

DILLON COUNTY SCHOOL DISTRICT NO. 3
LATTA, SOUTH CAROLINA

**BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

FISCAL YEAR ENDED JUNE 30, 2017

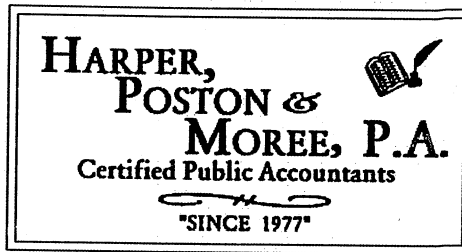
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FINANCIAL SECTION



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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, 2017, 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 from 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, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information, and supplementary pension information on pages 4 through 12 and 52 through 56 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2017 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 the 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.

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

Pawleys Island, South Carolina
November 8, 2017

DILLON COUNTY SCHOOL DISTRICT THREE
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR YEAR ENDED JUNE 30, 2017

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, 2017. 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 liabilities of the District exceeded its assets at the close of the fiscal year ended June 30, 2017 by \$8,241,929 mainly as a reflection of the implementation of GASB Statement No. 68, requiring reporting of the District's proportionate share of net pension liability of \$15,967,256.
- The District's total net position decreased \$388,770 which represents an approximate 5% decrease from the restated fiscal year ending June 30, 2016.
- Revenues totaled \$14,375,011.
- Expenses totaled \$14,763,781.
- In previous years, the District transferred capital assets related to the Ellis Performing Arts Center to the Foundation. The assets are leased back to the District at no cost. While the district is not a legal guarantor, the board adopted a resolution to provide for payment of the Foundation's debt service for the construction loan for the Ellis Performing Arts Center should resources not be available to do so. This amount is reported as an intergovernmental expenditure for year ending June 30, 2017.
- Our principal operating fund, the General Fund, had \$10,196,484 in fiscal year 2017 revenues, which primarily consisted of state aid and property taxes and \$10,441,185 in expenditures. The General Fund's fund balance decreased from \$1,670,861 as of June 30, 2016 to \$1,567,118 as of June 30, 2017.
- As of the close of the year, 99% 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 13 and 14 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 and pension related schedules related to GASB 68 implementation.

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, liabilities exceeded assets by \$8,241,929 as of June 30, 2017 due mainly to the District reporting a liability of \$15,967,256 for the proportionate share of the net pension liability as required by GASB No. 68. Reporting the liability may give an appearance of a weaker position on the financial statements.

The District's net investment in capital assets (\$4,669,911) 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, 2017 as compared to fiscal year ended June 30, 2016.

| | Governmental Activities | | Business-Type Activities | | Total | |
|-------------------------------------|----------------------------|--------------|-----------------------------|---------|----------------|--------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Current and Other Assets | \$ 2,923,840 | 2,969,852 | \$ 291,720 | 336,646 | \$ 3,215,560 | 3,306,498 |
| Capital Assets, Net | 4,750,318 | 5,039,937 | 104,150 | 89,555 | 4,854,468 | 5,129,492 |
| Total Assets | 7,674,158 | 8,009,789 | 395,873 | 426,201 | 8,070,028 | 8,435,990 |
| Total Deferred Outflows | 2,674,805 | 1,298,281 | -0- | -0- | 2,674,805 | 1,298,281 |
| Current Liabilities | 630,259 | 570,704 | -0- | 1,874 | 630,259 | 572,578 |
| Long-term liabilities | 17,675,023 | 16,274,998 | 2,939 | 3,126 | 17,677,962 | 16,278,124 |
| Total Liabilities | 18,305,282 | 16,845,702 | 2,939 | 5,000 | 18,308,221 | 16,850,702 |
| Total Deferred Inflows | 678,541 | 750,652 | -0- | -0- | 678,541 | 750,652 |
| Net Position: | | | | | | |
| Net Investment in Capital Assets | 4,565,761 | 4,774,306 | 104,150 | 89,555 | 4,669,911 | 4,863,861 |
| Unrestricted | (13,200,621) | (13,062,590) | 288,781 | 331,646 | (12,911,840) | (12,730,944) |
| Total Net Position | \$ (8,634,860) | (8,288,284) | \$ 392,931 | 421,201 | \$ (8,241,929) | (7,867,083) |

At the end of the current fiscal year, the District is reporting positive balances in Business-Type Activities of net position while ending with a negative balance in Governmental Activities, reflecting the implementation of GASB Statement No. 68. The District began the year with a negative net position of Governmental Activities of (\$8,288,284) before restatement and ended the fiscal year with net position of (\$8,634,860).

The following table presents a comparative summary of the changes in net position for the fiscal year ended June 30, 2017 and for the fiscal year ended June 30, 2016.

| | Governmental Activities | | Business-Type Activities | | Totals | |
|---|----------------------------|--------------------|-----------------------------|-----------------|-----------------------|--------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| REVENUES: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | \$ 334,142 | 286,408 | \$ 106,174 | 92,513 | \$ 440,316 | 378,921 |
| Operating Grants & Contributions | 10,004,646 | 8,998,379 | 788,541 | 796,553 | 10,793,187 | 9,794,932 |
| Capital Grants & Contributions | 89,300 | 223,159 | -0- | -0- | 89,300 | 223,159 |
| General Revenues: | | | | | | |
| Property Taxes Levied for Gen Purpose | 2,044,945 | 2,010,396 | -0- | -0- | 2,044,945 | 2,010,396 |
| Property Taxes Levied for Debt Service | 113,501 | 113,501 | -0- | -0- | 113,501 | 113,501 |
| State Aid | 891,551 | 868,824 | -0- | -0- | 891,551 | 868,824 |
| Unrestricted Investment Earnings | 2,165 | 1,401 | 46 | 41 | 2,211 | 1,442 |
| Miscellaneous | -0- | 12,707 | -0- | -0- | -0- | 12,707 |
| Total Revenues | 13,480,250 | 12,514,775 | 894,761 | 889,107 | 14,375,011 | 13,403,882 |
| EXPENSES: | | | | | | |
| Instruction | 8,046,533 | 7,297,546 | -0- | -0- | 8,046,533 | 7,297,546 |
| Supporting Services | 5,498,182 | 5,399,435 | -0- | -0- | 5,498,182 | 5,399,435 |
| Intergovernmental | 149,114 | 62,801 | -0- | -0- | 149,114 | 62,801 |
| Interest & Other Charges | 34,908 | 51,250 | -0- | -0- | 34,908 | 51,250 |
| Depreciation – Unallocated | 129,115 | 124,308 | -0- | -0- | 129,115 | 124,308 |
| Food Service | -0- | -0- | 905,929 | 861,630 | 905,929 | 861,630 |
| Total Expenses | 13,857,852 | 12,935,340 | 905,929 | 861,630 | 14,763,781 | 13,796,970 |
| Excess before Transfers | (377,602) | (420,565) | 11,168 | 27,477 | (388,770) | (393,088) |
| Transfers | 17,515 | 50,207 | (17,515) | (50,207) | -0- | -0- |
| Extraordinary Item-Debt Guarantee | -0- | (1,319,152) | -0- | -0- | -0- | (1,319,152) |
| INCREASE/(DECREASE) in Net Position | (360,087) | (1,689,510) | (28,683) | (22,730) | (388,770) | (1,712,240) |
| Net Position, Beginning | (8,288,284) | (6,598,774) | 421,201 | 443,931 | (7,867,083) | (6,154,843) |
| Adjustment to Beginning Net Position for GASB 68 Fringe Error | 13,511 | -0- | 413 | -0- | 13,924 | -0- |
| Net Position, Ending | \$ (8,634,860) | (8,288,284) | \$ 392,931 | 421,201 | \$ (8,241,929) | (7,867,083) |

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 | |
|----------------------------|----------------------|-------------------|-----------------------|--------------------|
| | 2017 | 2016 | 2017 | 2016 |
| Instruction | \$ 8,046,533 | 7,297,546 | \$ (947,229) | (564,125) |
| Support Services | 5,498,182 | 5,399,435 | (2,208,815) | (2,665,932) |
| Intergovernmental | 149,114 | 62,801 | (109,697) | (21,779) |
| Interest and Other Charges | 34,908 | 51,250 | (34,908) | (51,250) |
| Depreciation (unallocated) | 129,115 | 124,308 | (129,115) | (124,308) |
| Totals | \$ 13,857,852 | 12,935,340 | \$ (3,429,764) | (3,427,394) |

- The cost of all governmental activities this year was \$13,857,852.
- Federal and state governments and charges for services subsidized certain programs with grants and contributions and other local revenues of \$10,428,088.
- Net cost of governmental activities (\$3,429,764), was financed by general revenues, which are made up of primarily property taxes \$2,158,446, state aid \$891,551 and other miscellaneous general revenues, grants and transfers of \$17,515. Investment earnings accounted for \$2,165 of funding. All of these components contributed to an overall decrease in net position for Governmental activities of \$360,087.
- The net decrease in governmental activities net position of \$360,087 accounts for the majority of the total decrease in the District's net position.

Business-Type Activities: Net position of business-type activities decreased by \$28,683 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 15% 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 \$1,567,118, a decrease of \$103,743 in comparison with the prior year. The District has entered into capital lease agreements as lessee for financing the acquisition of playground and technology equipment for the newly constructed Latta Elementary School owned by the County. Use of reserve funds for repayment of these loans have contributed to the decrease. Additional information on the lease agreements and the debt obligations of the District can be found in Note 5 of this report.

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 \$28,683. The balance of net position on June 30, 2017 was \$392,931. The restated balance on June 30, 2016 was \$421,614. 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, 2017, the District has invested \$4,750,318 (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 \$289,619 decrease from the prior year. Total depreciation expense for the year was \$328,436.

In previous years, the District transferred capital assets related to the Ellis Performing Arts Center to its discretely presented component unit – The Latta Schools Educational Foundation. The assets are leased back to the District at no cost. While the district is not a legal guarantor, the board adopted a resolution to provide for payment of the Foundation’s debt service for the construction loan for the Ellis Performing Arts Center should resources not be available to do so. This amount is reported as an intergovernmental expenditure. During the current year, the district paid \$194,285 on the Foundation’s debt and does not expect to recover this amount.

The following schedule presents capital asset balances for governmental activities, net of depreciation, for the fiscal year ended June 30, 2017:

| | Amount | |
|--------------|--------------|-----------|
| | 2017 | 2016 |
| Land | \$ 179,630 | 188,730 |
| Buildings | 2,990,354 | 3,185,071 |
| Improvements | 1,439,138 | 1,542,240 |
| Vehicles | 6,378 | 11,420 |
| Equipment | 134,818 | 112,476 |
| Total Assets | \$ 4,750,318 | 5,039,937 |

The net capital assets ending balance for business-type activities is \$104,150, an increase of \$14,595 from the prior year. Depreciation expense for the year was \$20,805. Additional information on the District’s capital assets and commitments can be found in Note 4 and Note 14, respectively, of this report.

Long-Term Debt: The following table presents a summary of the District's total outstanding long-term debt for the fiscal year ended June 30, 2017:

| | Beginning Balance | Addition | Reduction | Ending Balance | Due Within One Year |
|-----------------------------|----------------------|------------|------------------|-------------------|------------------------|
| General Obligation Bonds | \$ 337,781 | -0- | (112,151) | \$ 225,630 | \$ 112,599 |
| Capital Leases | 556,217 | -0- | (169,108) | 387,109 | 182,752 |
| Total Long-Term Debt | \$ 893,998 | -0- | (281,259) | \$ 612,739 | \$ 295,351 |

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.

The District is currently entered into lease agreements to finance playground and technology equipment for the new Latta Elementary School. These leases qualify as capital leases for accounting purposes and carry interest rates ranging from 7% – 10% through the June 30, 2019 fiscal year.

More detailed information about the District's debt obligations, future debt service requirements, and other long-term liabilities such as compensated absences, net pension liability, and debt guarantee can be found in Note 5 of this report.

BUDGETARY HIGHLIGHTS

Our General Fund budget preparing process for fiscal year 2017 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 \$47,131 due primarily for increased costs of various supporting service expenditures. 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 2017-18 to the County Board of Education. The 2017-18 budget takes an aggressive approach with a focus on maintaining high educational standards and continuing to improve student achievement as noted in budget highlights with continuation of International Baccalaureate teacher training and related costs; funds for supplies and staff training towards growth of the Montessori program; and STEM funding. Other budget highlights include medical screening for all employees; student insurance;

and funding for school resource officers and security crossing guards. Step increases continued for applicable employees paid from the SDE salary schedule as well as \$2.00 over the SDE bus driver pay scale per hour for drivers while salaries for other paraprofessional staff are continued on an hourly rate schedule.

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 growth in number of students and use of the district reserve fund have helped to compensate for decreases in revenue along with tuition fees continuing to be 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, 2017

| | PRIMARY GOVERNMENT | | | COMPONENT UNIT |
|---|----------------------------|-----------------------------|-----------------------|---------------------|
| | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL | |
| ASSETS | | | | |
| Cash | \$ - | \$ 283,108 | \$ 283,108 | \$ 330,338 |
| Taxes Receivable (Net of Allowance) | 236,995 | - | 236,995 | - |
| Due From County Treasurer | 1,376,285 | - | 1,376,285 | - |
| Due From State Department of Education | 568,199 | - | 568,199 | - |
| Pledges Receivable (Net of Allowance) | - | - | - | 31,037 |
| Other Receivables | 742,510 | - | 742,510 | - |
| Internal Balances | (149) | 149 | - | - |
| Inventories | - | 8,463 | 8,463 | - |
| Capital Assets (Net of Accumulated Depreciation): | | | | |
| Land (Non-Depreciable) | 179,630 | - | 179,630 | 308,260 |
| Buildings | 2,990,354 | - | 2,990,354 | 3,445,764 |
| Improvements | 1,439,138 | - | 1,439,138 | - |
| Vehicles | 6,378 | - | 6,378 | - |
| Equipment | 134,818 | 104,150 | 238,968 | 261,805 |
| TOTAL ASSETS | \$ 7,674,158 | \$ 395,870 | \$ 8,070,028 | \$ 4,377,204 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred Outflows of Resources Related to Pension | \$ 2,674,805 | \$ - | \$ 2,674,805 | \$ - |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | \$ 2,674,805 | \$ - | \$ 2,674,805 | \$ - |
| LIABILITIES | | | | |
| Accounts Payable | \$ 49,302 | \$ - | \$ 49,302 | \$ 25,258 |
| Accrued Payroll Liabilities | 71,163 | - | 71,163 | - |
| Accrued Interest Payable | 25,824 | - | 25,824 | 13,638 |
| Due To State Department of Education | 8,951 | - | 8,951 | - |
| Unearned Grant Revenues | 475,019 | - | 475,019 | - |
| Noncurrent Liabilities: | | | | |
| Due Within One Year | 503,058 | 2,099 | 505,157 | 144,991 |
| Due In More Than One Year | 17,171,965 | 840 | 17,172,805 | 840,756 |
| TOTAL LIABILITIES | \$ 18,305,282 | \$ 2,939 | \$ 18,308,221 | \$ 1,024,643 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred Inflows of Resources Related to Pension | \$ 678,541 | \$ - | \$ 678,541 | \$ - |
| TOTAL DEFERRED INFLOWS OF RESOURCES | \$ 678,541 | \$ - | \$ 678,541 | \$ - |
| NET POSITION | | | | |
| Net Investment in Capital Assets | \$ 4,565,761 | \$ 104,150 | \$ 4,669,911 | \$ 3,422,323 |
| Restricted for Capital Projects | - | - | - | 27,115 |
| Restricted for Scholarships | - | - | - | 119,342 |
| Restricted for Special Programs | - | - | - | 1,190 |
| Unrestricted | (13,200,621) | 288,781 | (12,911,840) | (217,409) |
| TOTAL NET POSITION | \$ (8,634,860) | \$ 392,931 | \$ (8,241,929) | \$ 3,352,561 |

