

GREER MIDDLE COLLEGE, INC.

**(a Component Unit of the School District
of Greenville County)**

GREER, SOUTH CAROLINA

**ANNUAL FINANCIAL REPORT
June 30, 2009**

(With Independent Auditors' Report Thereon)

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GREER, SOUTH CAROLINA
Annual Financial Report
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MARTIN SMITH & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS, PA

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

The Charter Committee
Greer Middle College, Inc.
Greer, South Carolina

We have audited the accompanying financial statements of the governmental activities, the major fund, and the remaining fund information of Greer Middle College, Inc., a component unit of the School District of Greenville County, Greenville, South Carolina as of and for the year ended June 30, 2009, which collectively comprise the School's basic financial statements, as listed in the accompanying table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to in the first paragraph above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the remaining fund information of Greer Middle College, Inc. at June 30, 2009, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The introductory section, schedule of revenues, expenditures, and changes in fund balance – general fund, and schedule of revenues, expenditures, and changes in fund balance – special revenue fund are presented for purposes of additional analysis and are not a required part of the basic financial statements of Greer Middle College Inc. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated August 28, 2009, on our consideration of Greer Middle College Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

August 28, 2009

Martin Smith & Company CPAs PA

Member: American Institute of Certified Public Accountants • South Carolina Association of Certified Public Accountants

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**GREER MIDDLE COLLEGE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

This discussion and analysis of Greer Middle College, Inc. (the "School's") financial performance provides an overview of the School's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the School's financial performance as a whole. Readers should also review the notes to the basic financial statements and the financial statements themselves to enhance their understanding of the School's financial performance.

FINANCIAL HIGHLIGHTS

The liabilities of the School exceeded its assets at the close of the most recent fiscal year by \$30,174 (net deficit). The School has invested \$104,332 in capital assets, net of accumulated depreciation and related debt. Therefore, the School reported a deficit in unrestricted net assets of \$134,506.

The School's total net assets decreased by \$31,183 during its first fiscal year of operation as a school. The School benefited from the receipt of grant funding from a charter school implementation grant and made purchases of technology equipment and supplies to enable the School to serve its first year of ninth grade students. Enrollment was approximately 90 students by the end of the school year which did not provide sufficient funding to meet expenses. The school benefited from a line of credit of \$50,000 to enable it to make payments to all vendors and employees in a timely manner but also assumed liabilities for the accrued medical leave of its new employees.

As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balances of a deficit of \$62,246.

At the end of the current fiscal year, the unreserved fund balance for the general fund was a deficit of \$71,672.

The School's total capital assets increased by \$50,548 during the current fiscal year.

During the 2009 fiscal year, the School's governmental fund type revenues were \$738,004. This amount was less than originally planned due to mid year budget cuts mandated by the State Department of Education. The funding came primarily from local sources although a federal grant represented 20% of the total.

During the School's first operational and current fiscal year, the School's governmental fund type expenditures were \$769,187.

GREER MIDDLE COLLEGE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – required supplementary information in the form of this management's discussion and analysis, the basic financial statements including both government-wide and fund financial statements, the notes to the financial statements, and required supplementary information in the form of budgetary comparison schedules and notes to the budgetary comparison schedules.

The basic financial statements include two kinds of statements that present different views of the School. The first two statements are government-wide financial statements that provide a broad overview of the School's overall financial status, in a manner similar to a private-sector enterprise.

The statement of net assets presents information on all of the School's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The statement of activities presents information showing how the government's net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, for some items, revenues and expenses are reported in this statement that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the School that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). However, all activities of the School are governmental activities, which include instruction, supporting services, and debt service. The School's operations do not include any business-type activities.

The government-wide financial statements can be found at Exhibits A and B of this report.

The remaining basic financial statements are fund financial statements which focus on individual parts of the School, reporting the school's operations in more detail than the government-wide statements.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. All of the funds of the School are governmental funds, one of three types of funds (governmental, proprietary, and fiduciary).

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term uses of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

**GREER MIDDLE COLLEGE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

OVERVIEW OF THE FINANCIAL STATEMENTS, continued

The School maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the special revenue fund. The basic governmental fund financial statements can be found at Exhibits C, D, E, and F of this report.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found at Exhibit I of this report.

The School adopts an annual appropriated budget for its general fund and special revenue fund. A budgetary comparison statement has been provided in the required supplementary information section for these funds to demonstrate compliance with their budgets. These statements can be found at Exhibits G and H of this report.

