

DILLON COUNTY SCHOOL DISTRICT NO. 3
LATTA, SOUTH CAROLINA

**BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

FISCAL YEAR ENDED JUNE 30, 2018

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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, 2018, 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, 2018, 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.

Change in Accounting Principle

As described in Note 7 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

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 and other postemployment benefits information on pages 4 through 12 and 61 through 69 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 7, 2018 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 7, 2018

DILLON COUNTY SCHOOL DISTRICT THREE

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) FOR YEAR ENDED JUNE 30, 2018

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, 2018. 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 and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the fiscal year ending June 30, 2018 by \$21,338,485 mainly as a reflection of the implementation of GASB Statement No. 68 requiring reporting of \$16,991,911 for the District's proportionate share of the net pension liability and GASB Statement No. 75 requiring reporting of \$12,336,107 for the District's proportionate share of the net OPEB liability.
- The District's total net position decreased \$301,266 which represents an approximate 1.4% decrease from the restated (Note 16) fiscal year ending June 30, 2017.
- Revenues totaled \$15,436,988.
- Expenses totaled \$15,738,254.
- 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, 2018.
- Our principal operating fund, the General Fund, had \$10,658,280 in fiscal year 2018 revenues, which primarily consisted of state aid and property taxes and \$10,811,403 in expenditures. The General Fund's fund balance decreased from \$1,567,118 as of June 30, 2017 to \$1,521,767 as of June 30, 2018.
- As of the close of the year, 100% 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, pension related schedules related to GASB 68 implementation, and OPEB related schedules related to GASB 75 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 and deferred inflows of resources exceeded assets and deferred outflows of resources by \$21,338,485 as of June 30, 2018. This net position is due mainly to the District reporting \$16,991,911 for the proportionate share of the net pension liability as required by GASB No. 68 and also reporting \$12,336,107 for the proportionate share of the net OPEB liability as required by GASB No. 75. Reporting these liabilities may give an appearance of a weaker position on the financial statements.

The District's net investment in capital assets (\$4,829,293) 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, 2018 as compared to fiscal year ended June 30, 2017. GASB Statement No. 75 was implemented retroactively by restating beginning net position of 2018 as more fully described in Note 16 of the financial statements. Amounts presented below for 2017 have not been restated, as information was not available to provide a complete financial presentation.

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and Other Assets	\$ 3,804,370	2,923,840	\$ 335,255	291,720	\$ 4,139,625	3,215,560
Capital Assets, Net	5,295,064	4,750,318	97,371	104,150	5,392,435	4,854,468
Total Assets	9,099,434	7,674,158	432,626	395,873	9,532,060	8,070,028
Total Deferred Outflows	3,481,764	2,674,805	-0-	-0-	3,481,764	2,674,805
Current Liabilities	1,586,363	630,259	-0-	-0-	1,586,363	630,259
Long-term liabilities	31,041,976	17,675,023	3,265	2,939	31,045,241	17,677,962
Total Liabilities	32,628,339	18,305,282	3,265	2,939	32,631,604	18,308,221
Total Deferred Inflows	1,720,705	678,541	-0-	-0-	1,720,705	678,541
Net Position:						
Net Investment in Capital Assets	4,731,922	4,565,761	97,371	104,150	4,829,293	4,669,911
Unrestricted	(26,499,768)	(13,200,621)	331,990	288,781	(26,167,778)	(12,911,840)
Total Net Position	\$ (21,767,846)	(8,634,860)	\$ 429,361	392,931	\$ (21,338,485)	(8,241,929)

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 and GASB Statement No. 75. The District began the year with a negative net position of Governmental Activities of (\$8,634,860) before restatement and ended the fiscal year with net position of (\$21,767,846).

The following table presents a comparative summary of the changes in net position for the fiscal year ended June 30, 2018 and for the fiscal year ended June 30, 2017. As noted above, amounts presented for 2017 have not been restated.

