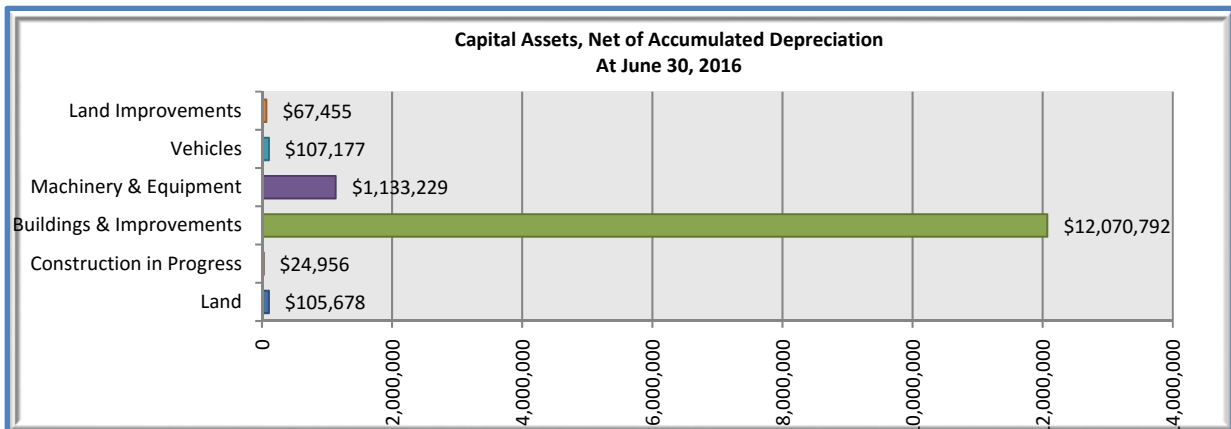
The College undertook a number of projects during fiscal year 2015-16, including the completion of the metal façade restoration on numerous buildings on campus and completion of major HVAC upgrades in the Learning Resource Center. The College also began work on lighting improvements for the outdoor learning area of the Transportation and Logistics Building. The College used local funds for these projects.

The College also began work on two major projects during the fiscal year. The first project is a major roofing project, involving the replacement of roofs on ten buildings and their connecting corridors. This project was in the early phases of design during 2015-16. The project is estimated to cost approximately \$2.7 million and construction should begin near the end of 2016. Funding will come from the College’s local capital projects fund.

The second major project that began during the year is the schematic design of a new nursing and health science building. This project was in the early stages of design during 2015-16. The college will seek approval to proceed to the next phase at the end of 2016, with construction estimated to begin in Summer 2017. This project is estimated at \$12.3 million. Funding has been secured and will come from various federal, state, and local sources. The College has no plans to incur debt for this facility.

In addition to the two major projects listed above, plans for 2016-17 include the completion of the outdoor lighting area for the Transportation and Logistics building that began in 2015-16. The college will also undergo several smaller projects, such as IT infrastructure upgrades, alarm system upgrades, and installation of a new security camera system. State funds will be used for many of these projects.

The College has no long-term debt as of June 30, 2016.



Implementation of GASB Statement No. 68

Effective for the year ended June 30, 2015, the College implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. This new standard revised the recognition, measurement, and disclosure requirements for employers' pension plans. As an agency of the State of South Carolina, Orangeburg Calhoun Technical College participates in the South Carolina Retirement System (SCRS) plan administered by the Retirement Benefits Division of the South Carolina Public Employee Benefit Authority (PEBA). The College was required to record a liability of its share of the plans collective Net Pension Liability. The Net Pension Liability of the SCRS plan is equal to the actuarial present value of the projected benefit payments that is attributed to past periods of employee service less the market value of the assets of the plan. Participating employers previously reported an expense for employer contributions actually paid during the fiscal year as required by state law to help fund the pension plan, referred to as the annual required contribution (ARC); as long as ARC was paid, there was no corresponding liability to report. GASB 68 now requires participating employers to report a proportionate share of the Net Pension Liability in the employer's financial statements regardless of the funding process. It is important to keep in mind that this new standard creates an accounting liability rather than a legal liability. This Net Pension Liability cannot be "paid" down to reduce the liability; it is only reflected on the financial statements in order to capture the college's portion of the liability of the system as a whole and to show the liability on the financial statements of where the members of the SCRS are employed. In addition, employers are required by GASB 68 to include significantly expanded note disclosures and required supplementary information regarding their participation in the plans. Further information about GASB 68 will be discussed in the Notes to the Financial Statements.

There is a significant effect of GASB 68 on the College's Financial Statements for the fiscal years ended June 30, 2016 and 2015. The college recorded a prior year adjustment for the College's portion of net pension liability at June 30, 2015 of \$19,419,521. The cumulative effect of recording additional pension expense and deferred inflows and outflows for the year ended June 30, 2015 yielded a pension liability of \$19,692,626. The current year 2016 additional pension expense recorded was \$383,466. The expense was calculated in accordance with the actuarially determined pension expense rather than actual contributions remitted. The college also recorded deferred inflows and outflows, which are differences between the expected and actual experience and the changes in assumptions, amortized over a number of years. The net effect of the changes in those amounts equals \$1,734,302. The result of the above transactions was a current year pension liability of \$21,810,394 as of June 30, 2016, which is recorded as a non-current liability on the Statement of Net Position.

Economic Factors

After some very significant decreases in state funding during the periods 2001-2004 and 2008-2011, state funding appears to have stabilized (although at a much lower level). The college has begun to see slight increases in the base funding from the State of South Carolina, and some small increases to cover a portion of the college's increasing retirement and health benefits. However, the college is still responsible for covering the remainder of these costs with tuition and other revenues. There is also an indication that the state may have a reduction in state revenues in the upcoming fiscal year which could impact the college's appropriations.

During the past several years, funding from Orangeburg and Calhoun counties has been stable, and actually increased by approximately \$20,000 in the 2015-16 fiscal year. However, for the 2016-17, unrestricted funding from the counties is expected to remain the same, with an additional \$500,000 allocated for the new Health Science and Nursing Building. These funds will be received as the building construction costs are incurred and expended.

The college also continues to pursue other funding sources and has been fortunate to have received several federal grants over the past few years. These grants do not replace lost operating funds, but they do provide opportunities to enhance academic instruction and provide necessary services to students.

Because of the decline in state and county funding over the years, the college has become much more dependent on tuition revenues to fund its operations. Unfortunately, the College has also experienced enrollment declines which has a direct negative affect on tuition revenue. Therefore, the college considers small increases in tuition periodically. Tuition increases normally occur in the fall semester. The college carefully weighs the impact on students against the need to provide quality instruction and services. With the overall decreases in revenue, the college offsets with decreased operating expenses through conservative spending and cost control measures in order to remain a financially strong institution.

Contact Information

Questions related to the Management Discussion and Analysis and the accompanying financial statements should be directed to Dayna W. Smoak, Director of Finance, at (803) 535-1215.

