
Orangeburg-Calhoun Technical College

Financial Statements with Independent Auditor's Report
for the years ended June 30, 2012 and 2011

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Orangeburg-Calhoun Technical College

Organizational Data

June 30, 2012

Area Commission Members and Officers *

Orangeburg County	Calhoun County
Lawrence Weathers – July 2016	Chairman Robert Pauling – July 2012
Jacqueline Shaw – July 2016	David Rickenbaker – July 2011
John Shuler – July 2012	
Leroy Morant – July 2014	
Margaret Felder-Wilson, Ph.D. – July 2014	

Administrative Staff

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

Areas Served By Commission

Orangeburg and Calhoun Counties

Location

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

Audit Period

July 1, 2011 – June 30, 2012

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

BROWN CPA, LLC

Independent Auditor's Report

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

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Orangeburg-Calhoun Technical College (the "College"), a department of the State of South Carolina, as of and for the years ended June 30, 2012 and June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the financial statements of the Orangeburg-Calhoun Technical College are intended to present the financial position, the changes in financial position, and cash flows, of only that portion of the business-type activities of the State of South Carolina financial reporting entity that is attributable to the transactions of the Orangeburg-Calhoun Technical College, a department of the State of South Carolina. They do not purport to, and do not, present the financial position of the State of South Carolina as of June 30, 2012 and June 30, 2011, and the changes in its financial position and its cash flows, where applicable, for the year ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of Orangeburg-Calhoun Technical College as of June 30, 2012 and June 30, 2011, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2012, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 – 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures 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.

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise Orangeburg-Calhoun Technical College taken as a whole. The accompanying schedule of expenditures of federal awards as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (Circular A-133) are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects, in relation to the financial statements taken as a whole.

BROWN CPA, L.L.C.

Irmo, South Carolina
September 26, 2012

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, 2012, and June 30, 2011. This discussion should be read in conjunction with the financial statements and the notes thereto, which follow this section. Responsibility for the completeness and fairness of this information rests with the College.

Financial Highlights

- The assets (\$28,074,639) of Orangeburg-Calhoun Technical College exceeded its liabilities (\$1,942,800) at June 30, 2012, by \$26,131,839 (net assets). Of this amount, \$9,998,480 (unrestricted net assets) may be used to meet the College's ongoing obligations.
- The College experienced an operating loss of \$15,719,931 during the fiscal year ended June 30, 2012, as reported in the Statement of Revenues, Expenses, and Changes in Net Assets. However, this operating loss was offset by federal and state grants of \$8,686,623, state appropriations of \$3,742,761, local appropriations of \$1,374,948, investment loss of \$27,338, and other non-operating revenues. The overall decrease in the College's net assets during the year was \$879,235 or 3.26%.

Overview of the Financial Statements

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

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

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

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

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

Financial Analysis

Net assets may serve over time as a useful indicator of an entity's financial position. In the case of the College, assets exceeded liabilities by \$26,131,839 at the close of the most recent fiscal year. This represents a decrease of \$879,235 over last year's amount of \$27,011,074.

Over half of the College's net assets (62%) reflect its investment in capital assets (e.g., land, buildings, machinery, and equipment). The College uses these capital assets to provide services to students and industry. Consequently, these assets are *not* available for future spending. Currently, the College has no outstanding debt on any of these assets.

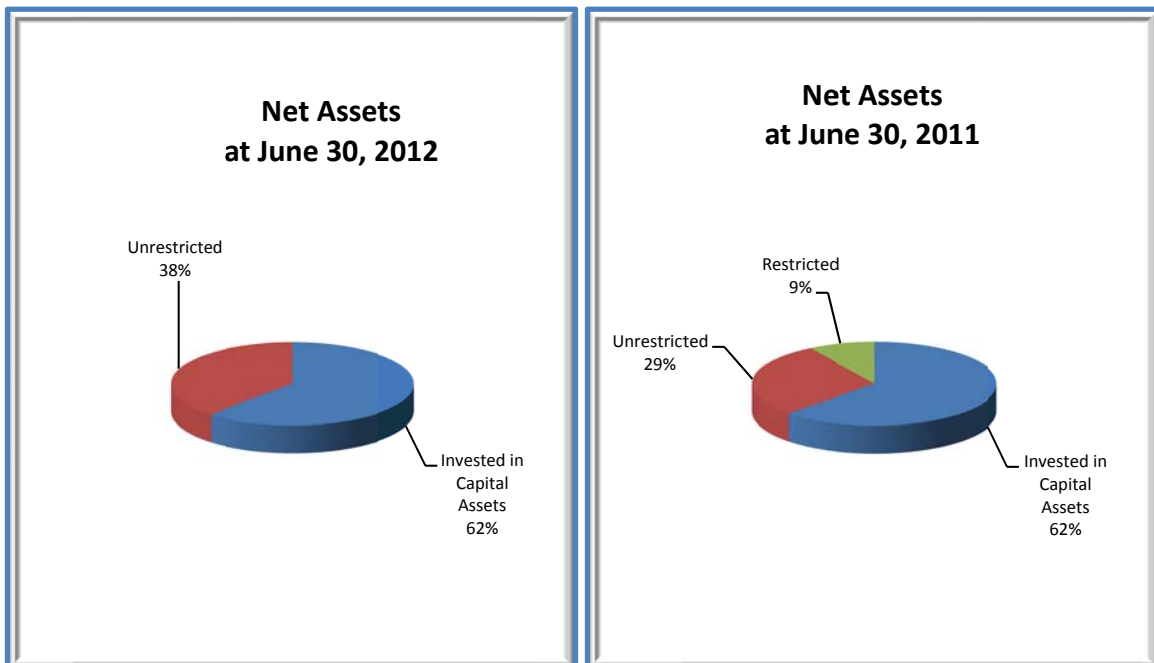
The remaining 38% of the College's net assets are unrestricted and may be used to meet the College's ongoing obligations. The area commission has designated a portion of these funds for capital projects.

Charts and graphs follow that present specific areas of the College's financial condition on June 30, 2012 and June 30, 2011.

Orangeburg-Calhoun Technical College
Net Assets
As of June 30, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>
Current Assets	\$11,905,907	\$8,916,434
Non-Current Assets		
Capital Assets, Net of Depreciation	16,133,359	16,849,126
Accounts Receivable, Net	35,373	38,101
External Investment Pool	<u>0</u>	<u>3,325,364</u>
Total Assets	<u>28,074,639</u>	<u>29,129,025</u>
Current Liabilities	952,243	1,173,759
Non-Current Liabilities- Compensated Absences	<u>990,557</u>	<u>944,192</u>
Total Liabilities	<u>1,942,800</u>	<u>2,117,951</u>
Net Assets		
Investment in Capital Assets, Net of Related Debt	16,133,359	16,849,126
Restricted	0	2,412,684
Unrestricted	<u>9,998,480</u>	<u>7,749,264</u>
Total Net Assets	<u>\$26,131,839</u>	<u>\$ 27,011,074</u>

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



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

	June 30, 2012	June 30, 2011	Increase (Decrease)	Percent Change
Operating				
Operating Revenue				
Tuition and Fees	\$4,724,388	\$4,488,644	\$235,744	5.25%
Federal and State Grants	3,556,193	3,715,556	(159,363)	-4.29%
Auxiliary	727,581	742,272	(14,691)	-1.98%
Other	104,454	97,727	6,727	6.88%
Total Operating Revenue	9,112,616	9,044,199	68,417	0.76%
Less: Operating Expenses	(24,832,547)	(26,017,052)	1,184,505	-4.55%
Total Operating Income (Loss)	(15,719,931)	(16,972,853)	1,252,922	-7.38%
Non-Operating				
State Appropriations	3,742,761	3,623,228	119,533	3.30%
Orangeburg County	1,061,948	1,313,231	(251,283)	-19.13%
Calhoun County	313,000	300,000	13,000	4.33%
Federal and State Grants	8,686,623	11,353,023	(2,666,400)	-23.49%
Investment Income	(27,338)	531,442	(558,780)	-105.14%
Interest Income	30,399	41,714	(11,315)	-27.13%
Other	732,148	627,848	104,300	16.61%
Total Non-Operating	14,539,541	17,790,486	(3,250,945)	-18.27%
Net Income (Loss) Before Other Revenue, Expenses, Gains, or Losses	(1,180,390)	817,633	(1,998,023)	-244.37%
Other Revenue, Expenses, Gains, or Losses				
State Capital Appropriations	301,155	0	301,155	0.00%
Total Capital Contributions	301,155	0	301,155	-100.00%
Increase in Net Assets	(879,235)	817,633	(1,696,868)	
Net Assets, Beginning of Year	27,011,074	26,193,441	817,633	3.12%
Net Assets, End of Year	\$26,131,839	\$27,011,074	(\$879,235)	-3.26%

Operating revenues as of June 30, 2012 increased by \$68,417 over the previous fiscal year. Tuition revenue shows an increase of \$235,744 over the prior year and auxiliary shows a decrease of \$14,691. The amounts for tuition and auxiliary are not reported as gross revenues. They are shown as a net amount, after a deduction has been made for the amount covered by scholarships. Both categories actually had decreases in gross revenue. There was also a decrease in federal and state operating grants of \$159,363 compared to last fiscal year.

