



Orangeburg-Calhoun Technical College
Financial Statements with Independent Auditor's Report
For the years ended June 30, 2013 and 2012

 Ctech.edu

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Orangeburg-Calhoun Technical College

Organizational Data

June 30, 2013

Area Commission Members and Officers *

Orangeburg County	Calhoun County
Chairman John Shuler – June 2016	Fred Gantt – July 2016
Lawrence Weathers – July 2015	David Rickenbaker – July 2011
Jacqueline Shaw – July 2015	
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
Kim Huff, CPA, Vice President for Business Affairs
Sandra Davis, Ph. D., Vice President for Student Services

Areas Served By Commission

Orangeburg and Calhoun Counties

Location

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

Audit Period

July 1, 2012 – June 30, 2013

* 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

Report on Financial Statements

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, 2013 and June 30, 2012, and the related notes to the financial statements, which collectively comprise the College's financial statements as listed in the table of contents.

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, 2013 and June 30, 2012, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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 from material misstatement.

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

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

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

Opinions

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, 2013 and June 30, 2012, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 – 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise Orangeburg-Calhoun Technical College's basic financial statements. The schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is also not a required part of the financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2013, 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.

BROWN CPA, L.L.C.

Irmo, South Carolina
September 25, 2013

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, 2013, and June 30, 2012. 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 (\$28,592,417) of Orangeburg-Calhoun Technical College exceeded its liabilities (\$2,199,384) at June 30, 2013, by \$26,393,033 (net position). Of this amount, \$10,464,989 is unrestricted and may be used to meet the College's ongoing obligations.
- The College experienced an operating loss of \$15,891,089 during the fiscal year ended June 30, 2013, as reported in the Statement of Revenues, Expenses, and Changes in Net Position. However, this operating loss was offset by federal and state grants of \$8,823,871, state appropriations of \$4,163,935, local appropriations of \$1,379,949, interest income of \$24,269, and other non-operating revenues. The overall increase in the College's net position during the year was \$261,194 or 1%.

Overview of the Financial Statements

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

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

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

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

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

Financial Analysis

Net position may serve over time as a useful indicator of an entity's financial position. In the case of the College, assets exceeded liabilities by \$26,393,033 at the close of the most recent fiscal year. This represents an increase of \$261,194 over last year's amount of \$26,131,839.

Over half of the College's net position (60%) 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.

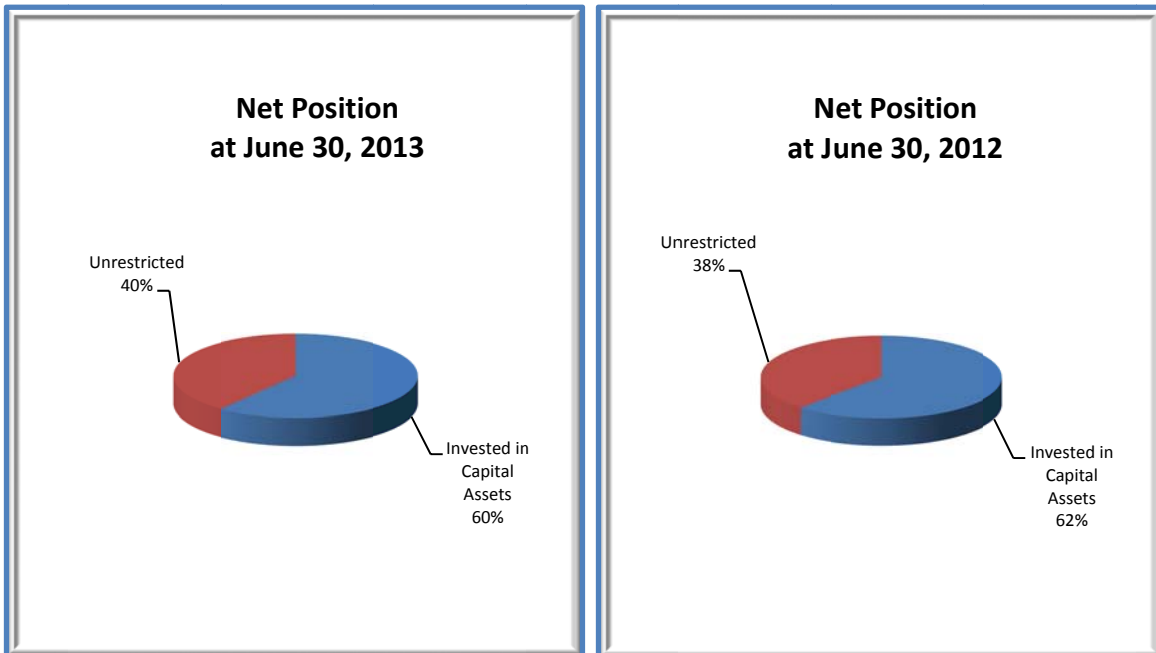
The remaining 40% of the College's net position is unrestricted and may be used to meet the College's ongoing obligations. The area commission has designated a portion of these funds for capital projects.

Charts and graphs follow that present specific areas of the College's financial condition on June 30, 2013 and June 30, 2012.

Orangeburg-Calhoun Technical College
Net Position
As of June 30, 2013 and June 30, 2012

	<u>2013</u>	<u>2012</u>
Current Assets	\$12,637,373	\$11,905,907
Non-Current Assets		
Capital Assets, Net of Depreciation	15,928,044	16,133,359
Accounts Receivable, Net	<u>27,000</u>	<u>35,373</u>
Total Assets	<u>28,592,417</u>	<u>28,074,639</u>
Current Liabilities	1,185,624	952,243
Non-Current Liabilities- Compensated Absences	<u>1,013,760</u>	<u>990,557</u>
Total Liabilities	<u>2,199,384</u>	<u>1,942,800</u>
Net Position		
Investment in Capital Assets, Net of Related Debt	15,928,044	16,133,359
Unrestricted	<u>10,464,989</u>	<u>9,998,480</u>
Total Net Position	<u>\$26,393,033</u>	<u>\$ 26,131,839</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 Position
For the Years Ended

	June 30, 2013	June 30, 2012	Increase (Decrease)	Percent Change
Operating				
Operating Revenue				
Tuition and Fees	\$4,839,540	\$4,724,388	\$115,152	2.44%
Federal and State Grants	3,601,442	3,556,193	45,249	1.27%
Auxiliary	670,282	727,581	(57,299)	-7.88%
Other	21,589	104,454	(82,865)	-79.33%
Total Operating Revenue	9,132,853	9,112,616	20,237	0.22%
Less: Operating Expenses	(25,023,942)	(24,832,547)	(191,395)	0.77%
Total Operating Income (Loss)	(15,891,089)	(15,719,931)	(171,158)	1.09%
Non-Operating				
State Appropriations	4,163,935	3,742,761	421,174	11.25%
Orangeburg County	1,061,949	1,061,948	1	0.00%
Calhoun County	318,000	313,000	5,000	1.60%
Federal and State Grants	8,823,871	8,686,623	137,248	1.58%
Investment Income	0	(27,338)	27,338	-100.00%
Interest Income	24,269	30,399	(6,130)	-20.17%
Other	697,481	732,148	(34,667)	-4.73%
Total Non-Operating	15,089,505	14,539,541	549,964	3.78%
Net Income (Loss) Before Other Revenue, Expenses, Gains, or Losses	(801,584)	(1,180,390)	378,806	-32.09%
Other Revenue, Expenses, Gains, or Losses				
State Capital Appropriations	500,000	301,155	198,845	0.00%
Transfer from Other State Agencies	562,778	0	562,778	0.00%
Total Capital Contributions	1,062,778	301,155	198,845	-100.00%
Increase in Net Position	261,194	(879,235)	1,140,429	0.00%
Net Position, Beg of Year	26,131,839	27,011,074	(879,235)	-3.26%
Net Position, End of Year	\$26,393,033	\$26,131,839	\$261,194	1.00%

Operating revenues as of June 30, 2013 increased by \$20,237 over the previous fiscal year. Tuition revenue shows an increase of \$115,152 over the prior year and auxiliary shows a decrease of \$57,299. The amounts for tuition and auxiliary are not reported as gross revenues. They are shown as a net amount, after a deduction has been made for the amount covered by scholarships. There was also an increase in federal and state operating grants of \$45,249 compared to last fiscal year.