ORANGEBURG-CALHOUN TECHNICAL COLLEGE
STATEMENT OF NET POSITION

JUNE 30, 2016

(With comparative amounts for the year ended June 30, 2015)

	2016	2015
Assets		
Current assets		
Cash and equivalents	\$ 7,983,339	\$ 6,180,892
Investments	6,217,496	7,071,786
Accounts receivable, net	1,133,440	1,664,362
Accrued interest	15,034	14,418
Inventories	222,873	219,956
Due from component unit	409	5,764
Prepaid expenses	58,272	99,378
Other assets	4,426	4,425
Total current assets	15,635,289	15,260,981
Noncurrent assets		
Non-depreciable capital assets	130,634	105,678
Other capital assets, net accumulated depreciation	13,378,653	14,452,239
Total noncurrent assets	13,509,287	14,557,917
Total assets	29,144,576	29,818,898
Deferred outflows of resources		
Deferred pension outflows	1,844,517	1,742,014
Total assets and deferred outflows of resources	30,989,093	31,560,912
Liabilities		
Current liabilities		
Accounts payable	198,407	601,897
Accrued payroll and related liabilities	281,173	250,703
Accrued compensated absences	65,918	80,434
Unearned revenue	799,709	735,174
Total current liabilities	1,345,207	1,668,208
Noncurrent liabilities		
Accrued compensated absences	1,177,857	1,107,763
Pension liability	21,810,394	19,692,626
Total noncurrent liabilities	22,988,251	20,800,389
Total liabilities	24,333,458	22,468,597
Deferred inflows of resources		
Deferred pension inflows	38,261	1,670,060
Total liabilities and deferred inflows of resources	24,371,719	24,138,657
Net position		
Net investment in capital assets	13,509,287	14,557,917
Restricted net position - capital projects	1,671,507	1,032,000
Unrestricted - unfunded pension obligation	(20,004,138)	(19,620,672)
Unrestricted - other	11,440,718	11,453,010
Total net position	\$ 6,617,374	\$ 7,422,255

See accompanying notes.

ORANGEBURG - CALHOUN TECHNICAL COLLEGE
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016
(With comparative amounts for the year ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
Operating Revenue		
Student tuition and fees (net of scholarship allowances of \$6,277,966 and \$6,440,222)	\$ 4,489,197	\$ 4,971,760
Federal grants and contracts	1,372,411	1,001,696
State grants and contracts	3,253,681	3,064,695
Auxiliary enterprises (net of scholarship allowances of \$977,305 and \$1,099,781)	557,035	704,560
Other operating income	18,299	6,904
Total operating revenue	<u>9,690,623</u>	<u>9,749,615</u>
Operating Expenses		
Salaries	12,185,028	12,127,995
Benefits	4,332,424	3,988,571
Scholarships	2,710,206	3,286,825
Utilities	468,392	500,562
Supplies and other services	4,880,364	5,057,265
Depreciation	1,202,182	1,277,148
Total operating expenses	<u>25,778,596</u>	<u>26,238,366</u>
Operating loss	<u>(16,087,973)</u>	<u>(16,488,751)</u>
Nonoperating Revenue		
State appropriations	4,780,817	4,378,875
County appropriations	1,448,740	1,428,740
Federal grants and contracts	6,776,129	9,186,395
State grants and contracts	576,111	582,024
Other nonoperating revenue	636,105	658,256
Investment income	65,190	56,058
Total nonoperating revenue	<u>14,283,092</u>	<u>16,290,348</u>
Loss before other revenue, expenses, transfers, gains or losses	(1,804,881)	(198,403)
Other Revenue, Expenses, Transfers, Gains or Losses		
State capital appropriations	1,000,000	1,000,000
County capital appropriations	-	32,000
Capital grants and gifts	-	12,439
Transfer from State Agency	-	28,576
Total other revenue, expenses, transfers, gains or losses	<u>1,000,000</u>	<u>1,073,015</u>
Increase (decrease) in net position	(804,881)	874,612
Net position at beginning of year	<u>7,422,255</u>	<u>6,547,643</u>
Net position at end of year	<u>\$ 6,617,374</u>	<u>\$ 7,422,255</u>

See accompanying notes.

ORANGEBURG-CALHOUN TECHNICAL COLLEGE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016
(With comparative amounts for the year ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Tuition and fees (net of scholarship allowances)	\$ 4,495,838	\$ 4,884,285
Federal, State and local grants and contracts	5,211,376	4,229,432
Auxiliary enterprise charges (net of scholarship allowances)	559,235	584,349
Other receipts	16,716	80,585
Payments to vendors	(5,746,893)	(5,438,648)
Payments to employees	(12,098,980)	(12,074,088)
Payments for benefits	(3,907,853)	(3,854,026)
Payments to students	(2,710,206)	(3,286,825)
Student loan receipts from lenders	3,322,413	4,053,629
Disbursements to or on behalf of student borrowers	(3,322,413)	(4,053,629)
Net cash used in operating activities	<u>(14,180,767)</u>	<u>(14,874,936)</u>
Cash flows from noncapital financing activities		
State appropriations	4,780,817	4,378,875
County appropriations	1,448,740	1,428,740
State, local and federal grants and contracts - nonoperating	7,352,240	9,768,419
Other income - nonoperating	645,355	658,256
Net cash provided by noncapital financing activities	<u>14,227,152</u>	<u>16,234,290</u>
Cash flows from capital and related financing activities		
State capital appropriations	1,000,000	1,000,000
County capital appropriations	-	32,000
Other capital gifts	-	41,015
Purchase of capital assets	(162,802)	(926,024)
Net cash provided by capital and related financing activities	<u>837,198</u>	<u>146,991</u>
Cash flows from investing activities		
Proceeds from sales and maturities of investments	6,016,859	4,444,480
Purchase of investments	(5,162,569)	(4,617,635)
Interest on investments	64,574	55,322
Net cash provided by (used) in investing activities	<u>918,864</u>	<u>(117,833)</u>
Net increase in cash	1,802,447	1,388,512
Cash and cash equivalents, beginning of year	6,180,892	4,792,380
Cash and cash equivalents, end of year	<u>\$ 7,983,339</u>	<u>\$ 6,180,892</u>

(CONTINUED)

ORANGEBURG-CALHOUN TECHNICAL COLLEGE
STATEMENT OF CASH FLOWS
(CONTINUED)

	2016	2015
Reconciliation of operating loss to net cash		
used in operating activities:		
Operating loss	\$ (16,087,973)	\$ (16,488,751)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	1,202,182	1,277,148
Provision for bad debts	107,600	165,930
Change in assets and liabilities:		
Receivables, net	423,322	7,879
Inventories	(2,917)	(107,795)
Due from component unit	5,355	(4,954)
Prepaid expenses and other assets	41,105	(66,606)
Deferred outflows of resources	(102,503)	(1,742,014)
Accounts and other payables	(403,490)	124,132
Accrued payroll and related liabilities	30,470	7,911
Compensated absences	55,578	45,996
Unearned revenue	64,535	(36,977)
Pension liabilities	2,117,768	273,105
Deferred inflows of resources	(1,631,799)	1,670,060
Net cash used in operating activities	\$ (14,180,767)	\$ (14,874,936)
<u>Required Supplementary Information</u>		
Contributions of equipment	\$ -	\$ 12,439
Non capital equipment transferred from other State Agencies	\$ -	\$ 28,576

See accompanying notes.