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, 2017**

| FUNCTIONS/PROGRAMS | PROGRAM REVENUES | | | | NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION | | | COMPONENT UNIT |
|--|----------------------|----------------------|--------------------------|----------------------------------|---|--------------------------|-----------------------|----------------|
| | EXPENSES | OPERATING | | CAPITAL GRANTS AND CONTRIBUTIONS | PRIMARY GOVERNMENT | | | |
| | | CHARGES FOR SERVICES | GRANTS AND CONTRIBUTIONS | | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL | |
| Governmental Activities: | | | | | | | | |
| Instruction | \$ 8,046,533 | \$ 135,537 | \$ 6,898,515 | \$ 65,252 | \$ (947,229) | \$ - | \$ (947,229) | \$ - |
| Supporting Services | 5,498,182 | 159,188 | 3,106,131 | 24,048 | (2,208,815) | - | (2,208,815) | - |
| Intergovernmental | 149,114 | 39,417 | - | - | (109,697) | - | (109,697) | - |
| Interest and Other Charges | 34,908 | - | - | - | (34,908) | - | (34,908) | - |
| Depreciation - Unallocated* | 129,115 | - | - | - | (129,115) | - | (129,115) | - |
| Total Governmental Activities | \$ 13,857,852 | \$ 334,142 | \$ 10,004,646 | \$ 89,300 | \$ (3,429,764) | \$ - | \$ (3,429,764) | \$ - |
| Business-Type Activities: | | | | | | | | |
| Food Service | \$ 905,929 | \$ 106,174 | \$ 788,541 | \$ - | \$ - | \$ (11,214) | \$ (11,214) | \$ - |
| Total Business-Type Activities | \$ 905,929 | \$ 106,174 | \$ 788,541 | \$ - | \$ - | \$ (11,214) | \$ (11,214) | \$ - |
| TOTAL PRIMARY GOVERNMENT | \$ 14,763,781 | \$ 440,316 | \$ 10,793,187 | \$ 89,300 | \$ (3,429,764) | \$ (11,214) | \$ (3,440,978) | \$ - |
| COMPONENT UNIT | | | | | | | | |
| Educational Foundation | \$ 269,565 | \$ 5,538 | \$ 44,416 | \$ 216,105 | \$ - | \$ - | \$ - | \$ (3,506) |
| General Revenues: | | | | | | | | |
| Taxes: | | | | | | | | |
| Property Taxes, Levied for General Purposes | | | | \$ 2,044,945 | \$ - | \$ - | \$ 2,044,945 | \$ - |
| Property Taxes, Levied for Debt Service | | | | 113,501 | - | - | 113,501 | - |
| State Aid Not Restricted to Specific Programs | | | | 891,551 | - | - | 891,551 | - |
| Unrestricted Contributions | | | | - | - | - | - | 33,871 |
| Unrestricted Investment Earnings | | | | 2,165 | 46 | - | 2,211 | 396 |
| Transfers | | | | 17,515 | (17,515) | - | - | - |
| TOTAL GENERAL REVENUES AND TRANSFERS | | | | \$ 3,069,677 | \$ (17,469) | \$ (17,469) | \$ 3,052,208 | \$ 34,267 |
| CHANGE IN NET POSITION | | | | \$ (360,087) | \$ (28,683) | \$ (388,770) | \$ (388,770) | \$ 30,761 |
| NET POSITION BEGINNING OF YEAR, AS RESTATED (NOTE 15) | | | | (8,274,773) | 421,614 | (7,853,159) | (7,853,159) | 3,321,800 |
| NET POSITION END OF YEAR | | | | (8,634,860) | 392,931 | (8,241,929) | (8,241,929) | 3,352,561 |

* Excludes depreciation of \$199,321 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, 2017**

| ASSETS | GENERAL | SPECIAL PROJECTS |
|--|----------------------------|-----------------------------|
| Taxes Receivable (Net of Allowance for Uncollectibles) | \$ 236,995 | \$ - |
| Due From County Treasurer | 1,376,285 | - |
| Due From Other Funds | 81,624 | - |
| Due From State Department of Education | - | 557,347 |
| Other Receivables | 102,781 | - |
| | <u>1,797,685</u> | <u>557,347</u> |
| TOTAL ASSETS | \$ <u>1,797,685</u> | \$ <u>557,347</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | |
| Liabilities | | |
| Accounts Payable | \$ 46,846 | \$ 2,290 |
| Due To Other Funds | - | 108,699 |
| Due To State Department of Education | - | 8,951 |
| Accrued Payroll Liabilities | 71,163 | - |
| Unearned Grant Revenues | - | 437,407 |
| | <u>118,009</u> | <u>557,347</u> |
| Total Liabilities | \$ <u>118,009</u> | \$ <u>557,347</u> |
| Deferred Inflows of Resources | | |
| Unavailable Property Taxes | \$ 112,558 | \$ - |
| | <u>112,558</u> | <u>-</u> |
| Total Deferred Inflows of Resources | \$ <u>112,558</u> | \$ <u>-</u> |
| Fund Balances | | |
| Assigned for Special Projects | \$ 10,000 | \$ - |
| Unassigned | 1,557,118 | - |
| | <u>1,567,118</u> | <u>-</u> |
| Total Fund Balances | \$ <u>1,567,118</u> | \$ <u>-</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | \$ <u>1,797,685</u> | \$ <u>557,347</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> |
|--|-------------------------|-----------------------------|---|
| \$ - | \$ - | \$ - | \$ 236,995 |
| - | - | - | 1,376,285 |
| 26,926 | - | - | 108,550 |
| 10,852 | - | - | 568,199 |
| - | - | - | 102,781 |
| <u>37,778</u> | <u>-</u> | <u>-</u> | <u>2,392,810</u> |
| | | | |
| \$ 166 | \$ - | \$ - | \$ 49,302 |
| - | - | - | 108,699 |
| - | - | - | 8,951 |
| - | - | - | 71,163 |
| <u>37,612</u> | <u>-</u> | <u>-</u> | <u>475,019</u> |
| <u>37,778</u> | <u>-</u> | <u>-</u> | <u>713,134</u> |
| | | | |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>112,558</u> |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>112,558</u> |
| | | | |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>10,000</u> |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>1,557,118</u> |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>1,567,118</u> |
| <u>37,778</u> | <u>-</u> | <u>-</u> | <u>2,392,810</u> |

**DILLON COUNTY SCHOOL DISTRICT NO. 3
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
JUNE 30, 2017**

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

| | | |
|--|----|---------------------------|
| Ending fund balances - governmental funds balance sheet | \$ | 1,567,118 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | 4,750,318 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are not recognized as revenues in the funds. | | 752,287 |
| Long-term liabilities, including items such as general obligation bonds payable, capital leases, net pension liability, compensated absences, and accrued interest, are not due and payable in the current period and, therefore, are not reported in the funds. | | <u>(15,704,583)</u> |
| Net position of governmental activities | \$ | <u><u>(8,634,860)</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, 2017

| REVENUES | GENERAL | SPECIAL PROJECTS |
|---|----------------------|-----------------------------|
| Local | | |
| State | \$ 2,329,732 | \$ 163,653 |
| Federal | 7,467,024 | 450,164 |
| Intergovernmental | - | 1,470,368 |
| | 399,728 | - |
| TOTAL REVENUES | \$ 10,196,484 | \$ 2,084,185 |
| EXPENDITURES | | |
| Current | | |
| Instruction | \$ 5,535,011 | \$ 1,269,134 |
| Supporting Services | 4,450,030 | 751,396 |
| Intergovernmental Expenditures | 242,166 | 39,417 |
| Debt Service | | |
| Principal | 169,108 | - |
| Interest and Fiscal Agent Fees | 44,870 | - |
| Capital Outlay | - | 24,238 |
| | - | 24,238 |
| TOTAL EXPENDITURES | \$ 10,441,185 | \$ 2,084,185 |
| Excess Revenues Over (Under) Expenditures | \$ (244,701) | \$ - |
| OTHER FINANCING SOURCES (USES) | | |
| Transfers From Other Funds | \$ 323,801 | \$ - |
| Transfers To Other Funds | (182,843) | - |
| | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | \$ 140,958 | \$ - |
| Net Change in Fund Balances | \$ (103,743) | \$ - |
| FUND BALANCES BEGINNING OF YEAR | 1,670,861 | - |
| FUND BALANCES END OF YEAR | \$ 1,567,118 | \$ - |

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> |
|--|-------------------------|-----------------------------|---|
| \$ - | \$ 113,501 | \$ - | \$ 2,606,886 |
| 1,162,034 | - | - | 9,079,222 |
| - | - | - | 1,470,368 |
| - | - | - | 399,728 |
| <u>\$ 1,162,034</u> | <u>\$ 113,501</u> | <u>\$ -</u> | <u>\$ 13,556,204</u> |
| | | | |
| \$ 744,539 | \$ - | \$ - | \$ 7,548,684 |
| 46,147 | - | 62,137 | 5,309,710 |
| - | - | 6,651 | 288,234 |
| - | 112,151 | - | 281,259 |
| - | 1,350 | - | 46,220 |
| <u>65,062</u> | <u>-</u> | <u>114,055</u> | <u>203,355</u> |
| <u>\$ 855,748</u> | <u>\$ 113,501</u> | <u>\$ 182,843</u> | <u>\$ 13,677,462</u> |
| | | | |
| <u>\$ 306,286</u> | <u>\$ -</u> | <u>\$ (182,843)</u> | <u>\$ (121,258)</u> |
| | | | |
| \$ - | \$ - | \$ 182,843 | \$ 506,644 |
| <u>(306,286)</u> | <u>-</u> | <u>-</u> | <u>(489,129)</u> |
| <u>\$ (306,286)</u> | <u>\$ -</u> | <u>\$ 182,843</u> | <u>\$ 17,515</u> |
| | | | |
| \$ - | \$ - | \$ - | \$ (103,743) |
| | | | |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>1,670,861</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,567,118</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, 2017**

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

| | | |
|---|----|-------------------------|
| Net change in fund balances - total governmental funds | \$ | (103,743) |
| 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. | | (182,673) |
| The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position. | | (106,946) |
| 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. | | (13,135) |
| The issuance of long-term debt (e.g. general obligation bonds and leases) provide 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 premiums and discounts 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. | | 420,379 |
| 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>(373,969)</u> |
| Change in net position of governmental activities | \$ | <u><u>(360,087)</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, 2017

| | <u>BUSINESS-TYPE ACTIVITY ENTERPRISE FUND (FOOD SERVICE)</u> |
|--------------------------------|---|
| ASSETS | |
| Current Assets: | |
| Cash | \$ 283,108 |
| Due From Other Funds | 149 |
| Inventories | 8,463 |
| Total Current Assets | <u>\$ 291,720</u> |
| Noncurrent Assets: | |
| Equipment | \$ 236,385 |
| Less: Accumulated Depreciation | (132,235) |
| Total Noncurrent Assets | <u>\$ 104,150</u> |
| TOTAL ASSETS | <u>\$ 395,870</u> |
| LIABILITIES | |
| Current Liabilities: | |
| Compensated Absences | \$ 2,099 |
| Total Current Liabilities | <u>\$ 2,099</u> |
| Noncurrent Liabilities: | |
| Compensated Absences | \$ 840 |
| Total Noncurrent Liabilities | <u>\$ 840</u> |
| TOTAL LIABILITIES | <u>\$ 2,939</u> |
| NET POSITION | |
| Investment in Capital Assets | \$ 104,150 |
| Unrestricted | <u>288,781</u> |
| TOTAL NET POSITION | <u><u>\$ 392,931</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, 2017

| | BUSINESS-TYPE ACTIVITY ENTERPRISE FUND (FOOD SERVICE) |
|--|--|
| OPERATING REVENUES | |
| Proceeds from Sales of Meals | \$ <u>99,289</u> |
| TOTAL OPERATING REVENUES | \$ <u>99,289</u> |
| OPERATING EXPENSES | |
| Food Costs | \$ 415,191 |
| Salaries and Employee Benefits | 297,369 |
| Utilities | 4,103 |
| Depreciation | 20,805 |
| Supplies and Materials | 109,975 |
| Other Operating Costs | <u>28,284</u> |
| TOTAL OPERATING EXPENSES | \$ <u>875,727</u> |
| Operating Income (Loss) | \$ <u>(776,438)</u> |
| NONOPERATING REVENUES (EXPENSES) | |
| Interest | \$ 46 |
| USDA Reimbursements | 730,080 |
| Commodities Received From USDA | 58,393 |
| Other Federal and State Aid | 68 |
| Miscellaneous Revenues | 6,885 |
| Gain (Loss) on Disposal of Assets | <u>(30,202)</u> |
| TOTAL NONOPERATING REVENUES (EXPENSES) | \$ <u>765,270</u> |
| Income (Loss) Before Transfers | \$ (11,168) |
| TRANSFERS IN (OUT) | \$ <u>(17,515)</u> |
| Change in Net Position | \$ (28,683) |
| NET POSITION BEGINNING OF YEAR | 421,201 |
| Adjustment to Beginning Net Position (Note 15) | <u>413</u> |
| NET POSITION END OF YEAR | \$ <u><u>392,931</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, 2017**

| | <u>BUSINESS-TYPE ACTIVITY ENTERPRISE FUND (FOOD SERVICE)</u> |
|---|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from Patrons | \$ 99,289 |
| Payments to Suppliers for Goods and Services | (454,988) |
| Payments to Employees for Services | <u>(297,369)</u> |
| Net Cash Provided (Used) By Operating Activities | \$ <u>(653,068)</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | |
| USDA Federal Reimbursements | \$ 728,206 |
| Other Federal and State Aid | 68 |
| Other Miscellaneous Receipts | 6,885 |
| Transfers to Other Funds | <u>(17,515)</u> |
| Net Cash Provided (Used) By Non-Capital Financing Activities | \$ <u>717,644</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Acquisition of Capital Assets | \$ <u>(65,602)</u> |
| Net Cash Provided (Used) By Capital and Related Financing Activities | \$ <u>(65,602)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest Received on Investments | \$ <u>46</u> |
| Net Cash Provided (Used) By Investing Activities | \$ <u>46</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | \$ (980) |
| CASH AND CASH EQUIVALENTS BEGINNING OF YEAR | <u>284,088</u> |
| CASH AND CASH EQUIVALENTS END OF YEAR | \$ <u><u>283,108</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, 2017**

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

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

| | | |
|--|-----------|-------------------------|
| Operating Income (Loss) | \$ | (776,438) |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities: | | |
| Depreciation | | 20,805 |
| Non-Cash Commodities Used | | 58,393 |
| Changes in Assets and Liabilities: | | |
| (Increase) Decrease in Due From Other Funds | | 45,533 |
| (Increase) Decrease in Inventory | | (1,587) |
| Increase (Decrease) in Compensated Absences | | 226 |
| Net Cash Provided (Used) By Operating Activities | \$ | <u>(653,068)</u> |

Supplemental Non-Cash Financing and Investing Information:

| | | |
|---|----|---------------|
| Non-Cash Commodities Received from USDA | \$ | <u>58,393</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, 2017**

| | <u>AGENCY FUND</u> |
|---------------------------|---------------------------|
| ASSETS | |
| Cash and Cash Equivalents | \$ 129,198 |
| Other Receivables | <u>27,005</u> |
| TOTAL ASSETS | \$ <u>156,203</u> |
| LIABILITIES | |
| Accounts Payable | \$ 7,085 |
| Due To Third Parties | <u>149,118</u> |
| TOTAL LIABILITIES | \$ <u>156,203</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, 2017

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. 77 *Tax Abatement Disclosures*. This statement improves financial reporting with the disclosure of information about the nature and magnitude of tax abatements. These disclosures make the transactions more transparent to financial statement users so that they may be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. There was no effect on the financial statements as a result of implementation.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017

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.