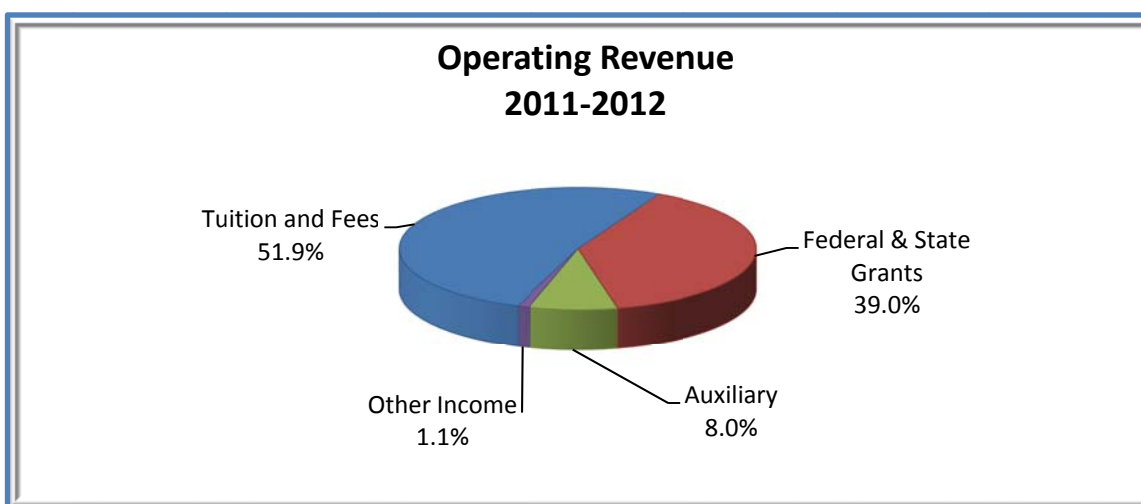
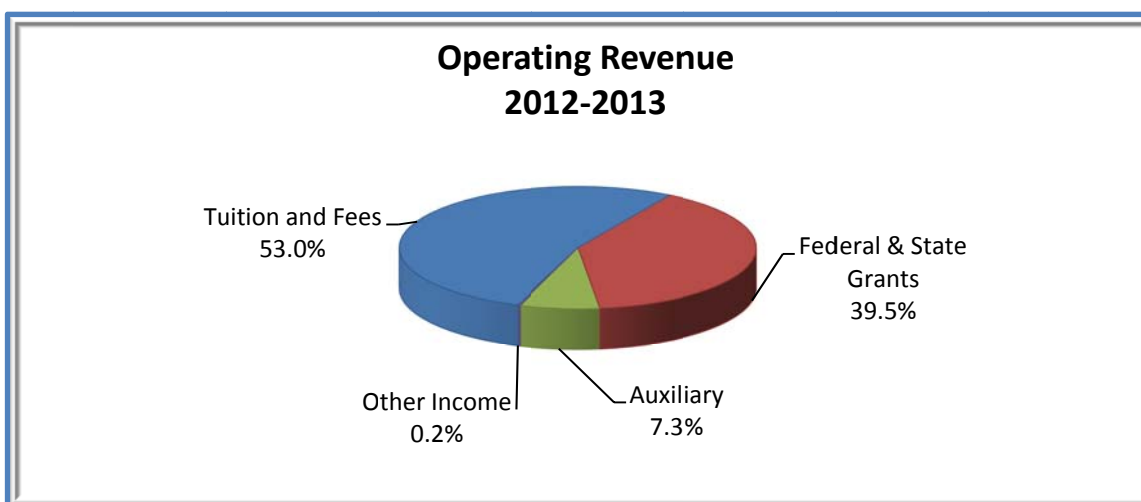
Operating expenses as of June 30, 2013, increased by \$191,395 over the same period in the previous fiscal year. Major factors contributing to this overall increase were an increase in salaries of \$423,999, an increase in benefits of \$222,987, and an increase in depreciation

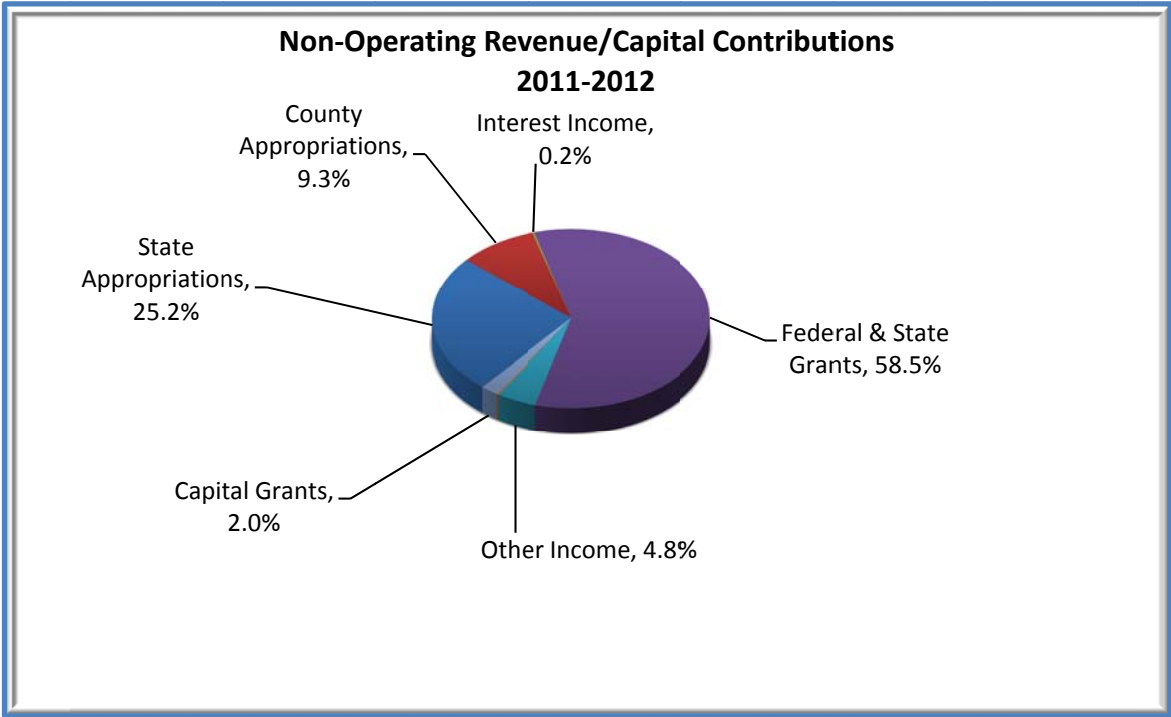
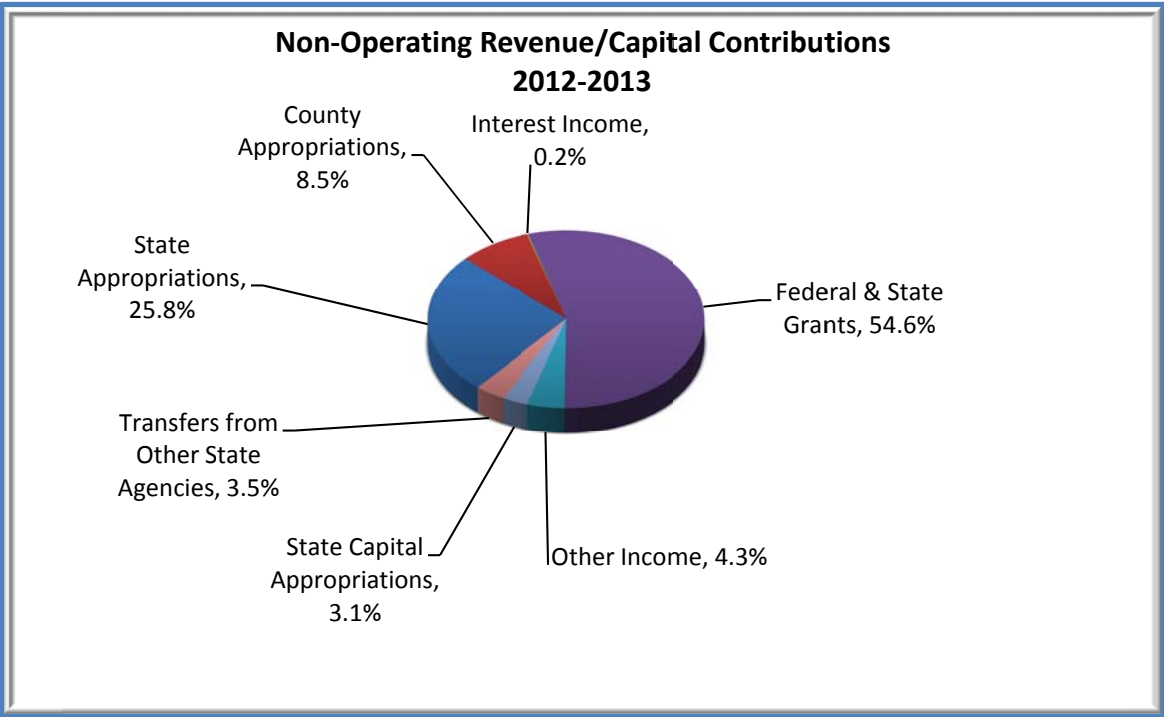
expense of \$51,163. There was a decrease in supplies and other services of \$459,648, a decrease of \$47,817 in scholarships, and a slight increase in utilities of \$711.