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
REVENUES:						
Program Revenues:						
Charges for Services	\$ 308,795	334,142	\$ 129,176	106,174	\$ 437,971	440,316
Operating Grants & Contributions	10,719,339	10,004,646	847,671	788,541	11,567,010	10,793,187
Capital Grants & Contributions	283,285	89,300	-0-	-0-	283,285	89,300
General Revenues:						
Property Taxes Levied for Gen Purpose	2,061,007	2,044,945	-0-	-0-	2,061,007	2,044,945
Property Taxes Levied for Debt Service	113,501	113,501	-0-	-0-	113,501	113,501
State Aid	926,469	891,551	-0-	-0-	926,469	891,551
Unrestricted Investment Earnings	6,413	2,165	48	46	6,461	2,211
Insurance Proceeds	41,284	-0-	-0-	-0-	41,284	-0-
Total Revenues	14,460,093	13,480,250	976,895	894,761	15,436,988	14,375,011
EXPENSES:						
Instruction	8,363,247	8,046,533	-0-	-0-	8,363,247	8,046,533
Supporting Services	6,142,003	5,498,182	-0-	-0-	6,142,003	5,498,182
Intergovernmental	139,666	149,114	-0-	-0-	139,666	149,114
Interest & Other Charges	21,039	34,908	-0-	-0-	21,039	34,908
Depreciation – Unallocated	152,420	129,115	-0-	-0-	152,420	129,115
Food Service	-0-	-0-	919,879	905,929	919,879	905,929
Total Expenses	14,818,375	13,857,852	919,879	905,929	15,738,254	14,763,781
Excess before Transfers	(358,282)	(377,602)	57,016	11,168	(301,266)	(388,770)
Transfers	20,586	17,515	(20,586)	(17,515)	-0-	-0-
INCREASE/(DECREASE) in Net Position	(337,696)	(360,087)	36,430	(28,683)	(301,266)	(388,770)
Net Position, Beginning	(8,634,860)	(8,288,284)	392,931	421,201	(8,241,929)	(7,867,083)
Prior Period Adjustments	(12,795,290)	13,511	-0-	413	(12,795,290)	13,924
Net Position, Ending	\$ (21,767,846)	(8,634,860)	\$ 429,361	392,931	\$ (21,338,485)	(8,241,929)

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	
	2018	2017	2018	2017
Instruction	\$ 8,363,247	8,046,533	\$ (1,116,240)	(947,229)
Support Services	6,142,003	5,498,182	(2,119,884)	(2,208,815)
Intergovernmental	139,666	149,114	(97,373)	(109,697)
Interest and Other Charges	21,039	34,908	(21,039)	(34,908)
Depreciation (unallocated)	152,420	129,115	(152,420)	(129,115)
Totals	\$ 14,818,375	13,857,852	\$ (3,506,956)	(3,429,764)

- The cost of all governmental activities this year was \$14,818,375.
- Federal and state governments and charges for services subsidized certain programs with grants and contributions and other local revenues of \$11,311,419.
- Net cost of governmental activities (\$3,506,956), was financed by general revenues, which are made up of primarily property taxes \$2,174,508, state aid \$926,469 and other miscellaneous general revenues, grants and transfers of \$61,870. Investment earnings accounted for \$6,413 of funding. All of these components contributed to an overall decrease in net position for Governmental activities of \$337,696.
- The net decrease in governmental activities net position of \$337,696 accounts for the majority of the total decrease in the District's net position.

Business-Type Activities: Net position of business-type activities increased by \$36,430 for the current fiscal year. Operating grants and contributions increased \$59,130 from the prior fiscal year resulting in an overall increase in profit. Expenses remained relatively constant.

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 14% 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 \$1,521,767, a decrease of \$45,351 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 an increase in net position of \$36,430. The balance of net position on June 30, 2018 was \$429,361. The balance on June 30, 2017 was \$392,931. 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, 2018, the District has invested \$5,295,064 (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 \$544,746 increase from the prior year, primarily a result of energy improvements made possible by the ConserFund Revolving Loan/Grant program. Total depreciation expense for the year was \$330,027.

