



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2016

MIDLANDS TECHNICAL COLLEGE

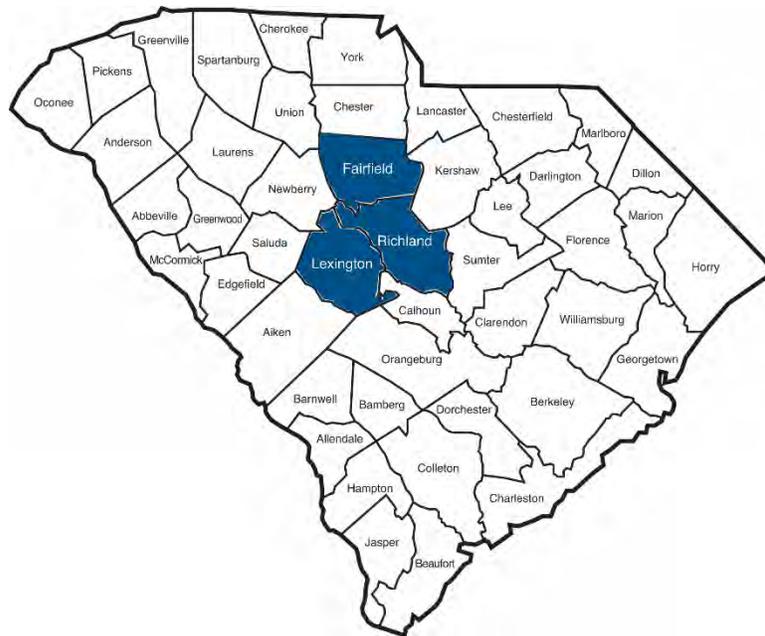
Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2016

A college included in the higher education funds of the state of South Carolina

STATEMENT OF MISSION

Midlands Technical College is a comprehensive, multi-campus, two-year public college serving the primary region of Richland, Lexington and Fairfield counties of South Carolina. College programs and services provide accessible, affordable, quality education that prepares a diverse student population to enter the job market, transfer to senior colleges and universities, and achieve their professional and personal goals. Through its programs and services, the College equitably provides higher education opportunities and strengthens the economic and social vitality of the community.



Prepared by
the Finance and Accounting Office

Debbie M. Walker, M.B.A., CGFO
Vice President for Business Affairs

Sheila W. Smith, M.B.A.
Associate Vice President for Business Affairs

Jessica H. Booth, CGFO
Director of Finance and Financial Reporting

MIDLANDS TECHNICAL COLLEGE

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2016

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MIDLANDS TECHNICAL COLLEGE

PRESIDENT'S LETTER

September 22, 2016

Members of the Midlands Technical College Commission and the Community:

It is an honor to present the Comprehensive Annual Financial Report (CAFR) for fiscal year 2015-2016. MTC publishes this report annually to share important information concerning our operations and financial position.

I am pleased to announce, as detailed in this CAFR, that MTC is in a strong financial position that will enable us to continue our mission of making lives better for citizens of the Midlands.

This year, Midlands Technical College opened a new 34,000-square-foot, two-story Advanced Manufacturing and Skilled Crafts Center. The ground-breaking facility is the new home to many of the MTC associate degree and certificate programs that prepare students for careers in advanced manufacturing and skilled crafts. MTC invested \$5.35 million in the modern facility and state-of-the-art equipment to train a sustainable pipeline of technical talent to meet local industry needs.

Earlier this fiscal year, an MTC alumnus gifted \$1.25 million to support intensive training for high-skilled jobs that are in high demand by Midlands' employers. This is the largest individual gift in the college's history, and the dollars donated will be used to provide scholarships for students in the MTC QuickJobs programs.

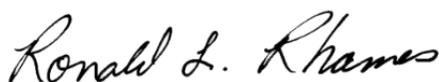
Midlands Technical College will use a \$2.25 million grant from the United States Department of Education Strengthening Institutions Program to help improve student success through enhanced academic advising and engagement. The goal of the project is to improve retention and success of high-risk, first-time freshmen.

Additionally, Midlands Technical College, assisted by 24 grant partners, will be putting a \$4 million grant to work for the community by providing scholarships, training, and job opportunities for the high-growth information technology (IT) field. The new Midlands TechHire program will implement an innovative training and employment model to help develop IT talent in the region. MTC was the only awardee in South Carolina to receive the grant, and training will begin early 2017.

Lastly, I am proud to share that the Government Finance Officers Association (GFOA) has awarded Midlands Technical College the Certificate of Achievement for Excellence in Financial Reporting for the fiscal year 2014-2015. The certificate is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a public college or university. This is the 20th consecutive year Midlands Technical College has received the prestigious national award.

At Midlands Technical College, we are passionate about providing higher education with real value to our students, college, and community. Just as we are proud of what we've accomplished over the past year, we are dedicated to providing fiscally responsible, innovative educational leadership for years to come.

Respectfully,



Dr. Ronald L. Rhames
President



September 22, 2016

To: Midlands Technical College Commission, the President, the Executive Council and the community served by Midlands Technical College

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of Midlands Technical College (the "College") for fiscal year ended June 30, 2016.

State law, federal guidelines and certain debt covenants require an annual audit of the College's financial records. The College has contracted with the independent certified public accounting firm, The Brittingham Group, L.L.P., to perform the annual audit of its financial statements and federal awards. The Independent Auditor's Report is included in the financial section of this CAFR and reflects an unqualified opinion on the basic financial statements. As a recipient of federal financial awards, the College complies with the requirements of the Single Audit Act, and separate Single Audit reports have been issued, which are included in the Federal Awards section.

The management of the College is responsible for the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures. To the best of our knowledge, the information presented is accurate in all material respects and is comparable to equivalent institutions. All disclosures have been included and will provide the reader with a reasonable understanding of the College's financial activities that support its mission.

The management of the College is responsible for establishing and maintaining the framework of all internal controls. In fulfilling this responsibility, estimates and judgments are required to assess the expected benefits and related costs of policies and procedures related to the internal control framework. The system of internal control is designed to ensure that certain organizational objectives are met. Accordingly, organizational structure, policies and procedures have been established to safeguard assets; ensure the reliability of accounting data; promote efficient operations; and ensure compliance with established governmental laws, regulations and policies, college policies, and other requirements of those to whom the College is accountable. The internal accounting control structure is designed to provide reasonable, not absolute, assurance that these objectives are met.

The Management's Discussion and Analysis included in the Financial Section provides a detailed explanation of the changes in financial reporting from the prior year and the resulting effects of those changes, and should be read in conjunction with this letter of transmittal.

PROFILE OF THE COLLEGE

Midlands Technical College (MTC) is one of 16 colleges included in the South Carolina Technical College System. The State Board for Technical and Comprehensive Education, an agency of the State of South Carolina, governs the system. Midlands Technical College is a comprehensive, public two-year institution that serves Richland, Lexington and Fairfield counties in the Central Midlands region of South Carolina. The College has six campuses, three in Lexington County, two in Richland County, one in Fairfield County and a teaching location at Fort Jackson that serves enlisted personnel and civilians.



Midlands Technical College is embarking on a major initiative to craft a nimble, action-oriented, metric-driven strategic plan that will set the College's vision for the next five to ten years. The College's new strategic plan for 2016 - 2018 was crafted and developed by the Strategic Planning Leadership Team in Summer 2016. The College has established three focus goals and ten initiatives to measure success on achieving the mission in its 2016 - 2018 Strategic Plan. The three focus goals for the College are Growing the College, Leveraging Goodwill, and Making Lives Better. These cornerstone goals are intentionally designed to positively affect the College's attainment of its mission and vision. The strategic plan will enable MTC to continue to provide more than \$835 million in economic impact annually to the region; it will focus on academic excellence in providing high-quality curriculum programs and services

and it will intentionally set an agenda for the College to grow in areas that are needed by the community.

The College was designated as a VetSuccess on Campus site by the U.S. Department of Veterans Affairs. MTC is one of the largest providers of Veterans' Education Services in South Carolina. The College is also the only college in South Carolina to have this designation. In Fall 2015, the College was selected by the U.S. Department for Veterans' Affairs (VA) as one of ten VetSuccess on Campus sites to be highlighted by the VA. VetSuccess on Campus locations are designed to help ease Veterans' transitions to student life and assist them in achieving their educational and career goals through VA's Post-9/11 GI Bill and other education benefit programs. VetSuccess on Campus sites serve as one-stop shops for student veterans and are staffed by a counselor who specializes in veteran issues.

The College partnered with Swansea High School to help develop a College and Career Development Center at the high school. The comprehensive center is designed to create career-based educational awareness of available jobs in the community and demonstrate clear, attainable pathways to these jobs. The center, which opened in Fall 2015, is designed to meet the career planning, career exploration, and post-graduation needs of Swansea High School students.



Midlands Technical College held its 2016 graduation in May and nearly 2,200 students received degrees, diplomas, and certificates. This graduating class represents the second-largest graduating class in the history of the College. Also, history was made during graduation when the youngest person to ever earn an associate degree from MTC walked across the stage at the age of 17. The College's Early College program, which allows high school juniors and seniors to take college classes at Midlands Technical College before graduating from high school allowed this student to graduate from high school as well as earn a college degree.

In early 2016, the College officially opened a new 34,000-square-foot Advanced Manufacturing and Skilled Crafts

Center. The center provides general classroom space, computer labs, and is the new home to programs that prepare students for careers in advanced manufacturing and skilled crafts, such as Manufacturing Technician, Industrial Mechanics, Industrial Electricity, Industrial Maintenance, Mechatronics and Building Construction Technology.

The College's governing board, the Commission, is appointed by the Governor of South Carolina upon the recommendation of the legislative delegations from Richland, Lexington and Fairfield counties. The Commission is composed of thirteen members who will serve for a term of four years. Officers are elected every two years, with the chairmanship alternated between the three counties. State law mandates Richland and Lexington counties to provide sufficient funding to build, maintain and operate the College's physical plant. The division of financial responsibility is based on population and is used each year for budget request purposes from the two Counties. The current distribution is 40.56 percent for Lexington County and 59.44 percent for Richland County.

Fairfield County also provides financial support by funding the difference between the in-county tuition rate and the in-state tuition rate for its residents who attend the College. Fairfield County provided 1.14 percent of the total county support for the current fiscal year.

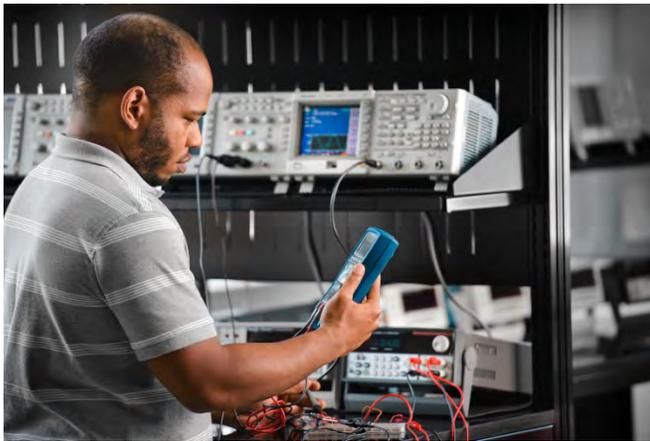
Midlands Technical College is reported as a discretely presented component unit in the State of South Carolina's Comprehensive Annual Financial Report.

The Midlands Technical College Foundation, Inc., (the Foundation) is a nonprofit organization that was formed on August 12, 1970, to benefit and support education at Midlands Technical College. It is a legally separate tax exempt discreet component unit of the College. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the College in support of its programs. A separate Board of Directors governs the Foundation. The 20-member board of the Foundation is self-perpetuating and provides the structure through which individuals, corporations, and other private sector interests can demonstrate their support of the College. The activity of the Foundation is included separately in the College's financial statements.

The Midlands Technical College Enterprise Campus Authority (the Authority) was established in 2004 by S.C. Act 200, codified as sub-article 3, Article 20, Chapter 53, Title 59, of the 1976 South Carolina Code of Laws, as amended. For accounting purposes, the Authority is considered a blended component unit of Midlands Technical College. The Authority was established to provide for the management, development and operation of the

Enterprise Campus of Midlands Technical College, located on the Northeast Campus. The Board of the Authority consists of the members of the Midlands Technical College Commission. The activity of the Authority is blended in the financial statements of the College.

The College's strategic planning process includes extensive planning in preparation of the budget. The original operating budget is based on preliminary estimates and is approved by the Commission in May of each year. During its October meeting, the Commission approves the revised budget, which is prepared after major sources of revenue are known.



An annual facility plan, which outlines the needs for operations and maintenance of plant facilities, is used for the budget requests submitted to the counties. A long-term facility plan is prepared, reviewed and updated annually as the College's initiatives are revised.

The College maintains controls in line-item budgets, budget transfer restrictions and the use of an encumbrance accounting system. These budgetary controls ensure compliance with the annual budget adopted by the governing board. As demonstrated by the financial statements and schedules included in the financial section of this report, the College management continues to meet its responsibility for sound fiscal administration.

ECONOMIC CONDITIONS

Fiscal year 2015-2016 was a relatively stable year economically for the College and other South Carolina higher education institutions as the general economy continues to improve. As the economy improves, the Technical Colleges in South Carolina are experiencing only modest growth if any at all. Midlands Technical College is looking at greater opportunities and tools to move forward towards greater success. This fiscal year the College did not face any budget reductions from the State. The State of South Carolina provided a one-time bonus for many of the

state funded employees and the College also received QuickJobs funding.

The counties, during fiscal year 2015-2016, continued to fully support the College's physical plant operations budget request and maintained its commitment to the College's capital and debt-service needs by funding the requested amounts.

The College undertook several major initiatives designed to increase the pipeline of trained and licensed individuals to meet labor market demands and strengthen its ability to serve, and acquire resources for the College.

Midlands Technical College and Coker College formalized a bridge agreement that will give MTC students access to programs and services to facilitate their transfer to Coker College. The agreement, signed by Coker College President Dr. Robert L. Wyatt and Midlands Technical College President Dr. Ronald L. Rhames, creates the MTC-Coker College Bridge Program that will provide graduates from MTC's Associate in Arts and Associate in Science programs a direct transfer to Coker College.

The College received a \$2.25 million grant from the United States Department of Education's Strengthening Institutions Program to help improve student success. The grant will support the College's Retention Plan which specifies the goals, strategies, and responsibilities for improving the quality of student life and learning. One of the priorities of the College is to retain existing students so that these students can become successful with the completion of their desired degree or certificate program.

The College also received a \$4.0 million grant through the United States Department of Labor's TechHire grant program, which will provide innovative training and employment models to develop information IT technology talent in the Midlands. MTC is the only organization in South Carolina to receive the award. The grant provides scholarships for training and certification in the IT industry to 400 residents in the Midlands.

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Midlands Technical College for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2015. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. This is the College's twentieth consecutive year receiving this award.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report of which all content conforms to program standards. Such a CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.



A Certificate of Achievement is valid for a period of one year only. The College believes its current report continues to conform to the Certificate of Achievement program requirements, and is submitting it to GFOA.

ACKNOWLEDGEMENTS

The timely preparation of the Comprehensive Annual Financial Report is a coordinated College-wide effort. We would like to express sincere appreciation to all employees in the Business Affairs Division who contributed to the timely closing of the College's financial records and the preparation of this report; to Marketing Communications unit for its contributions in design, editing, printing and publication of the document; and to Institutional Support's Assessment, Research and Planning unit for providing statistical data. Our sincere appreciation is also expressed to other individuals and to our Commission for their support of this initiative.

Sincerely,

Debbie M. Walker, M.B.A., CGFO
Vice President for Business Affairs

Sheila W. Smith, M.B.A.
Associate Vice President for Business Affairs

Jessica H. Booth, CGFO
Director of Finance and Financial Reporting



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Midlands Technical College
South Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

MIDLANDS TECHNICAL COLLEGE

Organizational Data

COMMISSION MEMBERS AND OFFICERS

| <u>Commissioner</u> | <u>County</u> | <u>Term Expires</u> |
|-------------------------------|---------------|---------------------|
| Robert P. Wilkins, Jr., Chair | Lexington | November 16, 2020 |
| George P. Powers, Vice Chair | Richland | July 31, 2017 |
| Pamela S. Harrison, Secretary | Richland | June 1, 2017 |
| Diane E. Sumpter, Treasurer | Richland | July 31, 2020 |
| Katie M. Bolden | Richland | July 31, 2016 |
| Ronald H. Burkett | Lexington | November 16, 2018 |
| Margaret U. Holmes | Fairfield | March 24, 2019 |
| Randall M. Jackson | Richland | July 31, 2019 |
| Sandra J. Jackson | Richland | July 31, 2020 |
| Christopher M. Joye | Lexington | July 31, 2019 |
| Robert C. Lentz | Richland | July 31, 2019 |
| L. Todd Sease | Lexington | May 11, 2019 |
| Peter E. Sercer, Sr. | Lexington | November 16, 2015* |

* Still serving until new appointment is made.

EXECUTIVE COUNCIL

| | |
|------------------------|---|
| Ronald L. Rhames | President |
| Debbie M. Walker | Vice President for Business Affairs |
| Starnell K. Bates | Vice President for Institutional Support |
| Ronald L. Drayton | Vice President for Academic Affairs |
| Barrie B. Kirk | Vice President for Corporate and Continuing Education and Marketing Communications |
| Sandra L. Oliver | Vice President for Student Development Services |
| J. Thomas Ledbetter | Associate Vice President of the Center for Entrepreneurial Success and Community Engagement |
| Jacob R. Hoekstra | Associate Vice President for Philanthropy and CEO of the MTC Foundation |
| Crystal M. Rookard | General Counsel and Special Advisor to the President |
| Charlton L. Whipple | Executive Director for the Enterprise Campus Authority (ECA) and Economic Development |
| Shickre A. Sabbagha | Director of Student Retention |
| Kimberly S. Boatwright | Executive Assistant to the President |

BUSINESS AFFAIRS DIVISION

| | |
|-------------------|---|
| Debbie M. Walker | Vice President for Business Affairs |
| Sheila W. Smith | Associate Vice President for Business Affairs |
| Stanley A. Bolton | Director of Auxiliary and Support Services |
| Katie E. Fox | Director of Theatre Operations |
| Craig E. Hess | Director of Plant Operations |
| Anthony L. Hough | Director of Information Resource Management |
| Faye E. Gowans | Director of Human Resource Management |
| Jessica H. Booth | Director of Finance and Financial Reporting |
| Ian A. MacLean | Director of Internal Auditing and Risk Management |

COMMISSIONERS



Robert P. Wilkins, Jr.
Chair



George P. Powers
Vice Chair



Pamela S. Harrison
Secretary



Diane E. Sumpter
Treasurer



Katie M. Bolden



Ronald H. Burkett



Margaret U. Holmes



Randall M. Jackson



Sandra J. Jackson



Christopher M. Joye



Robert C. Lentz



L. Todd Sease



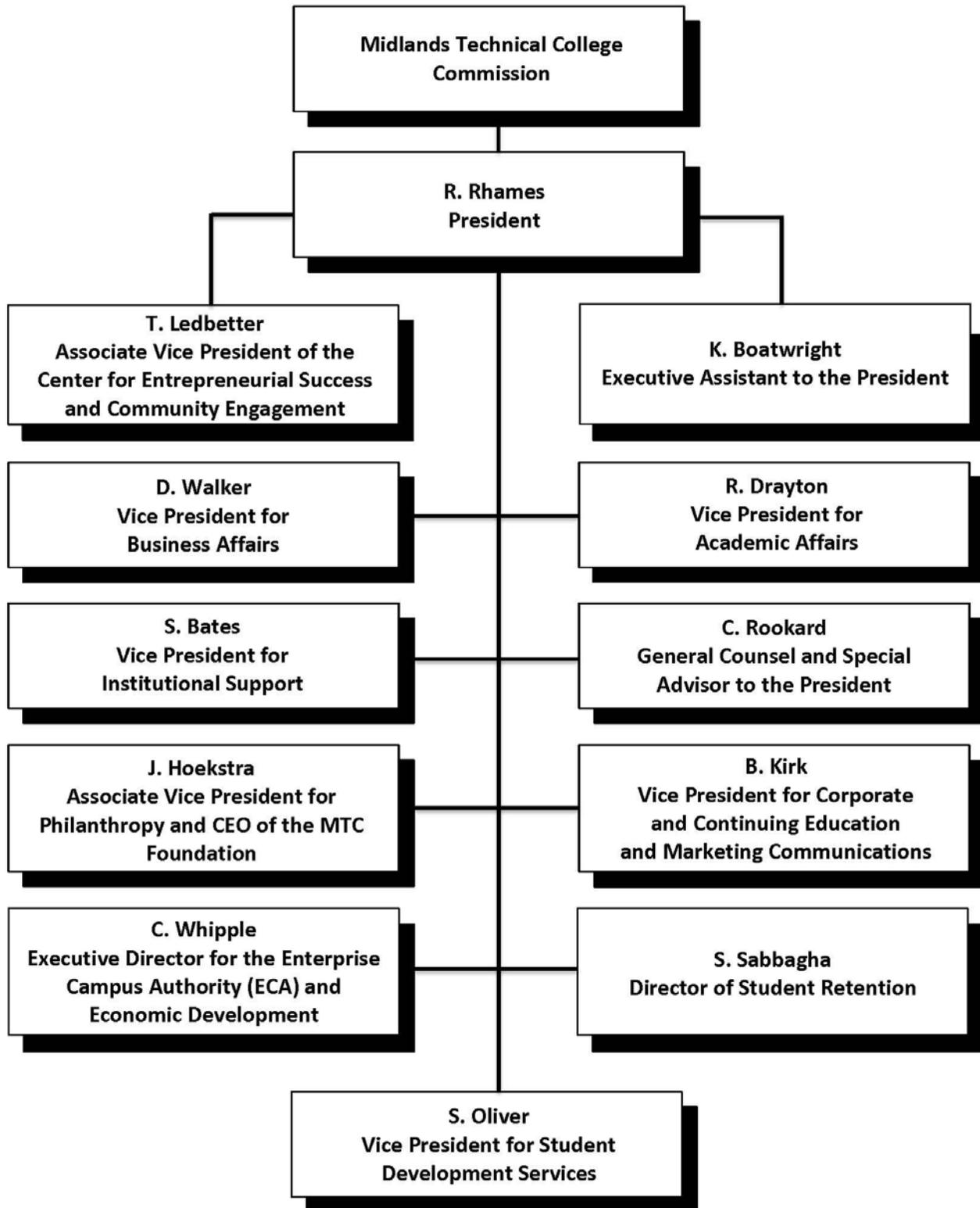
Peter E. Sercer, Sr.



Ronald L. Rhames
Ex Officio Member
President
Midlands Technical
College

MIDLANDS TECHNICAL COLLEGE

Organizational Chart



MIDLANDS TECHNICAL COLLEGE

College-Wide Goals and Priority Initiatives

Goal 1: Growing the College

Priority Initiatives:

1. Increase enrollment in targeted STEM-related programs by 10 percent by Fall 2018.
2. Increase the students who are dually enrolled at high school campuses by 15 percent by Fall 2018.
3. Increase the number of current employers sponsoring training or providing tuition assistance for employees by 10 percent in two years.
4. Increase enrollment of credit students by 2,000 by Fall 2018.
5. Grow overall student retention rate by 2 percent per year; 4 percent by Fall 2018.

Goal 2: Leveraging Goodwill

Priority Initiatives:

1. Increase the number of students receiving private support for unmet financial needs by 10 percent annually.
2. Increase alumni association membership by 20 percent per year by Fall 2018.
3. Increase endowment by 10 percent a year in new money and pledges received by the college.

Goal 3: Making Lives Better

Priority Initiatives:

1. Increase training that is in-demand by 15 new businesses by Fall 2018.
2. Integrate Life Skills in 90 percent of college programs.

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THE BRITTINGHAM GROUP, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

501 STATE STREET

POST OFFICE BOX 5949

WEST COLUMBIA, SOUTH CAROLINA 29171

PHONE: (803) 739-3090

FAX: (803) 791-0834

INDEPENDENT AUDITORS REPORT

The President and Members of the Area Commission
Midlands Technical College
Post Office Box 2408
Columbia, South Carolina 29202

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities of Midlands Technical College (the "College"), a component unit of the State of South Carolina and a member institution of the South Carolina Technical College System, including its blended component unit, the Midlands Technical College Enterprise Campus Authority (the "Authority"), and its discretely presented component unit, Midlands Technical College Foundation, Inc. (the "Foundation"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

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 *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 College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of Proportionate Share of South Carolina Retirement Systems Net Pension Liabilities, and Schedule of South Carolina Retirement Systems Contributions on pages 15 – 20, 59, and 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2016 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

The Brittingham Group LLP

West Columbia, South Carolina
September 22, 2016

Management's Discussion and Analysis

MIDLANDS TECHNICAL COLLEGE

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Comprehensive Annual Financial Report of Midlands Technical College (the College) presents management's discussion and analysis of the College's financial performance during the fiscal year ended June 30, 2016.