Non-operating revenues increased from last fiscal year to the current year by \$549,964. There was an increase in federal and state non-operating grants of \$137,248 and an increase in state appropriations of \$421,174. Orangeburg County funding basically remained unchanged, while Calhoun County funding increased \$5,000. Other areas netted to a decrease of \$13,458.

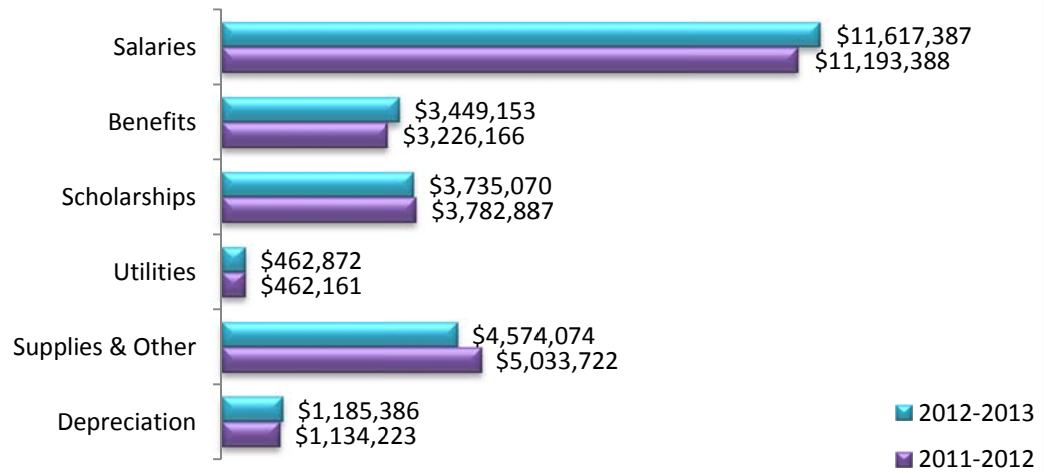
The college received state capital appropriations from the state in the amount of \$500,000 during fiscal year 2012-13. The college also received equipment and supplies totaling \$562,778 from another technical college through a federal grant.

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.

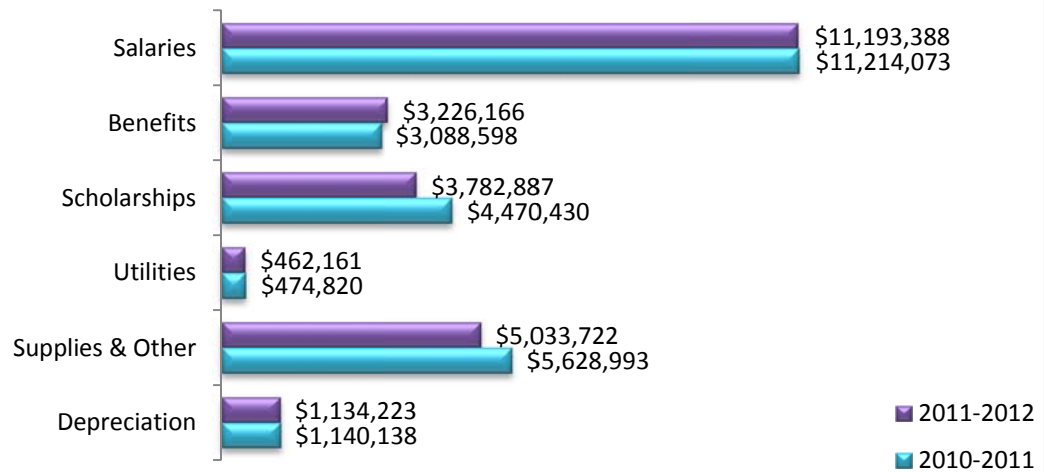




Operating Expenses (By Natural Classification)



Operating Expenses (By Natural Classification)



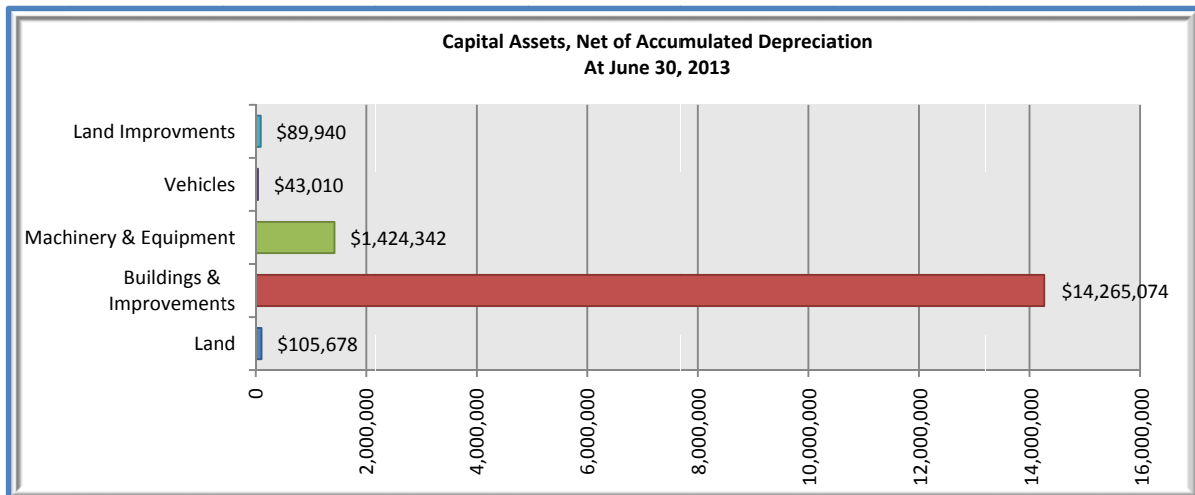
Orangeburg-Calhoun Technical College
Cash Flows
For the Years Ended
June 30, 2013 and June 30, 2012