Major Features of Greer Middle College, Inc. Government-wide and Fund Financial Statements		
	Government-wide Statements	Fund Financial Statements
		<i>Government Funds Only</i>
Scope	Entire School unit	The activities of the District that are not proprietary or fiduciary
Required financial statements	Statement of net assets Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used and liabilities that come due during the year or soon thereafter; no capital assets included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods/services have been received and payment is due during the year or soon after

GREER MIDDLE COLLEGE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the School, liabilities exceeded assets by \$30,174 at the close of the most recent fiscal year.

Table 1 provides a summary of the School's net assets for 2009 compared to 2008:

Net Assets		Governmental Activities	
		2009	2008
Assets			
Current and other assets	\$	36,749	36,108
Capital assets		104,332	925
Total assets		141,081	37,033
Liabilities			
Long-term liabilities		72,260	-
Other liabilities		98,995	36,024
Total liabilities		171,255	36,024
Net Assets			
Invested in capital assets, net of debt		104,332	925
Unrestricted		(134,506)	84
Total net assets	\$	(30,174)	1,009

During the current fiscal year, net assets of the School's governmental activities decreased by \$31,183. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – changed from \$1,009 at June 30, 2008, to a deficit of \$30,174 at June 30, 2009. Management feels that this is acceptable in light of the School's start-up nature and the previously mentioned mid year budget cuts that were experienced. Management expects operations to continue to be funded by the enrollment of students at the school as it adds three more grades during the next three years. Enrollment for year two is projected to be at full capacity.

**GREER MIDDLE COLLEGE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The following table shows the changes in net assets for fiscal year 2009 compared to 2008.

Changes in Net Assets

	Governmental Activities	
	2009	2008
Revenues		
Program revenues:		
Operating grants	\$ 149,207	32,659
General revenue:		
Local revenue	586,345	-
Other	2,452	79
Total revenues	<u>738,004</u>	<u>32,738</u>
Program Expenses		
Instruction	550,973	956
Support services	218,214	30,773
Total expenses	<u>769,187</u>	<u>31,729</u>
Increase (decrease) in net assets	<u>\$ (31,183)</u>	<u>1,009</u>

Governmental Activities:

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

Governmental Funds

For the year ended June 30, 2009, the School's governmental funds reported combined fund balances of a deficit of \$62,246, as compared to \$84 for the prior year.

With the enrollment of approximately 90 students and funding from the implementation grant, the School was able to finish its first year of operation, although with a deficit. The School attributes this to reductions in funding and the inability to achieve full enrollment due to its location in downtown Greenville and not in Greer. The School's principal continues to exercise fiscal restraint in not spending school funds unless necessary for operations.

The special revenue fund consists of a federal grant in the amount of \$149,207. The funding was used primarily to fund capital asset acquisition, start up supplies and expenses necessary to prepare the facility for occupancy. The federal grant is part of a two year implementation grant to assist the School with its start up expenses. The funds that were received during the year were expended during the current fiscal year; therefore, there was no fund balance at the end of the previous or current year.

GREER MIDDLE COLLEGE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

General Fund Budgetary Highlights

The School's budget is prepared according to South Carolina law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. During the course of the fiscal year 2009, amendments to the School's general fund budget resulted in an increase to net change in fund balances from \$84 to a deficit of \$62,246.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2009, the School had \$104,332 invested in capital assets, net of depreciation and related debt.

The total increase in the School's investment in capital assets was \$103,407. Major capital asset events during the current fiscal year included purchases of technology equipment, and construction in progress on the new location for year two for a total of \$114,180, and depreciation expense of \$10,848

The following table shows fiscal 2009 balances compared to 2008.

Capital Assets
(Net of Depreciation)

	Governmental Activities	
	2009	2008
Furniture and equipment	\$ 1,714	925
Technology	47,986	-
Construction in progress	54,632	-
Totals	\$ 104,332	925

Long-term Debt

At fiscal year-end, the School had no long term indebtedness.

As noted earlier, other obligations include accrued sick leave. More detailed information about the School's debt and other long-term liabilities is presented in the notes to the financial statements.

Contacting the School's Financial Management

This financial report is designed to provide interested parties with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the School's business office located at 2522 Locust Hill Road, Taylors, South Carolina.