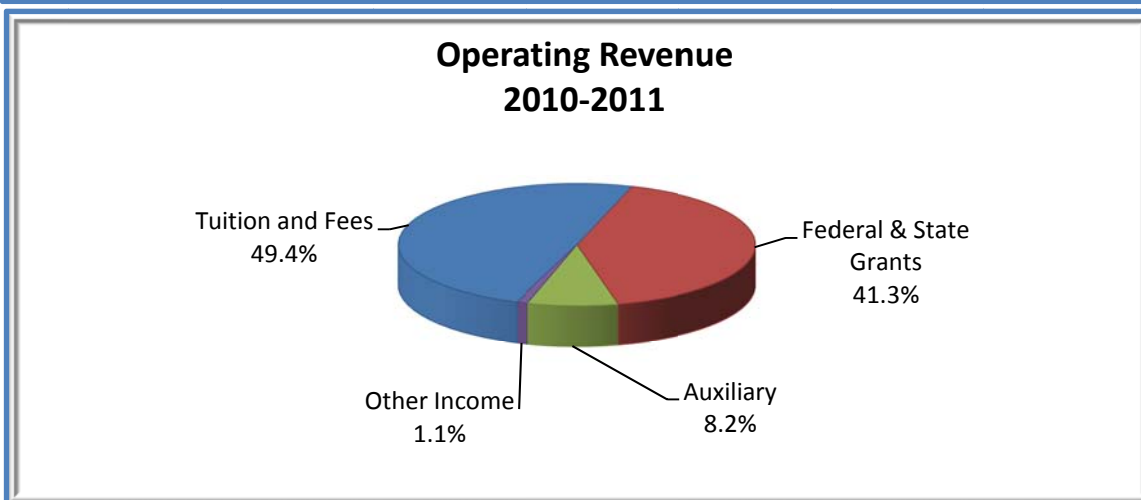
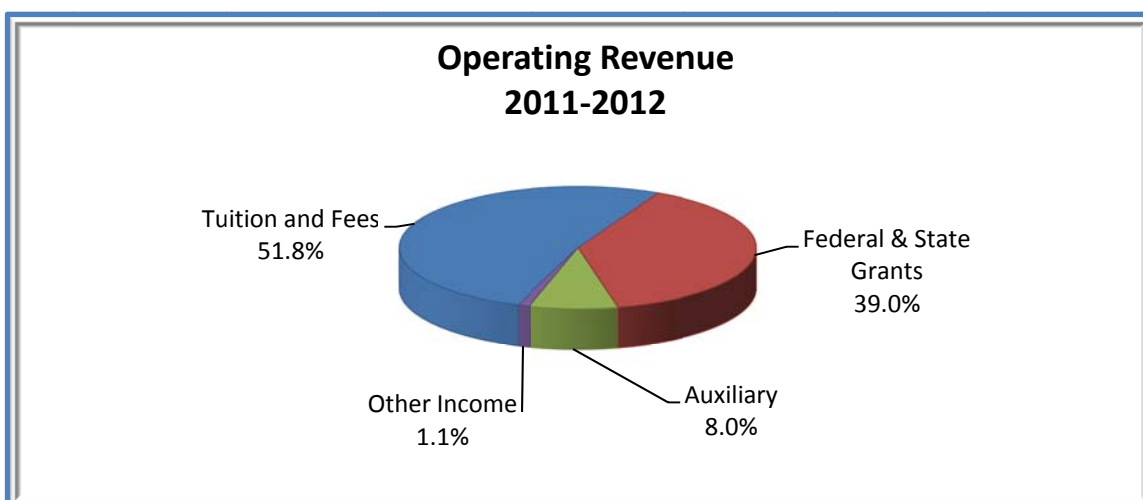
Operating expenses as of June 30, 2012, decreased by \$1,184,505 over the same period in the previous fiscal year. Major factors contributing to this overall decrease were a decrease in Supplies and Other Services of \$595,271 and a decrease of \$687,543 in scholarships.

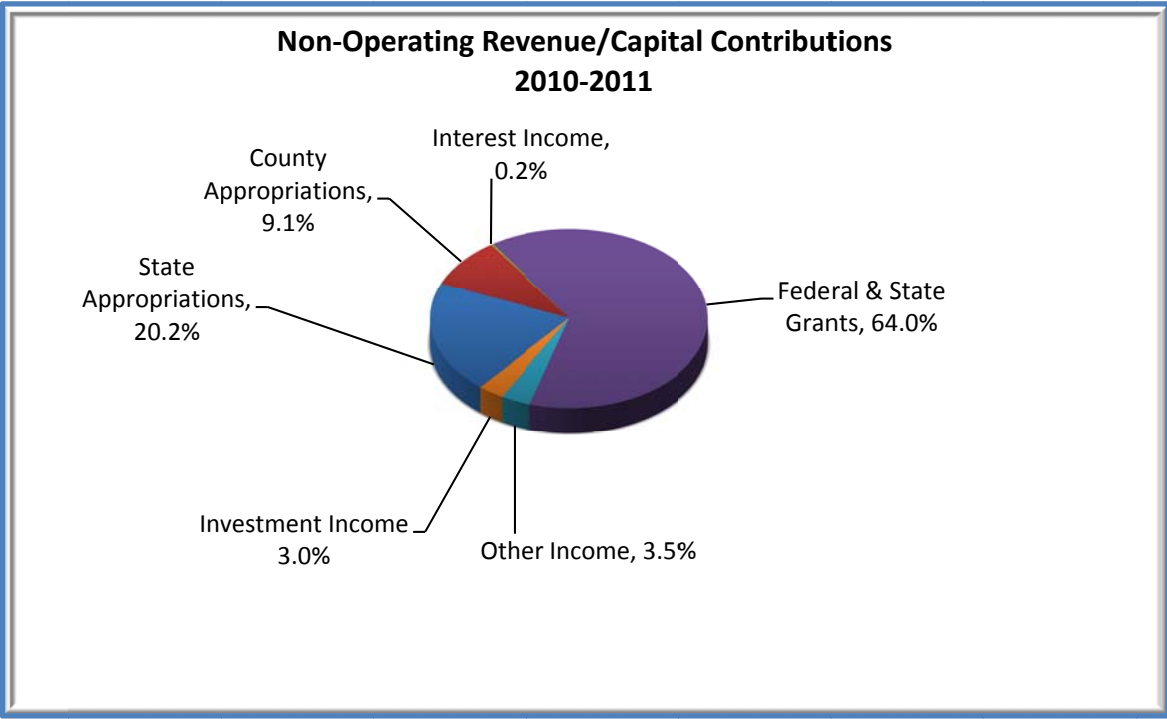
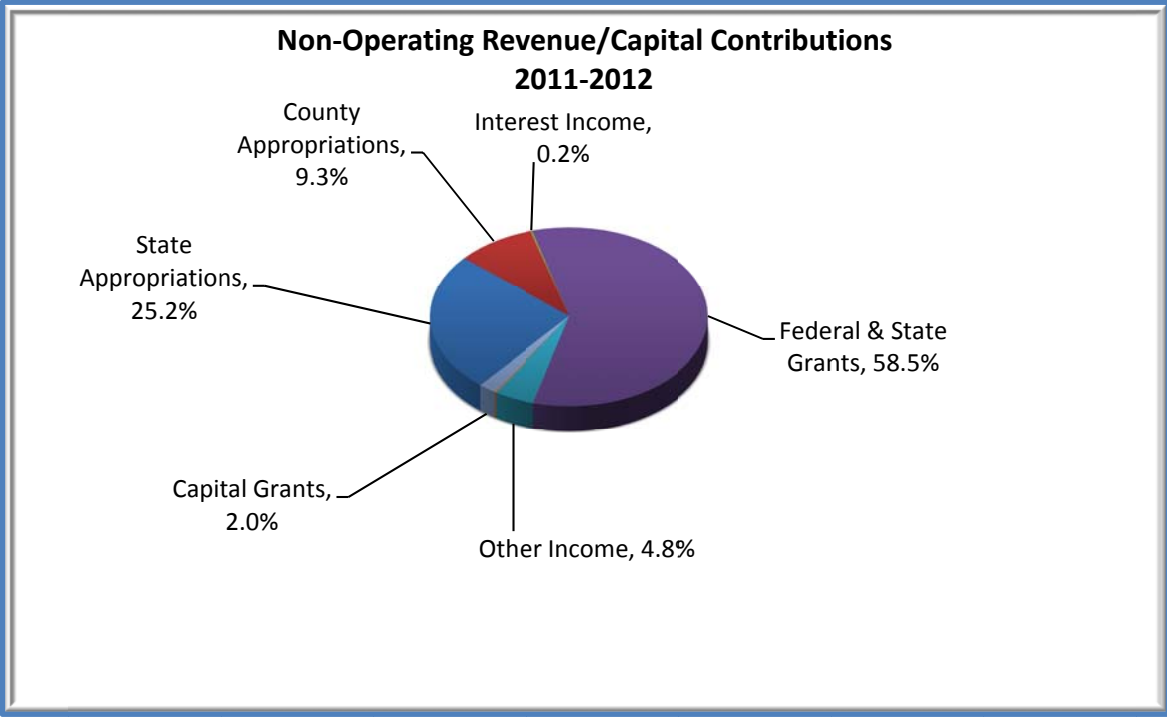
There was also a decrease in Salaries of \$20,685, a decrease in Depreciation Expense of \$5,915, and a decrease in Utilities of \$12,659. The college had an increase in Benefits of \$137,568.

