SPARTANBURG COMMUNITY COLLEGE

Independent Auditors' Report

Financial Statements and Schedules
For the Year Ended June 30, 2023

SPARTANBURG COMMUNITY COLLEGE
Table of Contents
June 30, 2023

	Page Number
Commission Members, Officers, Key Staff and Areas Served by the College	i-ii
Independent Auditors' Report	1-3
Required Supplementary Information Management's Discussion and Analysis	4-11
Basic Financial Statements	
Statement of Net Position	12
Statement of Revenues, Expenses and Changes in Net Position	13
Statement of Cash Flows	14
Statement of Financial Position Spartanburg Community College Foundation	15
Statement of Activities Spartanburg Community College Foundation	16
Notes to Financial Statements	17-63
Required Supplementary Information	
Schedule of the College's Proportionate Share of the SCRS Net Pension Liability and Employer Contributions	64
Schedule of the College's Proportionate Share of the PORS Net Pension Liability and Employer Contributions	65
Schedule of College's Proportionate Share of the SCRHITF Net OPEB Liability and Employer Contributions	66
Schedule of College's Proportionate Share of the SCLTDITF NET OPEB Liability and Employer Contributions	67

Spartanburg Community College Administration

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Dr. Lisa Satterfield	Vice President, Academic Affairs
Mr. Ethan Burroughs	Vice President, Economic Advancement
Dr. Stacey Obi	Vice President, Strategic Innovation
Vacant	Vice President, Performance &Talent Innovation

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Mr. Eugene S. (Sonny) Anderson	School District No. 2
Mr. Tracy W. Keller, Chairman	School District No. 3
Mrs. Katherine O'Neill	School District No. 4
Mr. R. Carter Smith	School District No. 5
Mr. William G. Sarratt	School District No. 6
Mr. Anthony D. Bell, Vice Chairman	School District No. 7
Mr. Lyman Hamrick	Cherokee County
Vacant	Union County
Mr. Charlie King	Member at Large
Ms. Kimberly A. Fowler	Member at Large

Ex Officio

Dr. Lance Radford	Superintendent, School District No. 2
Mr. J. Whitner (Whit) Kennedy, Jr	Chairman, Spartanburg County Planning Commission

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Mr. Orville Stanley “Chip” Smith, III	Member at Large
Mr. Roger P. Schrum, Chairman	Member at Large
Ms. Carolyn Swinton	Member at Large

Ex Officio

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Dr. Tim Hardee	System President, South Carolina Technical College System
Mr. Harry M. Lightsey, III	Secretary of Commerce, S.C. Department of Commerce

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Certified Public Accountants
Established 1950

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Raymond H. Brandt, CPA
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Laura S. Arango, CPA

Independent Auditor's Report

To the Commission Members
Spartanburg Community College
Spartanburg, South Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of the Spartanburg Community College (the "College"), a component unit of the State of South Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of College, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 financial statements of Spartanburg Community College Foundation were not audited in accordance with *Government Auditing Standards.* Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2023, the College adopted new accounting guidance, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis (MD&A), the schedule of the College’s proportionate share of the net pension liability and contributions, and the schedule of the College’s proportionate share of the net OPEB liability and contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2023, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Gaffney, SC
October 2, 2023

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, 2023, with comparative data for fiscal year ended June 30, 2022. 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.

The State of South Carolina implemented GASB Statements No. 61 and No. 63 for the fiscal year ended June 30, 2013. As a result, Spartanburg Community College is presented as a discreetly presented component unit in the State of South Carolina Comprehensive Annual Financial Report. In addition, the Statement of Net Assets has been replaced by the Statement of Net Position.

GASB Statement No. 67, *Financial Reporting for Pension Plans*, replaces the requirements of Statement No. 25 and Statement No. 50, and is effective for fiscal periods beginning after June 15, 2013. This statement affects the reporting requirements for pension plans that administer benefits. The South Carolina Public Employee Benefit Authority (PEBA) implemented the changes required by this standard in the South Carolina Retirement Systems' financial statements issued for the fiscal year ended June 30, 2014. This statement has no direct impact on the reporting requirements of employers participating in the plans, including the financial statements of the College.

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, replaced the requirements of Statement No. 27, and is effective for fiscal periods beginning after June 15, 2014. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Spartanburg Community College implemented GASB Statement No. 68 for the fiscal year ended June 30, 2015. As a result of implementing GASB No. 68 and GASB No. 75 and recording the Net Pension Liability, OPEB Liability and deferred outflows and inflows of resources, total net assets increased by $5,162,393 for fiscal year ended June 30, 2023. If GASB No. 68 and GASB No. 75 were not implemented total net assets would have increased by $6,524,314 for the fiscal year ended June 30, 2023.

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions and was effective for the fiscal year ending June 30, 2018. The college now reports its proportionate share of the State of South Carolina's net OPEB liability. Changes in net OPEB liability not included in pension expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions after the measurement date of the net pension liability are reported as deferred outflows of resources. As a result of implementing GASB No. 68 and GASB No. 75 and recording the Net Pension Liability, OPEB Liability and deferred outflows and inflows of resources, total net assets increased by $5,162,394 for fiscal year ended June 30, 2023. If GASB No. 68 and GASB No. 75 was not implemented total net assets would have increased by $6,524,314 for the fiscal year ended June 30, 2023.

The Governmental Accounting Standards Board (GASB) issued Statement No. 87 Leases which establishes a single reporting model for lease accounting to enhance the relevance and consistency of information about governments' leasing activity. Spartanburg Community College implemented GASB Statement No. 87 for the fiscal year ended June 30, 2022. GASB 87 changes the definition of a lease to eliminate the "capital" and "operating" differences. All leases meeting GASB 87 criteria require Lessees to recognize a lease liability and intangible right-to-use lease asset and Lessors to recognize a lease receivable and a deferred inflow of resources.

The Governmental Accounting Standards Board (GASB) issued Statement No. 96 for subscription-based information technology arrangements (SBITAs) for government end users (governments). Spartanburg Community College implemented GASB Statement No. 96 for the fiscal year ending June 30, 2023. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA.

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

The Statement of Net Position presents the financial position of the College at the end of the fiscal year and classifies assets and liabilities into current and 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 and deferred outflows of Spartanburg Community College exceeded its liabilities and deferred inflows on June 30, 2023, by $15,950,181 (net position). Due to the implementation of GASB 68 and GASB 75, unrestricted net assets are ($56,679,527). If GASB 68 and GASB 75 was not implemented, total net assets would have increased by $6,524,314 and unrestricted net assets would have been $18,877,634, which could be used to meet the College's ongoing obligations.

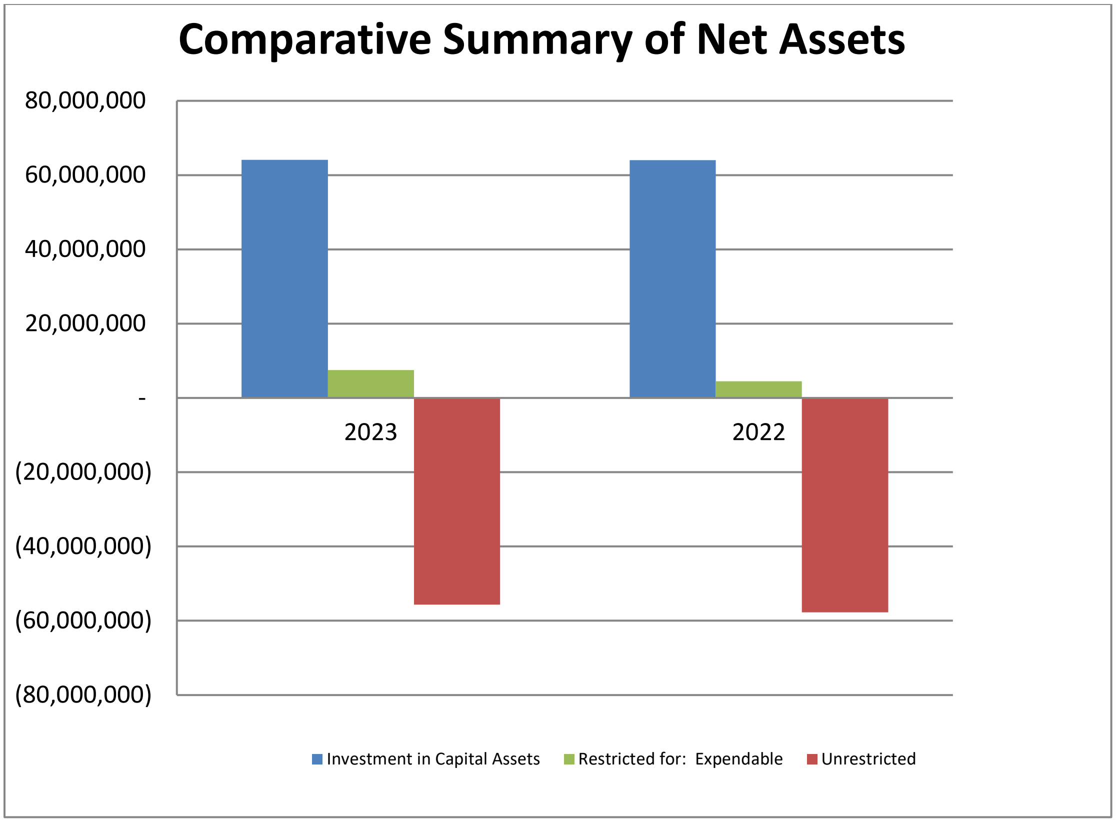
- Total assets of the College increased $7,207,995. Capital assets increased by $3,315,360 (before accumulated depreciation) due to the purchase or new capital assets of $1,045,513 and the completion of several construction in progress projects totaling $1,550,472. Total Current Assets increased by $7,303,352, primarily due to a significant increase in cash and cash equivalents. The college had a tuition increase which was implemented at the beginning of the fiscal year which generated additional revenue. The college also experienced an increase in enrollment during the Fall, Spring, and summer semesters, which also contributed to the increase. Also, based on the budget set forth for the fiscal year, the operating expenses were lower than expected. With the significant increase in enrollment, the amount of student AR debt, company sponsorships, and third-party receivables has increased as well.

- Total liabilities decreased by $3,361,498. This decrease was mainly due to a significant decrease in OPEB Liability.

- Deferred Outflows and Inflows of Resources were recorded in accordance with GASB 68, GASB 75, and GASB 87 to show the College's share of the expected and actual experience and the net difference between the projected and actual investment earnings.

Condensed Statement of Net Position
As of June 30, 2023, and 2022

	2023	2022	Increase (Decrease)
Assets			
Current Assets	$ 34,456,463	$ 27,153,111	$ 7,303,352
Capital Assets	64,672,732	64,768,088	(95,357)
Total Assets	99,129,195	91,921,199	7,207,995
Deferred Outflows of Resources	19,975,021	18,843,702	1,131,319
Liabilities			
Current Liabilities	7,362,473	6,327,831	1,034,642
Non-current Liabilities	80,780,282	85,176,422	(4,396,140)
Total Liabilities	88,142,755	91,504,253	(3,361,498)
Deferred Outflows of Resources	15,011,279	8,472,860	6,538,419
Net Position			
Invested in Capital Assets, net of Debt	64,117,639	64,042,958	74,681
Restricted - Capital Projects	7,519,840	4,452,414	3,067,426
Restricted - Debt Service	(7,771)	(8,024)	253
Unrestricted	(55,679,527)	(57,699,560)	2,020,033
Total Net Position	$ 15,950,181	$ 10,787,788	$ 5,162,393



The unrestricted net assets are negative in FY 2022-23 and FY 2021-22 due to the implementation of GASB 68, GASB 75, GASB 87, GASB 96 and recording the Net Pension Liability, OPEB Liability, Lease Liability, Subscription Liability, and deferred outflows and inflows of resources.

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

- Total net position increased by $5,162,394 during fiscal year 2023. This is primarily due to the increase in enrollment. Federal grants and contracts decreased significantly due to the student portion of HEERF funding which was exhausted in the previous year. State grants and contracts decreased during the fiscal year. Local appropriations decreased as well. The College received State and Local capital funds of $4,389,583.

- Total operating revenues decreased by $3,816,803 during the fiscal year. This decrease was due to the student portion HEERF funds that the college did not use during the fiscal year. Those funds were expended in the previous fiscal year.

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 $784,052. The state mandated a 3% salary increase and the college supported an additional 2%. This increase was given to all full-time eligible employees. The college also supported a 5% salary increase to all part-time employees as well. Also, due to the increase in enrollment throughout the entire fiscal year, the college had to hire more adjunct faculty to teach additional course loads.

- Benefits increased by $939,388 due to an increase on the employer side of the retirement contributions.

- Scholarships decreased by $5,262,503. The scholarships and fellowships declined drastically year over year. Last fiscal year, we had student HEERF funds of over $5M that was disbursed to students. This fiscal year, the college did not have any remaining student HEERF funds.

