

DILLON COUNTY SCHOOL DISTRICT NO. 3
LATTA, SOUTH CAROLINA

**BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

FISCAL YEAR ENDED JUNE 30, 2013

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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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, 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.

Other Matters

Required Supplementary Information

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.

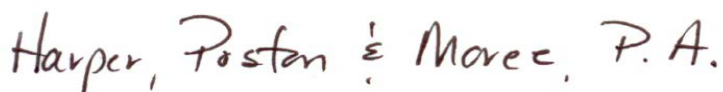
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. 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 basic financial statements. The schedule of expenditures of federal awards is 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 basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2013 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* in considering the District's internal control over financial reporting and compliance.



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

Pawleys Island, South Carolina
November 1, 2013

DILLON COUNTY SCHOOL DISTRICT THREE

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) FOR YEAR ENDED JUNE 30, 2013

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, 2013. 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, 2013 by \$7,416,879 (net). Of this amount \$2,358,713 is unrestricted.
- The District's total net position decreased \$1,087,227 which represents an approximate 13% decrease from fiscal year ended June 30, 2012.
- Revenues totaled \$11,904,229.
- Expenses totaled \$11,990,490.
- During the current fiscal year, the District transferred \$1,000,966 (net book value) of its capital assets for construction costs related to the Ellis Performing Arts Center to The Latta Schools Educational Foundation. The assets are leased back to the District at no cost. This amount is reported as a special item in the statement of activities.
- Our principal operating fund, the General Fund, had \$8,156,511 in fiscal year 2013 revenues, which primarily consisted of state aid and property taxes and \$8,440,688 in expenditures. The General Fund's fund balance decreased from \$3,650,582 as of June 30, 2012 to \$2,686,850 as of June 30, 2013.
- As of the close of the year, approximately 70% 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 Position: The statement of net position 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 position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$7,416,879 as of June 30, 2013.

By far the largest portion of the District's net position (67%) 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 position for the fiscal year ended June 30, 2013 as compared to fiscal year ended June 30, 2012:

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 3,848,962	4,242,517	\$ 318,805	319,553	\$ 4,167,767	4,562,070
Capital assets, net	4,947,614	5,249,277	110,552	119,405	5,058,166	5,368,682
Total Assets	8,796,576	9,491,794	429,357	438,958	9,225,933	9,930,752
Current liabilities	1,073,207	493,112	-0-	-0-	1,073,207	493,112
Long-term liabilities	733,293	931,007	2,554	2,527	735,847	933,534
Total Liabilities	1,806,500	1,424,119	2,554	2,527	1,809,054	1,426,646
Net Position:						
Net investment in capital assets	4,947,614	5,170,150	110,552	119,405	5,058,166	5,289,555
Unrestricted	2,042,462	2,897,525	316,251	317,026	2,358,713	3,214,551
Total Net Position	\$ 6,990,076	8,067,675	\$ 426,803	436,431	\$ 7,416,879	8,504,106

At the end of the current fiscal year, the District is reporting positive balances in all categories of net position, 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 position of \$8,504,106 and ended the fiscal year with net position of \$7,416,879.

The following table presents a comparative summary of the changes in net position for the fiscal year ended June 30, 2013 and for the fiscal year ended June 30, 2012:

	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
REVENUES:						
Program Revenues:						
Charges for Services	\$ 198,252	214,094	\$ 108,582	106,093	\$ 306,834	320,187
Operating Grants & Contributions	7,998,890	7,932,661	717,980	727,888	8,716,870	8,660,549
Capital Grants & Contributions	107,178	192,385	-0-	-0-	107,178	192,385
General Revenues:						
Property Taxes Levied for Gen Purpose	1,742,679	1,690,373	-0-	-0-	1,742,679	1,690,373
Property Taxes Levied for Debt Service	194,892	194,977	-0-	-0-	194,892	194,977
State Aid	812,852	810,734	-0-	-0-	812,852	810,734
Unrestricted Investment Earnings	2,634	3,708	107	114	2,741	3,822
Miscellaneous	20,183	8,415	-0-	-0-	20,183	8,415
Total Revenues	11,077,560	11,047,347	826,669	834,095	11,904,229	11,881,442
EXPENSES:						
Instruction	6,335,825	6,351,263	-0-	-0-	6,335,825	6,351,263
Supporting Services	4,700,864	4,361,129	-0-	-0-	4,700,864	4,361,129
Community Services	2,691	-0-	-0-	-0-	2,691	-0-
Intergovernmental	69,541	61,806	-0-	-0-	69,541	61,806
Interest & Other Charges	7,081	9,730	-0-	-0-	7,081	9,730
Depreciation – Unallocated	98,398	98,668	-0-	-0-	98,398	98,668
Food Service	-0-	-0-	776,090	794,153	776,090	794,153
Total Expenses	11,214,400	10,882,596	776,090	794,153	11,990,490	11,676,749
Excess before Transfers	(136,840)	164,751	50,579	39,942	(86,261)	204,693
Transfers	60,207	47,436	(60,207)	(47,436)	-0-	-0-
Special Item-Contribution of Capital Assets to Component Unit (Note 4)	(1,000,966)	(1,259,914)	-0-	-0-	(1,000,966)	(1,259,914)
INCREASE/(DECREASE) in Net Position	(1,077,599)	(1,047,727)	(9,628)	(7,494)	(1,087,227)	(1,055,221)
Net Position, Beginning	8,067,675	9,115,402	436,431	443,925	8,504,106	9,559,327
Net Position, Ending	\$ 6,990,076	8,067,675	\$ 426,803	436,431	\$ 7,416,879	8,504,106

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	
	2013	2012	2013	2012
Instruction	\$ 6,335,825	6,351,263	\$ (357,525)	(328,371)
Support Services	4,700,864	4,361,129	(2,417,699)	(2,085,655)
Community Services	2,691	-0-	(2,691)	-0-
Intergovernmental	69,541	61,806	(26,686)	(21,032)
Interest and Other Charges	7,081	9,730	(7,081)	(9,730)
Depreciation (unallocated)	98,398	98,668	(98,398)	(98,668)
Totals	\$ 11,214,400	10,882,596	\$ (2,910,080)	(2,543,456)

- The cost of all governmental activities this year was \$11,214,400.
- Federal and state governments and charges for services subsidized certain programs with grants and contributions and other local revenues of \$8,304,320.
- Net cost of governmental activities (\$2,910,080), was financed by general revenues, which are made up of primarily property taxes \$1,937,571, state aid \$812,852 and other miscellaneous general revenues, grants and transfers of \$80,390. Investment earnings accounted for \$2,634 of funding and there was a special item (\$1,000,966) for a net contribution of capital assets to The Latta Schools Educational Foundation. All of these components contributed to an overall decrease in net position for Governmental activities of \$1,077,599.
- The net decrease in governmental activities net position of \$1,077,599 accounts for the majority of the total decrease in the District's net position and is primarily a result of the transfer of \$1,000,966 in capital assets to the Foundation.

Business-Type Activities: Net position of business-type activities decreased by \$9,628 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 23% of total General Fund expenditures.

As of the end of the current fiscal year, the District's governmental funds reported total combined ending fund balances of \$2,686,850, a decrease of \$963,732 in comparison with the prior year.

Approximately \$445,226 of the District's fund balance has been reported as committed to indicate that it is not available for new spending because it has already been committed to future Capital Projects. Approximately \$360,000 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 assigned to 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 position of \$9,628. The balance of net position on June 30, 2013 was \$426,803. The balance on June 30, 2012 was \$436,431. 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, 2013, the District has invested \$4,947,614 (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 \$301,663 decrease from the prior year. Total depreciation expense for the year was \$366,036.

As of June 30, 2013, a total of \$805,226 has been approved for expending if needed for SY 13-14 and beyond with \$360,000 for school projects to include maintenance and operations and \$445,226 committed for the County Board of Education related to construction of Latta Early Childhood Center.

During the current fiscal year, the District’s Board of Trustees approved a transfer of assets for construction costs related to the Ellis Performing Arts Center with a net book value of \$1,000,966 to its discretely presented component unit – The Latta Schools Educational Foundation. 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, 2013:

	<u>Amount</u>	
	<u>2013</u>	<u>2012</u>
Land	\$ 188,730	188,730
Buildings	3,140,156	3,275,226
Improvements	1,477,166	1,661,320
Vehicles	40,495	45,537
Equipment	101,067	78,464
Total Assets	<u>\$ 4,947,614</u>	<u>5,249,277</u>

The net capital assets ending balance for business-type activities is \$110,552, a decrease of \$8,853 from the prior year. Depreciation expense for the year was \$16,838. 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 \$671,541 in general obligation bonds outstanding, of which \$110,815 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, 2013:

	Beginning Balance	Addition	Reduction	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 861,051	-0-	(189,510)	\$ 671,541	\$ 110,815
Note Payable – Dept. of Energy	9,249	-0-	(9,249)	-0-	-0-
Total Long-Term Debt	\$ 870,300	-0-	(198,759)	\$ 671,541	\$ 110,815

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 2013 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 local and state funding that were not anticipated in the original budget. Actual expenditures exceeded budgetary appropriations by \$485,622. 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 2013-14 to the County Board of Education. The 2013-14 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; funds for supplies towards growth of the Montessori program; medical screening for all employees; student insurance; funding for a school resource officer and security crossing guards; 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 have helped to compensate for decreases in revenue along with tuition fees now charged for out of district students. 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 POSITION
JUNE 30, 2013

