

Spartanburg Community College

Independent Auditors' Report

Financial Statements and Schedules for the Year Ended June 30, 2011



SCC Tyger River Campus



SPARTANBURG
COMMUNITY
COLLEGE



Union County Advanced
Technology Center



SCC Cherokee County Campus



SCC Central Campus



SCC Downtown Campus

SPARTANBURG COMMUNITY COLLEGE

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June 30, 2011

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SPARTANBURG COMMUNITY COLLEGE

Area Commission Members, Officers, Key Staff and Other Pertinent Information
Audit Period July 1, 2010 – June 30, 2011

AREA COMMISSION

	<u>School District Represented</u>	<u>Term Expires</u>	<u>Office Held</u>
Mr. Bart C. Winkler	School District 1	4/27/13	
Vacant	School District 2		
Mr. Danny T. Phillips	School District 3	4/27/12	
Mr. F. Gary Towery	School District 4	4/27/13	Chairman
Mr. William Bruce Johnson	School District 5	4/27/12	Vice Chairman
Mr. William G. Sarratt	School District 6	4/27/13	
Mr. Anthony D. Bell	School District 7	4/27/12	
Mr. James M. Folk		11/15/13	(Member-at-Large)
Vacant			(Member-at-Large)
Mr. Gregory Tate	Cherokee County	5/23/15	
Mr. Stanley O. Vanderford	Union County	11/15/13	Secretary
Dr. Scott Turner	Spartanburg	Ex-Officio	
Mr. Whit Kennedy	Spartanburg	Ex-Officio	

OFFICERS AND KEY ADMINISTRATIVE STAFF

Dr. Para M. Jones	President
Mr. Henry C. Giles	Executive Vice President
Dr. Patricia P. Abell	Vice President of Planning and Information Resources
Mr. Ronald Jackson	Vice President of Student Affairs
Dr. Cheryl Cox	Vice President of Academic Affairs
Mr. Mike Forrester	Director of Economic Development, Interim Director CCE
Mr. Samuel Hook	Executive Director of Advancement and Foundation
Ms. Kathryn M. Conrad	Administrative Coordinator to the President
Ms. Geraldine S. Mahaffey	Administrative Assistant to the President

AREA SERVED BY COLLEGE

Spartanburg, Cherokee and Union Counties

Independent Auditors' Report

Spartanburg Community College
Spartanburg, South Carolina

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit (Spartanburg Community College Foundation) of Spartanburg Community College, as of and for the year ended June 30, 2011, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

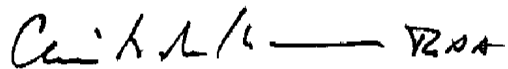
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *State Board for Technical and Comprehensive Education Audit Guide*. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Spartanburg Community College Foundation were not audited in accordance with Government Auditing Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of Spartanburg Community College and its discretely presented component unit, as of June 30, 2011, and the changes in financial position, and cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2011 on our consideration of Spartanburg Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant and agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

We have also issued our report dated September 2, 2011 on our consideration of Spartanburg Community College administration of the State Lottery Assistance Program and on our test of its compliance with certain provisions of State law and policy 3-2-307 and Procedure 3-2-307.1 of the State Board for Technical and Comprehensive Education.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents 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.

A handwritten signature in black ink, appearing to read "Cynthia L. [unclear] CPA". The signature is written in a cursive style with a horizontal line extending from the end.

September 2, 2011



Management's Discussion and Analysis

As management of Spartanburg Community College, we offer readers of the college's financial statements this narrative overview and analysis of the financial activities of the College for the fiscal year ended June 30, 2011, with comparative data for fiscal year ended June 30, 2010. The emphasis of discussion about these statements will be on current year data.

This report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board (GASB) in Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for Colleges and Universities*. The financial statement presentation required by GASB Statements No. 34, No. 35, No. 39 and No. 40 provides a comprehensive, entity-wide perspective of the College's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows and replaces the fund-group perspective. The GASB statement presentation focuses on the financial condition of the College as a whole.

Overview of the Financial Statements

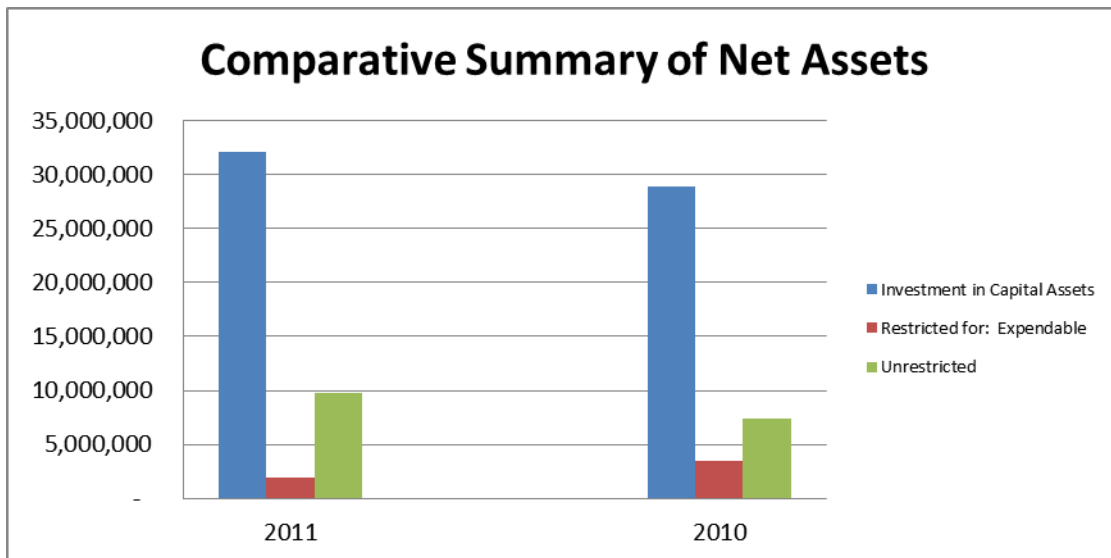
The College is engaged only in Business-type Activities (BTA) that are financed in part by fees charged to students for educational services. Accordingly, its activities are reported using the three financial statements required for proprietary funds: Statement of Net Assets; Statements of Revenues,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

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

- The assets of Spartanburg Community College exceeded its liabilities at June 30, 2011, by \$43,723,540 (net assets). Of this amount, \$9,736,899 (unrestricted net assets) may be used to meet the College's ongoing obligations.
- Total assets of the College increased by \$3,011,125. Of this change, unrestricted cash and cash equivalents increased by \$940,992, accounts receivable decreased by \$321,309 and capital assets, net of accumulated depreciation increased by \$2,208,537 due to the acquisition of the Evans Building for the future downtown campus.
- Total liabilities decreased by \$961,699. Long term liabilities decreased by \$1,052,794, principally due to the reduction in bond indebtedness from the year's bond scheduled payments.
- The net result is net assets increased by \$3,972,824.

**Condensed Summary of Net Assets
As of June 30, 2011 and 2010**

	2011	2010	Increase (Decrease)
Assets			
Current Assets	\$ 15,038,175	\$ 14,235,587	\$ 802,588
Capital Assets	42,340,770	40,132,233	2,208,537
Other	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets	<u>57,378,945</u>	<u>54,367,820</u>	<u>3,011,125</u>
Liabilities			
Current Liabilities	3,425,377	3,334,282	91,095
Non-current Liabilities	<u>10,230,028</u>	<u>11,282,822</u>	<u>(1,052,794)</u>
Total Liabilities	<u>13,655,405</u>	<u>14,617,104</u>	<u>(961,699)</u>
Net Assets			
Invested in Capital Assets, Net of Debt	32,120,111	28,863,035	3,257,076
Restricted - Capital Projects	1,974,880	3,602,754	(1,627,874)
Restricted - Debt Service	(110,350)	(123,266)	12,916
Loans	2,000	(3,597)	5,597
Unrestricted	<u>9,736,899</u>	<u>7,411,790</u>	<u>2,325,109</u>
Total Net Assets	<u>\$ 43,723,540</u>	<u>\$ 39,750,716</u>	<u>\$ 3,972,824</u>



The Statement of Revenues, Expenses, and Changes in Net Assets is basically a statement of net income that replaces the fund perspective with the entity-wide perspective. Revenues and expenses are categorized by operating and non-operating. Expenses are reported by object type.

GASB requires state appropriations and gifts to be classified as non-operating revenues. (Pell grants are classified as non-operating revenue – grants and contracts.) This requirement results in an operating deficit for the College.

- The College experienced an operating loss of \$26,426,688 as reported in the Statement of Revenues, Expenses and Changes in Net Assets. However, this operating loss is largely offset by state appropriations of \$6,612,245, local appropriations of \$4,872,508 and Pell grant awards of \$14,872,088.
- The scholarship allowance for tuition increased slightly from \$10,627,619 to \$10,682,894.

