

DILLON COUNTY SCHOOL DISTRICT NO. 3
LATTA, SOUTH CAROLINA

**BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

FISCAL YEAR ENDED JUNE 30, 2011

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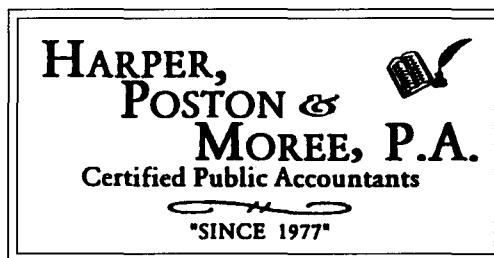
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FINANCIAL SECTION



Robert D. Harper, Jr. CPA
Stacey C. Moree CPA
P. O. Box 1550
106 Wall Street, Litchfield
Pawleys Island, SC 29585
Tel (843) 237-9125
Fax (843) 237-1621
E-mail: HPM@sc.rr.com

Robin B. Poston CPA
P. O. Box 576
307 Church Street
Georgetown, SC 29442
Tel (843) 527-3413
Fax (843) 546-7277
E-mail: hpm2@sc.rr.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Dillon County School District No. 3
Latta, South Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Dillon County School District No. 3, Latta, South Carolina, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 the 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 opinions.

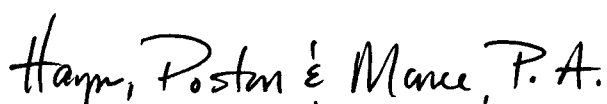
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Dillon County School District No. 3, Latta, South Carolina, as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the District adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* in the current fiscal year.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2011 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 11 and 44 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The combining and individual fund financial statements and supplemental schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is also presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual fund financial statements, supplemental schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.



Harper, Poston & Moree, P.A.
Certified Public Accountants

Pawleys Island, South Carolina
November 3, 2011

DILLON COUNTY SCHOOL DISTRICT THREE
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR YEAR ENDED JUNE 30, 2011

This discussion and analysis of Dillon County School District Three's financial statements will provide readers with an overall review of the District's financial activities and performance for the fiscal year ended June 30, 2011. Readers are encouraged to consider this information in conjunction with the additional information in the District's financial statements and the accompanying notes to those financial statements.

Dillon County School District Three's audit reporting procedures assist in further explaining changes in its financial position and operational results by comparing data of the same content with the prior fiscal year.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the fiscal year ended June 30, 2011 by \$9,559,327 (net). Of this amount \$3,105,780 is unrestricted.
- The District's total net assets decreased \$1,048,932 which represents an approximate 10% decrease from fiscal year ended June 30, 2010.
- Revenues totaled \$11,790,341.
- Expenses totaled \$12,318,125.
- The District transferred \$505,150 (net book value) of its capital assets to The Latta Schools Educational Foundation during the current fiscal year. This amount is reported as a special item in the statement of activities.
- Our principal operating fund, the General Fund, had \$7,187,169 in fiscal year 2011 revenues, which primarily consisted of state aid and property taxes and \$7,699,602 in expenditures. The General Fund's fund balance decreased \$364,784 from \$3,924,632 as of June 30, 2010 to \$3,559,848 as of June 30, 2011.
- As of the close of the year, approximately 58% of the District's ending fund balances are available for spending at the District's discretion (unrestricted, unassigned fund balances).

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements (General, Special Revenue, Debt Service, Capital Projects, Proprietary, and Fiduciary), and 3) notes to the

financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. A description of these statements and some related definitions follow:

Government-Wide Financial Statements: The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private sector business and include the operations of the District and its discretely presented component unit – The Latta Schools Educational Foundation. These statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (government activities) and functions principally supported by user charges (business type activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. The business type activities of the District include Food Services. The government-wide financial statements are included on pages 12 and 13 of the report.

Statement of Net Assets: The statement of net assets presents information on all of the District's assets and liabilities except for those related to fiduciary funds, 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 District is improving or deteriorating.

Statement of Activities: The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in 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, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Fund Financial 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 District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds: 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 inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District'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 District'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 this comparison between governmental funds and governmental activities.

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, Special Projects, EIA, Debt Service and School Building Funds, all of which are considered to be major funds.

Proprietary Funds: Services for which the District charges a fee are generally reported in the proprietary funds. Proprietary fund statements are reported on the accrual basis and include the District's food service fund.

Fiduciary Funds: Fiduciary (Pupil Activity) funds are used to account for resources held for the benefit of students and are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information: In addition to the basic financial statements, this report also presents certain required supplementary information for the General Fund demonstrating compliance with the annual appropriated budget.

The District maintains its accounting records in conformity with the South Carolina Department of Education's Financial Accounting Handbook. Combining and individual fund schedules mandated by the South Carolina Department of Education follow the basic financial statements and are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$9,559,327 as of June 30, 2011.

By far the largest portion of the District's net assets (59%) reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2011 as compared to fiscal year ended June 30, 2010:

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 4,857,145	5,190,610	\$ 319,564	272,936	\$ 5,176,709	5,463,546
Capital assets, net	5,826,143	6,501,124	126,780	126,652	5,952,923	6,627,726
Total Assets	10,683,288	11,691,734	446,344	399,588	11,129,632	12,091,322
Current liabilities	440,236	187,529	-0-	-0-	440,236	187,529
Long-term liabilities	1,127,650	1,295,534	2,419	-0-	1,130,069	1,295,534
Total Liabilities	1,567,886	1,483,063	2,419	-0-	1,570,305	1,483,063
Net Assets:						
Invested in capital assets, net of related debt	5,552,953	6,250,741	126,780	126,652	5,679,733	6,377,393
Restricted for capital projects	773,814	980,636	-0-	-0-	773,814	980,636
Unrestricted	2,788,635	2,977,294	317,145	272,936	3,105,780	3,250,230
Total Net Assets	\$ 9,115,402	10,208,671	\$ 443,925	399,588	\$ 9,559,327	10,608,259

At the end of the current fiscal year, the District is reporting positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The District began the year with net assets of \$10,608,259 and ended the fiscal year with net assets of \$9,559,327.

The following table presents a comparative summary of the changes in net assets for the fiscal year ended June 30, 2011 and for the fiscal year ended June 30, 2010:

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
REVENUES:						
Program Revenues:						
Charges for Services	\$ 150,494	151,136	\$ 111,962	114,126	\$ 262,456	265,262
Operating Grants & Contributions	8,150,828	8,990,194	728,968	769,076	8,879,796	9,759,270
Capital Grants & Contributions	86,284	177,900	-0-	18,984	86,284	196,884
General Revenues:						
Property Taxes Levied for Gen Purpose	1,614,590	1,952,901	-0-	-0-	1,614,590	1,952,901
Property Taxes Levied for Debt Service	81,476	81,476	-0-	-0-	81,476	81,476
State Aid	823,020	880,599	-0-	-0-	823,020	880,599
Unrestricted Investment Earnings	33,851	52,142	118	92	33,969	52,234
Miscellaneous	8,750	-0-	-0-	-0-	8,750	-0-
Total Revenues	10,949,293	12,286,348	841,048	902,278	11,790,341	13,188,626
EXPENSES:						
Instruction	6,686,795	6,737,993	-0-	-0-	6,686,795	6,737,993
Supporting Services	4,664,113	5,053,387	-0-	-0-	4,664,113	5,053,387
Community Services	3,200	-0-	-0-	-0-	3,200	-0-
Intergovernmental	99,328	87,673	-0-	-0-	99,328	87,673
Interest & Other Charges	12,317	12,535	-0-	-0-	12,317	12,535
Depreciation – Unallocated	98,398	98,398	-0-	-0-	98,398	98,398
Food Service	-0-	-0-	753,974	731,201	753,974	731,201
Total Expenses	11,564,151	11,989,986	753,974	731,201	12,318,125	12,721,187
Excess before Transfers	(614,858)	296,362	87,074	171,077	(527,784)	467,439
Transfers	42,737	39,036	(42,737)	(39,036)	-0-	-0-
Special Item-Contribution of Capital Assets to Component Unit (Note 4)	(505,150)	-0-	-0-	-0-	(505,150)	-0-
INCREASE/(DECREASE) in Net Assets	(1,077,271)	335,398	44,337	132,041	(1,032,934)	467,439
Net Assets, Beginning as restated Note 13	10,192,673	9,873,273	399,588	267,547	10,592,261	10,140,820
Net Assets, Ending	\$ 9,115,402	10,208,671	\$ 443,925	399,588	\$ 9,559,327	10,608,259

Governmental Activities: The following table presents the cost of the major functional activities: instruction, support services, intergovernmental and interest on long-term debt. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and District's taxpayers by each of these functions:

	Total Expenses		Net (Expense) Revenue	
	2011	2010	2011	2010
Instruction	\$ 6,686,795	6,737,993	\$ (682,086)	67,883
Support Services	4,664,113	5,053,387	(2,408,155)	(2,576,028)
Community Services	3,200	-0-	-0-	-0-
Intergovernmental	99,328	87,673	(66,764)	(51,678)
Interest and Other Charges	12,317	12,535	78,858	(12,535)
Depreciation (unallocated)	98,398	98,398	(98,398)	(98,398)
Totals	\$ 11,564,151	11,989,986	\$ (3,176,545)	(2,670,756)

- The cost of all governmental activities this year was \$11,564,151.
- Federal and state governments and charges for services subsidized certain programs with grants and contributions and other local revenues of \$8,387,606.
- Net cost of governmental activities (\$3,176,545), was financed by general revenues, which are made up of primarily property taxes \$1,696,066, state aid \$823,020 and other miscellaneous general revenues, grants and transfers of \$85,338. Investment earnings accounted for \$33,851 of funding and there was a special item (\$505,150) for a contribution of capital assets to The Latta Schools Educational Foundation. All of these components contributed to an overall decrease in net assets for Governmental activities of \$1,077,271.
- The net decrease in governmental activities net assets of \$1,077,271 accounts for the total decrease in the District's net assets and is primarily a result of an approximate \$300,000 expected decrease in property tax revenues due to a change in the allocation method used by the County Board and the transfer of \$505,150 in capital assets to the Foundation.

Business-Type Activities: Net assets of business-type activities increased by \$44,337 for the current fiscal year. Operating grants and contributions decreased approximately 6% from the prior fiscal year due to a decrease in USDA reimbursable meals served to students.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of the District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements.

In particular, unrestricted fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year. Unrestricted, unassigned fund balance represents approximately 33% of total General Fund expenditures.

As of the end of the current fiscal year, the District's governmental funds reported total combined unrestricted ending fund balances of \$3,559,848, a decrease of \$364,784 in comparison with the prior year primarily as a result of an expected decrease in property tax revenues discussed above.

Approximately \$1,029,750 of the District's fund balance has been reported as assigned to indicate that it is not available for new spending because it has already been committed to future Capital Projects and other expenditures approved by the Board of Trustees. The General Fund is the principal operating fund of the District.

The Capital Projects Fund has an ending fund balance of \$773,814, all of which is restricted by bond covenants for school renovation projects.

Proprietary Funds: The Proprietary Funds generally provide the same type of information found in the government-wide financial statements for business-type activities, but in more detail.

The Food Service Fund showed an increase in net assets of \$44,337. The balance on June 30, 2011 was \$443,925. The balance on June 30, 2010 was \$399,588. Other factors concerning the finances of this fund have already been addressed in the discussion of the District's business-type activities.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets: As of June 30, 2011, the District has invested \$5,826,143 (net of accumulated depreciation) in capital assets, including land, school buildings and facilities, vehicles, and instructional and maintenance equipment of governmental activities. This represents a net \$674,981 decrease from the prior year. Total depreciation expense for the year was \$404,536.

As of June 30, 2011, a total of \$1,011,250 has been approved for expending if needed for SY 11-12 and beyond for school projects to include maintenance and operations and construction in progress.

During the current fiscal year, the District's Board of Trustees approved a transfer of non-vital school properties to its discretely presented component unit – The Latta Schools Educational Foundation. The net book values of the assets were \$505,150 and the transfer is reported as a special item in the statement of activities.

The following schedule presents capital asset balances for governmental activities, net of depreciation, for the fiscal year ended June 30, 2011:

		Amount	
		2011	2010
Land	\$	212,453	471,791
Construction in Progress		162,853	-0-
Buildings		3,413,481	3,796,348
Improvements		1,862,196	2,062,523
Vehicles		52,820	72,231
Equipment		122,340	98,231
Total Assets	\$	5,826,143	6,501,124

The net capital assets ending balance for business-type activities is \$126,780, an increase of \$127 from the prior year. Depreciation expense for the year was \$15,099. Additional information on the District's capital assets and construction commitments can be found in Note 4 and Note 15, respectively, of this report.

Long-Term Debt: At fiscal year-end, the District has \$1,048,004 in general obligation bonds outstanding, of which \$182,942 in principal payments are due within one year. The following table presents a summary of the District's total outstanding long-term debt for the fiscal year ended June 30, 2011:

	Beginning Balance	Addition	Reduction	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 1,231,019	-0-	(183,015)	\$ 1,048,004	\$ 186,942
Note Payable – Dept. of Energy	18,498	-0-	-0-	18,498	9,249
Total Long-Term Debt	\$ 1,249,517	-0-	(183,015)	\$ 1,066,502	\$ 196,191

Under current state statutes, the District can issue general obligation debt without referendum whenever the new debt and outstanding balances of existing debt do not exceed 8% of taxable assessed values on property located within the district. More detailed information about the District's debt obligations and future debt service requirements can be found in Note 5 of this report.

BUDGETARY HIGHLIGHTS

Our General Fund budget preparing process for fiscal year 2011 continues to include estimating local tax revenue using 135-day average daily student membership and state revenue based on the state proposed base student count. As in past years, efforts were maintained in striving to obtain local and state grants to compensate for many of the budgeted expenditure items.

During the current fiscal year, there were no changes made to the original adopted budget. Following is an analysis of significant variations between budget and actual results:

- Actual local revenues of the General Fund were \$323,875 less than originally budgeted primarily due to a change in the allocation method used by the County Board to distribute property taxes to local districts within the County.

A schedule showing the original General Fund budgeted and actual expenditure functions is provided in the report as required supplementary information.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District presented a balanced budget for fiscal year 2011-12 to the County Board of Education. The 2011-12 budget focuses on maintaining high educational standards and continuing to improve student achievement. Highlights of the budget include: continuation of International Baccalaureate teacher training and related costs; medical screening for employees; student insurance; salary increases for employees paid from SDE salary schedule gaining a years experience; continuation of security crossing guards and \$2.00 over pay scale per hour for bus drivers.

State revenues are fluctuating due to the present day unstable economy. The District received numerous state funding cuts during the past several years. In order to adjust for the loss of revenue, budgeted expenditures were reduced. Our growing number of students and our reserve fund has helped to compensate for our decreases in revenue. The District will continue in its efforts to obtain grants that can be utilized to compensate for certain budgeted expenditure items.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Office of the Finance Director, Dillon County School District Three, 205 King Street, Latta, South Carolina 29565.