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, 2018:

		Amount	
		2018	2017
Land	\$	179,630	179,630
Buildings		2,863,015	2,990,354
Improvements		2,105,820	1,439,138
Vehicles		3,006	6,378
Equipment		143,593	134,818
Total Assets	\$	5,295,064	4,750,318

The net capital assets ending balance for business-type activities is \$97,371 reflecting a decrease of \$6,779 from the prior year. Depreciation expense for the year was \$17,184. Additional information on the District’s capital assets and commitments can be found in Note 4 and Note 15, 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, 2018:

	Beginning Balance	Addition	Reduction	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 225,630	-0-	(112,604)	\$ 113,026	\$ 113,026
Notes Payable	-0-	466,911	-0-	466,911	-0-
Capital Leases	387,109	-0-	(182,752)	204,357	204,357
Total Long-Term Debt	\$ 612,739	466,911	(295,356)	\$ 784,294	\$ 317,383

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.

During the current year, the District entered into an agreement for a ConserFund Revolving Loan/Grant Program to be used for energy improvements in the District. The agreement requires that 70% of the total project costs be repaid by the District in the form of a loan. The total amount required to be repaid by the District is \$466,911.

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 2018 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 \$35,192 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 2018-19 to the County Board of Education. The 2018-19 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 program and related costs; funds for continued growth of the Montessori program; and STEM related costs. 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. With numerous funding cuts in the past several years, the District made adjustments for the loss of revenue by maintaining budgeted expenditure reductions in various areas. Our growth in

number of students and use of the district reserve fund have helped to compensate for decreases in revenue along with raised tuition fees 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, 2018

	<u>PRIMARY GOVERNMENT</u>			<u>COMPONENT UNIT</u>
	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>	
ASSETS				
Cash	\$ -	\$ 430,663	\$ 430,663	\$ 301,115
Taxes Receivable (Net of Allowance)	203,597	-	203,597	-
Due From County Treasurer	2,176,331	-	2,176,331	-
Due From Other Governments	676,402	-	676,402	-
Pledges Receivable (Net of Allowance)	-	-	-	18,446
Due From Primary Government	-	-	-	4,600
Other Receivables	641,941	-	641,941	-
Internal Balances	106,099	(106,099)	-	-
Inventories	-	10,691	10,691	-
Capital Assets (Net of Accumulated Depreciation):				
Land (Non-Depreciable)	179,630	-	179,630	308,260
Buildings	2,863,015	-	2,863,015	3,371,019
Improvements	2,105,820	-	2,105,820	-
Vehicles	3,006	-	3,006	-
Equipment	143,593	97,371	240,964	222,644
TOTAL ASSETS	\$ 9,099,434	\$ 432,626	\$ 9,532,060	\$ 4,226,084
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows of Resources	\$ 3,481,764	\$ -	\$ 3,481,764	\$ -
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 3,481,764	\$ -	\$ 3,481,764	\$ -
LIABILITIES				
Accounts Payable	\$ 82,114	\$ -	\$ 82,114	\$ 33,050
Accrued Payroll Liabilities	73,935	-	73,935	-
Accrued Interest Payable	14,740	-	14,740	11,640
Due To Component Unit	4,600	-	4,600	-
Due To State Department of Education	4,617	-	4,617	-
Unearned Grant Revenues	1,406,357	-	1,406,357	-
Noncurrent Liabilities:				
Due Within One Year	508,328	2,332	510,660	152,241
Due In More Than One Year	30,533,648	933	30,534,581	689,048
TOTAL LIABILITIES	\$ 32,628,339	\$ 3,265	\$ 32,631,604	\$ 885,979
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows of Resources	\$ 1,720,705	\$ -	\$ 1,720,705	\$ -
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 1,720,705	\$ -	\$ 1,720,705	\$ -
NET POSITION				
Net Investment in Capital Assets	\$ 4,731,922	\$ 97,371	\$ 4,829,293	\$ 3,395,393
Restricted for Capital Projects	-	-	-	26,315
Restricted for Scholarships	-	-	-	87,004
Restricted for Special Programs	-	-	-	1,984
Unrestricted	(26,499,768)	331,990	(26,167,778)	(170,591)
TOTAL NET POSITION	\$ (21,767,846)	\$ 429,361	\$ (21,338,485)	\$ 3,340,105