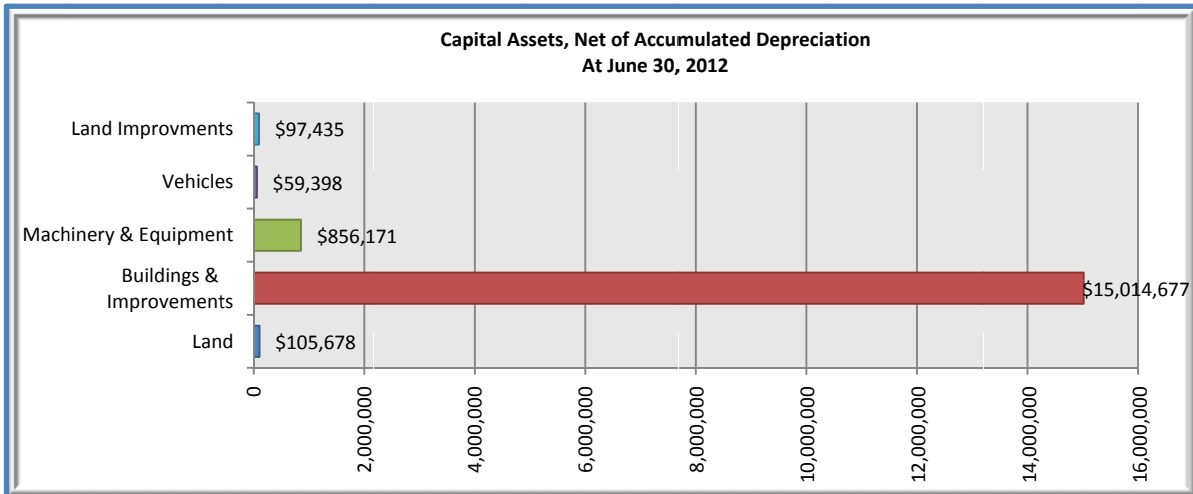
	2013	2012
Cash Flows from Operating Activities	\$(14,083,775)	\$(14,522,232)
Cash Flows from Non-Capital Financing Activities	15,087,667	14,619,330
Cash Flows from Capital and Related Financing Activities	67,475	(122,639)
Cash Flows from Investing Activities	<u> </u>	<u>7,352,702</u>
Net Increase (Decrease) in Cash	1,071,367	7,327,161
Cash – Beginning of Year	<u>9,960,659</u>	<u>2,633,498</u>
Cash – End of Year	<u>\$11,032,026</u>	<u>\$9,960,659</u>

Capital Asset and Debt Administration

The College undertook a number of small projects during fiscal year 2012-13 including the following: replacement of an HVAC unit in one building, updating a lab for use by the industrial division, creating a new lab for the new physical therapy assistant program, upgrading the phone system to a VOIP system, as well as numerous other small projects. The college also added some much needed equipment in many instructional areas. The college used \$500,000 of state capital appropriation funds to purchase instructional equipment in the industrial division. The balance of projects and equipment purchases were made with local funds.

The College has no long-term debt as of June 30, 2013.





Economic Factors

The college continues to experience little increases in funding from the State of South Carolina following the drastic reductions over the past several years. State funds are primarily allocated for personnel expenditures, but local funds and tuition are also needed to cover the balance of these personnel costs as well as the other costs of the institution.

Orangeburg County significantly reduced its funding over the past few years as well. County funds are used to cover physical plant operations. The county funding remained at the reduced amount for 2012-13 and is expected to remain constant for 2013-14 as well.

The college has pursued other funding sources to continue to offer the services expected. 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 during the 2012-13 fiscal year.

The college continues to carefully monitor its spending and has undertaken a number of cost cutting measures. The college considers tuition increases in small increments periodically that are not detrimental to students. Normally these increases occur in the fall each year. The college carefully considers the additional burdens any tuition increase places on the students, but it must also weigh this against the need to provide the services expected.

ORANGEBURG-CALHOUN TECHNICAL COLLEGE
STATEMENT OF NET POSITION

	June 30, 2013	June 30, 2012
Assets		
Current assets		
Cash and equivalents	\$ 11,032,026	\$ 9,960,659
Accounts receivable, net	1,213,226	1,623,381
Inventories	245,675	238,367
Due from component unit	100,226	25,509
Prepaid expenses	41,796	53,566
Other assets	4,424	4,425
Total current assets	12,637,373	11,905,907
Noncurrent assets		
Accounts receivable, net	27,000	35,373
Capital assets, net	15,928,044	16,133,359
Total noncurrent assets	15,955,044	16,168,732
 Total assets	 28,592,417	 28,074,639
 Liabilities		
Current liabilities		
Accounts payable	278,028	120,310
Accrued payroll and related liabilities	233,124	204,121
Compensated absences	86,082	93,809
Unearned revenue	588,390	534,003
Total current liabilities	1,185,624	952,243
Noncurrent liabilities		
Compensated absences	1,013,760	990,557
Total noncurrent liabilities	1,013,760	990,557
 Total liabilities	 2,199,384	 1,942,800
 Net position		
Invested in capital assets	15,928,044	16,133,359
Unrestricted	10,464,989	9,998,480
Total net position	\$ 26,393,033	\$ 26,131,839

See accompanying notes to the financial statements

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

	June 30, 2013	June 30, 2012
Operating Revenue		
Student tuition and fees (net of scholarship allowances of \$5,953,214 for 2013 and \$5,812,753 for 2012)	\$ 4,839,540	\$ 4,724,388
Federal grants and contracts	927,949	901,079
Federal grants and contracts, American Recovery & Reinvestment Act	20,441	453,483
State grants and contracts	2,653,052	2,201,631
Auxiliary enterprises (net of scholarship allowances of \$1,026,125 for 2013 and \$1,070,940 for 2012)	670,282	727,581
Other operating income	21,589	104,454
Total operating revenue	9,132,853	9,112,616
Operating Expenses		
Salaries	11,617,387	11,193,388
Benefits	3,449,153	3,226,166
Scholarships	3,735,070	3,782,887
Utilities	462,872	462,161
Supplies and other services	4,574,074	5,033,722
Depreciation	1,185,386	1,134,223
	25,023,942	24,832,547
Operating loss	(15,891,089)	(15,719,931)
Nonoperating Revenue (Expenses)		
State appropriations	4,163,935	3,742,761
County appropriations	1,379,949	1,374,948
Federal grants and contracts	8,546,181	8,256,174
Federal grants and contracts, American Recovery & Reinvestment Act	15,652	185,909
State grants and contracts	262,038	244,540
Other nonoperating revenue	697,481	737,486
Investment income (loss)	-	(27,338)
Interest income	24,269	30,399
Gain (loss) on disposal of assets	-	(5,338)
Total nonoperating revenue	15,089,505	14,539,541
Income (loss) before contributions and transfers	(801,584)	(1,180,390)
State capital appropriations	500,000	301,155
Transfer from State Agency	562,778	-
Change in net position	261,194	(879,235)
Net Position		
Beginning of year	26,131,839	27,011,074
End of year	\$ 26,393,033	\$ 26,131,839

See accompanying notes to the financial statements

ORANGEBURG-CALHOUN TECHNICAL COLLEGE
STATEMENT OF CASH FLOWS

	June 30, 2013	June 30, 2012
Cash flows from operating activities		
Tuition and fees (net of scholarship allowances)	\$ 4,860,110	\$ 4,714,786
Federal, State and local grants and contracts	3,730,364	4,013,326
Auxiliary enterprise charges (net of scholarship allowances)	670,282	727,581
Other receipts	266,644	(183,475)
Payments to suppliers	(4,854,118)	(5,608,008)
Payments to employees	(11,609,032)	(11,224,802)
Payment for benefits	(3,412,955)	(3,178,753)
Payments to students	(3,735,070)	(3,782,887)
Student loan receipts from lenders	4,536,952	4,604,409
Disbursements to or on behalf of student borrowers	(4,536,952)	(4,604,409)
Net cash used in operating activities	(14,083,775)	(14,522,232)
Cash flows from noncapital financing activities		
State appropriations	4,004,458	3,820,273
County appropriations	1,379,949	1,374,948
State, local and federal grants and contracts - nonoperating	8,823,871	8,686,623
Other income - nonoperating	879,389	737,486
Net cash provided by noncapital financing activities	15,087,667	14,619,330
Cash flows from capital and related financing activities		
State capital grant	500,000	301,155
Purchase of capital assets	(432,525)	(423,794)
Net cash used in capital and related financing activities	67,475	(122,639)
Cash flows from investing activities		
Proceeds from sales and maturities of investments	-	7,362,551
Interest on investments	-	(9,849)
Net cash (used in) provided by investing activities	-	7,352,702
Net increase in cash	1,071,367	7,327,161
Cash and cash equivalents		
Beginning of year	9,960,659	2,633,498
End of year	\$ 11,032,026	\$ 9,960,659

