

DILLON COUNTY SCHOOL DISTRICT NO. 3
LATTA, SOUTH CAROLINA

**BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

FISCAL YEAR ENDED JUNE 30, 2012

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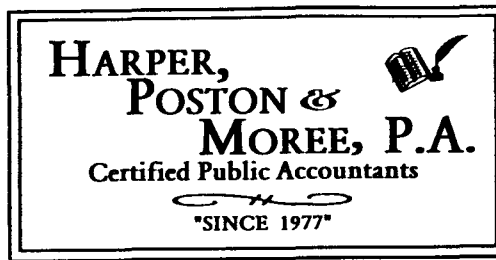
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FINANCIAL SECTION



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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, 2012, 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, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2012 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 45 through 46 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.

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

Pawleys Island, South Carolina
October 19, 2012

DILLON COUNTY SCHOOL DISTRICT THREE

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) FOR YEAR ENDED JUNE 30, 2012

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, 2012. 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, 2012 by \$8,504,106 (net). Of this amount \$3,214,551 is unrestricted.
- The District's total net assets decreased \$1,055,221 which represents an approximate 11% decrease from fiscal year ended June 30, 2011.
- Revenues totaled \$11,881,442.
- Expenses totaled \$11,676,749.
- During the current fiscal year, the District transferred \$2,062,005 (net book value) of its capital assets to The Latta Schools Educational Foundation and was reimbursed \$802,091 by the Foundation for construction costs resulting in a net contribution of capital assets in the amount of \$1,259,914 to the Foundation. This amount is reported as a special item in the statement of activities.
- Our principal operating fund, the General Fund, had \$7,710,353 in fiscal year 2012 revenues, which primarily consisted of state aid and property taxes and \$7,526,102 in expenditures. The General Fund's fund balance increased \$90,734 from \$3,559,848 as of June 30, 2011 to \$3,650,582 as of June 30, 2012.
- As of the close of the year, approximately 80% 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 \$8,504,106 as of June 30, 2012.

By far the largest portion of the District's net assets (63%) 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, 2012 as compared to fiscal year ended June 30, 2011:

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 4,242,517	4,857,145	\$ 319,553	319,564	\$ 4,562,070	5,176,709
Capital assets, net	5,249,277	5,826,143	119,405	126,780	5,368,682	5,952,923
Total Assets	9,491,794	10,683,288	438,958	446,344	9,930,752	11,129,632
Current liabilities	493,112	440,236	-0-	-0-	493,112	440,236
Long-term liabilities	931,007	1,127,650	2527	2,419	933,534	1,130,069
Total Liabilities	1,424,119	1,567,886	2527	2,419	1,426,646	1,570,305
Net Assets:						
Invested in capital assets, net of related debt	5,170,150	5,552,953	119,405	126,780	5,289,555	5,679,733
Restricted for capital projects	-0-	773,814	-0-	-0-	-0-	773,814
Unrestricted	2,897,525	2,788,635	317,026	317,145	3,214,551	3,105,780
Total Net Assets	\$ 8,067,675	9,115,402	\$ 436,431	443,925	\$ 8,504,106	9,559,327

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 \$9,559,327 and ended the fiscal year with net assets of \$8,504,106.

The following table presents a comparative summary of the changes in net assets for the fiscal year ended June 30, 2012 and for the fiscal year ended June 30, 2011:

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
REVENUES:						
Program Revenues:						
Charges for Services	\$ 214,094	150,494	\$ 106,093	111,962	\$ 320,187	262,456
Operating Grants & Contributions	7,932,661	8,150,828	727,888	728,968	8,660,549	8,879,796
Capital Grants & Contributions	192,385	86,284	-0-	-0-	192,385	86,284
General Revenues:						
Property Taxes Levied for Gen Purpose	1,690,373	1,614,590	-0-	-0-	1,690,373	1,614,590
Property Taxes Levied for Debt Service	194,977	81,476	-0-	-0-	194,977	81,476
State Aid	810,734	823,020	-0-	-0-	810,734	823,020
Unrestricted Investment Earnings	3,708	33,851	114	118	3,822	33,969
Miscellaneous	8,415	8,750	-0-	-0-	8,415	8,750
Total Revenues	11,047,347	10,949,293	834,095	841,048	11,881,442	11,790,341
EXPENSES:						
Instruction	6,351,263	6,686,795	-0-	-0-	6,351,263	6,686,795
Supporting Services	4,361,129	4,664,113	-0-	-0-	4,361,129	4,664,113
Community Services	-0-	3,200	-0-	-0-	-0-	3,200
Intergovernmental	61,806	99,328	-0-	-0-	61,806	99,328
Interest & Other Charges	9,730	12,317	-0-	-0-	9,730	12,317
Depreciation – Unallocated	98,668	98,398	-0-	-0-	98,668	98,398
Food Service	-0-	-0-	794,153	753,974	794,153	753,974
Total Expenses	10,882,596	11,564,151	794,153	753,974	11,676,749	12,318,125
Excess before Transfers	164,751	(614,858)	39,942	87,074	204,693	(527,784)
Transfers	47,436	42,737	(47,436)	(42,737)	-0-	-0-
Special Item-Contribution of Capital Assets to Component Unit (Note 4)	(1,259,914)	(505,150)	-0-	-0-	(1,259,914)	(505,150)
INCREASE/(DECREASE) in Net Assets	(1,047,727)	(1,077,271)	(7,494)	44,337	(1,055,221)	(1,032,934)
Net Assets, Beginning	9,115,402	10,192,673	443,925	399,588	9,559,327	10,592,261
Net Assets, Ending	\$ 8,067,675	9,115,402	\$ 436,431	443,925	\$ 8,504,106	9,559,327

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	
	2012	2011	2012	2011
Instruction	\$ 6,351,263	6,686,795	\$ (328,371)	(682,086)
Support Services	4,361,129	4,664,113	(2,085,655)	(2,408,155)
Community Services	-0-	3,200	-0-	-0-
Intergovernmental	61,806	99,328	(21,032)	(66,764)
Interest and Other Charges	9,730	12,317	(9,730)	78,858
Depreciation (unallocated)	98,668	98,398	(98,668)	(98,398)
Totals	\$ 10,882,596	11,564,151	\$ (2,543,456)	(3,176,545)

- The cost of all governmental activities this year was \$10,882,596.
- Federal and state governments and charges for services subsidized certain programs with grants and contributions and other local revenues of \$8,339,140.
- Net cost of governmental activities (\$2,543,456), was financed by general revenues, which are made up of primarily property taxes \$1,885,350, state aid \$810,734 and other miscellaneous general revenues, grants and transfers of \$59,559. Investment earnings accounted for \$3,708 of funding and there was a special item (\$1,259,914) for a net 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 \$1,047,727.
- The net decrease in governmental activities net assets of \$1,047,727 accounts for the total decrease in the District's net assets and is primarily a result of the transfer of \$1,259,914 in capital assets to the Foundation.

Business-Type Activities: Net assets of business-type activities decreased by \$7,494 for the current fiscal year. Operating grants and contributions remained approximately the same from the prior fiscal year.

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 39% 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 \$3,650,582, an increase of \$90,734 in comparison with the prior year.

Approximately \$720,978 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.

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 a decrease in net assets of \$7,494. The balance on June 30, 2012 was \$436,431. The balance on June 30, 2011 was \$443,925. 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, 2012, the District has invested \$5,249,277 (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 \$576,866 decrease from the prior year. Total depreciation expense for the year was \$390,290.

As of June 30, 2012, a total of \$711,727 has been approved for expending if needed for SY 12-13 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 with a net book value of \$2,062,005 to its discretely presented component unit – The Latta Schools Educational Foundation. With an \$802,091 reimbursement from the Foundation to the district for construction costs, the net contribution of assets to the Foundation was \$1,259,914. 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, 2012:

		Amount	
		2012	2011
Land	\$	188,730	212,453
Construction in Progress		-0-	162,853
Buildings		3,275,226	3,413,481
Improvements		1,661,320	1,862,196
Vehicles		45,537	52,820
Equipment		78,464	122,340
Total Assets	\$	<u>5,249,277</u>	<u>5,826,143</u>

The net capital assets ending balance for business-type activities is \$119,405, an decrease of \$7,375 from the prior year. Depreciation expense for the year was \$16,160. Additional information on the District's capital assets and construction commitments can be found in Note 4 and Note 14, respectively, of this report.

Long-Term Debt: At fiscal year-end, the District has \$861,051 in general obligation bonds outstanding, of which \$189,501 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, 2012:

	Beginning Balance	Addition	Reduction	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 1,048,004	-0-	(186,953)	\$ 861,051	\$ 189,501
Note Payable – Dept. of Energy	18,498	-0-	(9,249)	9,249	9,249
Total Long-Term Debt	\$ 1,066,502	-0-	(196,202)	\$ 870,300	\$ 198,750

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 2012 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. Revenues exceeded budgetary estimates primarily due to the receipt of state funding that was not anticipated in the original budget. Actual expenditures exceeded budgetary appropriations by \$73,520. Due to the additional state funding received, areas that had been reduced or eliminated in the original budget were expended based on order of priority. 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 2012-13 to the County Board of Education. The 2012-13 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 all employees; student insurance; funding for a school resource officer and security crossing guards; salary increases for employees including step increases for employees paid from SDE salary schedule and \$2.00 over pay scale per hour for bus drivers.