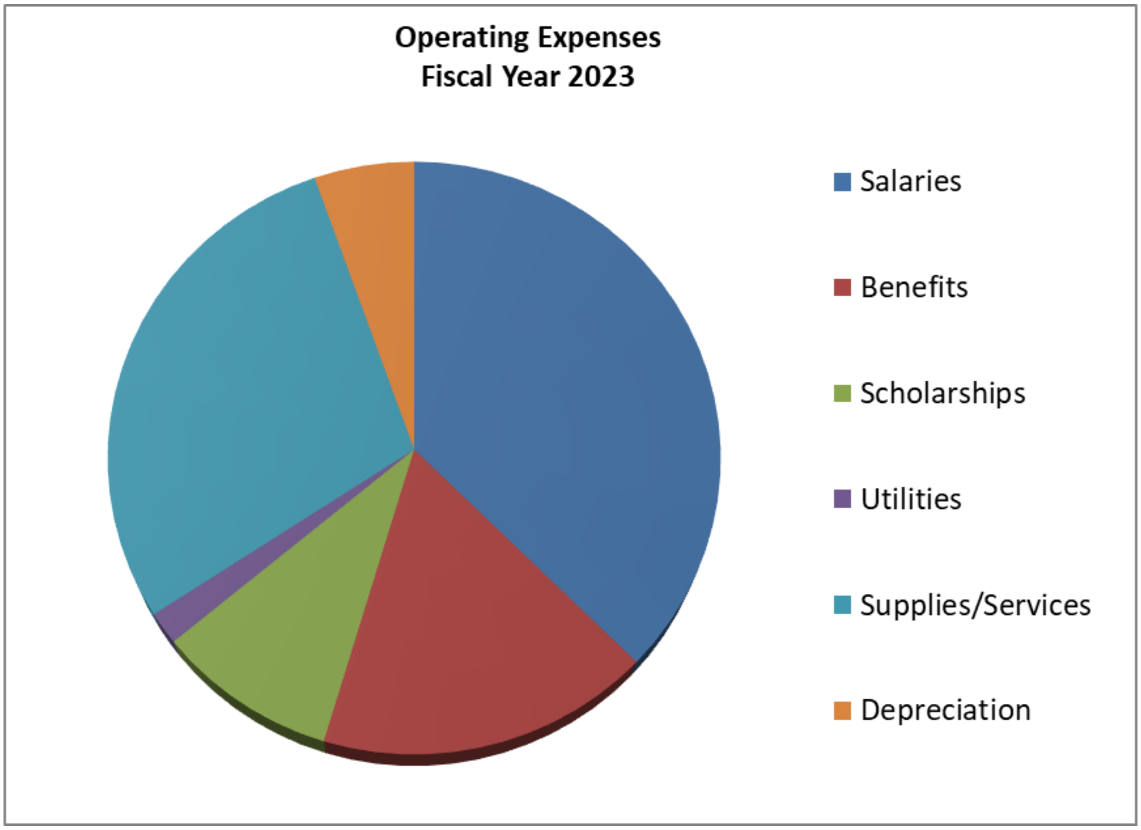
- Utilities increased by $153,513. Utility costs increased (as they do most years) as was projected by utility companies.

- Supplies and services increased by $5,384,493. The college purchased additional educational supplies and equipment to support the increase in enrollment. The college experienced an increase in enrollment the entire fiscal year. Also, with inflation, the cost of many supplies and materials increased, so we saw increases in our supplies and other services for that reason as well.

- Overall, the college had an increase in expenses. This was due to the free tuition initiative which caused an increase in enrollment the entire year. Also, with inflation, the college incurred additional expenses for routine materials and supplies.

Condensed Summary of Operating Expenses
For the Years Ended June 30, 2023, and 2022

	2023	2022	Increase (Decrease)
Salaries	26,053,573	25,269,521	$ 784,052
Benefits	11,995,128	11,055,740	939,388
Scholarships	6,526,005	11,788,508	(5,262,503)
Utilities	1,227,501	1,073,988	153,513
Supplies/Services	20,064,162	14,679,669	5,384,493
Depreciation	3,778,655	3,868,425	(89,770)
Total	$ 69,645,024	$67,735,851	$ 1,909,173



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 increase in cash flows of $8,111,362 is due to an increase in cash and cash equivalents. Current fund cash increased during the year due to an increase in enrollment. The college experienced enrollment increases in the Fall, Spring, and summer semesters. The college also experienced an increase in payroll cash during FY23. The state mandated a 3% pay increase for all full-time employees who met certain qualifications and the college supported an additional 2% pay increase for full-time and a 5% increase for all part-time contract employees. This was implemented the beginning of the fiscal year. There was also a retirement increase and employer insurance increase as well. All these are factors in the increase to payroll cash. Also, based on the budget set forth for the fiscal year, the college operating expenses were lower than expected. With the increase in enrollment, the amount of student AR debt, company sponsorships, and third-party receivables has increased as well. Capital assets increased by due to the purchase or new capital assets of $1,045,513 and the completion of several construction in progress projects totaling $1,550,472.

Condensed Summary of Cash Flows
For the Years Ended June 30, 2023 and 2022

	2023	2022	Difference
Operating Activities	$(30,431,451)	$(28,665,917)	$(1,765,534)
Non-Capital Financing Activities	37,502,833	31,997,962	5,504,871
Capital and Related Financing Activities	908,355	(16,587)	924,942
Investing Activities	131,626	1,798	129,828
Net Increase in Cash	8,111,362	3,317,255	4,794,107
Cash & Cash Equivalents - Beginning of Year	20,300,062	16,982,807	3,317,255
Cash & Cash Equivalents - End of Year	$28,411,424	$20,300,062	$8,111,362

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 $15,950,181 at the close of the fiscal year. Due to the implementation of GASB 68, GASB 75, and GASB 87, unrestricted net position is ($55,679,527). If GASB 68, GASB 75, and GASB 87 were not implemented, total net position would have been $90,507,342 and unrestricted net assets would have been $18,877,634, which could be used to meet the College's ongoing obligations.

By far the largest portion of the College's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment). The College uses these capital assets to provide services to students, consequently, these assets are not available for future spending. During fiscal year 2013, the College paid off all four of its' capital bonds. The College currently has no outstanding bond debt.

Cash increased by $8,111,362. Overall cash provided from non-capital financing activities included state and local appropriations, grants and gifts, and other income of approximately $37 million was used to fund operating activities.

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.

On June 17, 2013, Spartanburg Community College entered into a Sub-lease agreement with Spartanburg County School District No. 7, commencing on July 1, 2013, and terminating on June 30, 2018, for a total of five years. Spartanburg County School District No. 7 will pay Spartanburg Community College $15.34 per square foot leased, which will be paid in annual installments of $83,863.78 on or before the 10th day of July each consecutive calendar year of the term beginning on July 1, 2013. The College received $83,863.78 in lease payments in FY 2014, 2015, 2016, 2017 and 2018. Spartanburg County School District No. 7 also paid a deposit of $6,988.65 as security of the full and faithful performance of every provision of the Sublease. The Sub-lease was renegotiated in 2018 and the college received $93,021.76 for the period from July 1, 2018, to June 30, 2019. Another agreement was signed in 2019 with a reduced rate and the college will receive $12,134 per year through June 30, 2023.

On February 8, 2013, Spartanburg Community College entered into a Sub-lease agreement with SC Works commencing on October 1, 2013, and terminating June 30, 2016, for a total of two years and eight months. For the first term of the sublease, October 1, 2013 – June 30, 2014, SC Works paid Spartanburg Community College $11.00 per square foot leased ($108,075 total), which was paid in equal monthly installments of $12,008.33 on or before the tenth day of each consecutive calendar month of the term. A security deposit of $12,008.33 was also received by the College as security of the full and faithful performance of every provision of the Sublease. The College received $173,029 for the period July 1, 2020, to June 30, 2021. In July 2019, Spartanburg Community College entered amended Sub-lease agreement with SC Works commencing on July 1, 2019, and terminating on June 30, 2022, for a total of three years. The payment for the period of July 1, 2019, to June 30, 2020, is $12,554.17 per month. The payment for the period of July 1, 2020, to June 30, 2021, is $13,372.92 per month. The payment for the period of July 1, 2021, to June 30, 2022, is $14,191.67 per month.

For the second term of the sublease with SC Works, July 1, 2014 – June 30, 2016, SC Works paid Spartanburg Community College $12.00 per square foot leased ($157,200 total), which was paid in equal monthly installments of $13,100.00 on or before the tenth day of each consecutive calendar month of the term. On June 16, 2015, the third term of the sublease, July 1, 2015 – June 30, 2016, was amended. For the third term, SC Works will pay Spartanburg Community College $10.00 per square foot leased ($131,000 total), which will be paid in equal monthly installments of $10,916.67 on or before the tenth day of each consecutive calendar month of the term. On June 8, 2016, the fourth term of the sublease, July 1, 2016-June 30, 2019, was amended with the same payments and square footage as the third term. This lease terminated on June 30, 2022.

Economic Factors

Appropriations from the State to the College for operations increased by 26 percent, while appropriations increased by 9.5 percent in the fiscal year 2022. The State appropriations increased due to the significant increase in enrollment the previous fiscal year. Capital appropriations of $1,506,816 were received to support the operations of the Cherokee campus which was an increase of $600,00 from the previous fiscal year.

State funding for college operations is expected to increase for the 2024 fiscal year. The state mandated a $2,500 pay increase for all full-time employees with a salary less than $50,000 and a 5% salary increase for all full-time employees with a salary more than $50,000. The State has provided additional SC Wins funding for Scholarships in designated programs to students to attend one of the State’s sixteen technical Colleges at low to no cost.

While the College makes every effort to keep tuition costs to a minimum, state appropriations comprise a lower percentage of the College’s operating budget than they have been in the past, making the College more dependent on tuition revenues from students and the financial aid they are eligible to receive. As a result, Federal and State financial aid programs are an increasingly important factor in the financial well-being of the College. Management decided not to increase tuition during the fiscal year.

The College continues to operate on a fiscally sound basis and is conservative in planning and budgeting. The current financial position is stable, and current appropriations and tuition revenues are adequate to fund the operations for the following year. The College has projected and budgeted for flat enrollment for 2023-24. The college is continuing to offer free tuition for any student that qualifies with the “Live to Chase Initiative” that is implemented beginning Fall 2023.

Increased use of our facilities will put demands on our operational costs. Utilities and operational costs are expected to continue to increase.

The Spartanburg Community College Enterprise Campus was established in 2017 by SC Act 200, codified as sub-article 3, Article 20, Chapter 53, Title 59, of the 1976 South Carolina Code of Laws, as amended. For accounting purposes, the Authority is considered a component unit of Spartanburg Community College. The Authority was established to provide for the management, development, and operation of the Enterprise Campus of Spartanburg Community College at the Tyger River Campus. During 2020-2021, the Authority extended to include designated space at the Cherokee County campus and Downtown campus. The Board of the Enterprise campus consists of the members of the Spartanburg Community College Commission. The activity of the enterprise campus is blended in the financial statements of the College.

SPARTANBURG COMMUNITY COLLEGE
Statement of Net Position
June 30, 2023

ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	$ 28,411,424
Accounts Receivable, Net	5,468,138
Inventories	215,055
Other Assets	361,846
Total Current Assets	34,456,463
NONCURRENT ASSETS	
Capital Assets, Net of Accumulated Depreciation	64,399,334
Lease Assets, Net of Accumulated Amortization	53,389
Subscription Assets, Net of Accumulated Amortization	220,009
Total Noncurrent Assets	64,672,732
Total Assets	99,129,195
DEFERRED OUTFLOWS OF RESOURCES	
Pension Related Items	7,436,804
OPEB Related Items	12,538,218
	19,975,021
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	2,434,430
Compensated Absences	476,916
Accrued Payroll and Related Liabilities	584,737
Long-Term Liabilities - Current Portion	199,000
Lease Liability- Current Portion	28,033
Subscription Liability	158,204
Unearned Revenue	3,399,368
Accrued Interest Payable	7,771
Agency Accounts	74,014
Total Current Liabilities	7,362,473
NONCURRENT LIABILITIES	
Long-Term Liabilities - Noncurrent Portion	356,092
Lease Liability - Noncurrent Portion	25,356
Compensated Absences - Payable	1,089,524
Net Pension Liability	43,946,398
Net OPEB Liability	35,362,912
Total Noncurrent Liabilities	80,780,282
Total Liabilities	88,142,755
DEFERRED INFLOWS OF RESOURCES	
Pension Related Items	358,671
OPEB Related Items	14,652,608
	15,011,279
NET POSITION	
Invested in Capital Assets, Net of Related Debt	64,117,639
Restricted for:	
Capital Projects	7,519,840
Debt Service	(7,771)
Unrestricted	(55,679,527)
Total Net Position	$ 15,950,181

SEE NOTES TO FINANCIAL STATEMENTS

SPARTANBURG COMMUNITY COLLEGE
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2023

REVENUES	
OPERATING REVENUES	
Student Tuition and Fees	$ 8,424,824
(Net of Scholarship Allowances of $24,689,772)	
Student Tuition and Fees Pledged for Capital Projects	3,426,900
(Net of Scholarship Allowances of $1,190,411)	
Federal Grants and Contracts	9,414,541
State Grants and Contracts	9,361,984
Local Grants and Contracts	271,223
Auxiliary Enterprises (Net of Scholarship Allowances of $1,025,654)	1,545,170
Other Operating Revenues	346,715
Total Operating Revenues	32,791,357
EXPENSES	
OPERATING EXPENSES	
Salaries	26,053,573
Benefits	11,995,128
Scholarships	6,526,005
Utilities	1,227,501
Supplies and Other Services (Other Transfers Included)	20,064,162
Depreciation and Amortization	3,778,655
Total Operating Expenses	69,645,024
Operating Income (Loss)	(36,853,667)
NONOPERATING REVENUES (EXPENSES)	
State Appropriations	16,248,744
Local Appropriations	9,456,551
Investment Income	131,626
Interest On Capital Asset-Related Debt	(36,821)
Federal Grants and Contracts	11,710,244
Other Non-Operating Revenue	128,537
Net Non-Operating Revenues	37,638,881
Income (Loss) Before Other Revenues, Expenses, Gains or Losses	785,214
OTHER	
State Capital Appropriations	1,506,816
Local Capital	2,882,767
Gain/Loss on Disposal of Capital Assets	(12,404)
Total Other	4,377,179
Increase (Decrease) in Net Position	5,162,393
NET POSITION	
Net Position - Beginning of Year	10,787,788
Net Position - End of Year	$ 15,950,181