Non-operating revenues increased from last fiscal year to the current year by \$3,250,945. There was a decrease in federal and state non-operating grants of \$2,666,400 and a decrease in investment income of \$558,780. State appropriations increased \$119,533, Orangeburg County funding decreased \$251,283 and Calhoun County funding increased \$13,000. Other areas netted to an increase of \$92,985.

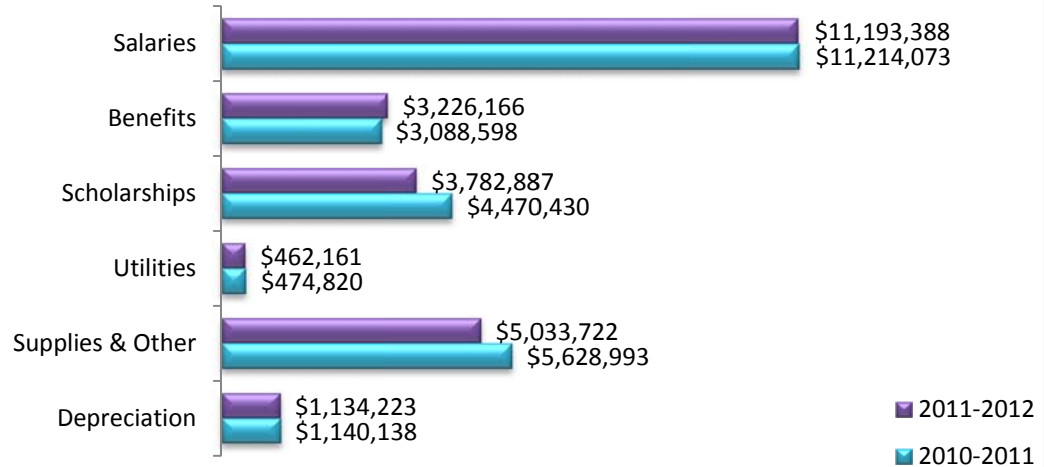
The college received deferred maintenance funds from the state in the amount of \$301,155 during fiscal year 2011-12.

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.

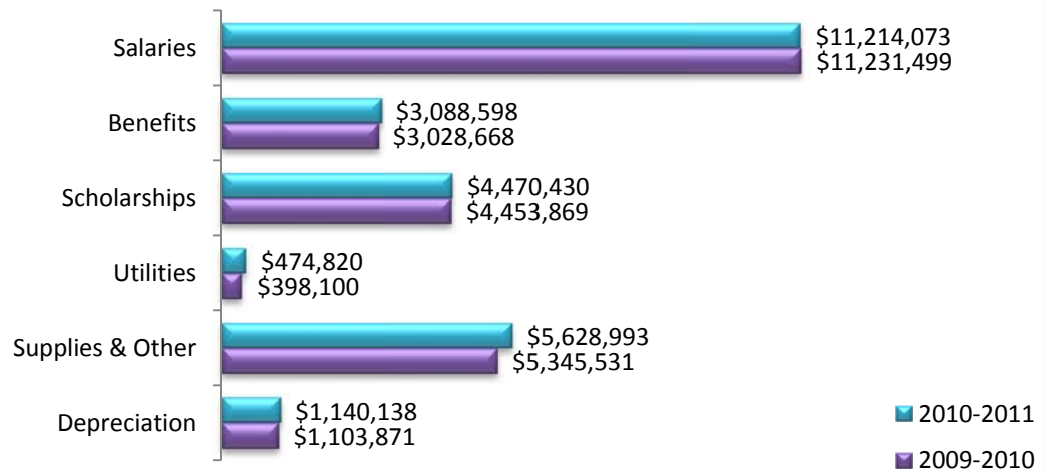




Operating Expenses (By Natural Classification)



Operating Expenses (By Natural Classification)



Orangeburg-Calhoun Technical College
Cash Flows
For the Years Ended
June 30, 2012 and June 30, 2011

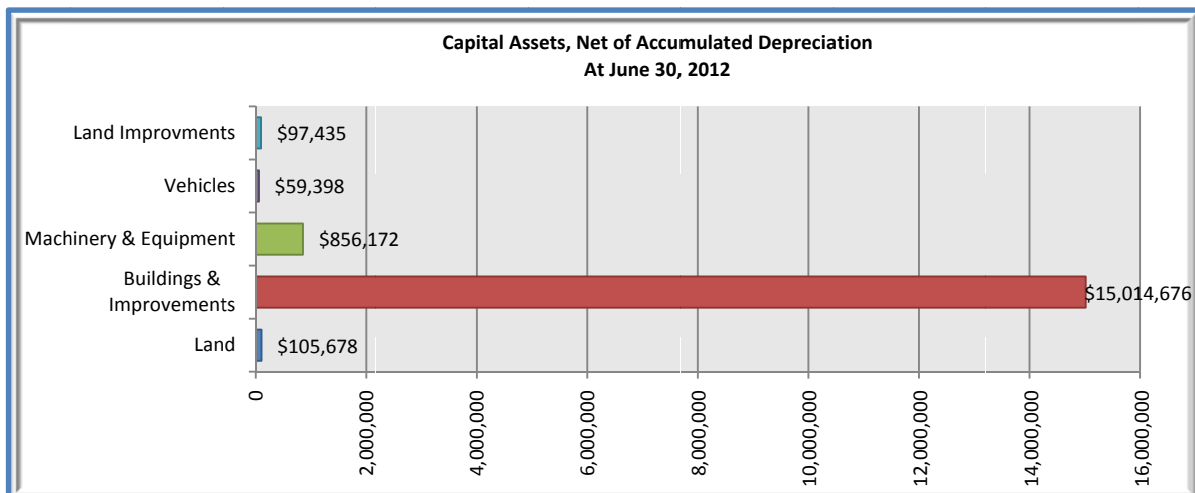
	2012	2011
Cash Flows from Operating Activities	\$(14,522,232)	\$(16,445,154)
Cash Flows from Non-Capital Financing Activities	14,619,330	17,110,139
Cash Flows from Capital and Related Financing Activities	(122,639)	(255,239)
Cash Flows from Investing Activities	<u>7,352,702</u>	<u>571,758</u>
Net Increase (Decrease) in Cash	7,327,161	981,504
Cash – Beginning of Year	<u>2,633,498</u>	<u>1,651,994</u>
Cash – End of Year	<u>\$9,960,659</u>	<u>\$2,633,498</u>

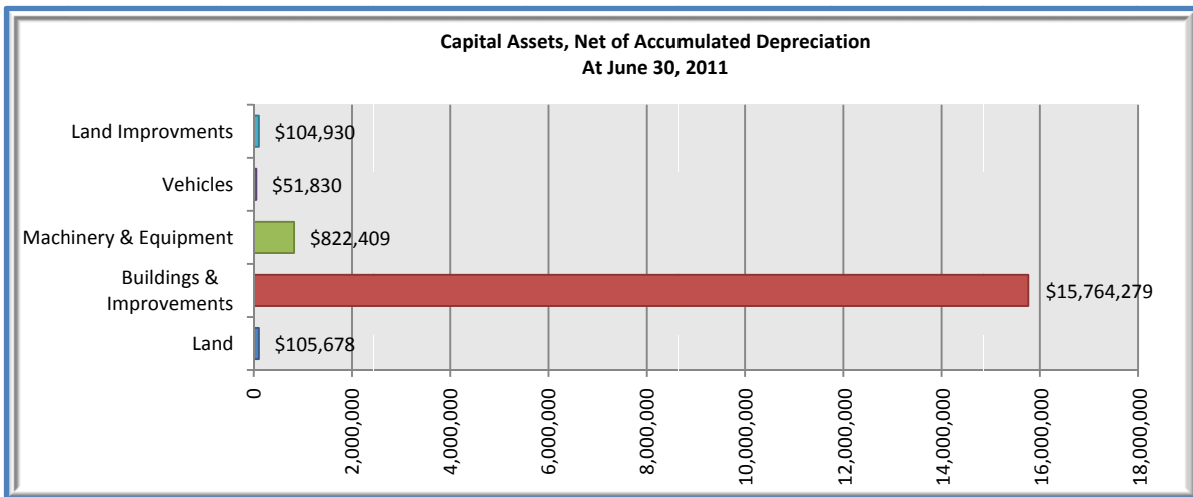
Capital Asset and Debt Administration

The College undertook a number of small capital projects during fiscal year 2011-12 including the following: the installation of new parking lot lights, the renovation and expansion of a math lab, the renovation of a chemistry lab, installation of a simulated nursing lab, and renovation of space for the IET program. Local funds were used for all of these projects.

Plans for fiscal year 2012-13 include renovation of the CNA lab and the automotive training areas, as well as upgrades to the air system in the 1500 Building. Local funds will be used to fund these projects as well.

The College has no long-term debt as of June 30, 2012.





Economic Factors

In the past few years the college has experienced significant reductions in funding from the State of South Carolina. State funds are primarily allocated for personnel expenditures, even though there have also been reductions in program specific funding such as Allied Health and lottery technology. Orangeburg County significantly reduced its funding in 2010-11, and again in 2011-12, for physical plant operations. The county funding for 2012-13 is expected to remain the same as 2011-12. The college also received several federal ARRA grants over the past couple of years, but those have mostly now expired. To counter balance all these losses, the college has taken a multi-tiered approach in an effort to maintain services and continue its open door policy.

First, the college has increased its pursuit of various federal and private grants. Grants do not replace lost operating funds, but they do provide a variety of opportunities for enhanced academic instruction and improved services to students.