While state revenues slightly increased, funding continues to fluctuate in the present economy. The District received numerous funding cuts during the past several years. In order to adjust for the loss of revenue, budgeted expenditure reductions in various areas were maintained. Our growing number of students and our reserve fund has helped to compensate for any 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, 2012

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
ASSETS				
Cash	\$ -	\$ 191,165	\$ 191,165	\$ 1,002,337
Taxes Receivable (Net of Allowance)	218,150	-	218,150	-
Due From County Treasurer	2,768,407	-	2,768,407	-
Due From State Department of Education	501,664	-	501,664	-
Due From Federal Government	-	60,985	60,985	-
Due From Component Unit	802,091	-	802,091	-
Pledges Receivable	-	-	-	117,750
Internal Balances	(61,626)	61,626	-	-
Inventories	-	5,777	5,777	-
Deferred Bond Issuance Costs (Net of Amortization)	13,831	-	13,831	-
Capital Assets (Net of Accumulated Depreciation):				
Land (Non-Depreciable)	188,730	-	188,730	290,395
Construction in Progress (Non-Depreciable)	-	-	-	2,038,282
Buildings	3,275,226	-	3,275,226	232,116
Improvements	1,661,320	-	1,661,320	-
Vehicles	45,537	-	45,537	-
Equipment	78,464	119,405	197,869	-
TOTAL ASSETS	\$ 9,491,794	\$ 438,958	\$ 9,930,752	\$ 3,680,880
LIABILITIES				
Accounts Payable	\$ 403,913	\$ -	\$ 403,913	\$ -
Accrued Payroll Liabilities & Benefits Payable	78,783	-	78,783	-
Accrued Interest Payable	1,266	-	1,266	-
Due To State Department of Education	5,791	-	5,791	-
Due To Primary Government	-	-	-	802,091
Unearned Grant Revenues	3,359	-	3,359	-
Noncurrent Liabilities:				
Due Within One Year	242,796	1,805	244,601	-
Due In More Than One Year	688,211	722	688,933	-
TOTAL LIABILITIES	\$ 1,424,119	\$ 2,527	\$ 1,426,646	\$ 802,091
NET ASSETS				
Invested In Capital Assets, Net of Related Debt	\$ 5,170,150	\$ 119,405	\$ 5,289,555	\$ 2,560,793
Restricted for Capital Projects	-	-	-	143,595
Restricted for Scholarships	-	-	-	135,318
Unrestricted	2,897,525	317,026	3,214,551	39,083
TOTAL NET ASSETS	\$ 8,067,675	\$ 436,431	\$ 8,504,106	\$ 2,878,789

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, 2012

NET (EXPENSE) REVENUE AND								
FUNCTIONS/PROGRAMS	PROGRAM REVENUES				CHANGES IN NET ASSETS			COMPONENT UNIT
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT			
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
Governmental Activities:								
Instruction	\$ 6,351,263	\$ 93,153	\$ 5,742,764	\$ 186,975	\$ (328,371)	\$ -	\$ (328,371)	\$ -
Supporting Services	4,361,129	80,167	2,189,897	5,410	(2,085,655)	-	(2,085,655)	-
Intergovernmental	61,806	40,774	-	-	(21,032)	-	(21,032)	-
Interest and Other Charges	9,730	-	-	-	(9,730)	-	(9,730)	-
Depreciation - Unallocated*	98,668	-	-	-	(98,668)	-	(98,668)	-
Total Governmental Activities	\$ 10,882,596	\$ 214,094	\$ 7,932,661	\$ 192,385	\$ (2,543,456)	\$ -	\$ (2,543,456)	\$ -
Business-Type Activities:								
Food Service	\$ 794,153	\$ 106,093	\$ 727,888	\$ -	\$ -	\$ 39,828	\$ 39,828	\$ -
Total Business-Type Activities	\$ 794,153	\$ 106,093	\$ 727,888	\$ -	\$ -	\$ 39,828	\$ 39,828	\$ -
TOTAL PRIMARY GOVERNMENT	\$ 11,676,749	\$ 320,187	\$ 8,660,549	\$ 192,385	\$ (2,543,456)	\$ 39,828	\$ (2,503,628)	\$ -
COMPONENT UNIT								
Educational Foundation	\$ 11,221	\$ -	\$ 35,274	\$ 145,424	\$ -	\$ -	\$ -	\$ 169,477
General Revenues:								
Taxes:								
Property Taxes, Levied for General Purposes					\$ 1,690,373	\$ -	\$ 1,690,373	\$ -
Property Taxes, Levied for Debt Service					194,977	-	194,977	-
State Aid Not Restricted to Specific Programs					810,734	-	810,734	-
Unrestricted Investment Earnings					3,708	114	3,822	204
Miscellaneous					8,415	-	8,415	-
Transfers					47,436	(47,436)	-	-
Special Item - Contribution of Capital Assets to Component Unit (Note 4)					(1,259,914)	-	(1,259,914)	1,259,914
TOTAL GENERAL REVENUES, TRANSFERS, AND SPECIAL ITEM					\$ 1,495,729	\$ (47,322)	\$ 1,448,407	\$ 1,260,118
CHANGE IN NET ASSETS					\$ (1,047,727)	\$ (7,494)	\$ (1,055,221)	\$ 1,429,595
NET ASSETS BEGINNING OF YEAR					9,115,402	443,925	9,559,327	1,449,194
NET ASSETS END OF YEAR					\$ 8,067,675	\$ 436,431	\$ 8,504,106	\$ 2,878,789

* Excludes depreciation of \$291,622 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, 2012

	<u>GENERAL</u>	<u>SPECIAL PROJECTS</u>
ASSETS		
Taxes Receivable (Net of Allowance for Uncollectibles)	\$ 218,150	\$ -
Due From County Treasurer	2,768,407	-
Due From Other Funds	1,229,877	-
Due From State Department of Education	3,102	435,964
Due From Component Unit	<u>-</u>	<u>-</u>
TOTAL ASSETS	\$ 4,219,536	\$ 435,964
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts Payable	\$ 403,913	\$ -
Due To Other Funds	-	428,584
Due To State Department of Education	-	5,541
Accrued Payroll Liabilities	78,783	-
Deferred Tax Revenues	86,258	-
Deferred Grant Revenues	<u>-</u>	<u>1,839</u>
Total Liabilities	\$ 568,954	\$ 435,964
Fund Balances		
Assigned for:		
Capital Projects	\$ 200,477	\$ -
Special Projects	511,250	-
Debt Service for Energy Grant Match	9,251	-
Unassigned	<u>2,929,604</u>	<u>-</u>
Total Fund Balances	\$ 3,650,582	\$ -
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,219,536	\$ 435,964

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

EDUCATION IMPROVEMENT ACT	DEBT SERVICE	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
\$ -	\$ -	\$ -	\$ 218,150
-	-	-	2,768,407
-	-	-	1,229,877
62,598	-	-	501,664
-	-	802,091	802,091
<u>\$ 62,598</u>	<u>\$ -</u>	<u>\$ 802,091</u>	<u>\$ 5,520,189</u>

\$ -	\$ -	\$ -	\$ 403,913
60,828	-	802,091	1,291,503
250	-	-	5,791
-	-	-	78,783
-	-	-	86,258
1,520	-	-	3,359
<u>\$ 62,598</u>	<u>\$ -</u>	<u>\$ 802,091</u>	<u>\$ 1,869,607</u>

\$ -	\$ -	\$ -	\$ 200,477
-	-	-	511,250
-	-	-	9,251
-	-	-	2,929,604
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,650,582</u>
<u>\$ 62,598</u>	<u>\$ -</u>	<u>\$ 802,091</u>	<u>\$ 5,520,189</u>

DILLON COUNTY SCHOOL DISTRICT NO. 3
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2012

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

Ending fund balances - governmental funds balance sheet	\$ 3,650,582
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,249,277
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	86,258
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>(918,442)</u>
Net assets of governmental activities	\$ <u><u>8,067,675</u></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, 2012

	<u>GENERAL</u>	<u>SPECIAL PROJECTS</u>
REVENUES		
Local	\$ 1,809,891	\$ 186,834
State	5,667,918	287,910
Federal	-	1,392,096
Intergovernmental	<u>232,544</u>	<u>662</u>
TOTAL REVENUES	\$ <u>7,710,353</u>	\$ <u>1,867,502</u>
EXPENDITURES		
Current		
Instruction	\$ 3,931,632	\$ 1,167,686
Supporting Services	3,548,264	489,333
Intergovernmental Expenditures	21,033	40,773
Debt Service		
Principal	9,249	-
Interest and Fiscal Agent Fees	-	-
Capital Outlay	<u>15,924</u>	<u>169,710</u>
TOTAL EXPENDITURES	\$ <u>7,526,102</u>	\$ <u>1,867,502</u>
Excess Revenues Over (Under) Expenditures	\$ <u>184,251</u>	\$ <u>-</u>
OTHER FINANCING SOURCES (USES)		
Transfers From Other Funds	\$ 206,006	\$ -
Transfers To Other Funds	<u>(299,523)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	\$ <u>(93,517)</u>	\$ <u>-</u>
Net Change in Fund Balances	\$ 90,734	\$ -
FUND BALANCES BEGINNING OF YEAR	<u>3,559,848</u>	<u>-</u>
FUND BALANCES END OF YEAR	\$ <u><u>3,650,582</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
\$ -	\$ 194,977	\$ -	\$ 2,191,702
1,264,233	-	-	7,220,061
-	-	-	1,392,096
-	-	802,091	1,035,297
<u>\$ 1,264,233</u>	<u>\$ 194,977</u>	<u>\$ 802,091</u>	<u>\$ 11,839,156</u>
\$ 875,783	\$ -	\$ -	\$ 5,975,101
207,205	-	107,298	4,352,100
-	-	-	61,806
-	186,953	-	196,202
-	8,024	-	8,024
22,675	-	1,768,130	1,976,439
<u>\$ 1,105,663</u>	<u>\$ 194,977</u>	<u>\$ 1,875,428</u>	<u>\$ 12,569,672</u>
<u>\$ 158,570</u>	<u>\$ -</u>	<u>\$ (1,073,337)</u>	<u>\$ (730,516)</u>
\$ -	\$ -	\$ 299,523	\$ 505,529
<u>(158,570)</u>	<u>-</u>	<u>-</u>	<u>(458,093)</u>
<u>\$ (158,570)</u>	<u>\$ -</u>	<u>\$ 299,523</u>	<u>\$ 47,436</u>
\$ -	\$ -	\$ (773,814)	\$ (683,080)
-	-	773,814	4,333,662
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,650,582</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, 2012**

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

Net change in fund balances - total governmental funds	\$ (683,080)
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.	1,485,139
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net assets.	(2,062,005)
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.	17,282
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.	196,202
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>(1,265)</u>
Change in net assets of governmental activities	<u>\$ (1,047,727)</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, 2012

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

ASSETS

Current Assets:	
Cash	\$ 191,165
Due From Other Funds	61,626
Due From Federal Government	60,985
Inventories	5,777
Total Current Assets	\$ <u>319,553</u>

Noncurrent Assets:	
Equipment	\$ 233,907
Less: Accumulated Depreciation	(114,502)
Total Noncurrent Assets	\$ <u>119,405</u>