	<u>PRIMARY GOVERNMENT</u>			<u>COMPONENT UNIT</u>
	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>	
ASSETS				
Cash	\$ -	\$ 320,155	\$ 320,155	\$ 1,752,051
Taxes Receivable (Net of Allowance)	216,773	-	216,773	-
Due From County Treasurer	2,946,855	-	2,946,855	-
Due From State Department of Education	623,011	-	623,011	-
Due From Federal Government	-	4,793	4,793	-
Due From Primary Government Pupil Activity Funds	-	-	-	1,250
Due From Component Unit	39,480	-	39,480	-
Pledges Receivable	-	-	-	175,440
Internal Balances	11,087	(11,087)	-	-
Inventories	-	4,944	4,944	-
Deferred Issuance Costs (Net of Amortization)	11,756	-	11,756	20,502
Capital Assets (Net of Accumulated Depreciation):				
Land (Non-Depreciable)	188,730	-	188,730	308,260
Construction in Progress (Non-Depreciable)	-	-	-	3,101,937
Buildings	3,140,156	-	3,140,156	227,270
Improvements	1,477,166	-	1,477,166	-
Vehicles	40,495	-	40,495	-
Equipment	101,067	110,552	211,619	-
TOTAL ASSETS	\$ 8,796,576	\$ 429,357	\$ 9,225,933	\$ 5,586,710
LIABILITIES				
Accounts Payable	\$ 470,025	\$ -	\$ 470,025	\$ -
Accrued Salaries	589,932	-	589,932	-
Accrued Interest Payable	890	-	890	20,753
Due To State Department of Education	4,626	-	4,626	-
Due To Primary Government	-	-	-	39,480
Unearned Grant Revenues	7,734	-	7,734	-
Noncurrent Liabilities:				
Due Within One Year	156,431	1,824	158,255	119,285
Due In More Than One Year	576,862	730	577,592	1,380,715
TOTAL LIABILITIES	\$ 1,806,500	\$ 2,554	\$ 1,809,054	\$ 1,560,233
NET POSITION				
Net Investment in Capital Assets	\$ 4,947,614	\$ 110,552	\$ 5,058,166	\$ 3,637,467
Restricted for Capital Projects	-	-	-	224,393
Restricted for Scholarships	-	-	-	144,796
Unrestricted	2,042,462	316,251	2,358,713	19,821
TOTAL NET POSITION	\$ 6,990,076	\$ 426,803	\$ 7,416,879	\$ 4,026,477

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, 2013

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			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	\$ 6,335,825	\$ 96,535	\$ 5,847,156	\$ 34,609	\$ (357,525)	\$ -	\$ (357,525)	\$ -
Supporting Services	4,700,864	58,862	2,151,734	72,569	(2,417,699)	-	(2,417,699)	-
Community Services	2,691	-	-	-	(2,691)	-	(2,691)	-
Intergovernmental	69,541	42,855	-	-	(26,686)	-	(26,686)	-
Interest and Other Charges	7,081	-	-	-	(7,081)	-	(7,081)	-
Depreciation - Unallocated*	98,398	-	-	-	(98,398)	-	(98,398)	-
Total Governmental Activities	\$ 11,214,400	\$ 198,252	\$ 7,998,890	\$ 107,178	\$ (2,910,080)	\$ -	\$ (2,910,080)	\$ -
Business-Type Activities:								
Food Service	\$ 776,090	\$ 108,582	\$ 717,980	\$ -	\$ -	\$ 50,472	\$ 50,472	\$ -
Total Business-Type Activities	\$ 776,090	\$ 108,582	\$ 717,980	\$ -	\$ -	\$ 50,472	\$ 50,472	\$ -
TOTAL PRIMARY GOVERNMENT	\$ 11,990,490	\$ 306,834	\$ 8,716,870	\$ 107,178	\$ (2,910,080)	\$ 50,472	\$ (2,859,608)	\$ -
COMPONENT UNIT								
Educational Foundation	\$ 74,373	\$ -	\$ 24,296	\$ 163,852	\$ -	\$ -	\$ -	\$ 113,775
General Revenues:								
Taxes:								
Property Taxes, Levied for General Purposes					\$ 1,742,679	\$ -	\$ 1,742,679	\$ -
Property Taxes, Levied for Debt Service					194,892	-	194,892	-
State Aid Not Restricted to Specific Programs					812,852	-	812,852	-
Unrestricted Investment Earnings					2,634	107	2,741	447
Miscellaneous					20,183	-	20,183	-
Gain on Sale of Capital Assets					-	-	-	32,500
Transfers					60,207	(60,207)	-	-
Special Item - Contribution of Capital Assets to Component Unit (Note 4)					(1,000,966)	-	(1,000,966)	1,000,966
TOTAL GENERAL REVENUES, TRANSFERS, AND SPECIAL ITEM					\$ 1,832,481	\$ (60,100)	\$ 1,772,381	\$ 1,033,913
CHANGE IN NET POSITION					\$ (1,077,599)	\$ (9,628)	\$ (1,087,227)	\$ 1,147,688
NET POSITION BEGINNING OF YEAR					8,067,675	436,431	8,504,106	2,878,789
NET POSITION END OF YEAR					\$ 6,990,076	\$ 426,803	\$ 7,416,879	\$ 4,026,477

* Excludes depreciation of \$267,638 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, 2013**

	<u>GENERAL</u>	<u>SPECIAL PROJECTS</u>
ASSETS		
Taxes Receivable (Net of Allowance for Uncollectibles)	\$ 216,773	\$ -
Due From County Treasurer	2,946,855	-
Due From Other Funds	579,496	-
Due From State Department of Education	53,543	438,127
Due From Component Unit	28,179	-
	<u>3,824,846</u>	<u>438,127</u>
TOTAL ASSETS	\$ <u>3,824,846</u>	\$ <u>438,127</u>
 LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts Payable	\$ 470,025	\$ -
Due To Other Funds	-	431,795
Due To State Department of Education	-	4,626
Accrued Salaries	589,932	-
Deferred Tax Revenues	78,039	-
Deferred Grant Revenues	-	1,706
	<u>1,137,996</u>	<u>438,127</u>
Total Liabilities	\$ <u>1,137,996</u>	\$ <u>438,127</u>
Fund Balances		
Committed for:		
Capital Projects	\$ 445,226	\$ -
Assigned for:		
Special Projects	360,000	-
Unassigned	1,881,624	-
	<u>2,686,850</u>	<u>-</u>
Total Fund Balances	\$ <u>2,686,850</u>	\$ <u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>3,824,846</u>	\$ <u>438,127</u>

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

<u>EDUCATION IMPROVEMENT ACT</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
\$ -	\$ -	\$ -	\$ 216,773
-	-	-	2,946,855
-	-	-	579,496
131,341	-	-	623,011
-	-	11,301	39,480
<u>\$ 131,341</u>	<u>\$ -</u>	<u>\$ 11,301</u>	<u>\$ 4,405,615</u>

\$ -	\$ -	\$ -	\$ 470,025
125,313	-	11,301	568,409
-	-	-	4,626
-	-	-	589,932
-	-	-	78,039
6,028	-	-	7,734
<u>\$ 131,341</u>	<u>\$ -</u>	<u>\$ 11,301</u>	<u>\$ 1,718,765</u>

\$ -	\$ -	\$ -	\$ 445,226
-	-	-	360,000
-	-	-	1,881,624
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,686,850</u>
<u>\$ 131,341</u>	<u>\$ -</u>	<u>\$ 11,301</u>	<u>\$ 4,405,615</u>

**DILLON COUNTY SCHOOL DISTRICT NO. 3
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
JUNE 30, 2013**

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

Ending fund balances - governmental funds balance sheet	\$	2,686,850
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		4,947,614
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		78,039
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>(722,427)</u>
Net position of governmental activities	\$	<u><u>6,990,076</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, 2013

	GENERAL	SPECIAL PROJECTS
REVENUES		
Local	\$ 1,892,640	\$ 158,072
State	6,007,405	315,131
Federal	-	1,169,054
Intergovernmental	256,466	691
TOTAL REVENUES	\$ 8,156,511	\$ 1,642,948
EXPENDITURES		
Current		
Instruction	\$ 4,392,675	\$ 966,146
Supporting Services	3,826,723	555,333
Community Services	2,691	-
Intergovernmental Expenditures	26,686	42,855
Debt Service		
Principal	9,249	-
Interest and Fiscal Agent Fees	-	-
Capital Outlay	182,664	78,614
TOTAL EXPENDITURES	\$ 8,440,688	\$ 1,642,948
Excess Revenues Over (Under) Expenditures	\$ (284,177)	\$ -
OTHER FINANCING SOURCES (USES)		
Transfers From Other Funds	\$ 318,203	\$ -
Transfers To Other Funds	(997,758)	-
TOTAL OTHER FINANCING SOURCES (USES)	\$ (679,555)	\$ -
Net Change in Fund Balances	\$ (963,732)	\$ -
FUND BALANCES BEGINNING OF YEAR	3,650,582	-
FUND BALANCES END OF YEAR	\$ 2,686,850	\$ -

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

<u>EDUCATION IMPROVEMENT ACT</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
\$ -	\$ 194,892	\$ -	\$ 2,245,604
1,082,803	-	-	7,405,339
-	-	-	1,169,054
-	-	-	257,157
<u>\$ 1,082,803</u>	<u>\$ 194,892</u>	<u>\$ -</u>	<u>\$ 11,077,154</u>
\$ 767,198	\$ -	\$ -	\$ 6,126,019
34,462	-	16,446	4,432,964
-	-	-	2,691
-	-	-	69,541
-	189,510	-	198,759
-	5,382	-	5,382
<u>28,564</u>	<u>-</u>	<u>984,520</u>	<u>1,274,362</u>
<u>\$ 830,224</u>	<u>\$ 194,892</u>	<u>\$ 1,000,966</u>	<u>\$ 12,109,718</u>
<u>\$ 252,579</u>	<u>\$ -</u>	<u>\$ (1,000,966)</u>	<u>\$ (1,032,564)</u>
\$ -	\$ -	\$ 1,000,966	\$ 1,319,169
<u>(252,579)</u>	<u>-</u>	<u>-</u>	<u>(1,250,337)</u>
<u>\$ (252,579)</u>	<u>\$ -</u>	<u>\$ 1,000,966</u>	<u>\$ 68,832</u>
\$ -	\$ -	\$ -	\$ (963,732)
<u>-</u>	<u>-</u>	<u>-</u>	<u>3,650,582</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,686,850</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, 2013**

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

Net change in fund balances - total governmental funds	\$	(963,732)
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.		699,303
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position.		(1,000,966)
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.		(8,219)
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 position. 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.		198,759
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>(2,744)</u>
Change in net position of governmental activities	\$	<u><u>(1,077,599)</u></u>