This discussion should be read in conjunction with the transmittal letter, the College's basic financial statements, the component unit's financial statements and the notes to the financial statements.

COMPONENT UNITS

The College has included the Midlands Technical College Foundation, Inc., (the Foundation) and the Midlands Technical College Enterprise Campus Authority (the Authority) in its financial statements in accordance with Governmental Accounting Standards Board Statement No. 39, Determining Whether Certain Organizations are Component Units. The Foundation is reported as a discretely presented component unit of the College. The Statement of Financial Position, the Statement of Activities and relevant note disclosures for the Foundation follow the College's financial statements. The governing body of the Authority is essentially the same Board as that of the College and it provides services that benefit the College, although it does not provide services directly to the College; therefore the Authority is reported as a blended component unit and the activity is included in the financial statements of the College.

Complete financial statements for the Foundation or the Authority may be obtained by mailing a request to Midlands Technical College, Associate Vice President for Business Affairs, Post Office Box 2408, Columbia, South Carolina 29202.

USING THIS ANNUAL REPORT

Midlands Technical College is pleased to present its financial statements for fiscal year ended June 30, 2016. Comparative financial statements are not presented in this report; however, condensed data is presented in this section, which will aid the reader in assessing the changes in the College's financial position since last year. The emphasis of discussions regarding these statements will focus on the current year.

The College is engaged only in Business-Type Activities that 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. These statements present financial information in a format similar to that used by the private sector.

STATEMENT OF NET POSITION

The Statement of Net Position provides a snapshot of the College's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at the end of the fiscal year. It provides the reader with information concerning the Institution's ability to continue its operations and to determine its financial stability.

Assets and liabilities are separated into current, those that are due or to be paid within the current year, and non-current, those that are longer term in nature. Net position represents total assets and deferred outflows of resources, minus total liabilities and deferred inflows of resources and provides information, in part, concerning any amount available to be spent by the institution.

Net position is divided into three major categories. The first category, *net invested in capital assets*, provides the equity in property, plant and equipment owned by the College. The next category, which is *restricted net position*, is expendable in nature and is specifically for capital projects and debt service, as indicated. The final category of net position is *unrestricted*, and not subject to external stipulations. These amounts represent the net position of the Authority and the College's 30-day operating reserve, as well as, the College's proportionate share of the unfunded pension liability.

Assets and Deferred Outflows of Resources

The following schedule is a condensed version of the College's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position and is prepared from the Statement of Net Position.

**Condensed Summary of Net Position
As of June 30, 2016 and 2015
(in millions)**

| | 2016 | 2015 | Increase (Decrease) | Percent Change |
|---|---------|---------|------------------------|-------------------|
| Current Assets | \$ 76.4 | \$ 86.2 | \$ (9.8) | (11.4)% |
| Non-Current Assets | | | | |
| Capital Assets (Net of Depreciation) | 87.2 | 82.0 | 5.2 | 6.3% |
| Other | 5.2 | 5.8 | (0.6) | (10.3)% |
| Total Assets | 168.8 | 174.0 | (5.2) | (3.0)% |
| Deferred Outflows of Resources | 7.7 | 6.6 | 1.1 | 16.7% |
| Total Assets and Deferred Outflows of Resources | 176.5 | 180.6 | (4.1) | (2.3)% |
| Current Liabilities | 12.3 | 13.5 | (1.2) | (8.9)% |
| Non-Current Liabilities | 109.3 | 103.4 | 5.9 | 5.7% |
| Total Liabilities | 121.6 | 116.9 | 4.7 | 4.0% |
| Deferred Inflows of Resources | 0.2 | 6.3 | (6.1) | (96.8)% |
| Total Liabilities and Deferred Inflows of Resources | 121.8 | 123.2 | (1.4) | (1.1)% |
| Net Position | | | | |
| Net Investment in Capital Assets | 63.9 | 57.4 | 6.5 | 11.3% |
| Restricted for: | | | | |
| Expendable | 59.8 | 67.4 | (7.6) | (11.3)% |
| Unrestricted | (69.0) | (67.4) | (1.6) | (2.4)% |
| Total Net Position | \$ 54.7 | \$ 57.4 | \$ (2.7) | (4.7)% |

A strong indicator of the financial health of the College for the year is the approximate 6:1 ratio of current assets in the amount of \$76.4 million to current liabilities in the amount of \$12.3 million. The College maintains fiscally sound budget practices that provide for the conservative balance between the two categories.

Current assets have decreased by \$9.8 million. The overall decrease is \$5.2 million in total assets for the fiscal year. The decreases in current assets are explained as follows:

- Cash decreased by \$3.3 million due to enrollment decline and construction projects.
- Short-term investments decreased approximately \$7.0 million due to construction projects.
- Accounts receivable increased in total by \$0.6 million primarily due to an increase in current receivable's of \$0.7 million.

Non-current assets include capital assets net of depreciation and other assets, which is comprised primarily of restricted cash. Capital assets net of depreciation are \$87.2 million for the year, an increase of \$5.2 million over the prior year. Other non-current assets decreased by \$0.6 million. The changes from the prior year are explained as follows:

- Construction in progress increased by \$3.2 million. This includes renovations to the Beltline Learning Resource Center of \$8.8 million.
- Building and Improvements increased by \$5.0 million. This is primarily due to the completion of the Advanced Manufacturing and Skilled Craft Center in the amount of \$4.7 million.
- Depreciation and amortization expense accounted for \$4.4 million.

See Note 5, Capital Assets, for additional information.

The following table contains an analysis of capital assets as of June 30, 2016 and 2015.

**Analysis of Capital Assets
As of June 30, 2016 and 2015
(in millions)**

| | 2016 | 2015 | Increase (Decrease) | Percent Change |
|--|---------|---------|------------------------|-------------------|
| Land & Improvements | \$ 15.5 | \$ 14.8 | \$ 0.7 | 4.7% |
| Construction in Progress | 8.8 | 5.6 | 3.2 | 57.1% |
| Works of Art | 0.1 | 0.1 | - | 0.0% |
| Buildings & Improvements | 104.4 | 99.4 | 5.0 | 5.0% |
| Machinery, Equipment, Vehicles & Other | 16.1 | 16.3 | (0.2) | (1.2)% |
| Total Capital Assets | 144.9 | 136.2 | 8.7 | 6.4% |
| Less Accumulated Depreciation | (57.7) | (54.2) | (3.5) | (6.5)% |
| Capital Assets | \$ 87.2 | \$ 82.0 | \$ 5.2 | 6.3% |

Deferred outflows of resources increased by \$1.1 million due to an increase of \$0.8 million for deferred pension outflows. Deferred losses on bond refunding increased by \$0.3 million due to the refunding of the Series 1998A, Series 2002C and Series 2007A General Obligation bonds.

Liabilities and Deferred Inflows of Resources

Total liabilities are \$121.6 million, which is an increase of \$4.7 million over the prior fiscal year. Current liabilities decreased by \$1.2 million primarily due to a decrease of \$1.0 million in accounts payables. Non-current liabilities increased by \$5.9 million. The change in non-current liabilities are explained as follows:

- Pension liability increased by \$8.5 million.
- Non-current portion of bonds payable decreased by \$2.6 million. This is due to the College refunding a portion of its bonds.

See Note 12, Bonds Payable, and Note 13, Long-Term Liabilities, for additional information.

Deferred inflows of resources decreased by \$6.1 million due to the College recording deferred pension inflows.

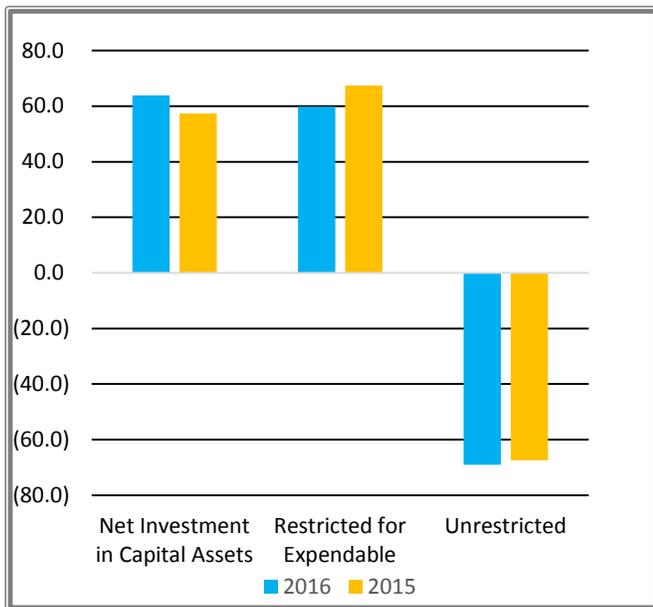
Net Position

Total net position for the year is \$54.7 million, a decrease of \$2.7 million from the prior year. Net investments in capital assets increased by \$6.5 million, and restricted net assets have decreased by \$7.6 million.

Unrestricted net position decreased by \$1.6 million. This consists of amounts related to the College’s 30-day operating reserve that excludes nonessential expenses totaling \$5.8 million and unrestricted Enterprise Campus Authority funds of \$1.3 million.

The following chart is a graphic representation of the College’s Net Position at June 30, 2016 and 2015.

**Comparative Net Position
As of June 30, 2016 and 2015
(in millions)**



STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses and Changes in Net Position present and categorize revenues earned and expenses incurred during the year by operating and non-operating. Generally, operating revenues and expenses are those that are received and used to carry out the mission of the College. The College depends on financial support from the state and counties for which services are provided. This support is reflected as non-operating revenue based on governmental accounting standards. The College will always reflect an operating deficit due to the dependence on state and local funding. Non-operating revenues and expenses offset the operating deficit and result in an overall decrease in net position for the year. State capital appropriations and capital grants and gifts are considered neither operating nor non-operating revenues and are reported after “income before other revenues, expenses, gains or losses.”

Operating Results

The following schedule summarizes the College’s operating results for fiscal year ended June 30, 2016, with comparative data for fiscal year ended June 30, 2015.

Condensed Summary of Revenues, Expenses and Change in Net Position
Fiscal Years 2016 and 2015
(in millions)

| | <u>2016</u> | <u>2015</u> | <u>Increase (Decrease)</u> | <u>Percent Change</u> |
|---------------------------------|-----------------|-----------------|--------------------------------|---------------------------|
| Operating Revenues | | | | |
| Tuition and Fees | \$ 31.8 | \$ 31.7 | \$ 0.1 | 0.3% |
| Grants and Contracts | 17.3 | 17.8 | (0.5) | (2.8)% |
| Auxiliary | 1.4 | 3.3 | (1.9) | (57.6)% |
| Other | <u>1.1</u> | <u>1.2</u> | <u>(0.1)</u> | <u>(8.3)%</u> |
| Total Operating Revenues | 51.6 | 54.0 | (2.4) | (4.4)% |
| Less Operating Expenses | <u>105.5</u> | <u>107.4</u> | <u>(1.9)</u> | <u>(1.8)%</u> |
| Net Operating Loss | <u>(53.9)</u> | <u>(53.4)</u> | <u>(0.5)</u> | <u>(0.9)%</u> |
| Non-Operating Revenues | | | | |
| State Appropriations | 17.7 | 15.9 | 1.8 | 11.3% |
| Local Appropriations | 12.9 | 12.3 | 0.6 | 4.9% |
| Grants and Contracts | 20.9 | 23.3 | (2.4) | (10.3)% |
| Other | <u>0.7</u> | <u>0.4</u> | <u>0.3</u> | <u>75.0%</u> |
| Total Non-Operating Revenues | 52.2 | 51.9 | 0.3 | 0.6% |
| Interest Expense | (1.0) | (1.0) | - | 0.0% |
| Decrease in Net Position | <u>(2.7)</u> | <u>(2.5)</u> | <u>(0.2)</u> | <u>(8.0)%</u> |
| Net Position, Beginning of Year | <u>57.4</u> | <u>59.9</u> | <u>(2.5)</u> | <u>(4.2)%</u> |
| Net Position, End of Year | <u>54.7</u> | <u>57.4</u> | <u>(2.7)</u> | <u>(4.7)%</u> |
| Total Revenues | <u>\$ 103.8</u> | <u>\$ 105.9</u> | <u>\$ (2.1)</u> | <u>(2.0)%</u> |

Revenue

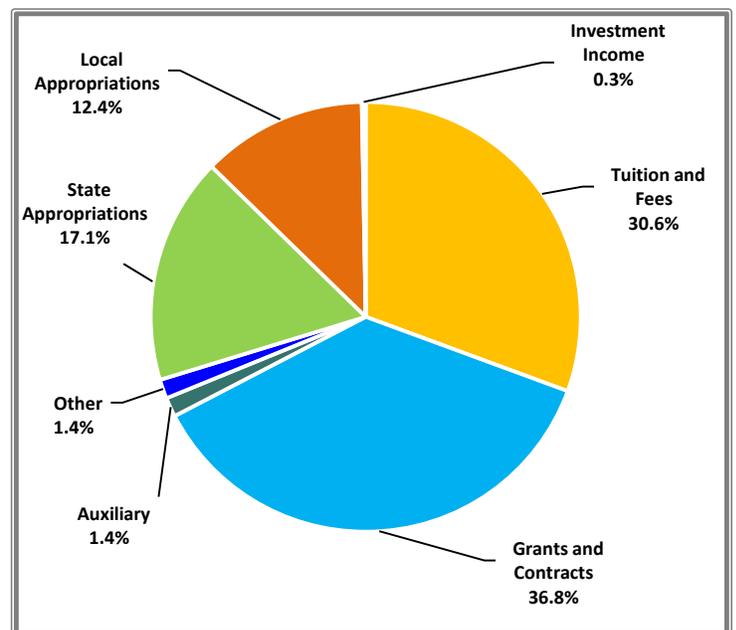
Total revenue decreased by \$2.1 million, which is a decrease of 2.0 percent.

Operating revenue decreased by \$2.4 million. The College had a Board approved tuition increase of 2.61%. Enrollment decreased by 3.8%. Operating grants and contracts decreased \$0.5 million. For auxiliary services, the decrease of \$1.9 million is the result of the College outsourcing its bookstore operations with Barnes and Noble College Bookseller, LLC in December of 2014.

Non-operating revenues increased by \$0.3 million. The increases in non-operating revenue were due to an increase in local appropriations of \$0.6 million, followed by an increase in state appropriation of \$1.8 million, and a reduction of grants and contracts of \$2.4 million. This decrease is due to a decrease in Pell funds.

The following graph represents sources and percentages of revenue to the College for the fiscal year.

Revenue by Source
Fiscal Year 2016

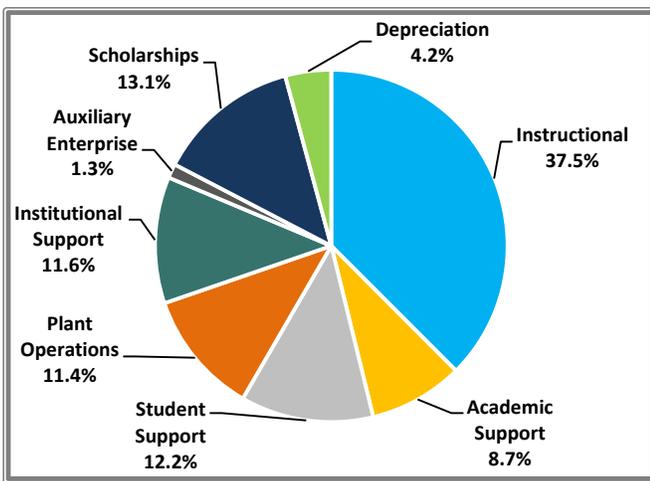


Expenses

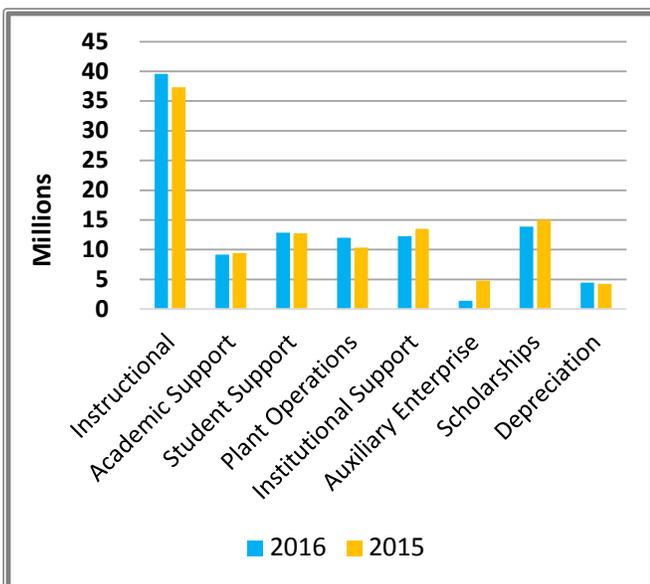
Operating expenses were \$105.5 million for the fiscal year, a decrease of \$1.9 million or 1.8 percent over the prior year. Scholarships decreased by \$1.2 million, depreciation increased by approximately \$0.2 million, and supplies and other expenses decreased by \$3.7 million compared to the prior year. The decrease in supplies is due to the College no longer operating its own bookstore. Salaries and benefits increased by \$2.7 million.

The following graphs depict operating expenses by function for fiscal year ended June 30, 2016, and a comparison of operating expenses by function for fiscal years ended 2016 and 2015.

**Operating Expenses by Function
Fiscal Year 2016**



**Comparison of Operating Expenses by Function
Fiscal Years 2016 and 2015**



STATEMENT OF CASH FLOWS

The Statement of Cash Flows is the final statement to be presented. It presents detailed information about the cash activity of the College during the year and provides the reader with the sources and uses of cash by the major categories of operating, non-capital financing, capital and related financing, and investing activities. This statement will always show a net use of cash in the section "Cash Flows from Operating Activities" due to the College's dependence on state and local appropriations.

The statement is divided into five parts. The first section reflects the operating cash flows and shows the net cash used by the operating activities of the College. The second section reflects cash flows from non-capital financing activities. This section shows the cash received and spent for non-operating, non-investing, and non-capital financing activities. The third section reflects cash flows from capital and related financing activities and shows the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The final section reconciles the net cash used to the operating loss reflected on the Statement of Revenues, Expenses and Changes in Net Position.

Cash decreased by approximately \$3.9 million from last year. This was due to enrollment decline and construction projects. Net cash flows from operating activities decreased by \$3.1 million as seen in the chart below.

Cash flows from non-capital financing activity decreased an additional \$0.6 million. Capital and related financing activities decreased cash by \$3.2 million of capital assets and debt service payments. Net cash used by investing activities resulted in an increase of \$7.5 million, a change of \$10.0 million from the prior period.

**Condensed Summary of Cash Flow
Fiscal Years 2016 and 2015
(in millions)**

| | 2016 | 2015 | Increase (Decrease) |
|--|-----------|-----------|------------------------|
| Net cash flow used by operating activities | \$ (50.3) | \$ (47.2) | \$ (3.1) |
| Net cash flow provided by non-capital financing activities | 48.6 | 49.2 | (0.6) |
| Net cash used by capital and related financing activities | (9.7) | (6.5) | (3.2) |
| Net cash provided (used) by investing activities | 7.5 | (2.5) | 10.0 |
| Net increase (decrease) in cash | (3.9) | (7.0) | 3.1 |
| Cash – beginning of year | 9.6 | 16.6 | (7.0) |
| Cash – end of year | \$ 5.7 | \$ 9.6 | (3.9) |

Debt Administration

The College's financial statements reflect \$20,970,000 in (general obligation) bonds payable. These bonds are general obligation bonds of the state backed by the full faith, credit and taxing power of the state. Tuition revenue is pledged in excess of the amount of annual debt requirements for the annual payment of principal and interest on the bonds to meet bond covenants, see Note 12.

Economic Factors

The economic condition of the College is dependent to a large degree on that of the state and local governments. Tuition increases related to planned improvement in the financial ability of the College to implement new programs, fund new facilities and provide improved supplies and equipment for the College. Student enrollment has declined compared to the prior year. Local government support for the College remains strong and continues to provide funding for ongoing maintenance, renovation, and construction of new facilities. The state's economic outlook for fiscal year 2016-2017 is projected to be slightly increasing at this point.

Requests for Information

Additional information or questions concerning any of the information provided should be requested from the College's Associate Vice President for Business Affairs at Midlands Technical College, P.O. Box 2408, Columbia, SC 29202, or by email at smithsw@midlandstech.edu.

Basic Financial Statements

MIDLANDS TECHNICAL COLLEGE

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MIDLANDS TECHNICAL COLLEGE
STATEMENT OF NET POSITION
June 30, 2016

ASSETS

| | |
|--|--------------------|
| Current assets: | |
| Cash and cash equivalents | \$ 447,146 |
| Short-term investments | 69,697,155 |
| Accounts receivable, net | 6,049,712 |
| Other assets | 246,910 |
| Total current assets | <u>76,440,923</u> |
| Non-current assets: | |
| Restricted cash and cash equivalents | 5,244,214 |
| Capital assets: | |
| Depreciable, net of accumulated depreciation | 72,646,730 |
| Non-depreciable | 14,508,018 |
| Total non-current assets | <u>92,398,962</u> |
| Total assets | <u>168,839,885</u> |

DEFERRED OUTFLOWS OF RESOURCES

| | |
|---|--------------------|
| Deferred outflows - bond refunding | 309,454 |
| Deferred pension outflows | 7,341,710 |
| Total deferred outflows of resources | <u>7,651,164</u> |
| Total assets and deferred outflows of resources | <u>176,491,049</u> |

LIABILITIES

| | |
|--|--------------------|
| Current liabilities: | |
| Accounts payable | 2,048,782 |
| Accrued payroll and related liabilities | 1,838,012 |
| Funds held for others | 588,578 |
| Unearned revenue | 5,791,402 |
| Long-term liabilities – current portion: | |
| Bonds payable | 1,411,679 |
| Compensated absences | 280,841 |
| Accrued interest payable | 358,731 |
| Total current liabilities | <u>12,318,025</u> |
| Non-current liabilities: | |
| Long-term liabilities – non-current portion: | |
| Bonds payable | 22,156,427 |
| Compensated absences | 3,860,168 |
| Pension liability | 83,269,025 |
| Total non-current liabilities | <u>109,285,620</u> |
| Total liabilities | <u>121,603,645</u> |

DEFERRED INFLOWS OF RESOURCES

| | |
|---|--------------------|
| Deferred pension inflows | 147,789 |
| Total liabilities and deferred inflows of resources | <u>121,751,434</u> |

NET POSITION

| | |
|----------------------------------|----------------------|
| Net investment in capital assets | 63,896,096 |
| Restricted for: | |
| Capital projects | 49,779,931 |
| Debt service | 10,065,113 |
| Unrestricted | (69,001,525) |
| Total net position | <u>\$ 54,739,615</u> |

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

MIDLANDS TECHNICAL COLLEGE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2016

REVENUES

| | |
|--|-------------------|
| Operation revenues: | |
| Student tuition and fees (net of scholarship allowances of \$24,983,578) | \$ 31,767,771 |
| Federal grants and contracts | 4,866,429 |
| State grants and contracts | 12,384,489 |
| Non-governmental grants and contracts | 68,355 |
| Sales and services of educational departments | 40,789 |
| Auxiliary enterprises | 1,446,420 |
| Other operating revenues | 1,061,287 |
| Total operating revenues | <u>51,635,540</u> |

EXPENSES

| | |
|-------------------------------|---------------------|
| Operating expenses: | |
| Salaries | 50,418,321 |
| Benefits | 17,060,866 |
| Scholarships | 13,867,388 |
| Utilities | 2,301,819 |
| Supplies and other services | 17,416,951 |
| Depreciation and amortization | 4,445,803 |
| Total operating expenses | <u>105,511,148</u> |
| Operating loss | <u>(53,875,608)</u> |

NON-OPERATING REVENUES (EXPENSES)

| | |
|--|-------------------|
| State appropriations | 17,105,945 |
| Local appropriations | 10,499,287 |
| Investment income (net of investment expenses) | 441,118 |
| Interest on capital asset-related debt | (1,009,590) |
| Federal grants and contracts | 20,934,222 |
| Net non-operating revenues (expenses) | <u>47,970,982</u> |

| | |
|--|--------------------|
| Loss before capital grants, gifts, other revenues and appropriations | <u>(5,904,626)</u> |
|--|--------------------|