ORANGEBURG-CALHOUN TECHNICAL COLLEGE
NON-GOVERNMENTAL COMPONENT UNIT STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016

(With comparative amounts for the year ended June 30, 2015)

	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 617,667	\$ 485,924
Accounts receivable	835	1,467
Contributions receivable	232,622	230,472
Investments - general	996,370	1,011,533
Assets held for sale	14,000	14,000
Total current assets	1,861,494	1,743,396
Noncurrent assets:		
Contribution receivable	473,603	667,085
Cash and cash equivalents - endowment	245	-
Investments - endowment	286,035	270,993
Total noncurrent assets	759,883	938,078
Total assets	\$ 2,621,377	\$ 2,681,474
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 478	\$ 364
Due to the College	409	5,764
Total current liabilities	887	6,128
Net assets:		
Unrestricted	1,035,645	1,058,433
Unrestricted - Board designated	143,010	189,641
Temporarily restricted	1,198,970	1,235,396
Permanently restricted	242,865	191,876
Total net assets	2,620,490	2,675,346
Total liabilities and net assets	\$ 2,621,377	\$ 2,681,474

See accompanying notes.

ORANGEBURG-CALHOUN TECHNICAL COLLEGE
NON-GOVERNMENTAL COMPONENT UNIT STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016
(With comparative totals for the year ended June 30, 2015)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Totals	2015 Totals
Support and Revenues					
Contributions	\$ 16,697	\$ 237,823	\$ 16,094	\$ 270,614	\$ 1,283,500
Interest and dividends	30,998	5,664	-	36,662	40,448
Net losses from investments	(34,373)	(7,621)	-	(41,994)	(26,881)
Support from events, net	72,671	-	-	72,671	55,730
Other income	1,366	-	-	1,366	1,870
Net assets released from:					
Program restrictions	237,397	(272,292)	34,895	-	-
Total support and revenues	324,756	(36,426)	50,989	339,319	1,354,667
Expenses					
Program services					
Scholarships	86,095	-	-	86,095	72,600
Faculty support	217,516	-	-	217,516	211,000
Other program services	36,721	-	-	36,721	46,972
Total program services	340,332	-	-	340,332	330,572
Support services					
Management and general	50,857	-	-	50,857	56,483
Fund raising	2,986	-	-	2,986	4,752
Total expenses	394,175	-	-	394,175	391,807
Change in net assets	(69,419)	(36,426)	50,989	(54,856)	962,860
Net assets at beginning of year	1,248,074	1,235,396	191,876	2,675,346	1,712,486
Net assets at end of year	<u>\$ 1,178,655</u>	<u>\$ 1,198,970</u>	<u>\$ 242,865</u>	<u>\$ 2,620,490</u>	<u>\$ 2,675,346</u>

See accompanying notes.

ORANGEBURG-CALHOUN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

1. Summary of Significant Accounting Policies

The accounting policies of Orangeburg-Calhoun Technical College (the “College”) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles in the United States. The following is a summary of the more significant accounting policies:

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 appointed 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 appointed officials of the primary government are financially accountable. In turn component units may have component units.

The financial reporting entity, as defined by the Governmental Accounting Standards Board (“GASB”), consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion 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 non-major discretely presented component unit 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 units. 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.

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ORANGEBURG-CALHOUN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

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 located at 3250 Saint Matthews Road, Orangeburg, South Carolina 29118.

Financial Statements

The financial statements of the College are presented in accordance with the GASB Codification. The financial statement presentation required by this Codification provides a comprehensive, entity-wide perspective of the College's net position, revenues, expenses and changes in net position and cash flows.

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 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.

ORANGEBURG-CALHOUN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

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.

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. The College accounts for its investments at fair value. 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 position.

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. 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 purpose 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.

ORANGEBURG-CALHOUN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

The College has established an allowance for uncollectible accounts receivable based upon past collection experience, current market conditions, and other factors known to management.

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.

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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The College currently reports deferred outflows of resources in the amount of \$1,844,517 as of June 30, 2016.

ORANGEBURG-CALHOUN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The College currently reports deferred inflows of resources in the amount of \$38,261 as of June 30, 2016.

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 position.

Net Position

The College's net position is classified as follows:

Restricted net position: This represents resources provided by third parties for restricted purposes such as future campus improvements.

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

Unrestricted net position: Unrestricted net position 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.

ORANGEBURG-CALHOUN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

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 revenues include gifts and contributions, appropriations, investment income, and any grants and contracts that are not classified as operating revenue or restricted by the grantor to be used exclusively for capital purposes.

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.

ORANGEBURG-CALHOUN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

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

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

Income Taxes

The College is exempt from income taxes under the Internal Revenue Code. Orangeburg-Calhoun Technical College Foundation, Inc. has received a determination letter from the Internal Revenue Service that it is exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code (the "IRC"). However, it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the IRC). The tax years ending June 30, 2016, 2015, 2014, and 2013 are still open to audit for both federal and state purposes. The Foundation is not classified as a private foundation.

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.

Fair Value

The College and the Foundation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The College and the Foundation have the following recurring fair value measurements as of June 30, 2016:

- Investments are valued using quoted market prices (Level 1 inputs).

Reclassification

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

Prior-Year Comparative Totals

The financial statements include certain prior-year summarized comparative information to facilitate financial analysis. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the College's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

ORANGEBURG-CALHOUN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

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, 2016 a total of \$7,073,228 (bank balance \$7,703,561) was on deposit with local institutions in the name of the College and were fully insured or collateralized by securities held in the College's name. The College did not recognize any losses due to default by counterparties relating to depository relationships.

At June 30, 2016 a total of \$617,912 (bank balance \$618,398) was on deposit with local institutions in the name of the Foundation. Of the bank balance \$209,972 was covered by federal depository insurance, \$408,426 was secured by collateral pledged in the Foundation's name. The Foundation did not recognize any losses due to default by counterparties relating to depository relationships.

Investments

The College's investments at June 30, 2016, are *not* with the South Carolina State Treasurer's Office and are alternatively held by certain financial institutions in the College's name. The fair value (quoted prices in active markets – level 1 inputs) of investments at June 30, 2016, consists solely of certificates of deposits or United States government-backed securities with maturities of one to two years. All of the securities for the reporting period were either fully collateralized or insured by the Federal Deposit Insurance Corporation. See below for a reconciliation of the investment classification differences for statement and note disclosure presentation.