TOTAL ASSETS	\$ <u>438,958</u>
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LIABILITIES

Current Liabilities:	
Compensated Absences	\$ 1,805
Total Current Liabilities	\$ <u>1,805</u>

Noncurrent Liabilities:	
Compensated Absences	\$ 722
Total Noncurrent Liabilities	\$ <u>722</u>

TOTAL LIABILITIES	\$ <u>2,527</u>
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NET ASSETS

Invested in Capital Assets	\$ 119,405
Unrestricted	<u>317,026</u>

TOTAL NET ASSETS	\$ <u><u>436,431</u></u>
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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, 2012

	BUSINESS-TYPE ACTIVITY ENTERPRISE FUND (FOOD SERVICE)
OPERATING REVENUES	
Proceeds from Sales of Meals	\$ <u>104,522</u>
TOTAL OPERATING REVENUES	\$ <u>104,522</u>
OPERATING EXPENSES	
Food Costs	\$ 391,808
Salaries and Employee Benefits	234,038
Utilities	4,129
Depreciation	16,160
Supplies and Materials	108,295
Other Operating Costs	<u>39,723</u>
TOTAL OPERATING EXPENSES	\$ <u>794,153</u>
Operating Income (Loss)	\$ <u>(689,631)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest	\$ 114
USDA Reimbursements	677,654
Commodities Received From USDA	49,112
Other Federal and State Aid	1,122
Miscellaneous Revenues	<u>1,571</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	\$ <u>729,573</u>
Income (Loss) Before Transfers	\$ 39,942
TRANSFERS IN (OUT)	\$ <u>(47,436)</u>
Change in Net Assets	\$ (7,494)
NET ASSETS BEGINNING OF YEAR	<u>443,925</u>
NET ASSETS END OF YEAR	\$ <u><u>436,431</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, 2012**

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

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Patrons	\$ 104,522
Payments to Suppliers for Goods and Services	(500,944)
Payments to Employees for Services	<u>(234,038)</u>
Net Cash Provided (Used) By Operating Activities	\$ <u>(630,460)</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

USDA Federal Reimbursements	\$ 616,670
Other Nonoperating Grants Received	1,122
Other Miscellaneous Receipts	1,571
Transfers to Other Funds	<u>(47,436)</u>
Net Cash Provided (Used) By Non-Capital Financing Activities	\$ <u>571,927</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of Capital Assets	\$ <u>(8,786)</u>
Net Cash Provided (Used) By Capital and Related Financing Activities	\$ <u>(8,786)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Received on Investments	\$ <u>114</u>
Net Cash Provided (Used) By Investing Activities	\$ <u>114</u>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (67,205)
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CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	<u>258,370</u>
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CASH AND CASH EQUIVALENTS END OF YEAR	\$ <u><u>191,165</u></u>
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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, 2012**

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

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

Operating Income (Loss)	\$ (689,631)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities:	
Depreciation	16,160
Non-Cash Commodities Used	49,112
Changes in Assets and Liabilities:	
(Increase) Decrease in Due From Other Funds	(6,941)
(Increase) Decrease in Due From State Department of Education	590
(Increase) Decrease in Inventory	142
Increase (Decrease) in Compensated Absences	108
Net Cash Provided (Used) By Operating Activities	\$ <u>(630,460)</u>

Supplemental Non-Cash Financing and Investing Information:

Non-Cash Commodities Received from USDA	\$ <u>49,112</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, 2012

	<u>AGENCY FUND</u>
ASSETS	
Cash and Cash Equivalents	\$ <u>160,663</u>
TOTAL ASSETS	\$ <u>160,663</u>
LIABILITIES	
Accounts Payable	\$ 1,728
Due To Third Parties	<u>158,935</u>
TOTAL LIABILITIES	\$ <u>160,663</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, 2012

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.

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, 2012

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, 2012

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, 2012

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, 2012

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 nonspendable 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, 2012

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, 2012

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. 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, 2012

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, 2012

NOTE 2 - DEPOSITS AND INVESTMENTS

Primary Government

At year end, the District's carrying amount of deposits was \$351,828 and the corresponding bank balance was \$363,540.

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, 2012, \$93,540 of the District's bank balances of \$363,540 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, 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 \$2,768,407.

Component Unit

At year end, the Foundation's carrying amount of deposits was \$1,002,337 and the corresponding bank balance was also \$1,002,337. Of the Foundation's bank balance, \$551,985 was exposed to custodial credit risk (as defined above) because it was uninsured and uncollateralized.

NOTE 3 - RECEIVABLES

Primary Government

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	Capital Projects	Total
Receivables:					
Taxes	\$ 244,592	\$ -	\$ -	\$ -	\$ 244,592
State and Federal Grants	3,102	435,964	62,598	-	501,664
Component Unit	<u>-</u>	<u>-</u>	<u>-</u>	<u>802,091</u>	<u>802,091</u>
Gross Receivables	\$ 247,694	\$ 435,964	\$ 62,598	\$ 802,091	\$ 1,548,347
Less: Allowance for					
Uncollectible Taxes	<u>(26,442)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(26,442)</u>
Net Receivables	<u>\$ 221,252</u>	<u>\$ 435,964</u>	<u>\$ 62,598</u>	<u>\$ 802,091</u>	<u>\$ 1,521,905</u>

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 \$86,258 in property taxes which are considered unavailable to liquidate current liabilities and \$3,359 in grants which are considered unearned.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 3 – RECEIVABLES (continued)

Primary Government (continued)

Receivables as of the year end for business-type activities consisted of \$60,985 due from USDA for reimbursement of federal food service revenues. There is no allowance associated with this receivable.

Component Unit

Receivables for the Foundation at year end consisted of pledges receivable of \$117,750. The Foundation believes all pledges will ultimately be collected; therefore, no allowance has been estimated for uncollectible amounts. Management intends to reevaluate the allowance for uncollectible amounts in future years as historical collection analysis becomes available. Collections expected to be received beyond 60 days after year end have been recorded as deferred revenue in the amount of \$117,750.

The following schedule lists pledges receivable by year.

<u>Year Ended June 30</u>		<u>Pledges Receivable</u>
2013	\$	42,550
2014		42,300
2015		12,300
2016		11,800
2017		5,000
Thereafter		<u>3,800</u>
Totals	\$	<u><u>117,750</u></u>

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DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Primary Government:				
Governmental Activities:				
Capital Assets, not Being Depreciated:				
Land	\$ 212,453	\$ -	\$ (23,723)	\$ 188,730
Construction in Progress	<u>162,853</u>	<u>1,875,429</u>	<u>(2,038,282)</u>	<u>-</u>
Total Capital Assets, not Being Depreciated	\$ <u>375,306</u>	\$ <u>1,875,429</u>	\$ <u>(2,062,005)</u>	\$ <u>188,730</u>
Capital Assets, Being Depreciated:				
Buildings	\$ 8,548,637	\$ -	\$ (257,193)	\$ 8,291,444
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>13,218,039</u>	\$ <u>-</u>	\$ <u>(257,193)</u>	\$ <u>12,960,846</u>
Less Accumulated Depreciation for:				
Buildings	\$ (5,135,156)	\$ (138,255)	\$ 257,193	\$ (5,016,218)
Improvements	(1,982,543)	(200,876)	-	(2,183,419)
Vehicles	(228,129)	(7,283)	-	(235,412)
Support Equipment	(758)	(9,242)	-	(10,000)
Instructional Equipment	(291,820)	(33,247)	-	(325,067)
Maintenance Equipment	<u>(128,796)</u>	<u>(1,387)</u>	<u>-</u>	<u>(130,183)</u>
Total Accumulated Depreciation	\$ <u>(7,767,202)</u>	\$ <u>(390,290)</u>	\$ <u>257,193</u>	\$ <u>(7,900,299)</u>
Total Capital Assets, Being Depreciated, Net	\$ <u>5,450,837</u>	\$ <u>(390,290)</u>	\$ <u>-</u>	\$ <u>5,060,547</u>
Governmental Activities Capital Assets, Net	\$ <u><u>5,826,143</u></u>	\$ <u><u>1,485,139</u></u>	\$ <u><u>(2,062,005)</u></u>	\$ <u><u>5,249,277</u></u>
Business-Type Activities:				
Capital Assets, Being Depreciated:				
Machinery and Equipment	\$ <u>225,121</u>	\$ <u>8,785</u>	\$ <u>-</u>	\$ <u>233,906</u>
Total Capital Assets, Being Depreciated	\$ <u>225,121</u>	\$ <u>8,785</u>	\$ <u>-</u>	\$ <u>233,906</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	\$ <u>(98,341)</u>	\$ <u>(16,160)</u>	\$ <u>-</u>	\$ <u>(114,501)</u>
Total Accumulated Depreciation	\$ <u>(98,341)</u>	\$ <u>(16,160)</u>	\$ <u>-</u>	\$ <u>(114,501)</u>
Total Capital Assets, Being Depreciated, Net	\$ <u>126,780</u>	\$ <u>(7,375)</u>	\$ <u>-</u>	\$ <u>119,405</u>
Business-Type Activities Capital Assets, Net	\$ <u><u>126,780</u></u>	\$ <u><u>(7,375)</u></u>	\$ <u><u>-</u></u>	\$ <u><u>119,405</u></u>

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 4 - CAPITAL ASSETS (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Component Unit:				
Capital Assets, not Being Depreciated:				
Land	\$ 266,672	\$ 23,723	\$ -	\$ 290,395
Construction in Progress	-	2,038,282	-	2,038,282
Total Capital Assets, not Being Depreciated	\$ 266,672	\$ 2,062,005	\$ -	\$ 2,328,677
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)	\$ (4,860)	\$ -	\$ (10,209)
Total Accumulated Depreciation	\$ (5,349)	\$ (4,860)	\$ -	\$ (10,209)
Total Capital Assets, Being Depreciated, Net	\$ 236,976	\$ (4,860)	\$ -	\$ 232,116
Total Capital Assets, Net	\$ 503,648	\$ 2,057,145	\$ -	\$ 2,560,793

Depreciation expense was charged to functions/programs as follows:

Primary Government:

Governmental Activities:

Instruction	\$ 188,628
Supporting Services	102,994
Unallocated	98,668
Total Depreciation Expense - Governmental Activities	\$ 390,290

Business-Type Activities:

Food Service	\$ 16,160
Total Depreciation Expense - Business-Type Activities	\$ 16,160

Component Unit:

Supporting Services	\$ 4,860
Total Depreciation Expense - Component Unit	\$ 4,860

During the current fiscal year, the District transferred capital assets with a net book value of \$2,062,005 to the Foundation, which are included in increases and decreases of the above schedules. The assets are leased back to the District at no cost. The transfer is reported as a "special item" in the statement of activities. The following schedule reconciles the components of the transaction:

Land Deeded to Foundation	\$ 23,723
High School Gymnasium and Construction in Progress Deeded to Foundation	2,038,282
Net Book Value of Capital Assets Transferred to Foundation	\$ 2,062,005
Reimbursement from Foundation for Construction Costs	(802,091)
Net Contribution of Capital Assets to Foundation	\$ 1,259,914

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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 of the District, as well as its component unit.