BASIC FINANCIAL STATEMENTS

DILLON COUNTY SCHOOL DISTRICT NO. 3
STATEMENT OF NET ASSETS
JUNE 30, 2011

	PRIMARY GOVERNMENT			COMPONENT
	GOVERNMENTAL	BUSINESS-TYPE	TOTAL	UNIT
	ACTIVITIES	ACTIVITIES		
ASSETS				
Cash	\$ -	\$ 258,370	\$ 258,370	\$ 936,315
Taxes Receivable (Net of Allowance)	188,762	-	188,762	-
Due From County Treasurer	3,563,666	-	3,563,666	-
Due From Other Agencies	3,700	-	3,700	-
Due From State Department of Education	1,139,796	590	1,140,386	-
Due From Primary Government	-	-	-	9,231
Internal Balances	(54,685)	54,685	-	-
Inventories	-	5,919	5,919	-
Deferred Bond Issuance Costs (Net of Amortization)	15,906	-	15,906	-
Capital Assets (Net of Accumulated Depreciation):				
Land (Non-Depreciable)	212,453	-	212,453	266,672
Construction in Progress (Non-Depreciable)	162,853	-	162,853	-
Buildings	3,413,481	-	3,413,481	236,976
Improvements	1,862,196	-	1,862,196	-
Vehicles	52,820	-	52,820	-
Equipment	122,340	126,780	249,120	-
TOTAL ASSETS	\$ 10,683,288	\$ 446,344	\$ 11,129,632	\$ 1,449,194
LIABILITIES				
Accounts Payable	\$ 41,837	\$ -	\$ 41,837	\$ -
Accrued Payroll Liabilities & Benefits Payable	83,168	-	83,168	-
Accrued Interest Payable	1,635	-	1,635	-
Due To State Department of Education	6,405	-	6,405	-
Unearned Grant Revenues	307,191	-	307,191	-
Noncurrent Liabilities:				
Due Within One Year	233,216	1,728	234,944	-
Due In More Than One Year	894,434	691	895,125	-
TOTAL LIABILITIES	\$ 1,567,886	\$ 2,419	\$ 1,570,305	\$ -
NET ASSETS				
Invested In Capital Assets, Net of Related Debt	\$ 5,552,953	\$ 126,780	\$ 5,679,733	\$ 503,648
Restricted for Capital Projects	773,814	-	773,814	800,262
Restricted for Scholarships	-	-	-	105,544
Unrestricted	2,788,635	317,145	3,105,780	39,740
TOTAL NET ASSETS	\$ 9,115,402	\$ 443,925	\$ 9,559,327	\$ 1,449,194

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

DILLON COUNTY SCHOOL DISTRICT NO. 3
STATEMENT OF ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2011

		PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT			COMPONENT UNIT	
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL		
Governmental Activities:									
Instruction	\$ 6,686,795	\$ 75,558	\$ 5,878,779	\$ 50,372	\$ (682,086)	\$ -	\$ (682,086)	\$ -	
Supporting Services	4,664,113	43,472	2,176,574	35,912	(2,408,155)	-	(2,408,155)	-	
Community Services	3,200	-	3,200	-	-	-	-	-	
Intergovernmental	99,328	31,464	1,100	-	(66,764)	-	(66,764)	-	
Interest and Other Charges	12,317	-	91,175	-	78,858	-	78,858	-	
Depreciation - Unallocated*	98,398	-	-	-	(98,398)	-	(98,398)	-	
Total Governmental Activities	\$ 11,564,151	\$ 150,494	\$ 8,150,828	\$ 86,284	\$ (3,176,545)	\$ -	\$ (3,176,545)	\$ -	
Business-Type Activities:									
Food Service	\$ 753,974	\$ 111,962	\$ 728,968	\$ -	\$ -	\$ 86,956	\$ 86,956	\$ -	
Total Business-Type Activities	\$ 753,974	\$ 111,962	\$ 728,968	\$ -	\$ -	\$ 86,956	\$ 86,956	\$ -	
13 TOTAL PRIMARY GOVERNMENT	\$ 12,318,125	\$ 262,456	\$ 8,879,796	\$ 86,284	\$ (3,176,545)	\$ 86,956	\$ (3,089,589)	\$ -	
COMPONENT UNIT									
Educational Foundation	\$ 6,252	\$ -	\$ 4,986	\$ 800,262	\$ -	\$ -	\$ -	\$ 798,996	
General Revenues:									
Taxes:									
Property Taxes, Levied for General Purposes					\$ 1,614,590	\$ -	\$ 1,614,590	\$ -	
Property Taxes, Levied for Debt Service					81,476	-	81,476	-	
State Aid Not Restricted to Specific Programs					823,020	-	823,020	-	
Unrestricted Contributions					-	-	-	24,550	
Unrestricted Investment Earnings					33,851	118	33,969	463	
Miscellaneous					8,750	-	8,750	-	
Transfers					42,737	(42,737)	-	-	
Special Item - Contribution of Capital Assets to Component Unit (Note 4)					(505,150)	-	(505,150)	505,150	
TOTAL GENERAL REVENUES, TRANSFERS, AND SPECIAL ITEM					\$ 2,099,274	\$ (42,619)	\$ 2,056,655	\$ 530,163	
CHANGE IN NET ASSETS					\$ (1,077,271)	\$ 44,337	\$ (1,032,934)	\$ 1,329,159	
NET ASSETS BEGINNING OF YEAR, AS RESTATED (NOTE 13)					10,192,673	399,588	10,592,261	120,035	
NET ASSETS END OF YEAR					\$ 9,115,402	\$ 443,925	\$ 9,559,327	\$ 1,449,194	

* Excludes depreciation of \$306,138 that is included in the direct expenses of the various functions.

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

DILLON COUNTY SCHOOL DISTRICT NO. 3
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>GENERAL</u>	<u>SPECIAL PROJECTS</u>
ASSETS		
Taxes Receivable (Net of Allowance for Uncollectibles)	\$ 188,762	\$ -
Due From County Treasurer	3,563,666	-
Due From Other Funds	13,044	-
Due From Other Agencies	-	3,700
Due From State Department of Education	<u>33,690</u>	<u>915,152</u>
TOTAL ASSETS	\$ <u>3,799,162</u>	\$ <u>918,852</u>
 LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts Payable	\$ 41,837	\$ -
Due To Other Funds	-	850,227
Due To State Department of Education	-	6,405
Accrued Payroll Liabilities	83,168	-
Deferred Tax Revenues	68,976	-
Deferred Grant Revenues	<u>45,333</u>	<u>62,220</u>
Total Liabilities	\$ <u>239,314</u>	\$ <u>918,852</u>
Fund Balances		
Restricted for:		
Capital Projects	\$ -	\$ -
Assigned to:		
Capital Projects	500,000	-
Special Projects	511,250	-
Debt Service for Energy Grant Match	18,500	-
Unassigned	<u>2,530,098</u>	<u>-</u>
Total Fund Balances	\$ <u>3,559,848</u>	\$ <u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>3,799,162</u>	\$ <u>918,852</u>

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

EDUCATION IMPROVEMENT ACT	DEBT SERVICE	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
\$ -	\$ -	\$ -	\$ 188,762
-	-	-	3,563,666
8,684	-	773,814	795,542
-	-	-	3,700
190,954	-	-	1,139,796
<u>\$ 199,638</u>	<u>\$ -</u>	<u>\$ 773,814</u>	<u>\$ 5,691,466</u>

\$ -	\$ -	\$ -	\$ 41,837
-	-	-	850,227
-	-	-	6,405
-	-	-	83,168
-	-	-	68,976
199,638	-	-	307,191
<u>\$ 199,638</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,357,804</u>

\$ -	\$ -	\$ 773,814	\$ 773,814
-	-	-	500,000
-	-	-	511,250
-	-	-	18,500
-	-	-	2,530,098
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 773,814</u>	<u>\$ 4,333,662</u>
<u>\$ 199,638</u>	<u>\$ -</u>	<u>\$ 773,814</u>	<u>\$ 5,691,466</u>

DILLON COUNTY SCHOOL DISTRICT NO. 3
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2011

Amounts reported for governmental activities in the statement of net assets are different because:

Ending fund balances - governmental funds balance sheet	\$ 4,333,662
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,826,143
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	68,976
Long-term liabilities, including general obligation bonds payable, compensated absences, and accrued interest, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(1,113,379)</u>
Net assets of governmental activities	<u>\$ 9,115,402</u>

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

DILLON COUNTY SCHOOL DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR FISCAL YEAR ENDED JUNE 30, 2011

	<u>GENERAL</u>	<u>SPECIAL PROJECTS</u>
REVENUES		
Local	\$ 1,770,738	\$ 146,384
State	5,221,399	376,282
Federal	-	2,061,776
Intergovernmental	<u>195,032</u>	<u>814</u>
TOTAL REVENUES	\$ <u>7,187,169</u>	\$ <u>2,585,256</u>
EXPENDITURES		
Current		
Instruction	\$ 3,815,579	\$ 1,814,027
Supporting Services	3,798,985	632,415
Community Services	-	3,200
Intergovernmental Expenditures	30,960	31,464
Debt Service		
Principal	-	-
Interest and Fiscal Agent Fees	-	-
Capital Outlay	<u>54,078</u>	<u>86,284</u>
TOTAL EXPENDITURES	\$ <u>7,699,602</u>	\$ <u>2,567,390</u>
Excess Revenues Over (Under) Expenditures	\$ <u>(512,433)</u>	\$ <u>17,866</u>
OTHER FINANCING SOURCES (USES)		
Transfers From Other Funds	\$ 223,243	\$ -
Transfers To Other Funds	<u>(75,594)</u>	<u>(17,866)</u>
TOTAL OTHER FINANCING SOURCES (USES)	\$ <u>147,649</u>	\$ <u>(17,866)</u>
Net Change in Fund Balances	\$ (364,784)	\$ -
FUND BALANCES BEGINNING OF YEAR	<u>3,924,632</u>	-
FUND BALANCES END OF YEAR	\$ <u><u>3,559,848</u></u>	\$ <u><u>-</u></u>

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

EDUCATION IMPROVEMENT ACT	DEBT SERVICE	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
\$ -	\$ 81,476	\$ -	\$ 1,998,598
1,109,603	-	-	6,707,284
-	-	-	2,061,776
-	-	-	195,846
<u>\$ 1,109,603</u>	<u>\$ 81,476</u>	<u>\$ -</u>	<u>\$ 10,963,504</u>
\$ 810,073	\$ -	\$ -	\$ 6,439,679
39,615	-	193,843	4,664,858
-	-	-	3,200
1,100	-	-	63,524
-	183,015	-	183,015
-	11,962	-	11,962
-	-	66,247	206,609
<u>\$ 850,788</u>	<u>\$ 194,977</u>	<u>\$ 260,090</u>	<u>\$ 11,572,847</u>
<u>\$ 258,815</u>	<u>\$ (113,501)</u>	<u>\$ (260,090)</u>	<u>\$ (609,343)</u>
\$ 17,866	\$ 113,501	\$ 53,268	\$ 407,878
<u>(276,681)</u>	<u>-</u>	<u>-</u>	<u>(370,141)</u>
<u>\$ (258,815)</u>	<u>\$ 113,501</u>	<u>\$ 53,268</u>	<u>\$ 37,737</u>
\$ -	\$ -	\$ (206,822)	\$ (571,606)
-	-	980,636	4,905,268
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 773,814</u>	<u>\$ 4,333,662</u>

**DILLON COUNTY SCHOOL DISTRICT NO. 3
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2011**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ (571,606)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	(141,527)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net assets.	(535,954)
Revenues in the statement of activities that will not be collected for several months after year end and do not provide for current financial resources, are not reported as revenues in the funds.	(14,211)
The issuance of long-term debt (e.g. general obligation bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	183,015
Some expenses reported in the statement of activities, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>3,012</u>
Change in net assets of governmental activities	\$ <u><u>(1,077,271)</u></u>

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

DILLON COUNTY SCHOOL DISTRICT NO. 3
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	BUSINESS-TYPE ACTIVITY ENTERPRISE FUND (FOOD SERVICE)
ASSETS	
Current Assets:	
Cash	\$ 258,370
Due From Other Funds	54,685
Due From State Department of Education	590
Inventories	5,919
Total Current Assets	\$ <u>319,564</u>
Noncurrent Assets:	
Equipment	\$ 225,121
Less: Accumulated Depreciation	(98,341)
Total Noncurrent Assets	\$ <u>126,780</u>
TOTAL ASSETS	\$ <u>446,344</u>
LIABILITIES	
Current Liabilities:	
Compensated Absences	\$ 1,728
Total Current Liabilities	\$ <u>1,728</u>
Noncurrent Liabilities:	
Compensated Absences	\$ 691
Total Noncurrent Liabilities	\$ <u>691</u>
TOTAL LIABILITIES	\$ <u>2,419</u>
NET ASSETS	
Invested in Capital Assets	\$ 126,780
Unrestricted	<u>317,145</u>
TOTAL NET ASSETS	\$ <u><u>443,925</u></u>

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

DILLON COUNTY SCHOOL DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR FISCAL YEAR ENDED JUNE 30, 2011

	BUSINESS-TYPE ACTIVITY ENTERPRISE FUND (FOOD SERVICE)
OPERATING REVENUES	
Proceeds from Sales of Meals	\$ <u>108,825</u>
TOTAL OPERATING REVENUES	\$ <u>108,825</u>
OPERATING EXPENSES	
Food Costs	\$ 371,944
Salaries and Employee Benefits	244,606
Utilities	4,065
Depreciation	15,099
Supplies and Materials	94,087
Other Operating Costs	<u>24,173</u>
TOTAL OPERATING EXPENSES	\$ <u>753,974</u>
Operating Income (Loss)	\$ <u>(645,149)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest	\$ 118
USDA Reimbursements	667,633
Commodities Received From USDA	60,141
Other Federal and State Aid	1,194
Miscellaneous Revenues	<u>3,137</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	\$ <u>732,223</u>
Income (Loss) Before Transfers	\$ 87,074
TRANSFERS IN (OUT)	\$ <u>(42,737)</u>
Change in Net Assets	\$ 44,337
NET ASSETS BEGINNING OF YEAR	<u>399,588</u>
NET ASSETS END OF YEAR	<u><u>443,925</u></u>

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

**DILLON COUNTY SCHOOL DISTRICT NO. 3
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR FISCAL YEAR ENDED JUNE 30, 2011**

	BUSINESS-TYPE ACTIVITY ENTERPRISE FUND (FOOD SERVICE)
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Patrons	\$ 108,825
Payments to Suppliers for Goods and Services	(510,884)
Payments to Employees for Services	<u>(244,606)</u>
Net Cash Provided (Used) By Operating Activities	\$ <u>(646,665)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
USDA Federal Reimbursements	\$ 739,747
Other Nonoperating Grants Received	1,194
Other Miscellaneous Receipts	3,137
Transfers to Other Funds	<u>(42,737)</u>
Net Cash Provided (Used) By Non-Capital Financing Activities	\$ <u>701,341</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of Capital Assets	\$ <u>(15,226)</u>
Net Cash Provided (Used) By Capital and Related Financing Activities	\$ <u>(15,226)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received on Investments	\$ <u>118</u>
Net Cash Provided (Used) By Investing Activities	\$ <u>118</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 39,568
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	<u>218,802</u>
CASH AND CASH EQUIVALENTS END OF YEAR	\$ <u><u>258,370</u></u>

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

**DILLON COUNTY SCHOOL DISTRICT NO. 3
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR FISCAL YEAR ENDED JUNE 30, 2011**

**BUSINESS-TYPE
ACTIVITY
ENTERPRISE FUND
(FOOD SERVICE)**

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET
CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

Operating Income (Loss)	\$ (645,149)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities:	
Depreciation	15,099
Non-Cash Commodities Used	60,141
Changes in Assets and Liabilities:	
(Increase) Decrease in Due From Other Funds	(54,685)
(Increase) Decrease in Due From State Department of Education	(590)
(Increase) Decrease in Inventory	1,701
Increase (Decrease) in Due To Other Funds	(25,601)
Increase (Decrease) in Compensated Absences	2,419
Net Cash Provided (Used) By Operating Activities	\$ <u>(646,665)</u>

Supplemental Non-Cash Financing and Investing Information:

Non-Cash Commodities Received from USDA	\$ <u>60,141</u>
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The accompanying notes are an integral part of these financial statements.