The College's investments consisted of the following as of June 30, 2016:

	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
Money funds	\$ 908,011	\$ -	\$ -	\$ 908,011
Certificates of deposit	3,516,182	-	-	3,516,182
U.S. Government obligations	2,687,476	13,838	-	2,701,314
Total	<u>\$ 7,111,669</u>	<u>\$ 13,838</u>	<u>\$ -</u>	<u>\$ 7,125,507</u>

ORANGEBURG-CALHOUN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

2. Deposits and Investments (continued)

The College's investments consisted of the following as of June 30, 2015:

	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
Money funds	\$ 2,594	\$ -	\$ -	\$ 2,594
Certificates of deposit	5,168,566	-	-	5,168,566
U.S. Government obligations	1,892,292	10,928	-	1,903,220
Total	<u>\$7,063,452</u>	<u>\$ 10,928</u>	<u>\$ -</u>	<u>\$7,074,380</u>

The Foundation's investments included the following pools as of June 30, 2016:

<u>Investment Pool</u>	<u>2016</u>		<u>2015</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Endowment investments	\$ 282,359	\$ 286,035	\$ 263,012	\$ 270,993
General investments	984,357	996,370	949,485	1,011,533
Total	<u>\$ 1,266,716</u>	<u>\$ 1,282,405</u>	<u>\$ 1,212,497</u>	<u>\$ 1,282,526</u>

Securities held by the pools as of June 30, 2016 included the following:

	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
Money funds	\$ 27,759	\$ -	\$ -	\$ 27,759
Equity funds	776,039	19,312	-	795,351
Mutual bond funds	462,918	-	(3,623)	459,295
Total	<u>\$ 1,266,716</u>	<u>\$ 19,312</u>	<u>\$ (3,623)</u>	<u>\$ 1,282,405</u>

ORANGEBURG-CALHOUN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

2. Deposits and Investments (continued)

Securities held by the pools as of June 30, 2015 included the following:

	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
Money funds	\$ 37,789	\$ -	\$ -	\$ 37,789
Equity funds	705,414	78,686	-	784,100
Mutual bond funds	469,294	-	(8,657)	460,637
Total	<u>\$ 1,212,497</u>	<u>\$ 78,686</u>	<u>\$ (8,657)</u>	<u>\$ 1,282,526</u>

Fair Value

As discussed in *Note 1*, the Foundation values all of its investments in accordance with Level 1 inputs.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counter- party 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

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2. Deposits and Investments (continued)

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

Statement of net position	
Current assets	
Cash and cash equivalents	\$ 7,983,339
Investments	6,217,496
Total College	14,200,835
Statement of financial position	
Current assets	
Cash and cash equivalents	617,667
Investments	996,370
Noncurrent assets	
Cash and cash equivalents	245
Investments	286,035
Total component unit	1,900,317
Total reporting entity	\$ 16,101,152
Note disclosure	
Cash on hand	\$ 2,100
Investments	7,125,507
Deposits with banks	7,073,228
Total College	14,200,835
Investments	1,282,405
Deposits with banks	617,912
Total component unit	1,900,317
Total reporting entity	\$ 16,101,152

ORANGEBURG-CALHOUN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS

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3. Accounts and Contributions Receivable

Accounts receivable including applicable allowances, are as follows at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Student accounts	\$ 1,631,762	\$ 1,531,823
Federal government	508,052	831,260
State agencies	366,247	565,068
Other	147,379	150,911
	<u>2,653,440</u>	<u>3,079,062</u>
Less, allowance for uncollectibles	<u>(1,520,000)</u>	<u>(1,414,700)</u>
Net accounts receivable	<u>\$ 1,133,440</u>	<u>\$ 1,664,362</u>

Allowance for losses for student accounts receivable are established based upon actual losses experienced in prior years and evaluations of the current account portfolio. At June 30, 2016, the allowance for uncollectible student accounts is valued at \$1,520,000.

Contributions Receivable

The Foundation had recognized unconditional promises to give as contributions receivable, which are due to be collected as follows at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Unconditional promises to give	\$ 718,069	\$ 921,016
Less unamortized discount (ranging from .24% to 1.43%)	<u>(11,844)</u>	<u>(23,459)</u>
	706,225	897,557
Less, allowance for uncollectible pledges	<u>-</u>	<u>-</u>
Net unconditional promises to give	<u>\$ 706,225</u>	<u>\$ 897,557</u>
Amounts due in:		
Less than one year	\$ 232,622	\$ 230,472
One to five years	473,603	667,085
Total	<u>\$ 706,225</u>	<u>\$ 897,557</u>

ORANGEBURG-CALHOUN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS

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4. Capital Assets

	Beginning Balance July 1, 2015	Increases	Decreases	Ending Balance June 30, 2016
Capital assets not being depreciated				
Land	\$ 105,678	\$ -	\$ -	\$ 105,678
Construction in progress	-	24,956	-	24,956
Total capital assets not being depreciated	105,678	24,956	-	130,634
Other capital assets:				
Buildings and improvements	27,271,282	-	-	27,271,282
Machinery, equipment and other	5,257,228	137,846	(177,761)	5,217,313
Vehicles	402,720	-	(15,299)	387,421
Depreciable land improvements	797,950	-	-	797,950
Intangibles	207,000	-	-	207,000
Total other capital assets at historical cost	33,936,180	137,846	(193,060)	33,880,966
Less, accumulated depreciation for:				
Buildings and improvements	(14,505,414)	(695,076)	-	(15,200,490)
Machinery, equipment and other	(3,785,131)	(467,464)	168,511	(4,084,084)
Vehicles	(263,396)	(32,147)	15,299	(280,244)
Depreciable land improvements	(723,000)	(7,495)	-	(730,495)
Intangibles	(207,000)	-	-	(207,000)
Total accumulated depreciation	(19,483,941)	(1,202,182)	183,810	(20,502,313)
Other capital assets, net	14,452,239	(1,064,336)	(9,250)	13,378,653
Capital assets, net	<u>\$ 14,557,917</u>	<u>\$ (1,039,380)</u>	<u>\$ (9,250)</u>	<u>\$ 13,509,287</u>

Depreciation expense totaled \$1,202,182 for the year ended June 30, 2016.

5. Pension Plans

The majority of employees of the College are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Benefits Division of the South Carolina Public Employee Benefit Authority (PEBA), a public employee retirement system. Generally, all full-time or part-time equivalent State employees in a permanent position are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws, as amended, or are eligible and elect to participate in the State Optional Retirement Program (ORP). The SCRS plan provides life-time monthly retirement annuity benefits to eligible members as well as disability, survivor options, annual benefit adjustments, death benefits and incidental death benefits to eligible employees and retired members.

ORANGEBURG-CALHOUN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS

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5. Pension Plans (continued)

The Retirement Division maintains five independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to the South Carolina Public Employee Benefit Authority, P.O. Box 11960, Columbia, South Carolina 29211-1960. Furthermore, the Division and the five pension plans are included in the State of South Carolina's CAFR.

Under the SCRS, Class II members are eligible for a full service retirement annuity upon reaching age 65 or completion of 28 years of credited service regardless of age. Employees who first became members of the System after June 30, 2012 are considered Class III members and are eligible for a full service retirement annuity upon reaching age 65 or upon meeting the rule of 90 requirement (i.e., the members age plus the years of service add up to a total of at least 90). The benefit formula for full service retirement annuity effective since July 1, 1989 for the SCRS is 1.82 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual earnable compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay at retirement for unused annual leave. For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. Early retirement options with reduced benefits are available as early as age 55 for Class II members and age 60 for Class III members. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

Disability annuity benefits are available to Class II members if they have permanent incapacity to perform regular duties of the member's job and they have at least 5 years of earned service (this requirement does not apply if the disability is a result of a job related injury). Class III members can apply for disability annuity benefits provided they have a permanent incapacity to perform the regular duties of the member's job and they have a minimum of eight years of credited service. For disability applications received after December 31, 2013, a member of SCRS will have to be approved for disability benefits from the Social Security Administration in order to be eligible for SCRS disability retirement benefits.