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.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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) or "advances to/from other funds" (i.e., the non-current portion). 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.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 their acquisition 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 |

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."

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

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.

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.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 unearned 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.

Fair Value

The fair value measurement and disclosure framework provides for a three-tier fair value hierarchy that gives highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District can access at the measurement date.

Level 2 – Inputs to the valuation methodology, other than quoted prices included in Level 1, that are observable for an asset or liability either directly or indirectly and include:

- Quoted prices for similar assets and liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted market prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Level 3 – Inputs to the valuation methodology that are unobservable for an asset or liability and include:

- Fair value is often based on developed models in which there are few, if any, observable inputs.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of future net realizable values or reflective of future fair values. The District believes that the valuation methods used are appropriate and consistent with GAAP. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no significant changes from the prior year in the methodologies used to measure fair value.

NOTE 2 - DEPOSITS AND INVESTMENTS

Primary Government

At year end, the District's carrying amount of deposits was \$412,306 and the corresponding bank balance was \$441,168.

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, 2017, \$167,394 of the District's bank balances of \$441,168 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 holds the District's monies until the District submits a claim voucher. At year end the County Treasurer was responsible for \$1,376,285.

Component Unit

At year end, the Foundation's carrying amount of deposits was \$330,338 and the corresponding bank balance was also \$330,338. Of the Foundation's bank balance, \$80,338 was exposed to custodial credit risk (as defined above) because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, in the Foundation's name.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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>Total</u> |
|--------------------------|-------------------|-----------------------------|------------------|-------------------|
| Receivables: | | | | |
| Taxes | \$ 279,133 | \$ - | \$ - | \$ 279,133 |
| State and Federal Grants | - | 557,347 | 10,852 | 568,199 |
| Other Receivables | <u>102,781</u> | <u>-</u> | <u>-</u> | <u>102,781</u> |
| Gross Receivables | \$ 381,914 | \$ 557,347 | \$ 10,852 | \$ 950,113 |
| Less: Allowance for | | | | |
| Uncollectible Taxes | <u>(42,138)</u> | <u>-</u> | <u>-</u> | <u>(42,138)</u> |
| Net Receivables | <u>\$ 339,776</u> | <u>\$ 557,347</u> | <u>\$ 10,852</u> | <u>\$ 907,975</u> |

Other receivables of \$742,510 reported in the government-wide statements include \$639,729 due from the County for elementary school construction. There is no allowance associated with this receivable. The District collected \$96,790 from the County during the current fiscal year. As of the date of this report, it is undeterminable what amount of the remaining receivable will be collected within the subsequent fiscal year.

Component Unit

Receivables for the Foundation at year end consisted primarily of pledges receivable. Receivables, including allowances for uncollectible amounts are as follows. Collections expected to be received beyond 60 days after year end have been recorded as deferred inflows of resources in the amount of \$31,037.

| | |
|---|------------------|
| Pledges Receivable | \$ 43,798 |
| Less: Allowance for Uncollectible Amounts | <u>(12,761)</u> |
| Totals | <u>\$ 31,037</u> |

The following schedule lists pledges receivable by year.

| <u>Year Ended June 30</u> | <u>Pledges Receivable</u> |
|---------------------------|-------------------------------|
| 2018 | \$ 14,420 |
| 2019 | 3,634 |
| 2020 | 3,534 |
| 2021 | 3,534 |
| 2022 | 3,215 |
| Thereafter | <u>2,700</u> |
| Totals | <u>\$ 31,037</u> |

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|----------------------------|----------------------------|----------------------------|
| Primary Government: | | | | |
| Governmental Activities: | | | | |
| Capital Assets, not Being Depreciated: | | | | |
| Land | \$ 188,730 | \$ - | \$ (9,100) | \$ 179,630 |
| Total Capital Assets, not Being Depreciated | <u>\$ 188,730</u> | <u>\$ -</u> | <u>\$ (9,100)</u> | <u>\$ 179,630</u> |
| Capital Assets, Being Depreciated: | | | | |
| Buildings | \$ 8,749,973 | \$ 14,076 | \$ (1,655,182) | \$ 7,108,867 |
| Improvements | 4,325,234 | 71,675 | (310,008) | 4,086,901 |
| Vehicles | 280,949 | - | - | 280,949 |
| Support Equipment | 99,078 | 24,048 | - | 123,126 |
| Instructional Equipment | 468,427 | 35,964 | (63,814) | 440,577 |
| Maintenance Equipment | <u>124,507</u> | <u>-</u> | <u>-</u> | <u>124,507</u> |
| Total Capital Assets, Being Depreciated | <u>\$ 14,048,168</u> | <u>\$ 145,763</u> | <u>\$ (2,029,004)</u> | <u>\$ 12,164,927</u> |
| Less Accumulated Depreciation for: | | | | |
| Buildings | \$ (5,564,902) | \$ (133,283) | \$ 1,579,672 | \$ (4,118,513) |
| Improvements | (2,782,994) | (152,441) | 287,672 | (2,647,763) |
| Vehicles | (269,529) | (5,042) | - | (274,571) |
| Support Equipment | (49,022) | (14,070) | - | (63,092) |
| Instructional Equipment | (406,007) | (23,600) | 63,814 | (365,793) |
| Maintenance Equipment | <u>(124,507)</u> | <u>-</u> | <u>-</u> | <u>(124,507)</u> |
| Total Accumulated Depreciation | <u>\$ (9,196,961)</u> | <u>\$ (328,436)</u> | <u>\$ 1,931,158</u> | <u>\$ (7,594,239)</u> |
| Total Capital Assets, Being Depreciated, Net | <u>\$ 4,851,207</u> | <u>\$ (182,673)</u> | <u>\$ (97,846)</u> | <u>\$ 4,570,688</u> |
| Governmental Activities Capital Assets, Net | <u><u>\$ 5,039,937</u></u> | <u><u>\$ (182,673)</u></u> | <u><u>\$ (106,946)</u></u> | <u><u>\$ 4,750,318</u></u> |
| Business-Type Activities: | | | | |
| Capital Assets, Being Depreciated: | | | | |
| Machinery and Equipment | \$ 267,337 | \$ 65,602 | \$ (96,554) | \$ 236,385 |
| Total Capital Assets, Being Depreciated | <u>\$ 267,337</u> | <u>\$ 65,602</u> | <u>\$ (96,554)</u> | <u>\$ 236,385</u> |
| Less Accumulated Depreciation for: | | | | |
| Machinery and Equipment | \$ (177,782) | \$ (20,805) | \$ 66,352 | \$ (132,235) |
| Total Accumulated Depreciation | <u>\$ (177,782)</u> | <u>\$ (20,805)</u> | <u>\$ 66,352</u> | <u>\$ (132,235)</u> |
| Total Capital Assets, Being Depreciated, Net | <u>\$ 89,555</u> | <u>\$ 44,797</u> | <u>\$ (30,202)</u> | <u>\$ 104,150</u> |
| Business-Type Activities Capital Assets, Net | <u><u>\$ 89,555</u></u> | <u><u>\$ 44,797</u></u> | <u><u>\$ (30,202)</u></u> | <u><u>\$ 104,150</u></u> |

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 - CAPITAL ASSETS (continued)

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|--------------|-----------|-------------------|
| Component Unit: | | | | |
| Capital Assets, not Being Depreciated: | | | | |
| Land | \$ 308,260 | \$ - | \$ - | \$ 308,260 |
| Total Capital Assets, not Being Depreciated | \$ 308,260 | \$ - | \$ - | \$ 308,260 |
| Capital Assets, Being Depreciated: | | | | |
| Buildings | \$ 3,731,792 | \$ 5,450 | \$ - | \$ 3,737,242 |
| Equipment and Furnishings | 339,132 | 52,479 | - | 391,611 |
| Total Capital Assets, Being Depreciated | \$ 4,070,924 | \$ 57,929 | \$ - | \$ 4,128,853 |
| Less Accumulated Depreciation for: | | | | |
| Buildings | \$ (216,830) | \$ (74,648) | \$ - | \$ (291,478) |
| Equipment and Furnishings | (93,284) | (36,522) | - | (129,806) |
| Total Accumulated Depreciation | \$ (310,114) | \$ (111,170) | \$ - | \$ (421,284) |
| Total Capital Assets, Being Depreciated, Net | \$ 3,760,810 | \$ (53,241) | \$ - | \$ 3,707,569 |
| Total Capital Assets, Net | \$ 4,069,070 | \$ (53,241) | \$ - | \$ 4,015,829 |

Depreciation expense was charged to functions/programs as follows:

Primary Government:

Governmental Activities:

| | |
|--|------------|
| Instruction | \$ 156,505 |
| Supporting Services | 42,816 |
| Unallocated | 129,115 |
| Total Depreciation Expense - Governmental Activities | \$ 328,436 |

Business-Type Activities:

| | |
|---|-----------|
| Food Service | \$ 20,805 |
| Total Depreciation Expense - Business-Type Activities | \$ 20,805 |

Component Unit:

| | |
|---|------------|
| Supporting Services | \$ 111,170 |
| Total Depreciation Expense - Component Unit | \$ 111,170 |

In previous years, the District transferred capital assets (construction costs) related to the Ellis Performing Arts Center to the Foundation. The assets are leased back to the District at no cost.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017, are as follows:

| <u>Date of Issue</u> | <u>Interest Rate</u> | <u>Maturity</u> | <u>Original Issue</u> | <u>Outstanding June 30, 2017</u> |
|----------------------|----------------------|-----------------|-----------------------|--------------------------------------|
| 2009 | 0.40% | March 1, 2019 | \$ <u>1,000,000</u> | \$ <u>225,630</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> |
|---------------------------|-------------------|-----------------|-------------------|
| 2018 | \$ 112,599 | \$ 902 | \$ 113,501 |
| 2019 | <u>113,031</u> | <u>470</u> | <u>113,501</u> |
| Totals | \$ <u>225,630</u> | \$ <u>1,372</u> | \$ <u>227,002</u> |

Capital Leases

The District has entered into lease agreements as lessee for financing the acquisition of playground equipment and technology equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the net present value of their future minimum lease payments as of the inception date. The leases carry annual interest rates ranging from approximately 7.00% to 10.00%. The gross amount of assets recorded under capital leases at June 30, 2017 for governmental activities is \$442,674 with corresponding accumulated depreciation of \$64,643.

Future lease payments due at June 30, 2017 are as follows:

| <u>Year Ending June 30</u> | <u>Total</u> |
|--|-------------------|
| 2018 | \$ 213,978 |
| 2019 | <u>213,978</u> |
| Total Minimum Lease Payments | \$ 427,956 |
| Amount Representing Interest | <u>(40,847)</u> |
| Present Value of Future Minimum Lease Payments | \$ <u>387,109</u> |

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017:

| | Beginning Balance (As Restated) | Additions | Reductions | Ending Balance | Due Within One Year |
|----------------------------------|---------------------------------------|---------------------|-----------------------|----------------------|------------------------|
| Governmental Activities: | | | | | |
| General Obligation Bonds | \$ 337,781 | \$ - | \$ (112,151) | \$ 225,630 | \$ 112,599 |
| Capital Leases | 556,217 | - | (169,108) | 387,109 | 182,752 |
| Net Pension Liability | 14,153,883 | 3,638,740 | (1,825,367) | 15,967,256 | - |
| Debt Guarantee | 1,124,867 | - | (139,120) | 985,747 | 144,991 |
| Compensated Absences | 88,738 | 86,597 | (66,054) | 109,281 | 62,716 |
| Totals | <u>\$ 16,261,486</u> | <u>\$ 3,725,337</u> | <u>\$ (2,311,800)</u> | <u>\$ 17,675,023</u> | <u>\$ 503,058</u> |
| Business-Type Activities: | | | | | |
| Compensated Absences | \$ 2,713 | \$ 2,459 | \$ (2,233) | \$ 2,939 | \$ 2,099 |
| Totals | <u>\$ 2,713</u> | <u>\$ 2,459</u> | <u>\$ (2,233)</u> | <u>\$ 2,939</u> | <u>\$ 2,099</u> |

For governmental activities, the general fund typically liquidates other long-term liabilities.

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, 2017, are as follows:

| Date of Issue | Interest Rate | Maturity | Original Issue | Outstanding June 30, 2017 |
|---------------|---------------|----------------|----------------|------------------------------|
| 2013 | 5.00% | March 20, 2023 | \$ 1,500,000 | \$ 985,747 |

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

| Year Ended June 30 | Principal | Interest | Total |
|--------------------|-------------------|-------------------|---------------------|
| 2018 | \$ 144,991 | \$ 49,294 | \$ 194,285 |
| 2019 | 152,241 | 42,044 | 194,285 |
| 2020 | 159,853 | 34,432 | 194,285 |
| 2021 | 167,846 | 26,439 | 194,285 |
| 2022 | 176,238 | 18,047 | 194,285 |
| 2023 | 184,578 | 9,707 | 194,285 |
| Totals | <u>\$ 985,747</u> | <u>\$ 179,963</u> | <u>\$ 1,165,710</u> |

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017:

| Component Unit: | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|------------------------|------------------------------|------------------|---------------------|---------------------------|--------------------------------|
| Notes Payable | \$ 1,124,867 | \$ - | \$ (139,120) | \$ 985,747 | \$ 144,991 |
| Totals | <u>\$ 1,124,867</u> | <u>\$ -</u> | <u>\$ (139,120)</u> | <u>\$ 985,747</u> | <u>\$ 144,991</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, 2017, 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 | \$ 81,624 | \$ - |
| Special Projects | - | 108,699 |
| EIA | 26,926 | - |
| Food Service Fund | 149 | - |
| Total | <u>\$ 108,699</u> | <u>\$ 108,699</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 | \$ 323,801 | \$ 182,843 |
| EIA | - | 306,286 |
| School Building Fund | 182,843 | - |
| Food Service Fund | - | 17,515 |
| Total | <u>\$ 506,644</u> | <u>\$ 506,644</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, 2017

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, 5.33% of annual covered payroll for fiscal year 2016-2017. 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 \$1,118,679 for the year ended June 30, 2017. The District also paid \$409,307 applicable to the 5.33% surcharge included with the employer contributions for retirement benefits. (The District paid \$389,662 and \$352,568 in 2016 and 2015, 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 \$3.50.

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.

GASB has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard significantly expands the financial accounting and reporting for OPEB and is intended to give a clearer picture of the cost of providing these benefits to employees upon retirement. This statement is effective for fiscal years beginning after June 15, 2017. The District has not yet determined the impact implementation of this statement will have on its financial statements.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8 – PENSION AND RETIREMENT PLAN

Plan Description

South Carolina Retirement System – District employees participate in the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, administered by the South Carolina Public Employee Benefit Authority (PEBA). The plan was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions.

State Optional Retirement Program – Certain employees may elect to participate in the State Optional Retirement Program (State ORP), a defined contribution plan. It is offered as an alternative to certain newly hired state, public school, and higher education employees. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers.

Membership

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

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

State ORP – As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State ORP, which is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers. For this reason, State ORP programs are not part of the retirement systems' trust funds for financial statement purposes. Employee and Employer contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employers to the member's account with investment providers for the employee contribution (8.66 percent) and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution (6.41 percent) and an incidental death benefit contribution (.15 percent), if applicable, which is retained by SCRS.

Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8 - PENSION AND RETIREMENT PLAN (continued)

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

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

Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. Upon recommendation by the actuary in the annual actuarial valuation, the PEBA Board may adopt and present to the SFAA for approval an increase in the *SCRS* employer and employee contribution rates, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9 percent of earnable compensation. An increase in the contribution rates adopted by the Board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the Board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the Board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one-half of one percent per year.