**Condensed Summary of Revenues, Expenses and Changes in Net Assets
For the Years Ended June 30, 2011 and 2010**

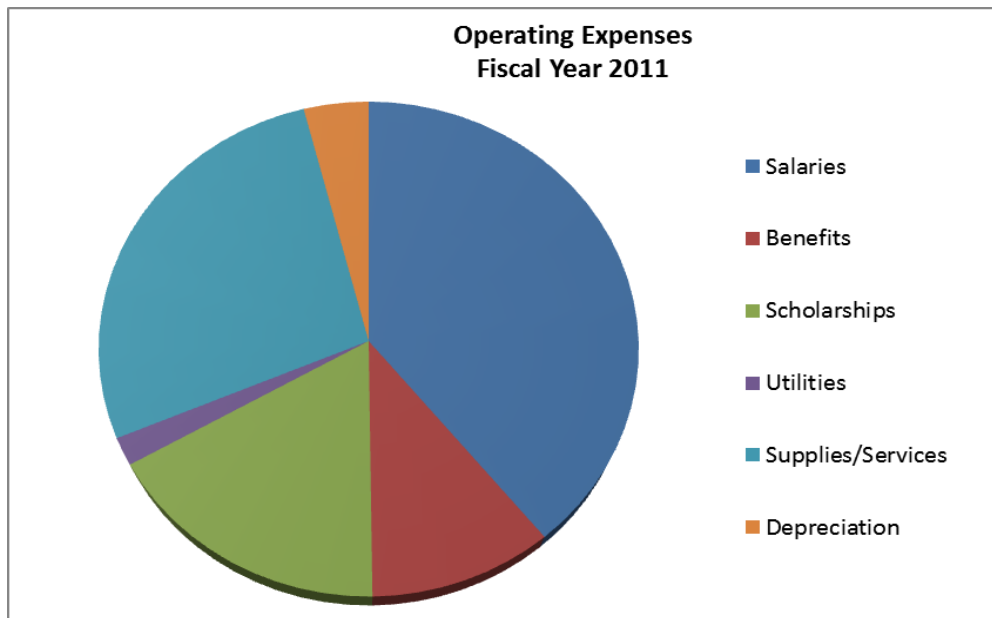
	2011	2010	Increase (Decrease)
Operating Revenues			
Student Tuition & Fees	\$ 13,754,253	\$15,052,044	\$(1,297,791)
Grants & Contracts	6,388,062	6,982,207	(594,145)
Auxiliary Enterprises	2,626,028	2,434,521	191,507
Sales & Services	61,320	54,054	7,266
Other	620,149	425,908	194,241
Total Operating Revenues	<u>23,449,812</u>	<u>24,948,734</u>	<u>(1,498,922)</u>
Less Operating Expenses	<u>49,876,500</u>	<u>52,383,956</u>	<u>(2,507,456)</u>
Operating Income (Loss)	(26,426,688)	(27,435,222)	1,008,534
Non-Operating Revenue			
State Appropriations	6,612,245	8,276,090	(1,663,845)
State Appropriations - Other	0	0	0
State Capital Appropriations	0	0	0
County Appropriations	4,872,508	4,870,791	1,717
County Capital	2,302,549	1,000,000	1,302,549
Interest Income	17,265	27,051	(9,786)
Interest on Capital Asset	(412,472)	(481,264)	68,792
Federal Capital Grants & Contracts	143,530	130,578	12,952
Gain/Loss on Disposal of Assets	1,127	1,325	(198)
Grants & Contracts	<u>16,862,760</u>	<u>17,564,209</u>	<u>(701,449)</u>
Total Non-operating Revenues	30,399,512	31,388,780	(989,268)
Increase in Net Assets	3,972,824	3,953,558	19,266
Net Assets, Beginning of Year	<u>39,750,716</u>	<u>35,797,158</u>	<u>3,953,558</u>
Net Assets, End of Year	<u>\$ 43,723,540</u>	<u>\$39,750,716</u>	<u>\$ 3,972,824</u>

Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the institution.

- Salaries increased \$171,573 due principally to the awarding of a one-time lump sum bonus of \$500 per employee totaling \$145,000. There was no pay increase during the year.
- Benefits increased by \$192,449 due to the increasing cost of benefits such as retirement and insurance.
- Supplies and services decreased by \$978,114. The transfer from the current fund to the plant fund at fiscal year-end, as authorized by the Commission, declined from \$3.0 million in fiscal year 2010 to \$1.375 million in fiscal year 2011, a reduction of \$1.625 million. An offsetting increase in spending related to the American Recovery and Reinvestment Act (ARRA) spending of \$2.0 million in fiscal year 2011 compared to spending of \$1.4 million in fiscal year 2010, an increase of \$0.6 million. This funding was provided by the Federal Government over a two year period that ended in fiscal year 2011 to aid institutions during this prolonged economic downturn.
- Scholarships reported a decrease of \$2,074,568. The College fully implemented the federal Direct Lending program during fiscal year 2011, which is excluded from scholarship reporting. Federal direct loans totaled \$2.9 million in fiscal year 2011. This was partially offset by an increase in Pell scholarships of \$1.0 million, due to an increase in the number of Pell eligible students and an increase of \$200 in the maximum award amount.

**Condensed Summary of Operating Expenses
For the Years Ended June 30, 2011 and 2010**

	2011	2010	Increase (Decrease)
Salaries	\$ 19,474,513	\$ 19,302,940	\$ 171,573
Benefits	5,358,194	5,165,745	192,449
Scholarships	8,491,027	10,565,595	(2,074,568)
Utilities	919,800	865,033	54,767
Supplies/Services	13,639,010	14,617,124	(978,114)
Depreciation	1,993,956	1,867,519	126,437
Total	\$ 49,876,500	\$ 52,383,956	\$ (2,507,456)



The Statement of Cash Flows will aid readers in identifying the sources and uses of cash by the major categories of operating, capital and related financing, non-capital financing, and investing activities. This statement also emphasizes the College's dependence on State and County appropriations by separating them from operating cash flows.

- The change in cash flows is principally due to the capital expenditure for the acquisition of the Evans building in December 2010, for a cash outlay of \$ 3.4 million plus the transfer of the Dent building at fair market value. A tuition increase of \$71 per semester for in-county residents was effective in the fall 2010 term to partially offset the continuing decline in state funding.

**Condensed Summary of Cash Flows
For the Years Ended June 30, 2010 and 2009**

	<u>2011</u>	<u>2010</u>	<u>Difference</u>
Operating Activities	\$(24,546,253)	\$(25,950,322)	\$ 1,404,069
Non-Capital Financing Activities	28,651,779	30,279,434	(1,627,655)
Capital and Related Financing Activities	(3,181,799)	(1,287,742)	(1,894,057)
Investing Activities	17,265	27,051	(9,786)
Net Increase in Cash	<u>940,992</u>	<u>3,068,421</u>	<u>(2,127,429)</u>
Cash & Cash Equivalents - Beginning of Year	<u>10,837,959</u>	<u>7,769,538</u>	<u>3,068,421</u>
Cash & Cash Equivalents - End of Year	<u>\$ 11,778,951</u>	<u>\$ 10,837,959</u>	<u>\$ 940,992</u>

Financial Analysis

Net assets may serve over time as a useful indicator of an entity's financial position. In the case of the College, assets exceeded liabilities by \$43,723,540 at the close of the fiscal year.

By far the largest portion of the College's net assets (73%) reflects its investment in capital assets (e.g. land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The College uses these capital assets to provide services to students, consequently, these assets are not available for future spending. Although the College's investment in its capital assets is reported net of debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Of the College's net assets, 4% represents resources that are subject to external restrictions on how they may be used. Unrestricted net assets of \$9,736,899 (22%) may be used to meet the College's ongoing obligations.

Cash was increased by \$940,992. Overall cash provided from non-capital financing activities included state and local appropriations, grants and gifts, and other income of approximately \$28.7 million, used to fund operating activities.

Financial Analysis (continued)

The College is party to a 20 year capital lease with the Spartanburg Community College Foundation for the lease of the Business Training Center on the Cherokee Campus. Lease payments in the amount of \$199,000 were made this fiscal year.

Renovations were completed in the East Building to accommodate the relocation of faculty offices and classrooms.

The College completed the acquisition of the Evans Building in December 2010 which will be renovated and used to establish a downtown campus. Estimated opening date is fall 2013.

Economic Factors

This past year, the State appropriation to the State Board for Technical & Comprehensive Education was once again reduced due to the continuing prolonged economic downturn that began in the last half of 2008. State funding for College operations was reduced another 20% for fiscal year 2011 versus 2010, resulting in a total reduction in state funding to the College from a peak of \$13.5 million in 2007-08 to \$6.6 million in 2010-11, an overall reduction in excess of 50% in three years. The balance of the two year ARRA stimulus funding totaling \$2,086,786 was received and expended by the College during 2010-11.

Spartanburg Community College experienced an increase in enrollment headcount of 2.8% for the fall 2010 term and a decrease of 0.9% for the spring 2011 term. With the marginal improvement experienced in regional employment, the College has projected and budgeted for a 3% decrease in enrollment for 2011-12.

Increased use of our facilities will put demands on our operational costs. Utilities are expected to increase as the Evans Building is incorporated into College operations and the cost of transportation between campuses will increase. Staffing optimization at all sites will become a top priority as the student enrollment increases at the Tyger River and Cherokee County campuses, and growing demand continues for on-line course offerings.

During the 2010-11 fiscal year, the College received \$2.3 million from Spartanburg County that was utilized by the College in the acquisition of the Evans Building.