Capital grants, gifts, other revenues and appropriations:

| | |
|--|------------------|
| Contributed capital assets | 174,512 |
| Local capital appropriations | 2,421,425 |
| State capital appropriations | 615,396 |
| Total capital grants, gifts, other revenues and appropriations | <u>3,211,333</u> |

| | |
|----------------------------------|----------------------|
| Decrease in net position | (2,693,293) |
| Net position – beginning of year | 57,432,908 |
| Net position – end of year | <u>\$ 54,739,615</u> |

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

MIDLANDS TECHNICAL COLLEGE
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|---------------------|
| Student tuition and fees – net of scholarship allowances | \$ 31,500,013 |
| Federal, state and local grants and contracts | 16,765,563 |
| Non-governmental contracts | 68,355 |
| Sales and services of educational departments | 40,789 |
| Auxiliary enterprise charges | 1,446,420 |
| Other receipts | 1,061,287 |
| Payments to vendors | (50,658,313) |
| Payments to employees | (50,483,860) |
| Amounts provided to student-governmental student loan program | (21,356,780) |
| Amounts provided from lenders | 21,356,780 |
| Net cash flows used by operating activities | <u>(50,259,746)</u> |

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

| | |
|--|-------------------|
| State appropriations | 17,105,945 |
| County appropriations | 10,499,287 |
| State, local and federal grants, gifts and contracts – non-operating | 21,108,734 |
| Net change in funds held for others | (99,471) |
| Net cash flows provided by non-capital financing activities | <u>48,614,495</u> |

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

| | |
|---|--------------------|
| Local appropriations for capital | 2,421,425 |
| State appropriations for capital | 615,396 |
| Purchase of capital assets | (9,438,975) |
| Principal paid on capital debt | (13,178,622) |
| Proceeds from issuance of capital debt | 10,821,219 |
| Interest paid on capital debt | (983,028) |
| Net cash flows used by capital and related financing activities | <u>(9,742,585)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|---|------------------|
| Proceeds from sales and maturities of investments | 54,040,000 |
| Interest on investments | 441,118 |
| Purchase of investments | (47,027,529) |
| Net cash flows provided by investing activities | <u>7,453,589</u> |

| | |
|---|---------------------|
| Net decrease in cash | (3,934,247) |
| Cash and cash equivalents – beginning of year | 9,625,607 |
| Cash and cash equivalents – end of year | <u>\$ 5,691,360</u> |

RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

| | |
|---|------------------------|
| Operating loss | \$ (53,875,608) |
| Adjustments to reconcile cash flows used by operating activities: | |
| Depreciation and amortization expense | 4,445,803 |
| Change in assets and liabilities: | |
| Receivables, net | (46,630) |
| Allowance for doubtful accounts | (533,000) |
| Prepaid expense and other assets | (1,065,549) |
| Deferred inflows | (6,175,465) |
| Pension liability | 8,455,943 |
| Unearned revenue | (181,640) |
| Accounts payable | (1,191,891) |
| Accrued leave payable | (91,709) |
| Net cash flows used by operating activities | <u>\$ (50,259,746)</u> |

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

| | |
|---|-------------------|
| Non-cash investing activities – change in fair value of investments | \$ 134,432 |
| Contributed capital assets | 174,512 |
| Total non-cash investing, capital and financing activities | <u>\$ 308,944</u> |

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

MIDLANDS TECHNICAL COLLEGE FOUNDATION, INC.
DISCRETELY PRESENTED COMPONENT UNIT
STATEMENT OF FINANCIAL POSITION
As of June 30, 2016

Assets

| | |
|--------------------------------|----------------------|
| Cash and equivalents | \$ 318,450 |
| Contributions receivables, net | 2,721,657 |
| Other receivables | 18,168 |
| Investments | 8,028,917 |
| Total assets | <u>\$ 11,087,192</u> |

Liabilities and Net Assets

Liabilities:

| | |
|-------------------|---------------|
| Accounts payable | \$ 52,892 |
| Total liabilities | <u>52,892</u> |

Net assets:

| | |
|----------------------------------|----------------------|
| Unrestricted – undesignated | 1,432,829 |
| Unrestricted – designated | 613,554 |
| Temporarily restricted | 2,427,301 |
| Permanently restricted | 6,560,616 |
| Total net assets | <u>11,034,300</u> |
| Total liabilities and net assets | <u>\$ 11,087,192</u> |

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

MIDLANDS TECHNICAL COLLEGE FOUNDATION, INC.
DISCRETELY PRESENTED COMPONENT UNIT
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2016

| | Unrestricted | | Temporarily Restricted | Permanently Restricted | Totals |
|--|---------------------|-------------------|---------------------------|---------------------------|----------------------|
| | Undesignated | Designated | | | |
| Revenue, gains, and other support | | | | | |
| Contributions | \$ 957,654 | \$ - | \$ 214,923 | \$ 1,256,142 | \$ 2,428,719 |
| Grant revenue | - | - | 15,000 | - | 15,000 |
| Income on long-term investments | 127,421 | 15,676 | 65,461 | - | 208,558 |
| Other investment income | 706 | - | - | - | 706 |
| Net unrealized and realized gains (losses) on long-term investments | 201,919 | 14,574 | 60,862 | - | 277,355 |
| Net assets released from restrictions: | | | | | |
| Satisfaction of program restrictions | 414,385 | (15,500) | (398,885) | - | - |
| Expiration of time restrictions | 55,161 | - | (55,161) | - | - |
| Total revenue, gains and other support | <u>1,757,246</u> | <u>14,750</u> | <u>(97,800)</u> | <u>1,256,142</u> | <u>2,930,338</u> |
| Expenses and losses | | | | | |
| Management and general | 62,768 | - | - | - | 62,768 |
| College support | 513,532 | - | - | - | 513,532 |
| Student support | 331,791 | - | - | - | 331,791 |
| Fundraising | 260,610 | - | - | - | 260,610 |
| Total expenses | <u>1,168,701</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,168,701</u> |
| Change in net assets | 588,545 | 14,750 | (97,800) | 1,256,142 | 1,761,637 |
| Net assets at beginning of year | <u>844,284</u> | <u>598,804</u> | <u>2,525,101</u> | <u>5,304,474</u> | <u>9,272,663</u> |
| Net assets at end of year | <u>\$ 1,432,829</u> | <u>\$ 613,554</u> | <u>\$ 2,427,301</u> | <u>\$ 6,560,616</u> | <u>\$ 11,034,300</u> |

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

MIDLANDS TECHNICAL COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Midlands Technical College (the College), a member institution of the South Carolina Technical College System, provides a range of educational programs to meet the needs of the adult population of Richland, Lexington and Fairfield 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 the skills of individual employees. The College also provides a variety of developmental education programs, support services and offerings to assist students in meeting their personal and professional educational objectives.

Reporting Entity

The financial reporting entity, as defined by the Governmental Accounting Standards Board (GASB), consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the reporting entity are such that exclusion could cause the financial statements to be misleading or incomplete. Accordingly, the financial statements include the accounts of Midlands Technical College, as the reporting entity, Midlands Technical College Enterprise Campus Authority, and the accounts of the Midlands Technical College Foundation (the Foundation), its component unit. The College is reported as a discretely presented component unit in the State of South Carolina's Comprehensive Annual Financial Report. However, based on the nature and significance of the Foundation's relationship with the State of South Carolina, the Foundation is not a component unit of the State of South Carolina.

The Midlands Technical College Enterprise Campus Authority (the Authority) was established in 2004 by SC Act 200, codified as sub-article 3, Article 20, Chapter 53, Title 59, of the 1976 South Carolina Code of Laws, as amended. For accounting purposes, the Authority is considered a component unit of Midlands Technical College. The Authority was established to provide for the management, development and operation of the Enterprise Campus of

Midlands Technical College, located on the Northeast Campus. The Board of the Authority consists of the members of the Midlands Technical College Commission. The activity of the Authority is blended in the financial statements of the College.

The Midlands Technical College Foundation, Inc., (the Foundation) is a private not-for-profit organization that was formed August 12, 1970, to benefit and support education at Midlands Technical College.

The Foundation is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the College in support of its programs. The 20-member board of the Foundation is self-perpetuating and consists of graduates and friends of the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests are restricted to the activities of the College or its students by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College. The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below.

Financial Statements

The financial statements of the College and its blended component unit are presented in accordance with GASB Standards. The financial statement presentation required by these standards provides a comprehensive, entity-wide perspective of the College's net position, revenues, expenses, changes in net position and cash flows.

The financial statements of the Midlands Technical College Foundation are presented in accordance with the accounting principles generally accepted in the United States of America for not-for-profit organizations as issued by the Financial Accounting Standards Board (FASB) through its Accounting Standards Codification. 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.

MIDLANDS TECHNICAL COLLEGE

NOTES TO FINANCIAL STATEMENTS

- CONTINUED -

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 that are neither temporarily nor permanently restricted. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Financial statements for the Foundation can be obtained by mailing a request to Midlands Technical College Foundation, Post Office Box 2408, Columbia, South Carolina 29202.

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 presented on the accrual basis of accounting in accordance with FASB pronouncements. Therefore, certain revenue recognition criteria and presentation features are different from GASB criteria and presentation features. No modifications have been made to the Foundation's financial statements included in the College's financial reporting entity for these differences.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the use of estimates. Actual amounts may differ from the estimates used.

Cash and Cash Equivalents

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

Investments

Deposits and investments for the College are governed by the South Carolina Code of Laws, Section 11-9-660, "Investments of Funds." Governmental Accounting Standards require disclosures related to deposit risks, such as custodial credit risk, and investment risks, such as credit risk (including custodial credit risk and concentrations of credit risks) and interest rate risk. The College accounts for its investments at fair value. Changes in unrealized gain (loss) on the fair value of investments are reported as a component of investment income in the statement of revenues, expenses and changes in net position.

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students, gift pledges, certain state and local funding and auxiliary enterprise services provided to students, faculty and staff. 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. Accounts receivable are recorded net of estimated uncollectible amounts.

Capital Assets

Capital assets are recorded at cost at the date of acquisition or fair market 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 or more and a useful life in excess of two years;

MIDLANDS TECHNICAL COLLEGE

NOTES TO FINANCIAL STATEMENTS

- CONTINUED -

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

depreciable land improvements, buildings and improvements; and intangible assets costing \$100,000 or more. Routine repairs and maintenance and library materials, except individual items costing \$5,000 or more, are charged to operating expenses in the year in which the expense is incurred. Certain works of art are considered inexhaustible. These capital assets are not subject to depreciation.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and improvements and land improvements and 2 to 25 years for machinery, equipment, and vehicles. Effective July 1, 2012, the State of South Carolina adopted a monthly depreciation convention for the straight-line method. Under this convention, depreciation is recognized in the month of purchase on a prorata basis of days placed in service. At the end of the life of the asset, a prorated amount of depreciation is recognized for the days within the month until the assets are removed from service.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Unearned Revenues and Deposits

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

from grant and contract sponsors that have not yet been earned.

Deposits represent student fee refunds and other miscellaneous deposits. Student deposits are recognized as revenue during the semester for which the fee is applicable, and earned when the deposit is nonrefundable to the student under the forfeit terms of the agreement.

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 benefit expenses in the statement of revenues, expenses, and changes in net position.

Pension Liability

During 2015, the College adopted the provisions of GASB 68 "Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement 27." GASB required that the College recognize in its government wide statements their proportionate share of pension liability as a participant in the South Carolina Retirement Systems. See Note 6 for additional information.

Net Position

The College's net position is classified as follows:

- *Net investment in capital assets:* This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.
- *Restricted net position – expendable:* Restricted expendable net position includes resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

MIDLANDS TECHNICAL COLLEGE

NOTES TO FINANCIAL STATEMENTS

- CONTINUED -

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- *Restricted net position – non-expendable:* Non-expendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The College does not currently report any net position in this classification.
- *Unrestricted net position:* Unrestricted net position represent resources derived from student tuition and fees, appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

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

Income Taxes

The College is exempt from income taxes under the Internal Revenue Code.

Classification of Revenues and Expenses

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

- *Operating revenues and expenses:* Operating revenues generally result from exchange transactions to provide goods or services related to the College's principal ongoing operations. These revenues include (1) student tuition and fees received in exchange for

providing educational services and other related services to students; (2) receipts for scholarships where the provider has identified the student recipients; (3) fees received from organizations and individuals in exchange for miscellaneous goods and services provided by the College; and (4) grants and contracts that are essentially the same as contracts for services that finance programs the College would not otherwise undertake. Operating expenses include all expense transactions incurred other than those related to investing, non-capital or non-capital financing activities.

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

Sales and Services of Educational and Other Activities

Revenues from sales and services of educational and other activities generally consist of amounts received from instructional activities that incidentally create goods and services that may be sold to students, faculty, staff, and the general public. The College receives such revenues primarily from the automotive and dental auxiliary departments.

Auxiliary Enterprises and Internal Service Activities

Auxiliary enterprise revenues primarily represent revenues generated by bookstores, food services, the Authority facility rentals and vending. Revenues of internal service and auxiliary enterprise activities and the related expenditures of college departments have been eliminated.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, and other federal, state or non-governmental programs, are recorded as operating

MIDLANDS TECHNICAL COLLEGE

NOTES TO FINANCIAL STATEMENTS

- CONTINUED -

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

Capitalized Interest

The College's policy is to capitalize as a component of construction in progress interest cost in excess of earnings on debt associated with capital projects that will be capitalized in the applicable capital asset categories upon completion. The College incurred \$1,009,590 of interest cost during the year ended June 30, 2016, all of which was expensed.

Discretely Presented Component Unit

What follows below are the more significant accounting policies of the College's Discretely Presented Component Unit (Midlands Technical College Foundation).

The financial statements of the Foundation are presented in accordance with accounting principles generally accepted in the United States of America and are prepared on the accrual basis of accounting. Consequently, the net assets of the Foundation are reported as follows:

- *Unrestricted Undesignated* – Unrestricted Undesignated Net Assets are not subject to donor-imposed restrictions that will be met by actions of the Foundation and/or passage of time.
- *Unrestricted Designated* – Unrestricted Designated Net Assets are not subject to donor-imposed restrictions, but is subject to Foundation Board imposed stipulations.
- *Temporarily Restricted* – Temporarily Restricted Net Assets are subject to donor-imposed stipulations that will be met by actions of the Foundation and/or passage of time.

Permanently Restricted – Permanently Restricted Net Assets are subject to donor-imposed stipulations that require them to be maintained permanently by the Foundation. Generally, the donors of these assets permit

the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Revenue, Gains and Other Support and Expenses and Losses – Revenues are reported as increases in the unrestricted net asset classification unless use of the related assets is limited by donor-imposed restrictions. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. Increases in the allowance for uncollectible pledges are netted against contribution income.

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

Donated Services, Goods and Facilities – A substantial number of volunteers have donated an undetermined number of hours to the Foundation's program services and fundraising campaigns during the year; however, these donated services are not reflected in the financial statements since the services do not require specialized skills. During the year ended June 30, 2016, the Foundation received in-kind contributions valued at approximately \$151,433. Substantially all contributions of equipment to the Foundation become property of the College upon receipt of the property from the donor. Accordingly, the Foundation records the contributions at their fair value with an offset to college support in these financial statements.

Cash and Cash Equivalents – Cash and cash equivalents consist of cash held in checking and money market accounts with maturities of less than 90 days at the time of purchase.

MIDLANDS TECHNICAL COLLEGE

NOTES TO FINANCIAL STATEMENTS

- CONTINUED -

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments – Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Investment in real estate held for sale is reported at the lower of cost or market. Securities or other investments donated are recorded at their market value at the date of the gift.

Concentrations of Credit and Market Risk – Financial instruments that potentially expose the Foundation to concentrations of credit and market risk consist primarily of cash equivalents and investments. Cash equivalents are maintained at high-quality financial institutions and credit exposure is limited to any one institution. The Foundation has not experienced any losses on its cash equivalents. Management believes that the Foundation's investment portfolio is adequately diversified among issuers. In addition, management believes that the Foundation has the ability to hold its investment portfolio during periods of temporary market declines. Management believes the Foundation is not exposed to any significant credit risk on cash and cash equivalents.

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

MIDLANDS TECHNICAL COLLEGE

NOTES TO FINANCIAL STATEMENTS

- CONTINUED -

NOTE 2 – STATE APPROPRIATIONS

State funds for the South Carolina Technical College System are appropriated to the State Board for Technical and Comprehensive Education (the Board), and the Board allocates funds budgeted for the technical colleges in a uniform and equitable manner. Appropriations are recognized as revenue when received and available. Amounts that are not expended by fiscal year-end lapse are required to be returned to the General Fund of the State unless the Board receives authorization from the General Assembly to carry the funds over to the next year.

The following is a reconciliation of the state appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2016:

| Non-Capital and State Capital Appropriations | |
|---|----------------------|
| Non-Capital Appropriations: | |
| Appropriations per State Board allocation | \$ 14,823,180 |
| Appropriations from SC Education Lottery fund | 348,510 |
| Other: | |
| Nursing funding | 370,943 |
| Critical Needs Nursing Initiative | 47,215 |
| Pathways | 37,784 |
| QuickJobs | 1,478,313 |
| Total Non-Capital appropriations | 17,105,945 |
| Capital Appropriations: | |
| State Capital | 615,396 |
| Total Non-Capital and State Capital Appropriations | <u>\$ 17,721,341</u> |

MIDLANDS TECHNICAL COLLEGE

NOTES TO FINANCIAL STATEMENTS

- CONTINUED -

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits – Deposits include cash and cash equivalents on deposit in banks and held by the State Treasurer. At year-end, the College's carrying amount of deposits with banks was \$11,980,282. The bank balances were \$13,526,864, of which \$11,794,121 was covered by FDIC insurance. The balance was collateralized with securities held by a third-party financial institution (as the College's agent) in the College's name. The State Treasurer held \$5,244,214 in its pooled cash funds in the College's name.

Restricted Cash – Restricted cash includes \$551,534 held for debt service reserve funds; \$4,255,336 held for maintenance, repair and replacement; and \$437,344 for construction as required by bond indentures.

Foreign Currency Risk – Foreign currency risk is the risk that variances in exchange rates will adversely affect the fair value of a deposit. The College's policy is to not maintain deposits that are denominated in a currency other than the United States dollar, and therefore, is not exposed.

Investments – The College's investments at June 30, 2016, are *not* with the South Carolina State Treasurer's Office and are alternatively held by certain financial institutions in the College's name. The fair value of investments at June 30, 2016, consists solely of certificates of deposits or United States government-backed securities with maturities of one to three years. All of the securities for the reporting period were either fully collateralized or insured by the Federal Deposit Insurance Corporation.

Custodial Credit Risk – Custodial credit risk for investments is the risk that, in the event of the failure of a counterparty to a transaction, the College will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. The College's investment policy limits its investments to the safest types of securities, and structures its investment portfolio so securities mature to meet cash requirements for ongoing operations, which therefore prevents the need to sell securities prior to maturity. The College monitors its investments periodically to ensure that the collateral exceeds the market value of investments.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College's policy regarding credit risk of investments is that it only uses high-quality brokers and financial institutions to manage its investment portfolios. In addition, the College's investments include only obligations of the United States Government Sponsored Enterprise Debt.

All Agencies carry credit ratings of Moody's Aaa long term and P-1 short term and S&P is AA+ long term and A-1 short term. The Agencies strive to maintain the market perception of credit risk on par with that of the U.S. Government.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

Credit Risk Concentration – Investments by issuers are as follows:

| | Fair Value | % of Investments |
|---|---------------|------------------|
| Federal National Mortgage Association | \$ 2,993,001 | 5.1 |
| Freddie Mac | 8,005,269 | 13.8 |
| Federal Farm Credit Bank | 18,217,945 | 31.3 |
| International Bank Reconstruction and Development | 3,249,412 | 5.6 |
| Federal Home Loan Bank | 18,677,657 | 32.1 |
| U.S. Treasury Strip | 5,014,324 | 8.6 |
| Other Issuers | 1,995,425 | 3.5 |
| Total | \$ 58,153,033 | 100.0 |

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. It occurs because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase, thereby affording potential purchasers more favorable rates on essentially equivalent securities. Part of the interest rate risk experienced with debt securities is maturity risk. The College's investment policy is to structure its investment portfolio so securities mature to meet cash requirements for ongoing operations to prevent the need to liquidate securities prior to maturity.

MIDLANDS TECHNICAL COLLEGE

NOTES TO FINANCIAL STATEMENTS

- CONTINUED -

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

The weighted average maturity of the investments (including certificates of deposits held as investments) as of June 30, 2016, was 552 days. Another component of interest rate risk is the exposure to fluctuations in the purchase price caused by stated earning rates of the investments. The weighted average stated rate for the investments (including certificates of deposit) as of June 30, 2016, was 0.63 percent.

College's Policy Regarding Custodial Risk and Interest Rate Risk for Investments

Investment Risk – The College's investment policy states that its primary objectives in priority order of investment activities shall be preservation of capital, liquidity and yield.

The College has no formal investment policy regarding custodial credit risk, although primary objectives are adhered to in accordance with management policy.

Investment Pool – The College has deposits of \$5,244,214 held as a part of the State of South Carolina Office of State Treasurer Local Government Investment Pool. Deposit risk information relating to this investment pool may be obtained from the State of South Carolina's Comprehensive Annual Financial Report. Copies of this report may be obtained from the South Carolina Office of the Comptroller General, 1200 Senate Street, 305 Wade Hampton Office Building, Columbia, South Carolina 29201; or by visiting the Comptroller General's website at www.cg.sc.gov.

A reconciliation of the College's deposits and investments on its statement of net position to this footnote disclosure is as follows:

STATEMENT OF NET POSITION:

| | |
|--------------------------------------|----------------------|
| Cash and cash equivalents | \$ 447,146 |
| Restricted cash and cash equivalents | 5,244,214 |
| Short term investments | <u>69,697,155</u> |
| Total statement of net position | <u>\$ 75,388,515</u> |

DEPOSITS AND INVESTMENTS NOTES:

| | |
|-------------------------------------|----------------------|
| Carrying value of deposits | \$ 11,980,282 |
| Cash on hand | 10,986 |
| Held by State Treasurer | 5,244,214 |
| Investments | <u>58,153,033</u> |
| Total deposit and investments notes | <u>\$ 75,388,515</u> |

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 4 – RECEIVABLES

Accounts receivable as of June 30, 2016, including applicable allowances, were as follows:

| Receivables: | |
|------------------------------------|----------------------------|
| Student accounts | \$ 5,112,557 |
| Company accounts | 1,362,845 |
| Federal grants and contracts | 816,056 |
| State grants and contracts | 15,407 |
| Local government | 730 |
| Other receivables | 139,117 |
| Less: Allowance for uncollectibles | <u>(1,397,000)</u> |
| Receivables, net | <u><u>\$ 6,049,712</u></u> |

Allowances for losses for student accounts receivable are established based upon actual losses experienced in prior years and evaluations of the current account portfolio.

Contributions Receivable – Discretely Presented Component Unit

Unconditional promises to give as of June 30, 2016, are due as follows:

| | |
|-------------------------------------|----------------------------|
| Within one year | \$ 980,238 |
| One to five years | <u>1,985,381</u> |
| Total | 2,965,619 |
| Allowance for uncollectible pledges | (55,161) |
| Present value discount | <u>(188,801)</u> |
| Contributions receivable, net | <u><u>\$ 2,721,657</u></u> |

The discount to net present value was calculated using the estimated earnings rate of 3.25% as of June 30, 2016.