The college also sought and received a special one-time funding for industrial training equipment from the state legislature. These funds will be available in 2012-13.

The college continues to carefully monitor its spending and has undertaken a number of cost cutting measures.

Another approach to balancing the budget has been to increase tuition for fall 2012. While no other increases are currently scheduled, additional reductions in state and /or county revenue may necessitate future increases. Tuition will also be increased periodically for increases in the Higher Education Price Index.

ORANGEBURG-CALHOUN TECHNICAL COLLEGE
STATEMENT OF NET ASSETS

	June 30, 2012	June 30, 2011
Assets		
Current assets		
Cash and equivalents	\$ 9,960,659	\$ 2,633,498
Investments	-	4,000,000
Accounts receivable, net	1,623,381	2,042,587
Inventories	238,367	160,418
Interest receivable	-	6,788
Due from component unit	25,509	611
Prepaid expenses	53,566	68,107
Other assets	4,425	4,425
Total current assets	11,905,907	8,916,434
Noncurrent assets		
External investment pool	-	3,325,364
Accounts receivable, net	35,373	38,101
Capital assets, net	16,133,359	16,849,126
Total noncurrent assets	16,168,732	20,212,591
 Total assets	 28,074,639	 29,129,025
 Liabilities		
Current liabilities		
Accounts payable	120,310	177,156
Accrued payroll and related liabilities	204,121	201,587
Compensated absences	93,809	101,091
Unearned revenue	534,003	693,925
Total current liabilities	952,243	1,173,759
Noncurrent liabilities		
Compensated absences	990,557	944,192
Total noncurrent liabilities	990,557	944,192
 Total liabilities	 1,942,800	 2,117,951
 Net assets		
Invested in capital assets	16,133,359	16,849,126
Restricted for:		
Nonexpendable endowment	-	2,412,684
Unrestricted	9,998,480	7,749,264
Total net assets	\$ 26,131,839	\$ 27,011,074

See accompanying notes to the financial statements

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

	June 30, 2012	June 30, 2011
Operating Revenue		
Student tuition and fees (net of scholarship allowances of \$5,812,753 for 2012 and \$6,306,172 for 2011)	\$ 4,724,388	\$ 4,488,644
Federal grants and contracts	901,079	1,161,295
Federal grants and contracts, American Recovery & Reinvestment Act	453,483	368,087
State grants and contracts	2,201,631	2,186,174
Auxiliary enterprises (net of scholarship allowances of \$1,070,940 for 2012 and \$1,208,215 for 2011)	727,581	742,272
Other operating income	104,454	97,727
Total operating revenue	9,112,616	9,044,199
Operating Expenses		
Salaries	11,193,388	11,214,073
Benefits	3,226,166	3,088,598
Scholarships	3,782,887	4,470,430
Utilities	462,161	474,820
Supplies and other services	5,033,722	5,628,993
Depreciation	1,134,223	1,140,138
	24,832,547	26,017,052
Operating loss	(15,719,931)	(16,972,853)
Nonoperating Revenue (Expenses)		
State appropriations	3,742,761	3,623,228
County appropriations	1,374,948	1,613,231
Federal grants and contracts	8,256,174	9,832,690
Federal grants and contracts, American Recovery & Reinvestment Act	185,909	1,206,162
State grants and contracts	244,540	314,171
Other nonoperating revenue	737,486	628,858
Investment income (loss)	(27,338)	531,442
Interest income	30,399	41,714
Gain (loss) on disposal of assets	(5,338)	(1,010)
Total nonoperating revenue	14,539,541	17,790,486
Income (loss) before contributions and transfers	(1,180,390)	817,633
State capital appropriations	301,155	-
Change in net assets	(879,235)	817,633
Net Assets		
Beginning of year	27,011,074	26,193,441
End of year	\$ 26,131,839	\$ 27,011,074

See accompanying notes to the financial statements

ORANGEBURG-CALHOUN TECHNICAL COLLEGE
STATEMENT OF CASH FLOWS

	June 30, 2012	June 30, 2011
Cash flows from operating activities		
Tuition and fees (net of scholarship allowances)	\$ 4,714,786	\$ 4,896,824
Federal, State and local grants and contracts	4,013,326	3,023,971
Auxiliary enterprise charges (net of scholarship allowances)	727,581	742,272
Other receipts	(183,474)	139,090
Payments to suppliers	(5,608,008)	(6,506,927)
Payments to employees	(11,224,802)	(11,219,682)
Payment for benefits	(3,178,753)	(3,050,271)
Payments to students	(3,782,888)	(4,470,431)
Student loan receipts from lenders	4,604,409	4,448,045
Disbursements to or on behalf of student borrowers	(4,604,409)	(4,448,045)
Net cash used in operating activities	<u>(14,522,232)</u>	<u>(16,445,154)</u>
Cash flows from noncapital financing activities		
State appropriations	3,820,273	3,515,026
County appropriations	1,374,948	1,613,231
State, local and federal grants and contracts - nonoperating	8,686,623	11,353,023
Other income - nonoperating	737,486	628,859
Net cash provided by noncapital financing activities	<u>14,619,330</u>	<u>17,110,139</u>
Cash flows from capital and related financing activities		
Federal capital grant	-	310,953
State capital grant	301,155	-
Local appropriations	-	-
Purchase of capital assets	(423,794)	(566,192)
Net cash used in capital and related financing activities	<u>(122,639)</u>	<u>(255,239)</u>
Cash flows from investing activities		
Proceeds from sales and maturities of investments	7,362,551	6,500,000
Interest on investments	(9,849)	71,758
Purchase of investments	-	(6,000,000)
Net cash (used in) provided by investing activities	<u>7,352,702</u>	<u>571,758</u>
Net increase in cash	7,327,161	981,504
Cash and cash equivalents		
Beginning of year	2,633,498	1,651,994
End of year	<u>\$ 9,960,659</u>	<u>\$ 2,633,498</u>

See accompanying notes to the financial statements

ORANGEBURG-CALHOUN TECHNICAL COLLEGE
STATEMENT OF CASH FLOWS

	June 30, 2012	June 30, 2011
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (15,719,931)	\$ (16,972,853)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	1,134,223	1,140,138
Provision for bad debts	67,177	243,000
Loss on sale of capital assets	5,338	1,010
Changes in assets and liabilities:		
Receivables, net	354,757	(616,799)
Inventories	(77,949)	100,332
Interest receivable	6,788	30,043
Due from component unit	(24,898)	(315)
Deferred charges and prepaid expenses	14,541	62,606
Accounts and other payables	(56,846)	(471,224)
Accrued payroll and related liabilities	2,534	(104)
Compensated absences	39,083	32,823
Unearned revenue	(267,049)	6,189
Net cash used in operating activities	<u><u>\$ (14,522,232)</u></u>	<u><u>\$ (16,445,154)</u></u>
Supplemental Information		
Changes in fair value of external investment pool	<u><u>\$ 27,338</u></u>	<u><u>\$ 603,200</u></u>
Equipment transferred from other State Agency	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying notes to the financial statements

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

	June 30, 2012	June 30, 2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 543,028	\$ 516,276
Accounts receivable	1,641	4,463
Contributions Receivable	72,148	75,067
Investments - general	690,342	682,031
Assets held for sale	14,000	14,000
Total current assets	1,321,159	1,291,837
Noncurrent assets		
Contributions receivable	186,789	-
Equipment	-	-
Investments - endowment	208,519	218,301
College pool of investments	-	3,325,364
Total noncurrent assets	395,308	3,543,665
Total assets	\$ 1,716,467	\$ 4,835,502
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 88	\$ 34
Due to the college	25,509	611
	25,597	645
Noncurrent liabilities		
Funds held for others	-	3,325,364
Total liabilities	25,597	3,326,009
Net assets		
Unrestricted		
Board designated	330,036	132,726
Unrestricted	985,177	1,010,172
Total unrestricted	1,315,213	1,142,898
Temporarily restricted	187,641	178,579
Permanently restricted	188,016	188,016
Total net assets	1,690,870	1,509,493
Total liabilities and net assets	\$ 1,716,467	\$ 4,835,502

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

ORANGEBURG-CALHOUN TECHNICAL COLLEGE FOUNDATION, INC.
NON-GOVERNMENTAL COMPONENT UNIT
STATEMENT OF ACTIVITIES
June 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenues				
Contributions	\$ 251,870	\$ 109,306	\$ -	\$ 361,176
Contributions scholarships	-	35,090	-	35,090
Total support other than event income	<u>251,870</u>	<u>144,396</u>	<u>-</u>	<u>396,266</u>
Event income	73,218	-	-	73,218
Direct event expenses	<u>(17,813)</u>	<u>-</u>	<u>-</u>	<u>(17,813)</u>
Net support from events	<u>55,405</u>	<u>-</u>	<u>-</u>	<u>55,405</u>
Interest and dividends	21,323	5,448	-	26,771
Net realized gain (loss) from investments	11,687	-	-	11,687
Net unrealized gain from investments	(13,694)	(9,264)	-	(22,958)
Other income	2,732	-	-	2,732
Total revenues, gains, and other support	<u>329,323</u>	<u>140,580</u>	<u>-</u>	<u>469,903</u>
Net assets released from:				
Program restrictions - Nonscholarships	112,113	(112,113)	-	-
Program restrictions - Scholarships	<u>19,405</u>	<u>(19,405)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and other support	<u>460,841</u>	<u>9,062</u>	<u>-</u>	<u>469,903</u>
Expenses				
Program services				
Scholarships	70,229	-	-	70,229
Faculty support	113,551	-	-	113,551
Other program services	<u>54,861</u>	<u>-</u>	<u>-</u>	<u>54,861</u>
Total program services	<u>238,641</u>	<u>-</u>	<u>-</u>	<u>238,641</u>
Support Services				
Management and general	47,284	-	-	47,284
Fund-raising expenses	<u>2,601</u>	<u>-</u>	<u>-</u>	<u>2,601</u>
Total support services	<u>49,885</u>	<u>-</u>	<u>-</u>	<u>49,885</u>
Total expenses	<u>288,526</u>	<u>-</u>	<u>-</u>	<u>288,526</u>
Change in net assets	172,315	9,062	-	181,377
Net assets beginning of year	<u>1,142,898</u>	<u>178,579</u>	<u>188,016</u>	<u>1,509,493</u>
Net assets at end of year	<u>\$ 1,315,213</u>	<u>\$ 187,641</u>	<u>\$ 188,016</u>	<u>\$ 1,690,870</u>