SPARTANBURG COMMUNITY COLLEGE

Statement of Net Assets

June 30, 2011

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 11,778,951
Accounts Receivable, Net	2,391,018
Inventories	425,759
Other Assets	442,447

Total Current Assets 15,038,175

NONCURRENT ASSETS

Capital Assets, Net of Accumulated Depreciation	42,340,770
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Total Noncurrent Assets 42,340,770

Total Assets 57,378,945

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	293,871
Compensated Absences	123,983
Accrued Payroll and Related Liabilities	512,382
Long-Term Liabilities - Current Portion	1,106,478
Deferred Revenue	1,278,313
Accrued Interest Payable	110,350

Total Current Liabilities 3,425,377

NONCURRENT LIABILITIES

Long-Term Liabilities - Noncurrent Portion	8,714,181
Compensated Absences - Payable	1,115,847
Other Liabilities - Advance	400,000

Total Noncurrent Liabilities 10,230,028

Total Liabilities 13,655,405

NET ASSETS

Invested in Capital Assets, Net of Related Debt	32,120,111
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Restricted For:

Loans	2,000
Capital Projects	1,974,880
Debt Service	(110,350)

Unrestricted 9,736,899

Total Net Assets \$ 43,723,540

SEE NOTES TO FINANCIAL STATEMENTS

SPARTANBURG COMMUNITY COLLEGE
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2011

REVENUES

OPERATING REVENUES

Student Tuition and Fees	\$ 12,321,795
(Net of Scholarship Allowances of \$9,953,380)	
Student Tuition and Fees Pledged for Revenue Bonds	1,432,458
(Net of Scholarship Allowances of \$729,513)	
Federal Grants and Contracts	1,331,546
State Grants and Contracts	4,836,889
Local Grants and Contracts	219,627
Sales and Services of Educational Departments	61,320
Auxiliary Enterprises (Net of Scholarship Allowances of \$1,694,943)	2,626,028
Other Operating Revenues	620,149
Total Operating Revenues	23,449,812

EXPENSES

OPERATING EXPENSES

Salaries	19,474,513
Benefits	5,358,194
Scholarships	8,491,027
Utilities	919,800
Supplies and Other Services	13,639,010
Depreciation	1,993,956
Total Operating Expenses	49,876,500
Operating Income (Loss)	(26,426,688)

NONOPERATING REVENUES (EXPENSES)

State Appropriations	6,612,245
Local Appropriations	4,872,508
Investment Income	17,265
Interest On Capital Asset-Related Debt	(412,472)
Federal Grants and Contracts	16,815,344
State and Local Grants and Contracts	-
Net Non-operating Revenues	27,904,890
Income Before Other Revenues, Expenses, Gains or Losses	1,478,202

Federal Capital Grants and Contracts	143,530
Local Capital	2,302,549
Capital Grants and Gifts	47,416
Gain on Disposal of Capital Assets	1,127
Increase in Net Assets	3,972,824

NET ASSETS

Net Assets - Beginning of Year	39,750,716
Net Assets - End of Year	\$ 43,723,540

SEE NOTES TO FINANCIAL STATEMENTS

SPARTANBURG COMMUNITY COLLEGE

Statement of Cash Flows
For the Year Ended June 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and Fees	\$ 13,703,280
Federal, State and Local Grants and Contracts	6,292,085
Auxiliary Enterprise Charges	2,673,704
Payments to Suppliers for Goods and Services	(19,966,647)
Payments to Employees	(19,439,117)
Payments for Scholarships and Fellowships	(8,491,027)
Other Receipts	681,469
Net Cash Provided (Used) by Operating Activities	<u>(24,546,253)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Appropriations	6,636,500
County Appropriations	4,872,386
Grants & Gifts Received for Other Than Capital Purposes	17,142,893
Net Cash Flows Provided by Noncapital Financing Activities	<u>28,651,779</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Federal Grants and Contracts	143,530
Local Grants and Contracts	2,349,965
Purchase of Capital Assets	(4,202,493)
Gain on Disposal of Assets	1,127
Principal Paid on Capital Debt	(1,048,540)
Interest Paid on Capital Debt	(425,388)
Net Cash Provided by Capital and Related Financing Activities	<u>(3,181,799)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on Investments	17,265
Net Cash Flows Provided (Used) by Investing Activities	<u>17,265</u>

Net Increase (Decrease) in Cash	940,992
Cash - Beginning of Year	10,837,959
Cash - End of Year	<u>\$ 11,778,951</u>

Reconciliation of Net Operating Revenue (Expenses) to Net Cash Provided (Used) by Operating Activities:

Operating Income (Loss)	\$ (26,426,688)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	1,993,956
Change in Assets and Liabilities:	
Receivables, Net	(30,374)
Inventories	(45,650)
Deferred Charges and Prepaid Expenses	(137,256)
Accounts Payable and Accrued Expenses	113,623
Compensated Absences	55,035
Deferred Revenue	(68,899)
Net Cash Provided (Used) by Operating Activities	<u>\$ (24,546,253)</u>

SEE NOTES TO FINANCIAL STATEMENTS

SPARTANBURG COMMUNITY COLLEGE FOUNDATION

Statement of Financial Position
For the Year Ended June 30, 2011

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents \$ 296,354

ASSETS RESTRICTED FOR LONG-TERM ASSETS

Cash 414,798
Pledges Receivable, Net 1,019,499
1,434,297

PROPERTY AND EQUIPMENT

Land 432,877
Furniture and Fixtures 3,187
Equipment 223
Cherokee County Campus 4,091,533
4,527,820
Less: Accumulated Depreciation 476,788
4,051,032

OTHER ASSETS

Investments Held by Spartanburg County Foundation 685,662

TOTAL ASSETS

\$ 6,467,345

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable \$ 2,500
Due to Spartanburg Community College 8,581
Accrued Interest 16,502
Unearned Revenue -
Long-Term Debt - Current Portion 106,116
133,699

LONG TERM DEBT

1,967,797

NET ASSETS

Unrestricted 2,085,031
Temporarily Restricted 2,280,818

Total Net Assets

4,365,849

TOTAL LIABILITIES AND NET ASSETS

\$ 6,467,345

SPARTANBURG COMMUNITY COLLEGE FOUNDATION

Statement of Activities
For the Year Ended June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Support			
Grants and Contributions	\$ -	\$ 1,565,705	\$ 1,565,705
Bank Interest	604	-	604
Investment Income (Loss)	-	127,295	127,295
Lease Income	203,536	-	203,536
Other		6,270	6,270
Net Assets Released	<u>97,041</u>	<u>(97,041)</u>	<u>-</u>
Total Revenues, Support, and Reclassifications	<u>301,181</u>	<u>1,602,229</u>	<u>1,903,410</u>
 Expenses			
Program Services	308,557	-	308,557
Management and General	43,919	-	43,919
Fundraising	<u>4,432</u>	<u>-</u>	<u>4,432</u>
Total Expenses	<u>356,908</u>	<u>-</u>	<u>356,908</u>
 Change in Net Assets	(55,727)	1,602,229	1,546,502
Net Assets at Beginning of Year	<u>2,140,758</u>	<u>678,589</u>	<u>2,819,347</u>
Net Assets at End of Year	<u><u>2,085,031</u></u>	<u><u>2,280,818</u></u>	<u><u>4,365,849</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

SPARTANBURG COMMUNITY COLLEGE

Notes To Financial Statements

June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Operations: Spartanburg Community 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 Spartanburg, Union, and Cherokee 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 as well as the Associate of Arts and Associate of Science degree programs for students wishing to continue their education at a four year college or university.

Spartanburg Community College Foundation, Inc. (the “Foundation”) is a nonprofit organization that was formed June 28, 1983 to benefit and support education at Spartanburg Community College.

B. 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 primary government are such that exclusion could cause the financial statements to be misleading or incomplete. Accordingly, the financial statements include the accounts of Spartanburg Community College, as the primary government reporting unit, and the accounts of Spartanburg Community College Foundation, its component unit. The College is part of the primary government of the State of South Carolina. 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 Foundation is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The 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 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.

The Foundation is a private not-for-profit organization that reports its financial results under Financial Accounting Standards Board (FASB) Statements. Most significant to the Foundation’s operations and reporting model are FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made*, and FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation’s financial information in the College’s financial reporting entity for these differences. However, significant note disclosures to the Foundation’s financial statements have been incorporated into the College’s notes to the financial statements. (See Note R within this Summary of Significant Accounting Policies.)

Financial statements for the Foundation can be obtained by mailing a request to: Spartanburg Community College Foundation, Post Office Box 4386, Spartanburg, South Carolina 29305.

SPARTANBURG COMMUNITY COLLEGE
Notes To Financial Statements, Continued
June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Financial Statements: The financial statements are presented in accordance with Governmental Accounting Standards Board (“GASB”) Statement No. 34, *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management’s Discussion and Analysis for Public Colleges and Universities*. The financial statement presentation required by GASB Statements No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the College’s assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows that replaces the fund-group perspective previously required.

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

The College has elected not to apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989.

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

F. Investments: Deposits and investments for the College are governed by the South Carolina Code of Laws, Section 11-9-660, “Investments of Funds”. GASB Statement No. 40, *Deposits and Investment Risk Disclosures – an amendment to GASB Statement No. 3*, requires 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 in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. 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 assets.

G. Accounts Receivable: Accounts receivable consists of tuition and fee charges to students, gift pledges and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include 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.

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

SPARTANBURG COMMUNITY COLLEGE

Notes To Financial Statements, Continued

June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

I. 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, renovations and other improvements that add to the usable space, prepare existing buildings for new uses, or extend the useful life of an existing building are capitalized. The College capitalizes movable personal property with a unit value in excess of \$5,000 and a useful life in excess of two years and depreciable land improvements, buildings and improvements, and intangible assets costing in excess of \$100,000. Routine repairs and maintenance and library materials, except individual items costing in excess of \$5,000, are charged to operating expenses in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and improvements and land improvements and 2 to 25 years for machinery, equipment, and vehicles. A full year of depreciation is taken the year the asset is placed in service and no depreciation is taken in the year of disposition.

J. Deferred Revenues and Deposits Deferred 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. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Deposits represent tuition for international students, 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.