MIDLANDS TECHNICAL COLLEGE

NOTES TO FINANCIAL STATEMENTS

- CONTINUED -

NOTE 5 – CAPITAL ASSETS

| | Beginning Balance July 1, 2015 | Increases | Decreases | Ending Balance June 30, 2016 |
|--|--------------------------------------|---------------------|-----------------------|------------------------------------|
| Capital assets not being depreciated: | | | | |
| Land and improvements | \$ 5,365,017 | \$ - | \$ - | \$ 5,365,017 |
| Construction in progress | 5,642,758 | 7,428,076 | (4,252,190) | 8,818,644 |
| Non-depreciable intangibles | 229,011 | - | - | 229,011 |
| Works of art, historical treasures, and similar assets | 95,346 | - | - | 95,346 |
| Total capital assets not being depreciated | <u>11,332,132</u> | <u>7,428,076</u> | <u>(4,252,190)</u> | <u>14,508,018</u> |
| Other capital assets: | | | | |
| Depreciable land improvements | 9,416,014 | 696,209 | - | 10,112,223 |
| Buildings and improvements | 99,390,535 | 4,975,734 | - | 104,366,269 |
| Machinery, equipment, and other | 14,363,829 | 691,306 | (883,158) | 14,171,977 |
| Vehicles | 1,016,243 | 74,352 | (38,208) | 1,052,387 |
| Depreciable intangibles | 635,405 | - | - | 635,405 |
| Total other capital assets at historical cost | <u>124,822,026</u> | <u>6,437,601</u> | <u>(921,366)</u> | <u>130,338,261</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (35,498,161) | (2,706,791) | - | (38,204,952) |
| Machinery, equipment, and other | (11,318,513) | (1,294,588) | 883,158 | (11,729,943) |
| Vehicles | (870,386) | (56,348) | 38,208 | (888,526) |
| Depreciable land improvements | (5,844,629) | (388,076) | - | (6,232,705) |
| Intangibles | (635,405) | - | - | (635,405) |
| Total accumulated depreciation | <u>(54,167,094)</u> | <u>(4,445,803)</u> | <u>921,366</u> | <u>(57,691,531)</u> |
| Other capital assets, net | <u>70,654,932</u> | <u>1,991,798</u> | <u>-</u> | <u>72,646,730</u> |
| Capital assets, net | <u>\$ 81,987,064</u> | <u>\$ 9,419,874</u> | <u>\$ (4,252,190)</u> | <u>\$ 87,154,748</u> |

MIDLANDS TECHNICAL COLLEGE

NOTES TO FINANCIAL STATEMENTS

- CONTINUED -

NOTE 6 – PENSION PLANS

South Carolina Retirement System

The majority of employees of Midlands Technical College are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Benefits Division of the South Carolina Public Employee Benefit Authority (PEBA). 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 lifetime monthly retirement annuity benefits to eligible members as well as disability, survivor options, annual benefit adjustments and incidental death 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 on or after July 1, 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 member's age plus the years of service add up to a total of at least 90). The benefit formula for full-service retirement annuity effective since July 1, 1989 for the SCRS is 1.82 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual earnable compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay at retirement for unused annual leave. For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters,

and termination pay for unused annual leave at retirement is not included. Early retirement options with reduced benefits are available as early as age 55 for Class II members and age 60 for Class III members. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

Disability annuity benefits are available to Class II members if they have permanent incapacity to perform regular duties of the member's job and they have at least 5 years of earned service (this requirement does not apply if the disability is a result of a job related injury). Class III members can apply for disability annuity benefits provided they have a permanent incapacity to perform the regular duties of the member's job and they have minimum of eight years of credited service. For disability applications received after December 31, 2014, a member of SCRS will have to be approved for disability benefits from the Social Security Administration in order to be eligible for SCRS disability retirement benefits. An incidental death benefit equal to an employee's annual rate of compensation is payable upon the death of an active employee with a minimum of one year of credited service or to a working retired contributing member. There is no service requirement for death resulting from actual performance of duties for an active member. For eligible retired members, a lump-sum payment is made to the retiree's beneficiary of up to \$6,000 based on years of service at retirement. TERI participants and retired contributing members are eligible for the increased death benefit equal to their annual salary in lieu of the standard retired member benefit.

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.

MIDLANDS TECHNICAL COLLEGE

NOTES TO FINANCIAL STATEMENTS

- CONTINUED -

NOTE 6 – PENSION PLANS (Continued)

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 benefit adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not earn service credit, and are ineligible for disability retirement benefits. The TERI program will end effective June 30, 2018 and a member's participation may not continue after this date.

Effective July 1, 2015, employees participating in the SCRS were required to contribute 8.16% of all earnable compensation. The employer contribution rate for SCRS was 16.39%. Included in the total SCRS employer contribution rate is a base retirement contribution of 10.91%, 0.15% for the incidental death program and a 5.33% surcharge that will fund retiree health and dental insurance coverage. The College's actual contributions to the SCRS for the years ended June 30, 2016, 2015, and 2014 were approximately \$4,288,757, \$4,118,079, and \$3,863,556, respectively, and equaled the base required retirement contribution rate, excluding retiree insurance surcharge and incidental death benefit program contributions of 10.91% for 2016, 10.75% for 2015, and 10.45% for 2014. Also, the College paid employer incidental death benefit program contributions of approximately \$58,965, \$57,462, and \$55,458, at the rate of 0.15% of compensation for the current fiscal years ended June 30, 2016, 2015, and 2014, respectively.

Police Officers Retirement System

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple employer defined benefit public employee retirement plan. Generally, all full-time employees whose principal duties are the preservation of public order or the protection or prevention and control of property destruction by fire are required to participate in and contribute to PORS as a condition of employment. This plan provides for lifetime monthly annuity benefits as well as disability, survivor benefits and incidental death benefits to eligible employees and retirees. In addition, participating employers in the PORS may elect to contribute to the accidental death program which provides annuity benefits to beneficiaries of police officers and firemen killed in the actual performance of their duties.

These benefits are independent of any other retirement benefits available to the beneficiary.

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

Effective July 1, 2015, employees participating in the PORS were required to contribute 8.74% of all earnable compensation. The employer contribution rate for PORS was 19.07%. Included in the total PORS employer contribution rate is a base retirement contribution of 13.34%, 0.20% for the incidental death benefit program, 0.20% for the accidental death program, and a 5.33% surcharge that will fund retiree health and dental insurance coverage. The College's actual contributions to the PORS for the years ended June 30, 2016, 2015, and 2014 were approximately \$51,130, \$46,328, and \$39,738, respectively, and equaled the base retirement required contribution rate, excluding surcharge and death program contributions, of 13.34% for 2016, 13.01% for 2015 and 12.44% for 2014. The College also paid employer incidental death benefit program contributions of approximately \$767, \$712, and \$639, at the rate of 0.20% of compensation for the current fiscal years ended June 30, 2016, 2015, and 2014 respectively. In addition, the College paid accidental death program contributions of approximately \$767, \$712, and \$639, at the rate of 0.20% of compensation for the current fiscal years ended June 30, 2016, 2015, and 2014 respectively.

MIDLANDS TECHNICAL COLLEGE

NOTES TO FINANCIAL STATEMENTS

- CONTINUED -

NOTE 6 – PENSION PLANS (Continued)

Optional Retirement Program

As an alternative to membership in the SCRS, newly hired employees of the College may elect to participate in the State Optional Retirement Program (ORP), a defined contribution retirement plan. The ORP was established in 1987 under Title 9, Chapter 20, of South Carolina Code of Laws. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. The State assumes no liability for the State ORP plan other than for the employer's payment of contribution to designated companies. To elect participation in the ORP, eligible employees must elect membership within their first 30 days of employment. Under State law, contributions to the ORP are required at the same rates as for the SCRS, 11.06% plus the retiree surcharge of 5.33% from the employer in fiscal year 2016. Of the 11.06% employer retirement contribution rate, the employer remits 5.91% directly to the participant's ORP account and the remaining 5.00% retirement contribution and 0.15% incidental death benefit program contribution amounts are remitted to SCRS.

For fiscal year 2016, total contributions requirements to the ORP were approximately \$283,226 (excluding the surcharge) from the College as employer and approximately \$391,053 from its employees as plan members. The amounts paid by the College for pension, incidental death program and accidental death benefit 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 rate to SCRS are actuarially determined.

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

Net Pension Liability

At June 30, 2016, the College reported \$82,641,330 for its proportionate share of the net pension liabilities of SCRS and \$627,695 for PORS. The net pension liability defined of the SCRS and PORS defined benefit pension plan was determined based on the July 1, 2015 actuarial valuations, using membership data as of July 1, 2014, projected forward to June 30, 2015, and financial information of the pension trust funds as of June 30, 2015, using generally accepted actuarial procedures. The College's portion of the net pension liability was based on the College's share of contributions to the pension plans relative to the contributions of all participating entities. At June 30, 2015, the College's SCRS proportion was 0.436% and 0.029% for PORS. For the year ended June 30, 2016, the College recognized additional pension expense of \$1,544,661 for SCRS and \$12,817 for PORS.

MIDLANDS TECHNICAL COLLEGE

NOTES TO FINANCIAL STATEMENTS

- CONTINUED -

NOTE 6 – PENSION PLANS (Continued)

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

| | <u>Deferred Outflows</u> | <u>Deferred Inflows</u> | <u>Net</u> |
|--|------------------------------|-----------------------------|----------------------------|
| Differences between expected and actual experience – SCRS | \$ 1,468,286 | \$ (147,789) | \$ 1,320,497 |
| Differences between expected and actual experience – PORS | 12,440 | - | 12,440 |
| Net differences between projected and actual investments earnings – SCRS | 553,160 | - | 553,160 |
| Net differences between projected and actual investments earnings – PORS | 6,868 | - | 6,868 |
| Deferred mounts from changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions - SCRS | 573,247 | - | 573,247 |
| Deferred mounts from changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions - PORS | 36,909 | - | 36,909 |
| Contributions made from measurement date to June 30, 2016 – SCRS | 4,638,137 | - | 4,638,137 |
| Contributions made from measurement date to June 30, 2016 – PORS | 52,663 | - | 52,663 |
| Total | <u>\$ 7,341,710</u> | <u>\$ (147,789)</u> | <u>\$ 7,193,921</u> |

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

| Year ended June 30, | SCRS | PORS | Net |
|----------------------------|-----------------------|---------------------|-----------------------|
| 2017 | \$ (5,173,120) | \$ (64,338) | \$ (5,237,458) |
| 2018 | (534,982) | (11,675) | (546,657) |
| 2019 | (30,660) | (11,126) | (41,786) |
| 2020 | (1,346,246) | (21,774) | (1,368,020) |
| | <u>\$ (7,085,008)</u> | <u>\$ (108,913)</u> | <u>\$ (7,193,921)</u> |

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

| | <u>SCRS</u> | <u>PORS</u> |
|--|--|--|
| Actuarial Cost Method | Entry Age Normal | Entry Age Normal |
| Investment Rate or Return ¹ | 7.5% | 7.5% |
| Projected Salary Increases | 3.5% to 12.5% (varies by service) ¹ | 4.0% to 10.0% (varies by service) ¹ |
| Benefit adjustments | Lesser of 1% or \$500 annually | Lesser of 1% or \$500 annually |

¹ Includes inflation at 2.75%

MIDLANDS TECHNICAL COLLEGE

NOTES TO FINANCIAL STATEMENTS

- CONTINUED -

NOTE 6 – PENSION PLANS (Continued)

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

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

| Former Job Class | Males | Females |
|---|---|--|
| Educators | RP- 2,000 Males (with White Collar Adjustment) Multiplied by 110% | RP- 2,000 Females (with White Collar Adjustment) Multiplied by 95% |
| General Employees and Members of the General Assembly | RP- 2,000 Males multiplied by 100% | RP- 2,000 Females multiplied by 90% |
| Public Safety and Firefighters | RP- 2,000 Males (with Blue Collar Adjustment) multiplied by 115% | RP- 2,000 Females (with Blue Collar Adjustment) multiplied by 115% |

The long-term expected rate of return on pension plan investments, as used in the July 1, 2014, actuarial valuations, was based upon the 30 year capital market outlook at the end of the fourth quarter 2013, as developed by the Retirement Systems Investment Commission in collaboration with its investment consultant, Aon Hewitt. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economics forecasts. Long-term assumptions for other asset classes are based on historical results, current market characteristics, and professional judgment.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation as adopted by the Investment Commission for fiscal year 2015. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7.50 percent assumed annual investment rate of return set in statute and used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

MIDLANDS TECHNICAL COLLEGE

NOTES TO FINANCIAL STATEMENTS

- CONTINUED -

NOTE 6 – PENSION PLANS (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Asset Allocation | Expected Arithmetic Real Rate of Return | Long-Term Expected Portfolio Real Rate of Return |
|---|-------------------------|---|--|
| Short Term | 5.0% | | |
| Cash | 2.0% | 1.90% | 0.04% |
| Short Duration | 3.0% | 2.00% | 0.06% |
| Domestic Fixed Income | 13.0% | | |
| Core Fixed Income | 7.0% | 2.70% | 0.19% |
| Mixed Credit | 6.0% | 3.80% | 0.23% |
| Global Fixed Income | 9.0% | | |
| Global Fixed Income | 3.0% | 2.80% | 0.08% |
| Emerging Markets Debt | 6.0% | 5.10% | 0.31% |
| Global Public Equity | 31.0% | 7.10% | 2.20% |
| Global Tactical Asset Allocation | 10.0% | 4.90% | 0.49% |
| Alternatives | 32.0% | | |
| Hedge Funds (Low Beta) | 8.0% | 4.30% | 0.34% |
| Private Debt | 7.0% | 9.90% | 0.69% |
| Private Equity | 9.0% | 9.90% | 0.89% |
| Real Estate (Broad Market) | 5.0% | 6.00% | 0.30% |
| Commodities | 3.0% | 5.90% | 0.18% |
| Total Expected Real Return | 100% | | 6.00% |
| Inflation for Actuarial Purposes | | | 2.75% |
| Total Expected Nominal Return | | | 8.75% |

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that the funding policy specified in the South Carolina State Code of Laws will remain unchanged in future years. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

| Plan | 1% Decrease 6.50% | Current Rate 7.50% | 1% Increase 8.50% |
|-------|-------------------|--------------------|-------------------|
| SCRS | \$ 104,187,103 | \$ 82,641,330 | \$ 64,583,233 |
| PORS | 855,126 | 627,695 | 424,466 |
| Total | \$ 105,042,229 | \$ 83,269,025 | \$ 65,007,699 |

MIDLANDS TECHNICAL COLLEGE

NOTES TO FINANCIAL STATEMENTS

- CONTINUED -

NOTE 6 – PENSION PLANS (Continued)

Deferred Compensation Plans

Several optional deferred compensation plans are available to state employees and employers of its political subdivisions. Certain employees of the College have elected to participate. The multiple-employers plans, created under Internal Revenue Code Sections 457, 401(k), and 403(b), are administered by third parties and are not included in the Comprehensive Annual Financial Report of the State of South Carolina.

Compensation deferred under the plans is placed in trust for the contributing employee. The State has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate state employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan.

NOTE 7 – POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS

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, 5.33% of annual covered payroll for 2016, 5.00% of annual covered payroll for 2015 and 4.92% of annual covered payroll for 2014. The IB sets the employer contribution rate based on a pay-as-you-go basis. The College paid approximately \$2,371,100, \$2,167,401 and \$2,036,044 included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2016 and 2015 and 2014, respectively, and equaled the required contributions of 10.91% for fiscal year 2016 (excluding the surcharge) and 10.75% for fiscal year 2015 (excluding the surcharge) and 10.45% for fiscal year 2014 (excluding the surcharge). BLTD benefits are funded through a person's premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to IB was \$3.22 for the fiscal years ended June 30, 2016 and 2015. The College recorded employer contributions expenses applicable to these insurance benefits for active employees in the amount of approximately \$3,557,699 and \$3,498,637 for the years ended June 30, 2016 and 2015, respectively.

MIDLANDS TECHNICAL COLLEGE

NOTES TO FINANCIAL STATEMENTS

- CONTINUED -

NOTE 7 – POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS (Continued)

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

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

Other Employee Benefits

In accordance with the South Carolina Code of Laws and the annual Appropriation Act, the State of South Carolina provides certain health care, dental, and life insurance benefits to all permanent full-time and certain permanent part-time employees of the College. These benefits are provided on a reimbursement basis by the employer agency based on rates established at the beginning of the service period by PEBA. The College recorded benefit expenses for these insurance benefits for active employees in the amount of \$4,005,422 for the year ended June 30, 2016.

NOTE 8 – CONTINGENCIES, LITIGATION, AND PROJECT COMMITMENTS

The College is 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.

Necessary funding has been obtained for the acquisition, construction, renovation, and equipping of certain facilities, which will be capitalized in the applicable capital asset categories upon completion. At June 30, 2016, the College had remaining commitment balances of approximately \$3,042,199 with certain property owners, engineering firms, construction contractors, and vendors related to these projects. Other capital projects, which are not to be capitalized when completed, are for replacements, repairs, and/or renovations to existing facilities. Remaining commitment balances with certain parties related to these projects total \$7,348 at June 30, 2016.

The College anticipates funding these projects out of current resources, current and future bond issues, private gifts, student fees and local appropriations. Authorized funds can be requested as needed once state authorities have given approval to begin specific projects and project expenditures have been incurred.

MIDLANDS TECHNICAL COLLEGE

NOTES TO FINANCIAL STATEMENTS

- CONTINUED -

NOTE 9 – LEASE OBLIGATIONS

Operating Leases

The College leases certain office equipment under operating leases with external parties. Future minimum payments under these non-cancelable leases are as follows:

| <u>Year Ended June 30,</u> | <u>Operating Leases with External Parties</u> |
|----------------------------|---|
| 2017 | \$ 60,093 |
| 2018 | 54,505 |
| 2019 | 54,505 |
| 2020 | 52,234 |
| Total Minimum Payments | <u>\$ 221,337</u> |

Operating lease payments disbursed to external parties during the fiscal year ended 2016 total \$164,075. The College's contingent rental payments were \$91,358 for copiers with expense determined on a cost-per-copy basis.

NOTE 10 – LINE OF CREDIT

The Commission authorized the administration to create a temporary line of credit not to exceed \$1,000,000 if needed to support the operations of the College. The line of credit was not used during the year. The College has a monthly line of credit in the purchasing card program of \$500,000 and an executive credit card line of credit of \$110,000.

NOTE 11 – ACCOUNTS PAYABLE

Accounts payable as of June 30, 2016, are summarized as follows:

| | |
|----------------------|---------------------|
| Accounts Payable | \$ 1,215,676 |
| Student Payable | 848 |
| Employee Payable | 17,364 |
| Construction Payable | 548,166 |
| Retainage Payable | 266,728 |
| | <u>\$ 2,048,782</u> |

Construction and Retainage payable are payables from restricted assets.

MIDLANDS TECHNICAL COLLEGE

NOTES TO FINANCIAL STATEMENTS

- CONTINUED -

NOTE 12 – BONDS PAYABLE

Bonds and note payable consisted of the following at June 30, 2016:

| | Interest Rates | Original Balance | Final Maturity | Current Balance |
|---------------------------------|-------------------|----------------------|-------------------|----------------------|
| General Obligation Bonds | | | | |
| Series 2016A | 5.0% | \$ 8,765,000 | 04/01/2027 | \$ 8,765,000 |
| Series 2011C | 2.0% to 5.0% | 15,000,000 | 03/01/2031 | 12,065,000 |
| Series 2007A | 4.0% to 5.0% | 10,000,000 | 04/01/2017 | 140,000 |
| Total Bonds Payable | | \$ 33,765,000 | | \$ 20,970,000 |

General obligation bonds of the state are backed by the full faith, credit, and taxing power of the state. Tuition revenue is pledged up to the amount of annual debt requirements for the payment of principal and interest on general obligation bonds. The legal debt margin for general obligation bonds is that the maximum amount of annual debt service shall not exceed 90 percent of the sums received from tuition and fees for the preceding fiscal year. Tuition bond fees for the preceding year are \$2,890,918, which results in a legal annual debt service at June 30, 2016, of \$2,601,826. The annual debt service payments for the fiscal year ended June 30, 2016, were \$2,524,090; all issues are subject to arbitrage regulations.

The Series 2016C Bonds were issued for the purpose of (1) refunding \$765,000 of the previously issued Series 1998A Bond, maturing in the years 2017 through 2018, (2) refunding \$2,230,000 of the previously issued Series 2002C Bond, maturing in the years 2016 through 2021, (3) refunding \$8,630,000 of the previously issued Series 2007A

Bond, maturing in the years 2017 through 2027, and (4) paying the costs of issuance of the 2016C Bonds. Due to the prepayment of interest on the obligations being defeased, the College has recognized deferred outflows of resources in the amount of \$309,454.

Net proceeds of \$10,821,219 plus \$1,500,000 in available debt service reserve funds were used to purchase Series 2016C General Obligation State Institution Refunding Bond. This refunding resulted in a deferred loss of \$309,454 (prepaid interest) that is being amortized over the remaining term of the Series 2007A Bond using the straight-line method. The bonds were refunded to reduce total debt service over the next eleven years by \$3,369,472 and to obtain an economic gain of \$1,619,593. The \$2,056,219 bond premium associated with this issuance is being amortized over the eleven year life of the bond using the straight-line method.

MIDLANDS TECHNICAL COLLEGE

NOTES TO FINANCIAL STATEMENTS

- CONTINUED -

NOTE 12 – BONDS PAYABLE (continued)

The scheduled maturities of the bonds payable are as follows:

| <u>General Obligation Bonds</u> | <u>Principal</u> | <u>Interest</u> | <u>Total Payments</u> |
|---------------------------------|----------------------|---------------------|-----------------------|
| 2017 | \$ 1,185,000 | \$ 1,041,071 | \$ 2,226,071 |
| 2018 | 1,265,000 | 959,000 | 2,224,000 |
| 2019 | 1,315,000 | 908,350 | 2,223,350 |
| 2020 | 1,385,000 | 842,600 | 2,227,600 |
| 2021 | 1,450,000 | 773,350 | 2,223,350 |
| 2022 – 2026 | 8,425,000 | 2,703,000 | 11,128,000 |
| 2027 – 2031 | 5,945,000 | 795,137 | 6,740,137 |
| Total | <u>\$ 20,970,000</u> | <u>\$ 8,022,508</u> | <u>\$ 28,992,508</u> |

NOTE 13 – LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2016, was as follows:

| Bonds Payable | <u>June 30, 2015</u> | <u>Additions</u> | <u>Reductions</u> | <u>June 30, 2016</u> | <u>Due Within One Year</u> |
|------------------------------------|--------------------------|----------------------|------------------------|--------------------------|--------------------------------|
| General obligation bonds | \$ 25,235,000 | \$ 8,765,000 | \$ (13,030,000) | \$ 20,970,000 | \$ 1,185,000 |
| Unamortized bond premium | 690,509 | 2,056,219 | (148,622) | 2,598,106 | 226,679 |
| Total bonds payable | 25,925,509 | 10,821,219 | (13,178,622) | 23,568,106 | 1,411,679 |
| Accrued compensated absences | 4,232,718 | 1,602,424 | (1,694,133) | 4,141,009 | 280,841 |
| Total Long-Term Liabilities | <u>\$ 30,158,227</u> | <u>\$ 12,423,643</u> | <u>\$ (14,872,755)</u> | <u>\$ 27,709,115</u> | <u>\$ 1,692,520</u> |

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 14 – TEMPORARILY RESTRICTED NET ASSETS – DISCRETELY PRESENTED COMPONENT UNIT

At June 30, 2016, temporarily restricted net assets are available for the following specific program services:

| | |
|-----------------------------|---------------------|
| Periods after June 30, 2016 | \$ 575,564 |
| Specific programs | <u>1,851,737</u> |
| | <u>\$ 2,427,301</u> |

During the year, temporarily restricted net assets were released for satisfaction of the following restrictions:

| | |
|-------------------------------------|-------------------|
| Total program restrictions released | <u>\$ 398,885</u> |
| Time restrictions released | <u>\$ 55,161</u> |

NOTE 15 – PERMANENTLY RESTRICTED NET ASSETS DISCRETELY PRESENTED COMPONENT UNIT

Permanently restricted net assets of \$6,560,616 at June 30, 2016, are restricted to investment in perpetuity; the income from which is expendable to support the Foundation's objectives.

NOTE 16 – RELATED ORGANIZATIONS, RELATED PARTY TRANSACTIONS, AND TRANSACTIONS WITH DISCRETELY AND BLENDED PRESENTED COMPONENT UNITS

Certain separately chartered legal entities whose activities are related to those of the College exist primarily to provide financial assistance and other support to the College and its educational programs. Financial statements for these entities are audited by independent auditors and

retained by them. They include the Foundation and Enterprise Campus Authority.

Management has reviewed its relationship with the Foundation. Because of the nature and the significance of its relationship with the College, the Foundation is considered a component unit of the College.

Following is a more detailed discussion of the Foundation and a summary of significant transactions (if any) between the Foundation and the College for the year ended June 30, 2016.

The Midlands Technical College Foundation:

The Foundation is a separately chartered corporation organized exclusively to receive and manage private funds for the exclusive benefit and support of the Foundation, scholarships for Midlands Technical College students, or other support of Midlands Technical College. The Foundation's activities are governed by its Board of Directors.

The Foundation exists to provide support of educational programs at Midlands Technical College. All of the Foundation's expenditures are for the operation of the Foundation, scholarships for Midlands Technical College students, or other support of Midlands Technical College. Midlands Technical College provides office space and support services to the Foundation at no cost. Additionally, the Foundation paid the College a total of \$3,000 for administrative services during the year.

The Foundation's assets as of June 30, 2016, were \$11,087,192.