DILLON COUNTY SCHOOL DISTRICT NO. 3
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	<u>AGENCY FUND</u>
ASSETS	
Cash and Cash Equivalents	\$ <u>213,687</u>
TOTAL ASSETS	\$ <u>213,687</u>
LIABILITIES	
Accounts Payable	\$ 1,054
Scholarships Payable to Component Unit	9,231
Due To Third Parties	<u>203,402</u>
TOTAL LIABILITIES	\$ <u>213,687</u>
NET ASSETS	\$ <u><u>-</u></u>

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

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Dillon County School District No. 3 (the District) 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:

Reporting Entity

The District is a Local Education Agency empowered by State law with the responsibility to oversee and control activities related to public school education in a portion of Dillon County, South Carolina. The Board receives state, local, and federal government funding and must adhere to the legal requirements of each funding entity. The District operates under the direction of a board of trustees appointed by the Dillon County Board of Trustees. Each trustee serves a term of three years. Upon completion of this term, the trustee continues to serve until a replacement is appointed by the Dillon County Board of Trustees. A Superintendent, hired by the Board, serves as the chief administrative officer of the District.

The financial reporting entity 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.

Discretely presented component units are reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that they are legally separate from the primary government. Disclosures in the notes to the financial statements are applicable to both the District and its component unit unless otherwise indicated.

Discretely Presented Component Unit: The Latta Schools Educational Foundation, Inc. (the Foundation) is a not-for-profit 501 (c) (3) organization incorporated for the purpose of cultivating resources to improve the educational environment in the District. Because the District is financially accountable for the Foundation and because the nature and significance of the relationship between the District and the Foundation is such that exclusion of the Foundation would cause the District's basic financial statements to be incomplete, the financial statements of the Foundation are included with those of the District. Separate financial statements for the Foundation are not issued. During the current fiscal year, the District restated beginning net assets in the statement of activities for \$120,035 to include the Foundation in the reporting entity.

Government-Wide and Fund Financial Statements

The financial statement presentation for the District meets the requirements of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and related amendments, pronouncements, and interpretations.

This financial statement presentation provides a comprehensive, entity-wide perspective of the District's net assets, revenues, expenses and changes in net assets and cash flows that replaces the fund-group perspective previously required and provides for the inclusion of Management's Discussion and Analysis as required supplementary information.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The South Carolina State Department of Education (SDE) regulations require that component units discretely presented in the basic financial statements be blended with the District balances in the supplementary schedules. If this presentation format were followed, the amounts reported as revenues, expenditures and changes in fund balances for the General Fund in the supplementary schedules would not agree to the amounts reported as revenues, expenditures and changes in fund balances for the General Fund in the basic financial statements. The District has not prepared the supplemental schedules in accordance with SDE requirements as the District does not believe that this presentation is consistent with generally accepted accounting principles. Separate schedules for the component unit have been provided in the supplementary information to assist in providing this information to the SDE.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District, as a whole, and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Indirect expense allocations that have been made in the funds have been eliminated for the statement of activities.

Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated resources are also reported as general revenues.

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and demonstrate legal compliance. Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual funds are reported as separate columns in the fund financial statements. Each major fund is determined in accordance with criteria established by the Governmental Accounting Standards Board. All non-major funds are aggregated and reported in a single column of the fund financial statements.

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*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 District 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, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental revenue, licenses, and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other items are considered to be measurable and available only when cash is received.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for food sales and services. Operating expenses for enterprise funds include cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The focus of proprietary fund measurement focus is upon determination of operating income, changes in net assets, financial position, and cash flows. Proprietary funds are similar to businesses operating in the private sector, where fees are charged to external users for goods and services provided.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Fiduciary funds are used to report assets held in a trustee or agency capacity for others. Since by definition these assets are being held for the benefit of a third party and cannot be used to finance activities or obligations of the District, these funds are not incorporated into the government-wide statements. These funds are, however, reported in the fund financial statements.

The District utilizes the following governmental funds:

General Fund: The general fund is the primary operating fund of the District. The general fund accounts for all financial resources except those that are required to be reported in another fund.

Special Revenue Fund - Special Projects Fund: Accounts for the proceeds of specific revenue sources that are legally or contractually restricted to expenditures for specified purposes.

Special Revenue Fund - Education Improvement Act Fund: Accounts for the proceeds of the additional one percent sales and use tax that are restricted to expenditures for the Education Improvement Act strategies.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Debt Service Fund: Accounts for the accumulation of resources for and the payment of general long-term debt principal and interest.

Capital Projects Fund - School Building Fund: Accounts for major capital expenditures other than the acquisition of machinery, furniture, and vehicles which is usually accounted for in the fund responsible for financing the expenditures.

The District utilizes the following proprietary fund:

Enterprise Fund - Food Service Fund: Accounts for the operations of the breakfast and lunch food service programs within the District.

The District utilizes the following fiduciary fund:

Agency Fund - Pupil Activity Fund: Reports resources held by the District in a custodial capacity for students and student organizations.

The District reports the General Fund, Special Revenue - Special Projects Fund, Special Revenue - Education Improvement Act Fund, Debt Service Fund, and Capital Projects - School Building Fund as major governmental funds. The District reports the Enterprise - Food Service Fund as a major proprietary fund.

Estimates

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

Deposits and Investments

The District'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.

State statutes authorize the District to invest in obligations of the United States and its agencies, general obligations of the State of South Carolina and its subdivisions, savings and loan associations to the extent of federal depository insurance, certificates of deposit collaterally secured, and repurchase agreements secured by the foregoing obligations.

Receivables

All receivables are shown at their gross value and where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Such allowances are estimated based upon such factors as length of delinquency, historical analysis, and available means for collection enforcement.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Interfund receivables and payables are eliminated in the government-wide financial statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

Inventories and Prepaid Items

Inventory in the food service fund consists of food and supplies held for resale. Inventories are valued at cost using the first-in/first-out (FIFO) method except for commodities received from the United States Department of Agriculture which are stated at values assigned by the USDA.

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government, including the discretely presented component unit, as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. All assets of the Food Service fund are capitalized, regardless of cost. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the District and the discretely presented component unit is depreciated using the straight line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings	10 - 50
Improvements	10 - 50
Vehicles	3 - 10
Equipment	3 - 12

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation for capital assets that can be specifically identified with a function is included in the direct expenses for that function. Depreciation for capital assets that serve essentially all functions is included in the statement of activities as a separate line item "depreciation - unallocated."

Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation. All vacation pay and salary related expenses are accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service.

A liability for compensated absences is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Employees can earn up to 45 vacation days. The portion of time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide statements.

Deferred Revenues

Deferred revenues arise when a potential revenue does not meet criteria for recognition in the current period. In subsequent periods, when revenue recognition criteria are met, the government has a legal claim to the resources, or the revenue has been earned, the liability is removed and revenue is recognized.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Assets/Fund Balances

The District's net assets in the government-wide financial statements and proprietary fund financial statements are classified as follows:

Invested in Capital Assets, Net of Related Debt: This represents the District'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.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted Net Assets: This represents resources in which the District is legally or contractually obligated to spend in accordance with restrictions externally imposed by third parties or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets: Any remaining balance of net assets is reported as unrestricted, including management designations.

In the governmental fund financial statements, equity is classified as fund balance. During the current fiscal year, the District implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions". The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The categories of fund balance presented in the District's financial statements have changed as a result of implementing this statement.

The following classifications describe the relative strength of spending constraints placed on the purposes for which resources can be used:

Nonspendable Fund Balance: Consists of amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.

Restricted Fund Balance: Consists of amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed Fund Balance: Consists of amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

Assigned Fund Balance: Consists of amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Unassigned Fund Balance: Consists of amounts that are available for any purpose; positive amounts are reported only in the general fund.

The Board establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. Assigned fund balance is established by the Board through adoption or amendment of the budget as intended for a specific purpose.

When fund balance resources are available for a specific purpose in more than one classification, it is the District's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property Taxes

Property taxes are assessed and collected under a joint billing and collection agreement with Dillon County. Property taxes are levied each October (except for vehicles which are annually assessed on the first day of the month the automobiles are registered) on the assessed value listed as of the prior January 1st for all real and personal property located in the County. The tax levy is considered due upon receipt by the taxpayer, however, the actual due date is January 15th. All unpaid taxes become delinquent on January 16th of the following year and are put into execution on March 15th. Vehicle taxes are levied monthly and are due within the period they are levied. Taxes collected by the County Treasurer are held for the Dillon County Board of Education. The County Board then distributes the funds for current operations to the three school districts in the county. Property taxes are recognized under the standards established by GASB Statement No. 33 for imposed nonexchange revenues.

Nonexchange Transactions

The standards established by GASB Statement No. 33, "*Accounting and Financial Reporting for Nonexchange Transactions*", provide accounting and reporting for the following four categories of nonexchange transactions: 1) Derived tax revenues, 2) Imposed nonexchange revenues, 3) Government-mandated nonexchange transactions, and 4) Voluntary nonexchange transactions. Nonexchange transactions involve financial or capital resources in which the government either gives value to another party without directly receiving equal value in exchange or receives value from another party without directly giving equal value in exchange.

Assets from derived tax revenues are recognized when the underlying exchange has occurred or when the resources are received, whichever first. Revenues are recognized when the underlying exchange has occurred and resources are available to the government.

Assets from imposed nonexchange revenues are recognized when an enforceable legal claim has arisen or when resources are received, whichever occurs first. Revenues are recognized when resources are required to be used or the first period that use is permitted. Resources must also be available to the government.

Assets, liabilities, revenues, and expenditures from government-mandated and voluntary nonexchange transactions are generally recognized when all eligibility requirements have been met. Resources received before the eligibility requirements are fulfilled are reported as deferred revenues. Eligibility requirements can include one or more of the following:

1. The recipient has the characteristics specified by the provider.
2. Time requirements specified by the provider have been met.
3. The provider offers resources on a reimbursement basis and allowable costs have been incurred under the applicable program.
4. The provider's offer of resources is contingent upon a specified action of the recipient and that action has occurred.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 2 - DEPOSITS AND INVESTMENTS

Primary Government

At year end, the District's carrying amount of deposits was \$472,057 and the corresponding bank balance was \$484,688.

Custodial Credit Risk - Deposits: Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits might not be recovered. The District does not have a formal policy for custodial credit risk, but follows the investment policy statutes of the State of South Carolina. As of June 30, 2011, \$214,688 of the District's bank balances of \$484,688 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Cash with Fiscal Agent - The County Treasurer's Office collects the District's taxes, as well as certain federal and state revenues. The County Treasurer invests the District's monies with the South Carolina Local Government Investment Pool until the District submits a claim voucher. The pool is insured for both principal and interest. At year end the County Treasurer was responsible for \$3,563,666.

Component Unit

At year end, the Foundation's carrying amount of deposits was \$936,315 and the corresponding bank balance was also \$936,315. Of the Foundation's bank balance, \$550,262 was exposed to custodial credit risk (as defined above) because it was uninsured and uncollateralized.

NOTE 3 - RECEIVABLES

Receivables as of the year end for individual major and nonmajor governmental funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	General	Special Projects	EIA	Total
Receivables:				
Taxes	\$ 205,113	\$ -	\$ -	\$ 205,113
State and Federal Grants	33,690	915,152	190,954	1,139,796
Other Agencies	-	3,700	-	3,700
Gross Receivables	\$ 238,803	\$ 918,852	\$ 190,954	\$ 1,348,609
Less: Allowance for Uncollectible Taxes	(16,351)	-	-	(16,351)
Net Receivables	\$ 222,452	\$ 918,852	\$ 190,954	\$ 1,332,258

Receivables as of the year end for business-type activities consisted of \$590 due from SDE for reimbursement of state program aid. There is no allowance associated with this receivable.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, deferred revenues in the governmental funds consisted of \$68,976 in property taxes which are considered unavailable to liquidate current liabilities and \$307,191 in grants which are considered unearned.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
Governmental Activities:				
Capital Assets, not Being Depreciated:				
Land	\$ 471,791	\$ 43,138	\$ (302,476)	\$ 212,453
Construction in Progress	<u>-</u>	<u>162,853</u>	<u>-</u>	<u>162,853</u>
Total Capital Assets, not Being Depreciated	<u>\$ 471,791</u>	<u>\$ 205,991</u>	<u>\$ (302,476)</u>	<u>\$ 375,306</u>
Capital Assets, Being Depreciated:				
Buildings	\$ 8,790,962	\$ -	\$ (242,325)	\$ 8,548,637
Improvements	3,844,739	-	-	3,844,739
Vehicles	280,949	-	-	280,949
Support Equipment	-	64,518	-	64,518
Instructional Equipment	354,689	-	-	354,689
Maintenance Equipment	<u>124,507</u>	<u>-</u>	<u>-</u>	<u>124,507</u>
Total Capital Assets, Being Depreciated	<u>\$ 13,395,846</u>	<u>\$ 64,518</u>	<u>\$ (242,325)</u>	<u>\$ 13,218,039</u>
Less Accumulated Depreciation for:				
Buildings	\$ (4,994,614)	\$ (144,389)	\$ 3,847	\$ (5,135,156)
Improvements	(1,782,216)	(200,327)	-	(1,982,543)
Vehicles	(208,718)	(19,411)	-	(228,129)
Support Equipment	-	(758)	-	(758)
Instructional Equipment	(258,002)	(33,818)	-	(291,820)
Maintenance Equipment	<u>(122,963)</u>	<u>(5,833)</u>	<u>-</u>	<u>(128,796)</u>
Total Accumulated Depreciation	<u>\$ (7,366,513)</u>	<u>\$ (404,536)</u>	<u>\$ 3,847</u>	<u>\$ (7,767,202)</u>
Total Capital Assets, Being Depreciated, Net	<u>\$ 6,029,333</u>	<u>\$ (340,018)</u>	<u>\$ (238,478)</u>	<u>\$ 5,450,837</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 6,501,124</u></u>	<u><u>\$ (134,027)</u></u>	<u><u>\$ (540,954)</u></u>	<u><u>\$ 5,826,143</u></u>
Business-Type Activities:				
Capital Assets, Being Depreciated:				
Machinery and Equipment	\$ 209,895	\$ 15,226	\$ -	\$ 225,121
Total Capital Assets, Being Depreciated	<u>\$ 209,895</u>	<u>\$ 15,226</u>	<u>\$ -</u>	<u>\$ 225,121</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	\$ (83,242)	\$ (15,099)	\$ -	\$ (98,341)
Total Accumulated Depreciation	<u>\$ (83,242)</u>	<u>\$ (15,099)</u>	<u>\$ -</u>	<u>\$ (98,341)</u>
Total Capital Assets, Being Depreciated, Net	<u>\$ 126,653</u>	<u>\$ 127</u>	<u>\$ -</u>	<u>\$ 126,780</u>
Business-Type Activities Capital Assets, Net	<u><u>\$ 126,653</u></u>	<u><u>\$ 127</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 126,780</u></u>

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 4 - CAPITAL ASSETS (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Component Unit:				
Capital Assets, not Being Depreciated:				
Land	\$ -	\$ 266,672	\$ -	\$ 266,672
Total Capital Assets, not Being Depreciated	\$ -	\$ 266,672	\$ -	\$ 266,672
Capital Assets, Being Depreciated:				
Buildings	\$ -	\$ 242,325	\$ -	\$ 242,325
Total Capital Assets, Being Depreciated	\$ -	\$ 242,325	\$ -	\$ 242,325
Less Accumulated Depreciation for:				
Buildings	\$ -	\$ (5,349)	\$ -	\$ (5,349)
Total Accumulated Depreciation	\$ -	\$ (5,349)	\$ -	\$ (5,349)
Total Capital Assets, Being Depreciated, Net	\$ -	\$ 236,976	\$ -	\$ 236,976
Total Capital Assets, Net	\$ -	\$ 503,648	\$ -	\$ 503,648

Depreciation expense was charged to functions/programs as follows:

Primary Government:

Governmental Activities:

Instruction	\$ 198,868
Supporting Services	107,270
Unallocated	<u>98,398</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 404,536</u>

Business-Type Activities:

Food Service	\$ <u>15,099</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 15,099</u>

Component Unit:

Supporting Services	\$ <u>1,502</u>
Total Depreciation Expense - Component Unit	<u>\$ 1,502</u>

During the current fiscal year, the District transferred capital assets with a net book value of \$505,150 to the Foundation, which are included in increases and decreases of the above schedules. These assets consisted of various parcels of land and a building, which is being leased back to the District at no cost. The transfer is reported as a "special item" in the statement of activities.