K. 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 long-term liabilities in the statement of net assets and as a component of benefit expenses in the statement of revenues, expenses, and changes in net assets.

L. Net Assets: The College's net assets are classified as follows:

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

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

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

SPARTANBURG COMMUNITY COLLEGE

Notes To Financial Statements, Continued

June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Unrestricted net assets: Unrestricted net assets 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 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.

M. Income Taxes: The College is exempt from income taxes under the Internal Revenue Code.

N. Classification of Revenues: The College has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating Revenues: 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.

Nonoperating Revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions. These revenues include gifts and contributions, appropriations, investment income, and any grants and contracts that are not classified as operating revenue or restricted by the grantor to be used exclusively for capital purposes. Beginning fiscal year 2009-10, the SC Comptroller General's office mandated that Pell grants be reclassified as non-operating revenues from operating revenues. State fiscal stabilization funds are reported as federal non-operating revenues in the financial statements, with a portion reported as federal capital grants, as appropriate.

O. 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 and public service activities that incidentally create goods and services which may be sold to students, faculty, staff, and the general public. The College receives such revenues from programs such as culinary arts luncheons, horticultural plant sales and massage therapy sessions.

P. Auxiliary Enterprises and Internal Service Activities: Auxiliary enterprise revenues primarily represent revenues generated by bookstore services and vending. Revenues of internal service and auxiliary enterprise activities and the related expenditures of college departments have been eliminated.

Q. Capitalized Interest: The College capitalizes as a component of construction in progress interest cost in excess of earnings on debt associated with the capital projects that will be capitalized in the applicable capital asset categories upon completion. The College incurred \$412,472 of interest cost during the year ended June 30, 2011, all of which was charged to expense.

SPARTANBURG COMMUNITY COLLEGE

Notes To Financial Statements, Continued

June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

R. Component Unit: The Foundation maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors. Accordingly, net assets and changes therein are classified as follows:

Permanently Restricted Net Assets: 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.

Temporarily Restricted Net Assets: Temporarily Restricted Net Assets are subject to donor-imposed stipulations that will be met by actions of the Foundation and/or passage of time.

Unrestricted Undesignated Net Assets: Unrestricted Undesignated Net Assets are not subject to donor-imposed stipulations that will be met by actions of the Foundation and/or passage of time.

Unrestricted Designated Net Assets: Unrestricted Designated Net Assets are not subject to donor-imposed restrictions but subject to Foundation Board imposed stipulations.

Revenues are reported as increases in unrestricted net assets 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. Contributions for in-kind gifts from outside sources are not recorded in the Foundation's financial records, but are accounted for and acknowledged separately.

Expenses are reported as decreases in unrestricted undesignated or unrestricted designated net assets 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 assets unless their use is restricted by explicit donor stipulation or by law.

Investments are reported at fair value based upon quoted market prices.

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 and community 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 and 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.

SPARTANBURG COMMUNITY COLLEGE
Notes To Financial Statements, Continued
June 30, 2011

NOTE 2 – STATE APPROPRIATIONS, Continued

The following is a reconciliation of the state appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2011:

Non-Capital Appropriations

Appropriations Per State Board Allocation	\$	5,707,225
Appropriations for Cherokee Campus		906,816
Lottery Technology Funds		-
Appropriations from Commission on Higher Education for Academic Endowment		345
Proviso 72.106 USC Upstate		-
Allied Health Allocation		(5,675)
Waldrop Pipefitter Apprenticeship Grant		3,534
Less: Prior Year's Appropriations Recorded As Current Year Revenue		-
Plus: Next Year's Appropriations Recorded As Current Year Revenue		-
Total Non-Capital Appropriations Recorded As Current Year Revenue	<u>\$</u>	<u>6,612,245</u>

Capital Appropriations

2005-06 Appropriation Act - Proviso 73.18 - Cherokee Expansion	\$	-
Less: Prior Year's Appropriations Recorded As Current Year Revenue		-
Plus: Next Year's Appropriations Recorded As Current Year Revenue		-
Total Capital Appropriations Recorded As Current Year Revenue	<u>\$</u>	<u>-</u>

Research Infrastructure Bond Proceeds

Proceeds Drawn During the Current Fiscal Year - Life Science Deferred Maint.	\$	-
Plus: Expenses Incurred but Not Drawn During Current Fiscal Year		-
Less: Proceeds Drawn but Not Expended During the Current Fiscal Year		-
Total Research Infrastructure Bond Proceeds Recorded as Current Year Revenue	<u>\$</u>	<u>-</u>

NOTE 3 – DEPOSITS AND INVESTMENTS

DEPOSITS

State Law requires that a bank or savings and loan association receiving State funds must secure the deposits by deposit insurance, surety bonds, collateral securities, or letters of credit to protect the State against any loss.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that a government will not be able to recover deposits if the depository financial institution fails or to recover the value of collateral securities that are in the possession of an outside party if the counterparty transaction fails.

SPARTANBURG COMMUNITY COLLEGE

Notes To Financial Statements, Continued

June 30, 2011

NOTE 3 – DEPOSITS AND INVESTMENTS, Continued

The College's policy concerning custodial credit risk is to invest surplus funds of the College in a manner that maximizes return to the College while safeguarding against any potential of loss. The President is authorized to invest surplus funds or may delegate this responsibility to the Executive Vice President. Investments shall be selected from financial institutions on a competitive basis through an informal bidding process (and all in compliance with State laws and regulations). All investments shall be protected by FDIC, FSLIC, and/or have sufficient pledged securities as collateral. This policy was formally approved by the Commission on August 16, 2004.

The deposits for Spartanburg Community College at June 30, 2011, were \$13,091,924. Of these, \$0 were exposed to custodial credit risk as uninsured and uncollateralized.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. Spartanburg Community College does not maintain deposits that are denominated in a currency other than the United States dollar; therefore, the College is not exposed to this risk.

INVESTMENTS

The College is authorized, by the South Carolina Code of Laws, Section 11-9-660, to invest in obligations of the United States and its agencies, obligations of the State of South Carolina and its political subdivisions, collateralized or federally insured certificates of deposit, and collateralized repurchase agreements.

The College had no investments at June 30, 2011.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the 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 policy concerning custodial credit risk is to invest surplus funds of the College in a manner that maximizes return to the College while safeguarding against any potential of loss. The President is authorized to invest surplus funds or may delegate this responsibility to the Executive Vice President. Investments shall be selected from financial institutions on a competitive basis through an informal bidding process. All investments shall be protected by FDIC, FSLIC, and/or have sufficient pledged securities as collateral. This policy was formally approved by the Commission on August 16, 2004.

The College's investments at June 30, 2011, were held by the College or in the College's name by the College's custodial banks. The College recognized no losses due to the default by counterparts to investment transactions and amounts recovered from prior period losses.

SPARTANBURG COMMUNITY COLLEGE
Notes To Financial Statements, Continued
June 30, 2011

NOTE 3 – DEPOSITS AND INVESTMENTS, Continued

Credit Risk

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations.

The College's policy concerning credit risk is to invest surplus funds of the College in a manner that maximizes return to the College while safeguarding against any potential of loss. The President is authorized to invest surplus funds or may delegate this responsibility to the Executive Vice President. Investments shall be selected from financial institutions on a competitive basis through an informal bidding process. All investments shall be protected by FDIC, FSLIC, and/or have sufficient pledged securities as collateral. This policy was formally approved by the Commission on August 16, 2004.

The College's excess funds were held in an interest bearing checking account, which was fully insured or collateralized at June 30, 2011.

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. The College does not have a policy on concentration of credit risk.

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.

The College does not have a policy concerning interest rate risk.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. Spartanburg Community College does not maintain investments that are denominated in a currency other than the United States dollar, and therefore, the college is not exposed to this risk.

SPARTANBURG COMMUNITY COLLEGE

Notes To Financial Statements, Continued

June 30, 2011

NOTE 3 – DEPOSITS AND INVESTMENTS, Continued

Cash and Investment Reconciliation

The following schedule reconciles cash and investments as reported on the Statement of Net Assets to footnote disclosure provided for deposits and investments.

STATEMENT OF NET ASSETS:	
Cash and Cash Equivalents	\$ 11,778,951
Restricted Cash and Cash Equivalents	-
Total	<u>\$ 11,778,951</u>
DEPOSITS AND INVESTMENTS NOTE:	
Cash on Hand	\$ 3,150
Carrying Amounts of Deposits, Net	11,775,801
Total	<u>\$ 11,778,951</u>

Component Unit-Deposits and Investments

The deposits and investments for the Spartanburg Community College Foundation, Inc. at June 30, 2011, were as follows:

Cash	\$ 296,354
Restricted Cash for Downtown Campus Development	\$ 414,798

The Foundation has established several investment funds with Spartanburg County Foundation. The funds are held, managed, administered, applied and disbursed under general powers and duties of the Spartanburg County Foundation

The investment funds are carried as assets on the Foundation's financial statements, since these funds were established by the Spartanburg Community College Foundation with the Foundation as the beneficiary. The proceeds of these funds are to be used for scholarship assistance for students attending Spartanburg Community College or for the benefit of the College depending on the purpose of the individual investment funds.