Amounts due from/to the Foundation as of June 30, 2016, are as follows:

Due from the Foundation \$52,892.

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 16 – RELATED ORGANIZATIONS, RELATED PARTY TRANSACTIONS, AND TRANSACTIONS WITH DISCRETELY AND BLENDED PRESENTED COMPONENT UNITS (Continued)

The Midlands Technical College Enterprise Campus Authority:

The Midlands Technical College Enterprise Campus Authority (ECA), as described in Note 1, is a blended component unit and balances for the ECA are incorporated into these financial statements.

Condensed statement of net position as of June 30, 2016:

| | Midlands Technical College | Midlands Technical College Enterprise Campus Authority | Primary Government |
|---|-------------------------------|---|-----------------------|
| Current assets: | | | |
| Cash and cash equivalents | \$ 447,146 | \$ - | \$ 447,146 |
| Short-term investments | 69,697,155 | - | 69,697,155 |
| Accounts receivable, net | 6,049,332 | 380 | 6,049,712 |
| Internal balances | (1,289,425) | 1,289,425 | - |
| Other current assets | 246,910 | - | 246,910 |
| Total current assets | <u>75,151,118</u> | <u>1,289,805</u> | <u>76,440,923</u> |
| Non-current assets | | | |
| Capital assets, net of depreciation | 80,184,350 | 6,970,398 | 87,154,748 |
| Other non-current assets | 5,244,214 | - | 5,244,214 |
| Total non-current assets | <u>85,428,564</u> | <u>6,970,398</u> | <u>92,398,962</u> |
| Total assets | <u>160,579,682</u> | <u>8,260,203</u> | <u>168,839,885</u> |
| Deferred outflows of resources | <u>7,651,164</u> | <u>-</u> | <u>7,651,164</u> |
| Total assets and deferred outflows of resources | <u>168,230,846</u> | <u>8,260,203</u> | <u>176,491,049</u> |
| Current liabilities: | | | |
| Accounts payable | 2,048,320 | 462 | 2,048,782 |
| Unearned revenue | 5,786,689 | 4,713 | 5,791,402 |
| Other current liabilities | 4,251,162 | - | 4,251,162 |
| Total current liabilities | <u>12,086,171</u> | <u>5,175</u> | <u>12,091,346</u> |
| Non-current liabilities | <u>109,512,299</u> | <u>-</u> | <u>109,512,299</u> |
| Total liabilities | <u>121,598,470</u> | <u>5,175</u> | <u>121,603,645</u> |
| Deferred inflows of resources | <u>147,789</u> | <u>-</u> | <u>147,789</u> |
| Total liabilities and deferred inflows of resources | <u>121,746,259</u> | <u>5,175</u> | <u>121,751,434</u> |
| Net position: | | | |
| Net investment in capital assets | 56,925,698 | 6,970,398 | 63,896,096 |
| Restricted for expendable | 59,845,044 | - | 59,845,044 |
| Unrestricted | (70,286,155) | 1,284,630 | (69,001,525) |
| Total net position | <u>\$ 46,484,587</u> | <u>\$ 8,255,028</u> | <u>\$ 54,739,615</u> |

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 16 – RELATED ORGANIZATIONS, RELATED PARTY TRANSACTIONS, AND TRANSACTIONS WITH DISCRETELY AND BLENDED PRESENTED COMPONENT UNITS (Continued)

Condensed statement of revenues, expenses, and changes in net position for the fiscal year ended June 30, 2016:

| | Midlands Technical College | Midlands Technical College Enterprise Campus Authority | Primary Government |
|--|-------------------------------|--|-----------------------|
| Operating revenues | \$ 51,570,418 | \$ 65,122 | \$ 51,635,540 |
| Operating expenses | | | |
| Depreciation | 4,267,506 | 178,297 | 4,445,803 |
| Other expenses | 100,952,986 | 112,359 | 101,065,345 |
| Total operating expenses | 105,220,492 | 290,656 | 105,511,148 |
| Operating income (loss) | (53,650,074) | (225,534) | (53,875,608) |
| Nonoperating revenues (expenses) | 51,182,315 | - | 51,182,315 |
| Increase (decrease) in net position | (2,467,759) | (225,534) | (2,693,293) |
| Net position-beginning of year | 48,952,346 | 8,480,562 | 57,432,908 |
| Net position-end of year | \$ 46,484,587 | \$ 8,255,028 | \$ 54,739,615 |

Condensed statement of cash flows for the fiscal year ended June 30, 2016:

| | Midlands Technical College | Midlands Technical College Enterprise Campus Authority | Primary Government |
|---|-------------------------------|--|-----------------------|
| Net cash provided (used) by: | | | |
| Operating activities | \$ (49,435,132) | \$ (112,359) | \$ (49,547,491) |
| Noncapital financing activities | 48,614,495 | - | 48,614,495 |
| Interfund activity | (112,359) | 112,359 | - |
| Capital and related financing activities | (10,454,840) | - | (10,454,840) |
| Investing activities | 7,453,589 | - | 7,453,589 |
| Net increase (decrease) in cash | (3,934,247) | - | (3,934,247) |
| Beginning cash and cash equivalent balances | 9,625,607 | - | 9,625,607 |
| Ending cash and cash equivalent balances | \$ 5,691,360 | - | \$ 5,691,360 |

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 17 – 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 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 watercraft
- Torts
- Natural disasters
- Medical malpractice claims against the infirmary

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

- 2014 \$3,878,089
- 2015 \$4,439,336
- 2016 \$4,793,246

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 18 – OPERATING EXPENSES BY FUNCTION

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

| | Salaries | Benefits | Scholarships | Utilities | Supplies and Other Services | Depreciation and Amortization | Total |
|-----------------------|----------------------|----------------------|----------------------|---------------------|-----------------------------|-------------------------------|-----------------------|
| Instructional | \$ 27,144,145 | \$ 8,856,847 | \$ - | \$ - | \$ 3,567,931 | \$ - | \$ 39,568,923 |
| Academic Support | 5,296,835 | 1,786,304 | - | - | 2,079,557 | - | 9,162,696 |
| Student Services | 8,783,597 | 2,876,051 | - | - | 1,186,516 | - | 12,846,164 |
| Plant Operations | 2,159,465 | 1,115,007 | - | 2,301,819 | 6,406,901 | - | 11,983,192 |
| Institutional Support | 6,431,084 | 2,174,852 | - | - | 3,646,050 | - | 12,251,986 |
| Scholarships | - | - | 13,867,388 | - | - | - | 13,867,388 |
| Auxiliary Enterprises | 603,195 | 251,805 | - | - | 529,996 | - | 1,384,996 |
| Depreciation | - | - | - | - | - | 4,445,803 | 4,445,803 |
| Total | \$ 50,418,321 | \$ 17,060,866 | \$ 13,867,388 | \$ 2,301,819 | \$ 17,416,951 | \$ 4,445,803 | \$ 105,511,148 |

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 19 – STATEMENT OF ACTIVITIES

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

| | <u>2016</u> | <u>2015</u> | <u>Increase (Decrease)</u> |
|-------------------------------------|----------------------|----------------------|--------------------------------|
| Charges for services | \$ 50,574,253 | \$ 52,938,107 | \$ (2,363,854) |
| Operating grants and contributions | 32,935,914 | 34,581,214 | (1,645,300) |
| Capital grants and contributions | 2,595,937 | 2,518,350 | 77,587 |
| Less: expenses | <u>(106,520,738)</u> | <u>(108,467,139)</u> | 1,946,401 |
| Net program revenue (expense) | <u>(20,414,634)</u> | <u>(18,429,468)</u> | <u>(1,985,166)</u> |
| Transfers: | | | |
| State appropriation | 17,105,945 | 15,734,384 | 1,371,561 |
| State capital appropriations | 615,396 | 198,392 | 417,004 |
| Research University Infrastructure | | | |
| Bond proceeds | <u>-</u> | <u>19,685</u> | <u>(19,685)</u> |
| Total general revenue and transfers | <u>17,721,341</u> | <u>15,952,461</u> | <u>1,768,880</u> |
| Change in net position | <u>(2,693,293)</u> | <u>(2,477,007)</u> | <u>(216,286)</u> |
| Net position-beginning | <u>57,432,908</u> | <u>59,909,915</u> | <u>(2,477,007)</u> |
| Net position-ending | <u>\$ 54,739,615</u> | <u>\$ 57,432,908</u> | <u>\$ (2,693,293)</u> |

NOTE 20 – TRANSACTION WITH OTHER AGENCIES

The College had significant transactions with the State of South Carolina and various agencies. Services received at no cost from state agencies include maintenance of certain accounting records by the Comptroller General; check preparation, banking, bond trustee, and investment

services from the State Treasurer; and legal services from the Attorney General. Other services received at no cost from the various offices of the State Budget and Control Board include pension plan administration, insurance plans administration, grant services, personnel management, assistance in the preparation of the State Budget, review and approval of certain budget amendments, procurement services, and other centralized functions.

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 21 – FAIR VALUE

The College and the Foundation categorize their fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The following levels of input for measurement of fair value have been defined to assist the user in evaluating the fair value disclosure information:

- Level 1 Quoted prices in an active market for identical assets or liabilities.
- Level 2 Other quoted prices in active markets for similar assets or liabilities, quoted prices for identical assets or liabilities in markets that are not active for transactions or availability of information, other observable sources of information, and information derived principally from or corroborated from observable sources of information.
- Level 3 Unobservable sources of information, primarily management's assumptions about potential market participants.

- Contributions receivable- The fair value of promises to give that are due in one year or more is estimated by discounting the future cash flows using observable earnings rate.
- Short-term investments and investments in marketable securities- The fair value of investments are based on quoted market prices.
- Bonds payable- Fair value approximates carrying value since stated rates are similar to rates currently available for debt with similar terms and maturities.

The College has the following recurring fair value measurements as of June 30, 2016:

| | <u>Level</u> | <u>Carrying Value</u> | <u>Fair Value</u> |
|------------------------|--------------|-----------------------|-------------------|
| Short-term investments | 1 | \$ 69,697,155 | \$69,697,155 |
| Bonds payable | 3 | (23,568,106) | (23,568,106) |

Changes in Level 3 fair value measurements were as follows:

| | <u>Bonds Payable</u> |
|--------------------------------|----------------------|
| Ending balance – June 30, 2015 | \$ 25,925,509 |
| Debt issuances | 10,821,219 |
| Principal payments | (13,178,622) |
| Ending balance – June 30, 2016 | <u>\$ 23,568,106</u> |

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 21 – FAIR VALUE (Continued)

Discretely Presented Component Unit

The estimated fair values of the Foundation's financial instruments are as follows and are included in the statement of financial position under similar descriptions:

| | <u>Level</u> | <u>Carrying Value</u> | <u>Fair Value</u> |
|--------------------------------------|--------------|-----------------------|-------------------|
| Financial assets | | | |
| Investments in marketable securities | 1 | \$8,023,917 | \$8,023,917 |
| Contributions receivable | 3 | 2,721,657 | 2,721,657 |

The Foundation recognized an increase in the amount of \$946,734 in level 3 for the increase in contributions receivable during the year.

NOTE 22 – SUBSEQUENT EVENTS

Subsequent events were evaluated through September 22, 2016, which is the date the financial statements were available for issue. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

Required Supplemental Information

MIDLANDS TECHNICAL COLLEGE

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MIDLANDS TECHNICAL COLLEGE

SCHEDULE OF PROPORTIONATE SHARE OF THE SOUTH CAROLINA RETIREMENT SYSTEMS NET PENSION LIABILITIES Last Ten Fiscal Years*

South Carolina Retirement System (SCRS)

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|---------------|---------------|---------------|
| College's proportion of net pension liability | 0.4357% | 0.4316% | 0.4316% |
| College's proportionate share of the net pension liability | \$ 82,641,330 | \$ 77,410,953 | \$ 74,304,629 |
| College's covered-employee payroll | \$ 39,310,329 | \$ 38,307,709 | \$ 36,971,826 |
| College's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 210.23% | 202.08% | 200.98% |
| Plan fiduciary net position as a percentage of the total pension liability | 56.99% | 59.92% | 56.39% |

Police Officers Retirement System (PORS)

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|-------------|-------------|-------------|
| College's proportion of net pension liability | 0.0288% | 0.0266% | 0.0266% |
| College's proportionate share of the net pension liability | \$ 627,695 | \$ 550,561 | \$ 508,453 |
| College's covered-employee payroll | \$ 383,280 | \$ 356,094 | \$ 319,434 |
| College's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 163.77% | 154.61% | 159.17% |
| Plan fiduciary net position as a percentage of the total pension liability | 64.57% | 67.55% | 62.98% |

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

MIDLANDS TECHNICAL COLLEGE

SCHEDULE OF SOUTH CAROLINA RETIREMENT SYSTEMS CONTRIBUTIONS Last Ten Fiscal Years

South Carolina Retirement System (SCRS)

| For the Year | Contractually Required Contribution | Contributions in Relation to the Contractually Required Contribution | Contribution Deficiency (excess) | College Covered- Employee Payroll | Contributions as a Percentage of Covered-Employee Payroll |
|--------------|--|--|-------------------------------------|--------------------------------------|--|
| 2016 | \$ 4,288,757 | \$ (4,288,757) | \$ - | \$ 39,310,329 | 10.91% |
| 2015 | 4,118,079 | (4,118,079) | - | 38,307,709 | 10.75% |
| 2014 | 3,863,556 | (3,863,556) | - | 36,971,826 | 10.45% |
| 2013 | 3,694,563 | (3,694,563) | - | 35,354,673 | 10.45% |
| 2012 | 3,128,448 | (3,128,448) | - | 33,334,559 | 9.39% |
| 2011 | 3,193,295 | (3,193,295) | - | 34,559,475 | 9.24% |
| 2010 | 2,771,512 | (2,771,512) | - | 29,994,714 | 9.24% |
| 2009 | 3,056,676 | (3,056,676) | - | 33,080,913 | 9.24% |
| 2008 | 2,975,357 | (2,975,357) | - | 32,840,581 | 9.06% |
| 2007 | 3,560,807 | (3,560,807) | - | 31,235,152 | 11.40% |

Police Officers Retirement System (PORS)

| For the Year | Contractually Required Contribution | Contributions in Relation to the Contractually Required Contribution | Contribution Deficiency (excess) | College Covered- Employee Payroll | Contributions as a Percentage of Covered-Employee Payroll |
|--------------|--|--|-------------------------------------|--------------------------------------|--|
| 2016 | \$ 51,130 | \$ (51,130) | \$ - | \$ 383,280 | 13.34% |
| 2015 | 46,328 | (46,328) | - | 356,094 | 13.01% |
| 2014 | 39,738 | (39,738) | - | 319,434 | 12.44% |
| 2013 | 31,769 | (31,769) | - | 266,964 | 11.90% |
| 2012 | 22,919 | (22,919) | - | 201,670 | 11.36% |
| 2011 | 29,096 | (29,096) | - | 261,420 | 11.13% |
| 2010 | 21,337 | (21,337) | - | 200,343 | 10.65% |
| 2009 | 23,634 | (23,634) | - | 221,912 | 10.65% |
| 2008 | 21,958 | (21,958) | - | 213,184 | 10.30% |
| 2007 | 27,666 | (27,666) | - | 202,685 | 13.65% |

STATISTICAL SECTION

This section of the Midlands Technical College Comprehensive Annual Financial Report presents information that will assist in understanding the information in the financial statements, note disclosures, and the required supplementary information about the overall financial health of the College.

CONTENTS

SCHEDULES

Financial Trends

1 - 4

The schedules in this section contain trend information to assist in understanding of how the College's financial performance and well-being have changed over time.

Revenue Capacity

5 - 8

The schedules in this section contain information to assess the College's most significant revenue sources.

Debt Capacity

9 - 10

The schedules in this section present information that assesses the affordability of the College's current levels of outstanding debt and the ability of the College to issue additional debt in future years.

Demographic and Economic Information

11 - 12

The schedules in this section offer demographic and economic indicators to assist in understanding the environment within which the College's financial activities occur.

Operating Information

13 - 14

The schedules in this section contain service and infrastructure data to assist in understanding how the information in the College's financial report relates to the services it provides and the activities it performs.

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Financial Trends

MIDLANDS TECHNICAL COLLEGE

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MIDLANDS TECHNICAL COLLEGE

SCHEDULE OF NET POSITION BY COMPONENT Fiscal Years 2007 - 2016

| | For the Year Ended June 30, | | | | |
|---|-----------------------------|----------------------|-----------------------|-----------------------|-----------------------|
| | 2016 | 2015 | *2014 | *2013 | *2012 |
| Net Investment in capital assets | \$ 63,896,096 | \$ 57,352,248 | \$ 52,497,784 | \$ 52,728,938 | \$ 49,180,406 |
| Restricted for Expendable: | | | | | |
| Capital projects | 49,779,931 | 57,842,571 | 65,337,108 | 64,126,456 | 66,404,436 |
| Debt service | 10,065,113 | 9,609,756 | 8,745,178 | 8,693,518 | 6,532,137 |
| Unrestricted | (69,001,525) | (67,371,667) | 7,097,021 | 6,934,039 | 6,879,099 |
| Total College net position | <u>\$ 54,739,615</u> | <u>\$ 57,432,908</u> | <u>\$ 133,677,091</u> | <u>\$ 132,482,951</u> | <u>\$ 128,996,078</u> |

| | For the Year Ended June 30, | | | | |
|---|-----------------------------|-----------------------|----------------------|----------------------|----------------------|
| | *2011 | *2010 | *2009 | *2008 | *2007 |
| Net Investment in capital assets | \$ 44,494,581 | \$ 44,208,837 | \$ 43,628,532 | \$ 43,701,689 | \$ 41,282,858 |
| Restricted for Expendable: | | | | | |
| Capital projects | 59,870,645 | 46,261,014 | 34,405,115 | 29,572,710 | 27,511,577 |
| Debt service | 5,655,988 | 3,872,761 | 2,302,791 | 1,036,401 | 550,985 |
| Unrestricted | 6,577,063 | 6,637,926 | 5,069,251 | 5,347,917 | 5,355,725 |
| Total College net position | <u>\$ 116,598,277</u> | <u>\$ 100,980,538</u> | <u>\$ 85,405,689</u> | <u>\$ 79,658,717</u> | <u>\$ 74,701,145</u> |

Source: Midlands Technical College Audited Financial Statements

*Note: The June 30, 2007 - 2014 figures have not been adjusted for the implementation of GASB 68 as this information is not available.

MIDLANDS TECHNICAL COLLEGE

SCHEDULE OF OTHER CHANGES IN NET POSITION Fiscal Years 2007 - 2016

| | For the Year Ended June 30, | | | | |
|--|-----------------------------|-----------------------|---------------------|---------------------|----------------------|
| | 2016 | 2015 | *2014 | *2013 | *2012 |
| Income Before Other Revenues, Expenses, Gains or Losses | | | | | |
| State capital appropriations | \$ (5,904,626) | \$ (5,213,434) | \$ (1,632,734) | \$ 585,666 | \$ 6,789,217 |
| Other | 615,396 | 198,392 | 27,735 | 537,494 | 1,152,994 |
| Local capital appropriations | - | - | - | - | - |
| Research University Infrastructure Bonds | 2,421,425 | 2,362,880 | 2,389,914 | 2,327,645 | 4,129,952 |
| Contributed capital assets | - | 19,685 | 37,026 | 9,897 | 30,743 |
| | 174,512 | 155,470 | 372,199 | 26,171 | 294,895 |
| Total increase (decrease) in net position | <u>\$ (2,693,293)</u> | <u>\$ (2,477,007)</u> | <u>\$ 1,194,140</u> | <u>\$ 3,486,873</u> | <u>\$ 12,397,801</u> |

| | For the Year Ended June 30, | | | | |
|--|-----------------------------|----------------------|---------------------|---------------------|---------------------|
| | *2011 | *2010 | *2009 | *2008 | *2007 |
| Income Before Other Revenues, Expenses, Gains or Losses | | | | | |
| State capital appropriations | \$ 13,421,144 | \$ 11,315,492 | \$ 2,960,023 | \$ 2,099,442 | \$ 1,995,967 |
| Other | 3,418 | 2,109,890 | 606,897 | 118,615 | - |
| Local capital appropriations | - | - | - | - | 107,250 |
| Research University Infrastructure Bonds | 2,193,177 | 2,065,651 | 2,077,644 | 2,008,293 | 1,762,000 |
| Contributed capital assets | - | 54,082 | 37,409 | 657,051 | 339,970 |
| | - | 32,734 | 62,000 | 74,171 | 27,168 |
| Total increase (decrease) in net position | <u>\$ 15,617,739</u> | <u>\$ 15,577,849</u> | <u>\$ 5,743,973</u> | <u>\$ 4,957,572</u> | <u>\$ 4,232,355</u> |

Source: Midlands Technical College Audited Financial Statements

*Note: The June 30, 2007 - 2014 figures have not been adjusted for the implementation of GASB 68 as this information is not available.

MIDLANDS TECHNICAL COLLEGE

SCHEDULE OF EXPENSES BY FUNCTION Fiscal Years 2007 - 2016

| | For the Year Ended June 30, | | | | |
|--|-----------------------------|-----------------------|-----------------------|----------------------|----------------------|
| | 2016 | 2015 | *2014 | *2013 | *2012 |
| Expenses: | | | | | |
| Instruction | \$ 39,568,923 | \$ 37,332,167 | \$ 36,429,842 | \$ 34,798,524 | \$ 33,140,850 |
| Academic Support | 9,162,696 | 9,407,990 | 8,985,418 | 7,476,733 | 6,862,681 |
| Student Services | 12,846,164 | 12,764,467 | 11,954,018 | 11,093,180 | 10,415,386 |
| Operation and Maintenance of Plant | 11,983,192 | 10,335,871 | 9,712,593 | 11,693,667 | 8,953,667 |
| Institutional Support | 12,251,986 | 13,506,033 | 10,680,963 | 10,281,312 | 8,232,320 |
| Scholarships | 13,867,388 | 15,055,590 | 16,011,523 | 16,547,445 | 16,809,935 |
| Auxiliary Enterprises | 1,384,996 | 4,783,312 | 7,328,121 | 8,695,672 | 8,738,133 |
| Depreciation and amortization | 4,445,803 | 4,247,801 | 4,621,551 | 3,208,354 | 3,128,168 |
| Total Operating Expenses | 105,511,148 | 107,433,231 | 105,724,029 | 103,794,887 | 96,281,140 |
| Interest on capital asset-related debt | 1,009,590 | 1,033,908 | 1,222,969 | 850,118 | 1,054,012 |
| Loss on disposal of capital assets | - | - | - | - | - |
| Total Expenses | \$ 106,520,738 | \$ 108,467,139 | \$ 106,946,998 | \$104,645,005 | \$ 97,335,152 |

| | For the Year Ended June 30, (percentage of total) | | | | |
|--|--|---------------|---------------|---------------|---------------|
| | 2016 | 2015 | *2014 | *2013 | *2012 |
| Expenses: | | | | | |
| Instruction | 37.1% | 34.4% | 34.1% | 33.3% | 34.0% |
| Academic Support | 8.6% | 8.7% | 8.4% | 7.1% | 7.1% |
| Student Services | 12.1% | 11.8% | 11.2% | 10.6% | 10.7% |
| Operation and Maintenance of Plant | 11.2% | 9.5% | 9.1% | 11.2% | 9.2% |
| Institutional Support | 11.5% | 12.4% | 10.0% | 9.8% | 8.5% |
| Scholarships | 13.0% | 13.9% | 15.0% | 15.8% | 17.2% |
| Auxiliary Enterprises | 1.3% | 4.4% | 6.8% | 8.3% | 9.0% |
| Depreciation and amortization | 4.2% | 3.9% | 4.3% | 3.1% | 3.2% |
| Total Operating Expenses | 99.0% | 99.0% | 98.9% | 99.2% | 98.9% |
| Interest on capital asset-related debt | 1.0% | 1.0% | 1.1% | 0.8% | 1.1% |
| Loss on disposal of capital assets | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Total Expenses | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

- Continued -

Source: Midlands Technical College Audited Financial Statements

*Note: The June 30, 2007 - 2014 figures have not been adjusted for the implementation of GASB 68 as this information is not available.