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

Note 1 – Summary of Significant Accounting Policies

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

Nature of Operations

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

Reporting Entity

The core of the financial reporting entity is the primary government which has a separately elected governing body. As required by generally accepted accounting principles, the financial reporting entity includes both the primary government and all of its component units. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In turn component units may have component units.

The financial reporting entity, as defined by Governmental Accounting Standards Board (“GASB”) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete.

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

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

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

Financial Statements

The financial statements of the College are presented in accordance with GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*; The financial statement presentation required by these statements provides a comprehensive, entity-wide perspective of the College's net assets, revenues, expenses and changes in net assets and cash flows.

Basis of Accounting

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

The College has elected not to apply FASB statements, codification additions / modifications, and interpretations issued after November 30, 1989.

The Foundation's statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for Not-for-Profit Organizations through guidance from FASB. The Foundation's revenue and expenses are recognized as increases and decreases in one of three net asset classifications; unrestricted, temporarily restricted and permanently restricted. Permanently restricted net assets consist of contributions and other inflows of assets whose use is limited in perpetuity by donor imposed stipulations. Temporarily restricted net assets consist of contributions and other transactions whose use is limited by time or purpose by donor imposed stipulations. Unrestricted net assets

are transactions which are neither temporarily nor permanently restricted. The use of temporarily restricted net assets through satisfaction of time or purpose restriction is recognized in the Statement of Activities as a simultaneous increase and decrease in the classes of net assets thereby as a release from restrictions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

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

Investments

Deposits and investments for the College are governed by the South Carolina Code of Laws, Section 11-9-660, "Investment of Funds". The College accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain or loss on the carrying value of investments are reported as a component of investment income in the statement of revenue, expenses, and changes in net assets.

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

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

The College is authorized by the Code of Laws of South Carolina to invest in obligations of the United States and its agencies, obligations of the State of South Carolina and its political subdivisions, collateralized or federally insured certificates of deposit, certain rated obligations of corporations within the United States, and collateralized repurchase agreements.

The Foundation accounts for its investments at fair value in accordance with Financial Accounting Standards Codification section 958 Not-for-Profit Entities section 320 *Investments-Debt and Equity Securities*. Changes in unrealized gain or loss are reported as increases or

Orangeburg-Calhoun Technical College

Notes to Financial Statements

June 30, 2012

decreases in unrestricted net assets unless donor stipulation restricts the use of these changes for specific purposes or reinvestment in the corpus which would be reported as temporarily or permanently restricted net assets, respectively.

Accounts Receivable

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

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

	June 30, 2012	June 30, 2011
All debts over 2 years	100.00%	100.00%
Debts 1-2 yrs old	85.00%	85.00%
Debts last 3 semesters	75.00%	75.00%
Next semester and beyond	15.00%	15.00%

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

Inventories

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

Capital Assets

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

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally fifteen to fifty years for buildings and improvements and land improvements and two to twenty-five years for machinery, equipment and vehicles.

Unearned Revenue and Deposits

Unearned revenue includes amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenue also includes amounts received from exchange type grants and contract sponsors that have not yet been earned.

Compensated Absences

Employee vacation pay expense is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as a component of current and long-term liabilities in the statement of net assets and as a component of salary and benefit expenses in the statement of revenue, expense, and changes in net assets.

Net Assets

The College's net assets are classified as follows:

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

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

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

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

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

Classification of Revenue

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

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

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

Auxiliary Enterprises and Internal Service Activities

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

Nonexchange Transactions

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

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

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

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

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

Income Taxes

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and affect disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Reclassification

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

Note 2 – Deposits and Investments

Deposits

The College's policies regarding the risk of financial instruments are included in Note 1. The College is exposed to certain custodial credit risks from the use of local financial institutions for its depository accounts. At June 30, 2012 a total of \$10,551,914 was on deposit with local institutions in the name of the College. These deposits are covered by the Federal Deposit Insurance Corporation up to \$250,000 per institution. Of the \$10,301,914 in excess of the insurance coverage, collateral securities have been pledged by the financial institution in the College's name in the amount of \$10,551,914. The College did not recognize any losses due to default by counterparties relating to depository relationships.

The Foundation's uninsured cash balances were \$297,907 as of June 30, 2012.

Investments

For the years ended June 30, 2012 and 2011 the College held no debt or equity securities. See below for a reconciliation of the investment classification differences for statement and note disclosure presentation.

Orangeburg-Calhoun Technical College
Notes to Financial Statements
June 30, 2012

The Foundation's investments included the following pools:

	June 30, 2012		June 30, 2011	
	Cost	Fair Value	Cost	Fair Value
Scholarship Endowment	\$ 197,889	\$ 208,519	\$ 200,635	\$ 218,301
Term Endowment	614,406	690,342	590,345	682,031
College Pool of Investments	—	—	3,364,117	3,325,364
Total	<u>\$ 812,295</u>	<u>\$ 898,861</u>	<u>\$ 4,155,097</u>	<u>\$ 4,225,696</u>

Securities held by the pool as of June 30, 2012 include the following:

	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Money market	\$ 8,477	\$ —	\$ —	\$ 8,477
Equity funds	546,296	86,822	(1,976)	631,142
Mutual bond funds	257,522	1,859	(139)	259,242
General Investments	<u>\$ 812,295</u>	<u>\$ 88,681</u>	<u>\$ (2,115)</u>	<u>\$ 898,861</u>

Securities held by the pool as of June 30, 2011 include the following:

	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Money market	\$ 94,481	\$ —	\$ —	\$ 94,481
Equity funds	2,906,112	107,801	(45,438)	2,968,475
Mutual bond funds	1,154,504	8,251	(15)	1,162,740
General Investments	<u>\$ 4,155,097</u>	<u>\$ 116,052</u>	<u>\$ (45,453)</u>	<u>\$ 4,225,696</u>

Custodial Credit Risk

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

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

Credit Risk

Credit risk is managed through the diversification of securities and types of securities within the investment pools. Credit ratings are not available for investments in debt securities.

Orangeburg-Calhoun Technical College
Notes to Financial Statements
June 30, 2012

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.

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

Statement of net assets	June 30, 2012	June 30, 2011
Cash and cash equivalents	\$ 9,960,659	\$ 2,633,498
Investments	—	4,000,000
Total College	<u>9,960,659</u>	<u>6,633,498</u>
Statement of financial position		
Current assets:		
Cash and cash equivalents	543,028	516,276
Investments	690,342	682,031
Noncurrent assets:		
Investments	<u>208,519</u>	<u>3,543,665</u>
Total component unit	<u>1,441,889</u>	<u>4,741,972</u>
Total reporting entity	<u>\$ 11,402,548</u>	<u>\$ 11,375,470</u>
Note disclosure		
Cash on hand	\$ 2,080	\$ 2,375
Deposits with banks	<u>9,958,579</u>	<u>6,631,123</u>
Total College	<u>9,960,659</u>	<u>6,633,498</u>
Deposits with banks	543,028	516,276
Investments	<u>898,861</u>	<u>4,225,696</u>
Total component unit	<u>1,441,889</u>	<u>4,741,972</u>
Total reporting entity	<u>\$ 11,402,548</u>	<u>\$ 11,375,470</u>

Note 3 – External Investment Pool

The College entered into an agreement with Orangeburg-Calhoun Technical College Foundation to maintain custody and manage the investments of the College’s Endowment funds. This transfer was made in accordance with South Carolina Code Section 59-101-410. This transaction was approved by the United States Department of Education on January 17, 2002. At June 30, 2012 and June 30, 2011, the value of the external investment pool was \$0 and \$3,325,364, respectively representing the fair value of the Endowment funds invested through the Foundation. In January 2012 the Pool was liquidated to cash and the Foundation transferred the balance to the College per the agreement.