GREER MIDDLE COLLEGE, INC.
GREER, SOUTH CAROLINA
Statement of Net Assets
June 30, 2009

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 5,560
Accounts receivable	21,763
Prepaid expenses	9,426
Capital assets	115,180
Less accumulated depreciation and amortization	<u>(10,848)</u>
Total capital assets, net of depreciation	<u>104,332</u>
Total assets	<u>\$ 141,081</u>
<u>LIABILITIES</u>	
Accounts payable	\$ 59,736
Accrued expenses	39,259
Long-term liabilities:	
Due within one year	-
Due in more than one year	<u>72,260</u>
Total liabilities	<u>171,255</u>
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	104,332
Unrestricted net assets (deficit)	<u>(134,506)</u>
Total net assets	<u>\$ (30,174)</u>

The notes to the financial statements are an integral part of this statement.

GREER MIDDLE COLLEGE, INC.
GREER, SOUTH CAROLINA
Statement of Activities
For the Year Ended June 30, 2009

<u>Functions / Programs</u>	<u>Program Revenues</u>			<u>Net Revenue (Expense) and Change in Net Assets</u>
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities:				
Instruction	\$ 550,973	\$ -	\$ 74,426	\$ (476,547)
Support services	218,214	-	74,781	(143,433)
Interest and other charges	-	-	-	-
Total governmental activities	<u>769,187</u>	<u>-0-</u>	<u>149,207</u>	<u>(619,980)</u>
Total	<u>\$ 769,187</u>	<u>\$ -0-</u>	<u>\$ 149,207</u>	<u>(619,980)</u>
General revenues:				
Local revenue				586,345
Miscellaneous				1,784
Unrestricted investment earnings				668
Total general revenues				<u>588,797</u>
Change in net assets				(31,183)
Net assets, beginning of year				<u>1,009</u>
Net assets, end of year				<u>\$ (30,174)</u>

The notes to the financial statements are an integral part of this statement.

GREER MIDDLE COLLEGE, INC.
GREER, SOUTH CAROLINA
Balance Sheet - Governmental Funds
June 30, 2009

	<u>General</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 5,560	\$ -	\$ 5,560
Accounts receivable	-	21,763	21,763
Due from other funds	21,763	-	21,763
Prepaid expenses	<u>9,426</u>	<u>-</u>	<u>9,426</u>
Total assets	<u>\$ 36,749</u>	<u>\$ 21,763</u>	<u>\$ 58,512</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 59,736	\$ -	\$ 59,736
Accrued expenses	39,259	-	39,259
Due to other funds	<u>-</u>	<u>21,763</u>	<u>21,763</u>
Total liabilities	<u>98,995</u>	<u>21,763</u>	<u>120,758</u>
Fund balances:			
Reserved	9,426	-	9,426
Unreserved:			
Undesignated	<u>(71,672)</u>	<u>-</u>	<u>(71,672)</u>
Total fund balances	<u>(62,246)</u>	<u>-0-</u>	<u>(62,246)</u>
Total liabilities and fund balance	<u>\$ 36,749</u>	<u>\$ 21,763</u>	<u>\$ 58,512</u>

The notes to the financial statements are an integral part of this statement.

GREER MIDDLE COLLEGE, INC.
GREER, SOUTH CAROLINA
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2009

Total fund balances - governmental funds	\$	(62,246)
Amounts reported for governmental activities in the statement of net assets are different because of the following:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. The cost of assets is \$115,180 and the accumulated depreciation and amortization is \$10,848.		104,332
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.		<u>(72,260)</u>
Net assets of governmental activities	\$	<u><u>(30,174)</u></u>

The notes to the financial statements are an integral part of this statement.

GREER MIDDLE COLLEGE, INC.
GREER, SOUTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2009

	<u>General</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
REVENUES			
Local sources	\$ 2,452	\$ -	\$ 2,452
Federal sources	-	149,207	149,207
Intergovernmental	<u>586,345</u>	<u>-</u>	<u>586,345</u>
Total revenues all sources	<u>588,797</u>	<u>149,207</u>	<u>738,004</u>
EXPENDITURES			
Current			
Instruction	486,351	74,426	560,777
Support services	164,776	74,781	239,557
Community services	-	-	-
Intergovernmental	-	-	-
Debt service	-	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>0</u>
Total expenditures	<u>651,127</u>	<u>149,207</u>	<u>800,334</u>
Net change in fund balances	(62,330)	-0-	(62,330)
FUND BALANCE, July 1, 2008	<u>84</u>	<u>-0-</u>	<u>84</u>
FUND BALANCE, June 30, 2009	<u>\$ (62,246)</u>	<u>\$ -0-</u>	<u>\$ (62,246)</u>

The notes to the financial statements are an integral part of this statement.