See accompanying notes to the financial statements

ORANGEBURG-CALHOUN TECHNICAL COLLEGE
STATEMENT OF CASH FLOWS

	June 30, 2013	June 30, 2012
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (15,891,089)	\$ (15,719,931)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	1,185,386	1,134,223
Provision for bad debts	85,736	67,177
Loss on sale of capital assets	-	5,338
Changes in assets and liabilities:		
Receivables, net	332,792	354,757
Inventories	(7,308)	(77,949)
Interest receivable	-	6,788
Due from component unit	(74,717)	(24,898)
Deferred charges and prepaid expenses	11,770	14,541
Accounts and other payables	157,718	(56,846)
Accrued payroll and related liabilities	29,003	2,534
Compensated absences	15,476	39,083
Unearned revenue	71,458	(267,049)
Net cash used in operating activities	<u>\$ (14,083,775)</u>	<u>\$ (14,522,232)</u>
Supplemental Information		
Changes in fair value of external investment pool	<u>\$ -</u>	<u>\$ 27,338</u>
Equipment transferred from other State Agency	<u>\$ 547,545</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, 2013	June 30, 2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 532,226	\$ 543,028
Accounts receivable	101,187	1,641
Contributions Receivable	72,490	72,148
Investments - general	715,850	690,342
Assets held for sale	14,000	14,000
Total current assets	<u>1,435,753</u>	<u>1,321,159</u>
Noncurrent assets		
Contributions receivable	141,542	186,789
Equipment	-	-
Investments - endowment	220,399	208,519
Total noncurrent assets	<u>361,941</u>	<u>395,308</u>
Total assets	<u>\$ 1,797,694</u>	<u>\$ 1,716,467</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 373	\$ 88
Due to the college	100,226	25,509
	<u>100,599</u>	<u>25,597</u>
Total liabilities	<u>100,599</u>	<u>25,597</u>
Net assets		
Unrestricted		
Board designated	264,420	330,036
Unrestricted	1,044,336	985,177
Total unrestricted	<u>1,308,756</u>	<u>1,315,213</u>
Temporarily restricted	199,823	187,641
Permanently restricted	188,516	188,016
Total net assets	<u>1,697,095</u>	<u>1,690,870</u>
Total liabilities and net assets	<u>\$ 1,797,694</u>	<u>\$ 1,716,467</u>

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, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenues				
Contributions	\$ 10,058	\$ 210,164	\$ 500	\$ 220,722
Contributions scholarships	-	15,177	-	15,177
Total support other than event income	<u>10,058</u>	<u>225,341</u>	<u>500</u>	<u>235,899</u>
Event income	92,214	-	-	92,214
Direct event expenses	<u>(19,931)</u>	-	-	<u>(19,931)</u>
Net support from events	<u>72,283</u>	<u>-</u>	<u>-</u>	<u>72,283</u>
Interest and dividends	28,861	6,583	-	35,444
Net realized gain from investments	31,338	-	-	31,338
Net unrealized gain from investments	9,384	10,775	-	20,159
Other income	6,455	-	-	6,455
Total revenues, gains, and other support	<u>158,379</u>	<u>242,699</u>	<u>500</u>	<u>401,578</u>
Net assets released from:				
Program restrictions - Nonscholarships	217,363	(217,363)	-	-
Program restrictions - Scholarships	<u>13,154</u>	<u>(13,154)</u>	-	<u>-</u>
Total revenues, gains, and other support	<u>388,896</u>	<u>12,182</u>	<u>500</u>	<u>401,578</u>
Expenses				
Program services				
Scholarships	93,728	-	-	93,728
Faculty support	211,000	-	-	211,000
Other program services	<u>36,449</u>	<u>-</u>	<u>-</u>	<u>36,449</u>
Total program services	<u>341,177</u>	<u>-</u>	<u>-</u>	<u>341,177</u>
Support Services				
Management and general	51,809	-	-	51,809
Fund-raising expenses	<u>2,367</u>	<u>-</u>	<u>-</u>	<u>2,367</u>
Total support services	<u>54,176</u>	<u>-</u>	<u>-</u>	<u>54,176</u>
Total expenses	<u>395,353</u>	<u>-</u>	<u>-</u>	<u>395,353</u>
Change in net assets	(6,457)	12,182	500	6,225
Net assets beginning of year	<u>-</u>	<u>187,641</u>	<u>188,016</u>	<u>375,657</u>
Net assets at end of year	<u>\$ (6,457)</u>	<u>\$ 199,823</u>	<u>\$ 188,516</u>	<u>\$ 381,882</u>

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

Note 1 – Summary of Significant Accounting Policies

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

Nature of Operations

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

Reporting Entity

The core of the financial reporting entity is the primary government which has a separately 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 position, revenues, expenses and changes in net position and cash flows.

Basis of Accounting

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

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

Statement of Activities as a simultaneous increase and decrease in the classes of net assets thereby as a release from restrictions.

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 position.

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

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

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

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

Orangeburg-Calhoun Technical College

Notes to Financial Statements

June 30, 2013

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, 2013	June 30, 2012
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 position and as a component of salary and benefit expenses in the statement of revenue, expense, and changes in net position.

Net Position

The College's net position is classified as follows:

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 position – expendable: Restricted expendable net position 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 position – nonexpendable: Nonexpendable restricted net position 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 position: Unrestricted net position 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, 2013 a total of \$11,391,743 was on deposit with local institutions in the name of the College and were fully insured or collateralized by securities held in the College's name. The College did not recognize any losses due to default by counterparties relating to depository relationships.

At June 30, 2013 a total of \$556,451 was on deposit with local institutions in the name of the Foundation and were fully insured or collateralized by securities held in the Foundation's name. The Foundation did not recognize any losses due to default by counterparties relating to depository relationships.

Investments

For the years ended June 30, 2013 and 2012 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, 2013

The Foundation's investments included the following pools:

	June 30, 2013		June 30, 2012	
	Cost	Fair Value	Cost	Fair Value
Scholarship Endowment	\$ 197,712	\$ 220,399	\$ 197,880	\$ 208,519
Term Endowment	631,802	715,850	614,406	690,342
Total	<u>\$ 829,514</u>	<u>\$ 936,249</u>	<u>\$ 812,286</u>	<u>\$ 898,861</u>

Securities held by the pool as of June 30, 2013 include the following:

	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Money market	\$ 29,573	\$ —	\$ —	\$ 29,573
Equity funds	475,808	110,526	(228)	586,106
Mutual bond funds	324,133	1,323	(4,886)	320,570
General Investments	<u>\$ 829,514</u>	<u>\$ 111,849</u>	<u>\$ (5,114)</u>	<u>\$ 936,249</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	467,084	86,315	(1,924)	551,475
Mutual bond funds	336,725	2,367	(183)	338,909
General Investments	<u>\$ 812,286</u>	<u>\$ 88,682</u>	<u>\$ (2,107)</u>	<u>\$ 898,861</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.

Interest Rate Risk

Orangeburg-Calhoun Technical College
Notes to Financial Statements
June 30, 2013

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 Position to the footnote disclosures provided for deposits and investments:

Statement of net position	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Cash and cash equivalents	\$ 11,032,026	\$ 9,960,659
Investments	—	—
Total College	<u>11,032,026</u>	<u>9,960,659</u>
Statement of financial position		
Current assets:		
Cash and cash equivalents	532,226	543,028
Investments	715,850	690,342
Noncurrent assets:		
Investments	<u>220,399</u>	<u>208,519</u>
Total component unit	<u>1,468,475</u>	<u>1,441,889</u>
Total reporting entity	<u>\$ 12,500,501</u>	<u>\$ 11,402,548</u>
Note disclosure		
Cash on hand	\$ 2,080	\$ 2,080
Deposits with banks	<u>11,029,941</u>	<u>9,958,579</u>
Total College	<u>11,032,026</u>	<u>9,960,659</u>
Deposits with banks	532,226	543,028
Investments	<u>936,249</u>	<u>898,861</u>
Total component unit	<u>1,468,475</u>	<u>1,441,889</u>
Total reporting entity	<u>\$ 12,500,501</u>	<u>\$ 11,402,548</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, 2013 and June 30, 2012, the value of the external investment pool was \$0 and \$0, 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, 2013
Student accounts	\$ 285,419	\$ 1,015,000	\$ 1,300,419
Federal government	406,850	—	406,850
State agencies	698,107	—	698,107
Other	5,850	—	5,850
	<u>1,396,226</u>	<u>1,015,000</u>	<u>2,411,226</u>
Less, allowance for uncollectible	<u>(183,000)</u>	<u>(988,000)</u>	<u>(1,171,000)</u>
Net accounts receivable	<u>\$ 1,213,226</u>	<u>\$ 27,000</u>	<u>\$ 1,240,226</u>