The increase to accumulated depreciation for the Foundation includes \$3,847 of depreciation previously taken by the District prior to transfer, as well as \$1,502 of depreciation reported by the Foundation after transfer.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 5 - LONG-TERM DEBT

General Obligation Bonds

General Obligation Bonds are direct obligations issued on a pledge of the general taxing power for the payment of debt obligations. The bonds have been issued to provide funds for the acquisition and construction of major facilities and improvements.

General obligation bonds currently outstanding at June 30, 2011, are as follows:

<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Original Issue</u>	<u>Outstanding June 30, 2011</u>
2003	2.86%	May 23, 2013	\$ 700,000	\$ 156,138
2009	0.40%	March 1, 2019	1,000,000	891,866
Totals			\$ 1,700,000	\$ 1,048,004

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 186,942	\$ 8,035	\$ 194,977
2013	189,504	5,474	194,978
2014	110,815	2,686	113,501
2015	111,258	2,243	113,501
2016	111,703	1,798	113,501
2017-2019	337,782	2,723	340,505
Totals	\$ 1,048,004	\$ 22,959	\$ 1,070,963

Notes Payable

During the year ended June 30, 2010, the District was awarded \$73,993 in State Energy Program ARRA funding from the South Carolina Energy Office (SCEO) for energy efficiency and renewable energy improvements. The SCEO issued 25% of the total award amount as a loan at zero percent interest which will be paid back from energy savings recognized from the grant award. Repayment of the loan is to be made in annual installments beginning November 1, 2011.

<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Original Issue</u>	<u>Outstanding June 30, 2011</u>
2010	0%	November 1, 2012	\$ 18,498	\$ 18,498

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 5 - LONG-TERM DEBT (continued)

Annual debt service requirements to maturity for the SCEO note payable are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 9,249	\$ -	\$ 9,249
2013	9,249	-	9,249
Totals	\$ 18,498	\$ -	\$ 18,498

The following is a summary of changes in long-term obligations and balances for June 30, 2011:

	<u>Beginning Balance (Restated)</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
General Obligation Bonds	\$ 1,231,019	\$ -	\$ (183,015)	\$ 1,048,004	\$ 186,942
Notes Payable	18,498	-	-	18,498	9,249
Compensated Absences	64,515	41,148	(44,515)	61,148	37,025
Totals	\$ 1,314,032	\$ 41,148	\$ (227,530)	\$ 1,127,650	\$ 233,216
Business-Type Activities:					
Compensated Absences	\$ -	\$ 2,419	\$ -	\$ 2,419	\$ 1,728
Totals	\$ -	\$ 2,419	\$ -	\$ 2,419	\$ 1,728

For governmental activities, the general fund typically liquidates other long-term liabilities such as compensated absences.

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. At June 30, 2011, interfund receivables and payables resulting from various interfund transactions were as follows. All balances are expected to be repaid within the following year.

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 13,044	\$ -
Special Projects	-	850,227
EIA	8,684	-
School Building Fund	773,814	-
Food Service Fund	54,685	-
Total	\$ 850,227	\$ 850,227

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (continued)

Transfers are used to move certain revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including indirect cost allocations. A schedule of transfers is as follows:

	Transfers From Other Funds	Transfers To Other Funds
General Fund	\$ 223,243	\$ 75,594
Special Projects	-	17,866
EIA	17,866	276,681
Debt Service Fund	113,501	-
School Building Fund	53,268	-
Food Service Fund	-	42,737
Total	<u>\$ 407,878</u>	<u>\$ 412,878</u>

During the current year, the District's Food Service Fund financed \$5,000 of capital assets of the governmental funds. The amount was reported as a transfer in the Food Service Fund. Because governmental funds do not report capital asset activity, no corresponding entry was made to record the contribution for the asset in the governmental funds.

NOTE 7 - POSTEMPLOYMENT BENEFITS

Plan Description

In accordance with the South Carolina Code of Laws and the Annual Appropriations Act, the State of South Carolina provides certain health care, dental, life insurance, and long-term disability (OPEB) benefits to certain retired State and school district employees and their covered dependents. All permanent full-time and certain permanent part-time employees of the District are eligible to receive these benefits.

The OPEB plans have been determined to be cost-sharing multiple-employer defined benefit plans and are administered by the Employee Insurance Program (EIP), a part of the State Budget and Control Board (SBCB). Generally, retirees are eligible for health and dental benefits if they have established at least ten years of retirement service credit. For new hires after May 2, 2008 and thereafter, retirees are eligible for benefits if they have established twenty-five years of services for 100% employer funding and fifteen through twenty-four years of service for 50% employer funding. Benefits become effective when the former employee retires under a state retirement system. Basic long-term disability benefits are provided to active employees approved for disability.

Funding Policy

Sections 1-11-705 and 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment healthcare and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the EIP and participating retirees to the SBCB except the portion funded through the pension surcharge and provided from other applicable sources of the EIP for its active employees who are not funded by State General Fund appropriations. Employers participating in the healthcare plan are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 3.90% of annual covered payroll for fiscal year 2010-2011. The EIP sets the employer contribution rate based on a pay-as-you-go basis.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 7 - POSTEMPLOYMENT BENEFITS (continued)

The District recorded fringe benefit expenses for insurance benefits for active employees in the amount of \$794,088 for the year ended June 30, 2011. The District also paid \$275,689 applicable to the 3.90% surcharge included with the employer contributions for retirement benefits. (The District paid \$250,791 and \$240,554 in 2010 and 2009, respectively.) These amounts were remitted to the South Carolina Retirement Systems for distribution to the Division of Insurance Services for retiree health and dental insurance benefits. Basis long-term disability benefits are funded through a per person premium. The monthly premium per active employee paid to EIP was \$3.56 for the fiscal year ended June 30, 2011.

To comply with the provisions of GASB Statement No. 43, the State created two postemployment benefit trust funds, the South Carolina Retiree Health Insurance Trust (SCRHITF) and the Long Term Disability Insurance Trust (LTDITF), to account for postemployment benefits provided by the State. These trusts are reported in the State's Comprehensive Annual Financial Report as fiduciary funds and the unfunded obligation of providing these postemployment benefits is reported as a liability in each of the trusts. The schedule of funding progress for the OPEB plans based on the most recent actuarial valuation date and complete financial statements may be obtained by writing to Employee Insurance Program, 1201 Main Street, Suite 360, Columbia, South Carolina 29201.

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

NOTE 8 - RETIREMENT PLAN

South Carolina Retirement System

Plan Description

District employees participate in a plan administered by the South Carolina Retirement Systems (SCRS) which is classified as a cost-sharing multiple-employer public employee retirement system (PERS). The plan provides retirement, disability and death benefits to plan members and beneficiaries. Benefit provisions are established under authority of Title 9 of the South Carolina Code of Laws.

The South Carolina Retirement Systems issues a Comprehensive Annual Financial Report which discloses detailed information regarding benefit provisions and actuarial information. That report is available to the public and may be obtained by writing to South Carolina Retirement Systems, P. O. Box 11960, Capital Station, Columbia, South Carolina 29211-1960 or by accessing their website at www.retirement.sc.gov.

Funding Policy

Members of the SCRS are required to contribute at the rate of 6.50% of their covered wages. The District is required to contribute at actuarially determined rates, currently 9.39% of SCRS member wages, which includes a .15% group life contribution. The contribution requirements of plan members and the District are established by the South Carolina Retirement Systems under authority of Title 9 of the South Carolina Code of Laws. The District's contributions to the SCRS for the plan years ending June 30, 2011, 2010, and 2009 were \$663,776, \$672,838, and \$645,374, respectively. Actual contributions were equal to the required contributions each year.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 8 - RETIREMENT PLAN (continued)

Optional Retirement Program

Plan Description

Certain employees may elect to participate in the Optional Retirement Program (ORP), a defined contribution plan. The ORP was established in 1987 under Title 9, Chapter 17, of the South Carolina Code of Laws. The ORP provides retirement and death benefits through the purchase of individual fixed or variable annuity contracts which are issued to, and become the property of, the participants. The state assumes no liability for this plan other than for payment of contributions to designated insurance companies. ORP participation is limited to personnel who meet all eligibility requirements for membership in the SCRS. To elect participation in the ORP, eligible employees must irrevocably waive SCRS membership within the first ninety days of employment.

Funding Policy - Optional Retirement Program

Under state law, contributions to the ORP are required at the same rates as for the SCRS. A direct remittance is required from the employer to the investment provider for the employee contribution and a portion of the employer contribution. Also, a direct remittance is required to the SCRS for a portion of the employer contribution, which must be retained by the SCRS. The District did not employ any individuals during the year ended June 30, 2011 that participated in the ORP.

Teacher and Employee Retention Incentive Program

Plan Description

The Teacher and Employee Retention Incentive Program (TERI), is a deferred retirement option program offered under the SCRS. Upon reaching normal retirement eligibility, a member can elect to retire and continue working under the TERI program for a maximum of five years, after which employment will cease. During the TERI period, retirement annuity is not paid to retirees, but monthly benefits are accumulated in TERI accounts and distributed to members upon termination of employment.

Funding Policy - Teacher and Employee Retention Incentive Program

TERI participants who entered the program after June 30, 2005, must continue to contribute at the same rate as active plan members of the SCRS. Those participants who entered the TERI program prior to July 1, 2005, make no employee contributions while participating in the program. The District is required to contribute at the current actuarially determined rates of the SCRS for all TERI participants.

NOTE 9 - DEFERRED COMPENSATION PLAN

The District offers a deferred compensation plan to all its employees under a plan administered by the South Carolina Deferred Compensation Commission, and established in accordance with Internal Revenue Code Section 457. Employees are permitted to defer portions of their salaries until future years. Only upon termination, retirement, disability, death or an approved hardship is the deferred compensation available to an employee.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 9 - DEFERRED COMPENSATION PLAN (continued)

In 1996, Congress passed new legislation to govern IRC section 457 plans. Specifically, the new legislation concludes that a plan shall not be treated as an eligible deferred compensation plan unless all assets and income of the plan are held in trust for the exclusive benefit of participants and their beneficiaries. During the year ended June 30, 1999, the South Carolina Deferred Compensation Commission modified their plan to comply with the new legislative requirements.

GASB Statement No. 32 was issued to address the financial reporting ramifications of the new federal legislation and states that a fiduciary relationship must exist for a governmental entity to report the balances and transactions related to the plan in its financial statements. According to the provisions of the statement, it was determined that a fiduciary relationship did not exist for the District's IRC section 457 plan.

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District pays an annual premium to the South Carolina School Board Insurance Trust for its general insurance. The South Carolina School Board Insurance Trust reinsures through commercial companies for certain claims. There were no significant reductions in insurance coverage from the previous year and no settlements have exceeded insurance coverage for the past three fiscal years ended June 30, 2011, 2010, and 2009.

The District also acquires insurance from the South Carolina School Board Insurance Trust for job related injury and illness (workers' compensation) for its employees. Workers' compensation is insured under a retrospectively rated policy where premiums paid are estimated throughout the year and adjusted subsequent to the policy period based on actual experience.

NOTE 11 - CONTINGENCIES

The District participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

NOTE 12 - RELATED ORGANIZATIONS

GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, requires certain legally separate tax-exempt organizations for which the primary government is not financially accountable to be included in the financial reporting entity if certain criteria are met. The standard is directed principally toward fund-raising organizations, such as foundations, parent teacher organizations (PTOs), and booster clubs. The District reviewed its relationship with these related organizations and determined that, other than the Latta Schools Educational Foundation, Inc., they should not be included in the reporting entity because their economic resources are not significant to the District.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 13 - NET ASSETS RESTATEMENT

During the fiscal year ended June 30, 2011, the following items were corrected by restating beginning net assets of governmental activities. The effect of these items overstated the change in net assets of governmental activities for the fiscal year ended June 30, 2010 by \$18,498. There was no effect on governmental funds. The following schedule shows the detail of this restatement:

	Governmental Net Assets
As Originally Reported	\$ 10,208,671
Unrecorded Note Payable - Department of Energy Grant	(18,498)
Unrecorded Land	2,500
As Restated	\$ <u>10,192,673</u>

NOTE 14 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND STATEMENTS

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. The following explains certain elements of that reconciliation:

Long-Term Assets Not Available to Pay Current Period Expenditures:	
Property Taxes	\$ <u>68,976</u>
	\$ <u>68,976</u>
Long-Term Liabilities Not Reported in the Funds:	
General Obligation Bonds	\$ (1,048,004)
Note Payable	(18,498)
Accrued Interest Payable	(1,635)
Compensated Absences Payable	(61,148)
Deferred Issuance Costs (Net)	15,906
	\$ <u>(1,113,379)</u>

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. The following explains certain elements of that reconciliation:

Capital Outlays:	
Capital Outlay Expenditures	\$ 263,009
Depreciation Expense	(404,536)
	\$ <u>(141,527)</u>

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 14 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND STATEMENTS
(continued)

Miscellaneous Transactions Involving Capital Assets:

Contribution of Capital Assets to Component Unit	\$ (505,150)
Contribution of Capital Asset to County Board of Education	(35,804)
Contribution of Capital Asset from Food Service Fund	<u>5,000</u>
	<u>\$ (535,954)</u>

Revenues Not Recognized in the Funds:

Property Taxes	\$ <u>(14,211)</u>
	<u>\$ (14,211)</u>

Issuance and Repayment of Long-Term Debt:

Principal Repayment on General Obligation Bonds	\$ <u>183,015</u>
	<u>\$ 183,015</u>

Expenses Not Recognized in the Funds:

Compensated Absences	\$ 3,367
Accrued Interest on Long-Term Debt	1,720
Amortization of Bond Issuance Costs	<u>(2,075)</u>
	<u>\$ 3,012</u>

NOTE 15 - COMMITMENTS

At June 30, 2011, construction commitments were as follows:

	Estimated Completion Date	Commitment	Expenditures Incurred	Remaining Commitment June 30, 2011
Primary Government:				
Fine Arts Center (Phase I High School Project)	July 2012	\$ <u>2,099,436</u>	\$ <u>(16,035)</u>	\$ <u>2,083,401</u>

REQUIRED SUPPLEMENTARY INFORMATION

**DILLON COUNTY SCHOOL DISTRICT NO. 3
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR FISCAL YEAR ENDED JUNE 30, 2011**

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Local	\$ 2,094,613	\$ 2,094,613	\$ 1,770,738	\$ (323,875)
State	5,192,077	5,192,077	5,221,399	29,322
Intergovernmental	130,000	130,000	195,032	65,032
TOTAL REVENUES	\$ 7,416,690	\$ 7,416,690	\$ 7,187,169	\$ (229,521)
EXPENDITURES				
Current				
Instruction	\$ 3,713,472	\$ 3,713,472	\$ 3,815,579	\$ (102,107)
Supporting Services	3,876,102	3,876,102	3,798,985	77,117
Intergovernmental Expenditures	12,000	12,000	30,960	(18,960)
Capital Outlay	53,000	53,000	54,078	(1,078)
TOTAL EXPENDITURES	\$ 7,654,574	\$ 7,654,574	\$ 7,699,602	\$ (45,028)
Excess Revenues Over (Under) Expenditures	\$ (237,884)	\$ (237,884)	\$ (512,433)	\$ (274,549)
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	\$ 237,884	\$ 237,884	\$ 223,243	\$ (14,641)
Transfers To Other Funds	-	-	(75,594)	(75,594)
TOTAL OTHER FINANCING SOURCES (USES)	\$ 237,884	\$ 237,884	\$ 147,649	\$ (90,235)
Net Change in Fund Balance	\$ -	\$ -	\$ (364,784)	\$ (364,784)
FUND BALANCE BEGINNING OF YEAR	3,924,632	3,924,632	3,924,632	-
FUND BALANCE END OF YEAR	\$ 3,924,632	\$ 3,924,632	\$ 3,559,848	\$ (364,784)

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1 - BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are prepared and legally adopted on a basis consistent with generally accepted accounting principles (GAAP) as applicable to governments for the general fund. Amounts presented in the “*Original*” budget column in the budgetary comparison schedule reflect amounts originally adopted. Amounts presented in the “*Final*” budget column include any amendments or supplemental appropriations formally authorized by the District’s Board of Trustees. All annual appropriations lapse at fiscal year-end.