The following is a summary of the activity in the investment funds for the year ended June 30, 2011, as reported by the Spartanburg County Foundation:

Balance - July 1, 2010	\$ 563,304
Contributions	21,940
Interest/Dividend Income	12,093
Realized Gains/(Losses)	7,012
Unrealized Gains/(Losses)	108,190
Distributions	(16,490)
Management Fees	(10,387)
Balance - June 30, 2011	<u>\$ 685,662</u>

SPARTANBURG COMMUNITY COLLEGE
Notes To Financial Statements, Continued
June 30, 2011

NOTE 4 – ACCOUNTS RECEIVABLE

Receivables as of June 30, 2011, including applicable allowances, were as follows:

<u>Receivables:</u>	
Student Accounts	\$ 1,290,556
Less: Allowance for Doubtful Accounts	(887,900)
Other	308,691
Cherokee County	3,203
Union County	1,339
Spartanburg County	-
State Grants and Contracts	1,222,123
State Appropriation - IT DIA Reimb.	5,100
Federal Grants and Other Contracts	447,906
	<hr/>
Net Accounts Receivable	<u>\$ 2,391,018</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. At June 30, 2011, the allowance for uncollectible student accounts is valued at \$887,900.

Component Unit – Accounts Receivable

At June 30, 2011, the amount of accounts receivable for the Foundation was \$0.

NOTE 5 – PLEDGES RECEIVABLE COMPONENT UNIT

During the year, the Foundation received pledges from individuals, foundations and local businesses to fund a capital project, the downtown campus building acquisition and renovation. The pledges range from 1 – 5 years with monthly to annual payment schedules. Uncollectible promises are estimated at 50% of unpaid balance, and are discounted using a net present value calculation and an effective rate of 5.0 percent. Unconditional promises to give at June 30, 2011 are:

Receivable in Less than One Year	\$ 459,836
Receivable in One to Five Years	1,839,348
	<hr/>
	2,299,184
Less Allowance for Uncollectible Amounts	(1,149,594)
Less Discount to Net Present Value	(130,091)
	<hr/>
Pledges Receivable (Net)	<u>\$ 1,019,499</u>

SPARTANBURG COMMUNITY COLLEGE
Notes To Financial Statements, Continued
June 30, 2011

NOTE 6 – CAPITAL ASSETS

	Beginning Balance 06/30/10	Additions	Retirements	Transfers	Ending Balance 06/30/11
Capital Assets Not Being Depreciated:					
Land and Improvements	\$ 1,901,665	-	-	2,400,000	4,301,665
Construction in Progress	893,429	4,579,917	1,200,224	(4,273,122)	-
Works of Art, Historical Treasures, and Similar Assets	14,644	-	-	-	14,644
Total Capital Assets Not Being Depreciated	<u>2,809,738</u>	<u>4,579,917</u>	<u>1,200,224</u>	<u>(1,873,122)</u>	<u>4,316,309</u>
Other Capital Assets:					
Buildings and Renovations	48,720,655	1,200,224	1,263,167	1,873,122	50,530,834
Machinery, Equipment, and Other	6,064,517	378,354	93,298	47,416	6,396,989
Vehicles	595,656	50,878	9,971	-	636,563
Depreciable Land Improvements	1,983,710	-	-	-	1,983,710
Intangibles Assets	217,143	-	-	-	217,143
Total Other Capital Assets	<u>57,581,681</u>	<u>1,629,456</u>	<u>1,366,436</u>	<u>1,920,538</u>	<u>59,765,239</u>
Less Accumulated Depreciation For:					
Buildings and Improvements	13,205,907	1,228,953	409,095	-	14,025,765
Machinery, Equipment and Other	5,030,974	645,498	93,298	-	5,583,174
Vehicles	445,693	56,853	9,971	-	492,575
Depreciable Land Improvements	1,359,469	62,652	-	-	1,422,121
Intangibles	217,143	-	-	-	217,143
Total Accumulated Depreciation	<u>20,259,186</u>	<u>1,993,956</u>	<u>512,364</u>	<u>-</u>	<u>21,740,778</u>
Other Capital Assets, Net	<u>37,322,495</u>	<u>(364,500)</u>	<u>854,072</u>	<u>1,920,538</u>	<u>38,024,461</u>
Capital Assets, Net	<u>\$ 40,132,233</u>	<u>4,215,417</u>	<u>2,054,296</u>	<u>47,416</u>	<u>42,340,770</u>

During the year, the College acquired real estate in downtown Spartanburg, the Evans Building, in exchange for cash of \$3,340,000 and real estate (the Dent Building) with a book value of \$854,072. Legal, engineering and architectural fees totaling \$79,050 related to the purchase were incurred and capitalized. The transaction was recognized as follows:

Land	\$ 2,400,000
Building	1,873,122
Total	<u>\$ 4,273,122</u>

Certain Real Estate Assets Carry Restrictions. See Note 9.

The Gain/(Loss) on Disposal of Assets consisted of the following:

Gain on Disposals	\$ 1,127
(Loss) on Disposals	-
Net Gain/(Loss) on Disposals	<u>\$ 1,127</u>

Component Unit

	6/30/2011
Capital Assets Not Being Depreciated:	
Land and Improvements	\$ 432,877
Construction in Progress	-
Total Capital Assets Not Being Depreciated	<u>432,877</u>
Other Capital Assets:	
Buildings	4,091,533
Machinery, Equipment, and Other	3,410
Total Other Capital Assets at Historical Cost	<u>4,094,943</u>
Less Accumulated Depreciation for:	
Machinery, Equipment, and Buildings	476,788
Other Capital Assets, Net	3,618,155
Capital Assets, Net	<u>\$ 4,051,032</u>

SPARTANBURG COMMUNITY COLLEGE

Notes To Financial Statements, Continued

June 30, 2011

NOTE 7 – PENSION PLAN(S)

The Retirement Division of the State Budget and Control Board maintains four 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 Financial Services, South Carolina Retirement Systems, P.O. Box 11960, Columbia, South Carolina 29211. Furthermore, the Retirement System and the four pension plans are included in the CAFR of the State of South Carolina.

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefits, and employee/employer contributions for each pension plan. Employee and employer contribution rates for the South Carolina Retirement System and the Police Officers Retirement System are actuarially determined. Annual benefits, payable monthly for life, are based on length of service and on average final compensation.

South Carolina Retirement System

The majority of employees of Spartanburg Community College are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division, a public employee retirement system. Generally all State employees 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. This plan provides retirement annuity benefits as well as disability, cost of living adjustment, death, and group-life insurance benefits to eligible employees and retirees.

From July 1, 1988 to June 30, 2005 employees participating in the SCRS were required to contribute 6.0 percent of all compensation. On July 1, 2005, the required employee contribution increased to 6.25 percent. On July 1, 2006, the required employee contribution increased to 6.50 percent. Effective July 1, 2009, the employer contribution rate became 12.74 percent which included a 3.50 percent surcharge to fund retiree health and dental insurance coverage. Effective July 1, 2010, the employer contribution rate became 13.14 percent which included a 3.9 percent surcharge to fund health and dental insurance coverage. The College's actual contributions to the SCRS for the three most recent fiscal years ending June 30, 2011, 2010, and 2009, were \$3,158,072, \$3,072,294, and \$2,801,484, respectively, and equaled the required contributions of 9.24 percent (excluding the surcharge) for 2011 and 2010, and 9.06 percent (excluding the surcharge) for 2009. Also, the College paid employer group-life insurance contributions of \$25,469 in the current fiscal year at the rate of .15 percent of compensation.

Police Officers Retirement System

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

SPARTANBURG COMMUNITY COLLEGE

Notes To Financial Statements, Continued

June 30, 2011

NOTE 7 – PENSION PLAN(S), Continued

Since July 1, 1988, employees participating in the PORS have been required to contribute 6.5 percent of all compensation. Effective July 1, 2009, the employer contribution rate became 14.15 percent which, as for the SCRS, included the 3.50 percent surcharge. Effective July 1, 2010 the employer contribution rate became 15.03 percent which included a 3.90 percent surcharge. The College's actual contributions for the years ended June 30, 2011, 2010 and 2009, were \$4,576, \$5,085, and \$5,041, respectively, and equaled the required contributions of 11.13 percent (excluding surcharge) for 2011, 10.65 percent (excluding surcharge) for 2010 and 10.3 percent (excluding surcharge) for 2009. Also, the College paid employer group-life insurance contributions of \$61 and accidental death insurance contributions of \$61 in the current fiscal year for PORS participants. The rate for each of these insurance benefits is .20 percent of compensation.

Optional Retirement Program

The State Optional Retirement Program (State ORP) was first established as the Optional Retirement Program for Higher Education in 1987. In its current form, the State ORP is an alternative to the defined benefit SCRS plan offered to certain state, public school and higher education employees of the State. The State ORP, which is administered by the South Carolina Retirement Systems, is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by investment providers. The State assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers and are governed by the terms of the contracts issued by them.

Under State law, contributions to the ORP are required at the same rates as for the SCRS, 9.24 percent plus the retiree surcharge of 3.90 percent from the employer in fiscal year 2011.

Employees are eligible for group-life insurance benefits while participating in the State ORP. However, employees who participate in the State ORP are not eligible for postretirement group-life insurance benefits. For the fiscal year, total contribution requirements to the ORP were \$240,520 (excluding the surcharge) from Spartanburg Community College as employer and \$117,636 from its employees as plan members. In addition, the College paid to the SCRS employer group-life insurance contributions of \$2,714 in the current fiscal year at the rate of .15 percent of compensation.

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-employer plans, created under Internal Revenue Code Sections 457, 401(k), and 401(r), 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.