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

DILLON COUNTY SCHOOL DISTRICT NO. 3
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	BUSINESS-TYPE ACTIVITY ENTERPRISE FUND (FOOD SERVICE)
ASSETS	
Current Assets:	
Cash	\$ 320,155
Due From Federal Government	4,793
Inventories	4,944
Total Current Assets	<u>\$ 329,892</u>
Noncurrent Assets:	
Equipment	\$ 241,892
Less: Accumulated Depreciation	<u>(131,340)</u>
Total Noncurrent Assets	<u>\$ 110,552</u>
TOTAL ASSETS	<u>\$ 440,444</u>
LIABILITIES	
Current Liabilities:	
Due To Other Funds	\$ 11,087
Compensated Absences	1,824
Total Current Liabilities	<u>\$ 12,911</u>
Noncurrent Liabilities:	
Compensated Absences	\$ 730
Total Noncurrent Liabilities	<u>\$ 730</u>
TOTAL LIABILITIES	<u>\$ 13,641</u>
NET POSITION	
Invested in Capital Assets	\$ 110,552
Unrestricted	<u>316,251</u>
TOTAL NET POSITION	<u><u>\$ 426,803</u></u>

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

DILLON COUNTY SCHOOL DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR FISCAL YEAR ENDED JUNE 30, 2013

	BUSINESS-TYPE ACTIVITY ENTERPRISE FUND (FOOD SERVICE)
OPERATING REVENUES	
Proceeds from Sales of Meals	\$ <u>105,677</u>
TOTAL OPERATING REVENUES	\$ <u>105,677</u>
OPERATING EXPENSES	
Food Costs	\$ 381,782
Salaries and Employee Benefits	253,789
Utilities	5,552
Depreciation	16,838
Supplies and Materials	95,001
Other Operating Costs	<u>23,128</u>
TOTAL OPERATING EXPENSES	\$ <u>776,090</u>
Operating Income (Loss)	\$ <u>(670,413)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest	\$ 107
USDA Reimbursements	669,354
Commodities Received From USDA	47,162
Other Federal and State Aid	1,464
Miscellaneous Revenues	<u>2,905</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	\$ <u>720,992</u>
Income (Loss) Before Transfers	\$ 50,579
TRANSFERS IN (OUT)	\$ <u>(60,207)</u>
Change in Net Position	\$ (9,628)
NET POSITION BEGINNING OF YEAR	<u>436,431</u>
NET POSITION END OF YEAR	<u><u>426,803</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, 2013**

	BUSINESS-TYPE ACTIVITY ENTERPRISE FUND (FOOD SERVICE)
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Patrons	\$ 105,677
Payments to Suppliers for Goods and Services	(384,728)
Payments to Employees for Services	<u>(253,789)</u>
Net Cash Provided (Used) By Operating Activities	\$ <u>(532,840)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
USDA Federal Reimbursements	\$ 725,546
Other Nonoperating Grants Received	1,464
Other Miscellaneous Receipts	2,905
Transfers to Other Funds	<u>(60,207)</u>
Net Cash Provided (Used) By Non-Capital Financing Activities	\$ <u>669,708</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of Capital Assets	\$ <u>(7,985)</u>
Net Cash Provided (Used) By Capital and Related Financing Activities	\$ <u>(7,985)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received on Investments	\$ <u>107</u>
Net Cash Provided (Used) By Investing Activities	\$ <u>107</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 128,990
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	<u>191,165</u>
CASH AND CASH EQUIVALENTS END OF YEAR	\$ <u><u>320,155</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, 2013**

	BUSINESS-TYPE ACTIVITY ENTERPRISE FUND (FOOD SERVICE)
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating Income (Loss)	\$ (670,413)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities:	
Depreciation	16,838
Non-Cash Commodities Used	47,162
Changes in Assets and Liabilities:	
(Increase) Decrease in Due From Other Funds	61,626
(Increase) Decrease in Inventory	833
Increase (Decrease) in Due To Other Funds	11,087
Increase (Decrease) in Compensated Absences	27
Net Cash Provided (Used) By Operating Activities	\$ <u><u>(532,840)</u></u>
 Supplemental Non-Cash Financing and Investing Information:	
Non-Cash Commodities Received from USDA	\$ <u><u>47,162</u></u>

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

**DILLON COUNTY SCHOOL DISTRICT NO. 3
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013**

	<u>AGENCY FUND</u>
ASSETS	
Cash and Cash Equivalents	\$ <u>110,911</u>
TOTAL ASSETS	\$ <u>110,911</u>
LIABILITIES	
Accounts Payable	\$ 2,769
Due To Component Unit	1,250
Due To Third Parties	<u>106,892</u>
TOTAL LIABILITIES	\$ <u>110,911</u>
NET POSITION	\$ <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, 2013

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.

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 misleading, 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 position, revenues, expenses and changes in net position 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.

The District implemented the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* during the current year. The reader will note a change in the terminology from "net assets" to "net position"; otherwise, the implementation of this statement does not have any impact on the District's financial statements.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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 position 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, 2013

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 position, 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.

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.

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

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2013

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:

Asset	Years
Buildings	10 - 50
Improvements	10 - 50
Vehicles	3 - 10
Equipment	3 - 12

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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 position. 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 Position/Fund Balances

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

Net Investment in Capital Assets: 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.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted Net Position: 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 Position: Any remaining balance of net position 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, 2013

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, 2013

NOTE 2 - DEPOSITS AND INVESTMENTS

Primary Government

At year end, the District's carrying amount of deposits was \$431,066 and the corresponding bank balance was \$478,190.

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, 2013, \$208,190 of the District's bank balances of \$478,190 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 \$2,946,855.

Component Unit

At year end, the Foundation's carrying amount of deposits was \$1,752,051 and the corresponding bank balance was also \$1,752,051. Of the Foundation's bank balance, \$1,502,051 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:

	<u>General</u>	<u>Special Projects</u>	<u>EIA</u>	<u>Capital Projects</u>	<u>Total</u>
Receivables:					
Taxes	\$ 248,271	\$ -	\$ -	\$ -	\$ 248,271
State and Federal Grants	53,543	438,127	131,341	-	623,011
Component Unit	<u>28,179</u>	<u>-</u>	<u>-</u>	<u>11,301</u>	<u>39,480</u>
Gross Receivables	\$ 329,993	\$ 438,127	\$ 131,341	\$ 11,301	\$ 910,762
Less: Allowance for					
Uncollectible Taxes	<u>(31,498)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(31,498)</u>
Net Receivables	<u>\$ 298,495</u>	<u>\$ 438,127</u>	<u>\$ 131,341</u>	<u>\$ 11,301</u>	<u>\$ 879,264</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 \$78,039 in property taxes which are considered unavailable to liquidate current liabilities and \$7,734 in grants which are considered unearned.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 3 – RECEIVABLES (continued)

Primary Government (continued)

Receivables as of the year end for business-type activities consisted of \$4,793 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 primarily of pledges receivable of \$175,440. 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 \$167,075.

The following schedule lists pledges receivable by year.

Year Ended June 30	Pledges Receivable
2014	\$ 56,966
2015	33,719
2016	29,034
2017	27,635
2018	13,136
Thereafter	14,950
Totals	\$ 175,440

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DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Primary Government:				
Governmental Activities:				
Capital Assets, not Being Depreciated:				
Land	\$ 188,730	\$ -	\$ -	\$ 188,730
Construction in Progress	-	1,000,966	(1,000,966)	-
Total Capital Assets, not Being Depreciated	<u>\$ 188,730</u>	<u>\$ 1,000,966</u>	<u>\$ (1,000,966)</u>	<u>\$ 188,730</u>
Capital Assets, Being Depreciated:				
Buildings	\$ 8,291,444	\$ -	\$ -	\$ 8,291,444
Improvements	3,844,739	5,400	-	3,850,139
Vehicles	280,949	-	-	280,949
Support Equipment	64,518	-	-	64,518
Instructional Equipment	354,689	58,973	-	413,662
Maintenance Equipment	124,507	-	-	124,507
Total Capital Assets, Being Depreciated	<u>\$ 12,960,846</u>	<u>\$ 64,373</u>	<u>\$ -</u>	<u>\$ 13,025,219</u>
Less Accumulated Depreciation for:				
Buildings	\$ (5,016,218)	\$ (135,070)	\$ -	\$ (5,151,288)
Improvements	(2,183,419)	(189,554)	-	(2,372,973)
Vehicles	(235,412)	(5,042)	-	(240,454)
Support Equipment	(10,000)	(9,217)	-	(19,217)
Instructional Equipment	(325,067)	(23,732)	-	(348,799)
Maintenance Equipment	(130,183)	(3,421)	-	(133,604)
Total Accumulated Depreciation	<u>\$ (7,900,299)</u>	<u>\$ (366,036)</u>	<u>\$ -</u>	<u>\$ (8,266,335)</u>
Total Capital Assets, Being Depreciated, Net	<u>\$ 5,060,547</u>	<u>\$ (301,663)</u>	<u>\$ -</u>	<u>\$ 4,758,884</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,249,277</u>	<u>\$ 699,303</u>	<u>\$ (1,000,966)</u>	<u>\$ 4,947,614</u>
Business-Type Activities:				
Capital Assets, Being Depreciated:				
Machinery and Equipment	\$ 233,906	\$ 7,985	\$ -	\$ 241,891
Total Capital Assets, Being Depreciated	<u>\$ 233,906</u>	<u>\$ 7,985</u>	<u>\$ -</u>	<u>\$ 241,891</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	\$ (114,501)	\$ (16,838)	\$ -	\$ (131,339)
Total Accumulated Depreciation	<u>\$ (114,501)</u>	<u>\$ (16,838)</u>	<u>\$ -</u>	<u>\$ (131,339)</u>
Total Capital Assets, Being Depreciated, Net	<u>\$ 119,405</u>	<u>\$ (8,853)</u>	<u>\$ -</u>	<u>\$ 110,552</u>
Business-Type Activities Capital Assets, Net	<u>\$ 119,405</u>	<u>\$ (8,853)</u>	<u>\$ -</u>	<u>\$ 110,552</u>

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 4 - CAPITAL ASSETS (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Component Unit:				
Capital Assets, not Being Depreciated:				
Land	\$ 290,395	\$ 20,365	\$ (2,500)	\$ 308,260
Construction in Progress	2,038,282	1,063,655	-	3,101,937
Total Capital Assets, not Being Depreciated	<u>\$ 2,328,677</u>	<u>\$ 1,084,020</u>	<u>\$ (2,500)</u>	<u>\$ 3,410,197</u>
Capital Assets, Being Depreciated:				
Buildings	\$ 242,325	-	-	\$ 242,325
Total Capital Assets, Being Depreciated	<u>\$ 242,325</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 242,325</u>
Less Accumulated Depreciation for:				
Buildings	\$ (10,209)	\$ (4,846)	-	\$ (15,055)
Total Accumulated Depreciation	<u>\$ (10,209)</u>	<u>\$ (4,846)</u>	<u>\$ -</u>	<u>\$ (15,055)</u>
Total Capital Assets, Being Depreciated, Net	<u>\$ 232,116</u>	<u>\$ (4,846)</u>	<u>\$ -</u>	<u>\$ 227,270</u>
Total Capital Assets, Net	<u><u>\$ 2,560,793</u></u>	<u><u>\$ 1,079,174</u></u>	<u><u>\$ (2,500)</u></u>	<u><u>\$ 3,637,467</u></u>