General obligation bonds currently outstanding at June 30, 2012, are as follows:

<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Original Issue</u>	<u>Outstanding June 30, 2012</u>
2003	2.86%	May 23, 2013	\$ 700,000	\$ 79,127
2009	0.40%	March 1, 2019	1,000,000	781,924
Totals			<u>\$ 1,700,000</u>	<u>\$ 861,051</u>

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>
2013	\$ 189,501	\$ 5,477	\$ 194,978
2014	110,815	2,686	113,501
2015	111,258	2,243	113,501
2016	111,703	1,798	113,501
2017	112,150	1,351	113,501
2018-2019	<u>225,624</u>	<u>1,378</u>	<u>227,002</u>
Totals	<u>\$ 861,051</u>	<u>\$ 14,933</u>	<u>\$ 875,984</u>

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 being 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, 2012</u>
2010	0%	November 1, 2012	\$ 18,498	\$ 9,249

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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>
2013	\$ 9,249	\$ -	\$ 9,249
Totals	\$ 9,249	\$ -	\$ 9,249

The following is a summary of changes in long-term obligations and balances for June 30, 2012:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
General Obligation Bonds	\$ 1,048,004	\$ -	\$ (186,953)	\$ 861,051	\$ 189,501
Notes Payable	18,498	-	(9,249)	9,249	9,249
Compensated Absences	61,148	36,584	(37,025)	60,707	44,046
Totals	\$ 1,127,650	\$ 36,584	\$ (233,227)	\$ 931,007	\$ 242,796
Business-Type Activities:					
Compensated Absences	\$ 2,419	\$ 1,836	\$ (1,728)	\$ 2,527	\$ 1,805
Totals	\$ 2,419	\$ 1,836	\$ (1,728)	\$ 2,527	\$ 1,805

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, 2012, 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	\$ 1,229,877	\$ -
Special Projects	-	428,584
EIA	-	60,828
School Building Fund	-	802,091
Food Service Fund	61,626	-
Total	\$ 1,291,503	\$ 1,291,503

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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	\$ 206,006	\$ 299,523
EIA	-	158,570
School Building Fund	299,523	-
Food Service Fund	-	47,436
Total	<u>\$ 505,529</u>	<u>\$ 505,529</u>

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, 4.30% of annual covered payroll for fiscal year 2011-2012. 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, 2012

NOTE 7 - POSTEMPLOYMENT BENEFITS (continued)

The District recorded fringe benefit expenses for insurance benefits for active employees in the amount of \$806,679 for the year ended June 30, 2012. The District also paid \$282,497 applicable to the 4.30% surcharge included with the employer contributions for retirement benefits. (The District paid \$275,689 and \$250,791 in 2011 and 2010, 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, 2012.

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 9.535% 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, 2012, 2011, and 2010 were \$626,422, \$663,776, and \$672,838, respectively. Actual contributions were equal to the required contributions each year.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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, 2012 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, 2012

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, 2012, 2011, and 2010.

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, 2012

NOTE 13 - 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>86,258</u>
	\$ <u><u>86,258</u></u>
Long-Term Liabilities Not Reported in the Funds:	
General Obligation Bonds	\$ (861,051)
Note Payable	(9,249)
Accrued Interest Payable	(1,266)
Compensated Absences Payable	(60,707)
Deferred Issuance Costs (Net)	<u>13,831</u>
	\$ <u><u>(918,442)</u></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	\$ 1,875,429
Depreciation Expense	<u>(390,290)</u>
	\$ <u><u>1,485,139</u></u>
Miscellaneous Transactions Involving Capital Assets:	
Contribution of Capital Assets to Component Unit	\$ <u>(2,062,005)</u>
	\$ <u><u>(2,062,005)</u></u>
Revenues Not Recognized in the Funds:	
Property Taxes	\$ <u>17,282</u>
	\$ <u><u>17,282</u></u>
Issuance and Repayment of Long-Term Debt:	
Principal Repayment on General Obligation Bonds	\$ 186,953
Principal Repayment on Notes Payable	<u>9,249</u>
	\$ <u><u>196,202</u></u>

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 13 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND STATEMENTS
(continued)

Expenses Not Recognized in the Funds:

Compensated Absences	\$ 441
Accrued Interest on Long-Term Debt	369
Amortization of Bond Issuance Costs	<u>(2,075)</u>
	<u>\$ (1,265)</u>

NOTE 14 - COMMITMENTS

At June 30, 2012, construction and related commitments were as follows:

	<u>Estimated Completion Date</u>	<u>Commitment</u>	<u>Expenditures Incurred</u>	<u>Remaining Commitment June 30, 2012</u>
Primary Government:				
Fine Arts Center (Phase I High School Project)	November 2012	\$ <u>2,392,064</u>	\$ <u>(1,840,621)</u>	\$ <u>551,443</u>

REQUIRED SUPPLEMENTARY INFORMATION

**DILLON COUNTY SCHOOL DISTRICT NO. 3
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR FISCAL YEAR ENDED JUNE 30, 2012**

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Local	\$ 1,766,085	\$ 1,766,085	\$ 1,809,891	\$ 43,806
State	5,323,562	5,323,562	5,667,918	344,356
Intergovernmental	175,032	175,032	232,544	57,512
TOTAL REVENUES	\$ 7,264,679	\$ 7,264,679	\$ 7,710,353	\$ 445,674
EXPENDITURES				
Current				
Instruction	\$ 3,831,545	\$ 3,831,545	\$ 3,931,632	\$ (100,087)
Supporting Services	3,566,037	3,566,037	3,548,264	17,773
Intergovernmental Expenditures	12,000	12,000	21,033	(9,033)
Debt Service	-	-	9,249	(9,249)
Capital Outlay	43,000	43,000	15,924	27,076
TOTAL EXPENDITURES	\$ 7,452,582	\$ 7,452,582	\$ 7,526,102	\$ (73,520)
Excess Revenues Over (Under) Expenditures	\$ (187,903)	\$ (187,903)	\$ 184,251	\$ 372,154
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	\$ 197,153	\$ 197,153	\$ 206,006	\$ 8,853
Transfers To Other Funds	(9,250)	(9,250)	(299,523)	(290,273)
TOTAL OTHER FINANCING SOURCES (USES)	\$ 187,903	\$ 187,903	\$ (93,517)	\$ (281,420)
Net Change in Fund Balance	\$ -	\$ -	\$ 90,734	\$ 90,734
FUND BALANCE BEGINNING OF YEAR	3,559,848	3,559,848	3,559,848	-
FUND BALANCE END OF YEAR	\$ 3,559,848	\$ 3,559,848	\$ 3,650,582	\$ 90,734

**DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR FISCAL YEAR ENDED JUNE 30, 2012**

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, 2012, actual expenditures in the general fund exceeded budgeted appropriations by \$73,520.

**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, 2012

	<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	\$ 1,351,104	\$ 1,362,380	\$ 11,276
1140 Penalties and Interest on Taxes	15,584	13,386	(2,198)
1190 Other Taxes	284,106	297,326	13,220
1500 Earnings on Investments:			
1510 Interest on Investments	48,341	3,707	(44,634)
1900 Other Revenue From Local Sources:			
1920 Contributions & Donations Private Sources	-	13,355	13,355
1930 Medicaid	-	996	996
1999 Revenue from Other Local Sources	66,950	118,741	51,791
Total Local Sources	<u>\$ 1,766,085</u>	<u>\$ 1,809,891</u>	<u>\$ 43,806</u>
2000 Intergovernmental Revenue			
2100 Payments from Other Governmental Units	\$ 175,032	\$ 232,544	\$ 57,512
Total Intergovernmental Revenues	<u>\$ 175,032</u>	<u>\$ 232,544</u>	<u>\$ 57,512</u>
3000 Revenue from State Sources			
3100 Restricted State Funding:			
3130 Special Programs:			
3131 Handicapped Transportation	\$ -	\$ 593	\$ 593
3160 School Bus Driver Salary	61,464	60,059	(1,405)
3162 Transportation Workers' Compensation	-	7,221	7,221
3180 Fringe Benefits Employer Contributions	1,411,788	1,479,415	67,627
3197 Textbook Cost Savings	-	45,333	45,333
3199 Other Restricted State Grants	-	523	523
3300 Education Finance Act:	*	3,119,077	-
3310 Full-Time Programs:			(3,119,077)
3311 Kindergarten	*	-	211,531
3312 Primary	*	-	680,168
3313 Elementary	*	-	1,017,227
3314 High School	*	-	235,655
3315 Trainable Mentally Handicapped	*	-	37,581
3316 Speech Handicapped	*	-	196,010
3317 Homebound	*	-	4,326
3320 Part-Time Programs:			
3321 Emotionally Handicapped	*	-	273
3322 Educable Mentally Handicapped	*	-	31,442
3323 Learning Disabilities	*	-	218,260
3324 Hearing Handicapped	*	-	12,912
3325 Visually Handicapped	*	-	8,608

* 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, 2012

		<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	*	-	20,499	20,499
3327 Vocational	*	-	561,184	561,184
3330 Other EFA Programs:				
3331 Autism	*	-	28,364	28,364
3800 State Revenue in Lieu of Taxes:				
3810 Reimbursement for Local Residential Property Tax Relief (Tier 1)		184,116	184,116	-
3820 Homestead Exemption (Tier 2)		-	91,301	91,301
3825 Reimbursement for Property Tax Relief (Tier 3)		489,903	479,249	(10,654)
3830 Merchant's Inventory Tax		19,241	18,630	(611)
3840 Manufacturers Depreciation Reimbursement		17,346	18,286	940
3890 Other State Property Tax Revenues		20,627	19,152	(1,475)
Total State Sources		\$ 5,323,562	\$ 5,667,918	\$ 344,356
TOTAL REVENUE ALL SOURCES		\$ 7,264,679	\$ 7,710,353	\$ 445,674