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, 2018

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			COMPONENT UNIT
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT			
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
Governmental Activities:								
Instruction	\$ 8,363,247	\$ 110,322	\$ 7,096,352	\$ 40,333	\$ (1,116,240)	\$ -	\$ (1,116,240)	\$ -
Supporting Services	6,142,003	166,180	3,622,987	232,952	(2,119,884)	-	(2,119,884)	-
Intergovernmental	139,666	32,293	-	10,000	(97,373)	-	(97,373)	-
Interest and Other Charges	21,039	-	-	-	(21,039)	-	(21,039)	-
Depreciation - Unallocated*	152,420	-	-	-	(152,420)	-	(152,420)	-
Total Governmental Activities	\$ 14,818,375	\$ 308,795	\$ 10,719,339	\$ 283,285	\$ (3,506,956)	\$ -	\$ (3,506,956)	\$ -
Business-Type Activities:								
Food Service	\$ 919,879	\$ 129,176	\$ 847,671	\$ -	\$ -	\$ 56,968	\$ 56,968	\$ -
Total Business-Type Activities	\$ 919,879	\$ 129,176	\$ 847,671	\$ -	\$ -	\$ 56,968	\$ 56,968	\$ -
TOTAL PRIMARY GOVERNMENT	\$ 15,738,254	\$ 437,971	\$ 11,567,010	\$ 283,285	\$ (3,506,956)	\$ 56,968	\$ (3,449,988)	\$ -
COMPONENT UNIT								
Educational Foundation	\$ 280,953	\$ 1,928	\$ 35,379	\$ 200,535	\$ -	\$ -	\$ -	\$ (43,111)
General Revenues:								
Taxes:								
Property Taxes, Levied for General Purposes					\$ 2,061,007	\$ -	\$ 2,061,007	\$ -
Property Taxes, Levied for Debt Service					113,501	-	113,501	-
State Aid Not Restricted to Specific Programs					926,469	-	926,469	-
Unrestricted Contributions					-	-	-	30,090
Unrestricted Investment Earnings					6,413	48	6,461	565
Insurance Proceeds					41,284	-	41,284	-
Transfers					20,586	(20,586)	-	-
TOTAL GENERAL REVENUES AND TRANSFERS					\$ 3,169,260	\$ (20,538)	\$ 3,148,722	\$ 30,655
CHANGE IN NET POSITION					\$ (337,696)	\$ 36,430	\$ (301,266)	\$ (12,456)
NET POSITION BEGINNING OF YEAR, AS RESTATED (NOTE 16)					(21,430,150)	392,931	(21,037,219)	3,352,561
NET POSITION END OF YEAR					\$ (21,767,846)	\$ 429,361	\$ (21,338,485)	\$ 3,340,105

* Excludes depreciation of \$177,607 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, 2018**

	GENERAL	SPECIAL PROJECTS
ASSETS		
Taxes Receivable (Net of Allowance for Uncollectibles)	\$ 203,597	\$ -
Due From County Treasurer	2,176,331	-
Due From Other Funds	-	-
Due From State Department of Education	9,217	511,793
Due From State Government	-	-
Due From Federal Government	3,931	-
Other Receivables	2,212	-
TOTAL ASSETS	\$ 2,395,288	\$ 511,793
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
Liabilities		
Accounts Payable	\$ 72,114	\$ -
Due To Component Unit	4,600	-
Due To Other Funds	651,621	308,432
Due To State Department of Education	-	4,617
Accrued Payroll Liabilities	73,935	-
Unearned Grant Revenues	-	198,744
Total Liabilities	\$ 802,270	\$ 511,793
Deferred Inflows of Resources		
Unavailable Property Taxes	\$ 71,251	\$ -
Total Deferred Inflows of Resources	\$ 71,251	\$ -
Fund Balances		
Unassigned	\$ 1,521,767	\$ -
Total Fund Balances	\$ 1,521,767	\$ -
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 2,395,288	\$ 511,793