Depreciation expense was charged to functions/programs as follows:

Primary Government:

Governmental Activities:

Instruction	\$ 174,764
Supporting Services	92,874
Unallocated	<u>98,398</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 366,036</u></u>

Business-Type Activities:

Food Service	\$ <u>16,838</u>
Total Depreciation Expense - Business-Type Activities	<u><u>\$ 16,838</u></u>

Component Unit:

Supporting Services	\$ <u>4,846</u>
Total Depreciation Expense - Component Unit	<u><u>\$ 4,846</u></u>

During the current fiscal year, the District transferred capital assets (construction costs) related to the Ellis Performing Arts Center with a net book value of \$1,000,966 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.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 5 - LONG-TERM DEBT

Primary Government

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, 2013, are as follows:

<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Original Issue</u>	<u>Outstanding June 30, 2013</u>
2003	2.86%	May 23, 2013	\$ 700,000	\$ -
2009	0.40%	March 1, 2019	1,000,000	671,541
Totals			\$ <u>1,700,000</u>	\$ <u>671,541</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>
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	112,599	903	113,502
2019	<u>113,016</u>	<u>484</u>	<u>113,500</u>
Totals	\$ <u>671,541</u>	\$ <u>9,465</u>	\$ <u>681,006</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, 2013</u>
2010	0%	November 1, 2012	\$ <u>18,498</u>	\$ <u>-</u>

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 5 - LONG-TERM DEBT (continued)

The following is a summary of changes in long-term obligations and balances of the District for June 30, 2013:

	<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	\$ 861,051	\$ -	\$ (189,510)	\$ 671,541	\$ 110,815
Notes Payable	9,249	-	(9,249)	-	-
Compensated Absences	<u>60,707</u>	<u>45,091</u>	<u>(44,046)</u>	<u>61,752</u>	<u>45,616</u>
Totals	<u>\$ 931,007</u>	<u>\$ 45,091</u>	<u>\$ (242,805)</u>	<u>\$ 733,293</u>	<u>\$ 156,431</u>
Business-Type Activities:					
Compensated Absences	\$ <u>2,527</u>	\$ <u>1,832</u>	\$ <u>(1,805)</u>	\$ <u>2,554</u>	\$ <u>1,824</u>
Totals	<u>\$ 2,527</u>	<u>\$ 1,832</u>	<u>\$ (1,805)</u>	<u>\$ 2,554</u>	<u>\$ 1,824</u>

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

Component Unit

Notes Payable

On March 20, 2013, the Foundation obtained a loan from Carolina Bank & Trust in the amount of \$1,500,000 to finance the completion of the Ellis Performing Arts Center. Repayment of the loan is being made in annual installments of \$194,285 beginning March 20, 2014. Outstanding notes payable of the Foundation at June 30, 2013, are as follows:

<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Original Issue</u>	<u>Outstanding June 30, 2013</u>
2013	5.00%	March 20, 2023	\$ <u>1,500,000</u>	\$ <u>1,500,000</u>

Annual debt service requirements to maturity for the Carolina Bank & Trust note payable are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 119,285	\$ 75,000	\$ 194,285
2015	125,249	69,036	194,285
2016	131,511	62,774	194,285
2017	138,087	56,198	194,285
2018	144,991	49,294	194,285
2019 - 2023	<u>840,877</u>	<u>130,195</u>	<u>971,072</u>
Totals	<u>\$ 1,500,000</u>	<u>\$ 442,497</u>	<u>\$ 1,942,497</u>

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 5 - LONG-TERM DEBT (continued)

The following is a summary of changes in long-term obligations and balances of the Foundation for June 30, 2013:

Component Unit:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Notes Payable	\$ -	\$ 1,500,000	\$ -	\$ 1,500,000	\$ 119,285
Totals	<u>\$ -</u>	<u>\$ 1,500,000</u>	<u>\$ -</u>	<u>\$ 1,500,000</u>	<u>\$ 119,285</u>

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, 2013, 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	\$ 579,496	\$ -
Special Projects	-	431,795
EIA	-	125,313
School Building Fund	-	11,301
Food Service Fund	-	11,087
Total	<u>\$ 579,496</u>	<u>\$ 579,496</u>

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:

	<u>Transfers From Other Funds</u>	<u>Transfers To Other Funds</u>
General Fund	\$ 318,203	\$ 997,758
EIA	-	252,579
School Building Fund	1,000,966	-
Food Service Fund	-	60,207
Pupil Activity Funds	-	8,625
Total	<u>\$ 1,319,169</u>	<u>\$ 1,319,169</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.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 7 - POSTEMPLOYMENT BENEFITS (continued)

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, 4.55% of annual covered payroll for fiscal year 2012-2013. The EIP sets the employer contribution rate based on a pay-as-you-go basis.

The District recorded fringe benefit expenses for insurance benefits for active employees in the amount of \$897,520 for the year ended June 30, 2013. The District also paid \$286,387 applicable to the 4.55% surcharge included with the employer contributions for retirement benefits. (The District paid \$282,497 and \$275,689 in 2012 and 2011, 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, 2013.

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.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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 7.00% of their covered wages. The District is required to contribute at actuarially determined rates, currently 10.60% 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, 2013, 2012, and 2011 were \$667,188, \$626,422, and \$663,776, respectively. Actual contributions were equal to the required contributions each year.

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.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 8 - RETIREMENT PLAN (continued)

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.

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 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, 2013, 2012, and 2011.

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.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 11 - CONTINGENCIES

The District is involved in various lawsuits arising in the ordinary course of operations. It is the opinion of management after giving consideration to the District's related insurance coverage and consultation with legal counsel that the final settlements of these matters will not result in a material adverse effect on the financial position of the District.

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 they should not be included in the reporting entity because their economic resources are not significant to the District.

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 position - governmental activities* as reported in the government-wide statement of net position. The following explains certain elements of that reconciliation:

Long-Term Assets Not Available to Pay Current Period Expenditures:	
Property Taxes	\$ <u>78,039</u>
	\$ <u><u>78,039</u></u>
Long-Term Liabilities Not Reported in the Funds:	
General Obligation Bonds	\$ (671,541)
Accrued Interest Payable	(890)
Compensated Absences Payable	(61,752)
Deferred Issuance Costs (Net)	<u>11,756</u>
	\$ <u><u>(722,427)</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 position 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	\$ 1,065,339
Depreciation Expense	<u>(366,036)</u>
	\$ <u><u>699,303</u></u>

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

Miscellaneous Transactions Involving Capital Assets:	
Contribution of Capital Assets to Component Unit	\$ <u>(1,000,966)</u>
	\$ <u><u>(1,000,966)</u></u>
Revenues Not Recognized in the Funds:	
Property Taxes	\$ <u>(8,219)</u>
	\$ <u><u>(8,219)</u></u>
Issuance and Repayment of Long-Term Debt:	
Principal Repayment on General Obligation Bonds	\$ 189,510
Principal Repayment on Notes Payable	<u>9,249</u>
	\$ <u><u>198,759</u></u>
Expenses Not Recognized in the Funds:	
Compensated Absences	\$ (1,045)
Accrued Interest on Long-Term Debt	376
Amortization of Bond Issuance Costs	<u>(2,075)</u>
	\$ <u><u>(2,744)</u></u>

NOTE 14 - COMMITMENTS

At June 30, 2013, construction and related commitments were as follows:

	<u>Estimated Completion Date</u>	<u>Commitment</u>	<u>Expenditures Incurred</u>	<u>Remaining Commitment June 30, 2013</u>
<i>Primary Government:</i>				
Ellis Performing Arts Center	December 2013	\$ <u>3,335,496</u>	\$ <u>(2,719,936)</u>	\$ <u>615,560</u>

On September 11, 2012, the District's Board approved a resolution supporting the Foundation and its efforts to borrow \$1,500,000 for the completion of the Ellis Performing Arts Center. The Board also agreed to make any loan repayment in full or in part on behalf of the Foundation in the event the Foundation's resources are not sufficient.

REQUIRED SUPPLEMENTARY INFORMATION

**DILLON COUNTY SCHOOL DISTRICT NO. 3
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR FISCAL YEAR ENDED JUNE 30, 2013**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Local	\$ 1,711,893	\$ 1,711,893	\$ 1,892,640	\$ 180,747
State	5,860,517	5,860,517	6,007,405	146,888
Intergovernmental	195,000	195,000	256,466	61,466
TOTAL REVENUES	\$ 7,767,410	\$ 7,767,410	\$ 8,156,511	\$ 389,101
EXPENDITURES				
Current				
Instruction	\$ 4,253,835	\$ 4,253,835	\$ 4,392,675	\$ (138,840)
Supporting Services	3,646,231	3,646,231	3,826,723	(180,492)
Community Services	-	-	2,691	(2,691)
Intergovernmental Expenditures	12,000	12,000	26,686	(14,686)
Debt Service	-	-	9,249	(9,249)
Capital Outlay	43,000	43,000	182,664	(139,664)
TOTAL EXPENDITURES	\$ 7,955,066	\$ 7,955,066	\$ 8,440,688	\$ (485,622)
Excess Revenues Over (Under) Expenditures	\$ (187,656)	\$ (187,656)	\$ (284,177)	\$ (96,521)
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	\$ 196,906	\$ 196,906	\$ 318,203	\$ 121,297
Transfers To Other Funds	(9,250)	(9,250)	(997,758)	(988,508)
TOTAL OTHER FINANCING SOURCES (USES)	\$ 187,656	\$ 187,656	\$ (679,555)	\$ (867,211)
Net Change in Fund Balance	\$ -	\$ -	\$ (963,732)	\$ (963,732)
FUND BALANCE BEGINNING OF YEAR	3,650,582	3,650,582	3,650,582	-
FUND BALANCE END OF YEAR	\$ 3,650,582	\$ 3,650,582	\$ 2,686,850	\$ (963,732)

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR FISCAL YEAR ENDED JUNE 30, 2013

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, 2013, actual expenditures in the general fund exceeded budgeted appropriations by \$485,622.