	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	<u>(178,653)</u>	<u>(909,347)</u>	<u>(1,088,000)</u>
Net accounts receivable	<u>\$ 1,623,381</u>	<u>\$ 35,373</u>	<u>\$ 1,658,754</u>

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

Contributions Receivable

At June 30, 2013, the Foundation had recognized unconditional promises to give as contributions receivable, which are due to be collected as follows:

Orangeburg-Calhoun Technical College
Notes to Financial Statements
June 30, 2013

	June 30, 2013	June 30, 2012
Unconditional promises to give	\$ 223,232	\$ 272,889
Less unamortized discount	<u>(9,200)</u>	<u>(13,952)</u>
	214,032	258,937
Less, allowance for uncollectible pledges	—	—
Net unconditional promises to give	<u>\$ 214,032</u>	<u>\$ 258,937</u>

	June 30, 2013	June 30, 2012
Amounts due in:		
Less than one year	\$ 72,490	\$ 72,148
One to five years	141,542	186,789
Total	<u>\$ 214,032</u>	<u>\$ 258,937</u>

Note 5 – Capital Assets

	Balance June 30, 2012	Increases	Decreases	Balance June 30, 2013
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	3,710,235	980,071	(88,262)	4,602,044
Vehicles	387,997	-	(86,852)	301,145
Depreciable land improvements	797,950	-	-	797,950
Intangibles	207,000	-	-	207,000
Total other capital assets	<u>32,374,464</u>	<u>980,071</u>	<u>(175,114)</u>	<u>33,179,421</u>
Less, accumulated depreciation for:				
Building and improvements	(12,256,605)	(749,603)	-	(13,006,208)
Machinery, equipment and other	(2,854,064)	(411,900)	88,262	(3,177,702)
Vehicles	(328,599)	(16,388)	86,852	(258,135)
Depreciable land improvements	(700,515)	(7,495)	-	(708,010)
Intangibles	(207,000)	-	-	(207,000)
Total accumulated depreciation	<u>(16,346,783)</u>	<u>(1,185,386)</u>	<u>175,114</u>	<u>(17,357,055)</u>
Other capital assets, net	<u>16,027,681</u>	<u>(205,315)</u>	<u>-</u>	<u>15,822,366</u>
Capital assets, net	<u>\$ 16,133,359</u>	<u>\$ (205,315)</u>	<u>\$ -</u>	<u>\$ 15,928,044</u>

Orangeburg-Calhoun Technical College
Notes to Financial Statements
June 30, 2013

	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	207,000	-	-	207,000
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	(207,000)	-	-	(207,000)
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>

During fiscal year 2010 the College completed the construction of a new classroom and training building, which houses new and existing academic programs related to the transportation and logistics industry. The college received a federal grant from the US Department of Commerce in the amount of \$1,500,000 and state funds of \$200,000 to be used towards construction costs. As part of the grant from the US Department of Commerce the College has granted the Federal Government a 20 year encumbrance on the land that the building was constructed. Should the College use the building for the purpose for which it was constructed the encumbrance will be removed in 2030. The terms of the agreement allow for the US Department of Commerce to seek certain remedies should the College not use the building as intended including but not limited to the repayment of 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, 2013 and June 30, 2012, respectively.

Note 6 – Pension Plan and Other Employee Benefits

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

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

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

Disability annuity benefits are payable to Class II members if they have permanent incapacity to perform regular duties of the member's job and they have at least 5 years of earned service (this requirement does not apply if the disability is a result of a job related injury). Class III members qualify for disability annuity benefits provided they have a minimum of eight years of credited service. An incidental death benefit equal to an employee's annual rate of compensation is payable upon the death of an active employee with a minimum of one year of credited service or

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

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years.

Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not earn service credit, and are ineligible to receive group life insurance benefits or disability retirement benefits. The TERI program will end effective June 30, 2018.

South Carolina Retirement System

Effective July 1, 2012, employees participating in the SCRS were required to contribute 7.00% of all earnable compensation. The employer contribution rate for SCRS was 15.15%. Included in the total SCRS employer contribution rate is a base retirement contribution of 10.45%, .15% for the incidental death program and a 4.55% surcharge that will fund retiree health and dental insurance coverage. Employer contributions for State ORP include a 5.45% employer retirement contribution, 4.55% retiree insurance surcharge and .15% incidental death program. The College's actual retirement and incidental death program contributions to the SCRS for the years ended June 30, 2013 and 2012 and 2011, respectively were:

<u>Fiscal Year</u> <u>Ended</u>	<u>Retirement</u>		<u>Incidental Death</u>	
	<u>Rate</u>	<u>Contribution</u>	<u>Rate</u>	<u>Contribution</u>
2013	10.450%	\$ 1,030,802	.15%	\$ 14,796
2012	9.385%	\$ 890,111	.15%	\$ 14,226
2011	9.240%	\$ 874,915	.15%	\$ 14,203

Police Officers Retirement System

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple employer defined benefit public employee retirement system. Generally, all full-time employees whose principal duties are the preservation of public order or the protection or prevention and control of property destruction by fire are required to participate in and contribute to PORS as a condition of employment. This plan provides lifetime monthly annuity benefits as well as disability, survivor benefits and incidental 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.

Under the PORS, Class II members are eligible for a full service retirement annuity upon reaching age 55 or completion of 25 years of credited service regardless of age. Class III members are eligible for a full service retirement annuity upon reaching age 55 or 27 years of credited service. The benefit formula for full benefits effective since July 1, 1989 for the SCRS is 2.14 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay for unused annual leave. For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. PORS does not have an early retirement option. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

Effective July 1, 2012, employees participating in the PORS were required to contribute 7.00% of all earnable compensation. The employer contribution rate for PORS was 16.85%. Included in the total PORS employer contribution rate is a base retirement contribution of 11.90%, .20% for the incidental death program, .20% for the accidental death program, and a 4.55% surcharge that will fund retiree health and dental insurance coverage. The College's actual retirement, incidental death program and accidental death program contributions to the PORS for the years ended June 30, 2013 and 2012 and 2011, respectively were:

<u>Fiscal</u> <u>Year</u>	<u>Retirement</u>		<u>Incidental Death</u>		<u>Accidental Death</u>	
	<u>Rate</u>	<u>Contribution</u>	<u>Rate</u>	<u>Contribution</u>	<u>Rate</u>	<u>Contribution</u>
2013	11.900%	\$ 23,023	0.20%	\$ 387	0.20%	\$ 387
2012	11.360%	\$ 20,229	0.20%	\$ 356	0.20%	\$ 356
2011	11.130%	\$ 17,896	0.20%	\$ 322	0.20%	\$ 322

Optional Retirement System

As an alternative to membership to SCRS, newly hired State and school district employees may elect to participate in the State Optional Retirement Program (ORP), a defined contribution plan. The ORP was established in 1987 under Title 9, Chapter 20, of the South Carolina Code of Laws. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. The State assumes no liability for State ORP plan other than for payment of contributions to designated companies. To elect participation in the ORP, eligible employees must elect membership within their first 30 days of employment. Under State law, contributions to the ORP are required at the same rates as for the SCRS, 10.60% plus the retiree surcharge of 4.55% from the employer in fiscal year 2013. Of the 10.60% employer retirement contribution rate, the employer remits 5.00% directly to the participant's ORP account and the remaining 5.45% and .15% incidental death program contribution amounts are remitted to SCRS.

For fiscal year 2013 and 2012, total contributions requirements to the ORP were approximately \$57,699 and \$46,884, respectively, (excluding the surcharge) from the College as employer and approximately \$38,650 and \$32,472, respectively, from its employees as plan members.

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

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefit, and employee/employer contributions for each retirement system. Employee and employer contribution rates to SCRS and PORS are actuarially determined.

The surcharges to fund retiree health and dental insurance are not part of the actuarially established rates.