An incidental death benefit equal to an employee's annual rate of compensation is payable upon the death of an active employee with a minimum of one year of credited service or to a working retired contributing member. There is no service requirement for death resulting from actual performance of duties for an active member. For eligible retired members, a lump-sum payment is made to the retiree's beneficiary of up to \$6,000 based on years of service at retirement. TERI participants and retired contributing members are eligible for the increased death benefit equal to their annual salary in lieu of the standard retired member benefit.

ORANGEBURG-CALHOUN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS

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5. Pension Plans (continued)

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

Effective July 1, 2015, employees participating in the SCRS were required to contribute 8.16% of all earnable compensation. The employer contribution rate for SCRS was 16.39%. Included in the total SCRS employer contribution rate is a base retirement contribution of 10.91%, .15% for the incidental death benefit program and a 5.33% surcharge that will fund retiree health and dental insurance coverage. The College's actual retirement and incidental death benefit program contributions to the SCRS for the years ended June 30, 2016, 2015, and 2014 were:

Fiscal Year Ended	Retirement		Incidental Death	
	Rate	Contribution	Rate	Contribution
2016	10.910%	\$ 1,142,761	0.15%	\$ 15,713
2015	10.750%	\$ 1,105,105	0.15%	\$ 15,420
2014	10.450%	\$ 1,039,123	0.15%	\$ 14,916

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple employer defined benefit public employee retirement plan. 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 PORS as a condition of employment. This plan provides for lifetime monthly annuity benefits as well as disability, survivor benefits and incidental death benefits to eligible employees and retirees. In addition, participating employers in the PORS may elect to contribute to the accidental death program 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.

ORANGEBURG-CALHOUN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS

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5. Pension Plans (continued)

Under the PORS, Class II members are eligible for a full service retirement annuity upon reaching age 55 or completion of 25 years of credited service regardless of age. Class III members are eligible for a full service retirement annuity upon reaching age 55 or 27 years of credited service. The benefit formula for full benefits for the PORS is 2.14 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay for unused annual leave. For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. PORS does not have an early retirement option. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

Effective July 1, 2015, employees participating in the PORS were required to contribute 8.74% of all earnable compensation. The employer contribution rate for PORS was 19.07%. Included in the total PORS employer contribution rate is a base retirement contribution of 13.34%, .20% for the incidental death benefit program, .20% for the accidental death program, and a 5.33% surcharge that will fund retiree health and dental insurance coverage. The College's actual retirement, incidental death benefit program and accidental death program contributions to the PORS for the years ended June 30, 2016, 2015, and 2014 were:

Fiscal Year Ended	Retirement		Incidental Death		Accidental Death	
	Rate	Contribution	Rate	Contribution	Rate	Contribution
2016	13.340%	\$ 34,510	0.20%	\$ 517	0.20%	\$ 517
2015	13.010%	\$ 30,721	0.20%	\$ 472	0.20%	\$ 472
2014	12.440%	\$ 24,463	0.20%	\$ 393	0.20%	\$ 393

As an alternative to membership in the SCRS, newly hired State and school district employees may elect to participate in the State Optional Retirement Program (ORP), a defined contribution retirement plan. The ORP was established in 1987 under Title 9, Chapter 20, of the South Carolina Code of Laws. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. The State assumes no liability for the State ORP plan other than for the employer's payment of contributions to designated companies. To elect participation in the ORP, eligible employees must elect membership within their first 30 days of employment. Under State law, contributions to the ORP are required at the same rates as for the SCRS, 11.39% plus the retiree surcharge of 5.33% from the employer in fiscal year 2016. Of the 11.39% employer contribution rate, the employer remits 5.00% directly to the participant's ORP account and the remaining 5.91% retirement contribution and .15% incidental death benefit program contribution amounts are remitted to SCRS.

ORANGEBURG-CALHOUN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS

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5. Pension Plans (continued)

For fiscal year 2016 and 2015, total contributions requirements to the ORP were approximately \$64,800 and \$58,911, respectively (excluding the surcharge) from the College as employer and approximately \$48,966 and \$43,841, respectively from its employees as plan members.

The amounts paid by the College for pension, incidental death benefit program, and accidental death program contributions are reported as employer contribution expenditures within the applicable functional expenditure categories to which the related salaries are charged.

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 and PORS are actuarially determined.

While the surcharge to fund retiree health and dental insurance benefits is collected by the Retirement Benefits Division of PEBA, it is remitted to the Insurance Benefits Division of PEBA, which is responsible for administration of retiree health and dental insurance benefits and establishment of the applicable retiree insurance surcharge rate.

At June 30, 2016 the College reported \$21,394,960 and \$415,434 for its proportionate share of the net pension liabilities of SCRS and PORS. The net pension liability defined of the SCRS and the PORS defined benefit pension plans were determined based on the July 1, 2015 actuarial valuations, using membership data as of July 1, 2014, projected forward to June 30, 2015, and financial information of the pension trust funds as of June 30, 2015, using generally accepted actuarial procedures. The College's portion of the net pension liability was based on the College's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2015, the College's SCRS and PORS proportion was .11281% and .01906%. For the year ended June 30, 2016 the College recognized additional pension expenses of \$370,251 and \$13,214 due to recognizing proportionate share of net pension liabilities for SCRS and PORS.

ORANGEBURG-CALHOUN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS

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5. Pension Plans (continued)

At June 30, 2016 the state reported deferred outflows of resources and deferred inflows of resources to pensions from the following sources:

	Deferred Outflows	Deferred Inflows	Net
Differences between expected and actual experience - SCRS	\$ 380,115	\$ (38,261)	\$ 341,854
Differences between expected and actual experience - PORS	8,250	-	8,250
Changes in Proportionate Share and Differences between Employer Contributions and Proportionate Share of Total Plan Employer Contributions - SCRS	33,716	-	33,716
Changes in Proportionate Share and Differences between Employer Contributions and Proportionate Share of Total Plan Employer Contributions - PORS	44,672	-	44,672
Net difference between projected and actual earnings on investments - SCRS	143,207	-	143,207
Net difference between projected and actual earnings on investments -PORS	4,545	-	4,545
Current Year Employer Contributions - SCRS	1,194,467	-	1,194,467
Current Year Employer Contributions - PORS	35,545	-	35,545
Total	\$ 1,844,517	\$ (38,261)	\$ 1,806,256

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expenses as follows:

Year ended June 30,	SCRS	PORS	Net
2017	\$(1,296,719)	\$ (48,605)	\$ (1,345,324)
2018	(102,252)	(13,060)	(115,312)
2019	28,311	(12,696)	15,615
2020	(342,584)	(18,651)	(361,235)
	\$(1,713,244)	\$(93,012)	\$(1,806,256)

ORANGEBURG-CALHOUN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS

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5. Pension Plans (continued)

The total pension liabilities in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age
Actuarial Assumptions:	
Investment Rate or Return	7.50%
Projected Salary Increases	3.5% to 12.5%
Inflation Rate	2.75%
Benefit Adjustments	Lesser of 1% or \$500

South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2010, and the next experience study is currently underway.