MIDLANDS TECHNICAL COLLEGE

SCHEDULE OF EXPENSES BY FUNCTION Fiscal Years 2007 – 2016 (Continued)

| | For the Year Ended June 30, | | | | |
|--|-----------------------------|----------------------|----------------------|----------------------|----------------------|
| | *2011 | *2010 | *2009 | *2008 | *2007 |
| Expenses: | | | | | |
| Instruction | \$ 31,565,974 | \$ 31,659,503 | \$ 32,518,891 | \$ 31,780,470 | \$ 30,216,217 |
| Academic Support | 6,871,478 | 6,564,331 | 6,457,966 | 7,361,904 | 7,751,721 |
| Student Services | 9,503,947 | 9,668,047 | 10,496,248 | 10,275,959 | 9,006,646 |
| Operation and Maintenance of Plant | 8,874,602 | 9,826,562 | 7,848,873 | 9,360,511 | 8,456,033 |
| Institutional Support | 8,083,095 | 6,407,241 | 6,947,251 | 7,964,836 | 7,793,643 |
| Scholarships | 16,298,147 | 14,856,332 | 10,805,481 | 9,143,361 | 7,657,801 |
| Auxiliary Enterprises | 8,471,850 | 8,752,164 | 8,214,863 | 7,120,754 | 6,934,043 |
| Depreciation and amortization | 3,162,951 | 3,480,213 | 2,946,028 | 2,825,469 | 2,942,705 |
| Total Operating Expenses | 92,832,044 | 91,214,393 | 86,235,601 | 85,833,264 | 80,758,809 |
| Interest on capital asset-related debt | 740,597 | 580,474 | 694,459 | 819,216 | 358,435 |
| Loss on disposal of capital assets | - | - | - | - | 9,021 |
| Total Expenses | \$ 93,572,641 | \$ 91,794,867 | \$ 86,930,060 | \$ 86,652,480 | \$ 81,126,265 |

| | For the Year Ended June 30, | | | | |
|--|------------------------------|---------------|---------------|---------------|---------------|
| | *2011 | *2010 | *2009 | *2008 | *2007 |
| | <i>(percentage of total)</i> | | | | |
| Expenses: | | | | | |
| Instruction | 33.7% | 34.5% | 37.4% | 36.7% | 37.2% |
| Academic Support | 7.3% | 7.2% | 7.4% | 8.5% | 9.6% |
| Student Services | 10.2% | 10.5% | 12.1% | 11.9% | 11.1% |
| Operation and Maintenance of Plant | 9.5% | 10.7% | 9.0% | 10.8% | 10.4% |
| Institutional Support | 8.6% | 7.0% | 8.1% | 9.1% | 9.7% |
| Scholarships | 17.4% | 16.2% | 12.4% | 10.6% | 9.4% |
| Auxiliary Enterprises | 9.1% | 9.5% | 9.4% | 8.2% | 8.5% |
| Depreciation and amortization | 3.4% | 3.8% | 3.4% | 3.3% | 3.6% |
| Total Operating Expenses | 99.2% | 99.4% | 99.2% | 99.1% | 99.5% |
| Interest on capital asset-related debt | 0.8% | 0.6% | 0.8% | 0.9% | 0.5% |
| Loss on disposal of capital assets | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Total Expenses | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

Source: Midlands Technical College Audited Financial Statements

*Note: The June 30, 2007 - 2014 figures have not been adjusted for the implementation of GASB 68 as this information is not available.

Note: There was a change in allocation estimates beginning with the 2007 fiscal year from telephone usage to square footage.

MIDLANDS TECHNICAL COLLEGE

SCHEDULE OF EXPENSES BY USE Fiscal Years 2007 - 2016

| | For the Year Ended June 30, | | | | |
|--|-----------------------------|-----------------------|-----------------------|-----------------------|----------------------|
| | 2016 | 2015 | *2014 | *2013 | *2012 |
| Expenses: | | | | | |
| Salaries | \$ 50,418,321 | \$ 49,117,417 | \$ 47,363,980 | \$ 44,959,110 | \$ 41,959,466 |
| Benefits | 17,060,866 | 15,624,914 | 13,405,597 | 12,715,736 | 11,156,998 |
| Scholarships | 13,867,388 | 15,055,590 | 16,011,523 | 16,547,445 | 16,809,935 |
| Utilities | 2,301,819 | 2,256,536 | 2,277,366 | 2,158,908 | 1,908,301 |
| Supplies and Other Services | 17,416,951 | 21,130,973 | 22,044,012 | 24,205,334 | 21,318,272 |
| Depreciation and amortization | 4,445,803 | 4,247,801 | 4,621,551 | 3,208,354 | 3,128,168 |
| Total Operating Expenses | 105,511,148 | 107,433,231 | 105,724,029 | 103,794,887 | 96,281,140 |
| Interest on capital asset-related debt | 1,009,590 | 1,033,908 | 1,222,969 | 850,118 | 1,054,012 |
| Loss on disposal of capital assets | - | - | - | - | - |
| Total Expenses | \$ 106,520,738 | \$ 108,467,139 | \$ 106,946,998 | \$ 104,645,005 | \$ 97,335,152 |

| | For the Year Ended June 30, (percentage of total) | | | | |
|--|--|---------------|---------------|---------------|---------------|
| | 2016 | 2015 | *2014 | *2013 | *2012 |
| Expenses: | | | | | |
| Salaries | 47.3% | 45.3% | 44.3% | 43.0% | 43.1% |
| Benefits | 16.0% | 14.3% | 12.5% | 12.2% | 11.5% |
| Scholarships | 13.0% | 13.9% | 15.0% | 15.8% | 17.3% |
| Utilities | 2.2% | 2.1% | 2.2% | 2.0% | 2.0% |
| Supplies and Other Services | 16.4% | 19.5% | 20.6% | 23.1% | 21.9% |
| Depreciation and amortization | 4.2% | 3.9% | 4.3% | 3.1% | 3.2% |
| Total Operating Expenses | 99.1% | 99.0% | 98.9% | 99.2% | 99.0% |
| Interest on capital asset-related debt | 0.9% | 1.0% | 1.1% | 0.8% | 1.0% |
| Loss on disposal of capital assets | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Total Expenses | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

- Continued -

Source: Midlands Technical College Audited Financial Statements

*Note: The June 30, 2007 - 2014 figures have not been adjusted for the implementation of GASB 68 as this information is not available.

MIDLANDS TECHNICAL COLLEGE

SCHEDULE OF EXPENSES BY USE Fiscal Years 2007 - 2016 (Continued)

| | For the Year Ended June 30, | | | | |
|--|-----------------------------|----------------------|----------------------|----------------------|----------------------|
| | *2011 | *2010 | *2009 | *2008 | *2007 |
| Expenses: | | | | | |
| Salaries | \$ 40,521,050 | \$ 40,944,520 | \$ 41,659,673 | \$ 41,493,810 | \$ 38,946,598 |
| Benefits | 10,813,160 | 10,400,461 | 10,716,789 | 10,668,545 | 9,761,904 |
| Scholarships | 16,298,147 | 14,856,351 | 10,806,293 | 9,146,725 | 7,664,137 |
| Utilities | 1,897,733 | 1,862,323 | 1,704,171 | 1,557,301 | 1,507,205 |
| Supplies and Other Services | 20,139,003 | 19,670,525 | 18,402,647 | 20,141,414 | 19,936,260 |
| Depreciation and amortization | 3,162,951 | 3,480,213 | 2,946,028 | 2,825,469 | 2,942,705 |
| Total Operating Expenses | <u>92,832,044</u> | <u>91,214,393</u> | <u>86,235,601</u> | <u>85,833,264</u> | <u>80,758,809</u> |
| Interest on capital asset-related debt | 740,597 | 580,474 | 694,459 | 819,216 | 358,435 |
| Loss on disposal of capital assets | - | - | - | - | 9,021 |
| Total Expenses | <u>\$ 93,572,641</u> | <u>\$ 91,794,867</u> | <u>\$ 86,930,060</u> | <u>\$ 86,652,480</u> | <u>\$ 81,126,265</u> |

| | For the Year Ended June 30, (percentage of total) | | | | |
|--|--|---------------|---------------|---------------|---------------|
| | *2011 | *2010 | *2009 | *2008 | *2007 |
| Expenses: | | | | | |
| Salaries | 44.3% | 44.6% | 47.9% | 47.9% | 48.0% |
| Benefits | 11.6% | 11.3% | 12.3% | 12.3% | 12.0% |
| Scholarships | 17.4% | 16.2% | 12.4% | 10.6% | 9.4% |
| Utilities | 2.0% | 2.0% | 2.0% | 1.8% | 1.9% |
| Supplies and Other Services | 21.5% | 21.4% | 21.2% | 23.2% | 24.6% |
| Depreciation and amortization | 2.4% | 3.8% | 3.4% | 3.3% | 3.6% |
| Total Operating Expenses | <u>99.2%</u> | <u>99.3%</u> | <u>99.2%</u> | <u>99.1%</u> | <u>99.5%</u> |
| Interest on capital asset-related debt | 0.8% | 0.7% | 0.8% | 0.9% | 0.5% |
| Loss on disposal of capital assets | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Total Expenses | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> |

Source: Midlands Technical College Audited Financial Statements

*Note: The June 30, 2007 - 2014 figures have not been adjusted for the implementation of GASB 68 as this information is not available.

Revenue Capacity

MIDLANDS TECHNICAL COLLEGE

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MIDLANDS TECHNICAL COLLEGE

SCHEDULE OF REVENUES BY SOURCE Fiscal Years 2007 – 2016

| | For the Year Ended June 30, | | | | |
|--|-----------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2016 | 2015 | 2014 | 2013 | 2012 |
| Revenues: | | | | | |
| Student tuition and fees (net of scholarship allowances) | \$ 31,767,771 | \$ 31,718,289 | \$ 33,811,937 | \$ 33,794,392 | \$ 34,197,090 |
| Federal grants and contracts | 4,866,429 | 5,948,479 | 4,360,298 | 3,989,733 | 3,086,863 |
| State grants and contracts | 12,384,489 | 11,795,174 | 11,484,830 | 11,508,569 | 10,267,703 |
| Non-governmental grants and contracts | 68,355 | 87,792 | 164,963 | 23,333 | 34,181 |
| Sales and services | 40,789 | 44,608 | 37,089 | 37,089 | 41,724 |
| Auxiliary enterprises (net of book allowances) | 1,446,420 | 3,343,765 | 5,518,854 | 6,653,893 | 7,100,047 |
| Other operating revenues | 1,061,287 | 1,077,926 | 1,003,535 | 1,097,921 | 617,427 |
| Total Operating Revenues | 51,635,540 | 54,016,033 | 56,381,506 | 57,104,930 | 55,345,035 |
| State appropriations | 17,105,945 | 15,734,384 | 15,182,000 | 13,764,914 | 12,988,274 |
| Local appropriations | 10,499,287 | 9,906,990 | 9,576,063 | 9,084,966 | 8,691,390 |
| Investment income | 441,118 | 263,444 | 185,848 | 291,393 | 454,254 |
| Federal grant and contracts | 20,934,222 | 23,332,854 | 23,988,847 | 24,984,468 | 26,645,416 |
| State capital appropriations | 615,396 | 198,392 | 27,735 | 537,494 | 1,152,994 |
| Local capital appropriations | 2,421,425 | 2,362,880 | 2,389,914 | 2,327,645 | 4,129,952 |
| Capital asset contributions | 174,512 | 155,470 | 372,199 | 26,171 | 294,895 |
| Research university infrastructure bonds | - | 19,685 | 37,026 | 9,897 | 30,743 |
| Other | - | - | - | - | - |
| Total Non-operation Revenues | 52,191,905 | 51,974,099 | 51,759,632 | 51,026,948 | 54,387,918 |
| Total Revenues | \$ 103,827,445 | \$ 105,990,132 | \$ 108,141,138 | \$ 108,131,878 | \$ 109,732,953 |

| | For the Year Ended June 30, | | | | |
|--|------------------------------|---------------|---------------|---------------|---------------|
| | 2016 | 2015 | 2014 | 2013 | 2012 |
| | <i>(percentage of total)</i> | | | | |
| Revenues: | | | | | |
| Student tuition and fees (net of scholarship allowances) | 30.6% | 29.9% | 31.3% | 31.3% | 31.2% |
| Federal grants and contracts | 4.7% | 5.6% | 4.0% | 3.7% | 2.8% |
| State grants and contracts | 11.9% | 11.1% | 10.6% | 10.6% | 9.4% |
| Non-governmental grants and contracts | 0.1% | 0.1% | 0.2% | - | - |
| Sales and services | - | - | - | - | - |
| Auxiliary enterprises (net of book allowances) | 1.4% | 3.2% | 5.1% | 6.2% | 6.5% |
| Other operating revenues | 1.0% | 1.1% | 0.9% | 1.0% | 0.5% |
| Total Operating Revenues | 49.7% | 51.0% | 52.1% | 52.8% | 50.4% |
| State appropriations | 16.5% | 14.9% | 14.0% | 12.7% | 11.8% |
| Local appropriations | 10.1% | 9.3% | 8.9% | 8.4% | 7.9% |
| Investment income | 0.4% | 0.2% | 0.2% | 0.3% | 0.4% |
| Federal grant and contracts | 20.2% | 22.1% | 22.2% | 23.1% | 24.3% |
| State capital appropriations | 0.6% | 0.2% | - | 0.5% | 1.1% |
| Local capital appropriations | 2.3% | 2.2% | 2.3% | 2.2% | 3.8% |
| Capital contributions | 0.2% | 0.1% | 0.3% | - | 0.3% |
| Research university infrastructure bonds | - | - | - | - | - |
| Other | - | - | - | - | - |
| Total Non-operation Revenues | 50.3% | 49.0% | 47.9% | 47.2% | 49.6% |
| Total Revenues | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

- Continued -

Source: Midlands Technical College Audited Financial Statements

MIDLANDS TECHNICAL COLLEGE

SCHEDULE OF REVENUES BY SOURCE Fiscal Years 2007 – 2016 (Continued)

| | For the Year Ended June 30, | | | | |
|--|-----------------------------|-----------------------|----------------------|----------------------|----------------------|
| | 2011 | 2010 | 2009 | 2008 | 2007 |
| Revenues: | | | | | |
| Student tuition and fees (net of scholarship allowances) | \$ 33,701,765 | \$ 30,100,618 | \$ 27,458,566 | \$ 25,260,302 | \$ 23,468,385 |
| Federal grants and contracts | 4,297,583 | 4,647,287 | 4,247,981 | 4,036,557 | 3,063,087 |
| State grants and contracts | 10,471,492 | 10,414,431 | 10,488,055 | 9,784,694 | 10,079,966 |
| Non-governmental grants and contracts | 21,035 | 24,297 | 50,495 | 23,312 | 195,870 |
| Sales and services | 50,674 | 57,263 | 49,404 | 47,920 | 59,011 |
| Auxiliary enterprises (net of book allowances) | 7,402,923 | 7,870,276 | 7,446,119 | 6,837,824 | 6,181,968 |
| Other operating revenues | 1,053,742 | 778,608 | 579,939 | 732,096 | 742,382 |
| Total Operating Revenues | <u>56,999,214</u> | <u>53,892,780</u> | <u>50,320,559</u> | <u>46,722,705</u> | <u>43,790,669</u> |
| State appropriations | 12,541,521 | 14,889,269 | 16,429,386 | 21,417,186 | 19,759,248 |
| Local appropriations | 8,501,897 | 8,249,216 | 8,007,084 | 7,550,862 | 7,198,337 |
| Investment income | 425,412 | 412,046 | 1,166,228 | 1,951,341 | 1,832,051 |
| Federal grant and contracts | 28,525,741 | 25,667,048 | 13,975,824 | 11,108,828 | 9,941,927 |
| State capital appropriations | 3,418 | 2,109,890 | 606,897 | 118,615 | - |
| Local capital appropriations | 2,193,177 | 2,065,651 | 2,077,644 | 2,008,293 | 1,762,000 |
| Capital asset contributions | - | 32,734 | 62,000 | 74,171 | 27,168 |
| Research university infrastructure bonds | - | 54,082 | 37,409 | 657,051 | 339,970 |
| Other | - | - | - | 1,000 | 107,250 |
| Total Non-operation Revenues | <u>52,191,166</u> | <u>53,479,936</u> | <u>42,362,472</u> | <u>44,887,347</u> | <u>40,967,951</u> |
| Total Revenues | <u>\$ 109,190,380</u> | <u>\$ 107,372,716</u> | <u>\$ 92,683,031</u> | <u>\$ 91,610,052</u> | <u>\$ 84,758,620</u> |

| | For the Year Ended June 30, | | | | |
|--|------------------------------|---------------|---------------|---------------|---------------|
| | 2011 | 2010 | 2009 | 2008 | 2007 |
| | <i>(percentage of total)</i> | | | | |
| Revenues: | | | | | |
| Student tuition and fees (net of scholarship allowances) | 30.9% | 28.0% | 29.6% | 27.6% | 27.5% |
| Federal grants and contracts | 3.9% | 4.3% | 4.6% | 4.3% | 4.3% |
| State grants and contracts | 9.7% | 9.7% | 11.3% | 10.7% | 11.8% |
| Non-governmental grants and contracts | - | - | 0.1% | - | 0.2% |
| Sales and services | - | 0.1% | 0.1% | 0.1% | 0.1% |
| Auxiliary enterprises (net of book allowances) | 6.8% | 7.3% | 8.0% | 7.5% | 7.2% |
| Other operating revenues | 1.0% | 0.7% | 0.6% | 0.8% | 0.9% |
| Total Operating Revenues | <u>52.3%</u> | <u>50.1%</u> | <u>54.3%</u> | <u>51.0%</u> | <u>52.0%</u> |
| State appropriations | 11.4% | 13.9% | 17.7% | 23.4% | 23.1% |
| Local appropriations | 7.8% | 7.7% | 8.6% | 8.2% | 8.4% |
| Investment income | 0.4% | 0.4% | 1.3% | 2.1% | 2.1% |
| Federal grant and contracts | 26.1% | 23.9% | 15.1% | 12.2% | 11.8% |
| State capital appropriations | - | 2.0% | 0.7% | 0.1% | - |
| Local capital appropriations | 2.0% | 1.9% | 2.2% | 2.2% | 2.1% |
| Capital contributions | - | - | 0.1% | 0.1% | - |
| Research university infrastructure bonds | - | 0.1% | - | 0.7% | 0.4% |
| Other | - | - | - | - | 0.1% |
| Total Non-operation Revenues | <u>47.7%</u> | <u>49.9%</u> | <u>45.7%</u> | <u>49.0%</u> | <u>48.0%</u> |
| Total Revenues | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> |

Source: Midlands Technical College Audited Financial Statements

ANNUAL TUITION AND FEES

SOUTH CAROLINA PUBLIC TWO-YEAR INSTITUTIONS – IN STATE Last Ten Academic Years

| | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Technical Colleges | | | | | | | | | | |
| In-County | | | | | | | | | | |
| Aiken | \$ 4,262 | \$ 4,098 | \$ 3,972 | \$ 3,866 | \$ 3,722 | \$ 3,706 | \$ 3,626 | \$ 3,506 | \$ 3,298 | \$ 3,190 |
| Central Carolina | \$ 4,200 | \$ 3,840 | \$ 3,720 | \$ 3,584 | \$ 3,476 | \$ 3,380 | \$ 3,308 | \$ 3,020 | \$ 2,920 | \$ 2,900 |
| Denmark | \$ 3,580 | \$ 2,624 | \$ 2,568 | \$ 2,568 | \$ 2,500 | \$ 2,500 | \$ 2,492 | \$ 2,378 | \$ 2,278 | \$ 2,278 |
| Florence-Darlington | \$ 4,078 | \$ 3,958 | \$ 3,886 | \$ 3,766 | \$ 3,658 | \$ 3,526 | \$ 3,302 | \$ 3,190 | \$ 3,190 | \$ 3,190 |
| Greenville | \$ 4,224 | \$ 4,094 | \$ 3,974 | \$ 3,866 | \$ 3,748 | \$ 3,616 | \$ 3,492 | \$ 3,396 | \$ 3,290 | \$ 3,190 |
| Horry-Georgetown | \$ 3,960 | \$ 3,854 | \$ 3,590 | \$ 3,530 | \$ 3,530 | \$ 3,357 | \$ 3,206 | \$ 3,194 | \$ 3,114 | \$ 2,944 |
| Midlands | \$ 3,988 | \$ 3,888 | \$ 3,838 | \$ 3,788 | \$ 3,706 | \$ 3,608 | \$ 3,608 | \$ 3,360 | \$ 3,244 | \$ 3,100 |
| Northeastern TC | \$ 3,846 | \$ 3,726 | \$ 3,630 | \$ 3,534 | \$ 3,438 | \$ 3,342 | \$ 3,342 | \$ 3,270 | \$ 2,982 | \$ 2,646 |
| Orangeburg-Calhoun | \$ 4,010 | \$ 3,890 | \$ 3,770 | \$ 3,650 | \$ 3,554 | \$ 3,434 | \$ 3,218 | \$ 3,048 | \$ 2,832 | \$ 2,832 |
| Piedmont | \$ 4,084 | \$ 3,958 | \$ 3,850 | \$ 3,714 | \$ 3,572 | \$ 3,540 | \$ 3,334 | \$ 3,076 | \$ 3,076 | \$ 2,956 |
| Spartanburg | \$ 4,192 | \$ 4,064 | \$ 3,940 | \$ 3,820 | \$ 3,740 | \$ 3,576 | \$ 3,434 | \$ 3,314 | \$ 3,194 | \$ 3,094 |
| TC of the Lowcountry | \$ 4,180 | \$ 4,060 | \$ 3,940 | \$ 3,772 | \$ 3,676 | \$ 3,556 | \$ 3,382 | \$ 3,270 | \$ 3,150 | \$ 3,050 |
| Tri-County | \$ 3,967 | \$ 3,852 | \$ 3,744 | \$ 3,648 | \$ 3,570 | \$ 3,465 | \$ 3,168 | \$ 3,060 | \$ 2,976 | \$ 2,856 |
| Trident | \$ 4,070 | \$ 3,942 | \$ 3,823 | \$ 3,712 | \$ 3,600 | \$ 3,530 | \$ 3,450 | \$ 3,330 | \$ 3,220 | \$ 3,114 |
| Williamsburg | \$ 4,008 | \$ 3,756 | \$ 3,650 | \$ 3,540 | \$ 3,438 | \$ 3,264 | \$ 3,042 | \$ 2,942 | \$ 2,830 | \$ 2,830 |
| York | \$ 3,960 | \$ 3,840 | \$ 3,744 | \$ 3,712 | \$ 3,628 | \$ 3,496 | \$ 3,352 | \$ 3,244 | \$ 3,124 | \$ 3,124 |
| Two-Year Regional Campus of USC | | | | | | | | | | |
| In State | | | | | | | | | | |
| USC - Lancaster | \$ 7,008 | \$ 6,686 | \$ 6,482 | \$ 6,284 | \$ 6,092 | \$ 5,864 | \$ 5,528 | \$ 5,264 | \$ 4,868 | \$ 4,652 |
| USC - Salkehatchie | \$ 6,918 | \$ 6,686 | \$ 6,482 | \$ 6,284 | \$ 6,092 | \$ 5,864 | \$ 5,528 | \$ 5,264 | \$ 4,868 | \$ 4,652 |
| USC - Sumter | \$ 6,928 | \$ 6,686 | \$ 6,482 | \$ 6,284 | \$ 6,092 | \$ 5,864 | \$ 5,528 | \$ 5,264 | \$ 4,868 | \$ 4,652 |
| USC - Union | \$ 6,908 | \$ 6,686 | \$ 6,482 | \$ 6,284 | \$ 6,092 | \$ 5,864 | \$ 5,528 | \$ 5,264 | \$ 4,868 | \$ 4,652 |

Source: South Carolina Commission on Higher Education

ANNUAL TUITION AND FEES

SOUTH CAROLINA PUBLIC TWO-YEAR INSTITUTIONS – OUT OF STATE Last Ten Academic Years (Continued)