SPARTANBURG COMMUNITY COLLEGE
Notes To Financial Statements, Continued
June 30, 2011

NOTE 7 – PENSION PLAN(S), Continued

Teacher and Employee Retention Incentive

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

NOTE 8 – POSTEMPLOYMENT AND 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 certain active and retired State employees and certain surviving dependents of retirees. All permanent full-time and certain permanent part-time employees of the College are eligible to receive these benefits. The State provides post-employment health and dental benefits to employees who retire from State service or who terminated with at least 20 years of State service who meet one or more of the eligibility requirements, such as age, length of service, and hire date. Generally those who retire must have at least 10 years of retirement service credit to qualify for these State-funded benefits. Benefits are effective at date of retirement when the employee is eligible for retirement benefits.

These benefits are provided through annual appropriations by the General Assembly to the College for its active employees and to the State Budget and Control Board for all participating State retirees except the portions funded through the pension surcharge and provided from other applicable fund sources of the College for its active employees who are not funded by State General Fund appropriations. The State finances health and dental plan benefits on a pay-as-you-go basis.

The College recorded benefit expenses for these insurance benefits for active employees in the amount of \$1,334,621 for the year ended June 30, 2011. As discussed in Note 7, the College paid \$663,378 applicable to the 3.90 percent surcharge included with the employer contributions for retirement benefits. These amounts were remitted to the South Carolina Retirement Systems for distribution to the Office of Insurance Services for retiree health and dental insurance benefits.

Information regarding the cost of insurance benefits applicable to the College's retirees is not available. By State law, the College has no liability for retirement benefits. Accordingly, the cost of providing these benefits for retirees is not included in the accompanying financial statements.

In addition, the State General Assembly periodically directs the Retirement Systems to pay supplemental (cost of living) increases to retirees. Such increases are primarily funded from Systems' earnings; however, a portion of the required amount is appropriated from the State General Fund annually for the SCRS and PORS benefits.

SPARTANBURG COMMUNITY COLLEGE
Notes To Financial Statements, Continued
June 30, 2011

NOTE 9 – CONTINGENCIES, LITIGATION, AND PROJECT COMMITMENTS

The College may be 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, 2011, the College had remaining commitment balances of approximately \$177,001 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 \$301,427 at June 30, 2011.

The College anticipates funding these projects out of current resources, current and future bond issues, private gifts, student fees, and state capital improvement bond proceeds.

During the 1998-99 fiscal year, the college received a non-interest bearing advance of \$400,000 from the General Assembly to be used to purchase a building. This note will be repaid if the building is sold. For financial reporting purposes, this amount is classified on the Statement of Net Assets as "Other Liabilities-Advance" under Non-Current Liabilities.

Two buildings, the Health Sciences Building on the main campus and the Academic Building on the Cherokee County campus, were partially funded by grants from the Economic Development Administration (EDA). As a condition of the grants, the College entered into a twenty year mortgage agreement on the property with the EDA. The mortgage creates a contingent liability that would be imposed in the event that Spartanburg Community College acted in a manner prohibited by the award. According to the agreement, the College may not transfer or convey, including leasing the property, without the written consent of EDA. The College must maintain insurance coverage and must keep the property in good condition. The possibility of this mortgage resulting in a liability for the College is remote. Therefore, the contingent liability is not reflected in the College's financial statements.

NOTE 10 – LEASE OBLIGATIONS

Capital Leases:

The College entered into a 20-year lease agreement with the Spartanburg Community College Foundation on September 29, 2005. This agreement is for the lease of the Business Training Center on the Cherokee Campus. The lease began on the first day of the month after the month in which the facility was ready for occupancy. The first payment was on January 25, 2007.

Spartanburg Community College has the option to purchase all of its rights, title and interest at any time during the initial term or any extended term of the lease at a price equal to the sum of (a) the 2003 land appraisal of the value of the land per acre, times the acreage of the leased property (b) the Spartanburg Community College Foundation's un-financed capital expenditures invested in the facility and other improvements on the property, and (c) the aggregate outstanding balance of all loans incurred by the Foundation to construct the building, access roads and parking.

SPARTANBURG COMMUNITY COLLEGE

Notes To Financial Statements, Continued

June 30, 2011

NOTE 10 – LEASE OBLIGATIONS, Continued

The cost of the building is \$2,578,561 and the accumulated depreciation is \$257,856 at June 30, 2011.

The capital lease with the Spartanburg Community College Foundation was \$199,000 for the year ended June 30, 2011.

Future minimum payments to be paid:

<u>Year Ended June 30</u>	<u>Capital Lease with Discretely Presented Component Units</u>
2012	\$ 199,000
2013	199,000
2014	199,000
2015	199,000
2016-2020	995,000
2021-2025	995,000
2026-2027	199,000
	<hr/>
Total Minimum Payments	\$ 2,985,000
	<hr/>
Less: Interest	(792,888)
	<hr/>
Present Value of Net Minimum Lease Payment	\$ 2,192,112
	<hr/> <hr/>

Operating Leases:

Future commitments for copier and postage meter operating leases having remaining non-cancelable terms in excess of one year as of June 30, 2011 were as follows:

<u>Year Ended June 30</u>	<u>Operating Leases with External Parties</u>
2012	\$ 61,542
2013	53,617
2014	12,109
2015	6,909
Thereafter	-
Total Minimum Payments	\$ 134,177
	<hr/> <hr/>

Contingent rentals for copier leases paid on a cost-per-copy basis are as follows:

<u>Year Ended June 30</u>	<u>Operating Leases With External Parties</u>
2011	\$ 70,024

SPARTANBURG COMMUNITY COLLEGE

Notes To Financial Statements, Continued

June 30, 2011

NOTE 10 – LEASE OBLIGATIONS, Continued

The College's non-cancelable operating leases provide for renewal options for periods from one to three years at their fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases and are generally payable on a monthly basis. Total rental payments for copier equipment were \$49,406 for fiscal year 2011. The rental payments on the postage meter were \$11,844, and the College paid \$70,024 for cost-per-copy copiers.

Facilities Leased to Others:

In previous years, Spartanburg Community College had an annual lease agreement with Spartanburg County to lease the Dent Building at \$3 per square foot, totaling \$90,000 per year. This lease was terminated at the end of fiscal year 2010 as part of the agreement to acquire the Evans Building from Spartanburg County. The Dent Building was transferred to the County as part of the purchase price for the Evans Building.

NOTE 11 – ACCOUNTS PAYABLE

Accounts payable as of June 30, 2011 are summarized as follows:

Accounts Payable, Unrestricted	\$ 293,871
Accounts Payable, S.C. Commission on Higher Education	-
Accounts Payable, Non-Current - Budgetex	-
Accrued Salaries and Related Payroll Expenses	-
Accrued Compensated Absences	-
Accrued Interest	-
	<hr/>
Total Accounts Payable	<u><u>\$ 293,871</u></u>

Component Unit

The Foundation has accounts payable in the amount of \$2,500 as of June 30, 2011.

SPARTANBURG COMMUNITY COLLEGE
Notes To Financial Statements, Continued
June 30, 2011

NOTE 12 – BONDS AND NOTES PAYABLE

Bonds Payable

Bonds payable consisted of the following at June 30, 2011:

	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Balance</u>
Special Student Fee Capital Improvement Bonds:			
Series 1999	4.88%	03/01/2014	\$ 821,402
Series 2001	4.80%	03/01/2016	1,074,948
Series 2004	3.45%	03/01/2019	3,505,000
Series 2005	3.74%	11/01/2020	2,227,196
Total Special Student Fee Bonds Payable			<u>\$ 7,628,546</u>

By the authority of Section 59-53-53 of the SC Code of Laws, the area commission on any Community education institution under the jurisdiction of the South Carolina Community education system may borrow for capital improvements from a federal or other lending agency an amount not to exceed its ability to repay the loan through the imposition of a special fee. The terms of the loan may not exceed forty years. An area commission may issue covenants, enter into mortgages, and grant liens limiting the sale or use of certain parcels of real or personal property in its possession when required as a condition of accepting a grant, loan, or donation for specified capital improvement projects.

To amortize the loan, a special fee must be imposed within the limits established by the state board, the proceeds of which must be deposited in a special account to be used for payment of the loan in accordance with the terms negotiated by the commission and the lender. No funds other than the revenue from the special fees may be pledged for payment of the loan.

The College is required to maintain revenue in the amount of 110% of the debt service payments due in each bond year on the Health Science and Student Life Buildings. The College is required to maintain revenue in the amount of 105% of the debt service payment due in each bond year on the Library Building and the Tyger River Campus. The table below summarizes the covenant history for each series:

SPARTANBURG COMMUNITY COLLEGE
Notes To Financial Statements, Continued
June 30, 2011

NOTE 12 – BONDS AND NOTES PAYABLE, Continued

Bond Issue			<u>Student Fees</u>	<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
Series 1999	2000	\$	325,638	213,050	84,851	297,901
	2001		331,809	152,505	145,396	297,901
	2002		389,307	160,116	137,785	297,901
	2003		376,776	168,107	129,794	297,901
	2004		367,750	176,496	121,405	297,901
	2005		339,013	185,304	112,597	297,901
	2006		354,827	194,553	103,348	297,901
	2007		347,997	204,262	93,639	297,901
	2008		381,555	214,456	83,445	297,901
	2009		399,582	225,159	72,742	297,901
	2010		341,138	236,395	61,506	297,901
2011		345,422	248,193	49,708	297,901	
Series 2001	2002	\$	369,839	129,532	114,845	244,377
	2003		312,539	127,304	117,073	244,377
	2004		286,513	133,488	110,889	244,377
	2005		282,348	139,972	104,405	244,377
	2006		296,916	146,771	97,606	244,377
	2007		291,316	153,901	90,476	244,377
	2008		319,316	161,377	83,000	244,377
	2009		334,372	169,216	75,161	244,377
	2010		247,016	177,436	66,941	244,377
	2011		288,974	186,055	58,322	244,377
	Series 2004	2005	\$	447,457	200,000	164,862
2006			495,346	215,000	176,659	391,659
2007			454,369	235,000	168,878	403,878
2008			796,563	255,000	160,919	415,919
2009			520,005	275,000	151,392	426,392
2010			468,447	295,000	141,599	436,599
2011			485,082	320,000	131,193	451,193
Series 2005	2006	\$	455,178	83,548	57,180	140,728
	2007		308,341	164,808	116,648	281,456
	2008		338,345	170,819	110,637	281,456
	2009		354,755	177,656	103,800	281,456
	2010		310,917	184,456	97,000	281,456
	2011		312,980	191,517	89,939	281,456

For the year ended June 30, 2011, the College exceeded covenant requirements for all four bond series.