Note 4 – Accounts and Contributions Receivables

	Current	Non Current	June 30, 2012
Student accounts	\$ 238,882	\$ 944,720	\$ 1,183,602
Federal government	537,527	—	537,527
State agencies	700,002	—	700,002
Other	325,623	—	325,623
	<u>1,802,034</u>	<u>944,720</u>	<u>2,746,754</u>
Less, allowance for uncollectible	(178,653)	(909,347)	(1,088,000)
Net accounts receivable	<u>\$ 1,623,381</u>	<u>\$ 35,373</u>	<u>\$ 1,658,754</u>

	Current	Non Current	June 30, 2011
Student accounts	\$ 416,038	\$ 854,883	\$ 1,270,921
Federal government	726,633	—	726,633
State agencies	1,045,542	—	1,045,542
Other	62,592	—	62,592
	<u>2,250,805</u>	<u>854,883</u>	<u>3,105,688</u>
Less, allowance for uncollectible	(208,218)	(816,782)	(1,025,000)
Net accounts receivable	<u>\$ 2,042,587</u>	<u>\$ 38,101</u>	<u>\$ 2,080,688</u>

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

Orangeburg-Calhoun Technical College
Notes to Financial Statements
June 30, 2012

Contributions Receivable

At June 30, 2012, the Foundation had recognized unconditional promises to give as contributions receivable, which are due to be collected as follows:

	June 30, 2012	June 30, 2011
Unconditional promises to give	\$ 272,889	\$ 81,277
Less unamortized discount	<u>(13,952)</u>	<u>(1,535)</u>
	258,937	79,742
Less, allowance for uncollectible pledges	<u>—</u>	<u>(4,675)</u>
Net unconditional promises to give	<u>\$ 258,937</u>	<u>\$ 75,067</u>
Amounts due in:	June 30, 2012	June 30, 2011
Less than one year	\$ 72,148	\$ 75,067
One to five years	<u>186,789</u>	<u>—</u>
Total	<u>\$ 258,937</u>	<u>\$ 75,067</u>

Note 5 – Capital Assets

	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012
Capital assets not being depreciated				
Land and improvements	\$ 105,678	\$ -	\$ -	\$ 105,678
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>105,678</u>	<u>-</u>	<u>-</u>	<u>105,678</u>
Other capital assets:				
Building and improvements	27,271,282	-	-	27,271,282
Machinery, equipment and other	3,561,980	390,451	(242,196)	3,710,235
Vehicles	354,654	33,343	-	387,997
Depreciable land improvements	797,950	-	-	797,950
Intangibles	<u>207,000</u>	<u>-</u>	<u>-</u>	<u>207,000</u>
Total other capital assets	<u>32,192,866</u>	<u>423,794</u>	<u>(242,196)</u>	<u>32,374,464</u>
Less, accumulated depreciation for:				
Building and improvements	(11,507,003)	(749,602)	-	(12,256,605)
Machinery, equipment and other	(2,739,571)	(351,351)	236,858	(2,854,064)
Vehicles	(302,824)	(25,775)	-	(328,599)
Depreciable land improvements	(693,020)	(7,495)	-	(700,515)
Intangibles	<u>(207,000)</u>	<u>-</u>	<u>-</u>	<u>(207,000)</u>
Total accumulated depreciation	<u>(15,449,418)</u>	<u>(1,134,223)</u>	<u>236,858</u>	<u>(16,346,783)</u>
Other capital assets, net	<u>16,743,448</u>	<u>(710,429)</u>	<u>(5,338)</u>	<u>16,027,681</u>
Capital assets, net	<u>\$ 16,849,126</u>	<u>\$ (710,429)</u>	<u>\$ (5,338)</u>	<u>\$ 16,133,359</u>

Orangeburg-Calhoun Technical College
Notes to Financial Statements
June 30, 2012

	Balance June 30, 2010	Increases	Decreases	Balance June 30, 2011
Capital assets not being depreciated				
Land and improvements	\$ 105,678	\$ -	\$ -	\$ 105,678
Construction in progress	-			-
Total capital assets not being depreciated	<u>105,678</u>	<u>-</u>	<u>-</u>	<u>105,678</u>
Other capital assets:				
Building and improvements	27,271,282	-	-	27,271,282
Machinery, equipment and other	3,169,078	566,192	(173,290)	3,561,980
Vehicles	354,654	-	-	354,654
Depreciable land improvements	797,950	-	-	797,950
Intangibles	207,000	-	-	207,000
Total other capital assets	<u>31,799,964</u>	<u>566,192</u>	<u>(173,290)</u>	<u>32,192,866</u>
Less, accumulated depreciation for:				
Building and improvements	(10,757,400)	(749,603)	-	(11,507,003)
Machinery, equipment and other	(2,553,652)	(358,199)	172,280	(2,739,571)
Vehicles	(277,983)	(24,841)	-	(302,824)
Depreciable land improvements	(685,525)	(7,495)	-	(693,020)
Intangibles	(207,000)	-	-	(207,000)
Total accumulated depreciation	<u>(14,481,560)</u>	<u>(1,140,138)</u>	<u>172,280</u>	<u>(15,449,418)</u>
Other capital assets, net	<u>17,318,404</u>	<u>(573,946)</u>	<u>(1,010)</u>	<u>16,743,448</u>
Capital assets, net	<u>\$ 17,424,082</u>	<u>\$ (573,946)</u>	<u>\$ (1,010)</u>	<u>\$ 16,849,126</u>

Construction retainage payable totaling approximately \$0 and \$5,300 was due contractors at June 30, 2012 and June 30, 2011, respectively. No amounts have been shown for construction in progress for June 30, 2012 as all construction had been completed.

During fiscal year 2010 the College completed the construction of a new classroom and training building, which will house new and existing academic programs related to the transportation and logistics industry. The college received a federal grant from the US Department of Commerce 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 funds received for construction to the US Department of Commerce.

The Foundation's capital assets consisted of equipment as of year-end. Depreciation expense was \$0 and \$0, for the year ended June 30, 2012 and June 30, 2011, respectively.

Note 6 – Pension Plan and Other Employee Benefits

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

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

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

The Systems do not make separate measurement of assets and pension benefit obligations for individual employers. Under Title 9 of the South Carolina Code of Laws, the College's liability under the retirement plans is limited to the amount of contributions (stated as a percentage of covered payroll) established by the State Budget and Control Board. Therefore, the College's liability under the pension plan is limited to the contribution requirements for the applicable year from amounts appropriated therefore in the South Carolina Appropriation Act and amounts from other applicable revenue sources. Accordingly, the College recognizes no contingent liability for unfunded costs associated with participation in the plans.

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

South Carolina Retirement System

Since July 1, 2006, employees participating in the SCRS have been required to contribute 6.5% of all compensation. The required contribution rates for the employer were 9.385%, 9.24%, and 9.24%, for the years ended June 30, 2012 and 2011 and 2010. The College's actual contributions to the SCRS for these fiscal years were equal to the required contributions and were approximately \$890,111 and \$874,914 and \$902,779 for the years ended June 30, 2012 and 2011 and 2010, respectively. In addition, the College, as employer, is required to contribute a surcharge to fund retiree health and dental insurance coverage of 4.30%, 3.90%, and 3.50% for the years ended June 30, 2012 and 2011 and 2010, respectively. As a result the actual contribution rates were 13.69%, 13.14%, and 12.74% for the years ended June 30, 2012 and 2011 and 2010, respectively. Also, the College paid employer group-life insurance contributions of approximately \$14,267, \$14,203, and \$14,656 for the fiscal years ended June 30, 2012 and 2011 and 2010 at the rate of 0.15% of compensation.

Police Officers Retirement System

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

The required contribution rates from the employees participating in the PORS were 6.5% for the fiscal years ended June 30, 2012 and 2011 and 2010. The required contribution rates for the employer were 11.36%, 11.13%, and 10.65%, for the years ended June 30, 2012 and 2011 and 2010, respectively. The College's actual contributions to the PORS for these fiscal years were equal to the required contributions and amounted to \$20,229, \$17,896, and \$16,582, respectively. In addition, the College, as employer, is required to contribute a surcharge to fund retiree health and dental insurance coverage at a rate of 4.30%, 3.90%, and 3.50% for June 30, 2012 and 2011 and 2010, respectively. Also, the College paid employer group-life insurance contributions of \$356, \$322, and \$311 and accidental death insurance contributions of \$356, \$322, and \$311 in the respective fiscal years for PORS participants. The rate for each of these insurance benefits is 0.20% of compensation.

Optional Retirement Program

Certain state employees may elect to participate in the Optional Retirement Program (ORP), a defined contribution plan. The ORP was established in 1987 under Title 9, Chapter 17, of the South Carolina Code of Laws. The ORP provides retirement and death benefits through the purchase of individual fixed or variable annuity contracts, which are issued to, and become the property of the participants. The State assumes no liability for this plan other than for payment of

contributions to designated insurance companies.

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

Under State law, contributions to the ORP are required at the same rates as for the SCRS, 9.385% plus the retiree surcharge of 4.30% from the employer in fiscal year 2012.

Certain of the College's employees have elected to be covered under optional retirement plans. For the fiscal year contributions totaled \$32,472 from employees as plan members. In addition, the College paid \$750 for group-life insurance coverage, \$21,482 to fund retiree health and dental insurance coverage, and \$21,906, as employer contribution to SCRS required under the ORP plans for these employees.

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

Deferred Compensation Plans

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

Teacher and Employee Retention Incentive

The Teacher and Employee Retention Incentive (TERI) program, established by State law, became effective January 1, 2001. The program is a deferred retirement option available to SCRS members eligible for service retirement. Upon entering the TERI program, a member's status changes from active to retired. A TERI participant agrees to continue employment with an employer participating in the system for a specified period, not to exceed five years.