The annual budget is prepared by the District and approved by the Board of Trustees. Prior to July 1, the budget is legally enacted through the passage of a resolution by the Board. The budget is prepared by function, object, and location as dictated by the S.C. State Department of Education. District administration has discretionary authority to make transfers of appropriations between and within functions; however, the total budget cannot be increased without approval by the Board. The legal level of control is at the fund level.

Formal budgetary accounting is employed as a management control for the District. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of money are recorded in order to reserve that portion of the applicable appropriations, is not utilized by the District.

NOTE 2 - PRESENTATION

The budgetary comparison schedule presents the general fund and each major individual special revenue fund for which an annual budget is legally adopted. Budgets are not legally adopted for the *Special Projects and Education Improvement Act* special revenue funds. As such, they have been excluded from the budgetary comparison presentation.

NOTE 3 - EXPENDITURES IN EXCESS OF BUDGET

For the fiscal year ended June 30, 2011, actual expenditures in the general fund exceeded budgeted appropriations by \$45,028.

**COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES**

DILLON COUNTY SCHOOL DISTRICT NO. 3
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR FISCAL YEAR ENDED JUNE 30, 2011

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES			
1000 Revenue from Local Sources			
1100 Taxes:			
1110 Ad Valorem Taxes -			
Including Delinquent Taxes	\$ 1,359,389	\$ 1,338,707	\$ (20,682)
1140 Penalties and Interest on Taxes	14,871	13,185	(1,686)
1190 Other Taxes	302,451	276,909	(25,542)
1500 Earnings on Investments:			
1510 Interest on Investments	52,142	33,850	(18,292)
1900 Other Revenue From Local Sources:			
1920 Contributions & Donations Private Sources	-	17,472	17,472
1930 Medicaid	-	1,992	1,992
1999 Revenue from Other Local Sources	365,760	88,623	(277,137)
Total Local Sources	<u>\$ 2,094,613</u>	<u>\$ 1,770,738</u>	<u>\$ (323,875)</u>
2000 Intergovernmental Revenue			
2100 Payments from Other Governmental Units	\$ 130,000	\$ 195,032	\$ 65,032
Total Intergovernmental Revenues	<u>\$ 130,000</u>	<u>\$ 195,032</u>	<u>\$ 65,032</u>
3000 Revenue from State Sources			
3100 Restricted State Funding:			
3129 Consolidated Funding	\$ -	\$ 51,046	\$ 51,046
3130 Special Programs:			
3131 Handicapped Transportation	-	625	625
3160 School Bus Driver Salary	63,845	78,750	14,905
3162 Transportation Workers' Compensation	-	7,144	7,144
3180 Fringe Benefits Employer Contributions	1,450,380	1,428,526	(21,854)
3199 Other Restricted State Grants	-	652	652
3300 Education Finance Act:	*	2,956,605	-
3310 Full-Time Programs:			
3311 Kindergarten	*	-	183,035
3312 Primary	*	-	594,222
3313 Elementary	*	-	813,387
3314 High School	*	-	208,787
3315 Trainable Mentally Handicapped	*	-	35,539
3316 Speech Handicapped	*	-	194,947
3317 Homebound	*	-	6,363
3320 Part-Time Programs:			
3321 Emotionally Handicapped	*	-	1,218
3322 Educable Mentally Handicapped	*	-	37,181
3323 Learning Disabilities	*	-	175,084
3324 Hearing Handicapped	*	-	4,904
3325 Visually Handicapped	*	-	5,129

* The District budgeted EFA programs (revenue account numbers 3311-3331) in total.

DILLON COUNTY SCHOOL DISTRICT NO. 3
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR FISCAL YEAR ENDED JUNE 30, 2011

		<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES (continued)				
3000 Revenue from State Sources (continued)				
3300 Education Finance Act (continued):				
3320 Part-Time Programs (continued):				
3326 Orthopedically Handicapped	*	-	17,829	17,829
3327 Vocational	*	-	525,978	525,978
3330 Other EFA Programs:				
3331 Autism	*	-	18,680	18,680
3800 State Revenue in Lieu of Taxes:				
3810 Reimbursement for Local Property Tax Relief		184,116	184,116	-
3820 Homestead Exemption		-	97,142	97,142
3825 Reimbursement for Property Tax Relief		470,810	484,049	13,239
3830 Merchant's Inventory Tax		20,637	18,445	(2,192)
3840 Manufacturers Depreciation Reimbursement		17,347	18,434	1,087
3890 Other State Property Tax Revenues		28,337	20,834	(7,503)
3900 Other State Revenues:				
3999 Revenue from Other State Sources		-	9,353	9,353
Total State Sources		\$ 5,192,077	\$ 5,221,399	\$ 29,322
TOTAL REVENUE ALL SOURCES		\$ 7,416,690	\$ 7,187,169	\$ (229,521)

EXPENDITURES

100 Instruction

110 General Instruction

111 Kindergarten Programs:				
100 Salaries	\$	154,269	\$ 229,777	\$ (75,508)
200 Employee Benefits		40,869	77,274	(36,405)
400 Supplies and Materials		7,500	7,600	(100)
112 Primary Programs:				
100 Salaries		807,160	806,846	314
200 Employee Benefits		261,789	220,968	40,821
400 Supplies and Materials		10,000	9,973	27
113 Elementary Programs:				
100 Salaries		451,115	456,844	(5,729)
200 Employee Benefits		138,473	145,971	(7,498)
400 Supplies and Materials		10,000	9,233	767
114 High School Programs:				
100 Salaries		1,092,500	1,069,875	22,625
200 Employee Benefits		327,367	333,422	(6,055)
400 Supplies and Materials		24,000	23,730	270
115 Career and Technology Education Programs:				
100 Salaries		135,766	138,297	(2,531)
200 Employee Benefits		46,029	49,576	(3,547)

DILLON COUNTY SCHOOL DISTRICT NO. 3
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR FISCAL YEAR ENDED JUNE 30, 2011

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES (continued)			
100 Instruction (continued)			
120 Exceptional Programs			
121 Educable Mentally Handicapped:			
100 Salaries	-	21,400	(21,400)
200 Employee Benefits	-	5,973	(5,973)
122 Trainable Mentally Handicapped:			
100 Salaries	-	62,051	(62,051)
200 Employee Benefits	-	22,404	(22,404)
126 Speech Handicapped:			
100 Salaries	24,629	-	24,629
200 Employee Benefits	7,873	-	7,873
127 Learning Disabilities:			
100 Salaries	25,652	25,652	-
200 Employee Benefits	6,926	7,045	(119)
128 Emotionally Handicapped:			
100 Salaries	25,652	25,652	-
200 Employee Benefits	6,926	7,045	(119)
130 Pre-School Programs			
137 Pre-School Handicapped-Self-Contained			
100 Salaries	-	3,959	(3,959)
139 Early Childhood Programs:			
100 Salaries	9,563	9,443	120
200 Employee Benefits	4,040	4,255	(215)
140 Special Programs			
141 Gifted and Talented - Academic:			
100 Salaries	20,237	21,621	(1,384)
200 Employee Benefits	8,770	9,302	(532)
145 Homebound:			
100 Salaries	-	7,405	(7,405)
200 Employee Benefits	-	454	(454)
300 Purchased Services	9,500	2,377	7,123
180 Adult/Continuing Educational Programs			
188 Parenting/Family Literacy:			
100 Salaries	44,427	-	44,427
200 Employee Benefits	12,440	155	12,285
Total Instruction	\$ 3,713,472	\$ 3,815,579	\$ (102,107)

DILLON COUNTY SCHOOL DISTRICT NO. 3
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR FISCAL YEAR ENDED JUNE 30, 2011

EXPENDITURES (continued)	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
200 Supporting Services			
210 Pupil Services			
211 Attendance and Social Work Services:			
400 Supplies and Materials	\$ -	\$ 20	\$ (20)
212 Guidance Services:			
100 Salaries	158,430	150,040	8,390
200 Employee Benefits	49,182	53,806	(4,624)
300 Purchased Services	2,000	680	1,320
400 Supplies and Materials	2,000	2,982	(982)
213 Health Services:			
100 Salaries	62,773	30,108	32,665
200 Employee Benefits	24,921	21,762	3,159
300 Purchased Services	1,500	578	922
400 Supplies and Materials	12,000	12,994	(994)
214 Psychological Services:			
100 Salaries	54,302	54,302	-
200 Employee Benefits	17,514	18,573	(1,059)
220 Instructional Staff Services			
221 Improvement of Instruction - Curriculum Development:			
100 Salaries	74,209	55,824	18,385
200 Employee Benefits	23,146	23,406	(260)
300 Purchased Services	20,100	3,406	16,694
400 Supplies and Materials	-	1,302	(1,302)
222 Library and Media Services:			
100 Salaries	141,133	144,103	(2,970)
200 Employee Benefits	40,230	46,200	(5,970)
400 Supplies and Materials	9,684	9,604	80
223 Supervision of Special Programs:			
100 Salaries	111,241	111,065	176
200 Employee Benefits	29,331	29,541	(210)
224 Improvement of Instruction - Inservice Training:			
100 Salaries	-	714	(714)
200 Employee Benefits	-	834	(834)
300 Purchased Services	11,000	3,045	7,955
400 Supplies and Materials	900	-	900
600 Other Objects	450	615	(165)

DILLON COUNTY SCHOOL DISTRICT NO. 3
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR FISCAL YEAR ENDED JUNE 30, 2011

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES (continued)			
200 Supporting Services (continued)			
230 General Administration Services			
231 Board of Education:			
100 Salaries	-	2,500	(2,500)
200 Employee Benefits	-	564	(564)
300 Purchased Services	12,000	16,646	(4,646)
318 Audit Services	20,000	25,514	(5,514)
600 Other Objects	138,000	186,743	(48,743)
232 Office of the Superintendent:			
100 Salaries	178,949	191,449	(12,500)
200 Employee Benefits	68,926	76,190	(7,264)
300 Purchased Services	12,100	11,333	767
400 Supplies and Materials	5,350	3,541	1,809
500 Capital Outlay	1,500	-	1,500
600 Other Objects	3,000	2,302	698
233 School Administration:			
100 Salaries	576,820	511,411	65,409
200 Employee Benefits	170,625	157,697	12,928
300 Purchased Services	1,000	1,006	(6)
400 Supplies and Materials	8,269	6,570	1,699
600 Other Objects	2,955	4,440	(1,485)
250 Finance and Operations Services			
252 Fiscal Services:			
100 Salaries	79,444	83,444	(4,000)
200 Employee Benefits	27,046	28,959	(1,913)
300 Purchased Services	8,500	6,793	1,707
400 Supplies and Materials	2,000	10,064	(8,064)
254 Operation and Maintenance of Plant:			
100 Salaries	197,933	197,173	760
140 Terminal Leave	-	939	(939)
200 Employee Benefits	77,289	75,709	1,580
300 Purchased Services	331,585	339,474	(7,889)
321 Public Utilities	12,100	16,379	(4,279)
400 Supplies and Materials	85,000	76,858	8,142
470 Energy	275,500	266,207	9,293
500 Capital Outlay	13,000	6,101	6,899
255 Student Transportation:			
100 Salaries	48,284	236,148	(187,864)
200 Employee Benefits	15,006	75,658	(60,652)
300 Purchased Services	290,335	11,580	278,755
400 Supplies and Materials	1,800	1,796	4

DILLON COUNTY SCHOOL DISTRICT NO. 3
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR FISCAL YEAR ENDED JUNE 30, 2011

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES (continued)			
200 Supporting Services (continued)			
250 Finance and Operations Services (continued)			
256 Food Services:			
100 Salaries	-	100	(100)
200 Employee Benefits	74,998	73,380	1,618
257 Internal Services:			
300 Purchased Services	25,000	24,040	960
400 Supplies and Materials	-	206	(206)
258 Security:			
300 Purchased Services	15,000	9,843	5,157
260 Central Support Services			
266 Technology and Data Processing Services:			
100 Salaries	70,000	70,000	-
200 Employee Benefits	17,816	25,020	(7,204)
300 Purchased Services	16,200	35,473	(19,273)
400 Supplies and Materials	-	10,759	(10,759)
500 Capital Outlay	38,500	47,977	(9,477)
270 Supporting Services Pupil Activity			
271 Pupil Services Activities:			
100 Salaries	113,012	107,295	5,717
200 Employee Benefits	22,714	21,217	1,497
400 Supplies and Materials	7,500	7,500	-
660 Pupil Activity	18,000	13,561	4,439
Total Supporting Services	\$ 3,929,102	\$ 3,853,063	\$ 76,039
400 Intergovernmental Expenditures			
412 Payments to Other Governmental Units			
720 Transits	\$ 12,000	\$ 22,210	\$ (10,210)
417 Payments to Nonprofit Entities (Other than for First Steps)			
720 Transits	-	8,750	(8,750)
Total Intergovernmental Expenditures	\$ 12,000	\$ 30,960	\$ (18,960)
TOTAL EXPENDITURES	\$ 7,654,574	\$ 7,699,602	\$ (45,028)
Excess Revenues Over (Under) Expenditures	\$ (237,884)	\$ (512,433)	\$ (274,549)

DILLON COUNTY SCHOOL DISTRICT NO. 3
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR FISCAL YEAR ENDED JUNE 30, 2011