SPARTANBURG COMMUNITY COLLEGE
Notes To Financial Statements, Continued
June 30, 2011

NOTE 12 – BONDS AND NOTES PAYABLE, Continued

The scheduled maturities of the bonds payable by type are as follows:

Year Ending June 30	Interest Due	Principal Due	Total Due
2012	\$ 302,133	999,299	1,301,432
2013	259,889	1,054,605	1,314,494
2014	216,007	1,111,100	1,327,107
2015	168,434	867,486	1,035,920
2016-2020	364,837	3,457,968	3,822,805
2021	2,640	138,088	140,728
Total	<u>\$ 1,313,940</u>	<u>7,628,546</u>	<u>8,942,486</u>

Component Unit – Bonds Payable

During October 2005, the Foundation was issued an Economic Development Bond by the South Carolina Jobs Economic Development Authority to defray the cost of acquiring, by construction and purchase, a Cherokee County Campus for use by Spartanburg Community College. The bond matures October 1, 2025. Interest and principal on the outstanding balance is payable semi-annually. The bond bears interest at 4.24%. The interest paid through March 9, 2007 was capitalized in the amount of \$159,000 and is included in the cost of the building in the accompanying Statement of Financial Position. The long-term debt maturities required in the future and in the aggregate are as follows:

June 30,	
2012	\$ 106,116
2013	110,663
2014	115,405
2015	120,350
2016	125,507
2017-2021	712,964
2022-2026	782,909
	<u>2,073,914</u>

Interest expense for the year ended June 30, 2011 was \$88,980.

NOTE 13 – LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2011 was as follows:

	June 30, 2010	Addition	Reductions	June 30, 2011	Due Within One Year
Bonds and Notes Payable:					
Special Student Fee Capital Bonds	\$ 8,574,312	-	945,766	7,628,546	999,299
Capital Lease Obligations	2,294,887	-	102,775	2,192,112	107,179
Accrued Compensated Absences	1,184,795	510,668	455,633	1,239,830	123,983
Total Long-Term Liabilities	<u>\$ 12,053,994</u>	<u>510,668</u>	<u>1,504,174</u>	<u>11,060,488</u>	<u>1,230,461</u>

Additional information regarding Bonds and Notes Payable is included at Note 12.

SPARTANBURG COMMUNITY COLLEGE
Notes To Financial Statements, Continued
June 30, 2011

NOTE 14 – TEMPORARILY RESTRICTED NET ASSETS – COMPONENT UNIT

At June 30, 2011 the Foundation had temporarily restricted net assets as follows:

Cherokee County Campus	\$	63,463
Alumni Association		2,034
Scholarship Funds Held by Spartanburg County Foundation		685,662
Scholarships		65,771
Other Balances Held for College Support		29,591
Assets Restricted for Long-Term Assets		1,434,297
Total		\$ 2,280,818

NOTE 15 – RELATED PARTIES

A certain separately chartered legal entity whose activities are related to those of the College exists primarily to provide financial assistance and other support to the College and its educational program. Financial statements for that entity are prepared by accountants and retained by the Spartanburg Community College Foundation (the "Foundation").

Management reviewed its relationship with the Foundation under existing guidance of GASB Statement No. 14, as amended by GASB 39. 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 between the Foundation and the College for the year ended June 30, 2011.

The Spartanburg Community 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 College. The Foundation's activities are governed by its Board of Directors.

The College recorded non-governmental gifts receipts of \$38,753 from the Foundation in non-operating revenues for the fiscal year ending June 30, 2011. These funds were used to support College programs such as scholarships and to fund equipment and faculty and staff development. The College also recorded non-governmental gifts receipts of \$30,000 from the Foundation to support the purchase of the Evans Building. The Foundation reimburses the College for any purchases made by the College on behalf of the Foundation. The College provides office space and support services to the Foundation. Additionally, the Foundation paid the College a total of \$11,250 for administrative services during the year.

The College also leases a building under a capital lease located on the Cherokee County Campus from the Foundation. Lease payments were \$199,000 for the year ended June 30, 2011.

The Foundation's assets as of June 30, 2011 were \$6,467,345.

Related party receivables and payables as of June 30, 2011 are as follows:

Due from the Foundation	\$	8,581
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SPARTANBURG COMMUNITY COLLEGE

Notes To Financial Statements, Continued

June 30, 2011

NOTE 16 – RISK MANAGEMENT

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

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

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

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

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

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

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 is insured through the State's blanket fidelity bond insurance policy for all employees for losses arising from theft or misappropriation.

NOTE 17 – OPERATING EXPENSES BY FUNCTION

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

	Compensation	Benefits	Scholarships and Fellowships	Utilities	Supplies and Other Services	Depreciation	Total
Instruction	\$ 10,853,022	2,835,164	-	-	2,932,588	-	16,620,774
Academic Support	1,739,232	471,093	-	-	1,155,176	-	3,365,501
Student Services	2,228,310	640,330	-	-	884,152	-	3,752,792
Operation & Maintenance of Plant	1,225,113	370,049	-	919,800	1,376,605	-	3,891,567
Institutional Support	3,236,999	987,751	-	-	3,893,321	-	8,118,071
Scholarships & Fellowships	-	-	8,491,027	-	-	-	8,491,027
Auxiliary Enterprises	191,837	53,808	-	-	3,397,167	-	3,642,812
Depreciation	-	-	-	-	-	1,993,956	1,993,956
Total Operating Expenses	\$ 19,474,513	5,358,195	8,491,027	919,800	13,639,009	1,993,956	49,876,500

SPARTANBURG COMMUNITY COLLEGE
Notes To Financial Statements, Continued
June 30, 2011

NOTE 18 – STATE FISCAL STABILIZATION FUNDS (ARRA FUNDS)

The College incurred expenditures of \$2,086,786 during fiscal year 2011 under American Recovery and Reinvestment Act (ARRA) funding. These funds were awarded to the College via pass-through funding from the U.S. Department of Education (State Fiscal Stabilization Funds), U.S. Department of Labor (Workforce Investment Act), and the U.S. Department of Health and Human Services (DSS Child Care Grant). ARRA funds were expended primarily for funding full-time faculty/staff positions, adjunct faculty positions, fee waivers, and classroom and technology updates.

The schedules below list the individual funds and expenses and the expenses by functional classification.

Funds	Funds Used Through June 30, 2011
ARRA Stabilization:	
9 Full-Time Faculty/Staff Positions with Benefits	\$ 361,753
Adjunct Faculty fro English, Math and Biology	375,856
Tutors & Note Takers for Conseling Center	78,789
Fee Waivers	120,000
Library Books	81,685
Update Classroom Technology	150,000
Educational Equipment and Furniture	408,261
Building Renovations	81,187
HVAC System Variable Air Volume Conversion	19,451
Safety and Energy Efficiency Upgrades	27,277
IT Disaster Recovery	96,524
Total Stabilization Funds	1,800,783
ARRA WIA Youth (10-11)	48,578
ARRA WIA Discolated Worker (10-11)	48,346
ARRA DSS Early Childhood Development Grant	17,227
ARRA Broadband Tech Grant	171,852
Total Expenditures Incurred Through June 30, 2011	\$ 2,086,786

Please note that all expenses, *excluding* the capitalized amount, are *included* in the schedule presented in NOTE 17.

	Compensation	Benefits	Scholarships	Utilities	Supplies and Other Services	Capitalized	Total
Instruction	\$ 439,275	91,375	-	-	485,060	-	1,015,710
Academic Support	100,871	20,180	-	-	139,254	63,366	323,671
Student Services	100,759	21,458	-	-	-	-	122,217
Operation & Maintenance of Plant	-	-	-	-	269,365	-	269,365
Institutional Support	72,103	22,094	-	-	39,066	80,164	213,427
Scholarships & Fellowships	-	-	120,000	-	-	-	120,000
Auxiliary Enterprises	20,611	1,785	-	-	-	-	22,396
Total Operating Expenses	\$ 733,619	156,892	120,000	-	932,745	143,530	2,086,786

SPARTANBURG COMMUNITY COLLEGE
Notes To Financial Statements, Continued
June 30, 2011

NOTE 19 – PURCHASES WITH OTHER SC HIGHER EDUCATION INSTITUTIONS

The College had significant financial transactions with other South Carolina public institutions of higher education during the fiscal year. The College received goods and/or services from other South Carolina higher education institutions for a fee, as listed below:

	Purchases
Clemson University	\$ 1,545
University of South Carolina	1,175
Tri-County Technical College	8,250
Greenville Technical College	1,000
Total Purchases	\$ 11,970

NOTE 20 – STATEMENT OF ACTIVITIES

	2011	2010	Increase/ (Decrease)
Charges for Services	\$ 37,701,751	37,755,079	(53,328)
Operating Grants and Contributions	7,454,305	9,645,032	(2,190,727)
Capital Grants and Contributions	2,493,495	1,142,577	1,350,918
Less: Expenses	(50,288,972)	(52,865,220)	2,576,248
Net Program Revenue (Expense)	(2,639,421)	(4,322,532)	1,683,111
Transfers:			
State Appropriations	6,612,245	8,276,090	(1,663,845)
State Capital Appropriations	-	-	-
Capital Improvement Bond Proceeds	-	-	-
Total General Revenue and Transfers	6,612,245	8,276,090	(1,663,845)
Change in Net Assets	3,972,824	3,953,558	19,266
Net Assets - Beginning of Year	39,750,716	35,797,158	3,953,558
Net Assets - Ending	\$ 43,723,540	39,750,716	3,972,824

SPARTANBURG COMMUNITY COLLEGE
Notes To Financial Statements, Continued
June 30, 2011

NOTE 21 – TRANSACTIONS WITH OTHER AGENCIES

The College had significant transactions with the State of South Carolina and various agencies.