TERI participants retain the same status and employment rights they held upon entering the program but are not considered active employees for purposes of the group life insurance and disability retirement programs. A TERI retiree's monthly benefits are accrued and remain in the SCRS trust account during the TERI participation period, but no interest is accrued or paid thereon. Upon termination of employment or at the end of the TERI participation period (whichever is earlier), a retiree may roll over some or all of the accumulated TERI balance into a

qualified, tax-sheltered retirement plan and/or receive a lump-sum distribution. Individuals will no longer be able to TERE after fiscal year 2018.

Note 7 – Post Employment Benefits Other Than Pensions

a. Plan Description

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

b. Funding Policies

Section 1-11-710 and 1-11-720 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment healthcare and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the EIP and participating retirees to the SBCB except the portion funded through the pension surcharge and provided from other applicable sources of the EIP for its active employees who are not funded by State General Fund appropriations. Employers participating in the RMP are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 4.30%, 3.90% and 3.50% of annual covered payroll for 2012, 2011 and 2010, respectively. The EIP sets the employer contribution rate based on a pay-as-you-go basis. The College paid approximately \$436,965, \$392,977 and \$360,379 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2012, 2011 and 2010, respectively. BLTD benefits are funded through a per person premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to EIP was \$3.23 for the fiscal years ended June 30, 2012 and 2011.

Effective May 1, 2008 the State established two trust funds through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits and long-term disability insurance benefits. The South Carolina Retiree Health Insurance Trust Fund

is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated EIP reserves, and income generated from investments. The Long Term Disability Insurance Trust Fund is primarily funded through investment income and employer contributions.

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

Other Employee Benefits

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

The College recorded benefit expenses for these insurance benefits for active employees in the amount of \$883,021 and \$840,089 for the year ended June 30, 2012 and 2011.

Note 8 – Contingencies, Litigation, and Project Commitments

From time to time the College may be a party to various lawsuits arising out of the normal conduct of its operations. In the opinion of College management, there are no material claims or lawsuits against the College that are not covered by insurance or whose settlement would materially affect the College's financial position.

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

Note 9 – Transactions with Component Unit

The College recorded non-governmental gift receipts of \$254,032 and \$219,358 from the Foundation in nonoperating revenues and capital grants and gifts for the fiscal year ending June 30, 2012 and 2011. In addition, scholarships and fellowships totaling \$70,299 and \$77,939 was awarded to students enrolled at the College and paid to the College on their behalf.

The Foundation reimburses the College for any disbursements made by the College on its behalf. During the year ended June 30, 2012 and 2011, the Foundation paid the College approximately \$21,325 and \$23,012 as reimbursement for these disbursements. The Foundation also paid the College \$2,400 for administrative services and office space during each year ended June 30,

2012 and 2011. As of June 30, 2012 and 2011, the Foundation owed the College \$25,509 and \$612 respectively, for reimbursements of disbursements made by the College.

The College has entered into an agreement to provide the College's Endowment Fund to the Foundation for investment custodial and managerial responsibility. The funds held by the Orangeburg-Calhoun Technical College Foundation at June 30, 2012 and June 30, 2011 were \$0 and \$3,325,364, respectively. See further discussion in footnote 3.

Note 10 – Risk Management

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

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

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

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

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

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

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

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

Orangeburg-Calhoun Technical College

Notes to Financial Statements

June 30, 2012

Note 11 – Federal Family Education Loan

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

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Federal Direct Loans	\$ 4,560,824	\$ 4,395,563
Federal Nondirect Loans	\$ 0	\$ 0

Note 12 – Operating Expenses by Function

Operating expenses by functional classification for the year ended June 30, 2012 and 2011 are summarized as follows:

June 30, 2012	<u>Salaries</u>	<u>Benefits</u>	<u>Scholarships</u>	<u>Utilities</u>	<u>Supplies and other services</u>	<u>Depreciation</u>	<u>Total</u>
Instruction	\$ 6,322,192	\$ 1,713,384	\$ —	\$ —	\$ 1,001,460	\$ —	\$ 9,037,036
Academic support	1,217,752	353,224	—	—	281,090	—	1,852,066
Student services	1,296,521	376,896	—	—	465,877	—	2,139,294
Operation and maintenance of plant	874,436	315,732	—	462,161	1,315,393	—	2,967,722
Institutional support	1,372,417	440,817	—	—	599,088	—	2,412,322
Scholarships	—	—	3,782,887	—	—	—	3,782,887
Auxiliary enterprises	110,070	26,113	—	—	1,370,813	—	1,506,996
Depreciation	—	—	—	—	—	1,134,223	1,134,223
Total	<u>\$ 11,193,388</u>	<u>\$ 3,226,166</u>	<u>\$ 3,782,887</u>	<u>\$ 462,161</u>	<u>\$ 5,033,721</u>	<u>\$ 1,134,223</u>	<u>\$ 24,832,546</u>

June 30, 2011	<u>Salaries</u>	<u>Benefits</u>	<u>Scholarships</u>	<u>Utilities</u>	<u>Supplies and other services</u>	<u>Depreciation</u>	<u>Total</u>
Instruction	\$ 6,535,928	\$ 1,695,046	\$ —	\$ —	\$ 1,164,840	\$ —	\$ 9,395,814
Academic support	1,056,877	296,745	—	—	268,394	—	1,622,016
Student services	1,223,569	345,098	—	—	622,463	—	2,191,130
Operation and maintenance of plant	862,976	307,396	—	474,820	1,576,962	—	3,222,154
Institutional support	1,388,696	408,421	—	—	522,696	—	2,319,813
Scholarships	—	—	4,470,430	—	—	—	4,470,430
Auxiliary enterprises	146,027	35,892	—	—	1,473,638	—	1,655,557
Depreciation	—	—	—	—	—	1,140,138	1,140,138
Total	<u>\$ 11,214,073</u>	<u>\$ 3,088,598</u>	<u>\$ 4,470,430</u>	<u>\$ 474,820</u>	<u>\$ 5,628,993</u>	<u>\$ 1,140,138</u>	<u>\$ 26,017,052</u>

Note 13 – Donor Restricted Accounts

College

Funds in the College’s Endowment are comprised of match grant funds provided by the US Department of Education as well as funds raised by the College. The grant placed temporary restrictions on the original amount, as well as one-half of the net appreciation (realized and unrealized) of the investments. In January 2012 as allowed by the grant the endowment was liquidated and transferred to the general assets of the College. The amounts are reported as unrestricted net assets of the College.

At June 30, 2011, the Endowment had net appreciation of \$1,825,364. The temporarily restricted amount is comprised of the original amount of \$1,500,000 plus one—half of the appreciation, \$912,684, for a total of \$2,412,684 included in restricted net assets. This is in compliance with SC Code of Laws Section 34-6-20, 34-6-30, and 34-6-60.

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

Foundation

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

	June 30, 2012	June 30, 2011
Scholarship Endowment	\$ 129,974	\$ 118,104
Other Programs	<u>57,667</u>	<u>60,475</u>
	<u>\$ 187,641</u>	<u>\$ 178,579</u>

The Foundation has permanently restricted net assets of \$188,016 and \$188,016 for the years ended June 30, 2012 and 2011, respectively. The net assets are invested and income from the investments is used for scholarships.

Note 14 – Long Term Liabilities

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

	<u>June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2012</u>	<u>Due within 1 year</u>
Accrued compensated absences and related benefits	<u>\$ 1,045,283</u>	<u>\$ 477,695</u>	<u>\$ 438,612</u>	<u>\$ 1,084,366</u>	<u>\$ 93,809</u>

Note 15 – Contingent Rentals

During the fiscal year ended June 30, 2012 and 2011, respectively, Orangeburg-Calhoun Technical College expended \$69,876 and \$70,485 to vendors on contingent rentals for copier and other equipment rentals, which is based upon the usage of the machine.

Note 16 – Operating Leases

The College is party to operating leases through the South Carolina State Fleet Management Division. The leases provide month-to-month use with a \$280 minimum per vehicle monthly payment with additional charges for excess mileage. During the fiscal year ended June 30, 2012, the College expended \$3,360 for minimum payments under the cancelable operating leases.

Note 17 – State Appropriations

State funds for operations for the South Carolina Technical College System are appropriated to the State Board for Technical and Comprehensive Education (the “Board”), and the Board allocates funds budgeted for technical colleges based upon an allocation formula subject to change year to year.

The following is a detail schedule of State appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2012 and 2011.

Non-Capital Appropriations	2012	2011
Per annual appropriations act	\$ 3,620,074	\$ 3,466,672
Lottery technology funds	67,157	101,014
Pathways	37,784	37,784
Nursing supplement	17,672	17,672
From Commission on higher education:		
Academic Endowment	75	86
Total recorded as current year revenue	<u>\$ 3,742,762</u>	<u>\$ 3,623,228</u>

Note 18 – Subsequent Events Review

Management has reviewed the activity of the College subsequent to year-end through September 26, 2012, the date the statements were available to be issued, for items of significance that would be required by professional standards to be disclosed in these statements. No items of significance were noted.

BROWN CPA, LLC

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

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

Our report on our audit of the basic financial statements of Orangeburg-Calhoun Technical College for the year ended June 30, 2012 and June 30, 2011 appears on page 1. That report was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole.

The summarized schedule of condensed financial information on the following page for the years ended June 30, 2012 and June 30, 2011 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BROWN CPA, L.L.C.