- Required employee contribution rates¹ for fiscal year 2016-2017 are as follows:

SCRS

| | |
|----------------------|--------------------------------|
| Employee Class Two | 8.66% of earnable compensation |
| Employee Class Three | 8.66% of earnable compensation |

| | |
|---------------------------|--------------------------------|
| State ORP Employee | 8.66% of earnable compensation |
|---------------------------|--------------------------------|

- Required employer contribution rates¹ for fiscal year 2016-2017 are as follows:

SCRS

| | |
|-----------------------------------|---------------------------------|
| Employer Class Two | 11.41% of earnable compensation |
| Employer Class Three | 11.41% of earnable compensation |
| Employer Incidental Death Benefit | 0.15% of earnable compensation |

State ORP

| | |
|------------------------------------|---------------------------------|
| Employer Contribution ² | 11.41% of earnable compensation |
| Employer Incidental Death Benefit | 0.15% of earnable compensation |

¹Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

²Of this employer contribution, 5% of earnable compensation must be remitted by the employer directly to the ORP vendor to be allocated to the member’s account with the remainder of the employer contribution remitted to the *SCRS*.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8 - PENSION AND RETIREMENT PLAN (continued)

Contributions to the pension plan from the District were as follows for the year ended June 30, 2017:

| | | |
|--------------------------|----|---------|
| SCRS | \$ | 870,261 |
| ORP - Remitted to SCRS | \$ | 9,912 |
| ORP - Remitted to Vendor | \$ | 7,555 |

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

At June 30, 2017, the District reported a liability of \$15,967,256 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 that was projected forward to the measurement date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participants, actuarially determined. The District's proportionate share at June 30, 2017 was .074754%, which was a .000124% increase from its proportionate share at June 30, 2016.

For the year ended June 30, 2017, the District recognized pension expense of \$1,244,514. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | | <u>Deferred Inflows of Resources</u> |
|--|---|----|--|
| Differences between expected and actual experience | \$ 165,519 | \$ | 17,340 |
| Net difference between projected and actual earnings on pension plan investments | 1,343,359 | | - |
| Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions | 285,754 | | 661,201 |
| District contributions subsequent to the measurement date | <u>880,173</u> | | <u>-</u> |
| Total | <u>\$ 2,674,805</u> | \$ | <u>678,541</u> |

District contributions subsequent of the measurement date of \$880,173 reported as deferred outflows will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ending June 30:</u> | | |
|-----------------------------|-----------|------------------|
| 2018 | \$ | 193,171 |
| 2019 | | 106,653 |
| 2020 | | 513,239 |
| 2021 | | 303,028 |
| Thereafter | | - |
| | <u>\$</u> | <u>1,116,091</u> |

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8 - PENSION AND RETIREMENT PLAN (continued)

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the System was most recently issued as of July 1, 2015. The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2015 valuations for SCRS.

| | |
|--|--|
| Actuarial cost method | Entry age normal |
| Actuarial assumptions: | |
| Investment rate of return ¹ | 7.5% |
| Projected salary increases | 3.5% to 12.5% (varies by service) ¹ |
| Benefit adjustments | lesser of 1% or \$500 annually |

¹Includes inflation at 2.75%

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000. Assumptions used in the July 1, 2015, valuations for SCRS are follows.

| Former Job Class | Males | Females |
|-------------------|---|--|
| Educators | RP-2000 Males (with White Collar adjustment) multiplied by 110% | RP-2000 Females (with White Collar adjustment) multiplied by 95% |
| General Employees | RP-2000 Males multiplied by 100% | RP-2000 Females multiplied by 90% |

The long-term expected rate of return on pension plan investments, as used in the July 1, 2015 valuations, was based on 30 year capital market outlook at the end of the third quarter 2015. The long-term expected rates of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted beginning January 1, 2016. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and by adding the expected inflation and is summarized in the table below. For actuarial purposes, the 7.50 percent assumed annual investment rate of return set in statute and used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8 - PENSION AND RETIREMENT PLAN (continued)

| Asset Class | Target Asset Allocation | Expected Arithmetic Real Rate of Return | Long Term Expected Portfolio Real Rate of Return |
|----------------------------------|-------------------------|---|--|
| Global Equity | 43.0% | | |
| Global Public Equity | 34.0% | 6.52% | 2.22% |
| Private Equity | 9.0% | 9.30% | 0.84% |
| Real Assets | 8.0% | | |
| Real Estate | 5.0% | 4.32% | 0.22% |
| Commodities | 3.0% | 4.53% | 0.13% |
| Opportunistic | 20.0% | | |
| GTAA/Risk Parity | 10.0% | 3.90% | 0.39% |
| HF (Low Beta) | 10.0% | 3.87% | 0.39% |
| Diversified Credit | 17.0% | | |
| Mixed Credit | 5.0% | 3.52% | 0.17% |
| Emerging Markets Debt | 5.0% | 4.91% | 0.25% |
| Private Debt | 7.0% | 4.47% | 0.31% |
| Conservative Fixed Income | 12.0% | | |
| Core Fixed Income | 10.0% | 1.72% | 0.17% |
| Cash and Short Duration (Net) | 2.0% | 0.71% | 0.01% |
| Total Expected Real Return | <u>100.0%</u> | | <u>5.10%</u> |
| Inflation for Actual Purposes | | | <u>2.75%</u> |
| Total Expected Nominal Return | | | <u>7.85%</u> |

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that the funding policy specified in the South Carolina Code of Laws will remain unchanged in future years. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the sensitivity of the District's proportionate share of the net pension liability to the changes in the discount rate.

| | 1.00% Decrease (6.50%) | Current Discount Rate (7.50%) | 1.00% Increase (8.50%) |
|---|---------------------------|-------------------------------------|---------------------------|
| District's proportionate share of the net pension liability | \$ 19,918,715 | \$ 15,967,256 | \$ 12,677,816 |

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8 - PENSION AND RETIREMENT PLAN (continued)

Pension Plan Fiduciary Net Position

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the separately issued Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for SCRS. The CAFR of the Pension Trust Funds is publically available through the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960.

Payables to the Pension Plan

At June 30, 2017, the District had remitted all legally required contributions to the Dillon County Board of Education to remit to the plan on their behalf. Therefore, the District has reported no outstanding payables to the plan.

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, 2017, 2016, and 2015.

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, 2017

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 has included them in the reporting entity along with its fiduciary funds.

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 | \$ 112,558 |
| County Reimbursement for Elementary School Construction | 639,729 |
| | \$ 752,287 |
| | |
| Long-Term Liabilities Not Reported in the Funds: | |
| General Obligation Bonds | \$ (225,630) |
| Capital Leases | (387,109) |
| Net Pension Liability | (15,967,256) |
| Deferred Outflows of Resources Related to Pension | 2,674,805 |
| Deferred Inflows of Resources Related to Pension | (678,541) |
| Debt Guarantee for Latta Schools Educational Foundation, Inc. | (985,747) |
| Accrued Interest Payable | (25,824) |
| Compensated Absences Payable | (109,281) |
| | \$ (15,704,583) |

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

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 | \$ 145,763 |
| Depreciation Expense | <u>(328,436)</u> |
| | <u>\$ (182,673)</u> |
| | |
| Transactions Involving Capital Assets: | |
| Capital Assets of Elementary School Deeded to Town of Latta | \$ (1,974,290) |
| Accumulated Depreciation | <u>1,867,344</u> |
| | <u>\$ (106,946)</u> |
| | |
| Revenues Not Recognized in the Funds: | |
| Property Taxes | \$ 20,836 |
| County Reimbursement for Elementary School Construction | <u>(33,971)</u> |
| | <u>\$ (13,135)</u> |
| | |
| Issuance and Repayment of Long-Term Debt: | |
| Principal Repayment on Guaranteed Debt | \$ 139,120 |
| Principal Repayment on General Obligation Bonds | 112,151 |
| Principal Repayment on Capital Leases | <u>169,108</u> |
| | <u>\$ 420,379</u> |
| | |
| Expenses Not Recognized in the Funds: | |
| Compensated Absences | \$ (20,543) |
| Accrued Interest on Long-Term Debt | 11,312 |
| Pension Expense | <u>(364,738)</u> |
| | <u>\$ (373,969)</u> |

NOTE 14 – DEBT GUARANTEE

In March of 2013 the Latta Schools Educational Foundation, Inc. (a legally separate discretely presented component unit) obtained a \$1,500,000 loan to finance the construction of the Ellis Performing Arts Center. The note payments are due in annual installments through March 20, 2023 at an interest rate of 5.00%. As of June 30, 2017, the outstanding principal of the debt is \$985,747.

The District's Board of Trustees approved a resolution supporting the Foundation and guaranteed to make any loan repayments in full or in part on behalf of the Foundation in the event the Foundation's resources are not sufficient and it is unable to make a required payment on the note. The Foundation is not required to repay the District for any payments the District makes pursuant to the guarantee.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 14 – DEBT GUARANTEE (continued)

The Foundation has experienced declining revenues and it has become unlikely that revenues will recover to previous levels. As a result, it has become more likely than not that the District will be required to pay the remaining portion of the Foundation’s debt service payments. During the year ended June 30, 2016, a liability and expense were recognized on the District’s financial statements for the discounted present value of the future outflows the District expects to incur as a result of the guarantee. The Foundation recognizes revenue to the extent each year it is legally released as an obligor on the debt and its guaranteed liabilities are reduced.

During the current year ended June 30, 2017, the District paid \$139,120 in principal and \$55,165 in interest on the guaranteed debt. The cumulative amount that has been paid by the District as of June 30, 2017 is \$388,570. The District does not expect to recover any payments it makes on the Foundation’s debt.

This is the only nonexchange financial guarantee extended by the District. The liability recognized for the nonexchange financial guarantee at June 30, 2017 is as follows:

| Beginning Balance | Increases | Decreases | Ending Balance |
|----------------------|-------------|---------------------|-------------------|
| \$ <u>1,124,867</u> | \$ <u>-</u> | \$ <u>(139,120)</u> | \$ <u>985,747</u> |

NOTE 15 – NET POSITION RESTATEMENT

During the current year a prior period adjustment was made to correct an error in fringe on the compensated absences liability due to additional interpretation of GASB 68 net pension liability implementation. The table below shows the restatement of beginning net position.

| | Governmental Net Position | Business-Type Net Position |
|-----------------------------|------------------------------|-------------------------------|
| As Originally Reported | \$ (8,288,284) | \$ 421,201 |
| Error in Fringe Computation | <u>13,511</u> | <u>413</u> |
| As Restated | \$ <u>(8,274,773)</u> | \$ <u>421,614</u> |

NOTE 16 – TAX ABATEMENTS

The District is subject to tax abatements entered into by Dillon County. The County has the following two abatement programs which result in reduced property tax collections from certain taxpayers.

- The Fee in Lieu of Tax (FILOT) program is authorized under Title 12, Chapter 44 of the Code of Laws of South Carolina 1976, as amended. Property subject to a FILOT agreement is exempt from ad valorem tax and is instead subject to a fee in lieu of tax, equal to the product of the value of property, a negotiated assessment ratio that is equal to or lower than the normally applicable assessment rates, and a millage rate that is either fixed for the life of the agreement or is adjusted every five years based on the trailing five year average. In addition, the FILOT payments may be fixed over the life of the FILOT program based on a net present value method.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 16 – TAX ABATEMENTS (continued)

The majority of the FILOT agreements entered into by Dillon County provide companies a reduced assessment ratio, usually to the maximum allowed by the state statute, 6%, and a fixed millage rate for the life of the agreement. Agreements are for either a 20-40 year length.

The FILOT program resulted in property tax abatements or sharing with other South Carolina counties of \$1,232,939 for Dillon County; \$1,854,276 for the Dillon County Schools Board of Education; and \$457,630 for Dillon County School District No. 3 in tax year 2016.

According to the FILOT agreements in place with various companies and Dillon County, the minimum investment is \$109,000,000. The total number of jobs to be created by the companies to meet the agreements are 640. Dillon County is aware that one of the FILOT participants has not met their obligations and will use the remedies agreed to within the FILOT to correct the default.

- The Multi-County Industrial or Business Park program is authorized under Article VIII, Section 13(d) of the Constitution of South Carolina, as amended and South Carolina Title 4, Chapter 1. This program provides that a joint industrial or business park (referred to a multi-county industrial park) can be established by two or more counties pursuant to a written agreement between those counties. The agreement will establish how the counties will share the expenses and revenues generated by the multi-county industrial or business park. Dillon County has multi-county industrial park agreements with two South Carolina counties.

In 2016 the total tax revenue shared with other South Carolina counties, and not distributed to Dillon County taxing entities, per existing multi-county industrial park agreements was \$92,690 for Dillon County; \$128,543 for Dillon County Schools Board of Education; and \$31,724 for Dillon County School District No. 3.

Information was not available regarding the specific agreements or if amounts were received or are receivable from other governments in association with the forgone tax revenues.

REQUIRED SUPPLEMENTARY INFORMATION

**DILLON COUNTY SCHOOL DISTRICT NO. 3
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR FISCAL YEAR ENDED JUNE 30, 2017**

| | <u>BUDGETED AMOUNTS</u> | | <u>ACTUAL</u> | <u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u> |
|---|----------------------------|----------------------------|----------------------------|---|
| | <u>ORIGINAL</u> | <u>FINAL</u> | | |
| REVENUES | | | | |
| Local | \$ 2,357,666 | \$ 2,357,666 | \$ 2,329,732 | \$ (27,934) |
| State | 7,433,155 | 7,433,155 | 7,467,024 | 33,869 |
| Intergovernmental | 263,000 | 263,000 | 399,728 | 136,728 |
| TOTAL REVENUES | <u>\$ 10,053,821</u> | <u>\$ 10,053,821</u> | <u>\$ 10,196,484</u> | <u>\$ 142,663</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Instruction | \$ 5,591,890 | \$ 5,591,890 | \$ 5,535,011 | \$ 56,879 |
| Supporting Services | 4,320,828 | 4,320,828 | 4,450,030 | (129,202) |
| Intergovernmental Expenditures | 224,310 | 224,310 | 242,166 | (17,856) |
| Debt Service | | | | |
| Redemption of Principal | 169,108 | 169,108 | 169,108 | - |
| Interest | 44,918 | 44,918 | 44,870 | 48 |
| Capital Outlay | 43,000 | 43,000 | - | 43,000 |
| TOTAL EXPENDITURES | <u>\$ 10,394,054</u> | <u>\$ 10,394,054</u> | <u>\$ 10,441,185</u> | <u>\$ (47,131)</u> |
| Excess Revenues Over (Under) Expenditures | <u>\$ (340,233)</u> | <u>\$ (340,233)</u> | <u>\$ (244,701)</u> | <u>\$ 95,532</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers From Other Funds | \$ 340,233 | \$ 340,233 | \$ 323,801 | \$ (16,432) |
| Transfers To Other Funds | - | - | (182,843) | (182,843) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>\$ 340,233</u> | <u>\$ 340,233</u> | <u>\$ 140,958</u> | <u>\$ (199,275)</u> |
| Net Change in Fund Balance | \$ - | \$ - | \$ (103,743) | \$ (103,743) |
| FUND BALANCE BEGINNING OF YEAR | <u>1,670,861</u> | <u>1,670,861</u> | <u>1,670,861</u> | <u>-</u> |
| FUND BALANCE END OF YEAR | <u><u>\$ 1,670,861</u></u> | <u><u>\$ 1,670,861</u></u> | <u><u>\$ 1,567,118</u></u> | <u><u>\$ (103,743)</u></u> |

**DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
FOR FISCAL YEAR ENDED JUNE 30, 2017**

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, 2017, actual expenditures in the general fund exceeded budgeted appropriations by \$47,131.