GREER MIDDLE COLLEGE, INC.
GREER, SOUTH CAROLINA
Reconciliation of Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2009

Total net change in fund balance -- governmental funds	\$ (62,330)
Amounts reported for governmental activities in the statement of activities are different because of the following:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$114,180) exceed amortization and depreciation expense (\$10,773) in the period.	103,407
In the statement of activities, certain operating expenses--compensated absences (accrued sick leave) and special termination benefits (early retirement)--are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid, an immaterial amount not recorded under the modified accrual basis of accounting).	<u>(72,260)</u>
Change in net assets of governmental activities	<u>\$ (31,183)</u>

The notes to the financial statements are an integral part of this statement.

GREER MIDDLE COLLEGE, INC.
GREER, SOUTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual
General Fund
For Fiscal Year Ended June 30, 2009

	<u>Original</u>	<u>Final</u>	<u>Actual</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Favorable</u> <u>(Unfavorable)</u>
REVENUES				
Local	\$ 1,000	\$ 2,700	\$ 2,452	\$ (248)
State	-	-	-	-
Federal	-	-	-	-
Intergovernmental	<u>626,654</u>	<u>586,356</u>	<u>586,345</u>	<u>(11)</u>
Total revenue	<u>627,654</u>	<u>589,056</u>	<u>588,797</u>	<u>(259)</u>
EXPENDITURES				
Current:				
Instruction	527,120	491,520	486,351	5,169
Support services	81,830	164,940	164,776	164
Community services	-	-	-	-
Intergovernmental	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>608,950</u>	<u>656,460</u>	<u>651,127</u>	<u>5,333</u>
Excess (deficiency) of revenues over expenditures	<u>18,704</u>	<u>(67,404)</u>	<u>(62,330)</u>	<u>5,074</u>
Net change in fund balance	<u>\$ 18,704</u>	<u>\$ (67,404)</u>	(62,330)	<u>\$ 5,074</u>
Fund balance - July 1, 2008			<u>84</u>	
Fund balance - June 30, 2009			<u>\$ (62,246)</u>	

The notes to the financial statements are an integral part of this statement.

GREER MIDDLE COLLEGE, INC.
GREER, SOUTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual
Special Revenue Fund
For Fiscal Year Ended June 30, 2009

	<u>Original</u>	<u>Final</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
REVENUES				
Local	\$ -	\$ -	\$ -	\$ -
State	-	-	-	-
Federal	190,000	185,000	149,207	(35,793)
Intergovernmental	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>190,000</u>	<u>185,000</u>	<u>149,207</u>	<u>(35,793)</u>
EXPENDITURES				
Current:				
Instruction	85,080	80,080	74,426	5,654
Support services	104,920	104,920	74,781	30,139
Community services	-	-	-	-
Intergovernmental	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>190,000</u>	<u>185,000</u>	<u>149,207</u>	<u>35,793</u>
Excess (deficiency) of revenues over expenditures	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net change in fund balance	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>	-0-	\$ <u><u>-0-</u></u>
Fund balance - July 1, 2008			<u>-0-</u>	
Fund balance - June 30, 2009			\$ <u><u>-0-</u></u>	

The notes to the financial statements are an integral part of this statement.

GREER MIDDLE COLLEGE, INC.
Notes to the Basic Financial Statements
June 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Greer Middle College, Inc. (the "School") conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The School is a charter school under legislation enacted on June 18, 1996. A charter school is considered a public school and the School is a part of the School District of Greenville County (the "School District") for the purposes of state law and state constitution. Because the School District Board of Trustees can significantly influence operations and the School District provides substantial financial support, the School's financial statements are included in those of the School District as a discretely presented component unit.

B. Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities which report information on all of the activities of the School. The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers who purchase, use or directly benefit from services or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues. Separate financial statements are provided for the governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, are recorded only when payment is due. All other revenue items are considered to be measurable and available only when cash is received by the School.