SEE NOTES TO FINANCIAL STATEMENTS

SPARTANBURG COMMUNITY COLLEGE
Statement of Cash Flows
For the Year Ended June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees	$ 12,535,870
Federal, State and Local Grants and Contracts	18,542,220
Auxiliary Enterprise Charges	1,772,690
Payments to Suppliers for Goods and Services	(20,402,862)
Payments to Employees	(36,786,765)
Payments for Scholarships and Fellowships	(6,526,005)
Other Receipts	433,401
Net Cash Provided (Used) by Operating Activities	(30,431,451)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	16,248,744
County Appropriations	9,456,551
Grants & Gifts Received for Other Than Capital Purposes	11,797,538
Net Cash Flows Provided by Noncapital Financing Activities	37,502,833
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	1,506,816
Local Grants and Contracts	2,882,767
GASB 87 Lease Revenue	41,244
Purchase of Capital Assets	(3,315,360)
Principal Paid on Capital Debt	(170,038)
Interest Paid on Capital Debt	(37,074)
Net Cash Provided by Capital and Related Financing Activities	908,355
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on Investments	131,626
Net Cash Flows Provided (Used) by Investing Activities	131,626
Net Increase (Decrease) in Cash	8,111,362
Cash - Beginning of Year	20,300,062
Cash - End of Year	$ 28,411,424
Reconciliation of Net Operating Revenue (Expenses) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	$ (36,853,667)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation and Amortization Expense	3,778,655
Change in Assets and Liabilities:	
Receivables, Net	322,986
Inventories	488,909
Allocated Net Pension Liability to Benefits Expense	1,164,264
Lease Obligation Liability	(36,448)
Subscriptiom Obligation Liability	(222,137)
Deferred Charges and Prepaid Expenses	(17,821)
Accounts Payable and Accrued Expenses	774,101
Compensated Absences	135,561
Agency Funds	9,069
Unearned Revenue	25,077
Net Cash Provided (Used) by Operating Activities	$ (30,431,451)
Supplemental Disclosure of Cash Flow Information	
Cash Paid During the Year for Interest	37,074

SEE NOTES TO FINANCIAL STATEMENTS

SPARTANBURG COMMUNITY COLLEGE FOUNDATION
Statement of Financial Position
For the Year Ended June 30, 2023

ASSETS

ASSETS		
Cash	$	298,244
Investments		16,752
Pledges Receivable, Net		45,900
Total Current Assets		360,896
PROPERTY, PLANT AND EQUIPMENT		4,527,820
Less: Accumulated Depreciation		(1,775,771)
		2,752,049
ASSETS		
Investments Held by Spartanburg County Foundation		7,888,441
TOTAL ASSETS	$	11,001,386

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accrued Interest	$	1,940.00
Current Portion of Long-Term Debt		164,601
Total Current Liabilities		166,541
LONG TERM LIABILITIES		
Long-Term Debt		252,687
Total Liabilities		419,228
NET ASSETS		
Without Donor Restrictions		
Board Designated		2,145,740
Undesignated		2,295,670
With Donor Restrictions		
Purpose Restricted		6,140,748
Total Net Assets		10,582,158
TOTAL LIABILITIES AND NET ASSETS	$	11,001,386

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

SPARTANBURG COMMUNITY COLLEGE FOUNDATION

Statement of Activities

For the Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue			
Grants and Contributions	$ 216,414	105,099	321,513
Lease Income	199,000	-	199,000
Investment Income			
Investment Interest and Dividends	37,115	104,034	141,149
Realized Gains (Losses)	(1,690)	(4,157)	(5,847)
Unrealized Gains (Losses)	18,294	426,513	444,807
Net Assets Released from/(to) Restrictions	394,756	(394,756)	-
Total Revenue	863,889	236,733	1,100,622
Expenditures			
Program Services	557,554	-	557,554
Management and General	179,915	-	179,915
Total Expenses	737,469	-	737,469
Change in Net Assets	126,418	236,733	363,151
Net Assets at Beginning of Year Before Restatement	4,314,993	6,275,009	10,590,002
Prior Period Adjustment	-	370,995	370,995
Net Position at Beginning of Year Restated	4,314,993	5,904,014	10,219,007
Net Position at End of Year	$ 4,441,411	6,140,747	10,582,158

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

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. The State of South Carolina implemented GASB Statement No. 61 beginning for the fiscal year ended June 30, 2013. As a result, Spartanburg Community College is presented as a discretely presented component unit beginning in the 2013 State of South Carolina Comprehensive Annual Financial Report. Accordingly, the financial statements include the accounts of Spartanburg Community College, as a discretely presented component unit, and the accounts of Spartanburg Community College Foundation, its component unit, and Spartanburg Enterprise Campus, as a blended presented component unit. The College is a component unit 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, is 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.

On January 13, 2012, the Foundation formed the SCC Foundation-Downtown Campus, LLC, a partnership, with the Spartanburg Public Facilities Corporation as a 3% partner to carry out the charitable and educational purposes of the Foundation, to benefit Spartanburg Community College, as a partnership of two non-profit entities, and, more specifically, for the purpose of renovating the Evans building, the new downtown campus project. This renovation project was completed during the fiscal year ended June 30, 2014, and the renovated facility occupied and leased to and managed by the College.

<u>NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u>, Continued

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 is 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.

The Spartanburg Community College Enterprise Campus was established in 2017 by SC Act 200, codified as sub-article 3, Article 20, Chapter 53, Title 59, of the 1976 South Carolina Code of Laws, as amended. For accounting purposes, the Authority is considered a component unit of Spartanburg Community College. The Authority was established to provide for the management, development, and operation of the Enterprise Campus of Spartanburg Community College at the Tyger River Campus. The Board of the Enterprise campus consists of the members of the Spartanburg Community College Commission. The activity of the enterprise campus is blended in the financial statements of the College.

<u>C. Financial Statements</u>: 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.

Beginning in fiscal year 2013, the State required the implementation of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* As a result, the Statement of Net Assets has been replaced by the Statement of Net Position. The State also implemented GASB Statement No. 61, *The Financial Reporting Entity: Omnibus and amendment of GASB Statements No. 14 and No. 34,* beginning in the fiscal year ended June 30, 2013. As a result, Spartanburg Community College is presented as a discretely presented component unit in the State of South Carolina Comprehensive Annual Financial Report.

In fiscal year 2014, the College implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities.* This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognized as outflows of resources or inflow of resources. Requirements of this Statement are effective for financial statements whose fiscal year begins after December 15, 2012.

GASB Statement No. 67, *Financial Reporting for Pension Plans*, replaces the requirements of Statement No. 25 and Statement No. 50, and is effective for fiscal periods beginning after June 15, 2013. This statement affects the reporting requirements for pension plans that administer benefits. The South Carolina Public Employee Benefit Authority (PEBA) implemented the changes required by this standard in the South Carolina Retirement Systems' financial statements issued for the fiscal year ended June 30, 2014. This statement has no direct impact on the reporting requirements of employers participating in the plans, including the financial statements of the College.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, replaced the requirements of Statement No. 27, and is effective for fiscal periods beginning after June 15, 2014. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Spartanburg Community College implemented GASB Statement No. 68 for the fiscal year ended June 30, 2015.

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, and "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 receivables 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and improvements and land improvements and 2 to 25 years for machinery, equipment, and vehicles. Effective July 1, 2011, the College adopted a monthly depreciation convention for the straight-line method consistent with the policy of the State of South Carolina.

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 Position and as a component of benefit expenses in the Statement of Revenues, Expenses, and Changes in Net Position.

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

N. Classification of Revenues: The College has classified its revenues as either operating or non-operating 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: Non-operating revenues include activities that have the characteristics of non-exchange transactions. These revenues include gifts and contributions, appropriations, investment income, and any grants and contracts that are not classified as operating revenue or restricted by the grantor to be used exclusively for capital purposes. 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. Change in Accounting Principles: For the year ended June 30, 2023, the College implemented Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. GASB Statement No. 96 enhances the relevance and consistency of information of the government's subscription-based information technology arrangements (SBITAs). It establishes requirements for SBITA accounting based on the principle that SBITAs are financings of the right to use another party's information technology software. A government is required to recognize a subscription liability and an intangible right to use subscription asset. These changes were incorporated in the University's June 30, 2023, financial statements but had no effect on the beginning net position.

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.

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, 2023:

Non-Capital Appropriations		
Appropriations Per State Board Allocation	$	10,763,026
Critical Needs Workforce Allocation		25,290
Lottery-High Demand Job Skill Training Equipment		305,363
Lottery Workfoce Scholarships & Grants		2,662,955
Workforce Scholarships & Grants		180,398
Lottery Technology		223,024
SC Wins		477,636
Retirement Increase From State		169,157
Prior Year's Critical Needs Workforce Allocation		99,374
Prior Year's Microbology Lab		2,937
Prior Year's Lottery-High Demand Job skill Training Equipment		697,719
Prior Year's Workforce Pathways Scholarships		21,425
Prior Year's Lottery-Workforce Scholarships & Grants		503,503
Prior Year's Workforce Scholarships & Grants		94,351
Prior Year's Pathways to Prosperity		22,586
Total Non-Capital Appropriations Recorded As Current Year Revenue	$	16,248,744
Capital Appropriations		
Appropriations for Cherokee Campus	$	1,307,816
Appropriations for Cherokee Campus		199,000
Total Capital Appropriations Recorded As Current Year Revenue	$	1,506,816

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.

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 Vice President of Business Affairs. 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 the Federal Deposit Insurance Corporation (FDIC), the Savings Association Insurance Fund (SAIF), and/or have sufficient pledged securities as collateral. This policy was formally approved by the Commission on August 16, 2004 and was updated and approved on May 19, 2014.

The deposits for Spartanburg Community College at June 30, 2023, were $27,342,166. Of these, $0 were exposed to custodial credit risk as uninsured and uncollateralized.

NOTE 3 – DEPOSITS AND INVESTMENTS, Continued

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, 2023.

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 Vice President of Business Affairs. Investments shall be selected from financial institutions on a competitive basis through an informal bidding process. All investments shall be protected by FDIC, and/or have sufficient pledged securities as collateral. This policy was formally approved by the Commission on August 16, 2004 and was updated and approved on May 19, 2014.

The College's investments at June 30, 2023, 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.

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 Vice President of Business Affairs. Investments shall be selected from financial institutions on a competitive basis through an informal bidding process. All investments shall be protected by FDIC, and/or have sufficient pledged securities as collateral. This policy was formally approved by the Commission on August 16, 2004 and was updated and approved on May 19, 2014.

The College's excess funds were held in an interest-bearing checking account, which was fully insured or collateralized at June 30, 2023.

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.

NOTE 3 – DEPOSITS AND INVESTMENTS, Continued

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.

Cash and Investment Reconciliation

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

STATEMENT OF NET POSITION:		
Cash and Cash Equivalents	$	28,411,424
Restricted Cash and Cash Equivalents		-
Total	$	28,411,424
DEPOSITS AND INVESTMENTS NOTE:		
Cash on Hand	$	10,547
Carrying Amounts of Deposits, Net		28,400,877
Total	$	28,411,424

NOTE 4 – ACCOUNTS RECEIVABLE

Receivables as of June 30, 2023, including applicable allowances, were as follows:

Receivables:		
Student Accounts	$	2,620,391
Less: Allowance for Doubtful Accounts		(1,976,939)
Federal Grants and Other Contracts		597,282
Other		189,347
Lease receivable		-
Spartanburg County		1,505,726
State Grants and Contracts		2,520,847
Cherokee County		11,484
Union County		-
Net Accounts Receivable	$	5,468,138

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, 2023, the allowance for uncollectible student accounts is valued at $1,976,939.