**DILLON COUNTY SCHOOL DISTRICT NO. 3
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SOUTH CAROLINA RETIREMENT SYSTEM
LAST 10 FISCAL YEARS**

| | Fiscal Year | | | | | | | | | |
|--|---------------|---------------|---------------|------|------|------|------|------|------|------|
| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| District's proportion of the net pension liability (asset) | 0.074754% | 0.074630% | 0.078785% | | | | | | | |
| District's proportionate share of the net pension liability (asset) | \$ 15,967,256 | \$ 14,153,883 | \$ 13,564,156 | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| District's covered payroll | \$ 5,805,088 | \$ 5,627,099 | \$ 5,858,651 | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 275.06% | 251.53% | 231.52% | | | | | | | |
| Plan fiduciary net position as a percentage of the total pension liability | 52.90% | 57.00% | 59.90% | | | | | | | |

Notes: The amounts presented above for each fiscal year were determined as of the measurement date of the plan's fiscal year end.

The District is retroactively reporting data back to the year of GASB Statement 68 implementation, which was fiscal year ending 2015. Information on the proportionate share of net pension liability is not available prior to that fiscal year.

**DILLON COUNTY SCHOOL DISTRICT NO. 3
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM
LAST 10 FISCAL YEARS**

| | Fiscal Year | | | | | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| Contractually required contributions | \$ 880,173 | \$ 801,019 | \$ 762,722 | \$ 763,684 | \$ 667,188 | \$ 626,422 | \$ 663,776 | \$ 672,838 | \$ 645,374 | \$ 639,190 |
| Contributions in relation to the contractually required contributions | (880,173) | (801,019) | (762,722) | (763,684) | (667,188) | (626,422) | (663,776) | (672,838) | (645,374) | (639,190) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's covered payroll | \$ 7,679,310 | \$ 7,310,741 | \$ 7,051,363 | \$ 7,204,569 | \$ 6,294,225 | \$ 6,569,708 | \$ 7,068,962 | \$ 7,165,474 | \$ 6,872,993 | \$ 6,940,174 |
| Contributions as a percentage of covered payroll | 11.46% | 10.96% | 10.82% | 10.60% | 10.60% | 9.54% | 9.39% | 9.39% | 9.39% | 9.21% |

Notes: Contractually required contributions as presented above include employer contributions remitted to the SCRS for ORP participants and exclude employer ORP contributions remitted directly to the ORP vendor.

**DILLON COUNTY SCHOOL DISTRICT NO. 3
 NOTES TO THE PENSION PLAN SCHEDULES
 FOR FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 - ACTUARIAL METHODS & ASSUMPTIONS USED

The table below provides a summary of the actuarial methods and assumptions used in calculations of the actuarially determined contributions for the South Carolina Retirement System (SCRS). This information was obtained from the financial statements of the SCRS, which is administered by the retirement division of the South Carolina Public Employee Benefit Authority (PEBA) for the year ended June 30, 2016.

| <u>Summary of Actuarial Methods and Significant Assumptions</u> | |
|---|---|
| Valuation date | 07/01/15 |
| Actuarial cost method | Entry age normal |
| Amortization method | Level percent open |
| Amortization period | 30 years |
| Asset Valuation method | 20% difference recognition method |
| Inflation rate | 2.75% |
| Projected salary increases | 3.5% to 12.5% (varies by service) ¹ |
| Investment rate of return | 7.50% |
| Benefit adjustments | lesser of 1% or \$500 annually |

¹*Includes inflation at 2.75%*

**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, 2017

| REVENUES | <u>BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE FAVORABLE (UNFAVORABLE)</u> |
|---|---------------------|---------------------|---|
| 1000 Revenue from Local Sources | | | |
| 1100 Taxes Levied/Assessed by the LEA: | | | |
| 1110 Ad Valorem Taxes - | | | |
| Including Delinquent Taxes | \$ 1,471,000 | \$ 1,596,426 | \$ 125,426 |
| 1140 Penalties and Interest on Taxes | 16,000 | 15,490 | (510) |
| 1190 Other Taxes | 351,856 | 412,193 | 60,337 |
| 1500 Earnings on Investments: | | | |
| 1510 Interest on Investments | 1,000 | 2,165 | 1,165 |
| 1900 Other Revenue From Local Sources: | | | |
| 1930 Special Needs Transportation | - | 138 | 138 |
| 1990 Miscellaneous Local Revenue | | | |
| 1999 Revenue from Other Local Sources | 517,810 | 303,320 | (214,490) |
| Total Local Sources | \$ 2,357,666 | \$ 2,329,732 | \$ (27,934) |
| 2000 Intergovernmental Revenue | | | |
| 2100 Payments from Other Governmental Units | \$ 263,000 | \$ 399,728 | \$ 136,728 |
| Total Intergovernmental Revenues | \$ 263,000 | \$ 399,728 | \$ 136,728 |
| 3000 Revenue from State Sources | | | |
| 3100 Restricted State Funding: | | | |
| 3130 Special Programs: | | | |
| 3131 Handicapped Transportation | \$ - | \$ 711 | \$ 711 |
| 3160 School Bus Driver Salary | 125,178 | 104,215 | (20,963) |
| 3162 Transportation Workers' Compensation | - | 5,414 | 5,414 |
| 3180 Fringe Benefits Employer Contributions | 1,918,124 | 1,937,432 | 19,308 |
| 3190 Miscellaneous Restricted State Grants: | | | |
| 3199 Other Restricted State Grants | - | 766 | 766 |
| 3300 Education Finance Act (EFA): | * | 4,529,537 | (4,529,537) |
| 3310 Full-Time Programs: | | | |
| 3311 Kindergarten | * | 211,346 | 211,346 |
| 3312 Primary | * | 683,033 | 683,033 |
| 3313 Elementary | * | 1,149,091 | 1,149,091 |
| 3314 High School | * | 321,069 | 321,069 |
| 3315 Trainable Mentally Handicapped | * | 25,380 | 25,380 |
| 3316 Speech Handicapped | * | 149,371 | 149,371 |
| 3320 Part-Time Programs: | | | |
| 3322 Educable Mentally Handicapped | * | 45,671 | 45,671 |
| 3323 Learning Disabilities | * | 290,020 | 290,020 |
| 3324 Hearing Handicapped | * | 5,338 | 5,338 |
| 3325 Visually Handicapped | * | 13,292 | 13,292 |
| 3326 Orthopedically Handicapped | * | 12,711 | 12,711 |
| 3327 Vocational | * | 773,441 | 773,441 |

* The District budgeted EFA programs (revenue account numbers 3311-3353) 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, 2017

| | BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) |
|--|----------------------|----------------------|---|
| REVENUES (continued) | | | |
| 3000 Revenue from State Sources (continued) | | | |
| 3300 Education Finance Act (EFA) (continued): | | | |
| 3330 Miscellaneous EFA Programs: | | | |
| 3331 Autism | * | 74,457 | 74,457 |
| 3332 High Achieving Students | * | 78,902 | 78,902 |
| 3334 Limited English Proficiency | * | 2,908 | 2,908 |
| 3351 Academic Assistance | * | 163,868 | 163,868 |
| 3352 Pupils in Poverty | * | 525,458 | 525,458 |
| 3353 Dual Credit Enrollment | * | 1,579 | 1,579 |
| 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) | - | 102,181 | 102,181 |
| 3825 Reimbursement for Property Tax Relief (Tier 3) | 600,000 | 520,582 | (79,418) |
| 3830 Merchant's Inventory Tax | 19,200 | 19,502 | 302 |
| 3840 Manufacturers Depreciation Reimbursement | 32,000 | 33,314 | 1,314 |
| 3890 Other State Property Tax Revenues | 25,000 | 31,856 | 6,856 |
| Total State Sources | \$ 7,433,155 | \$ 7,467,024 | \$ 33,869 |
| TOTAL REVENUE ALL SOURCES | \$ 10,053,821 | \$ 10,196,484 | \$ 142,663 |
| EXPENDITURES | | | |
| 100 Instruction | | | |
| 110 General Instruction | | | |
| 111 Kindergarten Programs: | | | |
| 100 Salaries | \$ 317,329 | \$ 327,896 | \$ (10,567) |
| 200 Employee Benefits | 141,302 | 140,230 | 1,072 |
| 400 Supplies and Materials | 5,000 | 5,635 | (635) |
| 112 Primary Programs: | | | |
| 100 Salaries | 778,253 | 781,289 | (3,036) |
| 200 Employee Benefits | 350,786 | 308,099 | 42,687 |
| 400 Supplies and Materials | 15,000 | 17,232 | (2,232) |
| 113 Elementary Programs: | | | |
| 100 Salaries | 1,206,801 | 1,193,402 | 13,399 |
| 200 Employee Benefits | 428,055 | 417,631 | 10,424 |
| 400 Supplies and Materials | 10,750 | 10,825 | (75) |
| 114 High School Programs: | | | |
| 100 Salaries | 1,041,653 | 1,010,955 | 30,698 |
| 200 Employee Benefits | 393,724 | 391,469 | 2,255 |
| 400 Supplies and Materials | 20,000 | 19,217 | 783 |
| 115 Career and Technology Education Programs: | | | |
| 100 Salaries | 131,609 | 135,406 | (3,797) |
| 200 Employee Benefits | 60,851 | 61,013 | (162) |
| 400 Supplies and Materials | - | 5,450 | (5,450) |

DILLON COUNTY SCHOOL DISTRICT NO. 3
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR FISCAL YEAR ENDED JUNE 30, 2017

| EXPENDITURES (continued) | BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) |
|-------------------------------------|---------------------|---------------------|---|
| 100 Instruction (continued) | | | |
| 120 Exceptional Programs | | | |
| 121 Educable Mentally Handicapped: | | | |
| 100 Salaries | 37,627 | 37,579 | 48 |
| 200 Employee Benefits | 14,964 | 15,131 | (167) |
| 122 Trainable Mentally Handicapped: | | | |
| 100 Salaries | 56,202 | 59,385 | (3,183) |
| 200 Employee Benefits | 28,437 | 24,480 | 3,957 |
| 126 Speech Handicapped: | | | |
| 100 Salaries | 92,607 | 92,061 | 546 |
| 200 Employee Benefits | 36,492 | 33,976 | 2,516 |
| 127 Learning Disabilities: | | | |
| 100 Salaries | 109,737 | 110,343 | (606) |
| 200 Employee Benefits | 33,978 | 37,112 | (3,134) |
| 130 Pre-School Programs | | | |
| 139 Early Childhood Programs: | | | |
| 100 Salaries | 105,302 | 125,532 | (20,230) |
| 200 Employee Benefits | 45,025 | 42,646 | 2,379 |
| 140 Special Programs | | | |
| 141 Gifted and Talented - Academic: | | | |
| 100 Salaries | 44,417 | 44,417 | - |
| 200 Employee Benefits | 10,860 | 14,970 | (4,110) |
| 400 Supplies and Materials | - | 147 | (147) |
| 145 Homebound: | | | |
| 100 Salaries | - | 2,010 | (2,010) |
| 200 Employee Benefits | - | 488 | (488) |
| 300 Purchased Services | 4,750 | 1,975 | 2,775 |
| 148 Gifted and Talented - Artistic: | | | |
| 100 Salaries | 8,319 | 8,319 | - |
| 200 Employee Benefits | 3,126 | 3,194 | (68) |
| 149 Other Special Programs: | | | |
| 100 Salaries | - | 60 | (60) |
| 200 Employee Benefits | - | 14 | (14) |
| 300 Purchased Services | 4,750 | 1,116 | 3,634 |
| 160 Other Exceptional Programs | | | |
| 161 Autism: | | | |
| 100 Salaries | 38,768 | 38,718 | 50 |
| 200 Employee Benefits | 15,416 | 15,589 | (173) |
| Total Instruction | \$ 5,591,890 | \$ 5,535,011 | \$ 56,879 |

DILLON COUNTY SCHOOL DISTRICT NO. 3
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR FISCAL YEAR ENDED JUNE 30, 2017

| EXPENDITURES (continued) | BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) |
|--|---------------|---------------|---|
| 200 Supporting Services | | | |
| 210 Pupil Services | | | |
| 212 Guidance Services: | | | |
| 100 Salaries | \$ 86,696 | \$ 91,489 | \$ (4,793) |
| 200 Employee Benefits | 30,507 | 29,151 | 1,356 |
| 300 Purchased Services | 1,500 | 341 | 1,159 |
| 400 Supplies and Materials | 1,500 | 2,494 | (994) |
| 213 Health Services: | | | |
| 100 Salaries | 46,271 | 47,239 | (968) |
| 200 Employee Benefits | 17,938 | 18,228 | (290) |
| 300 Purchased Services | 1,500 | 719 | 781 |
| 400 Supplies and Materials | 16,500 | 17,473 | (973) |
| 214 Psychological Services: | | | |
| 100 Salaries | 49,524 | 49,524 | - |
| 200 Employee Benefits | 18,720 | 19,148 | (428) |
| 300 Purchased Services | - | 16,296 | (16,296) |
| 400 Supplies and Materials | - | 790 | (790) |
| 217 Career Specialist Services | | | |
| 100 Salaries | 12,190 | - | 12,190 |
| 200 Employee Benefits | 2,930 | - | 2,930 |
| 220 Instructional Staff Services | | | |
| 221 Improvement of Instruction - Curriculum Development: | | | |
| 100 Salaries | 78,471 | 84,097 | (5,626) |
| 200 Employee Benefits | 22,451 | 24,204 | (1,753) |
| 300 Purchased Services | 65,100 | 40,465 | 24,635 |
| 400 Supplies and Materials | 17,003 | 5,424 | 11,579 |
| 222 Library and Media Services: | | | |
| 100 Salaries | 157,581 | 157,581 | - |
| 200 Employee Benefits | 56,016 | 59,291 | (3,275) |
| 400 Supplies and Materials | 9,490 | 9,503 | (13) |
| 223 Supervision of Special Programs: | | | |
| 100 Salaries | 124,100 | 119,000 | 5,100 |
| 200 Employee Benefits | 37,901 | 38,106 | (205) |
| 400 Supplies and Materials | - | 87 | (87) |
| 224 Improvement of Instruction - Inservice and Staff Training: | | | |
| 100 Salaries | 4,000 | 2,964 | 1,036 |
| 200 Employee Benefits | 962 | 3,698 | (2,736) |
| 300 Purchased Services | 12,000 | 11,470 | 530 |
| 400 Supplies and Materials | 900 | 1,500 | (600) |
| 600 Other Objects | 450 | 640 | (190) |

DILLON COUNTY SCHOOL DISTRICT NO. 3
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR FISCAL YEAR ENDED JUNE 30, 2017

| EXPENDITURES (continued) | BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) |
|--|---------------|---------------|---|
| 200 Supporting Services (continued) | | | |
| 230 General Administration Services | | | |
| 231 Board of Education: | | | |
| 200 Employee Benefits | - | 36 | (36) |
| 300 Purchased Services | 14,000 | 2,260 | 11,740 |
| 318 Audit Services | 33,000 | 27,675 | 5,325 |
| 600 Other Objects | 177,500 | 229,720 | (52,220) |
| 232 Office of the Superintendent: | | | |
| 100 Salaries | 159,553 | 159,553 | - |
| 200 Employee Benefits | 74,175 | 78,623 | (4,448) |
| 300 Purchased Services | 12,100 | 9,716 | 2,384 |
| 400 Supplies and Materials | 5,350 | 4,943 | 407 |
| 500 Capital Outlay | 1,500 | - | 1,500 |
| 600 Other Objects | 3,000 | 12,359 | (9,359) |
| 233 School Administration: | | | |
| 100 Salaries | 618,934 | 577,883 | 41,051 |
| 200 Employee Benefits | 223,815 | 230,905 | (7,090) |
| 300 Purchased Services | 2,000 | 1,096 | 904 |
| 400 Supplies and Materials | 6,843 | 7,799 | (956) |
| 600 Other Objects | 2,250 | 1,397 | 853 |
| 250 Finance and Operations Services | | | |
| 252 Fiscal Services: | | | |
| 100 Salaries | 83,920 | 83,920 | - |
| 200 Employee Benefits | 33,420 | 33,725 | (305) |
| 300 Purchased Services | 11,083 | 8,488 | 2,595 |
| 400 Supplies and Materials | 2,000 | 972 | 1,028 |
| 254 Operation and Maintenance of Plant: | | | |
| 100 Salaries | 340,425 | 406,774 | (66,349) |
| 200 Employee Benefits | 169,315 | 173,078 | (3,763) |
| 300 Purchased Services | 140,136 | 198,905 | (58,769) |
| 321 Public Utilities | 12,100 | 18,038 | (5,938) |
| 400 Supplies and Materials | 85,000 | 117,649 | (32,649) |
| 470 Energy | 299,500 | 308,431 | (8,931) |
| 500 Capital Outlay | 13,000 | - | 13,000 |
| 600 Other Objects | - | 495 | (495) |
| 255 Student Transportation: | | | |
| 100 Salaries | 61,440 | 178,028 | (116,588) |
| 200 Employee Benefits | 30,926 | 77,512 | (46,586) |
| 300 Purchased Services | 273,300 | 3,142 | 270,158 |
| 400 Supplies and Materials | 1,800 | 522 | 1,278 |
| 256 Food Services: | | | |
| 200 Employee Benefits | 138,661 | 99,966 | 38,695 |