For the current fiscal year 2013, the SCRS and PORS do not make separate measurements of assets and pension benefit obligations for individual employers within the cost-sharing plan. Under Title 9 of the South Carolina Code of Laws, the College's liability under the plans is limited to the amount of required employer contributions (stated as a percentage of covered payroll) as established by the South Carolina Public Employee Benefit Authority and as appropriated in the South Carolina Appropriation Act and from other applicable revenue sources. Accordingly, the College recognizes no contingent liability for unfunded costs associated with participation in the plans. The Governmental Accounting Standards Board (GASB) has issued accounting Statement #67 Financial Reporting for Pension Plans. This Statement is effective for financial statements for fiscal years beginning after June 15, 2013. Additionally, the GASB has issued GASB Statement # 68 Accounting and Financial Reporting for Pensions. This Statement is effective for financial statements for fiscal years beginning after June 15, 2014. The College has not determined the financial consequences to these statements as a result of the implementation of these statements however, once they are implemented it is expected that the State of South Carolina agencies will be required to recognize the South Carolina Public Employee Benefit Authority's pension liability which could have a significant impact on the financial position and results of operations of the College in future years.

Note 7 – Post Employment Benefits Other Than Pensions
Plan Description

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents. The College contributes to the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-

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

Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires beginning employment May 2, 2008 and after, retirees are eligible for benefits if they have established 25 years of service for 100% employer funding and 15 through 24 years of service for 50% employer funding.

Benefits become effective when the former employee retires under a State retirement system. Basic Long-Term Disability (BLTD) benefits are provided to active state, public school district, and participating local government employees approved for disability.

Funding Policies

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the IB and participating retirees to the PEBA, except for the portion funded through the pension surcharge and provided from the other applicable sources of the IB, for its active employees who are not funded by State General Fund appropriations. Employers participating in the RMP are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 4.55% of annual covered payroll for 2013 and 4.30% of annual covered payroll for 2012. The IB sets the employer contribution rate based on a pay-as-you-go basis. The College paid approximately \$482,743 and \$436,965 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2013 and 2012, respectively. BLTD benefits are funded through a person's premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to IB was \$3.22 for the fiscal years ended June 30, 2013 and 2012. The College recorded employer contributions expenses applicable to these insurance benefits for active employees in the amount of approximately \$6,218 and \$6,244 for the years ended June 30, 2013 and 2012, respectively.

Effective May 1, 2008 the State established two trust funds through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits and long-term disability insurance benefits. The SCRHITF is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated IB reserves, and income generated from investments. The SCLTDITF is primarily funded through investment income and employer contributions.

A copy of the complete financial statements for the benefit plans and the trust funds from PEBA Retirement Benefits and Insurance Benefits, 202 Arbor Lake Drive, Suite 360, Columbia, SC 29223.

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 \$887,861 and \$883,021 for the year ended June 30, 2013 and 2012.

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 \$234,712 and \$254,032 from the Foundation in nonoperating revenues and capital grants and gifts for the fiscal year ending June 30, 2013 and 2012. In addition, scholarships and fellowships totaling \$93,728 and \$70,229 were awarded to students enrolled at the College and paid to the College on their behalf.

The Foundation reimburses the College for any disbursements made by the College on its behalf. During the year ended June 30, 2013 and 2012, the Foundation paid the College approximately \$22,031 and \$21,325 as reimbursement for these disbursements. The Foundation also paid the College \$2,400 for accounting services and \$20,000 for management services and office space during each year ended June 30, 2013 and 2012. As of June 30, 2013 and 2012, the Foundation owed the College \$100,226 and \$25,509 respectively, for reimbursements of disbursements made by the College.

Note 10 – Risk Management

The College is exposed to various risks of loss and maintains State or commercial insurance coverage for each of those risks. Management believes such coverage is sufficient to preclude

any significant uninsured losses for the covered risks. Settlement claims have not exceeded this coverage in any of the past three years.

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

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

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

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

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

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

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

Note 11 – Federal Family Education Loan

Students attending the College may be eligible to participate in the Federal Family Education Loan Program, which allows the College to disburse federal loans to students. 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, 2013</u>	<u>June 30, 2012</u>
Federal Direct Loans	\$ 4,487,554	\$ 4,560,824
Federal Nondirect Loans	\$ 0	\$ 0

Orangeburg-Calhoun Technical College
Notes to Financial Statements
June 30, 2013

Note 12 – Operating Expenses by Function

Operating expenses by functional classification for the year ended June 30, 2013 and 2012 are summarized as follows:

June 30, 2013	<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	\$ 6,332,388	\$ 1,755,043	\$ —	\$ —	\$ 1,308,773	\$ —	\$ 9,396,204
Academic support	1,468,817	431,678	—	—	229,537	—	2,130,032
Student services	1,398,774	425,879	—	—	334,308	—	2,158,961
Operation and maintenance of plant	896,399	334,986	—	462,872	674,761	—	2,369,018
Institutional support	1,445,019	484,479	—	—	727,115	—	2,656,613
Scholarships	—	—	3,735,070	—	—	—	3,735,070
Auxiliary enterprises	75,990	17,088	—	—	1,299,580	—	1,392,658
Depreciation	—	—	—	—	—	1,185,386	1,185,386
Total	\$ 11,617,387	\$ 3,449,153	\$ 3,726,070	\$ 462,872	\$ 4,574,074	\$ 1,185,386	\$ 25,023,942

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	—	—	1,370,814	—	1,506,997
Depreciation	—	—	—	—	—	1,134,223	1,134,223
Total	\$ 11,193,388	\$ 3,226,166	\$ 3,782,887	\$ 462,161	\$ 5,033,722	\$ 1,134,223	\$ 24,832,547

Note 13 – Donor Restricted Accounts

Foundation

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

	June 30, 2013	June 30, 2012
Scholarship Endowment	\$ 149,354	\$ 129,974
Other Programs	50,469	57,667
	<u>\$ 199,823</u>	<u>\$ 187,641</u>

Orangeburg-Calhoun Technical College
Notes to Financial Statements
June 30, 2013

The Foundation has permanently restricted net assets of \$188,516 and \$188,016 for the years ended June 30, 2013 and 2012, 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, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2013</u>	<u>Due within 1 year</u>
Accrued compensated absences and related benefits	\$ 1,084,366	\$ 487,979	\$ 472,503	\$ 1,099,842	\$ 86,082

Note 15 – Contingent Rentals

During the fiscal year ended June 30, 2013 and 2012, respectively, Orangeburg-Calhoun Technical College expended \$64,491 and \$69,876 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, 2013, the College expended \$2,520 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, 2013 and 2012.

Orangeburg-Calhoun Technical College
Notes to Financial Statements
June 30, 2013

Non-Capital Appropriations	2013	2012
Per annual appropriations act	\$ 3,795,406	\$ 3,620,074
Deferred maintenance	164,322	—
Lottery technology funds	148,684	67,156
Pathways	37,784	37,784
Nursing supplement	17,672	17,672
From Commission on higher education:		
Academic Endowment	67	75
Total recorded as current year revenue	\$ 4,163,935	\$ 3,742,761

Note 18 – Subsequent Events Review

Management has reviewed the activity of the College subsequent to year-end through September 25, 2013, 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, 2013 and June 30, 2012 appears on page 2. 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, 2013 and June 30, 2012 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 25, 2013

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MEMBER:
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SOUTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

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

	June 30, 2013	June 30, 2012	Increase Decrease
Charges for services	\$ 9,111,264	\$ 9,008,162	\$ 103,102
Operating grants and contributions	10,947,159	10,901,234	45,925
Less: expenses	<u>(25,023,942)</u>	<u>(24,832,547)</u>	<u>(191,395)</u>
Net program revenue (expenses)	(4,965,519)	(4,923,151)	(42,368)
Transfers:			
State appropriations	4,163,935	3,742,761	421,174
State capital appropriations	500,000	301,155	198,845
Other transfers in from state agencies	<u>562,778</u>	<u>-</u>	<u>562,778</u>
Change in net assets	261,194	(879,235)	1,140,429
Net position			
Beginning of year	<u>26,131,839</u>	<u>27,011,074</u>	<u>(879,235)</u>
End of year	<u><u>\$ 26,393,033</u></u>	<u><u>\$ 26,131,839</u></u>	<u><u>\$ 261,194</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, 2013, 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 25, 2013