**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, 2013

	<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	\$ 1,298,894	\$ 1,412,851	\$ 113,957
1140 Penalties and Interest on Taxes	14,001	15,593	1,592
1190 Other Taxes	298,198	322,453	24,255
1500 Earnings on Investments:			
1510 Interest on Investments	33,850	2,634	(31,216)
1900 Other Revenue From Local Sources:			
1920 Contributions & Donations Private Sources	-	3,352	3,352
1999 Revenue from Other Local Sources	66,950	135,757	68,807
Total Local Sources	\$ 1,711,893	\$ 1,892,640	\$ 180,747
2000 Intergovernmental Revenue			
2100 Payments from Other Governmental Units	\$ 195,000	\$ 256,466	\$ 61,466
Total Intergovernmental Revenues	\$ 195,000	\$ 256,466	\$ 61,466
3000 Revenue from State Sources			
3100 Restricted State Funding:			
3130 Special Programs:			
3131 Handicapped Transportation	\$ -	\$ 667	\$ 667
3133 IDEA Contingency Fund	-	99,387	99,387
3160 School Bus Driver Salary	57,552	83,910	26,358
3162 Transportation Workers' Compensation	-	6,007	6,007
3180 Fringe Benefits Employer Contributions	1,481,619	1,541,775	60,156
3300 Education Finance Act:	*	3,525,126	-
3310 Full-Time Programs:			
3311 Kindergarten	*	-	226,104
3312 Primary	*	-	686,498
3313 Elementary	*	-	1,046,174
3314 High School	*	-	234,872
3315 Trainable Mentally Handicapped	*	-	36,468
3316 Speech Handicapped	*	-	222,031
3317 Homebound	*	-	3,799
3320 Part-Time Programs:			
3322 Educable Mentally Handicapped	*	-	24,622
3323 Learning Disabilities	*	-	264,452
3324 Hearing Handicapped	*	-	10,312
3325 Visually Handicapped	*	-	4,603
3326 Orthopedically Handicapped	*	-	18,197
3327 Vocational	*	-	620,181
3330 Other EFA Programs:			
3331 Autism	*	-	64,494

* 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, 2013**

REVENUES (continued)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
3000 Revenue from State Sources (continued)			
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)	-	94,482	94,482
3825 Reimbursement for Property Tax Relief (Tier 3)	554,036	471,964	(82,072)
3830 Merchant's Inventory Tax	18,628	18,404	(224)
3840 Manufacturers Depreciation Reimbursement	18,434	23,508	5,074
3890 Other State Property Tax Revenues	21,006	20,378	(628)
Total State Sources	\$ 5,860,517	\$ 6,007,405	\$ 146,888
TOTAL REVENUE ALL SOURCES	\$ 7,767,410	\$ 8,156,511	\$ 389,101

EXPENDITURES

100 Instruction

110 General Instruction

111 Kindergarten Programs:

100 Salaries	\$ 313,046	\$ 250,116	\$ 62,930
200 Employee Benefits	113,098	95,008	18,090
400 Supplies and Materials	7,750	39,396	(31,646)

112 Primary Programs:

100 Salaries	794,451	641,206	153,245
200 Employee Benefits	260,274	220,766	39,508
400 Supplies and Materials	9,000	25,560	(16,560)

113 Elementary Programs:

100 Salaries	594,486	841,091	(246,605)
200 Employee Benefits	198,264	294,451	(96,187)
400 Supplies and Materials	9,000	9,526	(526)

114 High School Programs:

100 Salaries	1,073,755	1,035,441	38,314
200 Employee Benefits	362,489	356,585	5,904
400 Supplies and Materials	20,000	23,378	(3,378)

115 Career and Technology Education Programs:

100 Salaries	141,995	145,385	(3,390)
200 Employee Benefits	53,810	56,861	(3,051)

120 Exceptional Programs

122 Trainable Mentally Handicapped:

100 Salaries	130,022	101,725	28,297
200 Employee Benefits	53,422	46,331	7,091

DILLON COUNTY SCHOOL DISTRICT NO. 3
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR FISCAL YEAR ENDED JUNE 30, 2013

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
EXPENDITURES (continued)			
100 Instruction (continued)			
120 Exceptional Programs (continued)			
126 Speech Handicapped:			
100 Salaries	25,899	26,743	(844)
200 Employee Benefits	8,984	9,651	(667)
127 Learning Disabilities:			
100 Salaries	8,373	37,491	(29,118)
200 Employee Benefits	3,219	21,315	(18,096)
130 Pre-School Programs			
139 Early Childhood Programs:			
100 Salaries	27,310	64,588	(37,278)
200 Employee Benefits	16,407	28,294	(11,887)
140 Special Programs			
141 Gifted and Talented - Academic:			
100 Salaries	13,430	10,161	3,269
200 Employee Benefits	5,851	4,204	1,647
145 Homebound:			
100 Salaries	-	1,908	(1,908)
200 Employee Benefits	-	431	(431)
300 Purchased Services	4,750	-	4,750
149 Other Special Programs:			
100 Salaries	-	950	(950)
200 Employee Benefits	-	218	(218)
300 Purchased Services	4,750	3,833	917
180 Adult/Continuing Educational Programs			
188 Parenting/Family Literacy:			
200 Employee Benefits	-	62	(62)
Total Instruction	\$ 4,253,835	\$ 4,392,675	\$ (138,840)
200 Supporting Services			
210 Pupil Services			
212 Guidance Services:			
100 Salaries	\$ 105,515	\$ 98,370	\$ 7,145
200 Employee Benefits	32,456	32,382	74
300 Purchased Services	1,500	213	1,287
400 Supplies and Materials	1,500	1,942	(442)

DILLON COUNTY SCHOOL DISTRICT NO. 3
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR FISCAL YEAR ENDED JUNE 30, 2013

EXPENDITURES (continued)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
200 Supporting Services (continued)			
210 Pupil Services (continued)			
213 Health Services:			
100 Salaries	57,683	58,941	(1,258)
200 Employee Benefits	22,988	24,524	(1,536)
300 Purchased Services	1,500	1,091	409
400 Supplies and Materials	14,502	15,144	(642)
214 Psychological Services:			
100 Salaries	98,763	100,729	(1,966)
200 Employee Benefits	35,651	37,729	(2,078)
220 Instructional Staff Services			
221 Improvement of Instruction - Curriculum Development:			
100 Salaries	90,323	52,875	37,448
200 Employee Benefits	24,420	34,987	(10,567)
300 Purchased Services	20,100	15,278	4,822
400 Supplies and Materials	-	1,252	(1,252)
222 Library and Media Services:			
100 Salaries	144,251	147,098	(2,847)
200 Employee Benefits	49,110	52,137	(3,027)
300 Purchased Services	600	-	600
400 Supplies and Materials	9,084	9,457	(373)
223 Supervision of Special Programs:			
100 Salaries	104,439	73,263	31,176
200 Employee Benefits	30,560	23,708	6,852
300 Purchased Services	-	36	(36)
224 Improvement of Instruction - Inservice and Staff Training:			
100 Salaries	325	7,455	(7,130)
200 Employee Benefits	-	8,145	(8,145)
300 Purchased Services	10,675	20,569	(9,894)
400 Supplies and Materials	900	531	369
600 Other Objects	450	800	(350)
230 General Administration Services			
231 Board of Education:			
100 Salaries	2,000	2,000	-
200 Employee Benefits	430	496	(66)
300 Purchased Services	14,000	11,458	2,542
318 Audit Services	27,000	26,850	150
600 Other Objects	139,500	210,398	(70,898)

DILLON COUNTY SCHOOL DISTRICT NO. 3
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR FISCAL YEAR ENDED JUNE 30, 2013

EXPENDITURES (continued)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
200 Supporting Services (continued)			
230 General Administration Services (continued)			
232 Office of the Superintendent:			
100 Salaries	152,180	155,917	(3,737)
200 Employee Benefits	66,001	72,089	(6,088)
300 Purchased Services	12,100	10,227	1,873
400 Supplies and Materials	5,350	6,179	(829)
500 Capital Outlay	1,500	-	1,500
600 Other Objects	3,000	3,585	(585)
233 School Administration:			
100 Salaries	502,581	563,255	(60,674)
200 Employee Benefits	162,464	194,912	(32,448)
300 Purchased Services	1,000	282	718
400 Supplies and Materials	8,269	7,641	628
600 Other Objects	2,955	3,720	(765)
250 Finance and Operations Services			
252 Fiscal Services:			
100 Salaries	63,391	64,634	(1,243)
200 Employee Benefits	26,177	27,512	(1,335)
300 Purchased Services	8,500	1,578	6,922
400 Supplies and Materials	2,000	1,007	993
254 Operation and Maintenance of Plant:			
100 Salaries	207,613	255,495	(47,882)
200 Employee Benefits	88,247	96,774	(8,527)
300 Purchased Services	140,236	106,405	33,831
321 Public Utilities	12,100	17,873	(5,773)
400 Supplies and Materials	85,000	130,907	(45,907)
470 Energy	275,500	249,497	26,003
500 Capital Outlay	13,000	5,400	7,600
255 Student Transportation:			
100 Salaries	40,160	212,298	(172,138)
200 Employee Benefits	19,567	77,907	(58,340)
300 Purchased Services	274,195	16,959	257,236
400 Supplies and Materials	1,800	1,446	354
256 Food Services:			
200 Employee Benefits	92,967	80,478	12,489
257 Internal Services:			
300 Purchased Services	24,000	26,808	(2,808)
258 Security:			
300 Purchased Services	52,981	54,837	(1,856)

DILLON COUNTY SCHOOL DISTRICT NO. 3
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR FISCAL YEAR ENDED JUNE 30, 2013