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000.

Former Job Class	Males	Females
Educators and Judges	RP-2000 Males (with White Collar Adjustment) Multiplied by 110%	RP-2000 Females (with White Collar Adjustment) Multiplied by 95%
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety, Firefighters and Members of the South Carolina National Guard	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30-year capital market outlook at the end of the fourth quarter 2013. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission (RSIC) using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgement.

ORANGEBURG-CALHOUN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS

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5. Pension Plans (continued)

The RSIC has exclusive authority to invest and manage the retirement trust funds' assets. As co-fiduciary of the Systems, statutory provision and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the table below. For actuarial purposes, the 7.50 percent assumed annual investment rate of return (which is set in statute) used in the calculated of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Short Term	5.0%		
Cash	2.0%	1.90%	0.04%
Short Duration	3.0%	2.00%	0.06%
Domestic Fixed Income	13.0%		
Core Fixed Income	7.0%	2.70%	0.19%
High Yield	6.0%	3.80%	0.23%
Global Fixed Income	9.0%		
Global Fixed Income	3.0%	2.80%	0.08%
Emerging Markets Debt	6.0%	5.10%	0.31%
Global Public Equity	31.0%	7.10%	2.20%
Global Tactical Asset Allocation	10.0%	4.90%	0.49%
Alternatives	32.0%		
Hedge Funds (Low Beta)	8.0%	4.30%	0.34%
Private Debt	7.0%	9.90%	0.69%
Private Equity	9.0%	9.90%	0.89%
Real Estate (Broad Market)	5.0%	6.00%	0.30%
Commodities	3.0%	5.90%	0.18%
Total Expected Real Return	100.0%		6.00%
Inflation for Actuarial Purposes			2.75%
Total Expected Nominal Return			8.75%

ORANGEBURG-CALHOUN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS

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5. Pension Plans (continued)

The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all SCRS participating employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table represents the College's proportionate share of the net SCRS pension liabilities calculated using the discount rate of 7.50 percent, as well as what the College's respective net pension liabilities would be if it were calculated using a discount rate of 1.00 percent lower (6.50 percent) or 1.00 percent higher (8.50 percent) than the current rate.

Plan	1% Decrease 6.50%	Current Rate 7.50%	1% Increase 8.50%
SCRS	\$ 26,972,932	\$ 21,394,960	\$ 16,719,911
PORS	\$ 565,918	\$ 415,434	\$ 280,909

Deferred Compensation Plans

Several optional deferred compensation plans are available to state employees and employers of its political subdivisions. Certain employees of the College have elected to participate. The multiple-employers plans, create under Internal Revenue Sections 457, 401(k), and 403(b), are administrated 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.

ORANGEBURG-CALHOUN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS

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6. Post-Employment and Other Employee Benefits

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 South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF), cost-sharing multiple employer defined benefit postemployment healthcare and long-term disability plans administered by the Insurance Benefits Division (IB) of the South Carolina Public Employee Benefit Authority (PEBA).

Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires beginning employment May 2, 2008 and after, retirees are eligible for benefits if they have established 25 years of service for 100% employer funding and 15 through 24 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.

Funding Policies

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the IB and participating retirees to the PEBA, except for the portion funded through the pension surcharge and provided from the other applicable sources of the IB, 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, 5.33% of annual covered payroll for 2016 and 5.00% of annual covered payroll for 2015. The IB sets the employer contribution rate based on a pay-as-you-go basis.

The College paid approximately \$603,765 and \$553,210 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2016 and 2015, respectively. BLTD benefits are funded through a person's premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to IB was \$3.22 for the fiscal years ended June 30, 2016 and 2015. The College recorded employer contributions expenses applicable to these insurance benefits for active employees in the amount of approximately \$6,553 and \$6,382 for the years ended June 30, 2016 and 2015, respectively.

ORANGEBURG-CALHOUN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS

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6. Post-Employment and Other Employee Benefits (continued)

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 SCRHITF is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated IB reserves, and income generated from investments. The SCLTDITF is primarily funded through investment income and employer contributions.

A copy of the separately issued financial statements for the benefit plans and the trust funds may be obtained by writing to the South Carolina Public Employee Benefit Authority – Insurance Benefits Division, P.O. Box 11960, Columbia, South Carolina 29211-1960.

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 PEBA.

The College recorded benefit expenses for these insurance benefits for active employees in the amount of \$1,115,582 and \$1,023,322 for the years ended June 30, 2016 and 2015.

7. Contingencies, Litigation, and Project Commitments

During fiscal year 2010 the College completed the construction of a new classroom and training building, which houses new and existing academic programs related to the transportation and logistics industry. The college received a federal grant from the US Department of Commerce in the amount of \$1,500,000 and state funds of \$200,000 to be used towards construction costs. As part of the 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 \$1,280,866 of the funds received for construction to the US Department of Commerce.

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.

ORANGEBURG-CALHOUN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS

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7. Contingencies, Litigation, and Project Commitments (continued)

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.

8. Transactions with Component Unit

The College recorded non-governmental gift receipts of \$228,990 from the Foundation in nonoperating revenues for the fiscal year ended June 30, 2016. In addition, scholarships and fellowships totaling \$65,760 were 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 years ended June 30, 2016, the Foundation paid the College approximately \$23,291 as reimbursement for these disbursements. The Foundation also paid the College \$2,400 for accounting services and \$20,000 for management services and office space during the year ended June 30, 2016. As of June 30, 2016 the Foundation owed the College \$409 for reimbursements of disbursements made by the College.

9. 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.

ORANGEBURG-CALHOUN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

9. Risk Management (continued)

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

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

The combined insurance expense for the previously mentioned benefits and insurance for the last three years incurred at the College is as follows:

<u>Year Ended</u>	<u>Totals</u>
2016	\$ 82,935
2015	\$ 79,009
2014	\$ 73,173

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.