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SINGLE AUDIT ACT REQUIREMENTS

ORANGEBURG-CALHOUN TECHNICAL COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2013

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Project Number/ Period	Balance June 30, 2012	Receipts	Expenditures	Balance June 30, 2013
Direct Programs:						
U.S. Department of Education						
Federal Supplemental Educational Opportunity Grants	84.007	6/30/2013	\$ 37,869	\$ 170,133	\$ 145,984	\$ 13,720
			<u>37,869</u>	<u>170,133</u>	<u>145,984</u>	<u>13,720</u>
Federal Work-Study Program	84.033	6/30/2013	-	99,342	121,696	22,354
Federal Work-Study Program	84.033	6/30/2012	23,258	34,742	11,484	-
			<u>23,258</u>	<u>134,084</u>	<u>133,180</u>	<u>22,354</u>
Federal Pell Grant Program	84.063	6/30/2013	920	12,190	12,225	955
Federal Pell Grant Program	84.063	6/30/2013	-	7,673,619	7,708,043	34,424
Federal Pell Grant Program	84.063	6/30/2012	57,289	48,238	(9,051)	-
			<u>58,209</u>	<u>7,734,047</u>	<u>7,711,217</u>	<u>35,379</u>
Federal Direct Loan (FDL)	84.268	6/30/2013	257,953	4,555,149	4,487,554	190,358
Total Student Financial Aid Cluster			<u>377,289</u>	<u>12,593,413</u>	<u>12,477,935</u>	<u>261,811</u>
Higher Education Institutional Aid (PBI)	84.031	9/28/2012	-	1,016	1,016	-
Higher Education Institutional Aid (PBI)	84.031	9/30/2013	-	43,061	103,552	60,491
Higher Education Institutional Aid (PBI)	84.031	9/30/2012	44,883	198,121	157,638	4,400
			<u>44,883</u>	<u>242,198</u>	<u>262,206</u>	<u>64,891</u>
TRIO Student Support Services	84.042	8/31/2012	26,733	104,684	78,315	364
TRIO Student Support Services	84.042	8/31/2013	-	184,406	209,548	25,142
Total TRIO Student Support Services			<u>26,733</u>	<u>289,090</u>	<u>287,863</u>	<u>25,506</u>
Total U.S. Department of Education			<u>448,905</u>	<u>13,124,701</u>	<u>13,028,004</u>	<u>352,208</u>
National Science Foundation						
Education and Human Resources	47.076	6/15/2014	88,623	105,288	16,665	-
Education and Human Resources	47.076	6/15/2014	-	109,649	137,182	27,533
Total National Science Foundation			<u>88,623</u>	<u>214,937</u>	<u>153,847</u>	<u>27,533</u>
U.S. Department of Labor						
Trade Adjustment Assistance Community College and Career Training (TAACCCT)	17.282	9/30/2013	-	-	27,110	27,110
Total Direct Programs			<u>537,528</u>	<u>13,339,638</u>	<u>13,208,961</u>	<u>406,851</u>

ORANGEBURG-CALHOUN TECHNICAL COLLEGE
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 June 30, 2013

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Project Number/ Period	Balance June 30, 2012	Receipts	Expenditures	Balance June 30, 2013
Indirect Programs:						
National Science Foundation						
Passed through SC State University Education and Human Resources	47.076	7/31/2012	4,500	4,500	-	-
Total National Science Foundation			<u>4,500</u>	<u>4,500</u>	<u>-</u>	<u>-</u>
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	27,924	43,576	15,652	-
Total U.S. Department of Commerce			<u>27,924</u>	<u>43,576</u>	<u>15,652</u>	<u>-</u>
U.S. Department of Education						
Passed through South Carolina Department of Education						
Adult Education - Basic Grants to States	84.002	13EA410-01	43,955	99,092	103,922	48,785
Adult Education - Basic Grants to States	84.002	12EA410-03	13,984	13,984	23,477	23,477
Adult Education - Basic Grants to States	84.002	13EA410-02	10,000	16,000	10,000	4,000
Career and Technical Education - Basic Grants to States	84.048	13VA410	63,364	147,678	189,132	104,818
Total U.S. Department of Education			<u>131,303</u>	<u>276,754</u>	<u>326,531</u>	<u>181,080</u>
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	(8,960)	-	2,117	(6,843)
Passed through South Carolina Tobacco Collaborative Community Transformation Grants	93.531	9/30/2013	-	13,261	14,042	781
Passed through SC Eat Smart Move More Coalition Community Transformation Grants	93.531	9/30/2014	-	7,620	3,900	(3,720)
Passed through The Regional Medical Center of Orangeburg & Calhoun Counties Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program	93.912	7/31/2013	-	25,411	25,411	-
Total U.S. Department of Health and Human Services			<u>(8,960)</u>	<u>46,292</u>	<u>45,470</u>	<u>(9,782)</u>

ORANGEBURG-CALHOUN TECHNICAL COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2013

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Project Number/ Period	Balance June 30, 2012	Receipts	Expenditures	Balance June 30, 2013
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	269,197	289,638	20,441	-
Passed through Florence-Darlington Technical College Trade Adjustment Assistance Community College and Career Training (TAACCCT)	17.282	9/30/2013	-	79,325	182,332	103,007
Trade Adjustment Assistance Community College and Career Training (TAACCCT)	17.282	9/30/2012	18,000	209,525	191,525	-
Total U.S. Department of Labor			287,197	578,488	394,298	103,007
National Aeronautical Space Administration						
Passed through College of Charleston Education - Experimental Program to Stimulate Competitive Research (EPSCoR)	43.008	9/30/2013	-	-	1,465	1,465
Passed through Claflin University Curriculum Improvement Partnership Award for the Integration of Research (CIPAIR)	43.RD	12/31/2012	19,436	21,683	2,247	-
Total National Aeronautical Space Administration			19,436	21,683	3,712	1,465
National Institute of Food and Agriculture / USDA						
Passed through Clemson University Technical College Scholars for Food Science Careers	10.220	7/31/2017	-	-	3,153	3,153
Total National Institute of Food and Agriculture / USDA						
Total Indirect Programs			461,400	971,293	788,816	278,923
Total Federal Awards			\$ 998,928	\$ 14,310,931	\$ 13,997,777	\$ 685,774

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, 2012 through June 30, 2013, 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	\$2,900,986
Unsubsidized	1,586,568
	<hr/>
	\$4,487,554
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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business type activities and discretely presented component unit of Orangeburg-Calhoun Technical College (the "College"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Orangeburg-Calhoun Technical College's basic financial statements and have issued our report thereon dated September 25, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

BROWN CPA, L.L.C.

Irmo, South Carolina
September 25, 2013

BROWN CPA, LLC

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

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, 2013. 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.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Orangeburg-Calhoun Technical College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Orangeburg-Calhoun Technical College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 the College's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

BROWN CPA, L.L.C.

Irmo, South Carolina
September 25, 2013

**ORANGEBURG-CALHOUN TECHNICAL COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2013**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:		<u>Unqualified</u>
Internal control over financial reporting:		
Material weaknesses identified?	_____ Yes	_____ x _____ No
Significant deficiency identified?	_____ Yes	_____ x _____ None reported
Noncompliance material to financial statements noted?	_____ Yes	_____ x _____ No

Federal Awards

Internal control over major programs:		
Material weaknesses identified?	_____ Yes	_____ x _____ No
Significant deficiency identified?	_____ Yes	_____ x _____ None reported
Type of auditor's report issued on compliance for major programs:		<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	_____ Yes	_____ x _____ No

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Student Financial Aid Cluster	
Federal Supplemental Education Opportunity Grant	84.007
Federal Work-study	84.033
Pell Grants	84.063
Federal Direct Loan	84.265
Trade Adjustment Assistance Community and Career Training (TAACCCT)	17.282

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 300,000
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Auditee qualified as low-risk auditee?	_____ x _____ Yes	_____ _____ No
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FINDINGS - FINANCIAL STATEMENTS AUDIT
None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT
No findings or questioned costs

Summary of Prior Year Findings from 2012 Audit:

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