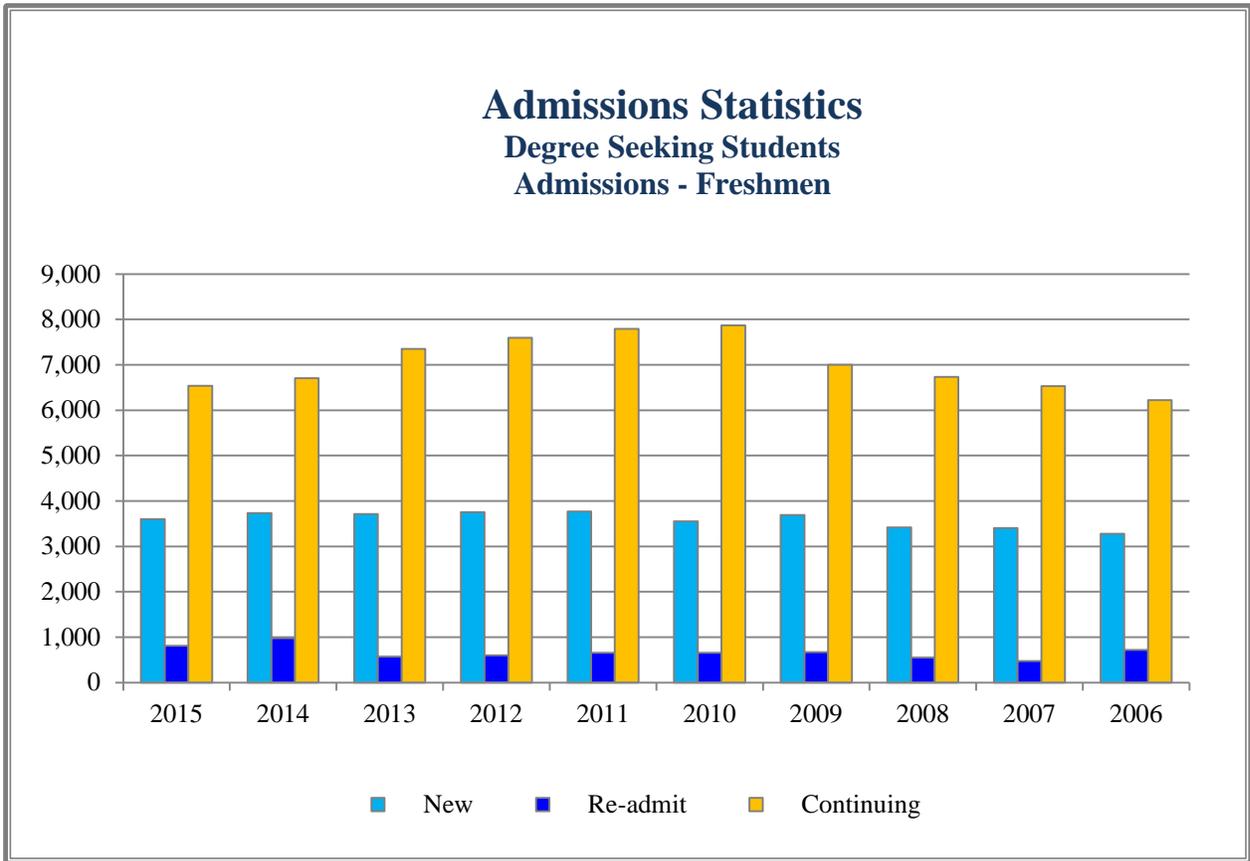
| | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Technical Colleges | | | | | | | | | | |
| Out of State | | | | | | | | | | |
| Aiken | \$ 6,496 | \$ 10,178 | \$ 10,130 | \$ 10,130 | \$ 10,130 | \$ 10,130 | \$ 10,130 | \$ 9,794 | \$ 9,222 | \$ 8,906 |
| Central Carolina | \$ 6,768 | \$ 6,624 | \$ 6,432 | \$ 6,232 | \$ 6,042 | \$ 5,872 | \$ 5,744 | \$ 5,372 | \$ 5,156 | \$ 5,156 |
| Denmark | \$ 6,850 | \$ 5,048 | \$ 4,920 | \$ 4,920 | \$ 4,780 | \$ 4,780 | \$ 4,676 | \$ 4,466 | \$ 4,366 | \$ 4,366 |
| Florence-Darlington | \$ 6,166 | \$ 6,046 | \$ 5,982 | \$ 5,862 | \$ 5,754 | \$ 5,622 | \$ 5,398 | \$ 5,286 | \$ 5,286 | \$ 5,286 |
| Greenville | \$ 8,448 | \$ 8,438 | \$ 8,150 | \$ 7,910 | \$ 7,660 | \$ 7,372 | \$ 7,116 | \$ 6,912 | \$ 6,698 | \$ 6,490 |
| Horry-Georgetown | \$ 6,918 | \$ 6,726 | \$ 6,294 | \$ 5,794 | \$ 5,794 | \$ 5,354 | \$ 5,046 | \$ 5,034 | \$ 4,914 | \$ 4,408 |
| Midlands | \$ 11,524 | \$ 11,232 | \$ 11,086 | \$ 10,940 | \$ 10,714 | \$ 10,640 | \$ 10,474 | \$ 9,840 | \$ 9,532 | \$ 9,100 |
| Northeastern TC | \$ 6,462 | \$ 6,342 | \$ 6,174 | \$ 6,078 | \$ 5,982 | \$ 5,886 | \$ 5,886 | \$ 5,886 | \$ 5,454 | \$ 5,118 |
| Orangeburg-Calhoun | \$ 6,746 | \$ 6,602 | \$ 6,458 | \$ 6,218 | \$ 6,218 | \$ 6,218 | \$ 6,218 | \$ 4,488 | \$ 4,464 | \$ 4,464 |
| Piedmont | \$ 5,836 | \$ 5,710 | \$ 5,458 | \$ 5,322 | \$ 5,180 | \$ 5,148 | \$ 4,942 | \$ 4,684 | \$ 4,684 | \$ 4,564 |
| Spartanburg | \$ 8,472 | \$ 8,208 | \$ 7,956 | \$ 7,716 | \$ 7,616 | \$ 7,338 | \$ 7,196 | \$ 7,048 | \$ 6,110 | \$ 5,988 |
| TC of the Lowcountry | \$ 9,076 | \$ 8,812 | \$ 8,548 | \$ 8,212 | \$ 8,020 | \$ 7,760 | \$ 7,436 | \$ 7,082 | \$ 6,912 | \$ 5,932 |
| Tri-County | \$ 8,815 | \$ 8,568 | \$ 8,328 | \$ 8,124 | \$ 7,944 | \$ 7,767 | \$ 7,032 | \$ 6,786 | \$ 6,594 | \$ 6,348 |
| Trident | \$ 7,676 | \$ 7,434 | \$ 7,209 | \$ 7,000 | \$ 6,814 | \$ 6,682 | \$ 6,532 | \$ 6,308 | \$ 6,100 | \$ 5,898 |
| Williamsburg | \$ 7,608 | \$ 7,260 | \$ 7,056 | \$ 6,840 | \$ 6,642 | \$ 6,282 | \$ 5,850 | \$ 5,642 | \$ 5,292 | \$ 5,292 |
| York | \$ 9,024 | \$ 8,736 | \$ 8,520 | \$ 8,392 | \$ 8,176 | \$ 7,864 | \$ 7,528 | \$ 7,288 | \$ 7,000 | \$ 7,000 |
| Two-Year Regional Campuses of USC | | | | | | | | | | |
| Out of State | | | | | | | | | | |
| USC - Lancaster | \$ 16,728 | \$ 16,130 | \$ 15,632 | \$ 15,158 | \$ 14,696 | \$ 14,144 | \$ 13,304 | \$ 12,680 | \$ 11,780 | \$ 11,228 |
| USC - Salkehatchie | \$ 16,638 | \$ 16,130 | \$ 15,632 | \$ 15,158 | \$ 14,696 | \$ 14,144 | \$ 13,304 | \$ 12,680 | \$ 11,780 | \$ 11,228 |
| USC - Sumter | \$ 16,648 | \$ 16,130 | \$ 15,632 | \$ 15,158 | \$ 14,696 | \$ 14,144 | \$ 13,304 | \$ 12,680 | \$ 11,780 | \$ 11,228 |
| USC - Union | \$ 16,628 | \$ 16,130 | \$ 15,632 | \$ 15,158 | \$ 14,696 | \$ 14,144 | \$ 13,304 | \$ 12,680 | \$ 11,780 | \$ 11,228 |

Source: South Carolina Commission on Higher Education

MIDLANDS TECHNICAL COLLEGE

ADMISSIONS, ENROLLMENT AND DEGREE STATISTICS Last Ten Academic Years

| | Academic Year Beginning in Fall | | | | | | | | | |
|--------------------------------|---------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
| Degree Seeking Students | | | | | | | | | | |
| Admissions - Freshmen | | | | | | | | | | |
| New | 3,599 | 3,734 | 3,713 | 3,595 | 3,772 | 3,552 | 3,827 | 3,583 | 3,402 | 3,498 |
| Re-admit | 809 | 981 | 572 | 600 | 659 | 657 | 693 | 584 | 472 | 0 |
| Continuing | 6,538 | 6,709 | 7,349 | 7,754 | 7,793 | 7,869 | 7,370 | 7,067 | 6,832 | 7,351 |
| Total | 10,946 | 11,424 | 11,634 | 11,949 | 12,224 | 12,078 | 11,890 | 11,234 | 10,706 | 10,849 |



- Continued -

Notes:

Midlands Technical College has an open enrollment policy.
All figures are unduplicated unless otherwise stated.

MIDLANDS TECHNICAL COLLEGE

ADMISSIONS, ENROLLMENT AND DEGREE STATISTICS Last Ten Academic Years (Continued)

| | Academic Year Beginning in Fall | | | | | | | | | |
|--|---------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
| Enrollment (Credit Programs Only) | | | | | | | | | | |
| Undergraduate FTE | 8,075 | 8,383 | 8,585 | 8,916 | 9,209 | 9,274 | 9,306 | 8,520 | 8,005 | 7,822 |
| Undergraduate headcount | 15,072 | 15,721 | 16,109 | 16,946 | 17,486 | 17,355 | 17,440 | 16,490 | 15,602 | 15,426 |
| Percentage of men | 40% | 41% | 41% | 40% | 39% | 39% | 39% | 38% | 38% | 37% |
| Percentage of women | 60% | 59% | 59% | 60% | 61% | 61% | 61% | 62% | 62% | 63% |
| Percentage of African-American | 37% | 37% | 37% | 38% | 38% | 36% | 37% | 36% | 35% | 37% |
| Percentage of Hispanic | 4% | 3% | 3% | 3% | 2% | 2% | 2% | 2% | 2% | 2% |
| Percentage of white | 50% | 51% | 52% | 52% | 53% | 55% | 54% | 54% | 56% | 55% |
| Percentage of other | 9% | 8% | 8% | 7% | 7% | 7% | 7% | 7% | 6% | 6% |
| Degrees Granted | | | | | | | | | | |
| Associate Degree | 993 | 1,067 | 1,089 | 1,144 | 1,006 | 917 | 922 | 905 | 824 | 872 |
| Diploma | 91 | 90 | 71 | 111 | 76 | 87 | 126 | 116 | 80 | 93 |
| Certificate | 903 | 909 | 775 | 906 | 832 | 782 | 724 | 683 | 679 | 732 |
| Total Awarded | 1,987 | 2,066 | 1,935 | 2,161 | 1,914 | 1,786 | 1,772 | 1,704 | 1,583 | 1,697 |

Notes:

Midlands Technical College has an open enrollment policy.
All figures are unduplicated unless otherwise stated.

MIDLANDS TECHNICAL COLLEGE

CREDIT STUDENT ENROLLMENT PERCENTAGES BY COUNTY Last Ten Fall Terms

Historic County of Residence

| | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|-----------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Richland | 49% | 49% | 49% | 49% | 48% | 48% | 47% | 47% | 47% | 48% |
| Lexington | 33% | 33% | 34% | 34% | 35% | 35% | 34% | 34% | 35% | 35% |
| Fairfield | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% |
| Other | 16% | 16% | 15% | 15% | 15% | 15% | 17% | 17% | 16% | 15% |
| Total | <u>100%</u> |

Historic Campus of Attendance*

| | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|----------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Airport | 49% | 48% | 49% | 49% | 48% | 49% | 49% | 50% | 51% | 51% |
| Beltline | 36% | 37% | 37% | 39% | 40% | 40% | 40% | 39% | 39% | 39% |
| Other | 15% | 15% | 14% | 12% | 12% | 11% | 11% | 11% | 10% | 10% |
| Total | <u>100%</u> |

Historic Average Age

| | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Average Age | <u>25</u> | <u>25</u> | <u>26</u> |

**Note: Does not include Harbison Campus, which offers continuing education courses only
Source: Midlands Technical College Student Information System database*

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Debt Capacity

MIDLANDS TECHNICAL COLLEGE

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MIDLANDS TECHNICAL COLLEGE

SCHEDULE OF RATIOS OF OUTSTANDING BONDED DEBT AND NOTE PAYABLE Last Ten Fiscal Years

| | For the Year Ended June 30, | | | | |
|------------------------------------|-----------------------------|-----------|-----------|-----------|-----------|
| | 2016 | 2015 | 2014 | 2013 | 2012 |
| General obligation bonds* | \$ 20,970 | \$ 25,235 | \$ 26,595 | \$ 27,920 | \$ 29,205 |
| Unamortized bond premium | 2,598 | 691 | 736 | 781 | 826 |
| Note Payable | - | - | - | - | 30 |
| Total Outstanding debt | \$ 23,568 | \$ 25,926 | \$ 27,331 | \$ 28,701 | \$ 30,061 |
| Full-time equivalent students | | | | | |
| Credit | 8,075 | 8,383 | 8,585 | 8,916 | 9,209 |
| Corporate and Continuing Education | 861 | 803 | 738 | 781 | 878 |
| Total enrollment | 8,936 | 9,186 | 9,323 | 9,697 | 10,087 |
| Outstanding debt per FTE | \$ 2,637 | \$ 2,822 | \$ 2,932 | \$ 2,960 | \$ 2,980 |

- Continued -

Note: Corporate and Continuing Education contact hours converted to full-time equivalent enrollment

*Source: Midlands Technical College Comprehensive Annual Financial Reports
Formula Computation Allocation Worksheet provided by the System Office for years presented*

**Dollars in thousands*

MIDLANDS TECHNICAL COLLEGE

SCHEDULE OF RATIOS OF OUTSTANDING BONDED DEBT AND NOTE PAYABLE Last Ten Fiscal Years (Continued)

| | For the Year Ended June 30, | | | | |
|------------------------------------|-----------------------------|------------------|------------------|------------------|------------------|
| | 2011 | 2010 | 2009 | 2008 | 2007 |
| General obligation bonds* | \$ 30,460 | \$ 16,110 | \$ 16,735 | \$ 17,335 | \$ 17,910 |
| Unamortized bond premium | 871 | 76 | 80 | 85 | 89 |
| Note Payable | 41 | - | 64 | 126 | 186 |
| Total Outstanding debt | <u>\$ 31,372</u> | <u>\$ 16,186</u> | <u>\$ 16,879</u> | <u>\$ 17,546</u> | <u>\$ 18,185</u> |
| Full-time equivalent students | | | | | |
| Credit | 9,274 | 8,386 | 7,846 | 7,775 | 7,802 |
| Corporate and Continuing Education | 920 | 727 | 667 | 649 | 628 |
| Total enrollment | <u>10,194</u> | <u>9,113</u> | <u>8,513</u> | <u>8,424</u> | <u>8,430</u> |
| Outstanding debt per FTE | \$ 2,822 | \$ 1,776 | \$ 1,983 | \$ 2,083 | \$ 2,157 |

Note: Corporate and Continuing Education contact hours converted to full-time equivalent enrollment

Source: Midlands Technical College Comprehensive Annual Financial Reports
Formula Computation Allocation Worksheet provided by the System Office for years presented

*Dollars in thousands

MIDLANDS TECHNICAL COLLEGE

SCHEDULE OF BOND COVERAGE Last Ten Fiscal Years

General Obligation Bonds

| Fiscal Year Ended June 30, | Budgeted Capital Fees | Debt Service Requirements | | | | Coverage Ratio |
|-------------------------------|--------------------------|--|--------------|------------|--------------|-------------------|
| | | Total Revenue Available for Debt Service | Principal | Interest | Total | |
| 2016 | \$ 2,890,918 | \$ 2,890,918 | \$ 1,405,000 | \$ 927,433 | \$ 2,332,433 | 1.24 |
| 2015 | 2,890,918 | 2,890,918 | 1,360,000 | 1,164,090 | 2,524,090 | 1.15 |
| 2014 | 2,890,918 | 2,890,918 | 1,325,000 | 1,213,780 | 2,538,780 | 1.14 |
| 2013 | 2,890,918 | 2,890,918 | 1,285,000 | 1,257,430 | 2,542,430 | 1.14 |
| 2012 | 2,890,918 | 2,890,918 | 1,255,000 | 1,298,260 | 2,553,260 | 1.13 |
| 2011 | 1,850,025 | 1,850,025 | 650,000 | 691,785 | 1,341,785 | 1.38 |
| 2010 | 1,347,947 | 1,347,947 | 625,000 | 717,630 | 1,342,630 | 1.00 |
| 2009 | 1,347,947 | 1,347,947 | 600,000 | 742,299 | 1,342,299 | 1.34 |
| 2008 | 1,800,000 | 1,800,000 | 575,000 | 764,843 | 1,339,843 | 2.32 |
| 2007 | 1,800,000 | 1,800,000 | 420,000 | 355,818 | 775,818 | 2.35 |

Source: Midlands Technical College Finance and Accounting Office

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Demographic and Economic Information

MIDLANDS TECHNICAL COLLEGE

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MIDLANDS TECHNICAL COLLEGE

SCHEDULE OF DEMOGRAPHIC AND ECONOMIC STATISTICS Last Ten Calendar Years

| | <u>Population in College's Service Area</u> ^a | | | <u>Total Annual Personal Income</u> | | | | <u>Unemployment Rate</u> | | | |
|------|--|------------------|------------------|-------------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|-------------------------------|-------------------------------|------------------------------|
| | <u>Richland</u> | <u>Lexington</u> | <u>Fairfield</u> | <u>Richland</u> | <u>Lexington</u> | <u>Fairfield</u> | <u>South</u> | <u>Richland</u> ^d | <u>Lexington</u> ^d | <u>Fairfield</u> ^d | <u>South</u> |
| | | | | <u>Carolina</u> ^b | <u>Carolina</u> ^b | <u>Carolina</u> ^b | <u>Carolina</u> ^b | <u>Carolina</u> ^b | <u>Carolina</u> ^b | <u>Carolina</u> ^b | <u>Carolina</u> ^e |
| 2015 | 407,051 | 281,833 | 22,744 | | | | | 5.70% | 4.80% | 8.00% | 6.00% |
| 2014 | 401,566 | 277,888 | 22,976 | 38,811 | 39,935 | 31,449 | 36,677 | 6.00% | 5.10% | 8.60% | 6.40% |
| 2013 | 399,256 | 273,752 | 23,109 | 38,346 | 37,956 | 29,500 | 35,831 | 7.20% | 5.80% | 9.40% | 7.60% |
| 2012 | 389,347 | 270,406 | 23,363 | 38,195 | 37,224 | 29,271 | 34,226 | 8.40% | 6.90% | 12.00% | 9.60% |
| 2011 | 389,116 | 267,129 | 23,571 | 36,647 | 35,211 | 27,062 | 33,388 | 9.20% | 7.80% | 12.40% | 10.70% |
| 2010 | 374,922 | 258,887 | 33,991 | 35,018 ^h | 34,313 ^h | 26,703 ^h | 32,193 ^h | 9.60% | 8.10% | 13.40% | 11.20% |
| 2009 | 372,023 | 255,607 | 23,343 | 36,302 | 33,996 | 27,395 | 31,799 | 9.60% | 8.40% | 13.40% | 11.70% |
| 2008 | 364,007 | 248,518 | 23,435 | 36,006 | 35,960 | 27,263 | 31,884 | 6.10% | 4.90% | 10.80% | 6.90% |
| 2007 | 357,734 | 243,270 | 23,333 | 34,434 | 34,744 | 25,725 | 31,103 | 5.50% | 4.40% | 8.60% | 5.90% |
| 2006 | 348,226 | 240,160 | 23,810 | 33,157 | 33,645 | 25,427 | 30,041 | 5.80% | 4.70% | 8.80% | 6.50% ^c |

Sources:

^a South Carolina Department of Employment & Workforce

^b Data not available for 2015

^c 2006 Total Annual Personal Income is from the Bureau of Economic Analysis

^d U.S. Department of Labor, Bureau of Labor Statistics, County Data

^e U.S. Census Bureau, Statistical Abstract of the United States

^f Labor Market Info Online - Labor Force not seasonally adjusted data

^g Bureau of Economic Analysis

^h 2011 SC PCPI Source – Bureau of Business & Economic Research, CA1-3 Personal income summary.

Schedule 12

MIDLANDS TECHNICAL COLLEGE
PRINCIPAL EMPLOYERS BY COUNTY
June 30, 2016

| County | | |
|--|---|---|
| Richland | Lexington | Fairfield ¹ |
| Allied Barton Security Services, LLC | Amazon.com, DEDC LLC | Breakthru Beverage South Carolina |
| BlueCross BlueShield of SC | Babcock Center Inc. | Element TV Company |
| City of Columbia | House of Raeford Farms Inc. | Fairfield County Council |
| Colonial Life & Accident Insurance | Lexington County Government | Fairfield County Disabilities & Mental Health |
| Department of Defense | Lexington County Health Services District | Fairfield County School District |
| Palmetto Health | Lexington County School District 1 | Fairfield Memorial Hospital |
| Richland County | Lexington County School District 2 | G4S Secure Solutions USA, Inc. |
| Richland School District 1 | Lexington County School District 5 | Isola USA Corp |
| Richland School District 2 | Michelin North America Inc. | Mekra Land North America, LLC |
| SC Dept of Corrections | Publix Super Markets, Inc. | Palmetto State Armory, LLC |
| SC Dept of Mental Health | Richland County Commission for Technology | Performance Fibers, Inc. |
| SC Dept of Transportation | SCANA Services, Inc. | Pruitthealth Ridgeway, LLC |
| SC Health & Environmental Control | SMX, LLC | Saulsbury Industries, Inc. |
| Sisters of Charity Providence Hospital | SC Electric & Gas Company | Shaw Constructors |
| State Department of Social Services | Southeastern Freight Lines Inc. | South Carolina Electric & Gas Co. |
| University of South Carolina | Teleperformance USA Inc. | Stone & Webster Services, LLC |
| US Postal Service | Time Warner Entertainment Advance | The Blythewood Oil Company, Inc. |
| Wal-Mart Associates, Inc. | United Parcel Service | Town of Winnsboro |
| Wells Fargo & Company, Inc. | Wal-Mart Associates Inc. | Wal-Mart Associates, Inc. |
| WJBD VA Medical Center | Walter P. Rawl & Sons, Inc. | Winnsboro Petroleum Company, Inc. |

Note: Due to confidentiality issues, the number of employees for each company is not available. The employers are listed alphabetically and not in order of size.