NOTE 5 – CAPITAL ASSETS

The balances of the major classes of property, plant and equipment are listed below:

	Beginning Balance 06/30/22	Additions	Retirements	Transfers	Ending Balance 06/30/23
Capital Assets Not Being Depreciated:					
Land and Improvements	$ 5,436,046	-	-	-	5,436,046
Construction in Progress	99,589	2,269,847	-	1,550,472	818,964
Works of Art, Historical Treasures, and Similar Assets	14,644	-	-	-	14,644
Total Capital Assets Not Being Depreciated	5,550,279	2,269,847	-	1,550,472	6,269,654
Other Capital Assets:					
Buildings and Renovations	85,480,526	-	-	1,550,472	87,030,999
Machinery, Equipment, and Other	16,896,972	910,868	325,259	-	17,482,581
Vehicles	1,138,977	134,645	90,290	-	1,183,332
Depreciable Land Improvements	2,967,561	-	-	-	2,967,561
Intangibles Assets	217,143	-	-	-	217,143
Total Other Capital Assets	106,701,179	1,045,513	415,549	1,550,472	108,881,616
Less Accumulated Depreciation For:					
Buildings and Improvements	30,406,931	2,023,458	-	-	32,430,389
Machinery, Equipment and Other	13,964,460	1,380,922	312,856	-	15,032,526
Vehicles	880,049	101,384	90,290	-	891,143
Depreciable Land Improvements	2,104,624	76,110	-	-	2,180,734
Intangibles	217,143	-	-	-	217,143
Total Accumulated Depreciation	47,573,208	3,581,875	403,146	-	50,751,936
Other Capital Assets, Net	59,127,972	(2,536,362)	12,403	1,550,472	58,129,680
Capital Assets, Net	$ 64,678,251	(266,515)	12,403	-	64,399,334

Capital asset activity for the year ended June 30, 2023 is as follows:

	Balance Beginning of Year	Additions	Retirements	Transfers	Balance End of Year
Lease Assets:					
Equipment	$ 125,593	-	-	-	125,593
Subscription	-	380,341	-	-	380,341
Total Lease Assets	125,593	380,341	-	-	505,934
Less Accumulated Amortization:					
Equipment	35,756	36,448	-	-	72,204
Subscription	-	160,332	-	-	160,332
Total Accumulated Amortization	35,756	196,780	-	-	232,536
Total Lease Assets, Net	$ 89,837	183,561	-	-	273,398

NOTE 6 – CONTINGENCIES, LITIGATION, & 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.

NOTE 6 – CONTINGENCIES, LITIGATION, & PROJECT COMMITMENTS

Necessary funding has been obtained for the construction, renovation, and equipping of certain facilities, which will be capitalized in the applicable capital asset categories upon completion. At June 30, 2023, the College had no remaining commitment balances with certain 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. There were no remaining commitment balances with any parties related to these projects at June 30, 2023.

The College anticipates funding these projects out of current resources, private gifts, or student fees.

Four buildings, the Health Sciences Building on the main campus, the Academic Building and the Center for Advance Manufacturing and Industrial Technologies (CAMIT) on the Cherokee County campus, and the Center for Business and Entrepreneurial Development (CBED) on the Tyger River 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 properties 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 properties, 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 7 – LEASES OBLIGATIONS

Finance Leases:

The College entered into a 20-year lease agreement with 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 due 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.

The cost of the building is $2,578,561 and the accumulated depreciation is $1,031,424 on June 30, 2023.

The capital lease payment to Spartanburg Community College Foundation was $199,000 for the year ended June 30, 2023.

NOTE 7 – LEASE OBLIGATIONS, Continued

Future minimum payments to be paid:

Year Ended June 30		Capital Lease with Discretely Presented Component Units
2024	$	199,000
2025		199,000
2026		199,000
Total Minimum Payments	$	597,000
Less: Interest		(41,908)
Present Value of Net Minimum Lease Payment	$	555,092

Leases Payable

A summary of the College's lease obligations at June 30, 2023 is as follows:

Lease of copier equipment providing for monthly payments of $2,182.89 including inputed interest at 6% per annum.	$	49,239
Lease of mailing equipment providing for annual payments of $532.95 including inputed interest at 7.26% per annum.		4,150
	$	53,389

Principal and interest requirements on lease obligations to maturity are as follows:

Year Ended June 30,		Principal	Interest	Total
2024	$	28,033	2,418	30,451
2025		25,356	832	26,188
	$	53,389	3,250	56,639

The total amount of leased assets acquired under these leases is $125,593 with accumulated amortization at June 30, 2022 of $72,204.

NOTE 7 – LEASE OBLIGATIONS, Continued

Leases Receivable

The College leases office space in its Downtown Campus facility under three separate leases providing for monthly and annual payments, as follows:

Office space lease providing for annual payments of $12,134.00 including imputed interest at 2% per annum.	$	-
Office space lease providing for monthly payments of $20,043.00 including imputed interest at 2% per annum.		-
Office space lease providing for monthly payayments of $14,191.67 including imputed interest at 2% per annum.		-
	$	-

The College recognized lease revenues of $13,936 for the fiscal year ended June 30, 2023 related to these leases.

Future payments under these leases are as follows:

Year Ended	Lease Receivable		Lease Revenue	Lease Interest Revenue
June 30, 2023	$	-	13,936	248

The lease revenue is reflected as deferred inflows on the statement of net position.

For the fiscal year ended June 30, 2023 the College recognized $13,936 of lease revenue and $248 of lease interest revenue.

Subscription Payable

For the year ended June 30, 2023, the financial statements include the adoption of GASB Statement No. 96, Subscription-Based Information Technology Arrangements. The primary objective of this statement is to enhance the relevance and consistency of information about governments' subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset. For additional information, refer to the disclosures below.

On July 1, 2022, Spartanburg Community College, SC entered into a 23 month subscription for the use of Brightspace Core Software. An initial subscription liability was recorded in the amount of $63,863. As of June 30, 2023, the value of the subscription liability is $-0-. Spartanburg Community College, SC is required to make annual fixed payments of $108,448. The subscription has an interest rate of 0.3147%. The value of the right to use asset as of June 30, 2023 of $63,863 with accumulated amortization of $33,176 is included with Software on the Subscription Class activities table found below.

NOTE 7 – LEASE OBLIGATIONS, Continued

On July 1, 2022, Spartanburg Community College, SC entered into a 29 month subscription for the use of Microsoft Software. An initial subscription liability was recorded in the amount of $316,478. As of June 30, 2023, the value of the subscription liability is $158,204. Spartanburg Community College, SC is required to make annual fixed payments of $161,406. The subscription has an interest rate of 2.0240%. The value of the right to use asset as of June 30, 2023 of $316,478 with accumulated amortization of $127,156 is included with Software on the Subscription Class activities table found below.

Principal and interest requirements on lease obligations to maturity are as follows:

Year Ended	Principal	Interest	Total
June 30, 2024	$ 158,204	3,202	161,406

NOTE 8 – LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2023 was as follows:

	June 30, 2022	Addition	Reductions	June 30, 2023	Due Within One Year
Finance Lease Payable	$ 725,130	-	170,038	555,092	199,000
Accrued Compensated Absences	1,430,879	135,561	-	1,566,440	476,916
Total Long-Term Liabilities	$ 2,156,009	135,561	170,038	2,121,532	675,916

NOTE 9 – PENSION PLANS

The South Carolina Public Employee Benefit Authority (PEBA), created July 1, 2012, is the state agency responsible for the administration and management of the various Retirement Systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state's employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems' five defined benefit pension plans. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as custodian, co-trustee and co-fiduciary of the Systems and the assets of the retirement trust funds. The Retirement System Investment Commission (Commission as the governing body, RSIC as the agency), created by the General Assembly in 2005, has exclusive authority to invest and manage the retirement trust funds' assets. The Commission, an eight-member board, serves as co-trustee and co-fiduciary for the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

NOTE 9 – PENSION PLANS, Continued

PEBA issues an Annual Comprehensive Financial Report (ACFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The ACFR is publicly available through PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the ACFR for the state.

Plan Description

The South Carolina Retirement System (SCRS), a cost–sharing multiple-employer defined benefit pension plan, was established July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts and participating charter schools, public higher education institutions, other participating local subdivisions of government and first-term individuals elected to the South Carolina General Assembly.

The State Optional Retirement Program (State ORP) is a defined contribution plan that is offered as an alternative to SCRS to newly hired state, public higher education institution and public school district employees, as well as first term individuals elected to the South Carolina General Assembly. State ORP participants direct the investment of their funds into an account administered by one of four third party service providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the four third party service providers. For this reason, State ORP assets are not part of the retirement systems' trust funds for financial statement purposes.

The South Carolina Police Officers Retirement System (PORS), a cost–sharing multiple-employer defined benefit pension plan, was established July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits to police officers and firefighters. PORS also covers peace officers, coroners, probate judges and magistrates.

In addition to the plans described above, PEBA also administers three single employer defined benefit pension plans, which are not covered in this report. They are the Retirement System for Members of the General Assembly of the State of South Carolina (GARS), the Retirement System for Judges and Solicitors of the State of South Carolina (JSRS), and the South Carolina National Guard Supplemental Retirement Plan (SCNG).

Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below.

SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and first-term individuals elected to the South Carolina General Assembly. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

NOTE 9 – PENSION PLANS, Continued

State ORP - As an alternative to membership in SCRS, newly hired state, public higher education institution and public school district employees, as well as first-term individuals elected to the South Carolina General Assembly have the option to participate in the State ORP. Contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employer to the member's account with the ORP service provider for the employee contribution and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution, if applicable, which is retained by SCRS.

PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; be a coroner in a full-time permanent position; or be a peace officer employed by the Department of Corrections, the Department of Juvenile Justice or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least $2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation/current annual salary. A brief summary of the benefit terms for each system is presented below.

SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

<u>NOTE 9 – PENSION PLANS,</u> Continued

PORS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

<u>Contributions</u>

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS and PORS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (UAAL) over a period that does not exceed the number of years scheduled in state statute. The Retirement Funding and Administration Act of 2017 increased, but also established a ceiling for SCRS and PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS and 9.75 percent for PORS. The legislation also increased employer contribution rates beginning July 1, 2017 for both SCRS and PORS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year in accordance with state statute. The General Assembly postponed the one percent increase in the SCRS and PORS employer contribution rates that was scheduled to go into effect beginning July 1, 2020. In accordance with the legislative funding schedule, employer contribution rates will continue to increase by 1 percentage point each year until reaching 18.56 percent for SCRS and 21.24 percent for PORS but may be increased further, if the scheduled contributions are not sufficient to meet the funding periods set for the applicable year. The board shall increase the employer contribution rates as necessary to meet the amortization period set in statute.

Pension reform legislation modified statute such that the employer contribution rates for SCRS and PORS to be further increased, not to exceed one-half of one percent in any one year if necessary, in order to improve the funding of the plans. The statute set rates intended to reduce the unfunded liability of SCRS and PORS to the maximum amortization period of 20 years from 30 years over a ten-year schedule, as determined by the annual actuarial valuations of the plan. Finally, under the revised statute, the contribution rates for SCRS and PORS may not be decreased until the plans are at least 85 percent funded.

Effective July 1, 2022, employees participating in the SCRS were required to contribute 9.00% of all earnable compensation. The employer contribution rate for SCRS was 17.56%. Included in the total SCRS employer contribution rate is a base retirement contribution of 17.41% and 0.15% for the incidental death benefit program. The College’s actual retirement and incidental death benefit program contributions for participating employees to the SCRS for the years ended June 30, 2023, 2022, and 2021 were:

	Retirement		Incidental Death	
Fiscal Year Ended	Rate	Contribution	Rate	Contribution
2023	17.410%	$ 3,351,436	0.15%	$ 28,875
2022	16.410%	$ 3,028,171	0.15%	$ 27,680
2021	15.410%	$ 2,586,628	0.15%	$ 25,178

NOTE 9 – PENSION PLANS, Continued

Effective July 1, 2022, employees participating in the PORS were required to contribute 9.75% of all earnable compensation. The employer contribution rate for PORS was 20.04%. Included in the total PORS employer contribution rate is a base retirement contribution of 19.84%, 0.20% for the incidental death benefit program, and 0.20% for the accidental death program. The College's actual retirement, incidental death benefit program and accidental death program contributions to the PORS for the years ended June 30, 2023, 2022, and 2021 were:

Fiscal Year	Retirement		Incidental Death		Accidental Death	
Ended	Rate	Contribution	Rate	Contribution	Rate	Contribution
2023	19.840%	$ 44,949	0.20%	$ 453	0.20%	$ 453
2022	18.840%	$ 33,498	0.20%	$ 356	0.20%	$ 356
2021	17.840%	$ 30,613	0.20%	$ 343	0.20%	$ 343

Employee and employer contributions to the State ORP are at the same rates as SCRS. Employees participating in the State ORP were required to contribute 9.00% of all earnable compensation. In fiscal year 2023, the employer contribution rate for the State ORP was 17.41% plus the retiree surcharge of 6.25% that will fund retiree health and dental insurance coverage. Of the 17.41% employer contribution rate, the employer remits 5.00% directly to the participant's ORP account and the remaining 12.41% retirement contribution and 0.15% incidental death benefit program contribution amounts are remitted to SCRS.

For fiscal year 2023, total contributions requirements to the ORP were approximately $611,720 (excluding the surcharge) from the College as employer.

Actuarial Assumptions and Methods

Actuarial valuations of the ongoing plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ending June 30, 2019.

The June 30, 2022, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by our consulting actuary, Gabriel Roeder Smith & Company (GRS) and are based on an actuarial valuation performed as of July 1, 2021. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2022, using generally accepted actuarial principles. There was no legislation enacted during the 2022 legislative session that had a material change in the benefit provisions for any of the systems.

NOTE 9 – PENSION PLANS, Continued

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2022.

		SCRS	PORS
Actuarial Cost Method		Entry age normal	Entry age normal
Investment Rate of Return	1	7%	7%
Projected Salary Increases	1	3.0% to 11.0% (varies by service)1	3.5% to 10.5% (varies by service)1
Benefit Adjustments		Lesser of 1% or $500 annually	Lesser of 1% or $500 annually

1 *Includes inflation at 2.25%*

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2020 Public Retirees of South Carolina Mortality table (2020 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using 80% of Scale UMP projected from the year 2020.

Assumptions used in the determination of the June 30, 2022, TPL are as follows.