DILLON COUNTY SCHOOL DISTRICT NO. 3
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR FISCAL YEAR ENDED JUNE 30, 2017

| | BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) |
|---|----------------------|----------------------|---|
| EXPENDITURES (continued) | | | |
| 200 Supporting Services (continued) | | | |
| 250 Finance and Operations Services (continued) | | | |
| 257 Internal Services: | | | |
| 300 Purchased Services | 24,000 | 22,275 | 1,725 |
| 258 Security: | | | |
| 300 Purchased Services | 65,000 | 114,977 | (49,977) |
| 260 Central Support Services | | | |
| 266 Technology and Data Processing Services: | | | |
| 100 Salaries | 129,361 | 129,361 | - |
| 200 Employee Benefits | 40,106 | 40,807 | (701) |
| 300 Purchased Services | 32,469 | 52,322 | (19,853) |
| 400 Supplies and Materials | - | 27,149 | (27,149) |
| 500 Capital Outlay | 28,500 | - | 28,500 |
| 270 Supporting Services Pupil Activity | | | |
| 271 Pupil Services Activities: | | | |
| 100 Salaries | 97,831 | 110,584 | (12,753) |
| 200 Employee Benefits | 22,814 | 24,311 | (1,497) |
| 400 Supplies and Materials | 6,500 | 6,397 | 103 |
| 660 Pupil Activity | 15,000 | 17,315 | (2,315) |
| Total Supporting Services | \$ 4,363,828 | \$ 4,450,030 | \$ (86,202) |
| 400 Intergovernmental Expenditures | | | |
| 412 Payments to Other Governmental Units | | | |
| 720 Transits | \$ 30,000 | \$ 47,881 | \$ (17,881) |
| 417 Payments to Nonprofit Entities | | | |
| 720 Transits | 194,310 | 194,285 | 25 |
| Total Intergovernmental Expenditures | \$ 224,310 | \$ 242,166 | \$ (17,856) |
| 500 Debt Service | | | |
| 610 Redemption of Principal | | | |
| 620 Interest | \$ 169,108 | \$ 169,108 | \$ - |
| | 44,918 | 44,870 | 48 |
| Total Debt Service | \$ 214,026 | \$ 213,978 | \$ 48 |
| TOTAL EXPENDITURES | \$ 10,394,054 | \$ 10,441,185 | \$ (47,131) |
| Excess Revenues Over (Under) Expenditures | \$ (340,233) | \$ (244,701) | \$ 95,532 |

DILLON COUNTY SCHOOL DISTRICT NO. 3
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR FISCAL YEAR ENDED JUNE 30, 2017

| | <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 | \$ 280,233 | \$ 306,286 | \$ 26,053 |
| 5280 Transfer from Other Funds Indirect Costs | 60,000 | 17,515 | (42,485) |
| 424 - 710 Transfer to School Building Fund | <u>-</u> | <u>(182,843)</u> | <u>(182,843)</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>\$ 340,233</u> | <u>\$ 140,958</u> | <u>\$ (199,275)</u> |
| Excess Revenues and Expenditures Over (Under) Other Financing Sources (Uses) | <u>\$ -</u> | <u>\$ (103,743)</u> | <u>\$ (103,743)</u> |
| FUND BALANCE JULY 1, 2016 | | <u>1,670,861</u> | |
| FUND BALANCE JUNE 30, 2017 | | <u>\$ 1,567,118</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, 2017**

| REVENUES | TITLE I (201/202) | IDEA (203/204) | PRESCHOOL HANDICAPPED (205/206) |
|--|------------------------------|---------------------------|--|
| 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 | \$ - | \$ - | \$ - |
| 3000 Revenue From State Sources | | | |
| 3100 Restricted State Funding: | | | |
| 3105 Technology Technical Assistance | \$ - | \$ - | - |
| 3110 Occupational Education: | | | |
| 3118 EEDA Career Specialist | - | - | - |
| 3120 General Education: | | | |
| 3127 Student Health and Fitness - PE Teachers | - | - | - |
| 3130 Special Programs: | | | |
| 3134 Child Development Education Program (CDEP) Expansion | - | - | - |
| 3135 Reading Coaches | - | - | - |
| 3136 Student Health and Fitness - Nurses | - | - | - |
| 3177 Summer Reading Camps | - | - | - |
| 3190 Miscellaneous Restricted State Grants: | | | |
| 3193 Education License Plates | - | - | - |
| 3199 Other Restricted State Grants | - | - | - |
| | - | - | - |
| 3600 Education Lottery Act Revenue: | | | |
| 3630 K-12 Technology Initiative | - | - | - |
| | - | - | - |
| Total State Sources | \$ - | \$ - | \$ - |
| 4000 Revenue From Federal Sources | | | |
| 4200 Occupational Education: | | | |
| 4210 Perkins Aid, Title I Career and Technical Education | \$ - | \$ - | - |
| 4300 Elementary and Secondary Education Act of 1965 (ESEA): | | | |
| 4310 Title I, Basic State Grant Programs | 555,249 | - | - |
| 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) | - | 741,076 | - |
| 4520 Pre-School Grants for Children with Disabilities (IDEA) | - | - | 16,035 |
| | - | - | 16,035 |
| Total Federal Sources | \$ 555,249 | \$ 741,076 | \$ 16,035 |
| TOTAL REVENUE ALL SOURCES | \$ 555,249 | \$ 741,076 | \$ 16,035 |

| <u>CATE</u> <u>(207/208)</u> | <u>OTHER</u> <u>DESIGNATED</u> <u>RESTRICTED</u> <u>STATE</u> <u>GRANTS</u> <u>(900s)</u> | <u>OTHER</u> <u>SPECIAL</u> <u>REVENUE</u> <u>PROGRAMS</u> <u>(200s/800s)</u> | <u>TOTAL</u> |
|---------------------------------|--|---|--------------|
| \$ - | \$ - | \$ 153,753 | \$ 153,753 |
| - | - | 9,900 | 9,900 |
| \$ - | \$ - | \$ 163,653 | \$ 163,653 |
| \$ - | \$ 57,006 | \$ - | \$ 57,006 |
| - | 188,612 | - | 188,612 |
| - | 11,500 | - | 11,500 |
| - | 13,514 | - | 13,514 |
| - | 62,730 | - | 62,730 |
| - | 29,034 | - | 29,034 |
| - | 10,334 | - | 10,334 |
| - | 190 | - | 190 |
| - | - | 2,290 | 2,290 |
| - | 74,954 | - | 74,954 |
| \$ - | \$ 447,874 | \$ 2,290 | \$ 450,164 |
| \$ 6,705 | \$ - | \$ - | \$ 6,705 |
| - | - | - | 555,249 |
| - | - | 35,178 | 35,178 |
| - | - | 116,125 | 116,125 |
| - | - | - | 741,076 |
| - | - | - | 16,035 |
| \$ 6,705 | \$ - | \$ 151,303 | \$ 1,470,368 |
| \$ 6,705 | \$ 447,874 | \$ 317,246 | \$ 2,084,185 |

**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, 2017**

| EXPENDITURES | TITLE I (201/202) | IDEA (203/204) | PRESCHOOL HANDICAPPED (205/206) |
|---|------------------------------|---------------------------|--|
| 100 Instruction | | | |
| 110 General Instruction | | | |
| 112 Primary Programs: | | | |
| 100 Salaries | \$ 307,136 | \$ - | - |
| 200 Employee Benefits | 135,990 | - | - |
| 400 Supplies and Materials | 14,352 | - | - |
| 113 Elementary Programs: | | | |
| 100 Salaries | - | - | - |
| 200 Employee Benefits | - | - | - |
| 400 Supplies and Materials | - | - | - |
| 114 High School Programs: | | | |
| 500 Capital Outlay | - | - | - |
| 115 Career and Technology Education Programs: | | | |
| 100 Salaries | - | - | - |
| 400 Supplies and Materials | - | - | - |
| 120 Exceptional Programs | | | |
| 122 Trainable Mentally Handicapped: | | | |
| 100 Salaries | - | 86,111 | - |
| 200 Employee Benefits | - | 40,045 | - |
| 400 Supplies and Materials | - | 56,751 | - |
| 126 Speech Handicapped: | | | |
| 100 Salaries | - | - | 12,927 |
| 200 Employee Benefits | - | - | 3,108 |
| 300 Purchased Services | - | 509 | - |
| 400 Supplies and Materials | - | 11,565 | - |
| 127 Learning Disabilities: | | | |
| 100 Salaries | - | 84,055 | - |
| 200 Employee Benefits | - | 38,306 | - |
| 300 Purchased Services | - | 295 | - |
| 400 Supplies and Materials | - | 205,393 | - |
| 140 Special Programs | | | |
| 147 CDEP: | | | |
| 400 Supplies and Materials | - | - | - |
| 149 Other Special Programs: | | | |
| 100 Salaries | - | 435 | - |
| 200 Employee Benefits | - | 106 | - |
| 300 Purchased Services | - | 52,840 | - |

| <u>CATE</u> <u>(207/208)</u> | <u>OTHER</u> <u>DESIGNATED</u> <u>RESTRICTED</u> <u>STATE</u> <u>GRANTS</u> <u>(900s)</u> | <u>OTHER</u> <u>SPECIAL</u> <u>REVENUE</u> <u>PROGRAMS</u> <u>(200s/800s)</u> | <u>TOTAL</u> |
|---------------------------------|--|---|--------------|
| \$ - | \$ 7,872 | \$ - | \$ 315,008 |
| - | 3,628 | - | 139,618 |
| - | - | 5,178 | 19,530 |
| - | - | 93,298 | 93,298 |
| - | - | 29,078 | 29,078 |
| - | - | 1,545 | 1,545 |
| - | 190 | - | 190 |
| - | - | 7,288 | 7,288 |
| 6,705 | - | - | 6,705 |
| - | - | - | 86,111 |
| - | - | - | 40,045 |
| - | - | - | 56,751 |
| - | - | 3,000 | 15,927 |
| - | - | 727 | 3,835 |
| - | - | - | 509 |
| - | - | - | 11,565 |
| - | - | - | 84,055 |
| - | - | - | 38,306 |
| - | - | - | 295 |
| - | - | - | 205,393 |
| - | 13,514 | - | 13,514 |
| - | - | - | 435 |
| - | - | - | 106 |
| - | - | - | 52,840 |

**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, 2017**

| | TITLE I (201/202) | IDEA (203/204) | PRESCHOOL HANDICAPPED (205/206) |
|--|------------------------------|---------------------------|--|
| EXPENDITURES (continued) | | | |
| 100 Instruction (continued) | | | |
| 160 Other Exceptional Programs: | | | |
| 161 Autism: | | | |
| 100 Salaries | - | 60 | - |
| 200 Employee Benefits | - | 14 | - |
| 400 Supplies and Materials | - | 30,973 | - |
| 170 Summer School Programs | | | |
| 171 Primary Summer School: | | | |
| 100 Salaries | - | - | - |
| 200 Employee Benefits | - | - | - |
| 400 Supplies and Materials | - | - | - |
| 180 Adult/Continuing Educational Programs | | | |
| 188 Parenting/Family Literacy: | | | |
| 100 Salaries | 333 | - | - |
| 400 Supplies and Materials | 5,663 | - | - |
| | <u>5,663</u> | <u>-</u> | <u>-</u> |
| Total Instruction | \$ 463,474 | \$ 607,458 | \$ 16,035 |
| 200 Supporting Services | | | |
| 210 Pupil Services | | | |
| 212 Guidance Services: | | | |
| 100 Salaries | \$ - | \$ - | - |
| 200 Employee Benefits | - | - | - |
| 213 Health Services: | | | |
| 100 Salaries | - | - | - |
| 200 Employee Benefits | - | - | - |
| 300 Purchased Services | - | 34,358 | - |
| 214 Psychological Services: | | | |
| 100 Salaries | - | - | - |
| 200 Employee Benefits | - | - | - |
| 400 Supplies and Materials | - | 8,763 | - |
| 217 Career Specialist Services: | | | |
| 100 Salaries | - | - | - |
| 200 Employee Benefits | - | - | - |
| 220 Instructional Staff Services | | | |
| 221 Improvement of Instruction - Curriculum Development: | | | |
| 100 Salaries | - | - | - |
| 200 Employee Benefits | - | - | - |

| <u>CATE</u> <u>(207/208)</u> | <u>OTHER</u> <u>DESIGNATED</u> <u>RESTRICTED</u> <u>STATE</u> <u>GRANTS</u> <u>(900s)</u> | <u>OTHER</u> <u>SPECIAL</u> <u>REVENUE</u> <u>PROGRAMS</u> <u>(200s/800s)</u> | <u>TOTAL</u> |
|---------------------------------|--|---|---------------------|
| - | - | - | 60 |
| - | - | - | 14 |
| - | - | - | 30,973 |
| - | 8,040 | - | 8,040 |
| - | 1,964 | - | 1,964 |
| - | 330 | - | 330 |
| - | - | - | 333 |
| - | - | - | 5,663 |
| <u>\$ 6,705</u> | <u>\$ 35,538</u> | <u>\$ 140,114</u> | <u>\$ 1,269,324</u> |

| | | | |
|------|-----------|--------|-----------|
| \$ - | \$ 70,414 | \$ - | \$ 70,414 |
| - | 24,003 | - | 24,003 |
| - | 19,603 | 70,277 | 89,880 |
| - | 9,431 | 31,009 | 40,440 |
| - | - | - | 34,358 |
| - | - | 7,500 | 7,500 |
| - | - | 1,824 | 1,824 |
| - | - | - | 8,763 |
| - | 81,418 | - | 81,418 |
| - | 12,777 | - | 12,777 |
| - | 51,503 | - | 51,503 |
| - | 11,227 | - | 11,227 |