EXPENDITURES

100 Instruction

110 General Instruction

111 Kindergarten Programs:				
100 Salaries	\$	278,514	\$ 297,844	\$ (19,330)
200 Employee Benefits		86,872	109,070	(22,198)
400 Supplies and Materials		7,750	8,008	(258)
112 Primary Programs:				
100 Salaries		774,371	808,309	(33,938)
200 Employee Benefits		265,439	251,991	13,448
400 Supplies and Materials		9,000	8,636	364
113 Elementary Programs:				
100 Salaries		497,955	475,313	22,642
200 Employee Benefits		163,632	157,393	6,239
400 Supplies and Materials		9,000	8,988	12
114 High School Programs:				
100 Salaries		979,419	974,662	4,757
200 Employee Benefits		310,543	303,907	6,636
400 Supplies and Materials		20,000	19,933	67
115 Career and Technology Education Programs:				
100 Salaries		139,386	140,449	(1,063)
200 Employee Benefits		46,773	52,764	(5,991)

DILLON COUNTY SCHOOL DISTRICT NO. 3
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR FISCAL YEAR ENDED JUNE 30, 2012

	<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	12,896	-	12,896
200 Employee Benefits	2,832	-	2,832
122 Trainable Mentally Handicapped:			
100 Salaries	71,102	121,565	(50,463)
200 Employee Benefits	24,462	39,784	(15,322)
126 Speech Handicapped:			
100 Salaries	7,836	8,594	(758)
200 Employee Benefits	2,486	3,362	(876)
127 Learning Disabilities:			
100 Salaries	25,908	48,367	(22,459)
200 Employee Benefits	6,978	15,335	(8,357)
128 Emotionally Handicapped:			
100 Salaries	25,908	-	25,908
200 Employee Benefits	6,978	-	6,978
130 Pre-School Programs			
139 Early Childhood Programs:			
100 Salaries	12,418	21,400	(8,982)
200 Employee Benefits	4,580	17,296	(12,716)
140 Special Programs			
141 Gifted and Talented - Academic:			
100 Salaries	20,237	24,134	(3,897)
200 Employee Benefits	8,770	9,463	(693)
145 Homebound:			
100 Salaries	-	930	(930)
200 Employee Benefits	-	197	(197)
300 Purchased Services	9,500	1,206	8,294
147 CDEPP:			
200 Employee Benefits	-	676	(676)
149 Other Special Programs:			
100 Salaries	-	653	(653)
200 Employee Benefits	-	139	(139)
300 Purchased Services	-	1,264	(1,264)
Total Instruction	\$ 3,831,545	\$ 3,931,632	\$ (100,087)

DILLON COUNTY SCHOOL DISTRICT NO. 3
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR FISCAL YEAR ENDED JUNE 30, 2012

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES (continued)			
200 Supporting Services			
210 Pupil Services			
212 Guidance Services:			
100 Salaries	\$ 150,011	\$ 91,019	\$ 58,992
200 Employee Benefits	46,300	36,734	9,566
300 Purchased Services	1,500	-	1,500
400 Supplies and Materials	1,500	1,918	(418)
213 Health Services:			
100 Salaries	34,877	45,046	(10,169)
200 Employee Benefits	10,854	12,242	(1,388)
300 Purchased Services	1,500	841	659
400 Supplies and Materials	12,900	13,338	(438)
214 Psychological Services:			
100 Salaries	96,729	96,493	236
200 Employee Benefits	26,412	32,614	(6,202)
217 Career Specialist Services:			
200 Employee Benefits	-	55	(55)
220 Instructional Staff Services			
221 Improvement of Instruction - Curriculum Development:			
100 Salaries	98,519	91,875	6,644
200 Employee Benefits	25,478	36,688	(11,210)
300 Purchased Services	18,100	19,231	(1,131)
400 Supplies and Materials	-	1,352	(1,352)
222 Library and Media Services:			
100 Salaries	141,991	141,991	-
200 Employee Benefits	40,407	48,158	(7,751)
300 Purchased Services	600	510	90
400 Supplies and Materials	9,084	8,546	538
223 Supervision of Special Programs:			
100 Salaries	103,439	95,235	8,204
200 Employee Benefits	28,500	27,426	1,074
224 Improvement of Instruction - Inservice Training:			
100 Salaries	325	2,462	(2,137)
200 Employee Benefits	-	1,343	(1,343)
300 Purchased Services	10,675	5,062	5,613
400 Supplies and Materials	900	1,353	(453)
600 Other Objects	450	690	(240)

DILLON COUNTY SCHOOL DISTRICT NO. 3
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR FISCAL YEAR ENDED JUNE 30, 2012

	<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	2,000	2,500	(500)
200 Employee Benefits	411	582	(171)
300 Purchased Services	14,000	14,282	(282)
318 Audit Services	25,000	30,094	(5,094)
600 Other Objects	141,500	182,864	(41,364)
232 Office of the Superintendent:			
100 Salaries	159,334	161,148	(1,814)
140 Terminal Leave	-	7,219	(7,219)
200 Employee Benefits	64,897	69,625	(4,728)
300 Purchased Services	12,100	11,566	534
400 Supplies and Materials	5,350	4,211	1,139
500 Capital Outlay	1,500	-	1,500
600 Other Objects	3,000	3,749	(749)
233 School Administration:			
100 Salaries	499,799	500,199	(400)
200 Employee Benefits	150,545	160,049	(9,504)
300 Purchased Services	1,000	1,561	(561)
400 Supplies and Materials	8,269	7,471	798
600 Other Objects	2,955	2,887	68
250 Finance and Operations Services			
252 Fiscal Services:			
100 Salaries	62,148	62,148	-
200 Employee Benefits	23,494	25,460	(1,966)
300 Purchased Services	8,500	18,013	(9,513)
400 Supplies and Materials	2,000	441	1,559
600 Other Objects	-	50	(50)
254 Operation and Maintenance of Plant:			
100 Salaries	216,200	234,031	(17,831)
200 Employee Benefits	88,400	85,668	2,732
300 Purchased Services	140,237	155,288	(15,051)
321 Public Utilities	12,100	17,726	(5,626)
400 Supplies and Materials	85,000	73,416	11,584
470 Energy	275,500	247,381	28,119
500 Capital Outlay	13,000	7,000	6,000
255 Student Transportation:			
100 Salaries	39,902	213,324	(173,422)
200 Employee Benefits	15,584	64,977	(49,393)
300 Purchased Services	295,835	15,654	280,181
400 Supplies and Materials	1,800	1,037	763

DILLON COUNTY SCHOOL DISTRICT NO. 3
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR FISCAL YEAR ENDED JUNE 30, 2012

	<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:			
200 Employee Benefits	82,415	78,992	3,423
257 Internal Services:			
300 Purchased Services	24,000	25,272	(1,272)
258 Security:			
300 Purchased Services	15,000	-	15,000
260 Central Support Services			
266 Technology and Data Processing Services:			
100 Salaries	71,571	68,571	3,000
200 Employee Benefits	18,138	18,455	(317)
300 Purchased Services	25,200	57,761	(32,561)
500 Capital Outlay	28,500	8,924	19,576
270 Supporting Services Pupil Activity			
271 Pupil Services Activities:			
100 Salaries	75,338	76,422	(1,084)
200 Employee Benefits	14,964	14,066	898
400 Supplies and Materials	6,500	7,063	(563)
660 Pupil Activity	15,000	14,819	181
Total Supporting Services	\$ 3,609,037	\$ 3,564,188	\$ 44,849
400 Intergovernmental Expenditures			
412 Payments to Other Governmental Units			
720 Transits	\$ 12,000	\$ 21,033	\$ (9,033)
Total Intergovernmental Expenditures	\$ 12,000	\$ 21,033	\$ (9,033)
500 Debt Service			
610 Principal	\$ -	\$ 9,249	\$ (9,249)
Total Debt Service	\$ -	\$ 9,249	\$ (9,249)
TOTAL EXPENDITURES	\$ 7,452,582	\$ 7,526,102	\$ (73,520)
Excess Revenues Over (Under) Expenditures	\$ (187,903)	\$ 184,251	\$ 372,154

DILLON COUNTY SCHOOL DISTRICT NO. 3
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR FISCAL YEAR ENDED JUNE 30, 2012

	<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	\$ 157,153	\$ 158,570	\$ 1,417
5280 Transfer from Other Funds Indirect Costs	40,000	47,436	7,436
421 - 710 Transfer to Special Revenue Fund	(9,250)	-	9,250
424 - 710 Transfer to School Building Fund	<u>-</u>	<u>(299,523)</u>	<u>(299,523)</u>
TOTAL OTHER FINANCING SOURCES (USES)	\$ <u>187,903</u>	\$ <u>(93,517)</u>	\$ <u>(281,420)</u>
Excess Revenues and Expenditures Over (Under) Other Financing Sources (Uses)	\$ <u>-</u>	\$ 90,734	\$ <u>90,734</u>
FUND BALANCE JULY 1, 2011		<u>3,559,848</u>	
FUND BALANCE JUNE 30, 2012		\$ <u>3,650,582</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, 2012

	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:			
3123 Formative Assessment	-	-	-
3125 Career and Technology Education Equipment	-	-	-
3127 Student Health and Fitness - PE Teachers	-	-	-
3130 Special Programs:			
3136 Student Health and Fitness - Nurses	-	-	-
3190 Miscellaneous Restricted State Grants:			
3193 Education License Plates	-	-	-
3600 Education Lottery Act Revenue:			
3607 6-8 Enhancement	-	-	-
3610 K-5 Enhancement	-	-	-
3900 Other State Revenue:			
3991 ADEPT (Assisting, Developing, and Evaluating Professional Teaching)	-	-	-
Total State Sources	\$ -	\$ -	\$ -
4000 Revenue From Federal Sources			
4300 Elementary and Secondary Education Act of 1965 (ESEA):			
4310 Title I, Basic State Grant Programs	\$ 636,052	\$ -	\$ -
4312 Rural and Low-Income School Program, Title VI	-	-	-
4331 Enhancing Education Through Technology (E2T2), Title II	-	-	-
4351 Improving Teacher Quality	-	-	-