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
EXPENDITURES (continued)			
200 Supporting Services (continued)			
260 Central Support Services			
262 Planning, Research, Development & Evaluation:			
300 Purchased Services	6,600	2,922	3,678
266 Technology and Data Processing Services:			
100 Salaries	110,942	111,914	(972)
200 Employee Benefits	35,065	29,580	5,485
300 Purchased Services	25,200	55,744	(30,544)
400 Supplies and Materials	-	12,147	(12,147)
500 Capital Outlay	28,500	177,264	(148,764)
270 Supporting Services Pupil Activity			
271 Pupil Services Activities:			
100 Salaries	63,311	69,691	(6,380)
200 Employee Benefits	13,054	13,498	(444)
400 Supplies and Materials	6,500	6,500	-
660 Pupil Activity	15,000	14,647	353
Total Supporting Services	\$ 3,689,231	\$ 4,009,387	\$ (320,156)
300 Community Services			
390 Other Community Services:			
100 Salaries	\$ -	\$ 2,500	\$ (2,500)
200 Employee Benefits	-	191	(191)
Total Community Services	\$ -	\$ 2,691	\$ (2,691)
400 Intergovernmental Expenditures			
411 Payments to the South Carolina Department of Education			
720 Transits	\$ -	\$ 6,306	\$ (6,306)
412 Payments to Other Governmental Units			
720 Transits	12,000	20,380	(8,380)
Total Intergovernmental Expenditures	\$ 12,000	\$ 26,686	\$ (14,686)
500 Debt Service			
610 Principal	\$ -	\$ 9,249	\$ (9,249)
Total Debt Service	\$ -	\$ 9,249	\$ (9,249)
TOTAL EXPENDITURES	\$ 7,955,066	\$ 8,440,688	\$ (485,622)
Excess Revenues Over (Under) Expenditures	\$ (187,656)	\$ (284,177)	\$ (96,521)

**DILLON COUNTY SCHOOL DISTRICT NO. 3
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR FISCAL YEAR ENDED JUNE 30, 2013**

	<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	\$ 156,906	\$ 252,579	\$ 95,673
5270 Transfer from Pupil Activity Fund	-	5,417	5,417
5280 Transfer from Other Funds Indirect Costs	40,000	60,207	20,207
421 - 710 Transfer to Special Revenue Fund	(9,250)	-	9,250
424 - 710 Transfer to School Building Fund	<u>-</u>	<u>(997,758)</u>	<u>(997,758)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 187,656</u>	<u>\$ (679,555)</u>	<u>\$ (867,211)</u>
Excess Revenues and Expenditures Over (Under) Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ (963,732)</u>	<u>\$ (963,732)</u>
FUND BALANCE JULY 1, 2012		<u>3,650,582</u>	
FUND BALANCE JUNE 30, 2013		<u>\$ 2,686,850</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, 2013**

	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	-	-	-
3199 Other Restricted State Grants	-	-	-
	-	-	-
3600 Education Lottery Act Revenue:			
3607 6-8 Enhancement	-	-	-
3610 K-5 Enhancement	-	-	-
3699 Other State Lottery Programs	-	-	-
	-	-	-
Total State Sources	\$ -	\$ -	\$ -
4000 Revenue From Federal Sources			
4300 Elementary and Secondary Education Act of 1965 (ESEA):			
4310 Title I, Basic State Grant Programs	\$ 566,545	\$ -	\$ -
4312 Rural and Low-Income School Program, Title VI	-	-	-
4351 Improving Teacher Quality	-	-	-
	-	-	-
4500 Programs for Children with Disabilities:			
4510 Individuals With Disabilities Education Act (IDEA)	-	440,664	-
4520 Pre-School Grants (IDEA)	-	-	20,138
	-	-	20,138
Total Federal Sources	\$ 566,545	\$ 440,664	\$ 20,138
TOTAL REVENUE ALL SOURCES	\$ 566,545	\$ 440,664	\$ 20,138

OTHER DESIGNATED RESTRICTED STATE GRANTS (900s)	OTHER SPECIAL REVENUE PROGRAMS (200s/800s)	TOTAL
\$ -	\$ 148,517	\$ 148,517
-	9,555	9,555
\$ -	\$ 158,072	\$ 158,072
-	691	691
\$ -	\$ 691	\$ 691
-	691	691
\$ 81,496	\$ -	\$ 81,496
539	-	539
1,300	-	1,300
12,696	-	12,696
31,468	-	31,468
501	-	501
-	380	380
4,269	-	4,269
110,555	-	110,555
71,927	-	71,927
314,751	380	315,131
\$ -	\$ -	\$ 566,545
-	37,903	37,903
-	103,804	103,804
-	-	440,664
-	-	20,138
\$ -	\$ 141,707	\$ 1,169,054
\$ 314,751	\$ 300,850	\$ 1,642,948

**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, 2013**

EXPENDITURES	TITLE I (BA Projects) (201/202)	IDEA (CA Projects) (203/204)	PRESCHOOL HANDICAPPED (CG Projects) (205/206)
100 Instruction			
110 General Instruction			
111 Kindergarten Programs:			
400 Supplies and Materials	\$ 1,166	\$ -	-
112 Primary Programs:			
100 Salaries	142,433	-	-
200 Employee Benefits	41,500	-	-
400 Supplies and Materials	-	-	-
113 Elementary Programs:			
100 Salaries	82,107	-	-
200 Employee Benefits	24,533	-	-
400 Supplies and Materials	-	-	-
500 Capital Outlay	-	-	-
114 High School Programs:			
400 Supplies and Materials	-	-	-
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	-	98,502	-
200 Employee Benefits	-	31,901	-
400 Supplies and Materials	-	1,735	-
126 Speech Handicapped:			
100 Salaries	-	-	16,213
200 Employee Benefits	-	-	3,925
300 Purchased Services	-	1,281	-
127 Learning Disabilities:			
100 Salaries	-	83,204	-
200 Employee Benefits	-	24,746	-
130 Pre-School Programs			
139 Early Childhood Programs:			
100 Salaries	46,942	-	-
200 Employee Benefits	23,296	-	-

OTHER DESIGNATED RESTRICTED STATE GRANTS (900s)	OTHER SPECIAL REVENUE PROGRAMS (200s/800s)	TOTAL
\$ -	\$ -	\$ 1,166
88,019	-	230,452
35,232	-	76,732
-	346	346
-	80,876	162,983
-	22,499	47,032
-	138	138
4,244	-	4,244
-	207	207
501	-	501
-	7,798	7,798
-	1,757	1,757
1,300	-	1,300
-	-	98,502
-	-	31,901
-	-	1,735
-	57,770	73,983
-	18,844	22,769
-	-	1,281
-	-	83,204
-	-	24,746
-	-	46,942
-	-	23,296

**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, 2013**

	TITLE I (BA Projects) (201/202)	IDEA (CA Projects) (203/204)	PRESCHOOL HANDICAPPED (CG Projects) (205/206)
EXPENDITURES (continued)			
100 Instruction (continued)			
140 Special Programs			
149 Other Special Programs:			
300 Purchased Services	-	22,851	-
180 Adult/Continuing Educational Programs			
188 Parenting/Family Literacy:			
100 Salaries	275	-	-
400 Supplies and Materials	6,050	-	-
	\$ 368,302	\$ 264,220	\$ 20,138
200 Supporting Services			
210 Pupil Services			
212 Guidance Services:			
100 Salaries	\$ -	\$ -	-
200 Employee Benefits	-	-	-
213 Health Services:			
100 Salaries	32,769	-	-
200 Employee Benefits	14,162	-	-
300 Purchased Services	-	47,575	-
214 Psychological Services:			
100 Salaries	-	-	-
200 Employee Benefits	-	-	-
300 Purchased Services	-	714	-
400 Supplies and Materials	-	2,251	-
217 Career Specialist Services:			
100 Salaries	-	-	-
200 Employee Benefits	-	-	-
220 Instructional Staff Services			
221 Improvement of Instruction - Curriculum Development:			
300 Purchased Services	-	-	-
400 Supplies and Materials	-	-	-
223 Supervision of Special Programs:			
100 Salaries	68,145	23,885	-
200 Employee Benefits	18,175	10,985	-
300 Purchased Services	-	2,348	-
400 Supplies and Materials	1,218	5,504	-
500 Capital Outlay	-	72,569	-
600 Other Objects	-	1,010	-

OTHER DESIGNATED RESTRICTED STATE GRANTS (900s)	OTHER SPECIAL REVENUE PROGRAMS (200s/800s)	TOTAL
-	-	22,851
-	-	275
-	-	6,050
<u>\$ 129,296</u>	<u>\$ 190,235</u>	<u>\$ 972,191</u>
\$ 34,917	\$ 380	\$ 35,297
12,255	-	12,255
23,187	12,426	68,382
8,282	3,692	26,136
-	-	47,575
-	10,563	10,563
-	2,367	2,367
-	-	714
-	-	2,251
25,676	-	25,676
8,648	-	8,648
-	1,100	1,100
24	-	24
-	-	92,030
-	-	29,160
-	600	2,948
-	-	6,722
-	-	72,569
-	-	1,010

**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, 2013**

	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 (continued)			
224 Improvement of Instruction - Inservice and Staff Training:			
100 Salaries	57,676	-	-
200 Employee Benefits	6,098	-	-
300 Purchased Services	-	303	-
400 Supplies and Materials	-	9,300	-
Total Supporting Services	\$ 198,243	\$ 176,444	\$ -
400 Intergovernmental Expenditures			
411 Payments to South Carolina Department of Education			
720 Transits	\$ -	\$ -	\$ -
414 Medicaid Payments to SCDE			
720 Transits	-	-	-
Total Intergovernmental Expenditures	\$ -	\$ -	\$ -
TOTAL EXPENDITURES	\$ 566,545	\$ 440,664	\$ 20,138
Excess Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -
FUND BALANCE JULY 1, 2012	-	-	-
FUND BALANCE JUNE 30, 2013	\$ -	\$ -	\$ -

OTHER DESIGNATED RESTRICTED STATE GRANTS (900s)	OTHER SPECIAL REVENUE PROGRAMS (200s/800s)	TOTAL
51,319	2,500	111,495
20,608	471	27,177
539	23,007	23,849
<u>-</u>	<u>10,654</u>	<u>19,954</u>
\$ 185,455	\$ 67,760	\$ 627,902
-	603	603
<u>-</u>	<u>42,252</u>	<u>42,252</u>
\$ -	\$ 42,855	\$ 42,855
\$ 314,751	\$ 300,850	\$ 1,642,948
<u>-</u>	<u>-</u>	<u>-</u>
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
\$ -	\$ -	\$ -

**DILLON COUNTY SCHOOL DISTRICT NO. 3
SPECIAL PROJECTS FUND
SUMMARY SCHEDULE FOR DESIGNATED STATE RESTRICTED GRANTS
FOR FISCAL YEAR ENDED JUNE 30, 2013**