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
OTHER FINANCING SOURCES (USES)			
Interfund Transfers, From (To) Other Funds:			
5230 Transfer from Special Revenue EIA Fund	\$ 212,884	\$ 185,506	\$ (27,378)
5280 Transfer from Other Funds Indirect Costs	25,000	37,737	12,737
423 - 710 Transfer to Debt Service Fund	-	(22,326)	(22,326)
424 - 710 Transfer to School Building Fund	<u>-</u>	<u>(53,268)</u>	<u>(53,268)</u>
TOTAL OTHER FINANCING SOURCES (USES)	\$ <u>237,884</u>	\$ <u>147,649</u>	\$ <u>(90,235)</u>
Excess Revenues and Expenditures Over (Under) Other Financing Sources (Uses)	\$ <u>-</u>	\$ (364,784)	\$ <u>(364,784)</u>
FUND BALANCE JULY 1, 2010		<u>3,924,632</u>	
FUND BALANCE JUNE 30, 2011		\$ <u><u>3,559,848</u></u>	

DILLON COUNTY SCHOOL DISTRICT NO. 3
SPECIAL PROJECTS FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR FISCAL YEAR ENDED JUNE 30, 2011

	TITLE I (BA Projects) (201/202)	IDEA (CA Projects) (203/204)	PRESCHOOL HANDICAPPED (CG Projects) (205/206)
REVENUES			
1000 Revenue From Local Sources			
1900 Other Revenue from Local Sources:			
1930 Medicaid	\$ -	\$ -	\$ -
1990 Miscellaneous Local Revenue			
1999 Revenue from Other Local Sources	-	-	-
Total Local Sources	\$ -	\$ -	\$ -
2000 Intergovernmental Revenue			
2100 Payments from Other Governmental Units	\$ -	\$ -	\$ -
Total Intergovernmental Revenue	\$ -	\$ -	\$ -
3000 Revenue From State Sources			
3100 Restricted State Funding:			
3110 Occupational Education:			
3118 EEDA Career Specialist	\$ -	\$ -	\$ -
3120 General Education:			
3125 Career and Technology Education Equipment	-	-	-
3126 Refurbishment of K-8 Science Kits	-	-	-
3127 Student Health and Fitness - PE Teachers	-	-	-
3128 High Schools That Work/Making Middle Grades Work	-	-	-
3130 Special Programs:			
3134 Child Development Education Pilot Program (CDEPP)	-	-	-
3136 Student Health and Fitness - Nurses	-	-	-
3190 Miscellaneous Restricted State Grants:			
3193 Education License Plates	-	-	-
3199 Other Restricted State Grants	-	-	-
3600 Education Lottery Act Revenue:			
3607 6-8 Enhancement	-	-	-
3610 K-5 Enhancement	-	-	-
Total State Sources	\$ -	\$ -	\$ -
4000 Revenue From Federal Sources			
4300 Elementary and Secondary Education Act of 1965 (ESEA):			
4310 Title I, Basic State Grant Programs	\$ 669,528	\$ -	\$ -
4312 Rural and Low-Income School Program, Title VI	-	-	-
4315 American Recovery and Reinvestment Act (ARRA), Title I Basic State Grant Programs	-	-	-
4331 Enhancing Education Through Technology (E2T2), Title II	-	-	-
4333 Enhancing Education Through Technology (E2T2), Title II, (ARRA)	-	-	-
4350 State Fiscal Stabilization Fund (ARRA)	-	-	-
4351 Improving Teacher Quality	-	-	-

DRUG FREE (FP/FQ Projects) (209/210)	OTHER DESIGNATED RESTRICTED STATE GRANTS (900s)	OTHER SPECIAL REVENUE PROGRAMS (200s/800s)	TOTAL
\$ -	\$ -	\$ 136,987	\$ 136,987
-	-	9,397	9,397
\$ -	\$ -	\$ 146,384	\$ 146,384
\$ -	\$ -	\$ 814	\$ 814
\$ -	\$ -	\$ 814	\$ 814
\$ -	\$ 81,495	\$ -	\$ 81,495
-	26,519	-	26,519
-	4,890	-	4,890
-	16,987	-	16,987
-	3,112	-	3,112
-	17,866	-	17,866
-	58,935	-	58,935
-	425	-	425
-	-	3,200	3,200
-	2,400	-	2,400
-	160,453	-	160,453
\$ -	\$ 373,082	\$ 3,200	\$ 376,282
\$ -	\$ -	\$ -	\$ 669,528
-	-	44,118	44,118
-	-	259,198	259,198
-	-	19,906	19,906
-	-	54,643	54,643
-	-	284,038	284,038
-	-	127,267	127,267

DILLON COUNTY SCHOOL DISTRICT NO. 3
SPECIAL PROJECTS FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR FISCAL YEAR ENDED JUNE 30, 2011

	TITLE I (BA Projects) (201/202)	IDEA (CA Projects) (203/204)	PRESCHOOL HANDICAPPED (CG Projects) (205/206)
REVENUES (continued)			
4000 Revenue From Federal Sources (continued)			
4500 Programs for Children with Disabilities:			
4510 Individuals With Disabilities Education Act (IDEA)	-	358,197	-
4520 Pre-School Grants	-	-	21,664
4540 IDEA (ARRA 611)	-	-	-
4550 IDEA Preschool (ARRA 619)	-	-	-
4900 Other Federal Sources:			
4920 Drug and Violence Prevention Program, Title IV	-	-	-
Total Federal Sources	\$ 669,528	\$ 358,197	\$ 21,664
TOTAL REVENUE ALL SOURCES	\$ 669,528	\$ 358,197	\$ 21,664
EXPENDITURES			
100 Instruction			
110 General Instruction			
111 Kindergarten Programs:			
100 Salaries	\$ -	\$ -	\$ -
200 Employee Benefits	-	-	-
400 Supplies and Materials	9,278	-	-
500 Capital Outlay	-	-	-
112 Primary Programs:			
100 Salaries	212,707	-	-
200 Employee Benefits	65,507	-	-
400 Supplies and Materials	-	-	-
500 Capital Outlay	-	-	-
113 Elementary Programs:			
100 Salaries	88,200	-	-
200 Employee Benefits	21,979	-	-
400 Supplies and Materials	-	-	-
500 Capital Outlay	-	-	-
114 High School Programs:			
100 Salaries	-	-	-
200 Employee Benefits	-	-	-
115 Career and Technology Education Programs:			
100 Salaries	-	-	-
200 Employee Benefits	-	-	-
500 Capital Outlay	-	-	-
120 Exceptional Programs			
121 Educable Mentally Handicapped:			
100 Salaries	-	-	-
200 Employee Benefits	-	-	-

DRUG FREE (FP/FQ Projects) (209/210)	OTHER DESIGNATED RESTRICTED STATE GRANTS (900s)	OTHER SPECIAL REVENUE PROGRAMS (200s/800s)	TOTAL
-	-	-	358,197
-	-	-	21,664
-	-	215,592	215,592
-	-	6,458	6,458
<u>1,167</u>	<u>-</u>	<u>-</u>	<u>1,167</u>
\$ <u>1,167</u>	\$ <u>-</u>	\$ <u>1,011,220</u>	\$ <u>2,061,776</u>
\$ <u>1,167</u>	\$ <u>373,082</u>	\$ <u>1,161,618</u>	\$ <u>2,585,256</u>

\$	-	\$ 12,897	\$ 50,874	\$ 63,771
	-	2,841	15,676	18,517
	-	1,181	-	10,459
	-	-	9,429	9,429
	-	110,666	65,953	389,326
	-	37,039	28,880	131,426
	-	2,445	813	3,258
	-	425	-	425
	-	-	252,662	340,862
	-	-	69,191	91,170
	-	1,263	-	1,263
	-	13,999	-	13,999
	-	-	44,031	44,031
	-	-	12,304	12,304
	-	-	7,947	7,947
	-	-	1,396	1,396
	-	26,519	-	26,519
	-	-	42,800	42,800
	-	-	15,305	15,305

DILLON COUNTY SCHOOL DISTRICT NO. 3
SPECIAL PROJECTS FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR FISCAL YEAR ENDED JUNE 30, 2011

	TITLE I (BA Projects) (201/202)	IDEA (CA Projects) (203/204)	PRESCHOOL HANDICAPPED (CG Projects) (205/206)
EXPENDITURES (continued)			
100 Instruction (continued)			
120 Exceptional Programs (continued)			
122 Trainable Mentally Handicapped:			
100 Salaries	-	107,730	-
200 Employee Benefits	-	37,029	-
400 Supplies and Materials	-	996	-
126 Speech Handicapped:			
100 Salaries	-	-	16,409
200 Employee Benefits	-	-	5,255
300 Purchased Services	-	-	-
400 Supplies and Materials	-	-	-
127 Learning Disabilities:			
100 Salaries	43,559	129,304	-
200 Employee Benefits	14,105	35,083	-
400 Supplies and Materials	-	1,000	-
130 Pre-School Programs			
136 Preschool Handicapped Itinerant (3&4-Yr. Olds):			
100 Salaries	-	782	-
200 Employee Benefits	-	120	-
400 Supplies and Materials	-	-	-
139 Early Childhood Programs:			
100 Salaries	62,247	-	-
200 Employee Benefits	24,154	-	-
140 Special Programs			
149 Other Special Programs:			
300 Purchased Services	-	-	-
180 Adult/Continuing Educational Programs			
188 Parenting/Family Literacy:			
100 Salaries	450	-	-
400 Supplies and Materials	6,219	-	-
Total Instruction	\$ 548,405	\$ 312,044	\$ 21,664
200 Supporting Services			
210 Pupil Services			
211 Attendance and Social Work Services:			
400 Supplies and Materials	\$ -	\$ -	\$ -

DRUG FREE (FP/FQ Projects) (209/210)	OTHER DESIGNATED RESTRICTED STATE GRANTS (900s)	OTHER SPECIAL REVENUE PROGRAMS (200s/800s)	TOTAL
-	-	12,896	120,626
-	-	2,743	39,772
-	-	1,336	2,332
-	-	83,685	100,094
-	-	24,058	29,313
-	-	923	923
-	-	2,189	2,189
-	-	-	172,863
-	-	-	49,188
-	-	1,209	2,209
-	-	-	782
-	-	-	120
-	-	1,000	1,000
-	-	-	62,247
-	-	-	24,154
-	-	24,352	24,352
-	-	300	750
-	-	1,059	7,278
\$ -	\$ 209,275	\$ 773,011	\$ 1,864,399

\$ 1,167 \$ - \$ - \$ 1,167

DILLON COUNTY SCHOOL DISTRICT NO. 3
SPECIAL PROJECTS FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR FISCAL YEAR ENDED JUNE 30, 2011

	TITLE I (BA Projects) (201/202)	IDEA (CA Projects) (203/204)	PRESCHOOL HANDICAPPED (CG Projects) (205/206)
EXPENDITURES (continued)			
200 Supporting Services (continued)			
210 Pupil Services (continued)			
212 Guidance Services:			
100 Salaries	-	-	-
200 Employee Benefits	-	-	-
213 Health Services:			
100 Salaries	43,165	-	-
200 Employee Benefits	8,974	-	-
300 Purchased Services	-	-	-
214 Psychological Services:			
100 Salaries	-	237	-
200 Employee Benefits	-	-	-
300 Purchased Services	-	-	-
400 Supplies and Materials	-	673	-
600 Other Objects	-	402	-
217 Career Specialist Services:			
100 Salaries	-	-	-
200 Employee Benefits	-	-	-
220 Instructional Staff Services			
221 Improvement of Instruction - Curriculum Development:			
100 Salaries	-	-	-
200 Employee Benefits	-	-	-
300 Purchased Services	-	-	-
223 Supervision of Special Programs:			
100 Salaries	-	23,444	-
200 Employee Benefits	-	12,541	-
300 Purchased Services	1,024	-	-
400 Supplies and Materials	997	7,206	-
600 Other Objects	-	-	-
224 Improvement of Instruction - Inservice and Staff Training:			
100 Salaries	9,282	-	-
200 Employee Benefits	-	-	-
300 Purchased Services	45,223	1,650	-
400 Supplies and Materials	12,458	-	-
250 Finance and Operations Services			
254 Operation and Maintenance of Plant:			
470 Energy	-	-	-

DRUG FREE (FP/FQ Projects) (209/210)	OTHER DESIGNATED RESTRICTED STATE GRANTS (900s)	OTHER SPECIAL REVENUE PROGRAMS (200s/800s)	TOTAL
-	25,172	-	25,172
-	7,731	-	7,731
-	45,933	6,000	95,098
-	13,002	1,215	23,191
-	-	40,925	40,925
-	-	56,322	56,559
-	-	11,905	11,905
-	-	515	515
-	-	3,576	4,249
-	-	-	402
-	40,859	-	40,859
-	7,733	-	7,733
-	-	66,305	66,305
-	-	13,858	13,858
-	-	14,625	14,625
-	-	-	23,444
-	-	-	12,541
-	-	3,766	4,790
-	-	42,569	50,772
-	-	1,501	1,501
-	-	24,913	34,195
-	3,111	4,594	7,705
-	-	6,218	53,091
-	-	440	12,898
-	-	53	53

**DILLON COUNTY SCHOOL DISTRICT NO. 3
SPECIAL PROJECTS FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR FISCAL YEAR ENDED JUNE 30, 2011**

	<u>TITLE I (BA Projects) (201/202)</u>	<u>IDEA (CA Projects) (203/204)</u>	<u>PRESCHOOL HANDICAPPED (CG Projects) (205/206)</u>
EXPENDITURES (continued)			
200 Supporting Services (continued)			
260 Central Support Services			
266 Technology and Data Processing Services:			
100 Salaries	-	-	-
500 Capital Outlay	-	-	-
270 Support Services - Pupil Activity			
271 Pupil Service Activities:			
600 Other Objects	-	-	-
Total Supporting Services	\$ 121,123	\$ 46,153	\$ -
300 Community Services			
390 Other Community Services:			
400 Supplies and Materials	-	-	-
Total Community Services	\$ -	\$ -	\$ -
400 Intergovernmental Expenditures			
414 Medicaid Payments to SDE			
720 Transits	-	-	-
Total Intergovernmental Expenditures	\$ -	\$ -	\$ -
TOTAL EXPENDITURES	\$ 669,528	\$ 358,197	\$ 21,664
Excess Revenues Over (Under) Expenditures	-	-	-
OTHER FINANCING SOURCES (USES)			
Interfund Transfers, From (To) Other Funds:			
422-710 Transfer to Special Revenue EIA Fund	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	\$ -	\$ -	\$ -
Excess Revenues and Expenditures Over (Under) Other Financing Sources (Uses)	-	-	-
FUND BALANCE JULY 1, 2010	-	-	-
FUND BALANCE JUNE 30, 2011	\$ -	\$ -	\$ -

DRUG FREE (FP/FQ Projects) (209/210)	OTHER DESIGNATED RESTRICTED STATE GRANTS (900s)	OTHER SPECIAL REVENUE PROGRAMS (200s/800s)	TOTAL
-	-	18,731	18,731
-	-	35,912	35,912
-	2,400	-	2,400
\$ 1,167	\$ 145,941	\$ 353,943	\$ 668,327
\$ -	\$ -	\$ 3,200	\$ 3,200
\$ -	\$ -	\$ 3,200	\$ 3,200
\$ -	\$ -	\$ 31,464	\$ 31,464
\$ -	\$ -	\$ 31,464	\$ 31,464
\$ 1,167	\$ 355,216	\$ 1,161,618	\$ 2,567,390
\$ -	\$ 17,866	\$ -	\$ 17,866
\$ -	\$ (17,866)	\$ -	\$ (17,866)
\$ -	\$ (17,866)	\$ -	\$ (17,866)
\$ -	\$ -	\$ -	\$ -
-	-	-	-
\$ -	\$ -	\$ -	\$ -