The School reports the following major governmental funds:

- The general fund is the School's primary operating fund. It accounts for all financial resources of the School, except those required to be accounted for in another fund.
- The special revenue fund accounts for specific revenue sources (other than expendable trusts) that are legally restricted to expenditures for specified purposes. Money in this fund is expended according to the provisions of general statutes applicable to charter schools.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

GREER MIDDLE COLLEGE, INC.
Notes to the Basic Financial Statements
June 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D) Assets, Liabilities, and Net Assets or Equity

1) Deposits and Investments

The School's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The School pools money from two funds to facilitate disbursements and maximize investment income. Investments are reported at fair value.

2) Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

3) Capital assets

Capital assets include equipment, furniture, technology, vehicles and leasehold improvements. Capital assets are defined by the School as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Furniture and accessories	20
Business machines	10
Copiers	5
Communications equipment	10
Computer hardware	5
Computer software	5
Audio visual equipment	10
Vehicles	8

4) Compensated absences

It is the School's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The sick leave policy of the School provides for the accumulation of up to 90 days earned sick leave with such leave being fully vested when earned. The current portion of the accumulated sick leave pay is not considered to be material; therefore, no expenditure or liability has been reported in the governmental funds. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts, if material, is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

5) Long-term obligations

In the government-wide financial statements long-term debt and long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. In the fund financial statements, governmental fund types recognize principal and interest payments as expenditures of the current period and report the face amount of debt issued as other financing sources.

6) Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation (e.g., prepaid insurance which is not an expendable, available resource) or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

GREER MIDDLE COLLEGE, INC.
Notes to the Basic Financial Statements
June 30, 2009

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets for all governmental funds are adopted on the modified accrual basis for accounting, which is consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year end and the School does not employ encumbrance accounting.

Each budget is prepared by function and object as dictated by the State of South Carolina adopted Program Oriented Budgeting and Accounting System and for management control purposes. The School's policies allow funds to be transferred between functions. However, the total budget cannot be increased beyond that level without approval of the School's Charter Committee. The legal level of control is at the fund level. During the year, the School revised the budget. The administration has discretionary authority to make transfers between appropriation accounts. The budget amounts in the financial statements are as amended by the administration.

B. Excess of Expenditures over Appropriations

Expenditures exceeded appropriations in the Instruction and Support Services expenditure categories.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

At June 30, 2009, the School's carrying amount of deposits was \$5,560 and the bank balance was \$10,923, all of which \$176,044 was covered by Federal Depository Insurance. The School had no investments at June 30, 2009.

B. Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	<u>Beginning Balance</u>		<u>Increases</u>		<u>Decreases</u>		<u>Ending Balance</u>
Capital assets being depreciated:							
Furniture and equipment	\$ 1,000	\$	1,211	\$	-	\$	2,211
Technology	-		58,337		-		58,337
Total assets being depreciated	<u>1,000</u>		<u>59,548</u>		<u>-</u>		<u>60,548</u>
Construction in progress	-		54,632		-		54,632
Total capital assets	<u>1,000</u>		<u>114,180</u>		<u>-</u>		<u>115,180</u>
Less accumulated depreciation for:							
Furniture and equipment	75		422		-		497
Technology	-		10,351		-		10,351
Total accumulated depreciation	<u>75</u>		<u>10,773</u>		<u>-</u>		<u>10,848</u>
Net capital assets being depreciated	<u>\$ 925</u>	\$	<u>103,407</u>	\$	<u>-</u>	\$	<u>104,332</u>
Governmental activities capital assets, net	<u>\$ 925</u>	\$	<u>103,407</u>	\$	<u>-</u>	\$	<u>104,332</u>

GREER MIDDLE COLLEGE, INC.
Notes to the Basic Financial Statements
June 30, 2009

III. DETAILED NOTES ON ALL FUNDS, Continued

B. Capital Assets, Continued

Depreciation expense charged to functions/programs was as follows:

Governmental activities:

Instruction	\$	10,036
Support services		737

Total depreciation / amortization expense for governmental activities	\$	10,773
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C. Long-Term Debt

Long-term liability activity for the year ended June 30, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Compensated absences	\$ -	\$ 72,260	\$ -	\$ 72,260	\$ -
Governmental activities:					
Long-term liabilities	\$ -	\$ 72,260	\$ -	\$ 72,260	\$ -

IV. OTHER INFORMATION

A. Risk Management

The School is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School maintains a \$1,000,000 per occurrence general liability policy and a \$3,000,000 per occurrence errors and omissions policy with a commercial carrier.