SUBFUND CODE	REVENUE CODE	PROGRAMS	REVENUES
905	3125	Career and Technology Education Equipment	\$ 1,300
919	3193	Education License Plates	501
928	3118	EEDA Career Specialist	81,496
933	3123	Formative Assessment	539
936	3136	Student Health and Fitness - Nurses	31,468
937	3127	Student Health and Fitness - PE Teachers	12,696
960	3610	K-5 Enhancement	110,555
967	3607	6-8 Enhancement	4,269
969	3699	Other State Lottery Program	71,927
TOTALS			\$ 314,751

<u>EXPENDITURES</u>	<u>SPECIAL PROJECTS INTERFUND TRANSFERS IN/(OUT)</u>	<u>OTHER FUND TRANSFERS IN/(OUT)</u>	<u>DEFERRED REVENUE</u>
\$ 1,300	\$ -	\$ -	\$ -
501	-	-	-
81,496	-	-	-
539	-	-	-
31,468	-	-	-
12,696	-	-	-
110,555	-	-	-
4,269	-	-	-
71,927	-	-	323
<u>\$ 314,751</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 323</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, 2013**

REVENUES	<u>ACTUAL</u>
3000 Revenue from State Sources	
3500 Education Improvement Act:	
3502 ADEPT	\$ 1,870
3511 Professional Development	9,110
3518 Formative Assessment	8,149
3525 Career and Technology Education Equipment	22,225
3526 Refurbishment of K-8 Science Kits	9,345
3532 National Board Certification (NBC) Salary Supplement	18,420
3533 Teacher of the Year Award	1,077
3538 Students At Risk of School Failure	337,853
3541 Child Development Education Pilot Program (CDEPP)	220,102
3544 High Achieving Students	35,874
3550 Teacher Salary Increase	119,356
3551 Teacher Salary Supplement State Share	86,327
3555 School Employer Contributions	46,896
3558 Reading	7,269
3577 Teacher Supplies	24,011
3578 High Schools That Work/Making Middle Grades Work	8,064
3585 Aid to Districts - Special Education	56,425
3592 Work-Based Learning	6,339
3594 EEDA Supplemental Programs	39,036
3597 Aid to Districts	24,228
3599 Other EIA	827
	<hr/>
Total State Sources	\$ 1,082,803
	<hr/>
TOTAL REVENUE ALL SOURCES	\$ 1,082,803
	<hr/>
EXPENDITURES	
100 Instruction	
110 General Instruction	
111 Kindergarten Programs:	
400 Supplies and Materials	\$ 4,763
112 Primary Programs:	
100 Salaries	94,900
200 Employee Benefits	28,849
400 Supplies and Materials	12,577
113 Elementary Programs:	
100 Salaries	177,775
200 Employee Benefits	45,549
400 Supplies and Materials	8,964

**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, 2013**

EXPENDITURES (continued)	<u>ACTUAL</u>
100 Instruction (continued)	
110 General Instruction (continued)	
114 High School Programs:	
100 Salaries	28,127
200 Employee Benefits	6,378
400 Supplies and Materials	7,880
115 Career and Technology Education Programs:	
500 Capital Outlay	28,564
120 Exceptional Programs	
127 Learning Disabilities:	
100 Salaries	46,176
200 Employee Benefits	10,248
140 Special Programs	
141 Gifted and Talented - Academic:	
100 Salaries	29,842
200 Employee Benefits	5,112
147 CDEPP:	
100 Salaries	151,137
200 Employee Benefits	68,965
148 Gifted and Talented - Artistic:	
100 Salaries	750
200 Employee Benefits	169
170 Summer School Program	
172 Elementary Summer School:	
100 Salaries	16,050
200 Employee Benefits	3,534
300 Purchased Services	3,331
400 Supplies and Materials	16,122
Total Instruction	\$ <u>795,762</u>
200 Supporting Services	
220 Instructional Staff Services	
221 Improvement of Instruction - Curriculum Development:	
300 Purchased Services	\$ 1,491

**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, 2013**

	ACTUAL
EXPENDITURES (continued)	
200 Supporting Services (continued)	
220 Instructional Staff Services (continued)	
224 Improvement of Instruction - Inservice Training:	
100 Salaries	6,350
200 Employee Benefits	1,911
300 Purchased Services	15,580
400 Supplies and Materials	9,130
Total Supporting Services	\$ 34,462
TOTAL EXPENDITURES	\$ 830,224
Excess Revenues Over (Under) Expenditures	\$ 252,579
OTHER FINANCING SOURCES (USES)	
Interfund Transfers, From (To) Other Funds	
420-710 Transfer to General Fund	\$ (252,579)
TOTAL OTHER FINANCING SOURCES (USES)	\$ (252,579)
Excess Revenues and Expenditures Over (Under) Other Financing Sources (Uses)	\$ -
FUND BALANCE JULY 1, 2012	-
FUND BALANCE JUNE 30, 2013	\$ -

**DILLON COUNTY SCHOOL DISTRICT NO. 3
 EDUCATION IMPROVEMENT ACT
 SUMMARY SCHEDULE BY PROGRAM
 FOR FISCAL YEAR ENDED JUNE 30, 2013**

PROGRAM	<u>REVENUES</u>
3500 Education Improvement Act:	
3502 ADEPT	\$ 1,870
3511 Professional Development	9,110
3518 Formative Assessment	8,149
3525 Career and Technology Education Equipment	22,225
3526 Refurbishment of K-8 Science Kits	9,345
3532 National Board Certification (NBC) Salary Supplement	18,420
3533 Teacher of the Year Award	1,077
3538 Students At Risk of School Failure	337,853
3541 Child Development Education Pilot Program (CDEPP)	220,102
3544 High Achieving Students	35,874
3550 Teacher Salary Increase	119,356
3551 Teacher Salary Supplement State Share	86,327
3555 School Employer Contributions	46,896
3558 Reading	7,269
3577 Teacher Supplies	24,011
3578 High Schools That Work/Making Middle Grades Work	8,064
3585 Aid to Districts - Special Education	56,425
3592 Work-Based Learning	6,339
3594 EEDA Supplemental Programs	39,036
3597 Aid to Districts	24,228
3599 Other EIA	827
	<hr/>
TOTALS	\$ <u><u>1,082,803</u></u>

<u>EXPENDITURES</u>	<u>EIA INTERFUND TRANSFERS IN/(OUT)</u>	<u>OTHER FUND TRANSFERS IN/(OUT)</u>	<u>DEFERRED REVENUE</u>
\$ 1,870	\$ -	\$ -	\$ -
9,110	-	-	-
8,149	-	-	-
22,225	-	-	5,385
9,345	-	-	-
18,420	-	-	-
1,077	-	-	-
337,853	-	-	-
220,102	-	-	-
35,874	-	-	-
-	-	(119,356)	-
-	-	(86,327)	-
-	-	(46,896)	-
7,269	-	-	-
24,011	-	-	-
8,064	-	-	-
56,425	-	-	-
6,339	-	-	-
39,036	-	-	643
24,228	-	-	-
827	-	-	-
<u>\$ 830,224</u>	<u>\$ -</u>	<u>\$ (252,579)</u>	<u>\$ 6,028</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, 2013**

	ACTUAL
REVENUES	
1000 Revenue From Local Sources	
1110 Ad Valorem Taxes - Including Delinquent Taxes	\$ <u>194,892</u>
Total Local Sources	\$ <u>194,892</u>
TOTAL REVENUE ALL SOURCES	\$ <u>194,892</u>
EXPENDITURES	
500 Debt Service	
610 Redemption of Principal	\$ 189,510
620 Interest	<u>5,382</u>
TOTAL EXPENDITURES	\$ <u>194,892</u>
Excess Revenues Over (Under) Expenditures	\$ <u>-</u>
FUND BALANCE JULY 1, 2012	<u>-</u>
FUND BALANCE JUNE 30, 2013	\$ <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, 2013**

	ACTUAL
EXPENDITURES	
200 Supporting Services	
250 Finance and Operations	
253 Facilities Acquisition and Construction:	
300 Purchased Services	\$ 16,446
500 Capital Outlay	
520 Construction Services	859,713
540 Equipment	124,807
Total Supporting Services	\$ 1,000,966
TOTAL EXPENDITURES	\$ 1,000,966
Excess Revenues Over (Under) Expenditures	\$ (1,000,966)
OTHER FINANCING SOURCES	
Interfund Transfers, From (To) Other Funds:	
5210 Transfer from General Fund	\$ 997,758
5270 Transfer from Pupil Activity Fund	3,208
TOTAL OTHER FINANCING SOURCES	\$ 1,000,966
Excess Revenues and Expenditures Over (Under) Other Financing Sources (Uses)	\$ -
FUND BALANCE JULY 1, 2012	-
FUND BALANCE JUNE 30, 2013	\$ -

DILLON COUNTY SCHOOL DISTRICT NO. 3
FOOD SERVICE FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR FISCAL YEAR ENDED JUNE 30, 2013

	ACTUAL
REVENUES	
1000 Revenue From Local Sources	
1500 Earnings on Investments:	
1510 Interest on Investments	\$ 107
1600 Food Service:	
1610 Lunch Sales to Pupils	74,289
1630 Special Sales to Pupils	18,288
1640 Lunch Sales to Adults	7,086
1660 Special Sales to Adults	6,014
1900 Other Revenue from Local Sources:	
1999 Revenue from Other Local Sources	2,905
Total Local Sources	\$ 108,689
3000 Revenue From State Sources	
3100 Restricted State Funding:	
3140 School Lunch:	
3142 Program Aid	\$ 93
Total State Sources	\$ 93
4000 Revenue From Federal Sources	
4800 USDA Reimbursement:	
4810 School Lunch and After School Snacks Program	\$ 419,849
4830 School Breakfast Program	249,505
4900 Other Federal Sources:	
4991 USDA Commodities (Food Distribution Program)	47,162
4999 Revenue from Other Federal Sources	1,371
Total Federal Sources	\$ 717,887
TOTAL REVENUE ALL SOURCES	\$ 826,669
EXPENSES	
250 Finance and Operations	
256 Food Service:	
100 Salaries	\$ 237,645
200 Employee Benefits	16,144
300 Purchased Services	20,972
400 Supplies and Materials	476,783
500 Capital Outlay	16,838
600 Other Objects	7,708
TOTAL EXPENSES	\$ 776,090
Operating Income (Loss) Before Other Financing Sources (Uses)	\$ 50,579