OTHER DESIGNATED RESTRICTED STATE GRANTS (900s)	OTHER SPECIAL REVENUE PROGRAMS (200s/800s)	TOTAL
\$ -	\$ 177,201	\$ 177,201
-	9,633	9,633
\$ -	\$ 186,834	\$ 186,834
\$ -	\$ 662	\$ 662
\$ -	\$ 662	\$ 662
\$ 81,496	\$ -	\$ 81,496
14,625	-	14,625
27,086	-	27,086
12,832	-	12,832
31,702	-	31,702
439	-	439
5,690	-	5,690
110,773	-	110,773
3,267	-	3,267
\$ 287,910	\$ -	\$ 287,910
\$ -	\$ -	\$ 636,052
-	35,548	35,548
-	216,000	216,000
-	110,615	110,615

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, 2012

	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)	-	361,276	-
4520 Pre-School Grants	-	-	21,869
4540 IDEA (ARRA 611)	-	-	-
4550 IDEA Preschool (ARRA 619)	-	-	-
Total Federal Sources	\$ 636,052	\$ 361,276	\$ 21,869
TOTAL REVENUE ALL SOURCES	\$ 636,052	\$ 361,276	\$ 21,869
EXPENDITURES			
100 Instruction			
110 General Instruction			
111 Kindergarten Programs:			
400 Supplies and Materials	\$ 11,729	\$ -	\$ -
112 Primary Programs:			
100 Salaries	162,619	-	-
200 Employee Benefits	50,849	-	-
400 Supplies and Materials	-	-	-
113 Elementary Programs:			
100 Salaries	156,806	-	-
200 Employee Benefits	46,451	-	-
500 Capital Outlay	-	-	-
114 High School Programs:			
100 Salaries	-	-	-
200 Employee Benefits	-	-	-
500 Capital Outlay	-	-	-
115 Career and Technology Education Programs:			
100 Salaries	-	-	-
200 Employee Benefits	-	-	-
500 Capital Outlay	-	-	-
120 Exceptional Programs			
122 Trainable Mentally Handicapped:			
100 Salaries	-	60,217	-
200 Employee Benefits	-	20,005	-
124 Visually Handicapped:			
300 Purchased Services	-	842	-
126 Speech Handicapped:			
100 Salaries	-	-	16,766
200 Employee Benefits	-	-	5,103
300 Purchased Services	-	287	-

OTHER DESIGNATED RESTRICTED STATE GRANTS (900s)	OTHER SPECIAL REVENUE PROGRAMS (200s/800s)	TOTAL
-	-	361,276
-	-	21,869
-	8,820	8,820
-	1,916	1,916
\$ -	\$ 372,899	\$ 1,392,096
\$ 287,910	\$ 560,395	\$ 1,867,502

\$ - \$ - \$ 11,729

107,707 2,850 273,176
15,898 608 67,355
- 662 662

- 109,605 266,411
- 31,035 77,486
5,690 136,495 142,185

- 600 600
- 125 125
439 - 439

- 7,959 7,959
- 1,575 1,575
27,086 - 27,086

- - 60,217
- - 20,005

- - 842

- 54,418 71,184
- 15,518 20,621
- - 287

**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, 2012**

	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)			
127 Learning Disabilities:			
100 Salaries	-	131,465	-
200 Employee Benefits	-	34,834	-
130 Pre-School Programs			
139 Early Childhood Programs:			
100 Salaries	62,741	-	-
200 Employee Benefits	20,582	-	-
140 Special Programs			
149 Other Special Programs:			
300 Purchased Services	-	31,525	-
180 Adult/Continuing Educational Programs			
188 Parenting/Family Literacy:			
100 Salaries	400	-	-
400 Supplies and Materials	5,905	-	-
Total Instruction	\$ 518,082	\$ 279,175	\$ 21,869
200 Supporting Services			
210 Pupil Services			
212 Guidance Services:			
100 Salaries	\$ -	\$ -	\$ -
200 Employee Benefits	-	-	-
213 Health Services:			
100 Salaries	32,126	-	-
200 Employee Benefits	13,529	-	-
300 Purchased Services	-	20,175	-
214 Psychological Services:			
100 Salaries	-	236	-
200 Employee Benefits	-	-	-
400 Supplies and Materials	-	2,000	-
600 Other Objects	-	930	-
217 Career Specialist Services:			
100 Salaries	-	-	-
200 Employee Benefits	-	-	-

OTHER DESIGNATED RESTRICTED STATE GRANTS (900s)	OTHER SPECIAL REVENUE PROGRAMS (200s/800s)	TOTAL
-	-	131,465
-	-	34,834
-	-	62,741
-	-	20,582
-	-	31,525
-	-	400
-	-	5,905
<u>\$ 156,820</u>	<u>\$ 361,450</u>	<u>\$ 1,337,396</u>

\$ 40,117	\$ -	\$ 40,117
8,104	-	8,104
26,500	7,276	65,902
5,202	16,356	35,087
-	25,531	45,706
-	11,313	11,549
-	2,385	2,385
-	-	2,000
-	-	930
25,172	-	25,172
8,103	-	8,103

**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, 2012**

	TITLE I (BA Projects) (201/202)	IDEA (CA Projects) (203/204)	PRESCHOOL HANDICAPPED (CG Projects) (205/206)
EXPENDITURES (continued)			
200 Supporting Services (continued)			
220 Instructional Staff Services			
221 Improvement of Instruction - Curriculum Development:			
100 Salaries	49,058	-	-
200 Employee Benefits	15,934	-	-
300 Purchased Services	2,021	-	-
400 Supplies and Materials	427	-	-
223 Supervision of Special Programs:			
100 Salaries	-	22,966	-
200 Employee Benefits	-	11,712	-
300 Purchased Services	2,875	1,561	-
400 Supplies and Materials	2,000	18,264	-
600 Other Objects	-	717	-
224 Improvement of Instruction - Inservice and Staff Training:			
100 Salaries	-	-	-
200 Employee Benefits	-	-	-
300 Purchased Services	-	3,540	-
400 Supplies and Materials	-	-	-
250 Finance and Operations Services			
254 Operation and Maintenance of Plant:			
470 Energy	-	-	-
260 Central Support Services			
266 Technology and Data Processing Services:			
300 Purchased Services	-	-	-
Total Supporting Services	\$ 117,970	\$ 82,101	\$ -
400 Intergovernmental Expenditures			
414 Medicaid Payments to SDE			
720 Transits	\$ -	\$ -	\$ -
Total Intergovernmental Expenditures	\$ -	\$ -	\$ -
TOTAL EXPENDITURES	\$ 636,052	\$ 361,276	\$ 21,869
Excess Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -
FUND BALANCE JULY 1, 2011	-	-	-
FUND BALANCE JUNE 30, 2012	\$ -	\$ -	\$ -

OTHER DESIGNATED RESTRICTED STATE GRANTS (900s)	OTHER SPECIAL REVENUE PROGRAMS (200s/800s)	TOTAL
-	-	49,058
-	-	15,934
-	-	2,021
-	-	427
-	-	22,966
-	-	11,712
-	721	5,157
-	9,218	29,482
-	-	717
-	45,558	45,558
208	17,850	18,058
17,522	9,644	30,706
162	8,617	8,779
-	99	99
-	3,604	3,604
\$ 131,090	\$ 158,172	\$ 489,333
\$ -	\$ 40,773	\$ 40,773
\$ -	\$ 40,773	\$ 40,773
\$ 287,910	\$ 560,395	\$ 1,867,502
\$ -	\$ -	\$ -
-	-	-
\$ -	\$ -	\$ -

**DILLON COUNTY SCHOOL DISTRICT NO. 3
SPECIAL PROJECTS FUND
SUMMARY SCHEDULE FOR DESIGNATED STATE RESTRICTED GRANTS
FOR FISCAL YEAR ENDED JUNE 30, 2012**

SUBFUND CODE	REVENUE CODE	PROGRAMS	REVENUES
905	3125	Career and Education Technology Equipment	\$ 27,086
916	3991	ADEPT (Assisting, Developing and Evaluating Professional Teaching)	3,267
919	3193	Education License Plates	439
928	3118	EEDA Career Specialist	81,496
933	3123	Formative Assessment	14,625
936	3136	Student Health and Fitness - Nurses	31,702
937	3127	Student Health and Fitness - PE Teachers	12,832
960	3610	K-5 Enhancement	110,773
967	3607	6-8 Enhancement	5,690
TOTALS			\$ 287,910

<u>EXPENDITURES</u>	<u>SPECIAL PROJECTS INTERFUND TRANSFERS IN/(OUT)</u>	<u>OTHER FUND TRANSFERS IN/(OUT)</u>	<u>DEFERRED REVENUE</u>
\$ 27,086	\$ -	\$ -	\$ 1,300
3,267	-	-	-
439	-	-	-
81,496	-	-	-
14,625	-	-	539
31,702	-	-	-
12,832	-	-	-
110,773	-	-	-
5,690	-	-	-
<u>\$ 287,910</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,839</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, 2012**

	<u>ACTUAL</u>
REVENUES	
3000 Revenue from State Sources	
3500 Education Improvement Act:	
3502 ADEPT	\$ 600
3511 Professional Development	13,280
3526 Refurbishment of K-8 Science Kits	9,080
3530 Trainable & Profoundly Mentally Disabled Student Services	14,040
3532 National Board Certification (NBC) Salary Supplement	18,223
3533 Teacher of the Year Award	1,077
3538 Students At Risk of School Failure	344,640
3541 Child Development Education Pilot Program (CDEPP)	273,310
3542 Preschool Programs for Children with Disabilities	13,325
3544 High Achieving Students	28,594
3550 Teacher Salary Increase	130,526
3555 School Employer Contributions	28,044
3558 Reading	9,935
3577 Teacher Supplies	24,000
3578 High Schools That Work/Making Middle Grades Work	2,701
3585 Aid to Districts - Special Education	90,762
3588 IDEA MOE Special Allocation	190,953
3592 Work-Based Learning	7,254
3597 Aid to Districts	50,419
3598 Cost Savings Allocations	8,507
3599 Other EIA	4,963
Total State Sources	\$ <u>1,264,233</u>
TOTAL REVENUE ALL SOURCES	\$ <u>1,264,233</u>
EXPENDITURES	
100 Instruction	
110 General Instruction	
111 Kindergarten Programs:	
400 Supplies and Materials	\$ 5,124
112 Primary Programs:	
100 Salaries	78,393
200 Employee Benefits	32,513
400 Supplies and Materials	12,573
113 Elementary Programs:	
100 Salaries	185,268
200 Employee Benefits	57,589
400 Supplies and Materials	10,902
114 High School Programs:	
100 Salaries	52,484
200 Employee Benefits	9,689
	7,750
115 Career and Technology Education Programs:	
500 Capital Outlay	1,035