**DILLON COUNTY SCHOOL DISTRICT NO. 3
SPECIAL PROJECTS FUND
SUMMARY SCHEDULE FOR DESIGNATED STATE RESTRICTED GRANTS
FOR FISCAL YEAR ENDED JUNE 30, 2011**

SUBFUND CODE	REVENUE CODE	PROGRAMS	REVENUES
905	3125	Career and Education Technology Equipment	\$ 26,519
908	3126	Refurbishments of K-8 Science Kits	4,890
916	3991	ADEPT (Assisting, Developing and Evaluating Professional Teaching)	-
919	3193	Education License Plates	425
924	3134	Child Development Education Pilot Program (CDEPP)	17,866
928	3118	EEDA Career Specialist	81,495
936	3136	Student Health and Fitness - Nurses	58,935
933	3123	Formative Assessment	-
937	3127	Student Health and Fitness - PE Teachers	16,987
938	3128	High Schools That Work/Making Middle Grades Work	3,112
960	3610	K-5 Enhancement	160,453
967	3607	6-8 Enhancement	2,400
TOTALS			\$ 373,082

<u>EXPENDITURES</u>	<u>SPECIAL PROJECTS INTERFUND TRANSFERS IN/(OUT)</u>	<u>OTHER FUND TRANSFERS IN/(OUT)</u>	<u>DEFERRED REVENUE</u>
\$ 26,519	\$ -	\$ -	\$ 408
4,890	-	-	-
-	-	-	3,267
425	-	-	-
-	-	(17,866)	16,416
81,495	-	-	-
58,935	-	-	-
-	-	-	7,900
16,987	-	-	-
3,112	-	-	-
160,453	-	-	-
2,400	-	-	1,793
<u>\$ 355,216</u>	<u>\$ -</u>	<u>\$ (17,866)</u>	<u>\$ 29,784</u>

**DILLON COUNTY SCHOOL DISTRICT NO. 3
EDUCATION IMPROVEMENT ACT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - ALL PROGRAMS
FOR FISCAL YEAR ENDED JUNE 30, 2011**

	<u>ACTUAL</u>
REVENUES	
3000 Revenue from State Sources	
3500 Education Improvement Act:	
3511 Professional Development	\$ 11,131
3526 Refurbishment of Science Kits	9,416
3530 Trainable & Profoundly Mentally Disabled Student Services	13,645
3532 National Board Certification (NBC) Salary Supplement	27,212
3533 Teacher of the Year Awards	1,077
3538 Students At Risk of School Failure	353,549
3541 Child Development Education Pilot Program (CDEPP)	263,695
3542 Preschool Programs for Children with Disabilities	9,221
3544 High Achieving Students	34,154
3550 Teacher Salary Increase	129,739
3555 School Employer Contributions	27,167
3558 Reading	22,029
3568 EAA Technical Assistance	74,742
3577 Teacher Supplies	29,700
3578 High Schools That Work/Making Middle Grades Work	4,665
3590 Reallocation of EIA Funds (School Building)	91,175
3592 Work-Based Learning	<u>7,286</u>
Total State Sources	\$ <u>1,109,603</u>
TOTAL REVENUE ALL SOURCES	\$ <u>1,109,603</u>
EXPENDITURES	
100 Instruction	
110 General Instruction	
111 Kindergarten Programs:	
400 Supplies and Materials	\$ 2,528
112 Primary Programs:	
100 Salaries	107,472
200 Employee Benefits	27,804
400 Supplies and Materials	4,121
113 Elementary Programs:	
100 Salaries	231,588
200 Employee Benefits	67,872
400 Supplies and Materials	2,767
114 High School Programs:	
100 Salaries	25,703
200 Employee Benefits	1,635
120 Exceptional Programs	
122 Trainable Mentally Handicapped:	
100 Salaries	6,153
200 Employee Benefits	7,492

DILLON COUNTY SCHOOL DISTRICT NO. 3
EDUCATION IMPROVEMENT ACT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - ALL PROGRAMS
FOR FISCAL YEAR ENDED JUNE 30, 2011

	<u>ACTUAL</u>
EXPENDITURES (continued)	
100 Instruction (continued)	
130 Pre-School Programs	
137 Preschool Handicapped Self-Contained (3 & 4 Yr. Olds):	
100 Salaries	6,970
200 Employee Benefits	2,251
140 Special Programs	
141 Gifted and Talented - Academic:	
100 Salaries	24,373
200 Employee Benefits	5,306
147 CDEPP:	
100 Salaries	195,754
200 Employee Benefits	76,269
300 Purchased Services	3,378
400 Supplies and Materials	6,161
148 Gifted and Talented - Artistic:	
100 Salaries	436
200 Employee Benefits	58
400 Supplies and Materials	3,982
Total Instruction	\$ <u>810,073</u>
200 Supporting Services	
210 Pupil Services	
212 Guidance Services:	
100 Salaries	\$ 7,286
220 Instructional Staff Services	
221 Improvement of Instruction - Curriculum Development:	
100 Salaries	12,837
200 Employee Benefits	86
400 Supplies and Materials	3,610
224 Improvement of Instruction - Inservice Training:	
200 Employee Benefits	845
300 Purchased Services	8,414
400 Supplies and Materials	6,114
230 General Administration Services	
233 School Administration:	
100 Salaries	423
Total Supporting Services	\$ <u>39,615</u>

**DILLON COUNTY SCHOOL DISTRICT NO. 3
EDUCATION IMPROVEMENT ACT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - ALL PROGRAMS
FOR FISCAL YEAR ENDED JUNE 30, 2011**

	<u>ACTUAL</u>
EXPENDITURES (continued)	
400 Intergovernmental Expenditures	
411 Payments to South Carolina Department of Education	
720 Transits	\$ <u>1,100</u>
Total Intergovernmental Expenditures	\$ <u>1,100</u>
TOTAL EXPENDITURES	\$ <u>850,788</u>
Excess Revenues Over (Under) Expenditures	\$ <u>258,815</u>
OTHER FINANCING SOURCES (USES)	
Interfund Transfers, From (To) Other Funds	
5230 Transfer from Special Revenue Fund	\$ 17,866
420-710 Transfer to General Fund	(185,506)
423-710 Transfer to Debt Service Fund	<u>(91,175)</u>
TOTAL OTHER FINANCING SOURCES (USES)	\$ <u>(258,815)</u>
Excess Revenues and Expenditures Over (Under)	
Other Financing Sources (Uses)	\$ -
FUND BALANCE JULY 1, 2010	<u>-</u>
FUND BALANCE JUNE 30, 2011	\$ <u><u>-</u></u>

**DILLON COUNTY SCHOOL DISTRICT NO. 3
EDUCATION IMPROVEMENT ACT
SUMMARY SCHEDULE BY PROGRAM
FOR FISCAL YEAR ENDED JUNE 30, 2011**

PROGRAM	REVENUES
3500 Education Improvement Act:	
3511 Professional Development	\$ 11,131
3526 Refurbishment of Science Kits	9,416
3530 Trainable & Profoundly Mentally Disabled Student Services	13,645
3532 National Board Certification (NBC) Salary Supplement	27,212
3533 Teacher of the Year Awards	1,077
3538 Students At Risk of School Failure	353,549
3541 Child Development Education Pilot Program (CDEPP)	263,695
3542 Preschool Programs for Children with Disabilities	9,221
3544 High Achieving Students	34,154
3550 Teacher Salary Increase	129,739
3555 School Employer Contributions	27,167
3558 Reading	22,029
3568 EAA Technical Assistance	74,742
3577 Teacher Supplies	29,700
3578 High Schools That Work/Making Middle Grades Work	4,665
3588 IDEA MOE	-
3590 Reallocation of EIA Funds (School Building)	91,175
3592 Work-Based Learning	7,286
3598 Flex Cost Savings	-
TOTALS	\$ <u>1,109,603</u>

<u>EXPENDITURES</u>	<u>EIA INTERFUND TRANSFERS IN/(OUT)</u>	<u>OTHER FUND TRANSFERS IN/(OUT)</u>	<u>DEFERRED REVENUE</u>
\$ 11,131	\$ -	\$ -	\$ 2,532
9,416	-	-	-
13,645	-	-	-
27,212	-	-	-
1,077	-	-	-
353,549	-	-	-
281,561	-	17,866	-
9,221	-	-	-
34,154	-	-	-
-	-	(129,739)	-
-	-	(27,167)	-
22,029	-	-	-
74,742	-	-	-
1,100	-	(28,600)	-
4,665	-	-	1,635
-	-	-	190,953
-	-	(91,175)	-
7,286	-	-	-
-	-	-	4,518
<u>\$ 850,788</u>	<u>\$ -</u>	<u>\$ (258,815)</u>	<u>\$ 199,638</u>

DILLON COUNTY SCHOOL DISTRICT NO. 3
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR FISCAL YEAR ENDED JUNE 30, 2011

	<u>ACTUAL</u>
REVENUES	
1000 Revenue From Local Sources	
1110 Ad Valorem Taxes - Including Delinquent Taxes	\$ <u>81,476</u>
Total Local Sources	\$ <u>81,476</u>
TOTAL REVENUE ALL SOURCES	\$ <u>81,476</u>
EXPENDITURES	
500 Debt Service	
610 Redemption of Principal	\$ 183,015
620 Interest	<u>11,962</u>
TOTAL EXPENDITURES	\$ <u>194,977</u>
Excess Revenues Over (Under) Expenditures	\$ <u>(113,501)</u>
OTHER FINANCING SOURCES (USES)	
Interfund Transfers, From (To) Other Funds:	
5210 Transfer from General Fund	\$ 22,326
5230 Transfer from Special Revenue EIA Fund	<u>91,175</u>
TOTAL OTHER FINANCING SOURCES (USES)	\$ <u>113,501</u>
Excess Revenues and Expenditures Over (Under)	
Other Financing Sources (Uses)	\$ -
FUND BALANCE JULY 1, 2010	<u>-</u>
FUND BALANCE JUNE 30, 2011	<u><u>-</u></u>

**DILLON COUNTY SCHOOL DISTRICT NO. 3
SCHOOL BUILDING FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR FISCAL YEAR ENDED JUNE 30, 2011**

	<u>ACTUAL</u>
EXPENDITURES	
200 Supporting Services	
250 Finance and Operations	
253 Facilities Acquisition and Construction:	
300 Purchased Services	\$ 193,843
500 Capital Outlay	
520 Construction Services	50,212
540 Equipment	<u>16,035</u>
Total Supporting Services	\$ <u>260,090</u>
TOTAL EXPENDITURES	\$ <u>260,090</u>
Excess Revenues Over (Under) Expenditures	\$ <u>(260,090)</u>
OTHER FINANCING SOURCES	
Interfund Transfers, From (To) Other Funds:	
5210 Transfer from General Fund	\$ <u>53,268</u>
TOTAL OTHER FINANCING SOURCES	\$ <u>53,268</u>
Excess Revenues and Expenditures Over (Under) Other Financing Sources (Uses)	\$ (206,822)
FUND BALANCE JULY 1, 2010	<u>980,636</u>
FUND BALANCE JUNE 30, 2011	\$ <u><u>773,814</u></u>

DILLON COUNTY SCHOOL DISTRICT NO. 3
FOOD SERVICE FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR FISCAL YEAR ENDED JUNE 30, 2011

	<u>ACTUAL</u>
REVENUES	
1000 Revenue From Local Sources	
1500 Earnings on Investments:	
1510 Interest on Investments	\$ 118
1600 Food Service:	
1610 Lunch Sales to Pupils	79,769
1630 Special Sales to Pupils	12,955
1640 Lunch Sales to Adults	11,141
1650 Breakfast Sales to Adults	671
1660 Special Sales to Adults	4,289
1900 Other Revenue from Local Sources:	
1999 Revenue from Other Local Sources	<u>3,137</u>
Total Local Sources	\$ <u>112,080</u>
3000 Revenue from State Sources	
3100 Restricted State Funding:	
3140 School Lunch:	
3142 Program Aid	\$ <u>1,194</u>
Total State Sources	\$ <u>1,194</u>
4000 Revenue From Federal Sources	
4800 USDA Reimbursement:	
4810 School Lunch and After School Snacks Program	\$ 414,859
4830 School Breakfast Program	252,774
4900 Other Federal Sources:	
4991 USDA Commodities	<u>60,141</u>
Total Federal Sources	\$ <u>727,774</u>
TOTAL REVENUE ALL SOURCES	\$ <u>841,048</u>
EXPENSES	
250 Finance and Operations	
256 Food Service:	
100 Salaries	\$ 236,629
200 Employee Benefits	7,977
300 Purchased Services	19,007
400 Supplies and Materials	466,031
500 Capital Outlay	15,184
600 Other Objects	<u>9,146</u>
TOTAL EXPENSES	\$ <u>753,974</u>
Operating Income (Loss) Before Other Financing Sources (Uses)	\$ <u>87,074</u>

**DILLON COUNTY SCHOOL DISTRICT NO. 3
FOOD SERVICE FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR FISCAL YEAR ENDED JUNE 30, 2011**

	<u>ACTUAL</u>
OTHER FINANCING SOURCES (USES)	
Interfund Transfers, From (To) Other Funds	
420-710 Transfer to General Fund (Excludes Indirect Costs)	\$ (5,000)
432-791 Food Service Fund Indirect Costs	<u>(37,737)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ (42,737)</u>
Net Income (Loss)	\$ 44,337
NET ASSETS JULY 1, 2010	<u>399,588</u>
NET ASSETS JUNE 30, 2011	<u><u>\$ 443,925</u></u>

**DILLON COUNTY SCHOOL DISTRICT NO. 3
PUPIL ACTIVITY FUND
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN AMOUNTS DUE TO THIRD PARTIES
FOR FISCAL YEAR ENDED JUNE 30, 2011**

	<u>ACTUAL</u>
RECEIPTS	
1000 Receipts From Local Sources	
1700 Pupil Activities:	
1710 Admissions	\$ 26,091
1730 Pupil Organization Membership Dues and Fees	2,585
1790 Other	<u>324,320</u>
Total Receipts From Local Sources	\$ <u>352,996</u>
TOTAL RECEIPTS ALL SOURCES	\$ <u>352,996</u>
DISBURSEMENTS	
270 Supporting Services Pupil Activity	
271 Pupil Service Activities:	
660 Supporting Services Pupil Activity	\$ 108,991
272 Enterprise Activities:	
660 Pupil Activity	169,081
273 Trust and Agency Activities:	
660 Enterprise Activities	<u>77,012</u>
Total Pupil Activity Expenditures	\$ <u>355,084</u>
TOTAL DISBURSEMENTS	\$ <u>355,084</u>
Excess/(Deficiency) Receipts Over Disbursements	\$ (2,088)
DUE TO THIRD PARTIES JULY 1, 2010	211,673
Adjustment to Beginning Due to Third Parties - Scholarships	<u>(6,183)</u>
DUE TO THIRD PARTIES JUNE 30, 2011	\$ <u><u>203,402</u></u>

DISCRETELY PRESENTED COMPONENT UNIT

**DILLON COUNTY SCHOOL DISTRICT NO. 3
DISCRETELY PRESENTED COMPONENT UNIT
BALANCE SHEET
JUNE 30, 2011**

**LATTA SCHOOLS
EDUCATIONAL
FOUNDATION**

ASSETS

Cash and Cash Equivalents	\$	936,315
Due From Primary Government - Fiduciary Funds		<u>9,231</u>