**DILLON COUNTY SCHOOL DISTRICT NO. 3
FOOD SERVICE FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR FISCAL YEAR ENDED JUNE 30, 2013**

	ACTUAL
OTHER FINANCING SOURCES (USES)	
Interfund Transfers, From (To) Other Funds	
432-791 Food Service Fund Indirect Costs	\$ <u>(60,207)</u>
TOTAL OTHER FINANCING SOURCES (USES)	\$ <u>(60,207)</u>
Net Income (Loss)	\$ (9,628)
NET POSITION JULY 1, 2012	<u>436,431</u>
NET POSITION JUNE 30, 2013	<u><u>\$ 426,803</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, 2013**

	ACTUAL
RECEIPTS	
1000 Receipts From Local Sources	
1700 Pupil Activities:	
1710 Admissions	\$ 63,906
1730 Pupil Organization Membership Dues and Fees	5,976
1790 Other	313,259
Total Receipts From Local Sources	\$ 383,141
TOTAL RECEIPTS ALL SOURCES	\$ 383,141
DISBURSEMENTS	
270 Supporting Services Pupil Activity	
271 Pupil Service Activities:	
660 Supporting Services Pupil Activity	\$ 141,078
272 Enterprise Activities:	
660 Pupil Activity	169,289
273 Trust and Agency Activities:	
660 Enterprise Activities	116,192
Total Pupil Activity Expenditures	\$ 426,559
TOTAL DISBURSEMENTS	\$ 426,559
Excess Receipts Over (Under) Disbursements	\$ (43,418)
OTHER FINANCING SOURCES (USES)	
Interfund Transfers, From (To) Other Funds	
420-710 Transfer to General Fund	\$ (5,417)
424-710 Transfer to Building Fund	(3,208)
TOTAL OTHER FINANCING SOURCES (USES)	\$ (8,625)
Excess Receipts and Disbursements Over (Under) Other Financing Sources (Uses)	\$ (52,043)
DUE TO THIRD PARTIES JULY 1, 2012	158,935
DUE TO THIRD PARTIES JUNE 30, 2013	\$ 106,892

DISCRETELY PRESENTED COMPONENT UNIT

**DILLON COUNTY SCHOOL DISTRICT NO. 3
DISCRETELY PRESENTED COMPONENT UNIT
BALANCE SHEET
JUNE 30, 2013**

		<u>LATTA SCHOOLS EDUCATIONAL FOUNDATION</u>
ASSETS		
Cash and Cash Equivalents	\$	1,752,051
Due from Primary Government Pupil Activity Funds		1,250
Pledges Receivable		<u>175,440</u>
TOTAL ASSETS	\$	<u><u>1,928,741</u></u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Due to Primary Government	\$	39,480
Deferred Pledge Revenue		<u>167,075</u>
Total Liabilities	\$	<u>206,555</u>
Fund Balances		
Restricted for:		
Capital Projects	\$	76,318
Scholarships		125,796
Assigned for:		
Capital Projects and Debt Service		1,478,918
Unassigned		<u>41,154</u>
Total Fund Balances	\$	<u>1,722,186</u>
TOTAL LIABILITIES AND FUND BALANCES	\$	<u><u>1,928,741</u></u>
RECONCILIATION TO THE STATEMENT OF NET POSITION:		
Amounts reported in the statement of net position presented on page 12 are different because:		
Ending governmental fund balance	\$	1,722,186
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		3,637,467
Other long-term assets (pledges receivable) are not available to pay for current period expenditures and therefore, are deferred in the funds.		167,075
Long-term liabilities, including notes payable and accrued interest, are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(1,500,251)</u>
Net position (presented on page 12)	\$	<u><u>4,026,477</u></u>

**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, 2013**

	<u>LATTA SCHOOLS EDUCATIONAL FOUNDATION</u>
REVENUES	
1000 Revenue from Local Sources	
1500 Earnings on Investments:	
1510 Interest on Investments	\$ 776
1900 Other Revenue From Local Sources:	
1920 Contributions & Donations Private Sources	138,494
	<hr/>
Total Local Sources	\$ 139,270
	<hr/>
TOTAL REVENUE ALL SOURCES	\$ 139,270
	<hr/>
EXPENDITURES	
300 Community Services	
390 Other Community Services:	
300 Purchased Services	\$ 1,800
400 Supplies and Materials	3,881
500 Capital Outlay	83,054
600 Other Objects	42,513
	<hr/>
Total Community Services	\$ 131,248
	<hr/>
500 Debt Service	
690 Other Objects	\$ 21,082
	<hr/>
Total Debt Service Expenditures	\$ 21,082
	<hr/>
TOTAL EXPENDITURES	\$ 152,330
	<hr/>
Excess Revenues Over (Under) Expenditures	\$ (13,060)
	<hr/>
OTHER FINANCING SOURCES (USES)	
5300 Sale of Fixed Assets	\$ 35,000
5400 Proceeds from Long-Term Notes	1,500,000
	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	\$ 1,535,000
	<hr/>
Excess Revenues and Expenditures Over (Under) Other Financing Sources	\$ 1,521,940
	<hr/>
FUND BALANCE JULY 1, 2012	200,246
	<hr/>
FUND BALANCE JUNE 30, 2013	\$ 1,722,186
	<hr/> <hr/>

**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, 2013**

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	\$	1,521,940
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 is the amount by which capital outlays exceeded depreciation expense in the current period.		78,208
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.		1,000,966
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position.		(2,500)
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.		49,325
The issuance of long-term debt (e.g. notes payable) provides current financial resources to the governmental fund, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental fund. Neither transaction, however, has any effect on net position. Also, the governmental fund reports 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.		(1,478,918)
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 the governmental fund.		<u>(21,333)</u>
Change in net position (reported on page 13)	\$	<u><u>1,147,688</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, 2013**

<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	\$ 4,626
TOTALS					\$ 4,626

**DILLON COUNTY SCHOOL DISTRICT NO. 3
LOCATION RECONCILIATION SCHEDULE
FOR FISCAL YEAR ENDED JUNE 30, 2013**

<u>LOCATION</u>	<u>LOCATION DESCRIPTION</u>	<u>EDUCATION LEVEL</u>	<u>COST TYPE</u>	<u>TOTAL EXPENDITURES</u>
30	District	Non-Schools	Central	\$ 1,562,103
31	Latta Elementary	Elementary Schools	School	3,403,120
32	Latta Middle	Middle Schools	School	1,856,216
33	Latta High	High Schools	School	4,841,038
34	Latta Early Childhood	Other School	School	1,649,890
TOTAL EXPENDITURES/DISBURSEMENTS FOR ALL FUNDS				\$ <u><u>13,312,367</u></u>

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

General Fund (Subfunds 100s)	\$ 8,440,688
Special Revenue Fund (Subfunds 200s, 800s, 900s)	1,642,948
Special Revenue EIA Fund (Subfunds 300s)	830,224
Debt Service Fund (Subfunds 400s)	194,892
Capital Projects Fund (School Building) (Subfunds 500s)	1,000,966
Proprietary Fund (Food Service) (Subfunds 600s)	776,090
Trust and Agency Fund (Pupil Activity) (Subfunds 700s)	426,559
TOTAL EXPENDITURES/DISBURSEMENTS FOR ALL FUNDS	\$ <u><u>13,312,367</u></u>

**DILLON COUNTY SCHOOL DISTRICT NO. 3
SPECIAL PROJECTS FUND
SUBFUND CODE LIST
FOR FISCAL YEAR ENDED JUNE 30, 2013**

OTHER RESTRICTED STATE GRANTS

905	Career & Technology Education Equipment
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
969	Other State Lottery Program

OTHER SPECIAL REVENUE GRANTS

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
830	Extended School Year

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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of 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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 1, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control. This deficiency is listed as item 13-B1.

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*.

Auditee's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of the Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harper, Poston & Moree, P.A.

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

Pawleys Island, South Carolina
November 1, 2013



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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

Report on Compliance for Each Major Federal Program

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, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

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, 2013.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Harper, Poston & Moree, P.A.

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

Pawleys Island, South Carolina
November 1, 2013

**DILLON COUNTY SCHOOL DISTRICT NO. 3
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR FISCAL YEAR ENDED JUNE 30, 2013**

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 program was tested as a major program:

Title I (CFDA No. 84.010)
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

13-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, 2013**

B. Findings - Financial Statement Audit (continued)

13-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, 2013**

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	13BA028	\$ 566,545 *
	Special Education Cluster:			
203	IDEA	84.027	12CA028	13,080
203	IDEA	84.027	13CA028	427,340
203	IDEA - Extended School Year	84.027	N/A	244
205	Preschool Grant	84.173	13CG028	20,138
251	Title VI Rural and Low-Income Schools	84.358	12BS028	6,678
251	Title VI Rural and Low-Income Schools	84.358	13BS028	31,225
267	Improving Teacher Quality	84.367	13TQ028	<u>103,804</u>
	Total U.S. Department of Education			\$ <u>1,169,054</u>
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	\$ 47,162
	Cash Assistance:			
600	School Breakfast Program	10.553	N/A	249,505
600	School Lunch Program	10.555	N/A	419,849
600	School Lunch Program Aid	10.555	N/A	<u>1,371</u>
	Total U.S. Department of Agriculture		(See Disclosure Below)	\$ <u>717,887</u> **
U.S. DEPARTMENT OF DEFENSE				
	Passed Through Dillon County Board of Education:			
100	JROTC	N/A	N/A	<u>67,869</u>
	Total U.S. Department of Defense			\$ <u>67,869</u>
	TOTAL FEDERAL AWARDS EXPENDED			\$ <u><u>1,954,810</u></u>

DILLON COUNTY SCHOOL DISTRICT NO. 3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR FISCAL YEAR ENDED JUNE 30, 2013

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 \$108,782 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 \$47,162 in the form of federal non-cash USDA food commodities for the year ended June 30, 2013. 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, 2013, the loan balance was paid in full.
- 4. The District receives JROTC funding in the form of reimbursements from the Dillon County Board of Education. Amounts received for JROTC, as reported in the accompanying Schedule of Expenditures of Federal Awards, have been recorded as local revenue sources in the District's financial statements.

**DILLON COUNTY SCHOOL DISTRICT NO. 3
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR FISCAL YEAR ENDED JUNE 30, 2013**

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, 2013.