Former Job Class	Males	Females
Educators	2020 PRSC Males multiplied by 95%	2020 PRSC Females multiplied by 94%
General Employees and Members of the General Assembly	2020 PRSC Males multiplied by 97%	2020 PRSC Females multiplied by 107%
Public Safety and Firefighters	2020 PRSC Males multiplied by 127%	2020 PRSC Females multiplied by 107%

Net Pension Liability

The NPL is calculated separately for each system and represents that particular System's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2022, for SCRS and PORS are presented below.

Plan	Total Pension Liability	Plan Fiduciary Net Pension	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	College's Allocation Percentage	College's Proportionate Share
SCRS	$ 56,454,779,872	32,212,626,932	24,242,152,940	57.1%	0.179858%	43,601,348
PORS	8,937,686,946	5,938,707,767	2,998,979,179	66.4%	0.011506%	345,050
						43,946,398

The TPL is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The NPL is disclosed in accordance with the requirements of GASB 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.

NOTE 9 – PENSION PLANS, Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2023, the College reported liabilities of $43,601,348 and $345,050 for its proportionate share of the net pension liabilities of SCRS and PORS, respectively. The net pension liability was measured as of June 30, 2022. The College's proportion of the net pension liability was based on the College's share of contributions to the pension plan relative to the contributions of all participating employers. At June 30, 2023, the College's SCRS and PORS proportion was 0.179858% and 0.011506%, respectively.

For the year ended June 30, 2023, the College recognized pension expenses of $4,042,416 and $60,318 for SCRS and PORS, respectively.

At June 30, 2023, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SCRS	PORS	Total
Deferred Outflows of Resources			
Difference between Expected and Actual Experience	$ 378,814	5,789	384,603
Changes of Assumptions	1,398,398	14,368	1,412,766
Net difference between Projected and Actual Earnings on Pension Plan Investments	67,242	1,042	68,284
Change in Proportion and Difference Between Employer Contribution and Proportionate Share of Plan Contributions	1,521,920	3,950	1,525,870
Colleges Contributions Subsequent to the Measurement Date	3,999,425	45,856	4,045,281
TOTAL	$ 7,365,799	71,005	7,436,804
Deferred Inflows of Resources			
Difference between Expected and Actual Experience	$ 190,013	6,821	196,834
Changes of Assumptions	-	-	-
Net difference between Projected and Actual Earnings on Pension Plan Investments	-	-	-
Change in Proportion and Difference Between Employer Contribution and Proportionate Share of Plan Contributions	152,514	9,323	161,837
TOTAL	$ 342,527	16,144	358,671

NOTE 9 - PENSION PLANS, Continued

The 3,999,425 and $45,856 reported as deferred outflows of resources related to pensions resulting from the College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	SCRS	PORS
2023	1,376,695	7,085
2024	1,119,146	1,293
2025	(609,088)	(12,785)
2026	1,137,094	13,412
2027	-	-
Thereafter	-	-

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 20-year capital market assumptions. The long-term expected rates of return represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market-based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2022 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7 percent assumed annual investment rate of return used in the calculation of the TPL includes a 4.75 percent real rate of return and a 2.25 percent inflation component.

NOTE 9 - PENSION PLANS, Continued

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

Allocation/Exposure		Policy Target	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Public Equity		46.0%	6.79%	3.12%
Bonds		26.0%	(0.35)%	(0.09)%
Private Equity	1	9.0%	8.75%	0.79%
Private Debt	1	7.0%	6.00%	0.42%
Real Assets		**12.0%**		
Real Estate	1	9.0%	4.12%	0.37%
Infrastructure	1	3.0%	5.88%	0.18%
Total Expected Return	2	100.0%		4.79%
Inflation for Actuarial Purposes				2.25%
				7.04%

1 RSIC staff and consultant will notify the Commission if the collective exposure to Private Equity, Private Debt and Private Real Assets exceeds 30 percent of total plan assets.

2 Portable Alpha Strategies, which are not included in the Policy Target, will be capped at 12% of total assets; hedge funds (including all hedge funds used in portable alpha implementation) are capped at 15% of total assets.

Discount Rate

The discount rate used to measure the TPL was 7 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the System's fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

NOTE 9 - PENSION PLANS, Continued

Sensitivity Analysis

The following table presents the College's proportionate share of the SCRS and PORS net pension liability calculated using the discount rate of 7.00 percent, as well as what the College's respective net pension liability would be if it were calculated using a discount rate of 1.00 percent lower (6.00 percent) or 1.00 percent higher (8.00 percent) than the current rate.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

Plan	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
SCRS	$ 55,902,307	43,601,348	33,374,697
PORS	481,152	345,050	233,638

Additional Financial and Actuarial Information

Information contained in these Notes to the Schedules of Employer and Nonemployer Allocations and Schedules of Pension Amounts by Employer (Schedules) was compiled from the Systems' audited financial statements for the fiscal year ended June 30, 2022, and the accounting valuation report as of June 30, 2022. Additional financial information supporting the preparation of the Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is available in the Systems' ACFR.

NOTE 10 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

As discussed in Note 9, the South Carolina Public Employee Benefit Authority (PEBA) was created by the South Carolina General Assembly as part of Act No. 278 effective July 1, 2012. PEBA- Insurance Benefits is a state agency responsible for the administration and management of the state's employee insurance programs, other post-employment benefits trusts and retirement systems and is part of the State of South Carolina primary government.

The governing board of PEBA is a board of 11 members. The membership composition is three members appointed by the Governor, two members appointed by the President Pro Tempore of the Senate, two members appointed by the Chairman of the Senate Finance Committee, two members appointed by the Speaker of the House of Representatives and two members appointed by the Chairman of the House Ways and Means Committee. Individuals appointed to the PEBA board must possess certain qualifications. Members of the PEBA board serve for terms of two years and until their successors are appointed and qualify. Terms commence on July first of even numbered years. The PEBA board appoints the Executive Director. The laws of the State and the policies and procedures specified by the State for State agencies are applicable to all activities of PEBA. By law, the State Fiscal Accountability Authority (SFFA), which consists of five elected officials, also reviews certain PEBA Board decisions in administering the State Health Plan and other post-employment benefits (OPEB).

<u>NOTE 10 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)</u>, Continued

<u>Plan Descriptions</u>

The Other Post-Employment Benefits Trust Funds (OPEB Trusts), collectively refers to the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF), were established by the State of South Carolina as Act 195, which became effective in May 2008. The SCRHITF was created to fund and account for the employer costs of the State's retiree health and dental plans. The SCLTDITF was created to fund and account for the employer costs of the State's Basic Long-Term Disability Income Benefit Plan.

In accordance with Act 195, the OPEB Trusts are administered by the PEBA – Insurance Benefits and the State Treasurer is the custodian of the funds held in trust. The Board of Directors of PEBA has been designated as the Trustee.

The OPEB Trusts are cost-sharing multiple-employer defined benefit OPEB plans. Article 5 of the State Code of Laws defines the two plans and authorizes the Trustee to at any time adjust the plans, including its benefits and contributions, as necessary to insure the fiscal stability of the plans. In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents.

<u>Benefits</u>

The SCRHITF is a healthcare plan that covers retired employees of the State of South Carolina, including all agencies, and public school districts. The SCRHITF provides health and dental insurance benefits to eligible retirees. Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires beginning employment May 2, 2008 and after, retirees are eligible for benefits if they have established 25 years of service for 100% employer funding and 15-24 years of service for 50% employer funding.

The SCLTDITF is a long-term disability plan that covers employees of the State of South Carolina, including all agencies and public school districts and all participating local governmental entities. The SCLTDITF provides disability payments to eligible employees that have been approved for disability.

NOTE 10 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), Continued

Contributions and Funding Policies

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires the postemployment and long-term disability benefits to be funded through non-employer and employer contributions for active employees and retirees to the PEBA – Insurance Benefits.

The SCRHITF is funded through participating employers that are mandated by State statute to contribute at a rate assessed each year by the Department of Administration Executive Budget Office on active employee covered payroll. The covered payroll surcharge for the year ended June 30, 2022 was 6.25 percent. The South Carolina Retirement System collects the monthly covered payroll surcharge for all participating employers and remits it directly to the SCRHITF. Other sources of funding for the SCRHITF also include the implicit subsidy, or age-related subsidy inherent in the healthcare premiums structure. The implicit subsidy represents a portion of the health care expenditures paid on behalf of the employer's active employees. For purposes of GASB Statement No. 75, this expenditure on behalf of the active employee is reclassified as a retiree health care expenditure so that the employer's contributions towards the plan reflect the underlying age-adjusted, retiree benefit costs. Non-employer contributions consist of an annual appropriation by the General Assembly and the statutorily required transfer from PEBA – Insurance Benefits reserves. However, due to the COVID-19 pandemic and the impact it has had on the PEBA – Insurance Benefits reserves, the General Assembly has indefinitely suspended the statutorily required transfer until further notice. The SCRHITF is also funded through investment income.

The SCLTDITF is funded through employer contributions for active employees that elect health insurance coverage. For this group of active employees, PEBA – Insurance Benefits bills and collects premiums charged to State agencies, public school districts and other participating local governments. The monthly premium per active employee was $3.22 for the fiscal year ended June 30, 2022. The SCLTDITF premium is billed monthly by PEBA – Insurance Benefits and transferred monthly to the SCLTDITF. It is also funded through investment income.

The allocation percentage of the OPEB amounts are calculated differently for each OPEB Trust. For the SCRHITF, the allocation percentage is based on the covered payroll surcharge contribution for each employer. Please note that actual covered payroll contributions received from SCRS for the fiscal year 2022 totaled $615,405,810. However, the covered payroll contributions total includes prior year covered payroll contribution adjustments and true-ups that net to a total of $1,094,627.

In accordance with part (b) of paragraph 69 of GASB Statement No. 75, participating employers should recognize revenue in an amount equal to the employer's proportionate share of the change in the collective net OPEB liability arising from contributions to the OPEB plan during the measurement period from non-employer contributing entities for purposes other than the separate financing of specific liabilities to the OPEB plan. Therefore, employers should classify this revenue in the same manner as it classifies grants from other entities.

NOTE 10 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), Continued

For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Trusts, and additions to and deductions from the OPEB Trusts fiduciary net position have been determined on the same basis as they were reported by the OPEB Trusts. For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Therefore, benefit and administrative expenses are recognized when due and payable. Investments are reported at fair value.

PEBA – Insurance Benefits issues audited financial statements and required supplementary information for the OPEB Trust Funds. This information is publicly available through the PEBA – Insurance Benefits' link on PEBA's website at www.peba.sc.gov or a copy may be obtained by submitting a request to PEBA – Insurance Benefits, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, OPEB Trust fund financial information is also included in the comprehensive annual financial report of the state.

Actuarial Assumptions and Methods

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plans (as understood by the employer and plan participants) and include the types of benefits provided at the time the valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

Additional information as of the latest actuarial valuation for SCRHITF:

Valuation Date:	June 30, 2021
Actuarial Cost Method:	Individual Entry-Age Normal
Inflation:	2.25%
Investment Rate of Return:	2.75%, net of OPEB Plan investment expense; including inflation
Single Discount Rate:	3.69% as of June 30, 2022
Demographic Assumptions:	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2019
Mortality:	For healthy retirees, the gender-distinct South Carolina Retirees 2020 Mortality Tables are used with multipliers based on plan experience; the rates are projected on a fully generational basis using 80% of the ultimate rates of Scale MP-2019 to account for future mortality improvements.
Health Care Trend Rate:	Initial trend starting at 6.00% and gradually decreasing to an ultimate trend rate of 4.00% over a period of 15 years.
Aging Factors:	Based on plan specific experience.
Retiree Participation:	79% for retirees who are eligible for funded premiums. 59% participation for retirees who are eligible for Partial Funded Premiums 20% participation for retirees who are eligible for Non-Funded Premiums
Notes:	The discount rate changed from 1.92% as of June 30, 2021 to 3.69% as of June 30, 2022.

NOTE 10 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), Continued

Additional information as of the latest actuarial valuation for SCLTDITF:

Valuation Date:	June 30, 2021
Actuarial Cost Method:	Individual Entry – Age Normal
Inflation:	2.25%
Investment Rate of Return:	3.00%, net of Plan investment expense; including inflation
Single Discount Rate:	3.41% as of June 30, 2022
Salary, Termination, and Retirement Rates:	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2019
Disability Incidence:	The disability incidence rates used in the valuation are 165% of the rates developed for the South Carolina Retirement Systems pension plans
Disability Recovery:	For participants in payment, 1987 CGDT Group Disability; for active employees, 60% were assumed to recover after the first year and 93% were assumed to recover after the first two years
Offsets:	45% are assumed to be eligible for Social Security benefits; assumed percentage who will be eligible for a pension plan offset varies based on employee group
Expenses:	Third party administrative expenses were included in the benefit projections
Notes:	The Single Discount Rate changed from 2.48% as of June 30, 2021 to 3.41% as of June 30, 2022

Roll Forward Disclosures

The actuarial valuations were performed as of June 30, 2021. Update procedures were used to roll forward the total OPEB liabilities to June 30, 2022.

Net OPEB Liability

The Net OPEB Liability (NOL) is calculated separately for each OPEB Trust Fund and represents that particular Trust's Total OPEB Liability (TOL) determined in accordance with GASB No. 74 less that Trust's fiduciary net position. The allocation of each employer's proportionate share of the collective Net OPEB Liability and collective OPEB Expense was determined using the employer's payroll-related contributions over the measurement period. This method is expected to be reflective of the employer's long-term contribution effort as well as be transparent to individual employers and their external auditors.