The School carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and claims have not exceeded coverage in any of the past two fiscal years.

B. Related Party Transaction

The School has entered into a line of credit agreement with Greenville Technical Charter High School, Inc., which operates a charter school also part of the School District. Under this agreement the School can borrow up to \$50,000 to assist when it experiences delays in funding from the School District. The School will pay interest annually on the average monthly outstanding balances at the greater of 4.25 % or LIBOR plus 1%. Upon payment of the interest, the line of credit will automatically extend for one year.

GREER MIDDLE COLLEGE, INC.
Notes to the Basic Financial Statements
June 30, 2009

C. Employee Retirement Systems and Pension Plans

Substantially all School employees participated in the South Carolina Retirement System (the Plan), a cost-sharing multi-employer defined benefit pension plan administered by the Retirement Division of the State Budget and Control Board. The Plan offers retirement and disability benefits, cost of living adjustments on an ad-hoc basis, and life and survivor benefits. The Plan's provisions are established under Title 9 of the SC Code of Laws. The payroll for School employees covered by the Plan for the year ended June 30, 2009, was \$413,713; the School's total payroll was \$497,077.

Full-time School employees are required to participate in the Plan and make contributions as a condition of employment. A monthly pension benefit is payable to eligible employees at age 65 or upon attaining 30 years of credited service regardless of age, with reduced pension benefits payable as early as age 55 and 25 years of service.

SCRS plan members are required to contribute 6.5% of their annual covered salary while the School is required to contribute an actuarially determined rate. The current rate for the SCRS is 12.74% of annual covered payroll. The School's total retirement expense for the year ended June 30, 2009, was \$56,038.

The state of South Carolina also provides an optional retirement plan (State ORP). It is a governmental plan administered as a qualified plan pursuant to Section 401(a) of the Internal Revenue Code. The State ORP is a defined contribution plan that provides retirement and survivor benefits as an alternative to the SCRS. Employees may choose between the State ORP and the SCRS plan.

A comprehensive Annual Financial Report containing financial statements and required supplementary information for the South Carolina Retirement System is issued and publicly available by writing the South Carolina Retirement, P.O. Box 11960, Columbia, SC 29211-1960.

D. Post-retirement Benefits

The School is a member of the South Carolina Retirement System which was established July 1, 1945. The system covers public school employees, public higher-education personnel, state employees, city, county and other local public employees. It provides a complete schedule of benefits for regular retirement. A member is eligible for a full service retirement at age 65 or upon completion of thirty years membership. On or after January 1, 2002, members are eligible after twenty-eight years membership. Reduced benefits are payable as early as age 55.

As described more fully in Note C above, funding of the plan is made from employee / employer contributions. Benefits vest after five years of service. Vested members who retire at age 65 or with twenty-eight years of service at any age receive an annual benefit payable monthly for life. The benefit is based on length of service and on average final compensation.

E. Subsequent Events

Subsequent to June 30, 2009 the School leased seven modular educational units from the School District for use in its educational activities. The lease term is for one year, with four one-year extensions, at a rate of \$4 per square foot.

Subsequent to June 30, 2009 the School leased four modular educational units from Greenville Technical Charter High School, Inc. for use in its educational activities. The lease term is for two years, at a rate of \$4,000 per month.

F. Commitments

The School entered into an agreement with an architectural firm to provide site plans, structural, mechanical, and electrical engineering services for the installation of modular educational units. This contract, for a total of \$33,960, will be concluded during the next fiscal year.

GREER MIDDLE COLLEGE, INC.
GREER, SOUTH CAROLINA
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For Fiscal Year Ended June 30, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
1000 Revenue from local sources			
1500 Earnings on investments			
1510 Interest on investments	\$ 700	\$ 668	\$ (32)
1900 Other revenue from local sources			
1920 Contributions & donations private sources	2,000	1,784	(216)
2000 Intergovernmental revenue:			
2100 Payments from other governmental units	<u>586,356</u>	<u>586,345</u>	<u>(11)</u>
Total local sources	<u>589,056</u>	<u>588,797</u>	<u>(259)</u>
Total revenue all sources	<u>589,056</u>	<u>588,797</u>	<u>(259)</u>
EXPENDITURES			
100 Instruction			
110 General instruction			
114 High school programs			
100 Salaries	310,000	302,545	7,455
200 Employee benefits	81,000	82,473	(1,473)
300 Purchased services	65,920	64,401	1,519
400 Supplies and materials	2,000	3,037	(1,037)
600 Other objects	4,500	4,475	25
120 Exceptional programs			
127 Learning disabilities			
100 Salaries	22,500	23,371	(871)
200 Employee benefits	<u>5,600</u>	<u>6,049</u>	<u>(449)</u>
Total instruction	<u>491,520</u>	<u>486,351</u>	<u>5,169</u>