TOTAL ASSETS	\$	<u>945,546</u>
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FUND BALANCES

Restricted for Capital Projects - Fine Arts Center	\$	800,262
Restricted for Scholarships		105,544
Unassigned		<u>39,740</u>

TOTAL FUND BALANCES	\$	<u>945,546</u>
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RECONCILIATION TO THE STATEMENT OF NET ASSETS:

Amounts reported in the statement of net assets presented on page 12 are different because:

Ending governmental fund balance	\$	945,546
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		<u>503,648</u>
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Net assets (presented on page 12)	\$	<u><u>1,449,194</u></u>
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**DILLON COUNTY SCHOOL DISTRICT NO. 3
DISCRETELY PRESENTED COMPONENT UNIT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR FISCAL YEAR ENDED JUNE 30, 2011**

**LATTA SCHOOLS
EDUCATIONAL
FOUNDATION**

REVENUES

1000 Revenue from Local Sources

1500 Earnings on Investments:	
1510 Interest on Investments	\$ 1,633
1530 Gain or Loss on Sale of Investments	(4,197)
1900 Other Revenue From Local Sources:	
1920 Contributions & Donations Private Sources	832,825

Total Local Sources	\$	<u>830,261</u>
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TOTAL REVENUE ALL SOURCES	\$	<u>830,261</u>
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EXPENDITURES

300 Community Services

390 Other Community Services:	
600 Other Objects	\$ 4,750

Total Community Services	\$	<u>4,750</u>
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TOTAL EXPENDITURES	\$	<u>4,750</u>
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Excess Revenues Over (Under) Expenditures	\$	825,511
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FUND BALANCE JULY 1, 2010		<u>120,035</u>
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FUND BALANCE JUNE 30, 2011	\$	<u><u>945,546</u></u>
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RECONCILIATION TO THE STATEMENT OF ACTIVITIES:

Amounts reported in the statement of activities presented on page 13 are different because:

Net change in governmental fund balance	\$	825,511
---	-----------	---------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents depreciation for the current period.		(1,502)
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Contribution of capital assets from primary government is reported as revenues in the statement of activities but is not recognized as revenues in the governmental fund.		<u>505,150</u>
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Change in net assets (reported on page 13)	\$	<u><u>1,329,159</u></u>
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**SUPPLEMENTAL SCHEDULES
REQUIRED BY
THE S.C. STATE DEPARTMENT OF EDUCATION**

DILLON COUNTY SCHOOL DISTRICT NO. 3
DETAILED SCHEDULE OF DUE TO STATE DEPARTMENT OF EDUCATION/FEDERAL GOVERNMENT
FOR FISCAL YEAR ENDED JUNE 30, 2011

<u>PROGRAM</u>	<u>PROJECT/ GRANT NUMBER</u>	<u>REVENUE & SUBFUND CODE</u>	<u>DESCRIPTION</u>	<u>STATUS</u>	<u>AMOUNT DUE TO SDE OR FEDERAL GOV'T</u>
Medicaid	N/A	1930/270	Match/Relief	Reimbursement	\$ <u>6,405</u>
TOTALS					\$ <u><u>6,405</u></u>

**DILLON COUNTY SCHOOL DISTRICT NO. 3
LOCATION RECONCILIATION SCHEDULE
FOR FISCAL YEAR ENDED JUNE 30, 2011**

LOCATION	LOCATION DESCRIPTION	EDUCATION LEVEL	COST TYPE	TOTAL EXPENDITURES
30	District	Non-Schools	Central	\$ 1,704,542
31	Latta Elementary	Elementary Schools	School	3,213,268
32	Latta Middle	Middle Schools	School	2,060,291
33	Latta High	High Schools	School	4,059,071
34	Latta Early Childhood	Other School	School	1,635,983
35	Latta Educational Foundation	Non-Schools	Central	8,750
TOTAL EXPENDITURES/DISBURSEMENTS FOR ALL FUNDS				\$ 12,681,905

The above expenditures are reconciled to the district's financial statements as follows:

General Fund (Subfunds 100s)	\$ 7,699,602
Special Revenue Fund (Subfunds 200s, 800s, 900s)	2,567,390
Special Revenue EIA Fund (Subfunds 300s)	850,788
Debt Service Fund (Subfunds 400s)	194,977
Capital Projects Fund (School Building) (Subfunds 500s)	260,090
Proprietary Fund (Food Service) (Subfunds 600s)	753,974
Trust and Agency Fund (Pupil Activity) (Subfunds 700s)	355,084
TOTAL EXPENDITURES/DISBURSEMENTS FOR ALL FUNDS	\$ 12,681,905

**DILLON COUNTY SCHOOL DISTRICT NO. 3
SPECIAL PROJECTS FUND
SUBFUND CODE LIST
FOR FISCAL YEAR ENDED JUNE 30, 2011**

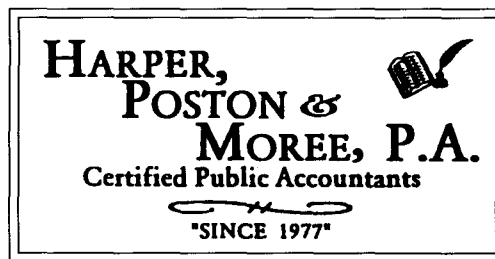
OTHER RESTRICTED STATE GRANTS

905	Career & Technology Education Equipment
908	Refurbishments of K-8 Science Kits
916	Adept Induction
919	Education License Plates
924	Child Development Education Pilot Program (CDEPP)
928	EEDA Career Specialist
933	Formative Assessment
936	Student Health and Fitness - Nurses
937	Student Health and Fitness - PE Teachers
938	High Schools That Work/Making Middle Grades Work
960	K-5 Enhancement
967	6-8 Enhancement

OTHER SPECIAL REVENUE GRANTS

215	IDEA (ARRA 611)
216	IDEA Preschool (ARRA 619)
222	American Recovery and Reinvestment Act (ARRA), Title I Basic State Grant Programs
238	Park Commission
250	State Fiscal Stabilization Fund (ARRA)
251	Title VI, Rural and Low-Income School Program
253	Title II, Enhancing Education Through Technology (E2T2)
254	Title II, Enhancing Education Through Technology (E2T2), (ARRA)
264	Title III, ESOL
267	Improving Teacher Quality
270	Medicaid
274	12-Months Ag Program
275	Energy Grant Award (ARRA)
801	Character Development Revenue

SINGLE AUDIT SECTION



Robert D. Harper, Jr. CPA
Stacey C. Moree CPA
P. O. Box 1550
106 Wall Street, Litchfield
Pawleys Island, SC 29585
Tel (843) 237-9125
Fax (843) 237-1621
E-mail: HPM@sc.rr.com

Robin B. Poston CPA
P. O. Box 576
307 Church Street
Georgetown, SC 29442
Tel (843) 527-3413
Fax (843) 546-7277
E-mail: hpm2@sc.rr.com

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees
Dillon County School District No. 3
Latta, South Carolina

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Dillon County School District No. 3 as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 3, 2011. As described in Note 1 to the financial statements, the District adopted the provisions of GASB Statement No. 54 in the current year. 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.

Internal Control Over Financial Reporting

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

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

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

financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. This deficiency is listed as item 11-B1. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

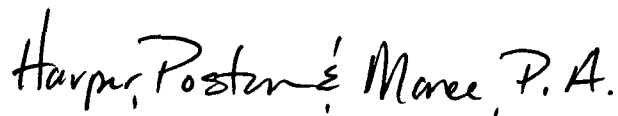
Compliance and Other Matters

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

We noted certain other matters that we reported to management of the District in a separate letter dated November 3, 2011.

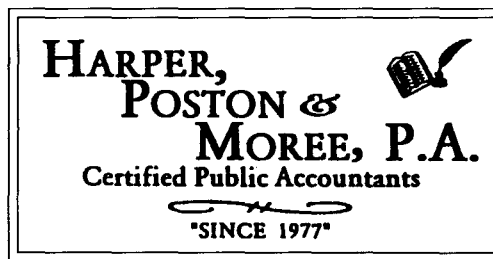
The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

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



Harper, Poston & Moree, P.A.
Certified Public Accountants

Pawleys Island, South Carolina
November 3, 2011



Robert D. Harper, Jr. CPA
Stacey C. Moree CPA
P. O. Box 1550
106 Wall Street, Litchfield
Pawleys Island, SC 29585
Tel (843) 237-9125
Fax (843) 237-1621
E-mail: HPM@sc.rr.com

Robin B. Poston CPA
P. O. Box 576
307 Church Street
Georgetown, SC 29442
Tel (843) 527-3413
Fax (843) 546-7277
E-mail: hpm2@sc.rr.com

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

To the Board of Trustees
Dillon County School District No. 3
Latta, South Carolina

Compliance

We have audited Dillon County School District No. 3's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the accompanying schedule of findings and questioned costs for the year ended June 30, 2011.

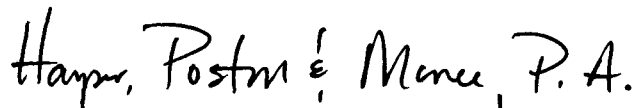
Internal Control Over Compliance

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

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

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

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



Harper, Poston & Moree, P.A.
Certified Public Accountants

Pawleys Island, South Carolina
November 3, 2011

**DILLON COUNTY SCHOOL DISTRICT NO. 3
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR FISCAL YEAR ENDED JUNE 30, 2011**

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the basic financial statements.
2. One significant deficiency was disclosed during the audit of the basic financial statements. This deficiency is not reported as a material weakness.
3. No instances of noncompliance were disclosed during the audit of the basic financial statements.
4. No control deficiencies were disclosed during the audit of major federal award programs.
5. The auditor's report on compliance for the major federal award programs expresses an unqualified opinion.
6. There were no audit findings relative to major federal award programs is reported in Part C of this schedule.
7. The following programs were tested as major programs:
 - Title I, Part A Cluster:
 - Title I (CFDA No. 84.010)
 - ARRA - Title I (CFDA No. 84.389)
 - Special Education Cluster:
 - IDEA (CFDA No. 84.027)
 - Preschool Grant (CFDA No. 84.173)
 - ARRA - IDEA (CFDA No. 84.391)
 - ARRA - Preschool Grant (CFDA No. 84.392)
 - ARRA - State Fiscal Stabilization Fund (CFDA No. 84.394)
8. The threshold for distinguishing types A and B programs was \$300,000.
9. The District was determined to be a low risk auditee.

B. Findings - Financial Statement Audit

11-B1 Financial Statement Preparation

Control Deficiency: The District's accounting staff does not prepare its financial statements and related note disclosures.

Criteria: Controls over the preparation of financial statements are necessary in preventing and detecting misstatements that could occur in the financial statements.

Cause: District personnel do not possess the technical skills necessary to prepare the financial statements and related note disclosures in accordance with generally accepted accounting principles.

Effect: Errors or misstatements could occur and not be detected by management.

**DILLON COUNTY SCHOOL DISTRICT NO. 3
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR FISCAL YEAR ENDED JUNE 30, 2011**

B. Findings - Financial Statement Audit (continued)

11-B1 Financial Statement Preparation (continued)

Recommendation: Management should continue to consult with outside accountants on significant accounting matters and take steps toward gaining the experience needed to prepare financial statements that are presented in accordance with generally accepted accounting principles.

Management's Response: Management will evaluate the cost/benefit of internal auditing necessary to prepare financial statements presented in accordance with generally accepted accounting principles. To mitigate the risk of material misstatement in the financial statements, management will ensure that all journal entries are reviewed prior to posting and the financial statements are approved prior to issuance.

C. Findings and Questioned Costs - Major Federal Award Programs Audit

None.

**DILLON COUNTY SCHOOL DISTRICT NO. 3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR FISCAL YEAR ENDED JUNE 30, 2011**

LEA SUBFUND CODE	FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM/CLUSTER TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	TOTAL EXPENDITURES
U.S. DEPARTMENT OF EDUCATION				
	Passed Through State Department of Education:			
	Title I, Part A Cluster:			
201	Title I	84.010	11BA028	\$ 669,528 *
222	ARRA - Title I	84.389	09SA028	259,198 *
	Special Education Cluster:			
203	IDEA	84.027	11CA028	358,197 *
205	Preschool Grant	84.173	11CG028	21,664 *
215	ARRA - IDEA	84.391	10SC028	17,649 *
215	ARRA - IDEA	84.391	11SC028	197,943 *
216	ARRA - Preschool Grant	84.392	10SG028	480 *
216	ARRA - Preschool Grant	84.392	11SG028	5,978 *
209	Drug & Violence Prevention Program	84.186	11FQ028	1,167
250	ARRA - State Fiscal Stabilization Education	84.394	11SF028	284,038 *
251	Title VI Rural and Low-Income Schools	84.358	11BS028	44,118
	Education Technology Cluster:			
253	Title II Technology Literacy Challenge	84.318	11ET028	19,906
254	ARRA - Education Technology	84.386	10SS028	54,643
267	Improving Teacher Quality	84.367	11TQ028	127,267
	Total U.S. Department of Education			\$ 2,061,776
U.S. DEPARTMENT OF AGRICULTURE				
	Passed Through State Department of Education:			
	Child Nutrition Cluster:			
	Non-Cash Assistance (Commodities):			
600	School Lunch Program	10.555	N/A	\$ 60,141
	Cash Assistance:			
600	School Breakfast Program	10.553	N/A	252,774
600	School Lunch Program	10.555	N/A	414,859
	Total U.S. Department of Agriculture		(See Disclosure Below)	\$ 727,774 **
	TOTAL FEDERAL AWARDS EXPENDED			\$ 2,789,550

DILLON COUNTY SCHOOL DISTRICT NO. 3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR FISCAL YEAR ENDED JUNE 30, 2011

Notes to Schedule of Expenditures of Federal Awards:

* Denotes a major program

** The accounting system used by South Carolina LEAs does not allow for the segregation of expenditures by fund source in the Food Service Fund. The total amount displayed under "Total USDA" excludes \$113,274 of expenditures made from state and local revenue sources. A detailed schedule of the Food Service Fund is included in this audit report.

1. The Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting and includes the federal grant activity of Dillon County School District No. 3. The information in this schedule is presented in conformity with the requirements of OMB Circular A-133 "*Audits of States, Local Governments, and Non-Profit Organizations*."
2. Non-monetary assistance provided by the U.S. Department of Agriculture is reported in the schedule at the fair value of commodities received. Dillon County School District No. 3 received \$60,141 in the form of federal non-cash USDA food commodities for the year ended June 30, 2011. The School Breakfast Program, unlike the School Lunch Program, does not generate separate commodity entitlements; therefore, commodities used in the School Breakfast Program are deemed to be awarded under the School Lunch Program and reported as such in the Schedule of Expenditures of Federal Awards.
3. The District received \$18,498 during the year ended June 30, 2010 from the U.S. Department of Energy in the form of loan proceeds as part of the State Energy Program grant. The loan is a non-interest bearing loan repayable in two annual installments of \$9,249 beginning November 1, 2011. At June 30, 2011, the outstanding loan balance remained at \$18,498.

**DILLON COUNTY SCHOOL DISTRICT NO. 3
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR FISCAL YEAR ENDED JUNE 30, 2011**

Department of Education

2010-C1 Special Education Cluster

Condition: This finding stated that the District did not maintain local effort.

Current Status: After issuance of the financial statements, the SC Department of Education waived the finding. No further action is deemed necessary. No similar findings were noted in the 2011 audit.