The following table represents the components of the net OPEB liability as of June 30, 2022:

OPEB Trust	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	College's Allocation Percentage	College's Proportionate Share
SCRHITF	$ 16,835,502,593	$ 1,623,661,403	$ 15,211,841,190	9.64%	0.232346%	35,344,105
SCLTDITF	46,410,320	34,824,847	11,585,473	75.04%	0.162334%	18,807
						35,362,912

NOTE 10 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), Continued

The TOL is calculated by the Trusts' actuary, and each Trust's fiduciary net position is reported in the Trust's financial statements. The NOL is disclosed in accordance with the requirements of GASB No. 74 in the Trusts' notes to the financial statements and required supplementary information. Liability calculations performed by the Trusts' actuary for the purpose of satisfying the requirements of GASB Nos. 74 and 75 and are not applicable for other purposes, such as determining the Trusts' funding requirements.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Plans

At June 30, 2023, the College reported liabilities of $35,344,105 and $18,807 for its proportionate share of the net OPEB liabilities of the SCRHITF and the SCLTDIFT, respectively. The net OPEB liability was measured as of June 30, 2022. The College's proportion of the net OPEB liability was based on the College's share of contributions to the OPEB Trust Funds relative to the contributions of all participating employers. At June 30, 2023, the College's proportion of the SCRHITF and the SCLTDIFT was 0.232346% and 0.162334%, respectively.

For the year ended June 30, 2023, the College recognized net OPEB expenses of $2,507,852 and $15,607 for the SCRHITF and the SCLTDIFT, respectively.

At June 30, 2022, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SCRHITF	SCLTDITF	Total
Deferred Outflows of Resources			
Difference between Expected and Actual Experience	$ 758,618	4,984	763,602
Changes of Assumptions	7,969,185	3,762	7,972,947
Net difference between Projected and Actual Earnings on OPEB Plan Investments	277,907	6,213	284,120
Change in Proportion and Difference Between Employer Contributions and Proportionate Share of Plan Contributions	1,979,776	83	1,979,859
College Contributions Subsequent to the Measurement Date	1,525,367	12,323	1,537,690
TOTAL	$ 12,510,853	27,365	12,538,218

<u>NOTE 10 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)</u>, Continued

		SCRHITF	SCLTDITF	Total
Deferred Inflows of Resources				
Difference between Expected and Actual Experience	$	3,107,741	3,346	3,111,087
Changes of Assumptions		11,361,211	2,675	11,363,886
Net difference between Projected and Actual Earnings on OPEB Plan Investments		-	-	-
Change in Proportion and Difference Between Employer Contributions and Proportionate Share of Plan Contributions		177,228	407	177,635
TOTAL	$	14,646,180	6,428	14,652,608

The $1,525,367 and $12,323 reported as deferred outflows of resources related to OPEB resulting from the College contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022.

The other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB outstanding at June 30, 2021 will be recognized in OPEB expense as follows:

Year Ended June 30		SCRHITF	SCLTDITF
2023	$	(422,273)	1,020
2024		(50,539)	1,518
2025		(37,070)	2,487
2026		(277,496)	2,022
2027		(1,118,372)	246
Thereafter		(1,754,944)	1,321

As discussed in paragraph 86 of GASB Statement No. 75, differences between expected and actual experience and changes in assumptions are recognized in OPEB expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided OPEB through the OPEB plan (active and inactive members) determined as of the beginning of the measurement period.

Additionally, differences between projected and actual earnings on OPEB plan investments should be recognized in OPEB expense using a systematic and rational method over a closed five-year period. For this purpose, the deferred outflows and inflows of resources are recognized in the OPEB expense as a level dollar amount over the closed period identified above.

NOTE 10 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), Continued

Long-term Expected Rate of Return

The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2018 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation. This information is summarized in the following table:

South Carolina Retiree Health Insurance Trust Fund

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Allocation-Weighted Long-Term Expected Real Rate of Return
U.S. Domestic Fixed Income	80.00%	0.95%	0.76%
Cash Equivalents	20.00%	0.35%	0.07%
Total	100.00%		0.83%
Expected Inflation			2.25%
Total Return			3.08%
Investment Return Assumption			2.75%

South Carolina Long-Term Disability Insurance Trust Fund

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Allocation-Weighted Long-Term Expected Real Rate of Return
U.S. Domestic Fixed Income	80.00%	0.95%	0.76%
Cash Equivalents	20.00%	0.35%	0.07%
Total	100.00%		0.83%
Expected Inflation			2.25%
Total Return			3.08%
Investment Return Assumption			3.00%

Single Discount Rate

The Single Discount Rate of 3.69% was used to measure the total OPEB liability for the SCRHITF. The accounting policy for this plan is to set the Single Discount Rate equal to the prevailing municipal bond rate. Due to the plan's investment and funding policies, the difference between a blended discount rate and the municipal bond rate would be less than several basis points (several hundredths of one percent).

A Single Discount Rate of 3.41% was used to measure the total OPEB liability for the SCLTDITF. This Single Discount Rate was based on an expected rate of return on plan investments of 3.00% and a municipal bond rate of 3.69%. The projection of cash flows to determine this Single Discount Rate assumed that employer contributions will remain at $38.64 per year for each covered active employee. Based on these assumptions, the plan's Fiduciary Net Position and future contributions were sufficient to finance the benefit payments through the year 2034. As a result, the long-term expected rate of return on plan investments was applied to project benefit payments through the year 2034, and the municipal bond rate was applied to all benefit payments after that date.

<u>NOTE 10 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)</u>, Continued

<u>Sensitivity Analysis</u>

The following table presents the College's proportionate share of the SCRHITF's and the SCLTDITF's net OPEB liability calculated using a Single Discount Rate of 3.69%, as well as what the College's proportionate share of the plan's net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

Plan	1% Decrease (2.69%)	Baseline Discount Rate (3.69%)	1% Increase (4.69%)
SCRHITF	$ 41,786,290	35,344,105	30,166,932

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

Plan	1% Decrease (2.41%)	Baseline Discount Rate (3.41%)	1% Increase (4.41%)
SCLTDITF	21,795	18,807	15,917

Regarding the sensitivity of the College's proportionate share of the SCRHITF's net OPEB liability to changes in the healthcare cost trend rates, the following table presents the College's proportionate share of the plan's net OPEB liability, calculated using the assumed trend rates as well as what the University's proportionate share of the plan's net OPEB liability would be if were calculated using a trend rate that is one percent lower or one percent higher:

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

Plan	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
SCRHITF	$ 29,067,071	35,344,105	42,672,883

OPEB Expense

Components of collective OPEB expense (and the College's proportionate share) reported in the Allocation of the OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB for the fiscal year ended June 30, 2022 are presented below.

Description	**SCRHITF**	**College's Proportionate Share**	**SCLTDITF**	**College's Proportionate Share**
Service Cost	862,552,785	2,004,107	8,740,142	14,188
Interest on the Total OPEB Liability	435,503,577	1,011,875	1,091,274	1,772
Projected Earnings on Plan Investments	(46,973,362)	(109,141)	(1,206,036)	(1,958)
OPEB Plan Administrative Expense	801,356	1,862	79,400	129
Recognition of Outflow (Inflow) of Resources	-		-	
Due to Liabilities	(367,689,255)	(854,311)	165,726	269
Recognition of Outflow (Inflow) of Resources				
Due to Assets	30,899,402	71,794	780,955	1,268
Total Aggregate OPEB Expense	**$ 915,094,503**	**2,126,185**	**9,651,461**	**15,668**

Additional items included in Total Employer OPEB Expense are the current period amortized portions of deferred outflows and/or inflows of resources related to changes in employers' proportionate share of the collective NOL and differences between actual employer contributions and proportionate share of total plan employer contributions.

NOTE 10 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), Continued

Additional Financial and Actuarial Information

Information contained in these Notes to the Schedules of OPEB Amounts by Employer (the Schedules) were compiled from the OPEB Trust Funds audited financial statements for the fiscal year ended June 30, 2022, and the accounting and financial reporting actuarial valuations as of June 30, 2022. Additional financial information supporting the preparation of the Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is available in the OPEB Trust Funds audited financial statements. Employers are encouraged to review Illustration II in Appendix C of GASB Statement No. 75, which provides a sample footnote disclosure and required supplementary information for a cost-sharing multiple-employer defined benefit OPEB plan.

NOTE 11 – ACCOUNTS PAYABLE

Accounts payable as of June 30, 2023 are summarized as follows:

Accounts Payable, Student Credit Balances	$ 46,017
Accounts Payable, Payroll	534,051
Accounts Payable, Unrestricted	1,854,361
Total Accounts Payable	$ 2,434,430

NOTE 12 – BONDS AND NOTES PAYABLE

The College did not have any outstanding bonds or notes payable at June 30, 2023.

NOTE 13 – RELATED PARTIES

The Spartanburg Community College Foundation (the “Foundation”) is a certain separately chartered legal entity whose activities are related to those of the College and 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 Foundation.

Management has reviewed its relationship with the Foundation under existing guidance of GASB Statement No. 14, as amended by GASB 39. Because of the nature and significance of its relationship with the College, the Foundation is considered a component unit of the College.

There are no related party receivables and payables between the college and Foundation as of June 30, 2023.

NOTE 14 – 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

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 14 – RISK MANAGEMENT, Continued

The Spartanburg Community College Enterprise Campus Authority

The Spartanburg Community College Enterprise Authority, as described in Note 1, is a blended component unit and the following balances for the authority are incorporated into these financial statements.

		2023
Revenues		
Other Operating Revenues	$	2,777,203
Total Other Operating Revenues		2,777,203
Expenses		
Salaries		1,285,435
Janitorial/Security		434,202
Utilities		503,619
Mileage		7,014
Contractual Services		451,721
General Repair, Maintenance		52,393
Equipment		14,227
Other Miscellaneous		28,592
Total Operating Expenses	$	2,777,203
Operating Income (Loss)		-

NOTE 15 – OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification for the year ended June 30, 2023 are summarized as follows:

		Compensation	Benefits	Scholarships and Fellowships	Utilities	Supplies and Other Services	Depreciation	Total
Instruction	$	14,054,944	6,284,568	-	-	3,552,732	-	23,892,244
Academic Support		2,249,685	1,071,495	-	-	2,149,995	-	5,471,175
Student Support		3,222,466	1,530,037	-	-	1,985,606	-	6,738,110
Operation & Maintenance of Plant		2,118,984	1,046,094	-	1,227,501	4,973,092	-	9,365,671
Institutional Support		4,266,676	2,012,626	-	-	4,578,186	-	10,857,489
Scholarships & Fellowships		-	-	6,526,005	-	-	-	6,526,005
Auxiliary Enterprises		140,818	50,306	-	-	2,824,551	-	3,015,675
Depreciation & Amortization		-	-	-	-	-	3,778,655	3,778,655
Total Operating Expenses	$	26,053,573	11,995,128	6,526,005	1,227,501	20,064,162	3,778,655	69,645,024

NOTE 16 – 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 ended June 30, 2023. The College received goods and/or services from other South Carolina higher education institutions for a fee, as listed below:

	Purchases
Aiken Technical College	$ 400
Clemson University	6,502
Trident Technical College	700
University of South Carolina	4,400
Total Purchases	$ 12,002

NOTE 17 – STATEMENT OF ACTIVITIES

	2023	2022	Increase/ (Decrease)
Charges for Services	$ 32,444,642	36,301,111	(3,856,469)
Operating Grants and Contributions	21,720,026	20,334,081	1,385,945
Capital Grants and Contributions	2,882,767	2,208,631	674,136
Less: Expenses	(69,681,845)	(67,776,244)	(1,905,601)
Net Program Revenue (Expense)	(12,634,410)	(8,932,421)	(3,701,989)
Transfers:			
State Appropriations	16,248,744	11,974,575	4,274,169
State Capital Appropriations	1,506,816	906,816	600,000
Lease Revenues	41,243	207,139	(165,896)
Total General Revenue and Transfers	17,796,803	13,088,530	4,708,273
Change in Net Assets	5,162,393	4,156,109	1,006,285
Net Assets - Beginning of Year	10,787,788	6,631,679	4,156,109
Net Assets - Ending	$ 15,950,181	10,787,787	5,162,394

NOTE 18 – 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 19 – TAX ABATEMENTS

The College receives support in the form of property tax revenue from the three Counties in its service area: Cherokee County, Spartanburg County and Union County. Each of the Counties has entered into various property tax abatement agreements with local businesses.

Companies that are located in South Carolina and are classified as manufacturing facilities are subject to *ad valorem taxes*. The fair market value is multiplied by the assessment ratio, generally equal to 10.5%, to produce the assessed value and then multiplied by the millage rate. The three counties provide certain tax reductions through the following programs:

1. Fee in Lieu of Ad Valorem Tax
2. Special Source Revenue Credit

The *Fee in Lieu of Ad Valorem Tax* program is intended to encourage investment in commercial and industrial investments in South Carolina. The property tax reduction is granted pursuant to Chapter 44 of Title 12 of the South Carolina Code of Laws of South Carolina 1976 as amended. Taxpayers are eligible to receive a reduction in property taxes, through reduced assessed values and locked millage rates, if they enter into an agreement with the County and invest at least $2.5 million in taxable property (or some other negotiated investment floor) within a 5-year period. Under the *Fee in Lieu of Ad Valorem Tax* program, if a taxpayer does not make the required investment within the 5-year period, then the reduced property taxes terminate, and the taxpayer must repay the County the difference between the abated taxes received and what the taxpayer would have paid had it not had the benefit of the *Fee in Lieu of Ad Valorem Tax* program.