Irmo, South Carolina
September 26, 2012

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

	June 30, 2012	June 30, 2011	Increase Decrease
Charges for services	\$ 9,008,162	\$ 8,946,472	\$ 61,690
Operating grants and contributions	10,901,234	14,264,985	(3,363,751)
Capital grants and contributions	301,155	-	301,155
Less: expenses	<u>(24,832,547)</u>	<u>(26,017,052)</u>	<u>1,184,505</u>
Net program revenue (expenses)	(4,621,996)	(2,805,595)	(1,816,401)
Transfers:			
State appropriations	<u>3,742,761</u>	<u>3,623,228</u>	<u>119,533</u>
Change in net assets	(879,235)	817,633	(1,696,868)
Net assets			
Beginning of year	<u>27,011,074</u>	<u>26,193,441</u>	<u>817,633</u>
End of year	<u><u>\$ 26,131,839</u></u>	<u><u>\$ 27,011,074</u></u>	<u><u>\$ (879,235)</u></u>

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

See accompanying notes to the financial statements

BROWN CPA, LLC

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

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

As a part of the examination of the financial statements of Orangeburg-Calhoun Technical College as of and for the year ended June 30, 2012, we reviewed the administrative procedures and internal controls related to the State Lottery Tuition Assistance Program to determine that the College administered the program in accordance with State Law and Policy 3-2-307 and Procedure 3-2-307.1 of the State Board for Technical and Comprehensive Education.

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

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

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

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

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

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

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

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

BROWN CPA, L.L.C.

Irmo, South Carolina
September 26, 2012

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SINGLE AUDIT ACT REQUIREMENTS

ORANGEBURG-CALHOUN TECHNICAL COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2012

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Project Number/ Period	Balance June 30, 2011	Receipts	Expenditures	Balance June 30, 2012
Direct Programs:						
U.S. Department of Education						
Federal Supplemental Educational Opportunity Grants	84.007	6/30/2012	\$ -	\$ 98,209	\$ 136,078	\$ 37,869
Federal Supplemental Educational Opportunity Grants	84.007	6/30/2011	13,598	21,364	7,766	-
			<u>13,598</u>	<u>119,573</u>	<u>143,844</u>	<u>37,869</u>
Federal Work-Study Program	84.033	6/30/2012	-	133,555	156,813	23,258
Federal Work-Study Program	84.033	6/30/2011	30,414	32,248	1,834	-
			<u>30,414</u>	<u>165,803</u>	<u>158,647</u>	<u>23,258</u>
Federal Pell Grant Program	84.063	6/30/2012	-	11,315	12,235	920
Federal Pell Grant Program	84.063	6/30/2012	-	7,707,636	7,764,925	57,289
Federal Pell Grant Program	84.063	6/30/2011	83,429	68,700	(14,729)	-
			<u>83,429</u>	<u>7,787,651</u>	<u>7,762,431</u>	<u>58,209</u>
Federal Direct Loan (FDL)	84.268	6/30/2012	326,065	4,628,936	4,560,824	257,953
Total Student Financial Aid Cluster			<u>453,506</u>	<u>12,701,963</u>	<u>12,625,746</u>	<u>377,289</u>
Higher Education Institutional Aid (PBI)	84.031	9/28/2012	98,858	235,647	136,789	-
Higher Education Institutional Aid (PBI)	84.031	9/30/2012	-	47,478	92,361	44,883
			<u>98,858</u>	<u>283,125</u>	<u>229,150</u>	<u>44,883</u>
TRIO Student Support Services	84.042	8/31/2012	-	187,289	214,022	26,733
TRIO Student Support Services	84.042	8/31/2011	27,085	95,649	68,564	-
Total TRIO Student Support Services			<u>27,085</u>	<u>282,938</u>	<u>282,586</u>	<u>26,733</u>
Total U.S. Department of Education			<u>579,449</u>	<u>13,268,026</u>	<u>13,137,482</u>	<u>448,905</u>
National Science Foundation						
Education and Human Resources	47.076	6/15/2014	-	39,711	128,334	88,623
Education and Human Resources	47.076	7/31/2011	108,570	109,022	452	-
Total National Science Foundation			<u>108,570</u>	<u>148,733</u>	<u>128,786</u>	<u>88,623</u>
U.S. Nuclear Regulatory Commission						
U. S. Nuclear Regulatory Commission Nuclear Education Grant Program	77.006	3/31/2012	38,614	85,594	46,980	-
Total U.S. Nuclear Regulatory Commission			<u>38,614</u>	<u>85,594</u>	<u>46,980</u>	<u>-</u>
Total Direct Programs			<u>726,633</u>	<u>13,502,353</u>	<u>13,313,248</u>	<u>537,528</u>

ORANGEBURG-CALHOUN TECHNICAL COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2012

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Project Number/ Period	Balance June 30, 2011	Receipts	Expenditures	Balance June 30, 2012
Indirect Programs:						
National Science Foundation						
Passed through SC State University Education and Human Resources	47.076	7/31/2012	-	4,500	9,000	4,500
Total National Science Foundation			-	4,500	9,000	4,500
U.S. Department of Commerce						
Passed through SC State Board for Technical & Comp Ed ARRA - Broadband Technology Opportunities Program (BTOP)	11.557	1/31/2013	9,560	166,110	184,474	27,924
Total U.S. Department of Commerce			9,560	166,110	184,474	27,924
U.S. Department of Education						
Passed through South Carolina Department of Education						
Adult Education - Basic Grants to States	84.002	12EA410	72,849	126,742	97,848	43,955
Adult Education - Basic Grants to States	84.002	11EA410-02	-	-	13,984	13,984
Adult Education - Basic Grants to States	84.002	12EA410-02	-	-	10,000	10,000
Career and Technical Education - Basic Grants to States	84.048	12VA410	78,746	193,598	178,216	63,364
			151,595	320,340	300,048	131,303
Passed through SC State Board for Technical & Comp Ed ARRA - State Fiscal Stabilization Fund (SFSF) Education State Grants Recovery Act	84.394	6/30/2011	74,183	74,183	-	-
Total U.S. Department of Education			225,778	394,523	300,048	131,303
U.S. Department of Health and Human Resources						
Passed through First Steps of South Carolina Child Care and Development Block Grant	93.575	6/30/2012	(3,957)	8,000	2,997	(8,960)
Passed through SC State Board for Technical & Comp Ed ARRA - Child Care and Development Block Grant	93.713	6/30/2012	(1,435)	-	1,435	-
Total U.S. Department of Health and Human Services			(5,392)	8,000	4,432	(8,960)

ORANGEBURG-CALHOUN TECHNICAL COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2012

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Project Number/ Period	Balance June 30, 2011	Receipts	Expenditures	Balance June 30, 2012
U.S. Department of Labor						
Passed through MDC (a nonprofit in North Carolina) ARRA - Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	17.275	1/31/2013	56,220	240,506	453,483	269,197
Passed through Florence-Darlington Technical College Trade Adjustment Assistance Community College and Career Training (TAACCCT)	17.282	9/30/2012	-	55,348	73,348	18,000
Total U.S. Department of Labor			56,220	295,854	526,831	287,197
National Aeronautical Space Administration						
Passed through Claflin University	43.RD	12/31/2012	3,883	3,883	19,436	19,436
Total National Aeronautical Space Administration						
Total Indirect Programs			290,049	872,870	1,044,221	461,400
Total Federal Awards			\$ 1,016,682	\$ 14,375,223	\$ 14,357,469	\$ 998,928

1. Description

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

2. Summary of Significant Accounting Policies

The financial activity shown on the Schedule of Expenditures of Federal Awards reflects amounts recorded by Orangeburg-Calhoun Technical College during its fiscal year, July 1, 2011 through June 30, 2012, and, accordingly, does not include a full year's financial activity for grants awarded or terminated on dates not coinciding with the College's fiscal year. The College reports these on the accrual basis of accounting.

3. Federal Loan Programs

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

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

Department of Education CFDA # 84.268	
Subsidized	\$2,953,904
Unsubsidized	1,606,920
	<hr/>
	\$4,560,824
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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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

We have audited the accompanying basic financial statements of Orangeburg-Calhoun Technical College (the "College") as of and for the year ended June 30, 2012, and have issued our report thereon dated September 26, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the College is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

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

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

BROWN CPA, L.L.C.

Irmo, South Carolina

September 26, 2012

BROWN CPA, LLC

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

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

Compliance

We have audited Orangeburg-Calhoun Technical College (the “College”) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Orangeburg-Calhoun Technical College’s major federal programs for the year ended June 30, 2012. Orangeburg-Calhoun Technical College’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Orangeburg-Calhoun Technical College’s management. Our responsibility is to express an opinion on Orangeburg-Calhoun Technical College’s compliance based on our audit.

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

In our opinion, Orangeburg-Calhoun Technical College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

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

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

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

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

BROWN CPA, L.L.C.

Irmo, South Carolina

September 26, 2012

Summary of Auditor's Results:

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

Federal Supplemental Educational Opportunity Grant	CFDA #84.007
Federal Work-study	CFDA #84.033
Pell Grants	CFDA #84.063
Federal Direct Loan	CFDA #84.268
ARRA – Broadband Technology Opportunities Program (BTOP)	CFDA #11.557
ARRA – Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	CFDA #17.275
8. The threshold for distinguishing between Type A and Type B Programs was \$300,000 for the year ended June 30, 2012.
9. Orangeburg-Calhoun Technical College qualified to be a low risk auditee.

Financial Statement Findings: None.

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

Summary of Prior Year Findings from 2011 Audit:

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