**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, 2012**

	<u>ACTUAL</u>
EXPENDITURES (continued)	
100 Instruction (continued)	
120 Exceptional Programs	
122 Trainable Mentally Handicapped:	
100 Salaries	6,684
200 Employee Benefits	7,356
500 Capital Outlay	5,410
124 Visually Handicapped:	
300 Purchased Services	2,502
400 Supplies and Materials	50
126 Speech Handicapped:	
100 Salaries	17,322
200 Employee Benefits	5,997
500 Capital Outlay	5,410
127 Learning Disabilities:	
100 Salaries	47,875
200 Employee Benefits	19,568
500 Capital Outlay	5,410
130 Pre-School Programs	
137 Preschool Handicapped Self-Contained (3 & 4 Yr. Olds):	
100 Salaries	11,680
200 Employee Benefits	1,645
140 Special Programs	
141 Gifted and Talented - Academic:	
100 Salaries	21,860
200 Employee Benefits	5,453
147 CDEPP:	
100 Salaries	184,593
200 Employee Benefits	72,301
400 Supplies and Materials	16,416
148 Gifted and Talented - Artistic:	
100 Salaries	750
200 Employee Benefits	159
400 Supplies and Materials	373
160 Other Exceptional Programs	
161 Autism:	
300 Purchased Services	914
Total Instruction	\$ 893,048

**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, 2012**

	<u>ACTUAL</u>
EXPENDITURES (continued)	
200 Supporting Services	
210 Pupil Services	
212 Guidance Services:	
100 Salaries	\$ 7,254
213 Health Services:	
100 Salaries	13,470
214 Psychological Services:	
400 Supplies and Materials	2,281
500 Capital Outlay	5,410
220 Instructional Staff Services	
222 Library and Media:	
300 Purchased Services	6,147
400 Supplies and Materials	99,994
224 Improvement of Instruction - Inservice Training:	
100 Salaries	7,200
200 Employee Benefits	1,213
300 Purchased Services	63,102
400 Supplies and Materials	6,544
Total Supporting Services	\$ <u>212,615</u>
TOTAL EXPENDITURES	\$ <u>1,105,663</u>
Excess Revenues Over (Under) Expenditures	\$ <u>158,570</u>
OTHER FINANCING SOURCES (USES)	
Interfund Transfers, From (To) Other Funds	
420-710 Transfer to General Fund	\$ <u>(158,570)</u>
TOTAL OTHER FINANCING SOURCES (USES)	\$ <u>(158,570)</u>
Excess Revenues and Expenditures Over (Under) Other Financing Sources (Uses)	\$ -
FUND BALANCE JULY 1, 2011	<u>-</u>
FUND BALANCE JUNE 30, 2012	\$ <u><u>-</u></u>

**DILLON COUNTY SCHOOL DISTRICT NO. 3
EDUCATION IMPROVEMENT ACT
SUMMARY SCHEDULE BY PROGRAM
FOR FISCAL YEAR ENDED JUNE 30, 2012**

PROGRAM	<u>REVENUES</u>
3500 Education Improvement Act:	
3502 ADEPT	\$ 600
3511 Professional Development	13,280
3526 Refurbishment of K-8 Science Kits	9,080
3530 Trainable & Profoundly Mentally Disabled Student Services	14,040
3532 National Board Certification (NBC) Salary Supplement	18,223
3533 Teacher of the Year Award	1,077
3538 Students At Risk of School Failure	344,640
3541 Child Development Education Pilot Program (CDEPP)	273,310
3542 Preschool Programs for Children with Disabilities	13,325
3544 High Achieving Students	28,594
3550 Teacher Salary Increase	130,526
3555 School Employer Contributions	28,044
3558 Reading	9,935
3577 Teacher Supplies	24,000
3578 High Schools That Work/Making Middle Grades Work	2,701
3585 Aid to Districts - Special Education	90,762
3588 IDEA MOE Special Allocation	190,953
3592 Work-Based Learning	7,254
3597 Aid to Districts	50,419
3598 Cost Savings Allocations	8,507
3599 Other EIA	4,963
	<hr/>
TOTALS	\$ <u><u>1,264,233</u></u>

<u>EXPENDITURES</u>	<u>EIA INTERFUND TRANSFERS IN/(OUT)</u>	<u>OTHER FUND TRANSFERS IN/(OUT)</u>	<u>DEFERRED REVENUE</u>
\$ 600	\$ -	\$ -	\$ -
13,280	-	-	-
9,080	-	-	-
14,040	-	-	-
18,223	-	-	-
1,077	-	-	-
344,640	-	-	-
273,310	-	-	-
13,325	-	-	-
28,594	-	-	-
-	-	(130,526)	-
-	-	(28,044)	-
9,935	-	-	-
24,000	-	-	-
2,701	-	-	1,520
90,762	-	-	-
190,953	-	-	-
7,254	-	-	-
50,419	-	-	-
8,507	-	-	-
4,963	-	-	-
<u>\$ 1,105,663</u>	<u>\$ -</u>	<u>\$ (158,570)</u>	<u>\$ 1,520</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, 2012**

	<u>ACTUAL</u>
REVENUES	
1000 Revenue From Local Sources	
1110 Ad Valorem Taxes - Including Delinquent Taxes	\$ <u>194,977</u>
Total Local Sources	\$ <u>194,977</u>
TOTAL REVENUE ALL SOURCES	\$ <u>194,977</u>
EXPENDITURES	
500 Debt Service	
610 Redemption of Principal	\$ 186,953
620 Interest	<u>8,024</u>
TOTAL EXPENDITURES	\$ <u>194,977</u>
Excess Revenues Over (Under) Expenditures	\$ <u>-</u>
FUND BALANCE JULY 1, 2011	<u>-</u>
FUND BALANCE JUNE 30, 2012	\$ <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, 2012**

	<u>ACTUAL</u>
REVENUES	
2000 Intergovernmental Revenue	
2310 Payments from Nonprofit Entities	\$ <u>802,091</u>
Total Intergovernmental Revenue	\$ <u>802,091</u>
TOTAL REVENUE ALL SOURCES	\$ <u>802,091</u>
EXPENDITURES	
200 Supporting Services	
250 Finance and Operations	
253 Facilities Acquisition and Construction:	
300 Purchased Services	\$ 107,298
500 Capital Outlay	
520 Construction Services	1,750,136
540 Equipment	<u>17,994</u>
Total Supporting Services	\$ <u>1,875,428</u>
TOTAL EXPENDITURES	\$ <u>1,875,428</u>
Excess Revenues Over (Under) Expenditures	\$ <u>(1,073,337)</u>
OTHER FINANCING SOURCES	
Interfund Transfers, From (To) Other Funds:	
5210 Transfer from General Fund	\$ <u>299,523</u>
TOTAL OTHER FINANCING SOURCES	\$ <u>299,523</u>
Excess Revenues and Expenditures Over (Under) Other Financing Sources (Uses)	\$ (773,814)
FUND BALANCE JULY 1, 2011	<u>773,814</u>
FUND BALANCE JUNE 30, 2012	\$ <u><u>-</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, 2012

	<u>ACTUAL</u>
REVENUES	
1000 Revenue From Local Sources	
1500 Earnings on Investments:	
1510 Interest on Investments	\$ 114
1600 Food Service:	
1610 Lunch Sales to Pupils	79,763
1630 Special Sales to Pupils	11,179
1640 Lunch Sales to Adults	9,560
1650 Breakfast Sales to Adults	7
1660 Special Sales to Adults	4,013
1900 Other Revenue from Local Sources:	
1999 Revenue from Other Local Sources	<u>1,571</u>
Total Local Sources	\$ <u>106,207</u>
4000 Revenue From Federal Sources	
4800 USDA Reimbursement:	
4810 School Lunch and After School Snacks Program	\$ 429,776
4830 School Breakfast Program	247,878
4900 Other Federal Sources:	
4991 USDA Commodities (Food Distribution Program)	49,112
4999 Revenue from Other Federal Sources	<u>1,122</u>
Total Federal Sources	\$ <u>727,888</u>
TOTAL REVENUE ALL SOURCES	\$ <u>834,095</u>
EXPENSES	
250 Finance and Operations	
256 Food Service:	
100 Salaries	\$ 226,394
200 Employee Benefits	7,644
300 Purchased Services	34,265
400 Supplies and Materials	500,103
500 Capital Outlay	16,160
600 Other Objects	<u>9,587</u>
TOTAL EXPENSES	\$ <u>794,153</u>
Operating Income (Loss) Before Other Financing Sources (Uses)	\$ <u>39,942</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, 2012**

	<u>ACTUAL</u>
OTHER FINANCING SOURCES (USES)	
Interfund Transfers, From (To) Other Funds	
432-791 Food Service Fund Indirect Costs	\$ <u>(47,436)</u>
TOTAL OTHER FINANCING SOURCES (USES)	\$ <u>(47,436)</u>
Net Income (Loss)	\$ (7,494)
NET ASSETS JULY 1, 2011	<u>443,925</u>
NET ASSETS JUNE 30, 2012	\$ <u><u>436,431</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, 2012**