The three counties that provide support to Spartanburg have multiple taxpayers that have entered into agreements under the *Fee in Lieu of Ad Valorem Tax* program. In the aggregate, these taxpayers, without the benefit of the program would pay significantly more in *ad valorem* tax. However, due to the benefit provided by the *Fee in Lieu of Ad Valorem Tax* program, the taxpayers paid less in the most recent fiscal year, as shown in the table below.

NOTE 19 – TAX ABATEMENTS, Continued

The *Special Source Revenue Credit* program is intended to encourage investment into infrastructure serving the County or infrastructure serving a commercial or manufacturing enterprise in the County. The property tax reduction is granted pursuant to Chapter 1 of Title 4 of the South Carolina Code of Laws of South Carolina 1976, as amended. All property that is located in an MCIP, *Multi-County Industrial Park*, is exempt from property taxes, but property owners must pay an amount equivalent to the property taxes that would otherwise be due. The companies that make an agreement with the county based on this option are based on infrastructure credits or credits based on investments /money spent to improve a facility. Taxpayers are eligible to receive a percentage reduction off their total property tax liability if the taxpayer is located in a multicounty park, enters into an agreement with the County and agrees to make an investment in taxable property in the County and create jobs. If the taxpayer does not meet its investment or job commitments, the taxpayer must repay a portion of the reduction.

These three counties have several taxpayers that have entered into agreements with the counties under the Special Source Revenue Credit program. In the aggregate, these taxpayers, without the benefits of the program would pay more in ad valorem tax in the most recent fiscal year. However, due to the benefit provided by the *Special Source Revenue Credit* program, the taxpayers pay significantly less as shown below.

	Fee in Lieu of Tax	Special Source Revenue Credits	Total	Total Ad Valorem Tax
Cherokee County	$ 80,998	592	81,590	91,375
Spartanburg County	10,907,857	5,378,575	16,286,432	59,704,207
Union County	4,001,373	993,608	4,994,981	6,631,848
Total	$ 14,990,228	6,372,775	21,363,003	66,427,430

* N/A = Not Available

NOTE 20 – COMPONENT UNIT

1. **NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

Organization and Purpose

Spartanburg Community College Foundation (the Foundation) is a foundation whose purpose is to develop and administer programs organized exclusively to receive and hold by gift, bequest or purchase any real or personal property and to manage, invest, and use the property for scientific, educational, and charitable purposes for the advancement of Spartanburg Community College (the College). Effective July 1, 2015, the Foundation is classified as a public charity as described in Sections 509(a)(1) and 170(b)(1)(A)(vi) of the Internal Revenue Code, an organization that normally receives a substantial part of its support from a governmental unit or from the general public.

NOTE 20 – COMPONENT UNIT, Continued

1. **NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**, Continued

During fiscal years 2005 and 2007 the Foundation formed three separate Single Member LLC's. The first, SCTF Phase 1 Properties, LLC (Phase 1) was formed April 6, 2005, with the Foundation as its sole member. Subsequently, on May 16, 2005, SCTF Phase II Properties, LLC (Phase II) was formed, with Phase I as its sole member. On November 15, 2016 approximately 14.10 acres of property in Cherokee County was sold by the Foundation to Phase I who then leased 2.59 acres to Spartanburg Community College on a twenty-year lease and 3.45 acres to Phase II on a 375-month lease. Phase II then, on the same date, leased the 3.45 acres to an industry for the same 375 months. On November 27, 2006 SCTF Phase III Properties, LLC (Phase III) was formed with Phase I as its sole member, and on July 31, 2007 Phase I sold the remaining acreage to Phase III. These three entities are treated collectively as blended component units of the Foundation.

Basis of Accounting

The Foundation prepares its financial statements in accordance with generally accepted accounting principles, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Financial Statement Presentation

(a) The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). (ASC) 958-205 was effective January 1, 2018.

The significant policies are described below to enhance the usefulness of the financial statements.

(b) Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

The part of net assets that is not subject to donor-imposed restrictions.

<u>Board Designated Net Assets</u>

Net assets without donor restrictions subject to self-imposed limits by action of the governing board. Board-designated net assets may be earmarked for future programs, investment, contingencies, purchase or construction of fixed assets, or other uses.

<u>NOTE 20 – COMPONENT UNIT</u>, Continued

1. **<u>NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES</u>**, Continued

Net Assets with Donor Restrictions

Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds.

<u>Donor Restricted Endowment Fund</u>

An endowment fund that is created by a donor stipulation requiring investments of a gift in perpetuity or for a specified term. Some donors or laws may require that a portion of income, gains, or both be added to the gift and invested subject to similar restrictions.

<u>Donor-Restricted Support</u>

Donor-restricted revenues or gains from contributions that increase net assets with donor restrictions (donors include other types of contributors, including makers of certain grants).

(c) **Agency Funds**

Agency funds are funds held by the Organization as custodian. The receipts, earnings and expenditures related to the agency funds are not included in the Organization's Statement of Activities. Pooled investment income is not allocated to the Agency funds.

(d) **Contributions**

Unconditional promises to give, contributions in kind, and other contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designed for future periods or restricted by donor for specific purposes are reported as support with donor restrictions that increases the net asset class. It is the policy of the Organization to first spend net assets with donor restrictions, as appropriate.

The Organization reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. The Organization reports gifts of land, buildings, and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets, are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

NOTE 20 – COMPONENT UNIT, Continued

1. **NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**, Continued

Donated Material and Services

Donated materials and services are reflected as contributions in the accompanying financial statements at their estimated fair market values at the date of receipt. The Foundation pays for most services requiring specific expertise; however, a substantial number of volunteers have donated significant amounts of their time to assist the Foundation. For the year ended June 30, 2023, approximately $45,183 was recorded on the Statement of Activities for specific donated materials and specialized services; no additional amounts have been recorded for volunteer hours or other general services.

Revenue Recognition

In May 2014, the FASB issued ASU 2014-09 Revenue from Contracts with Customers (Topic 606), which requires an entity to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The Foundation has adopted this standard as of the beginning of fiscal year 2019 and there is no material impact to the financial statements as a result of adoption. Lease income for facilities is deemed to result in performance obligations and are treated as contracts in the Foundation's financial statements. As of the fiscal year end all such revenue was considered as earned, as no material amounts were unearned or deferred.

Functional Expenses

The cost of providing program activities has been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services provided.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Allowance for Doubtful Accounts

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Investments

The Foundation has adopted FASB ASC 958-320, *Investments – Debt and Equity Securities*. Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

<u>NOTE 20 – COMPONENT UNIT</u>, Continued

1. **<u>NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES</u>**, Continued

Fair Value of Financial Instruments

ASC 820, *Fair Value Measurements*, defines fair value, establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America, and expands disclosures regarding the fair value measurements of certain financial instruments. FASB ASC 820 addresses acceptable valuation techniques and establishes a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) the reporting entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1), and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are as follows:

- *Level 1 inputs* are unadjusted quoted prices for identical assets and liabilities in active markets to which the reporting entity has access.

- *Level 2 inputs* are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. They include quoted prices for similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable (for example, interest rates); and inputs that are derived from or corroborated by observable market data.

- *Level 3 inputs* are unobservable and are significant to the fair value measurement.

FASB ASC 820 expands disclosures about fair value measurements for certain financial assets and liabilities.

The carrying amounts of cash, receivables, accounts payable, and other accrued liabilities approximate fair value because of the short maturity of these financial instruments. The carrying values of the Foundation's funds held by the Spartanburg County Foundation are based on information provided to the Spartanburg County Foundation by external investment managers.

Property and Equipment

Property and equipment are stated at historical cost. Acquisitions of property and equipment with useful lives exceeding one year are capitalized. Repairs and maintenance not increasing the values or extending the useful lives of the assets are expensed as incurred. Contributions of property and equipment are recorded at their fair market value at the date of the gift.

Depreciation is provided for using the straight-line method over the estimated useful lives of the assets. The estimated useful lives of the assets are as follows:

Building and Land Improvements	15-39 Years
Equipment	5 Years
Furniture and Fixtures	7 Years

Disposals of property and equipment are eliminated from the asset and accumulated depreciation accounts. Gains and losses on dispositions of property and equipment are included in income.

Depreciation expense for the year ended June 30, 2023 was $101,131.

NOTE 20 – COMPONENT UNIT, Continued

1. **NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**, Continued

Estimates

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

Income Tax Status

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the financial statements do not reflect a provision for income taxes.

The Foundation adopted the accounting guidance concerning accounting for uncertain tax positions. The Foundation has no uncertain tax positions for which reserves would be required.

The Organization files IRS form 990 information returns in the United States.

2. **CASH AND CASH EQUIVALENTS AND DEPOSITS**

All deposits of the Foundation are maintained in bank deposit accounts, which at times, may exceed federally insured limits. The following schedule reconciles deposits within the footnotes to the statement of financial position amounts:

Statement of Financial Position		
Cash and Cash Equivalents	$ 298,244	
Footnotes		
	Carrying Value	Bank Balance
Cash - Checking	$ 298,244	$ 322,103

3. **INVESTMENT**

The investment at fair value consists of equity securities on June 30, 2023 in the amount of $16,752. The financial instrument is classified as Level 1 in the fair value hierarchy.

NOTE 20 – COMPONENT UNIT, Continued

4. **RELATED PARTY TRANSACTIONS**

Due to the purpose of the Foundation, Spartanburg Community College (the college) is a related party. The Foundation seeks funds and resources to further the educational mission of the college. It provides to the college's students, scholarships and other support, while the college provides to the Foundation the personnel to manage the Foundation's activities. All transactions are deemed to be conducted at arms-length.

The Foundation has entered into an agreement with the college, whereby the college provides the Foundation with personnel, office and storage space, custodial services, telephone equipment, and computer services and the Foundation is to make an annual cash payment in the form of a rent payment of $10,000 to the college to defray these costs. Total payments to the college for these services provided during the year ended June 30, 2023 are reflected in the accompanying Statement of Functional Expenses and included in administrative support.

As referenced in Note 12, the college also leases a building located in Cherokee County from the Foundation. Lease income from the College was $199,000 for the year ended June 30, 2023.

5. **FUNDS HELD BY SPARTANBURG COUNTY FOUNDATION**

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

The funds are carried as assets on the accompanying 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 funds.

The Foundation has established a temporarily restricted account for BMW scholarships, the funding of which was received from a State of South Carolina Grant for BMW scholar scholarships at Spartanburg Community College, Greenville Technical College and Tri-County Technical College. During the current year this grant resulted in payments to Spartanburg Community College of $168,000, Greenville Technical College of $121,500, Piedmont Technical College of $6,000 and Tri-County Technical College of $9,424 to advance technical careers as participants in the BMW Scholars Program managed by the Spartanburg Community College Foundation and disbursed through the Spartanburg County Foundation.

		Fair Value Measurements Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observalbe Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets Held at the SCF	$ 7,888,441	7,888,441	-	-

NOTE 20 – COMPONENT UNIT, Continued

5. **FUNDS HELD BY SPARTANBURG COUNTY FOUNDATION**, Continued

The beneficial interest in assets held at the Spartanburg County Foundation has been valued, as a practical expedient, at the fair value of the Spartanburg Community College Foundation's share of the Spartanburg County Foundation's investment pool as of the measurement date. The Spartanburg County Foundation values securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the Spartanburg County Foundation, which includes private placements and other securities for which prices are not readily available, are determined by the management of the Spartanburg County Foundation and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. The Spartanburg County Foundation's investments are composed approximately of 28.8 percent domestic equities, 14.5 percent foreign stocks, 18.8 percent flexible capital, 24.3 percent fixed income, 9.3 percent real assets and 4.2 percent in money market. The beneficial interest in assets held at the Spartanburg County Foundation is not redeemable by the Spartanburg Community College Foundation.

6. **PLEDGES RECEIVABLE**

The pledges receivable are unconditional and due over seven years. Uncollectible promises are estimated at approximately 100% of the unpaid balance, and are discounted using a net present value calculation and an effective rate of 3.0 percent.

Unconditional promises to give as June 30 are:

Receivable in:		
Year 1	$	11,000
Year 2		10,000
Year 3		10,000
Year 4		10,000
Year 5		10,000
		51,000
Less Allowance for Uncollectible Amounts		(5,100)
Pledges Receivable (Net)	$	45,900

NOTE 20 – COMPONENT UNIT, Continued

7. **PROPERTY, PLANT AND EQUIPMENT**

The balances of the major classes of property, plant and equipment are listed below:

Spartanburg Community College Foundation:

	Balance 6/30/2022	Additions	Deletions	Balance 6/30/2023
Land and Land Improvements	$ 432,877	-	-	432,877
Buildings	4,091,533	-	-	4,091,533
Furniture and Fixtures	3,187	-	-	3,187
Equipment	223	-	-	223
	4,527,820	-	-	4,527,820
Less Accumulated Depreciation	1,674,631	101,131	-	1,775,762
Net Property, Plant and Equipment	$ 2,853,189	(101,131)	-	2,752,058

Depreciation expense for the year amounted to $101,131.