Source: South Carolina Department of Employment & Workforce – 2015 Q4

¹ – *Fairfield Economic Development*

Operating Information

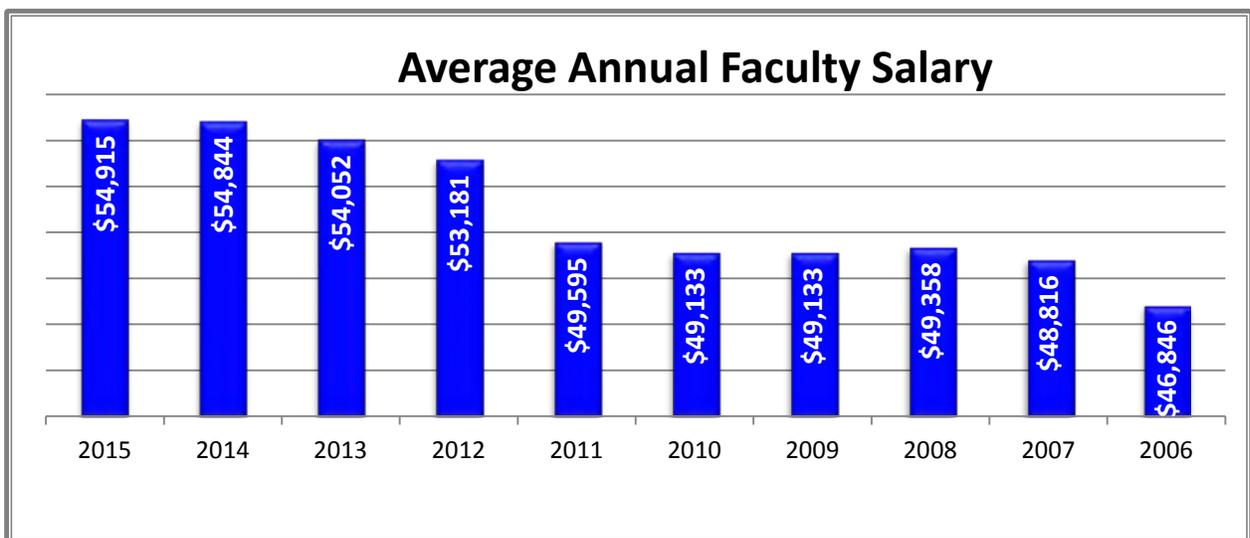
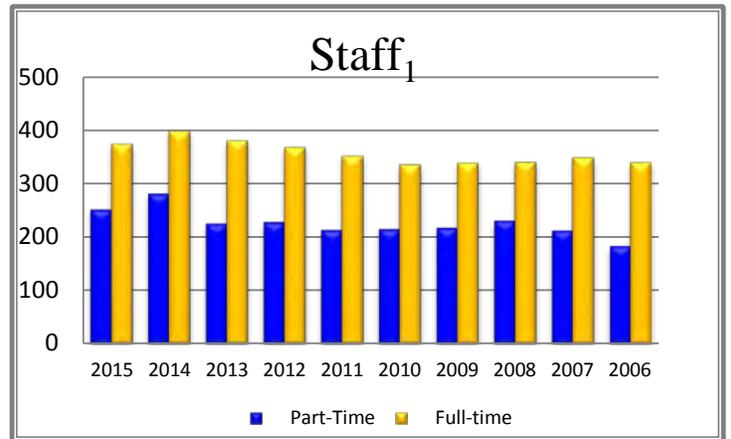
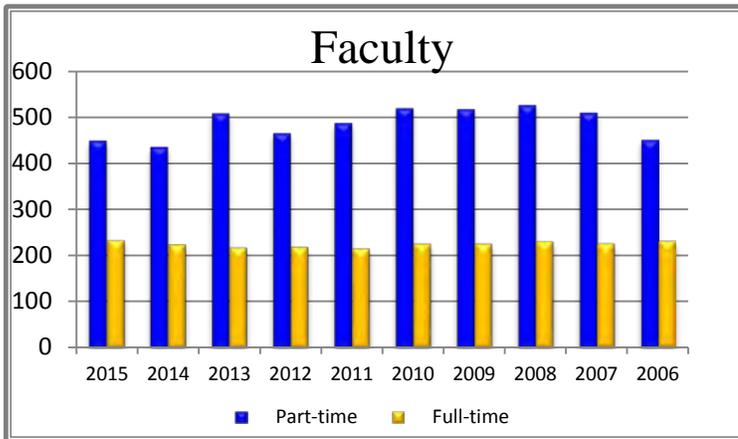
MIDLANDS TECHNICAL COLLEGE

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MIDLANDS TECHNICAL COLLEGE

FACULTY AND STAFF STATISTICS Last Ten Fiscal Years

| | Fiscal Year | | | | | | | | | |
|--------------------------------------|-------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
| Faculty | | | | | | | | | | |
| Part-time | 449 | 435 | 508 | 465 | 487 | 519 | 517 | 526 | 509 | 450 |
| Full-time | 232 | 223 | 216 | 217 | 214 | 224 | 224 | 229 | 225 | 230 |
| Staff¹ | | | | | | | | | | |
| Part-time | 251 | 281 | 225 | 228 | 213 | 215 | 217 | 230 | 212 | 183 |
| Full-time | 375 | 399 | 381 | 368 | 352 | 336 | 339 | 341 | 349 | 340 |
| Total Employees | | | | | | | | | | |
| Part-time | 1,307 | 1,338 | 1,330 | 1,278 | 1,266 | 1,294 | 1,297 | 1,326 | 1,295 | 1,203 |
| Full-time | 700 | 716 | 733 | 693 | 700 | 734 | 734 | 756 | 721 | 633 |
| Full-time | 607 | 622 | 597 | 585 | 566 | 560 | 563 | 570 | 574 | 570 |
| Average Annual Faculty Salary | | | | | | | | | | |
| Faculty Salary | \$ 54,915 | \$ 54,844 | \$ 54,052 | \$ 53,181 | \$ 49,595 | \$ 49,133 | \$ 49,133 | \$ 49,358 | \$ 48,816 | \$ 46,846 |



Source: Integrated Postsecondary Education Data System (IPEDS) data for years indicated

Note: ¹ Includes administrators

Schedule 14

MIDLANDS TECHNICAL COLLEGE

SCHEDULE OF CAPITAL ASSET INFORMATION BY FUNCTION Last Ten Fiscal Years

| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 ¹ | 2009 | 2008 | 2007 ² | 2006 |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|-------------------|----------------|----------------|-------------------|----------------|
| Instruction | | | | | | | | | | |
| Assignable Square Feet | 403,341 | 402,931 | 372,815 | 352,788 | 348,678 | 342,550 | 330,758 | 330,442 | 327,371 | 331,243 |
| Percent Use | 59.38% | 59.36% | 57.83% | 56.49% | 56.21% | 55.77% | 55.05% | 55.31% | 55.31% | 55.55% |
| Public Service | | | | | | | | | | |
| Assignable Square Feet | 575 | 575 | 575 | 575 | 575 | 575 | 575 | 575 | 575 | 575 |
| Percent Use | 0.08% | 0.08% | 0.09% | 0.09% | 0.09% | 0.09% | 0.10% | 0.10% | 0.10% | 0.08% |
| Academic Support | | | | | | | | | | |
| Assignable Square Feet | 29,351 | 29,351 | 29,351 | 29,099 | 29,099 | 29,099 | 29,099 | 29,099 | 28,209 | 28,209 |
| Percent Use | 4.32% | 4.32% | 4.55% | 4.66% | 4.69% | 4.74% | 4.84% | 4.85% | 4.77% | 4.73% |
| Student Services | | | | | | | | | | |
| Assignable Square Feet | 43,293 | 43,293 | 43,293 | 43,293 | 43,293 | 43,293 | 43,293 | 42,669 | 41,159 | 41,159 |
| Percent Use | 6.38% | 6.38% | 6.71% | 6.93% | 6.98% | 7.05% | 7.12% | 7.12% | 6.95% | 6.90% |
| Institutional Support | | | | | | | | | | |
| Assignable Square Feet | 47,711 | 47,711 | 47,711 | 47,711 | 47,711 | 47,711 | 47,711 | 47,895 | 47,770 | 47,507 |
| Percent Use | 7.03% | 7.03% | 7.40% | 7.64% | 7.69% | 7.77% | 7.94% | 7.99% | 8.07% | 7.97% |
| Plant Operations and Maintenance | | | | | | | | | | |
| Assignable Square Feet | 120,080 | 120,080 | 116,127 | 116,127 | 116,127 | 116,127 | 114,527 | 113,875 | 112,047 | 112,839 |
| Percent Use | 17.68% | 17.69% | 18.01% | 18.60% | 18.72% | 18.91% | 19.06% | 19.00% | 18.93% | 18.92% |
| Auxiliary Enterprises | | | | | | | | | | |
| Assignable Square Feet | 34,876 | 34,876 | 34,876 | 34,876 | 34,876 | 34,876 | 34,876 | 34,876 | 34,712 | 34,712 |
| Percent Use | 5.13% | 5.14% | 5.41% | 5.58% | 5.62% | 5.68% | 5.80% | 5.82% | 5.87% | 5.82% |
| Total | 679,227 | 678,817 | 644,748 | 624,469 | 620,359 | 614,231 | 600,839 | 599,431 | 591,843 | 596,244 |
| Unassigned | 6,961 | 6,961 | 6,961 | 6,961 | 6,961 | 6,961 | 6,961 | 6,961 | 6,961 | 6,961 |
| Parking Facilities | | | | | | | | | | |
| Parking spaces available | 4,539 | 4,535 | 4,535 | 4,535 | 4,535 | 4,461 | 4,460 | 4,460 | 4,354 | 4,271 |
| Number of employees | 707 | 588 | 588 | 584 | 689 | 998 | 998 | 998 | 981 | 1,203 |
| Number of students ² | 3,832 | 3,947 | 3,947 | 3,951 | 3,846 | 3,472 | 3,472 | 3,472 | 3,373 | 3,068 |

Note: All campuses are included.

¹ Latest available data

² Students park in spaces not designated

Source: South Carolina Commission on Higher Education

Other Information

MIDLANDS TECHNICAL COLLEGE

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MIDLANDS TECHNICAL COLLEGE

COLLEGE ACCREDITATION AS OF JUNE 30, 2016

Midlands Technical College is accredited by the Southern Association of Colleges and Schools Commission on Colleges to award associate degrees, diplomas and certificates. Contact the Commission on Colleges at 1866 Southern Lane, Decatur, Georgia 30033-4097 or call 404-679-4500 for questions about the accreditation of Midlands Technical College.

Program Approval and Accreditations

The Legal Assistant/Paralegal program is approved respectively by:

- American Bar Association

The Nursing programs are approved by:

- South Carolina Board of Nursing

Specific programs are accredited by:

- American Society of Health-System Pharmacists (ASHP)
- Accreditation Commission for Education in Nursing (ACEN)
- Accreditation Council for Business Schools and Programs (ACBSP)
- Commission on Dental Accreditation of the American Dental Association (CODA-ADA)
- Commission on Accreditation in Physical Therapy Education (CAPTE)
- Commission on the Accreditation for Health Informatics and Information Management (CAHIIM)
- Commission on Accreditation for Respiratory Care (COARC)
- Council on Accreditation of Allied Health Education Programs (CAAHEP)
- Accreditation Review Council on Education in Surgical Technology and Surgical Assisting (ARC-STSA)
- Medical Assisting Education Review Board (MAERB)
- Joint Review Committee on Educational Programs in Nuclear Medicine Technology (JRCNMT)
- Joint Review Committee on Education in Radiologic Technology (JRCERT)
- National Accrediting Agency for Clinical Laboratory Sciences (NAACLS)
- National Association for the Education of Young Children (NAEYC)
- National Automotive Technicians Education Foundation (NATEF)
- National Council for Standards in Human Services Education (NCSHSE)
- National Institute for Metalworking Skills (NIMS)
- South Carolina Board of Nursing (SCBN)
- Technology Accreditation Commission of the Accreditation Board for Engineering and Technology; Architectural, Civil and Electronics Engineering Technology (ABET)

STATEMENT OF NONDISCRIMINATION

Midlands Technical College does not discriminate in admissions, educational programs or employment on the basis of race, sex, national origin or ethnic group, color, age, religion, disability, genetic information, gender, military service, pregnancy or other category protected by applicable law. In compliance with all federal and state laws, including the Age Discrimination Act of 1967, Title VI and Title VII of the Civil Rights Act of 1964 and Title IX of the Education Amendments of 1972, Sections 503 and 504 of the Rehabilitation Act of 1973, and the Americans with Disabilities Act of 1992 as well as the ADA Amendments of 2008 (ADAA), and the Genetic Information Nondiscrimination Act of 2008 (GINA), Midlands Technical College offers access and equal opportunity in its admissions policies, academic programs and services, and employment of disabled individuals in that no otherwise qualified person will be denied these provisions on the basis of a disability. Midlands Technical College also prohibits retaliation against any person for bringing a complaint of discrimination or for participating in an investigation of a complaint of discrimination. Mr. Ian A. MacLean has been designated to coordinate compliance with the nondiscrimination requirements contained in Section 35.107 of the Department of Justice regulations, Sections 503 and 504 of the Rehabilitation Act of 1973, Title VI and Title VII and Title IX regulations. Information concerning the provisions of the Americans with Disabilities Act and the right and privileges thereunder are available from Mr. Ian A. MacLean in his position as Director of Internal Auditing and Risk Management and the Chief Compliance Officer for Affirmative Action, Equal Opportunity, Sexual Harassment and Disability Action and the Title IX Coordinator. He can be reached at Midlands Technical College, P.O. Box 2408, Columbia, SC 29202, 803.822.3204.

STATEMENT OF GAINFUL EMPLOYMENT

For information about MTC graduation rates, the median debt of students who completed their programs, and other information, please visit our website at www.midlandstech.edu/gep.

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Federal Awards
Single Audit and other Compliance Reports Section

MIDLANDS TECHNICAL COLLEGE

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MIDLANDS TECHNICAL COLLEGE
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 As of June 30, 2016

| | Federal CFDA Number | Program Year | Program or Award Amount | Accrued Revenue at 7/1/2015 | Receipts | Disbursements | Accrued Revenue at 5/30/2016 |
|---|---------------------------|-----------------|----------------------------|-----------------------------------|---------------------|-------------------|------------------------------------|
| U.S. DEPARTMENT OF EDUCATION | | | | | | | |
| Student Financial Assistance Cluster | | | | | | | |
| 9840225 | | | | | | | |
| 9840226 | | | | | | | |
| | 84.007A | 14/15 | \$ 428,464 | \$ 107,414 | \$ (107,414) | \$ - | \$ - |
| | 84.007A | 15/16 | 412,652 | - | (411,165) | 524,008 | 112,843 |
| | | | 841,116 | 107,414 | (518,579) | 524,008 | 112,843 |
| 9840100 | | | | | | | |
| 9840120 | | | | | | | |
| 9840171 | | | | | | | |
| | 84.033A | 13/14 | 44,654 | - | (26,293) | 30,372 | 4,079 |
| | 84.033A | 13/14 | 401,885 | 32,643 | (246,543) | 264,782 | 50,882 |
| | 84.033A | 15/16 | 89,546 | - | (37,024) | 37,024 | - |
| | | | 536,085 | 32,643 | (309,860) | 332,178 | 54,961 |
| 9840325 | | | | | | | |
| 9840326 | | | | | | | |
| | 84.063 | 14/15 | 24,000,000 | 42,725 | 9,812 | (52,537) | - |
| | 84.063 | 15/16 | 21,000,000 | - | (20,975,787) | 20,968,093 | (7,694) |
| | | | 45,000,000 | 42,725 | (20,965,975) | 20,915,556 | (7,694) |
| 9090023 | | | | | | | |
| 9090025 | | | | | | | |
| 9090026 | | | | | | | |
| 9090055 | | | | | | | |
| 9090056 | | | | | | | |
| | 84.268 | 12/13 | 25,000,000 | (1,733) | 1,733 | - | - |
| | 84.268 | 14/15 | 25,000,000 | 14,127 | (41,417) | 27,290 | - |
| | 84.268 | 15/16 | 25,000,000 | - | (19,117,948) | 19,123,580 | 5,632 |
| | 84.268 | 14/15 | 700,000 | 8,503 | (20,779) | 12,276 | - |
| | 84.268 | 15/16 | 1,100,000 | - | (1,095,224) | 1,095,224 | - |
| | | | 76,800,000 | 20,897 | (20,273,635) | 20,258,370 | 5,632 |
| | | | 123,177,201 | 203,679 | (42,068,049) | 42,030,112 | 165,742 |
| Total Student Financial Assistance Cluster | | | | | | | |
| TRIO Cluster | | | | | | | |
| 9842115 | | | | | | | |
| 9842116 | | | | | | | |
| | 84.047A | 14/15 | 296,334 | 68,077 | (121,790) | 63,131 | 9,418 |
| | 84.047A | 15/16 | 296,334 | - | (155,108) | 226,066 | 70,958 |
| | | | 592,668 | 68,077 | (276,898) | 289,197 | 80,376 |
| 9842215 | | | | | | | |
| 9842216 | | | | | | | |
| | 84.044A | 14/15 | 355,928 | 28,223 | (88,254) | 60,031 | - |
| | 84.044A | 15/16 | 355,928 | - | (266,858) | 296,012 | 29,154 |
| | | | 711,856 | 28,223 | (355,112) | 356,043 | 29,154 |
| 9842315 | | | | | | | |
| 9842316 | | | | | | | |
| | 84.042A | 14/15 | 281,511 | 23,938 | (92,858) | 68,920 | - |
| | 84.042A | 15/16 | 281,511 | - | (200,730) | 222,479 | 21,749 |
| | | | 563,022 | 23,938 | (293,588) | 291,399 | 21,749 |
| 9842415 | | | | | | | |
| 9842416 | | | | | | | |
| | 84.066A | 14/15 | 230,000 | 19,397 | (87,755) | 68,358 | - |
| | 84.066A | 15/16 | 230,000 | - | (153,056) | 177,756 | 24,700 |
| | | | 460,000 | 19,397 | (240,811) | 246,114 | 24,700 |
| | | | 2,327,546 | 139,635 | (1,166,409) | 1,182,753 | 155,979 |
| Total TRIO Cluster | | | | | | | |

MIDLANDS TECHNICAL COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
As of June 30, 2016

| Federal CFDA Number | Program Year | Program or Award Amount | Accrued Revenue at 7/1/2015 | Receipts | Disbursements | Accrued Revenue at 6/30/2016 |
|--|--------------|-------------------------|-----------------------------|---------------------|-------------------|------------------------------|
| 9843016 | 15/16 | 450,000 | - | (46,674) | 56,152 | 9,478 |
| | | 450,000 | | (46,674) | 56,152 | 9,478 |
| Passed Through S.C. Department of Education | | | | | | |
| 9843003 | 15/16 | 545,182 | 170,145 | (535,626) | 539,639 | 174,158 |
| | | 545,182 | 170,145 | (535,626) | 539,639 | 174,158 |
| Total Passed Through S.C. Department of Education | | | | | | |
| | | 126,999,929 | 513,459 | (43,816,758) | 43,808,656 | 505,357 |
| TOTAL U.S. DEPARTMENT OF EDUCATION | | | | | | |
| U.S. DEPARTMENT OF LABOR | | | | | | |
| 9172595 | 15/16 | 1,500 | - | (1,199) | 1,199 | - |
| 9172596 | 15/16 | 35,658 | - | (2,638) | 10,003 | 7,365 |
| 9172785 | 15/16 | 4,389 | - | (2,794) | 4,389 | 1,595 |
| 9172786 | 15/16 | 6,380 | - | - | 3,190 | 3,190 |
| 9172787 | 15/16 | 35,076 | - | - | 35,076 | 35,076 |
| | | 83,003 | | (6,631) | 53,857 | 47,226 |
| 9172682 | 11/12 | 1,249,985 | 384 | (8,196) | 13,549 | 5,737 |
| 9172683 | 12/13 | 1,242,900 | 14,457 | (59,470) | 46,447 | 1,434 |
| 9172684 | 13/14 | 1,249,930 | 67,560 | (432,116) | 367,678 | 3,122 |
| 9172685 | 14/15 | 1,700,603 | - | (223,427) | 277,799 | 54,372 |
| | | 5,443,418 | 82,401 | (723,209) | 705,473 | 64,665 |
| 9176816 | 15/16 | 163,246 | - | - | 10,500 | 10,500 |
| | | 163,246 | | | 10,500 | 10,500 |
| 9172804 | 13/14 | 1,736,479 | 106,573 | (202,265) | 99,176 | 3,484 |
| 9172805 | 14/15 | 691,337 | 49,014 | (357,716) | 311,630 | 2,928 |
| 9172806 | 15/16 | 709,081 | - | (236,205) | 262,338 | 26,133 |
| 9172814 | 13/14 | 1,431,817 | 24,906 | (95,234) | 164,836 | 94,508 |
| 9172815 | 14/15 | 1,476,476 | 27,032 | (477,905) | 471,140 | 20,267 |
| 9172816 | 15/16 | 1,223,403 | - | (115,147) | 135,406 | 20,259 |
| | | 7,268,593 | 207,525 | (1,484,472) | 1,444,526 | 167,579 |
| Passed Through Midlands Workforce Development Board | | | | | | |
| 9170522 | 13/14 | 296,426 | 25,445 | (25,445) | - | - |
| | | 296,426 | 25,445 | (25,445) | | |
| Total Passed Through Midlands Workforce Development Board | | | | | | |
| | | 13,254,686 | 315,371 | (2,239,757) | 2,214,356 | 289,970 |
| TOTAL U.S. DEPARTMENT OF LABOR | | | | | | |

MIDLANDS TECHNICAL COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
As of June 30, 2016

| | Federal CFDA Number | Program Year | Program or Award Amount | Accrued Revenue at 7/1/2015 | Receipts | Disbursements | Accrued Revenue at 6/30/2016 |
|--|---------------------------|-----------------|----------------------------|-----------------------------------|------------------------|----------------------|------------------------------------|
| NATIONAL SCIENCE FOUNDATION | | | | | | | |
| Passed Through South Carolina State University | | | | | | | |
| 9470114 | | 13/14 | 18,000 | 2,000 | (2,000) | - | - |
| 9470115 | | 14/15 | 18,000 | - | - | 10,667 | 10,667 |
| 9470116 | | 15/16 | 18,000 | - | - | 8,000 | 8,000 |
| Total Passed Through South Carolina State University | | | 54,000 | 2,000 | (2,000) | 18,667 | 18,667 |
| Passed Through the University of South Carolina | | | | | | | |
| 9470765 | | 14/15 | 2,508 | 566 | (946) | 380 | - |
| Total Passed Through the University of South Carolina | | | 2,508 | 566 | (946) | 380 | - |
| Passed Through Indian River Community College | | | | | | | |
| 9477615 | | 14/15 | 100,000 | 11,508 | (17,857) | 6,349 | - |
| Total Passed Through Indian River Community College | | | 100,000 | 11,508 | (17,857) | 6,349 | - |
| TOTAL NATIONAL SCIENCE FOUNDATION | | | 156,508 | 14,074 | (20,803) | 25,396 | 18,667 |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | | | | | |
| Passed Through South Carolina First Steps | | | | | | | |
| 9843201 | | 13/14 | 4,200 | (5,112) | (3,571) | 8,612 | (71) |
| 9843204 | | 13/14 | 3,125 | (2,947) | - | - | (2,947) |
| 9843210 | | 13/14 | 2,000 | - | (2,000) | 2,000 | - |
| TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | 9,325 | (8,059) | (5,571) | 10,612 | (3,018) |
| TOTAL FEDERAL ASSISTANCE | | | \$ 139,920,448 | \$ 834,845 | \$ (46,082,889) | \$ 46,059,020 | \$ 810,976 |

MIDLANDS TECHNICAL COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2016

1. Description

Midlands Technical College has adopted *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards were adopted to fulfill the financial and compliance audit requirements of federal grantor agencies. For purposes of implementing Uniform Guidance, federal grant awards were susceptible to audit and are included in the Schedule of Expenditures of Federal Awards.

2. Summary of Significant Accounting Principles

Basis of Presentation

The financial activity shown in the Schedule of Expenditures of Federal Awards reflects amounts recorded by the College on the accrual basis, during its fiscal year July 1, 2015, through June 30, 2016.

3. Loan Programs

The College has students who have approved Federal Direct Loans. Those loans were disbursed to the students during the current fiscal year. The College is not the lender. The College only processes the loans for the lender, the Department of Education. The total Federal Direct Loans for the current fiscal year were \$20,258,370.

THE BRITTINGHAM GROUP, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

501 STATE STREET

POST OFFICE BOX 5949

WEST COLUMBIA, SOUTH CAROLINA 29171

PHONE: (803) 739-3090

FAX: (803) 791-0834

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

The President and Members of the Area Commission
Midlands Technical College
Post Office Box 2408
Columbia, South Carolina 29202

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 the discretely presented component unit of Midlands Technical College (the "College"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated September 22, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

The Brittingham Group LLP

West Columbia, South Carolina
September 22, 2016

THE BRITTINGHAM GROUP, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

501 STATE STREET

POST OFFICE BOX 5949

WEST COLUMBIA, SOUTH CAROLINA 29171

PHONE: (803) 739-3090

FAX: (803) 791-0834

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

The President and Members of the Area Commission
Midlands Technical College
Post Office Box 2408
Columbia, South Carolina 29202

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

The Brittingham Group LLP

West Columbia, South Carolina
September 22, 2016

MIDLANDS TECHNICAL COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2016

Summary of Auditors' Results:

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

| | |
|---|--------------|
| Federal Supplemental Educational Opportunity Grants | CFDA #84.007 |
| Federal Work-Study Program | CFDA #84.033 |
| Federal Pell Grant Program | CFDA #84.063 |
| Federal Direct Student Loans | CFDA #84.268 |
8. The threshold for distinguishing between Type A and Type B Programs was \$1,381,771.
9. Midlands Technical College qualified as a low risk auditee.

MIDLANDS TECHNICAL COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(CONTINUED)

Financial Statement Findings:

None

Federal Awards Findings and Questioned Costs:

No findings or questioned costs.

Status of Prior Year Findings:

None were reported.

THE BRITTINGHAM GROUP, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Accountants Report on State Lottery Tuition Assistance

The President and Members of the Area Commission
Midlands Technical College
Post Office Box 2408
Columbia, South Carolina 29202

As a part of our examination of the financial statements of Midlands Technical College (the "College") as of and for the year ended June 30, 2016, we reviewed the administrative procedures and internal control 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 25 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 student included in our sample 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 test disclosed no instances of noncompliance that is required to be reported under *Government Auditing Standards*.

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 of the College, the Area Commission for Midlands Technical College, management of the South Carolina State Board for Technical and Comprehensive Education, and the South Carolina Commission of Higher Education and should not be used by anyone other than these specified parties.

The Brittingham Group LLP

West Columbia, South Carolina
September 22, 2016