**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, 2017**

| | TITLE I (201/202) | IDEA (203/204) | PRESCHOOL HANDICAPPED (205/206) |
|--|------------------------------|---------------------------|--|
| EXPENDITURES (continued) | | | |
| 200 Supporting Services (continued) | | | |
| 220 Instructional Staff Services (continued) | | | |
| 223 Supervision of Special Programs: | | | |
| 100 Salaries | - | 33,040 | - |
| 200 Employee Benefits | - | 16,577 | - |
| 300 Purchased Services | 1,263 | 2,947 | - |
| 400 Supplies and Materials | 2,260 | 15,352 | - |
| 600 Other Objects | - | 1,690 | - |
| 224 Improvement of Instruction - Inservice and Staff Training: | | | |
| 100 Salaries | 70,862 | 5,400 | - |
| 200 Employee Benefits | 17,390 | 1,310 | - |
| 300 Purchased Services | - | 2,496 | - |
| 250 Finance and Operations Services | | | |
| 251 Student Transportation | | | |
| 300 Purchased Services | - | 11,685 | - |
| 260 Central Support Services | | | |
| 266 Technology and Data Processing Services: | | | |
| 300 Purchased Services | - | - | - |
| 400 Supplies and Materials | - | - | - |
| 500 Capital Outlay | - | - | - |
| Total Supporting Services | \$ 91,775 | \$ 133,618 | \$ - |
| 400 Intergovernmental Expenditures | | | |
| 414 Medicaid Payments to SCDE | | | |
| 720 Transits | - | - | - |
| Total Intergovernmental Expenditures | \$ - | \$ - | \$ - |
| TOTAL EXPENDITURES | \$ 555,249 | \$ 741,076 | \$ 16,035 |
| Excess Revenues Over (Under) Expenditures | - | - | - |
| FUND BALANCE JULY 1, 2016 | - | - | - |
| FUND BALANCE JUNE 30, 2017 | - | - | - |

| <u>CATE</u> <u>(207/208)</u> | <u>OTHER</u> <u>DESIGNATED</u> <u>RESTRICTED</u> <u>STATE</u> <u>GRANTS</u> <u>(900s)</u> | <u>OTHER</u> <u>SPECIAL</u> <u>REVENUE</u> <u>PROGRAMS</u> <u>(200s/800s)</u> | <u>TOTAL</u> |
|---------------------------------|--|---|---------------------|
| - | - | - | 33,040 |
| - | - | - | 16,577 |
| - | - | - | 4,210 |
| - | - | - | 17,612 |
| - | - | - | 1,690 |
| - | - | 12,700 | 88,962 |
| - | - | 368 | 19,068 |
| - | - | 11,747 | 14,243 |
| - | - | - | 11,685 |
| - | 15,958 | 2,290 | 18,248 |
| - | 91,954 | - | 91,954 |
| - | 24,048 | - | 24,048 |
| <u>\$ -</u> | <u>\$ 412,336</u> | <u>\$ 137,715</u> | <u>\$ 775,444</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ 39,417</u> | <u>\$ 39,417</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ 39,417</u> | <u>\$ 39,417</u> |
| <u>\$ 6,705</u> | <u>\$ 447,874</u> | <u>\$ 317,246</u> | <u>\$ 2,084,185</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| <u><u>\$ -</u></u> | <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, 2017**

| SUBFUND CODE | REVENUE CODE | PROGRAMS | REVENUES |
|-------------------------|-------------------------|--|-------------------|
| 903 | 3183 | Teacher Recruitment and Retention | \$ - |
| 915 | 3105 | Technology Technical Assistance | 57,006 |
| 919 | 3193 | Education License Plates | 190 |
| 924 | 3134 | CDEP Expansion | 13,514 |
| 926 | 3177 | Summer Reading Camp | 10,334 |
| 928 | 3118 | EEDA Career Specialist | 188,612 |
| 935 | 3135 | Reading Coaches | 62,730 |
| 936 | 3136 | Student Health and Fitness - Nurses | 29,034 |
| 937 | 3127 | Student Health and Fitness - PE Teachers | 11,500 |
| 963 | 3630 | K-12 Technology Initiative | 74,954 |
| TOTALS | | | \$ 447,874 |

| <u>EXPENDITURES</u> | <u>SPECIAL PROJECTS INTERFUND TRANSFERS IN/(OUT)</u> | <u>OTHER FUND TRANSFERS IN/(OUT)</u> | <u>UNEARNED REVENUE</u> |
|---------------------|--|--|-----------------------------|
| \$ - | \$ - | \$ - | \$ 63,622 |
| 57,006 | - | - | 210,823 |
| 190 | - | - | - |
| 13,514 | - | - | - |
| 10,334 | - | - | 1,416 |
| 188,612 | - | - | - |
| 62,730 | - | - | - |
| 29,034 | - | - | - |
| 11,500 | - | - | - |
| 74,954 | - | - | 74,010 |
| <u>447,874</u> | <u>-</u> | <u>-</u> | <u>349,871</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, 2017**

| REVENUES | <u>ACTUAL</u> |
|---|----------------------------|
| 3000 Revenue from State Sources | |
| 3500 Education Improvement Act: | |
| 3502 ADEPT | \$ 1,116 |
| 3511 Professional Development | 7,516 |
| 3512 Technology Professional Development | 10,652 |
| 3519 Grade 10 Assessments | 1,755 |
| 3525 Career and Technology Education Equipment | 65,062 |
| 3526 Refurbishment of K-8 Science Kits | 14,598 |
| 3527 Special Career and Technology Education Equipment | 130,591 |
| 3532 National Board Certification (NBC) Salary Supplement | 18,681 |
| 3533 Teacher of the Year Award | 1,077 |
| 3535 Reading Coaches | 8,000 |
| 3538 Students At Risk of School Failure | 192,104 |
| 3541 Child Development Education Program (CDEP) - Full Day 4K | 278,569 |
| 3550 Teacher Salary Increase | 267,333 |
| 3555 Teacher Salary Fringe | 38,953 |
| 3558 Reading | 6,998 |
| 3577 Teacher Supplies | 28,050 |
| 3578 High Schools That Work/Making Middle Grades Work | 5,421 |
| 3587 IDEA MOE Tier 1 | 45,151 |
| 3592 Work-Based Learning | 5,185 |
| 3595 EEDA - Supplies and Materials | 5,318 |
| 3597 Aid to Districts | <u>29,904</u> |
| Total State Sources | \$ <u>1,162,034</u> |
| TOTAL REVENUE ALL SOURCES | \$ <u>1,162,034</u> |
| EXPENDITURES | |
| 100 Instruction | |
| 110 General Instruction | |
| 112 Primary Programs: | |
| 400 Supplies and Materials | \$ 19,206 |
| 113 Elementary Programs: | |
| 100 Salaries | 141,832 |
| 200 Employee Benefits | 59,625 |
| 400 Supplies and Materials | 15,192 |
| 600 Other Objects | 1,500 |
| 114 High School Programs: | |
| 100 Salaries | 38,704 |
| 200 Employee Benefits | 1,928 |
| 400 Supplies and Materials | 8,971 |
| 600 Other Objects | 3,200 |
| 115 Career and Technology Education Programs: | |
| 100 Salaries | 70 |
| 400 Supplies and Materials | 130,591 |
| 500 Capital Outlay | 65,062 |

**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, 2017**

| EXPENDITURES (continued) | <u>ACTUAL</u> |
|--|--------------------------|
| 100 Instruction (continued) | |
| 140 Special Programs | |
| 147 CDEP: | |
| 100 Salaries | 184,846 |
| 200 Employee Benefits | 93,723 |
| 170 Summer School Program | |
| 171 Primary Summer School: | |
| 100 Salaries | 22,128 |
| 200 Employee Benefits | 5,398 |
| 400 Supplies and Materials | <u>17,625</u> |
| Total Instruction | \$ <u>809,601</u> |
| 200 Supporting Services | |
| 210 Pupil Services | |
| 212 Guidance Services: | |
| 400 Supplies and Materials | \$ 7,073 |
| 220 Instructional Staff Services | |
| 221 Improvement of Instruction Curriculum Development: | |
| 400 Supplies and Materials | 6,998 |
| 224 Improvement of Instruction - Inservice and Staff Training: | |
| 100 Salaries | 1,786 |
| 200 Employee Benefits | 180 |
| 300 Purchased Services | 11,402 |
| 400 Supplies and Materials | 2,942 |
| 260 Central Support Services | |
| 266 Technology and Data Processing Services: | |
| 300 Purchased Services | 7,466 |
| 400 Supplies and Materials | 3,185 |
| 270 Support Services - Pupil Activity | |
| 271 Pupil Service Activities | |
| 300 Purchased Services | <u>5,115</u> |
| Total Supporting Services | \$ <u>46,147</u> |
| TOTAL EXPENDITURES | \$ <u>855,748</u> |
| Excess Revenues Over (Under) Expenditures | \$ <u>306,286</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, 2017**

| | <u>ACTUAL</u> |
|---|----------------------------|
| OTHER FINANCING SOURCES (USES) | |
| Interfund Transfers, From (To) Other Funds | |
| 420-710 Transfer to General Fund | \$ <u>(306,286)</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | \$ <u>(306,286)</u> |
| Excess Revenues and Expenditures Over (Under) Other Financing Sources (Uses) | \$ - |
| FUND BALANCE JULY 1, 2016 | <u>-</u> |
| FUND BALANCE JUNE 30, 2017 | <u><u>-</u></u> |

**DILLON COUNTY SCHOOL DISTRICT NO. 3
 EDUCATION IMPROVEMENT ACT
 SUMMARY SCHEDULE BY PROGRAM
 FOR FISCAL YEAR ENDED JUNE 30, 2017**

| PROGRAM | <u>REVENUES</u> |
|---|-----------------------------------|
| 3500 Education Improvement Act: | |
| 3502 ADEPT | \$ 1,116 |
| 3511 Professional Development | 7,516 |
| 3512 Technology Professional Development | 10,652 |
| 3519 Grade 10 Assessments | 1,755 |
| 3525 Career and Technology Education Equipment | 65,062 |
| 3526 Refurbishment of K-8 Science Kits | 14,598 |
| 3527 Special Career and Technology Education Equipment | 130,591 |
| 3532 National Board Certification (NBC) Salary Supplement | 18,681 |
| 3533 Teacher of the Year Award | 1,077 |
| 3535 Reading Coaches | 8,000 |
| 3538 Students At Risk of School Failure | 192,104 |
| 3541 Child Development Education Program (CDEP) - Full Day 4K | 278,569 |
| 3550 Teacher Salary Increase | 267,333 |
| 3555 Teacher Salary Fringe | 38,953 |
| 3558 Reading | 6,998 |
| 3577 Teacher Supplies | 28,050 |
| 3578 High Schools That Work/Making Middle Grades Work | 5,421 |
| 3587 IDEA MOE Tier 1 | 45,151 |
| 3592 Work-Based Learning | 5,185 |
| 3595 EEDA Supplies and Materials - Career Awareness | 5,318 |
| 3597 Aid to Districts | <u>29,904</u> |
| TOTALS | \$ <u><u>1,162,034</u></u> |

| <u>EXPENDITURES</u> | <u>EIA INTERFUND TRANSFERS IN/(OUT)</u> | <u>OTHER FUND TRANSFERS IN/(OUT)</u> | <u>UNEARNED REVENUE</u> |
|---------------------|---|--|-----------------------------|
| \$ 1,116 | \$ - | \$ - | \$ - |
| 7,516 | - | - | 3,105 |
| 10,652 | - | - | 6,574 |
| 1,755 | - | - | - |
| 65,062 | - | - | - |
| 14,598 | - | - | - |
| 130,591 | - | - | - |
| 18,681 | - | - | - |
| 1,077 | - | - | - |
| 8,000 | - | - | - |
| 192,104 | - | - | - |
| 278,569 | - | - | - |
| - | - | 267,333 | - |
| - | - | 38,953 | - |
| 6,998 | - | - | 4,350 |
| 28,050 | - | - | - |
| 5,421 | - | - | - |
| 45,151 | - | - | 18,822 |
| 5,185 | - | - | 1,693 |
| 5,318 | - | - | 3,068 |
| 29,904 | - | - | - |
| <u>\$ 855,748</u> | <u>\$ -</u> | <u>\$ 306,286</u> | <u>\$ 37,612</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, 2017**

| | ACTUAL |
|--|--------------------|
| REVENUES | |
| 1000 Revenue From Local Sources | |
| 1110 Ad Valorem Taxes - Including Delinquent Taxes | \$ <u>113,501</u> |
| Total Local Sources | \$ <u>113,501</u> |
| TOTAL REVENUE ALL SOURCES | \$ <u>113,501</u> |
| EXPENDITURES | |
| 500 Debt Service | |
| 610 Redemption of Principal | \$ 112,151 |
| 620 Interest | <u>1,350</u> |
| TOTAL EXPENDITURES | \$ <u>113,501</u> |
| Excess Revenues Over (Under) Expenditures | \$ <u>-</u> |
| FUND BALANCE JULY 1, 2016 | <u>-</u> |
| FUND BALANCE JUNE 30, 2017 | \$ <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, 2017**

| EXPENDITURES | <u>ACTUAL</u> |
|---|---------------------|
| 200 Supporting Services | |
| 250 Finance and Operations | |
| 253 Facilities Acquisition and Construction: | |
| 300 Purchased Services | \$ 62,137 |
| 500 Capital Outlay | |
| 520 Construction Services | 28,719 |
| 530 Improvements Other Than Buildings | <u>85,336</u> |
| Total Supporting Services | <u>\$ 176,192</u> |
| 400 Intergovernmental Expenditures | |
| 417 Payments to Nonprofit Entities | |
| 720 Transits | <u>\$ 6,651</u> |
| Total Intergovernmental Expenditures | <u>\$ 6,651</u> |
| TOTAL EXPENDITURES | <u>\$ 182,843</u> |
| Excess Revenues Over (Under) Expenditures | <u>\$ (182,843)</u> |
| OTHER FINANCING SOURCES | |
| Interfund Transfers, From (To) Other Funds: | |
| 5210 Transfer from General Fund | <u>\$ 182,843</u> |
| TOTAL OTHER FINANCING SOURCES | <u>\$ 182,843</u> |
| Excess Revenues and Expenditures Over (Under) Other Financing Sources (Uses) | <u>\$ -</u> |
| FUND BALANCE JULY 1, 2016 | <u>-</u> |
| FUND BALANCE JUNE 30, 2017 | <u><u>-</u></u> |

**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, 2017**

| | ACTUAL |
|---|-------------------|
| REVENUES | |
| 1000 Revenue From Local Sources | |
| 1500 Earnings on Investments: | |
| 1510 Interest on Investments | \$ 46 |
| 1600 Food Service: | |
| 1610 Lunch Sales to Pupils | 74,881 |
| 1630 Special Sales to Pupils | 3,152 |
| 1640 Lunch Sales to Adults | 15,480 |
| 1660 Special Sales to Adults | 5,776 |
| 1900 Other Revenue from Local Sources: | |
| 1999 Revenue from Other Local Sources | 6,885 |
| Total Local Sources | \$ 106,220 |
| 3000 Revenue From State Sources | |
| 3100 Restricted State Funding: | |
| 3140 School Lunch: | |
| 3142 School Lunch Program Aid | \$ 68 |
| Total State Sources | \$ 68 |
| 4000 Revenue From Federal Sources | |
| 4800 USDA Reimbursement: | |
| 4810 School Lunch and After School Snacks Program | \$ 436,209 |
| 4830 School Breakfast Program | 293,871 |
| 4900 Other Federal Sources: | |
| 4991 USDA Commodities (Food Distribution Program) | 58,393 |
| Total Federal Sources | \$ 788,473 |
| TOTAL REVENUE ALL SOURCES | \$ 894,761 |
| EXPENSES | |
| 250 Finance and Operations | |
| 256 Food Service: | |
| 100 Salaries | \$ 279,372 |
| 200 Employee Benefits | 11,172 |
| 221 Pension Expense | 6,825 |
| 300 Purchased Services | 19,831 |
| 400 Supplies and Materials | 529,269 |
| 500 Capital Outlay | 20,805 |
| 600 Other Objects | 8,453 |
| TOTAL EXPENSES | \$ 875,727 |
| Operating Income (Loss) Before Other Financing Sources (Uses) | \$ 19,034 |

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, 2017

| | | <u>ACTUAL</u> |
|---|----|-----------------------|
| OTHER FINANCING SOURCES (USES) | | |
| 5300 Sale of Capital Assets | \$ | (30,202) |
| Interfund Transfers, From (To) Other Funds | | |
| 432-791 Food Service Fund Indirect Costs | | <u>(17,515)</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | \$ | <u>(47,717)</u> |
| Net Income (Loss) | \$ | (28,683) |
| NET POSITION JULY 1, 2016 | | 421,201 |
| Adjustment to Beginning Net Position | | <u>413</u> |
| NET POSITION JUNE 30, 2017 | \$ | <u><u>392,931</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, 2017**

| | ACTUAL |
|--|-------------------|
| RECEIPTS | |
| 1000 Receipts From Local Sources | |
| 1700 Pupil Activities: | |
| 1710 Admissions | \$ 60,261 |
| 1730 Pupil Organization Membership Dues and Fees | 701 |
| 1790 Other Pupil Activity Income | 405,099 |
| Total Receipts From Local Sources | \$ 466,061 |
| TOTAL RECEIPTS ALL SOURCES | \$ 466,061 |
| DISBURSEMENTS | |
| 270 Supporting Services Pupil Activity | |
| 271 Pupil Service Activities: | |
| 660 Pupil Activity | \$ 172,408 |
| 272 Enterprise Activities: | |
| 660 Pupil Activity | 178,041 |
| 273 Trust and Agency Activities: | |
| 660 Enterprise Activities | 143,866 |
| Total Pupil Activity Expenditures | \$ 494,315 |
| TOTAL DISBURSEMENTS | \$ 494,315 |
| Excess Receipts Over (Under) Disbursements | \$ (28,254) |
| DUE TO THIRD PARTIES JULY 1, 2016 | 177,372 |
| DUE TO THIRD PARTIES JUNE 30, 2017 | \$ 149,118 |

Note: This schedule is presented as prescribed by the S.C. Department of Education.