ORANGEBURG-CALHOUN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

10. Operating Expenses by Function

Operating expenses by functional classification for the year ended June 30, 2016 are summarized as follows:

	Salaries	Benefits	Scholarships	Utilities	Supplies and Other Services	Depreciation	Total
Instruction	\$ 6,821,472	\$ 2,292,072	\$ -	\$ -	\$ 1,263,159	\$ -	\$ 10,376,703
Academic support	1,304,187	453,845	-	-	398,627	-	2,156,659
Student services	1,366,883	469,469	-	-	537,710	-	2,374,062
Operation and maintenance of plant	997,173	450,072	-	468,392	871,663	-	2,787,300
Institutional support	1,617,188	644,961	-	-	584,306	-	2,846,455
Scholarships	-	-	2,710,206	-	-	-	2,710,206
Auxiliary enterprises	78,125	22,005	-	-	1,224,899	-	1,325,029
Depreciation	-	-	-	-	-	1,202,182	1,202,182
Total operating expenses	<u>\$ 12,185,028</u>	<u>\$ 4,332,424</u>	<u>\$ 2,710,206</u>	<u>\$ 468,392</u>	<u>\$ 4,880,364</u>	<u>\$ 1,202,182</u>	<u>\$ 25,778,596</u>

Operating expenses by functional classification for the year ended June 30, 2015 are summarized as follows:

	Salaries	Benefits	Scholarships	Utilities	Supplies and Other Services	Depreciation	Total
Instruction	\$ 6,708,786	\$ 2,072,831	\$ -	\$ -	\$ 1,182,893	\$ -	\$ 9,964,510
Academic support	1,476,593	481,749	-	-	408,007	-	2,366,349
Student services	1,391,699	454,819	-	-	503,939	-	2,350,457
Operation and maintenance of plant	940,782	391,850	-	500,562	867,251	-	2,700,445
Institutional support	1,535,955	565,689	-	-	640,430	-	2,742,074
Scholarships	-	-	3,286,825	-	-	-	3,286,825
Auxiliary enterprises	74,180	21,633	-	-	1,454,745	-	1,550,558
Depreciation	-	-	-	-	-	1,277,148	1,277,148
Total operating expenses	<u>\$ 12,127,995</u>	<u>\$ 3,988,571</u>	<u>\$ 3,286,825</u>	<u>\$ 500,562</u>	<u>\$ 5,057,265</u>	<u>\$ 1,277,148</u>	<u>\$ 26,238,366</u>

ORANGEBURG-CALHOUN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

11. Contingent Rentals

During the fiscal year ended June 30, 2016, Orangeburg-Calhoun Technical College expended \$60,434 to vendors on contingent rentals for copier and other equipment rentals, which is based upon the usage of the machine. Copiers are leased on a five year contract with no minimum monthly payment (based on per copy charge). Contracts are due to expire from July 2016 – October 2020.

12. Compensated Absences

Compensated absences activity for the year ended June 30, 2016 was as follows:

	June 30, 2015	Additions	Reductions	June 30, 2016	Due Within One Year
Accrued compensated absences	\$ 1,188,197	\$ 454,311	\$ (398,733)	\$ 1,243,775	\$ 65,918

13. 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 the technical colleges in a uniform and equitable manner.

The following is a detail schedule of State appropriations revenue reported in the financial statements for the fiscal years ended June 30, 2016 and June 30, 2015:

	2016	2015
Non-Capital Appropriations		
Appropriations per annual appropriations act	\$ 4,422,552	\$ 4,073,368
Lottery technology funds	114,286	135,710
Pathways	37,784	37,784
Nursing supplement	17,672	17,672
STEM Critical Needs Workforce	80,391	75,999
STEM Workforce Pathways	33,310	-
Lottery funds - special items equipment	-	38,276
Surplus-special items equipment	74,762	-
From Commission on higher education:		
Academic Endowment	60	66
Total non-capital appropriations recorded as current year revenue	\$ 4,780,817	\$ 4,378,875

ORANGEBURG-CALHOUN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

14. Statement of Activities

Orangeburg-Calhoun Technical College's transactions are reported in the Higher Education Fund, an enterprise fund of the State of South Carolina. Following is information needed to present the College's business-type activities in the state's government-wide Statement of Activities.

	2016	2015	Increase (Decrease)
Charges for services	\$ 9,672,324	\$ 9,742,711	\$ (70,387)
Operating grants and contributions	9,520,574	11,918,377	(2,397,803)
Less: expenses	(25,778,596)	(26,238,366)	459,770
Net program revenue (expense)	(6,585,698)	(4,577,278)	(2,008,420)
Transfers:			
State appropriations	4,780,817	4,378,875	401,942
State capital appropriations	1,000,000	1,000,000	-
County capital appropriations	-	32,000	(32,000)
Capital grants and gifts	-	12,439	(12,439)
Other transfers in from state agencies	-	28,576	(28,576)
Change in net assets	(804,881)	874,612	(1,679,493)
Net assets at beginning of year	7,422,255	6,547,643	874,612
Net assets at end of year	<u>\$ 6,617,374</u>	<u>\$ 7,422,255</u>	<u>\$ (804,881)</u>

15. Subsequent Events

Subsequent events were evaluated through September 15, 2016, which is the date the financial statements were available for issue. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

REQUIRED SUPPLEMENTARY INFORMATION

ORANGEBURG-CALHOUN TECHNICAL COLLEGE
 SCHEDULE OF PROPORTIONATE SHARE OF
 RETIREMENT SYSTEMS
 NET PENSION LIABILITIES

LAST TEN FISCAL YEARS*

SOUTH CAROLINA RETIREMENT SYSTEM

	2016	2015	2014
College's proportion of the net pension liability	0.1128%	0.1126%	0.1126%
College's proportionate share of the net pension liability	\$ 21,394,960	\$19,379,617	\$20,189,787
College's covered-employee payroll	\$ 10,407,807	\$10,828,056	\$10,465,396
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	205.57%	178.98%	192.92%
Plan fiduciary net position as a percentage of the total liability	56.99%	59.92%	56.39%

POLICE OFFICERS RETIREMENT SYSTEM

	2016	2015	2014
College's proportion of the net pension liability	0.0191%	0.0164%	0.0164%
College's proportionate share of the net pension liability	\$ 415,434	\$ 313,009	\$ 338,931
College's covered-employee payroll	\$ 258,698	\$ 236,135	\$ 196,646
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	160.59%	132.56%	172.36%
Plan fiduciary net position as a percentage of the total liability	64.57%	67.55%	62.98%

* - The amounts presented for each fiscal year were determined as of July 1 of two years prior, using membership data as of the day, projected forward to June 30 of the previous year. Additionally, the Fund implemented GASB 68 during fiscal year 2015. As such, only the last three years of information is available

ORANGEBURG-CALHOUN TECHNICAL COLLEGE
SCHEDULE OF RETIREMENT SYSTEMS CONTRIBUTIONS

LAST TEN FISCAL YEARS**

SOUTH CAROLINA RETIREMENT SYSTEM

	2016	2015	2014	2013	2012	2011
Contractually required contributions	\$ 1,194,467	\$ 1,152,858	\$ 1,083,250	\$ 1,076,518	\$ 926,992	\$ 908,731
Contributions in relation to the contractually required contribution	(1,194,467)	(1,152,858)	(1,083,250)	(1,076,518)	(926,992)	(908,731)
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College covered-employee payroll	\$ 10,407,807	\$ 10,828,056	\$ 10,465,396	\$ 10,416,277	\$ 9,983,961	\$ 9,915,549
Contributions as a percentage of covered-employee payroll	11.48%	10.65%	10.35%	10.33%	9.28%	9.16%