(continued)

GREER MIDDLE COLLEGE, INC.
GREER, SOUTH CAROLINA
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For Fiscal Year Ended June 30, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
200 Support services			
220 Instructional staff services			
221 Improvement of instruction - curriculum development			
300 Purchased services	\$ 200	\$ 200	\$ -
230 General administration services			
231 Board of education			
600 Other objects	1,200	1,166	34
233 School administration			
100 Salaries	120,000	121,163	(1,163)
200 Employee benefits	29,000	28,473	527
300 Purchased services	7,000	4,814	2,186
318 Audit services	6,000	6,000	-
400 Supplies and materials	1,300	1,648	(348)
600 Other objects	215	215	-
260 Central support services			
264 Staff services			
300 Purchased services	25	375	(350)
270 Supporting services pupil activity			
271 Pupil services activity:			
300 Purchased services	-	85	(85)
400 Supplies and materials	-	1,026	(1,026)
600 Other objects	-	(389)	389
	<u>164,940</u>	<u>164,776</u>	<u>164</u>
Total support services			
	<u>164,940</u>	<u>164,776</u>	<u>164</u>
Total expenditures	<u>656,460</u>	<u>651,127</u>	<u>5,333</u>
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>\$ (67,404)</u>	<u>(62,330)</u>	<u>\$ 5,074</u>
FUND BALANCE, July 1, 2008		<u>84</u>	
FUND BALANCE, June 30, 2009		<u>\$ (62,246)</u>	

GREER MIDDLE COLLEGE, INC.
GREER, SOUTH CAROLINA
Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For Fiscal Year Ended June 30, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
4000 Revenue from federal sources			
4300 Elementary and Secondary Education Act of 1965			
4320 Public Charter School Grants	\$ 185,000	\$ 149,207	\$ (35,793)
Total federal sources	<u>185,000</u>	<u>149,207</u>	<u>(35,793)</u>
EXPENDITURES			
100 Instruction			
110 General instruction			
114 High school programs			
300 Purchased services	2,080	-	2,080
400 Supplies and materials	18,000	17,389	611
500 Capital outlay	60,000	57,037	2,963
Total instruction	<u>80,080</u>	<u>74,426</u>	<u>5,654</u>
200 Support services			
230 General and administration services			
231 Board of education			
300 Purchased services	220	220	-
233 School administration			
300 Purchased services	97,000	66,919	30,081
400 Supplies and materials	5,200	5,131	69
500 Capital outlay	2,500	2,511	(11)
Total support services	<u>104,920</u>	<u>74,781</u>	<u>30,139</u>
Total expenditures	<u>185,000</u>	<u>149,207</u>	<u>35,793</u>
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>\$ -0-</u>	<u>-0-</u>	<u>\$ -0-</u>
FUND BALANCE, July 1, 2008		<u>-0-</u>	
FUND BALANCE, June 30, 2009		<u><u>\$ -0-</u></u>	

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

The Charter Committee
Greer Middle College, Inc.
Greer, South Carolina

We have audited the financial statements of Greer Middle College, Inc. as of and for the year ended June 30, 2009, and have issued our report thereon dated August 28, 2009. 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.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected by the internal controls. We noted no deficiencies in internal control over financial reporting that we consider significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School's internal controls. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

This report is intended for the information of the Charter Committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Martin Smith & Company CPA, PA

Greenville, South Carolina
August 28, 2009

**GREER MIDDLE COLLEGE, INC.
GREER, SOUTH CAROLINA
Schedule of Findings and Questioned Costs
For Fiscal Year Ended June 30, 2009**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Deficiency(ies) identified? _____ yes X no

Noncompliance material to financial
statements noted?

_____ yes X no

Section II - Financial Statement Findings

None.