Several 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.

NOTE 22 – SUBSEQUENT EVENTS

Management has, through September 2, 2011, considered whether events have occurred or circumstances exist subsequent to the date of the financial statements, June 30, 2011, that would have materially significant effect on the carrying amounts of assets or liabilities, including estimates, and no such items have been identified.

Spartanburg Community College

Independent Auditors' Reports Required by
Government Auditing Standards and the Single Audit Act

Schedule of Expenditures for Federal Awards for the Year Ended June 30, 2011



SCC Tyger River Campus



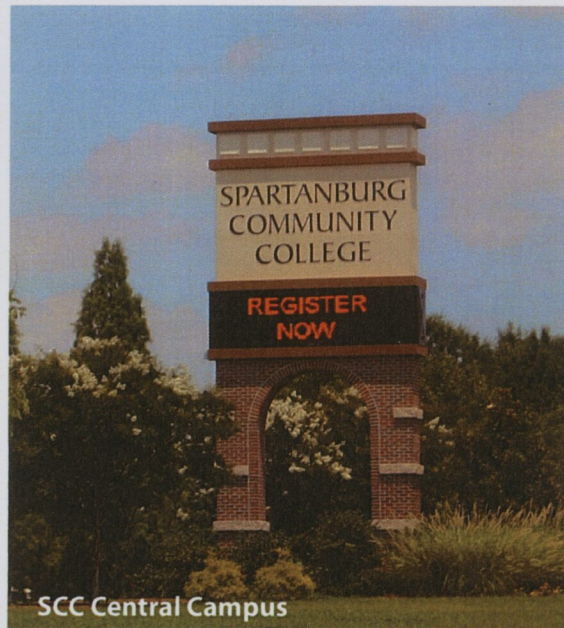
SPARTANBURG
COMMUNITY
COLLEGE



Union County Advanced
Technology Center



SCC Cherokee County Campus



SCC Central Campus



SCC Downtown Campus

SPARTANBURG COMMUNITY COLLEGE

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Independent Auditors' Report On Compliance With Requirements
Applicable To Each Major Program And Internal Control Over
Compliance In Accordance With OMB Circular A-133

Spartanburg Community College
Spartanburg, South Carolina

Compliance

We have audited the compliance of Spartanburg Community College, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Spartanburg Community College's major federal programs for the year ended June 30, 2011. Spartanburg Community College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Spartanburg Community College's management. Our responsibility is to express an opinion on Spartanburg Community College's compliance based on our audit.

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

In our opinion Spartanburg Community College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

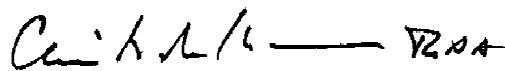
A control deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the business-type activities of Spartanburg Community College as of and for the year ended June 30, 2011 and have issued our report thereon dated September 2, 2011, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. OMB Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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



September 2, 2011

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

Spartanburg Community College
Spartanburg, South Carolina

We have audited the financial statements of the business-type activities and the discretely presented component unit (Spartanburg Community College Foundation) of Spartanburg Community College as of and for the year ended June 30, 2011, which collectively comprise the College's basic financial statements and have issued our report thereon dated September 2, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The Spartanburg Community College Foundation's financial statements were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

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

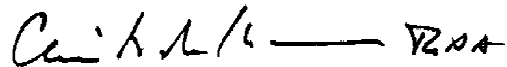
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination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

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

Compliance and Other Matters

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

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

A handwritten signature in black ink, appearing to read "Cynthia L. [unclear] CPA". The signature is written in a cursive style with a horizontal line extending from the middle of the name.

September 2, 2011

SPARTANBURG COMMUNITY COLLEGE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Federal Grantor/Program Title/Grant Title	CFDA Number	Grant Period	Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Student Financial Aid Cluster</u>			
Federal Supplemental Education Opportunity Grant (FSEOG)	84.007	2010-11	159,276
Federal Direct Loans	84.268	2009-10	(10,368)
		2010-11	2,922,103
Federal Work-Study Program (FWS)	84.033	2010-11	168,312
Federal Pell Grant Program (PELL)	84.063	2009-10	(26,895)
		2010-11	14,898,983
Academic Competitiveness Grant	84.375	2009-10	563
		2010-11	367,981
Total Student Financial Aid Cluster			<u>18,479,955</u>
<u>TRIO Cluster</u>			
TRIO- Student Support Services	84.042A	2009-10	45,357
		2010-11	240,715
Total TRIO Cluster			<u>286,073</u>
<u>Pass-through from S.C. Department of Education</u>			
Perkins III Postsecondary Funding -	84.048A	2010-11	343,602
Total S.C. Department of Education			<u>343,602</u>
<u>Pass-through from S.C. Technical College System</u>			
ARRA Stabilization Funds	84.394	2010-11	1,800,783
Total S.C. Technical College System			<u>1,800,783</u>
TOTAL U. S. DEPARTMENT OF EDUCATION			<u><u>20,910,413</u></u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Pass-through from S.C. Department of Health and Human Services</u>			
ARRA DSS - Child Care Grant	93.713	2010-11	17,227
<u>Pass-through from S.C. Department of Health and Human Services</u>			
T.E.A.C.H.	93.575	2010-11	5,740
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u><u>22,967</u></u>
U.S. DEPARTMENT OF LABOR			
<u>Pass-through from S.C. Technical College System</u>			
ARRA WIA Adult	17.258	2010-11	-
ARRA WIA Youth	17.259	2010-11	48,578
ARRA WIA Dislocated Workers	17.260	2010-11	48,346
TOTAL U. S. DEPARTMENT OF LABOR			<u><u>96,924</u></u>
U.S. DEPARTMENT OF COMMERCE			
<u>Pass-through from S.C. Technical College System</u>			
ARRA Broadband Technology Opportunities Program	11.557	2010-11	171,852
TOTAL U. S. DEPARTMENT OF COMMERCE			<u><u>171,852</u></u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 21,202,155</u></u>

SPARTANBURG COMMUNITY COLLEGE
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of Spartanburg Community College. The reporting entity is defined in Note 1 of the College's financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

2. BASIS OF ACCOUNTING

The accompanying Schedule of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 of the College's financial statements.

3. FEDERAL LOAN PROGRAMS

The College has students who have approved loans which were received by those students during the current year. The College began initiating loans through the Federal Direct Lending program in summer 2010. The College is not the lender, it only processes them for the lender the student chooses. The totals and types of loans received for the current fiscal year are:

Federal Direct Loans	Subsidized	\$ 2,546,908
	Unsubsidized	<u>364,827</u>
Total		<u><u>\$ 2,911,735</u></u>

SPARTANBURG COMMUNITY COLLEGE
Summary Schedule of Prior Audit Findings
June 30, 2011

Findings Relating to the Financial Statements:

There were no findings relating to the financial statements.

Findings and Questioned Costs Relating to Federal Awards:

There were no findings and questioned costs relating to federal awards.

SPARTANBURG COMMUNITY COLLEGE
Schedule of Findings and Questioned Costs
June 30, 2011

Summary of Auditors' Results:

GAGAS

An unqualified opinion was issued on Spartanburg Community College's general purpose financial statements dated September 2, 2011.

There were no significant deficiencies or material weaknesses. No instances of noncompliance material to the financial statements were disclosed by the audit of their financial statements.

A-133

An unqualified opinion was also issued on compliance of major programs at Spartanburg Community College dated September 2, 2011. No significant deficiencies in the internal control over major programs were found. Our audit disclosed no audit findings that are required to be reported under OMB Circular A-133.

The major programs at Spartanburg Community College are the Student Financial Aid Cluster and ARRA-State Fiscal Stabilization Fund-Education State Grants (CFDA # 84.394) from the U.S. Department of Education and ARRA- Broadband Technology Opportunities Program (CFDA # 11.557) from U.S. Department of Commerce. Type A programs are defined as those that expended \$300,000 or more and type B programs are those that expended \$100,000 or more. Spartanburg Community College's total federal awards expended for the year ended June 30, 2011 were between \$ 10 million and \$100 million.

Spartanburg Community College is considered to be a low risk auditee by the criteria listed in OMB Circular A-133.

Findings Relating to Financial Statements:

There were no findings relating to financial statements.

Findings and Questioned Costs Relating to Federal Awards:

There were no findings or questioned costs related to federal awards.

<u>Financial Aid Cluster</u>	<u>Federal CFDA Number</u>
U.S. Department of Education	
Federal Work Study	84.033
PELL	84.063
FSEOG	84.007
ACG	84.375
FFEL	84.032