	<u>ACTUAL</u>
RECEIPTS	
1000 Receipts From Local Sources	
1700 Pupil Activities:	
1710 Admissions	\$ 56,307
1730 Pupil Organization Membership Dues and Fees	2,597
1790 Other	<u>347,514</u>
Total Receipts From Local Sources	\$ 406,418
TOTAL RECEIPTS ALL SOURCES	\$ 406,418
DISBURSEMENTS	
270 Supporting Services Pupil Activity	
271 Pupil Service Activities:	
660 Supporting Services Pupil Activity	\$ 143,520
272 Enterprise Activities:	
660 Pupil Activity	189,093
273 Trust and Agency Activities:	
660 Enterprise Activities	<u>118,272</u>
Total Pupil Activity Expenditures	\$ 450,885
TOTAL DISBURSEMENTS	\$ 450,885
Excess/(Deficiency) Receipts Over Disbursements	\$ (44,467)
DUE TO THIRD PARTIES JULY 1, 2011	<u>203,402</u>
DUE TO THIRD PARTIES JUNE 30, 2012	\$ <u>158,935</u>

DISCRETELY PRESENTED COMPONENT UNIT

**DILLON COUNTY SCHOOL DISTRICT NO. 3
DISCRETELY PRESENTED COMPONENT UNIT
BALANCE SHEET
JUNE 30, 2012**

**LATTA SCHOOLS
EDUCATIONAL
FOUNDATION**

ASSETS

Cash and Cash Equivalents	\$	1,002,337
Pledges Receivable		<u>117,750</u>

TOTAL ASSETS	\$	<u><u>1,120,087</u></u>
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LIABILITIES AND FUND BALANCES

Liabilities

Due to Primary Government	\$	802,091
Deferred Pledge Revenue		<u>117,750</u>

Total Liabilities	\$	<u>919,841</u>
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Fund Balances

Restricted for Capital Projects - Fine Arts Center	\$	48,645
Restricted for Scholarships		112,518
Unassigned		<u>39,083</u>

Total Fund Balances	\$	<u>200,246</u>
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TOTAL LIABILITIES AND FUND BALANCES	\$	<u><u>1,120,087</u></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	\$	200,246
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		2,560,793
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Other long-term assets (pledges receivable) are not available to pay for current period expenditures and therefore, are deferred in the funds.		<u>117,750</u>
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Net assets (presented on page 12)	\$	<u><u>2,878,789</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, 2012**

**LATTA SCHOOLS
EDUCATIONAL
FOUNDATION**

REVENUES

1000 Revenue from Local Sources

1500 Earnings on Investments:
1510 Interest on Investments

\$ 1,883

1900 Other Revenue From Local Sources:
1920 Contributions & Donations Private Sources

61,270

Total Local Sources

\$ 63,153

TOTAL REVENUE ALL SOURCES

\$ 63,153

EXPENDITURES

300 Community Services

390 Other Community Services:
300 Purchased Services
400 Supplies and Materials
600 Other Objects

\$ 130
732
5,500

Total Community Services

\$ 6,362

400 Intergovernmental Expenditures

412 Payments to Other Governmental Units
720 Transits

\$ 802,091

Total Intergovernmental Expenditures

\$ 802,091

TOTAL EXPENDITURES

\$ 808,453

Excess Revenues Over (Under) Expenditures

\$ (745,300)

FUND BALANCE JULY 1, 2011

945,546

FUND BALANCE JUNE 30, 2012

\$ 200,246

**DILLON COUNTY SCHOOL DISTRICT NO. 3
DISCRETELY PRESENTED COMPONENT UNIT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2012**

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	\$ (745,300)
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.	(4,860)
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.	2,062,005
Revenues in the statement of activities that will not be collected for several months after year end (pledges receivable) and do not provide for current financial resources, are not reported as revenues in the governmental fund.	<u>117,750</u>
Change in net assets (reported on page 13)	\$ <u><u>1,429,595</u></u>

**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, 2012

<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	\$ 5,541
Teacher Supplies	EIA	3577/377	Unexpended Funds	Reimbursement	<u>250</u>
TOTALS					<u><u>\$ 5,791</u></u>

**DILLON COUNTY SCHOOL DISTRICT NO. 3
LOCATION RECONCILIATION SCHEDULE
FOR FISCAL YEAR ENDED JUNE 30, 2012**

<u>LOCATION</u>	<u>LOCATION DESCRIPTION</u>	<u>EDUCATION LEVEL</u>	<u>COST TYPE</u>	<u>TOTAL EXPENDITURES</u>
30	District	Non-Schools	Central	\$ 1,546,280
31	Latta Elementary	Elementary Schools	School	3,087,188
32	Latta Middle	Middle Schools	School	1,969,909
33	Latta High	High Schools	School	5,515,091
34	Latta Early Childhood	Other School	School	1,696,242
TOTAL EXPENDITURES/DISBURSEMENTS FOR ALL FUNDS				\$ 13,814,710

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

General Fund (Subfunds 100s)	\$ 7,526,102
Special Revenue Fund (Subfunds 200s, 800s, 900s)	1,867,502
Special Revenue EIA Fund (Subfunds 300s)	1,105,663
Debt Service Fund (Subfunds 400s)	194,977
Capital Projects Fund (School Building) (Subfunds 500s)	1,875,428
Proprietary Fund (Food Service) (Subfunds 600s)	794,153
Trust and Agency Fund (Pupil Activity) (Subfunds 700s)	450,885
TOTAL EXPENDITURES/DISBURSEMENTS FOR ALL FUNDS	\$ 13,814,710

**DILLON COUNTY SCHOOL DISTRICT NO. 3
SPECIAL PROJECTS FUND
SUBFUND CODE LIST
FOR FISCAL YEAR ENDED JUNE 30, 2012**

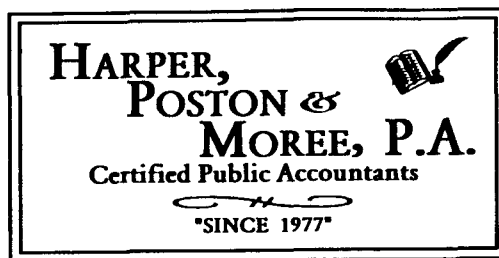
OTHER RESTRICTED STATE GRANTS

905	Career & Technology Education Equipment
916	Adept Induction
919	Education License Plates
928	EEDA Career Specialist
933	Formative Assessment
936	Student Health and Fitness - Nurses
937	Student Health and Fitness - PE Teachers
960	K-5 Enhancement
967	6-8 Enhancement

OTHER SPECIAL REVENUE GRANTS

215	IDEA (ARRA 611)
216	IDEA Preschool (ARRA 619)
238	Park Commission
251	Title VI, Rural and Low-Income School Program
253	Title II, Enhancing Education Through Technology (E2T2)
264	Title III, ESOL
267	Improving Teacher Quality
270	Medicaid
274	12-Months Ag Program

SINGLE AUDIT SECTION



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**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, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 19, 2012. 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

Management of the District is responsible for establishing and maintaining effective 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

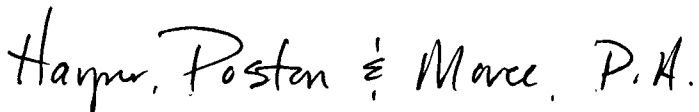
financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. This deficiency is listed as item 12-B1. A *significant deficiency* is a deficiency, or combination of deficiencies, 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*.

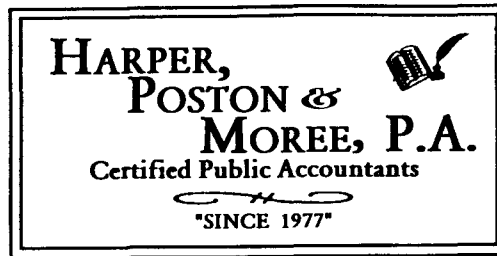
The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

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.

A handwritten signature in cursive script that reads "Harper, Poston & Moree, P.A.".

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

Pawleys Island, South Carolina
October 19, 2012



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**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE
A DIRECT AND MATERIAL EFFECT ON 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 *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, 2012. 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 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 for the year ended June 30, 2012.

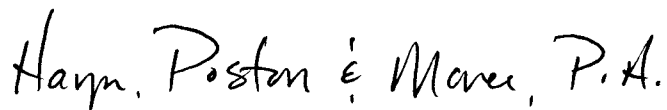
Internal Control Over Compliance

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
October 19, 2012

**DILLON COUNTY SCHOOL DISTRICT NO. 3
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR FISCAL YEAR ENDED JUNE 30, 2012**

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 II, Technology Literacy Challenge (CFDA No. 84.318)

Child Nutrition Cluster:

School Lunch Program (CFDA No. 10.555)

School Breakfast Program (CFDA No. 10.553)

School Lunch Program Aid (CFDA No. 10.555)

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

12-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.

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.

**DILLON COUNTY SCHOOL DISTRICT NO. 3
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR FISCAL YEAR ENDED JUNE 30, 2012**

B. Findings - Financial Statement Audit (continued)

12-B1 Financial Statement Preparation (continued)

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, 2012**

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:			
201	Title I	84.010	12BA028	\$ 636,052
	Special Education Cluster:			
203	IDEA	84.027	12CA028	361,040
203	IDEA - Extended School Year	84.027	N/A	236
205	Preschool Grant	84.173	12CG028	21,869
215	ARRA - IDEA	84.391	11SC028	8,820
216	ARRA - Preschool Grant	84.392	11SG028	1,916
251	Title VI Rural and Low-Income Schools	84.358	12BS028	35,548
253	Title II Technology Literacy Challenge	84.318	11ET028	216,000 *
267	Improving Teacher Quality	84.367	12TQ028	110,615
	Total U.S. Department of Education			\$ 1,392,096
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	\$ 49,112 *
	Cash Assistance:			
600	School Breakfast Program	10.553	N/A	247,878 *
600	School Lunch Program	10.555	N/A	429,776 *
600	School Lunch Program Aid	10.555	N/A	1,122 *
	Total U.S. Department of Agriculture		(See Disclosure Below)	\$ 727,888 **
TOTAL FEDERAL AWARDS EXPENDED				\$ 2,119,984

**DILLON COUNTY SCHOOL DISTRICT NO. 3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR FISCAL YEAR ENDED JUNE 30, 2012**

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 \$106,207 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 \$49,112 in the form of federal non-cash USDA food commodities for the year ended June 30, 2012. 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, 2012, the outstanding loan balance remaining was \$9,249.

**DILLON COUNTY SCHOOL DISTRICT NO. 3
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR FISCAL YEAR ENDED JUNE 30, 2012**

There are no prior year audit findings relating to federal award programs that are required by Circular A-133 to be reported in the Summary Schedule of Prior Audit Findings for the year ended June 30, 2012.