DISCRETELY PRESENTED COMPONENT UNIT

**DILLON COUNTY SCHOOL DISTRICT NO. 3
DISCRETELY PRESENTED COMPONENT UNIT
BALANCE SHEET
JUNE 30, 2017**

| | LATTA SCHOOLS EDUCATIONAL FOUNDATION |
|--|---|
| ASSETS | |
| Cash and Cash Equivalents | \$ 330,338 |
| Pledges Receivable (Net of Allowance for Uncollectibles) | <u>31,037</u> |
| TOTAL ASSETS | \$ <u>361,375</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | |
| Liabilities | |
| Accounts Payable | \$ <u>25,258</u> |
| Total Liabilities | \$ <u>25,258</u> |
| Deferred Inflows of Resources | |
| Unavailable Pledges | \$ <u>31,037</u> |
| Total Deferred Inflows of Resources | \$ <u>31,037</u> |
| Fund Balances | |
| Restricted for: | |
| Capital Projects | \$ 1,213 |
| Scholarships | 114,207 |
| Other Special Programs | 1,190 |
| Assigned for: | |
| Capital Projects and Debt Service | 187,216 |
| Unassigned | <u>1,254</u> |
| Total Fund Balances | \$ <u>305,080</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | \$ <u>361,375</u> |

RECONCILIATION TO THE STATEMENT OF NET POSITION:

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

| | |
|--|----------------------------|
| Ending governmental fund balance | \$ 305,080 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund. | 4,015,829 |
| Other long-term assets (pledges receivable) are not available to pay for current period expenditures and therefore, are not recognized as revenues in the fund. | 31,037 |
| 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 fund. | <u>(999,385)</u> |
| Net position (presented on page 13) | \$ <u>3,352,561</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, 2017**

| | <u>LATTA SCHOOLS EDUCATIONAL FOUNDATION</u> |
|--|---|
| REVENUES | |
| 1000 Revenue from Local Sources | |
| 1500 Earnings on Investments: | |
| 1510 Interest on Investments | \$ 396 |
| 1900 Other Revenue From Local Sources: | |
| 1920 Contributions & Donations Private Sources | 115,263 |
| 1999 Revenue from Other Local Sources | <u>5,538</u> |
| Total Local Sources | <u>\$ 121,197</u> |
| 2000 Intergovernmental Revenue | |
| 2100 Payments from Other Governmental Units | <u>\$ 200,935</u> |
| Total Intergovernmental Revenue | <u>\$ 200,935</u> |
| TOTAL REVENUE ALL SOURCES | <u>\$ 322,132</u> |
| EXPENDITURES | |
| 300 Community Services | |
| 390 Other Community Services: | |
| 100 Salaries | \$ 18,000 |
| 300 Purchased Services | 7,656 |
| 400 Supplies and Materials | 1,710 |
| 500 Capital Outlay | 60,170 |
| 600 Other Objects | <u>75,328</u> |
| Total Community Services | <u>\$ 162,864</u> |
| 500 Debt Service | |
| 610 Redemption of Principal | \$ 139,120 |
| 620 Interest | <u>55,165</u> |
| Total Debt Service Expenditures | <u>\$ 194,285</u> |
| TOTAL EXPENDITURES | <u>\$ 357,149</u> |
| Excess Revenues Over (Under) Expenditures | \$ (35,017) |
| FUND BALANCE JULY 1, 2016 | <u>340,097</u> |
| FUND BALANCE JUNE 30, 2017 | <u><u>\$ 305,080</u></u> |

**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, 2017**

RECONCILIATION TO THE STATEMENT OF ACTIVITIES:

Amounts reported in the statement of activities presented on page 14 are different because:

| | | |
|--|----|----------|
| Net change in governmental fund balance | \$ | (35,017) |
| 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 depreciation expense exceeded capital outlays in the current period. | | (53,241) |
| 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. | | (22,026) |
| 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 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. | | 139,120 |
| 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. | | 1,925 |
| Change in net position (reported on page 14) | \$ | 30,761 |

**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, 2017

| <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 | Reimbursement | Recouped by SDE in July 2017 | <u>8,951</u> |
| TOTALS | | | | | <u><u>8,951</u></u> |

**DILLON COUNTY SCHOOL DISTRICT NO. 3
LOCATION RECONCILIATION SCHEDULE
FOR FISCAL YEAR ENDED JUNE 30, 2017**

| <u>LOCATION</u> | <u>LOCATION DESCRIPTION</u> | <u>EDUCATION LEVEL</u> | <u>COST TYPE</u> | <u>TOTAL EXPENDITURES</u> |
|---|------------------------------|------------------------|------------------|-----------------------------|
| 30 | District | Non-Schools | Central | \$ 1,547,932 |
| 31 | Latta Elementary | Elementary Schools | School | 5,920,666 |
| 32 | Latta Middle | Middle Schools | School | 3,013,299 |
| 33 | Latta High | High Schools | School | 4,364,671 |
| 35 | Latta Educational Foundation | Non-Schools | Central | 200,936 |
| TOTAL EXPENDITURES/DISBURSEMENTS FOR ALL FUNDS | | | | \$ <u>15,047,504</u> |

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

| | |
|---|-----------------------------|
| General Fund (Subfunds 100s) | \$ 10,441,185 |
| Special Revenue Fund (Subfunds 200s, 800s, 900s) | 2,084,185 |
| Special Revenue EIA Fund (Subfunds 300s) | 855,748 |
| Debt Service Fund (Subfunds 400s) | 113,501 |
| Capital Projects Fund (School Building) (Subfunds 500s) | 182,843 |
| Proprietary Fund (Food Service) (Subfunds 600s) | 875,727 |
| Trust and Agency Fund (Pupil Activity) (Subfunds 700s) | 494,315 |
| TOTAL EXPENDITURES/DISBURSEMENTS FOR ALL FUNDS | \$ <u>15,047,504</u> |

**DILLON COUNTY SCHOOL DISTRICT NO. 3
SPECIAL PROJECTS FUND
SUBFUND CODE LIST
FOR FISCAL YEAR ENDED JUNE 30, 2017**

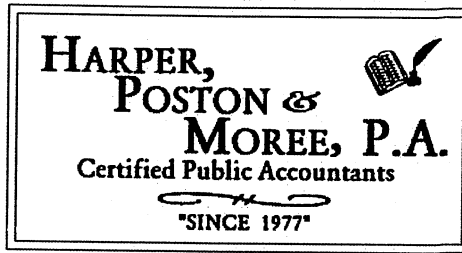
OTHER RESTRICTED STATE GRANTS

| | |
|-----|--|
| 915 | Technology Technical Assistance |
| 919 | Education License Plates |
| 924 | CDEP Expansion |
| 926 | Summer Reading Camp |
| 928 | EEDA Career Specialist |
| 935 | Reading Coaches |
| 936 | Student Health and Fitness - Nurses |
| 937 | Student Health and Fitness - PE Teachers |
| 963 | K-12 Technology Initiative |

OTHER SPECIAL REVENUE GRANTS

| | |
|-----|---|
| 251 | Title VI, Rural and Low-Income School Program |
| 267 | Improving Teacher Quality |
| 270 | Medicaid |
| 274 | 12-Months Ag Program |
| 801 | Local Grants |
| 802 | Level Data |

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, 2017, 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 8, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, 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 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 a 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. 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. This deficiency is listed as item 2017-001.

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

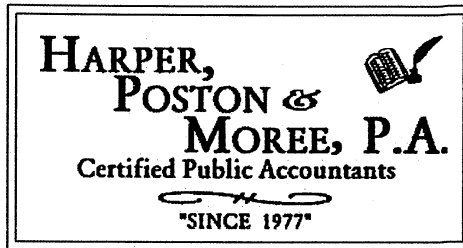
Purpose of the Report

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 8, 2017



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**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

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 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, 2017. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 types of 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, 2017.

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 the Uniform Guidance, 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 Uniform Guidance. 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 8, 2017

**DILLON COUNTY SCHOOL DISTRICT NO. 3
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR FISCAL YEAR ENDED JUNE 30, 2017**

A. Summary of Audit Results

1. The auditor's report expresses an unmodified 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 unmodified opinion.
6. There were no audit findings relative to major federal award programs reported in Part C of this schedule.
7. The following programs were tested as major programs:

Special Education Cluster:
IDEA (CFDA No. 84.027)
Preschool Grant (CFDA No. 84.173)
8. The threshold for distinguishing types A and B programs was \$750,000.
9. The District was determined to be a low risk auditee.

B. Findings - Financial Statement Audit

2017-001 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.

Repeat Audit Finding: This finding was reported in the prior audit period as finding 2016-001.

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, 2017**

B. Findings - Financial Statement Audit (continued)

2017-001 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, 2017**

| 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 Grants to LEAs | 84.010 | 17 Title I | \$ 540,991 |
| 202 | Title I Grants to LEAs | 84.010 | 16 Title I | 14,258 |
| | Total Title I | | | <u>555,249</u> |
| Special Education Cluster: | | | | |
| 203 | IDEA | 84.027 | 15 IDEA | 1,618 |
| 203 | IDEA | 84.027 | 16 IDEA | 299,375 |
| 203 | IDEA | 84.027 | 17 IDEA | 439,809 |
| 203 | IDEA Extended School Year | 84.027 | 15 IDEA ESY | 274 |
| 205 | Preschool Grant | 84.173 | 17 IDEA | 16,035 |
| | Total Special Education Cluster | | | <u>757,111</u> * |
| Vocational Education (CATE): | | | | |
| 207 | Subprogram 11 | 84.048 | 15 CATE | 6,705 |
| 251 | Title VI Rural and Low-Income Schools | 84.358 | 17 REAP | 35,178 |
| 267 | Title II Improving Teacher Quality | 84.367 | 16 Title II | 9,036 |
| 267 | Title II Improving Teacher Quality | 84.367 | 17 Title II | 107,089 |
| | Total Title II | | | <u>116,125</u> |
| | Total U.S. Department of Education | | | <u>\$ 1,470,368</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 | \$ 58,393 |
| Cash Assistance: | | | | |
| 600 | School Breakfast Program | 10.553 | N/A | 293,871 |
| 600 | School Lunch Program | 10.555 | N/A | 436,209 |
| | Total Child Nutrition Cluster | | | <u>788,473</u> |
| | Total U.S. Department of Agriculture | | (See Disclosure) | <u>\$ 788,473</u> ** |
| U.S. DEPARTMENT OF DEFENSE | | | | |
| Passed Through Dillon County Board of Education: | | | | |
| 100 | JROTC | 12.U01 | N/A | \$ 54,584 |
| | Total U.S. Department of Defense | | | <u>\$ 54,584</u> |
| | TOTAL FEDERAL AWARDS EXPENDED | | | <u>\$ 2,313,425</u> |

**DILLON COUNTY SCHOOL DISTRICT NO. 3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR FISCAL YEAR ENDED JUNE 30, 2017**

Notes to Schedule of Expenditures of Federal Awards:

- * Denotes a major program
- ** The accounting system used by South Carolina LEAs does not allow for the segregation of expenditures by fund source in the Food Service Fund. The total amount displayed under "Total USDA" excludes \$106,288 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 accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of Dillon County School District No. 3 under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Dillon County School District No. 3, it is not intended to and does not present the financial position, changes, in net assets, or cash flows of Dillon County School District No. 3.
- 2. Expenditures reported in the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Expenditures of federal awards made prior to December 26, 2014 are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*.
- 3. Dillon County School District No. 3 has a restricted indirect cost rate that is used for its federal programs and did not elect to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance and covered in *2 CFR Part 200.414*.
- 4. 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 \$58,393 in the form of federal non-cash USDA food commodities for the year ended June 30, 2017. 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.
- 5. Dillon County School District No. 3 did not provide any awards to subrecipients for the year ended June 30, 2017.
- 6. Dillon County School District No. 3 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 with 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, 2017**

Findings -- Financial Statement Audit

Finding 2016-001: Financial Statement Preparation

Condition: This finding was a significant deficiency that the District's accounting staff does not prepare its financial statements and related note disclosures.

Recommendation: The auditor recommended that management continue to consult with outside accountants on significant accounting matters and consider gaining the experience needed to prepare financial statements that are presented in accordance with generally accepted accounting principles. Management concurred with the recommendation and agreed to evaluate the cost/benefit of taking the necessary steps to prepare the financial statements and related note disclosures.

Current Status: This finding was reported as a significant deficiency for the year ended June 30, 2017. Due to cost/benefit considerations, the District has not taken corrective action.

Findings – Major Federal Awards Program Audit

None.



LATTA SCHOOL DISTRICT

*Dillon County No. 3
205 King Street
Latta, South Carolina 29565*

OFFICE OF THE SUPERINTENDENT
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FAX 843-752-2081
Web Site: www.dillon3.k12.sc.us

November 8, 2017

Office of Finance
South Carolina Department of Education
1429 Senate Street
Columbia, SC 29201

Dillon County School District No. 3 submits the following corrective action plan as required by the Uniform Guidance for the year ended June 30, 2017.

Name of Independent Public Accounting Firm: Harper, Poston & Moree, CPAs, PA

The findings from the June 30, 2017 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

Findings – Financial Statement Audit:

2017-001 Financial Statement Preparation

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

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

Cause of Condition: 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 of Condition: Errors or misstatements could occur and go undetected by management.

Recommendation: The auditor recommended that management consult with outside accountants on significant accounting matters and consider gaining the experience needed to prepare financial statements that are presented in accordance with generally accepted accounting principles.

Action Taken: Management concurred with the auditor's recommendation; however, due to cost/benefit considerations, the District has not taken corrective action. Management will continue to evaluate the recommendation.

Anticipated Completion Date: Not determined.

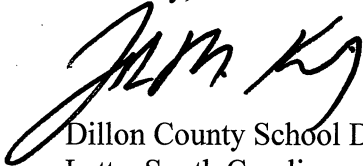
Contact Person(s) Responsible: Dr. John M. Kirby, Jr. - District Superintendent

Findings – Major Federal Awards Program Audit:

None identified.

If you should have any questions regarding this corrective action plan, please contact our offices.

Sincerely,

A handwritten signature in black ink, appearing to read "John M. Kirby, Jr.", written in a cursive style.

Dillon County School District No. 3
Latta, South Carolina