POLICE OFFICERS' RETIREMENT SYSTEM

	2016	2015	2014	2013	2012	2011
Contractually required contributions	\$ 35,545	\$ 31,666	\$ 25,249	\$ 23,796	\$ 20,941	\$ 18,539
Contributions in relation to the contractually required contribution	(35,545)	(31,666)	(25,249)	(23,796)	(20,941)	(18,539)
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College covered-employee payroll	\$ 258,698	\$ 236,135	\$ 196,646	\$ 193,468	\$ 178,027	\$ 160,788
Contributions as a percentage of covered-employee payroll	13.74%	13.41%	12.84%	12.30%	11.76%	11.53%

** - The information for fiscal years 2007 through 2010 is not available.

SINGLE AUDIT ACT REQUIREMENTS

ORANGEBURG-CALHOUN TECHNICAL COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2016

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass Through Identifying Number	Federal Expenditures June 30, 2016
Direct Programs:			
U. S. Department of Education			
Federal Supplemental Educational Opportunity Grants	84.007		\$ 145,663
Federal Work-Study Program	84.033		115,275
Federal Pell Grant Program	84.063		6,324,177
Federal Direct Student Loans	84.268		<u>3,233,264</u>
Total Student Financial Aid Cluster			<u>9,818,379</u>
TRIO Student Support Services	84.042		<u>298,696</u>
Higher Education-Institutional Aid (PBI)	84.031		<u>379,606</u>
Total U.S. Department of Education			<u>10,496,681</u>
U. S. Department of Labor			
Trade Adjustment Assistance Community College and Career Training (TAACCT) Grants	17.282		<u>299,226</u>
Total U. S. Department of Labor			<u>299,226</u>
National Science Foundation			
Education and Human Resources	47.076		<u>121,771</u>
Total National Science Foundation			<u>121,771</u>
Nuclear Regulatory Commission			
U.S. Nuclear Regulatory Commission Minority Serving Institutions Program (MSIP)	77.007		<u>17,358</u>
Total Nuclear Regulatory Commission			<u>17,358</u>
Department of Transportation			
Federal Motor Carrier Safety Administration Program	20.235		<u>66,876</u>
Total Department of Transportation			<u>66,876</u>
Total Direct Programs:			<u>11,001,912</u>

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ORANGEBURG-CALHOUN TECHNICAL COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2016

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass Through Identifying Number	Federal Expenditures June 30, 2016
Indirect Programs:			
U. S. Department of Education			
Passed through South Carolina Department of Education:			
Adult Education - State Grant Program	84.002	16EA410	142,257
Vocational Education - Basic Grants to States	84.048A	16VA410	157,555
			<hr/>
Total Passed through South Carolina Department of Education			299,812
			<hr/>
Total U.S. Department of Education			299,812
			<hr/>
U. S. Department of Labor			
Passed through South Carolina State Board for Technical and Comprehensive Education:			
Incentive Grants - WIA Section 503	17.267		186,605
			<hr/>
Total Passed through South Carolina State Board for Technical and Comprehensive Education:			186,605
			<hr/>
Passed through South Carolina Department of Education			
Incentive Grants - WIA Section 503	17.266		34,500
			<hr/>
Total Passed through South Carolina Department of Education			34,500
			<hr/>
Total U. S. Department of Labor			221,105
			<hr/>
U. S. Department of Health and Human Services			
Passed through the First Steps of South Carolina:			
Child Care and Development Block Grant	93.575		10,469
			<hr/>
Passed through SC Eat Smart Move More Coalition:			
SC Eat Smart Move More Coalition PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - financed solely by 2012 Prevention and Public Health Funds	93.531		291
			<hr/>
Total U.S. Department of Health and Human Services			10,760
			<hr/>
National Science Foundation			
Passed through American Association of Community Colleges:			
Education and Human Resources	47.076		7,946
			<hr/>
Passed through South Carolina State University:			
Historically Black Colleges and Universities Undergraduate Programs	47.076		26,875
			<hr/>
Total National Science Foundation			34,821
			<hr/>
Total Indirect Programs:			566,498
			<hr/>
Total Federal Awards			<u><u>\$ 11,568,410</u></u>

ORANGEBURG-CALHOUN TECHNICAL COLLEGE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2016

1. Description

Orangeburg-Calhoun Technical College has adopted *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards were adopted to fulfill the financial and compliance audit requirements of federal grantor agencies. For purposes of implementing Uniform Guidance, 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, 2015 through June 30, 2016, 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.

THE BRITTINGHAM GROUP, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

501 STATE STREET

POST OFFICE BOX 5949

WEST COLUMBIA, SOUTH CAROLINA 29171

Independent Auditors 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*

Members of the Orangeburg-Calhoun Commission for Technical Education
Orangeburg-Calhoun Technical College
3250 St. Matthews Road
Orangeburg, South Carolina, 29118-8299

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the business-type activities, and the discretely presented component unit of Orangeburg-Calhoun Technical College (the “College”), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College’s basic financial statements, and have issued our report thereon dated September 15, 2016. Our report includes a reference to other auditors who audited the financial statements of the Orangeburg-Calhoun Technical College Foundation, (the “Foundation”), as described in our report on the College’s financial statements. This report does not include the results of the other auditors’ testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

The Brittingham Group LLP

West Columbia, South Carolina
September 15, 2016

THE BRITTINGHAM GROUP, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

501 STATE STREET

POST OFFICE BOX 5949

WEST COLUMBIA, SOUTH CAROLINA 29171

Independent Auditors Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Members of the Orangeburg-Calhoun Commission for Technical Education
Orangeburg-Calhoun Technical College
3250 St. Matthews Road
Orangeburg, South Carolina, 29118-8299

Report on Compliance for Each Major Federal Program

We have audited Orangeburg-Calhoun Technical College's (the "College") compliance with the types of compliance requirements described in the *OMB Circular Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2016. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the College, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

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

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

The Brittingham Group LLP

West Columbia, South Carolina
September 15, 2016

ORANGEBURG-CALHOUN TECHNICAL COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2016

Summary of Auditors' Results:

1. The auditor's report expresses an unmodified opinion on the basic financial statements of Orangeburg-Calhoun Technical College.
2. No material weaknesses or significant deficiencies relating to the financial statements are reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Orangeburg-Calhoun Technical College were disclosed during the audit.
4. No material weaknesses or significant deficiencies relating to the audit of major federal awards are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for Orangeburg-Calhoun Technical College expresses an unmodified opinion.
6. No audit findings were reported relative to the major federal award programs for Orangeburg-Calhoun Technical College as depicted below in this schedule.
7. Major federal programs:
Student Financial Aid Cluster

Supplemental Education Opportunity Grants	CFDA #84.007
Federal Work-Study Program	CFDA #84.033
Federal Pell Grant Program	CFDA #84.063
Federal Direct Student Loans	CFDA #84.268
8. The threshold for distinguishing between Type A and Type B Programs was \$750,000.
9. Orangeburg-Calhoun Technical College did qualify as a low risk auditee.

ORANGEBURG-CALHOUN TECHNICAL COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(CONTINUED)

Financial Statement Findings:

None

Federal Awards Findings and Questioned Costs:

No findings or questioned costs.

Status of Prior Year Findings:

None were reported.