8. **LONG-TERM DEBT**

Spartanburg Community College Foundation:

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. This original bond above bore interest at 4.24%, and provided for Semi-annual payments of principal and interest in the amount of $96,468.54 due April 17 and October 17 of each year.

Subsequent to the October, 2015 principal and interest payment, the remaining balance of the loan in the amount of $1,559,283.74 was re-financed at a lower interest rate of 1.86% over the remaining term, thus lowering the annual debt service from $192,937 to $171,600, or a total of $213,362 over the remaining ten years. Semi-annual payments of principal and interest are due October 1 and April 1 of each year.

The long-term debt maturities required in the future and in the aggregate are as follows:

June 30	Principal	Interest	Total
2024	$ 164,601	7,000	171,601
2025	167,677	3,924	171,601
2026	85,010	790	85,800
	$ 417,288	11,714	429,002

NOTE 20 – COMPONENT UNIT, Continued

8. **LONG-TERM DEBT**, Continued

A summary of the outstanding debt at June 30 is as follows:

	Balance June 30, 2022	Additions	Retirements	Balance June 30, 2023
Economic Development Bond	$ 578,870	-	161,582	417,288

Interest expense for the year ended June 30, 2023 was $10,019.

9. **PRIOR PERIOD ADJUSTMENT**

The beginning net assets of the foundation were overstated by $370,995, which was comprised of realized ($1,732) and unrealized ($383,957) investment losses, interest income ($23,822) and investment fees ($9,128). This adjustment affected the net assets with donor restrictions. The prior year financial statements have been restated to effect these changes and re-issued, with the donor restricted net assets reflecting the decrease of $370,995.

10. **RESTRICTIONS ON NET ASSETS**

The Foundation's net assets with donor restrictions for the following purposes as of June 30 consisted of the following:

Subject to Expenditure for Specific Purpose:	
Scholarships	$ 5,879,450
Capital Projects	70,703
Lectures & Events	109,696
Academic Support	52,467
Alumni	1,662
Programs & Grants	17,948
Other College Support	8,822
Total	$ 6,140,748

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by the donors.

Purpose Restrictions Accomplished	
Scholarships	$ 250,069
Capital Projects	4,974
Lectures & Events	1,736
Alumni	12,255
Academic & Faculty Support	5,096
Fundraising	15,527
Programs & Grants	105,099
Total Restrictions Released	$ 394,756

NOTE 20 – COMPONENT UNIT, Continued

11. BOARD DESIGNATED NET ASSETS

During the fiscal year ended June 30, 2017 the Foundation entered into a donor agreement with the Spartanburg County Foundation and transferred $500,000 of unrestricted cash to fund an endowment type fund to provide scholarships and other support for the benefit of Spartanburg Community College and its students and faculty. Although the funds are not externally restricted they have been set aside and designated by contractual agreement. This amount is included with investments held by the Spartanburg County Foundation on the Statement of Financial Position.

The Organization's Board-designated net assets as of June 30, 2023 consisted of the following:

Held by Spartanburg County Foundation For College Support	$ 2,145,740

12. WORKING CAPITAL AND LIQUIDITY

Working Capital	
Current Assets	$ 324,659
Less: Current Liabilities	166,541
Working Capital	158,118

The Foundation's financial assets available within one year of the balance sheet date for general expenditure are as follows:

Cash	243,407
Pledges Receivable	45,900
Total Liquid Assets	289,307
Commitments	
Current Liabilities	166,541
Liquid Assets Available	$ 122,766

13. LEASE INCOME

The Foundation has entered into a twenty year lease agreement with Spartanburg Community College that expires in 2027. Under this lease agreement the College pays rent to the Foundation for use of the Cherokee County Campus building and equipment in the amount of $199,000 per year. Pursuant to the terms of the lease, future minimum rental payments are expected to be $199,000 per year for each of the next 12 years.

The Foundation has also entered into a twenty year lease agreement with a tenant for 3.45 acres of land located in Cherokee County that expires in 2027. On June 30, 2023, the book value of the leased land was $108,451. The lease payment is $1,440 per year. Pursuant to the terms of the lease, future minimum rental payments are expected to be $1,440 per year for each of the next 4 years. Lease income for the current fiscal year was $1,440 under this lease.

NOTE 20 – COMPONENT UNIT, Continued

14. **CONCENTRATIONS OF CREDIT RISK**

At various times throughout the year, and at year end, the Foundation had deposits at a financial institution in excess of Federal Deposit Insurance Corporation (FDIC) insurable limits. At June 30, 2023 this amount was $0.

15. **CONTINGENCIES / COMMITMENTS**

Due to the nature of the Foundation's normal activities, it is routinely subject to a variety of claims and demands by various individuals and entities. Loss contingencies are situations involving uncertainties as to possible loss. The uncertainties are resolved when certain events occur or fail to occur. Loss contingencies may result for litigation, claims, audit disallowances, threatened property loss, or uncollectible receivables. Such situations are loss contingencies if the related liability has not been recorded, yet a loss is reasonably possible. Guarantees of others' debts are loss contingencies, however, even if the probability of loss is remote. The Foundation maintains insurance against certain loss contingencies with liability policies and physical damage coverage. At the date of this report, management is not aware of any contingencies that will result in any material loss to the Foundation.

Due to the COVID 19 Pandemic that has continued to develop during the fiscal year, the Foundation is evaluating what effect it will have on its operation with respect to revenues and support, the collectability of receivables including timing concessions, the ability to obtain necessary materials and supplies, manage and protect the health and safety, including the stability of its employees and support workforce, and the ability to be mobile, access service locations, and continue to provide essential services at an appropriate level, all within the guidelines and mandates of federal, state and local governments and officials. At this time, as of the date of this report, the management is unsure of the effect of this circumstance and will be monitoring and evaluating on an ongoing basis to determine the effect of this on its ongoing operations, and the value of its assets and obligations long term.

NOTE 21 – EVALUATION OF SUBSEQUENT EVENTS

Management has, through September 30, 2023, the date the financial statements were available to be issued, considered whether events have occurred, or circumstances exist subsequent to the date of the financial statements, June 30, 2023, 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
Pension Required Supplementary Information
For the Year Ended June 30, 2023

SOUTH CAROLINA RETIREMENT SYSTEM (SCRS)

Schedule of the College's Proportionate Share of the Net Pension Liability

Year	Proportion of the Net Pension Liability	Proportion of the Net Pension Liability	Covered Payroll During the Measurement Period	Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2023	0.179858%	$43,601,348	$22,659,472	192.42%	57.10%
June 30, 2022	0.170942%	$36,994,110	$20,550,573	180.01%	60.70%
June 30, 2021	0.171109%	43,721,486	20,166,868	216.80%	50.70%
June 30, 2020	0.173467%	39,609,774	19,300,961	205.22%	54.40%
June 30, 2019	0.173876%	38,959,974	18,991,841	205.14%	54.10%
June 30, 2018	0.173987%	39,167,272	18,182,511	215.41%	53.34%
June 30, 2017	0.170293%	36,374,333	17,419,328	208.82%	52.91%
June 30, 2016	0.176492%	33,472,535	17,558,450	190.63%	56.99%
June 30, 2015	0.185000%	31,863,435	17,680,152	180.22%	59.92%

Schedule of Employer Contribution

Year	Statutorily Required Contribution	Contributions Recognized by the Plan	Contributions Excess (Deficiency)	SCC Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2023	$3,999,425	$3,999,425	-	$24,179,315	16.54%
June 30, 2022	3,542,095	3,542,095	-	22,659,472	15.63%
June 30, 2021	3,009,481	3,009,481	-	20,550,573	14.64%
June 30, 2020	2,961,808	2,961,808	-	20,166,868	14.69%
June 30, 2019	2,669,487	2,669,487	-	19,300,961	13.83%
June 30, 2018	2,445,710	2,445,710	-	18,991,841	12.88%
June 30, 2017	1,980,554	1,980,554	-	18,182,511	10.89%
June 30, 2016	1,824,011	1,824,011	-	17,419,328	10.47%
June 30, 2015	1,804,108	1,804,108	-	17,558,450	10.27%

Note: This schedule will continue to build prospectively until a 10 year trend of data is compiled.

SPARTANBURG COMMUNITY COLLEGE
Pension Required Supplementary Information
For the Year Ended June 30, 2023

POLICE OFFICERS RETIREMENT SYSTEM (PORS)

Schedule of the College's Proportionate Share of the Net Pension Liability

Year	Proportion of the Net Pension Liability	Proportion of the Net Pension Liability	Covered Payroll During the Measurement Period	Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2023	0.011506%	345,050	$177,805	194.06%	66.40%
June 30, 2022	0.011549%	297,153	$171,596	173.17%	70.40%
June 30, 2021	0.012046%	399,478	181,976	219.52%	58.80%
June 30, 2020	0.012170%	348,773	176,514	197.59%	62.70%
June 30, 2019	0.009102%	257,897	125,979	204.71%	61.70%
June 30, 2018	0.002150%	58,764	26,845	218.90%	60.90%
June 30, 2017	0.002960%	74,978	37,681	198.98%	60.44%
June 30, 2016	0.003240%	70,637	40,147	175.95%	64.57%
June 30, 2015	0.004000%	67,273	40,147	167.57%	67.55%

Schedule of Employer Contribution

Year	Statutorily Required Contribution	Contributions Recognized by the Plan	Contributions Excess (Deficiency)	SCC Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2023	$45,856	$45,856	-	$226,559	20.24%
June 30, 2022	34,210	34,210	-	177,805	19.24%
June 30, 2021	31,299	31,299	-	171,596	18.24%
June 30, 2020	33,192	33,192	-	181,976	18.24%
June 30, 2019	30,431	30,431	-	176,514	17.24%
June 30, 2018	20,459	20,459	-	125,979	16.24%
June 30, 2017	3,823	3,823	-	26,845	14.24%
June 30, 2016	5,177	5,177	-	37,681	13.74%
June 30, 2015	5,384	5,384	-	40,147	13.41%

Note: This schedule will continue to build prospectively until a 10 year trend of data is compiled.

SPARTANBURG COMMUNITY COLLEGE
Schedule of Proportionate Share of the Net OPEB Liability
South Carolina Retirement System Health Insurance Trust Fund (SCRHIFT)
For the Year Ended June 30, 2023

South Carolina Retirement System Health Insurance Trust Fund (SCRHIFT)

Schedule of the College's Proportionate Share of the Note OPEB Liability

Year	Proportion of the Net Pension Liability	Proportion of the Net Pension Liability	Covered Payroll During the Measurement Period	Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2023	0.232346%	$ 35,344,105	$ 22,837,277	154.76%	9.64%
June 30, 2022	0.222203%	46,269,733	20,722,168	223.29%	7.48%
June 30, 2021	0.220755%	39,849,471	20,348,844	195.83%	8.39%
June 30, 2020	0.222706%	33,676,543	19,477,475	172.90%	8.44%
June 30, 2019	0.221689%	31,414,628	19,117,820	164.32%	7.91%
June 30, 2018	0.215934%	29,247,907	18,209,356	160.62%	7.60%

Schedule of Employer Contributions

Year	Statutorily Required Contribution	Contributions Recognized by the Plan	Contributions Excess (Deficiency)	College's Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2023	$ 1,525,367	$ 1,525,367	-	24,405,874	6.25%
June 30, 2022	1,427,330	1,427,330	-	22,837,277	6.25%
June 30, 2021	1,295,136	1,295,136	-	20,722,168	6.25%
June 30, 2020	1,274,803	1,274,803	-	20,348,844	6.26%
June 30, 2019	1,178,387	1,178,387	-	19,477,475	6.05%
June 30, 2018	1,051,482	1,051,482	-	19,117,820	5.50%

Note: This schedule will continue to build prospectively until a 10 year trend of data is compiled.

SPARTANBURG COMMUNITY COLLEGE
Schedule of Proportionate Share of the Net OPEB Liability
South Carolina Retirement System Long-term Disability Insurance Trust Fund (SCLTDITF)
For the Year Ended June 30, 2023

South Carolina Retirement System Long-Term Disability Insurance Trust Fund (SCLTDITF)

Schedule of the College's Proportionate Share of the Net OPEB Liability

Year	Proportion of the Net Pension Liability	Proportion of the Net Pension Liability	Covered Payroll During the Measurement Period	Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2023	0.162334%	$ 18,807	$ 22,837,277	0.08%	75.04%
June 30, 2022	0.159984%	5,084	20,722,168	0.02%	92.84%
June 30, 2021	0.160873%	488	20,348,844	0.00%	99.29%
June 30, 2020	0.163504%	3,218	19,477,475	0.02%	95.17%
June 30, 2019	0.163306%	4,999	19,117,820	0.03%	92.20%
June 30, 2018	0.160276%	2,906	18,209,356	0.02%	95.29%

Schedule of Employer Contributions

Year	Statutorily Required Contribution	Contributions Recognized by the Plan	Contributions Excess (Deficiency)	College's Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2023	$ 12,323	$ 12,323	-	$ 24,405,874	0.05%
June 30, 2022	12,291	$ 12,291	-	22,837,277	0.05%
June 30, 2021	12,120	12,120	-	20,722,168	0.06%
June 30, 2020	12,159	12,159	-	20,348,844	0.06%
June 30, 2019	12,049	12,049	-	19,477,475	0.06%
June 30, 2018	11,853	11,853	-	19,117,820	0.06%

Note: This schedule will continue to build prospectively until a 10 year trend of data is compiled.