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>
\$ -	\$ -	\$ -	\$ 203,597
-	-	-	2,176,331
1,159,160	-	-	1,159,160
58,453	-	-	579,463
-	-	93,008	93,008
-	-	-	3,931
-	-	-	2,212
<u>\$ 1,217,613</u>	<u>\$ -</u>	<u>\$ 93,008</u>	<u>\$ 4,217,702</u>
\$ 10,000	\$ -	\$ -	\$ 82,114
-	-	-	4,600
-	-	93,008	1,053,061
-	-	-	4,617
-	-	-	73,935
<u>1,207,613</u>	<u>-</u>	<u>-</u>	<u>1,406,357</u>
<u>\$ 1,217,613</u>	<u>\$ -</u>	<u>\$ 93,008</u>	<u>\$ 2,624,684</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,251</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,251</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,521,767</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,521,767</u>
<u>\$ 1,217,613</u>	<u>\$ -</u>	<u>\$ 93,008</u>	<u>\$ 4,217,702</u>

**DILLON COUNTY SCHOOL DISTRICT NO. 3
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
JUNE 30, 2018**

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

Ending fund balances - governmental funds balance sheet	\$	1,521,767
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		5,295,064
Other long-term assets are not available to pay for current period expenditures and, therefore, are not recognized as revenues in the funds.		710,980
Long-term liabilities, including items such as general obligation bonds payable, notes payable, capital leases, net pension and OPEB liabilities, compensated absences, and accrued interest, are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(29,295,657)</u>
Net position of governmental activities	\$	<u><u>(21,767,846)</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, 2018

	GENERAL	SPECIAL PROJECTS
REVENUES		
Local	\$ 2,368,942	\$ 188,950
State	7,744,022	813,406
Federal	200,105	1,325,264
Intergovernmental	345,211	-
	<u>\$ 10,658,280</u>	<u>\$ 2,327,620</u>
TOTAL REVENUES	\$ 10,658,280	\$ 2,327,620
EXPENDITURES		
Current		
Instruction	\$ 5,697,942	\$ 1,173,021
Supporting Services	4,631,779	961,985
Intergovernmental Expenditures	241,831	104,861
Debt Service		
Principal	182,752	-
Interest and Fiscal Agent Fees	31,226	-
Capital Outlay	25,873	86,794
	<u>\$ 10,811,403</u>	<u>\$ 2,326,661</u>
TOTAL EXPENDITURES	\$ 10,811,403	\$ 2,326,661
Excess Revenues Over (Under) Expenditures	\$ (153,123)	\$ 959
OTHER FINANCING SOURCES (USES)		
Transfers From Other Funds	\$ 339,762	\$ -
Transfers To Other Funds	(698,901)	(959)
Proceeds From Long-Term Notes	466,911	-
	<u>\$ 107,772</u>	<u>\$ (959)</u>
TOTAL OTHER FINANCING SOURCES (USES)	\$ 107,772	\$ (959)
Net Change in Fund Balances	\$ (45,351)	\$ -
FUND BALANCES BEGINNING OF YEAR	<u>1,567,118</u>	<u>-</u>
FUND BALANCES END OF YEAR	<u>\$ 1,521,767</u>	<u>\$ -</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>
\$ -	\$ 113,501	\$ 46,491	\$ 2,717,884
1,331,436	-	100,000	9,988,864
-	-	-	1,525,369
-	-	-	345,211
<u>\$ 1,331,436</u>	<u>\$ 113,501</u>	<u>\$ 146,491</u>	<u>\$ 14,577,328</u>
\$ 842,225	\$ -	\$ -	\$ 7,713,188
120,994	-	8,415	5,723,173
10,000	-	-	356,692
-	112,604	-	295,356
-	897	-	32,123
40,000	-	836,977	989,644
<u>\$ 1,013,219</u>	<u>\$ 113,501</u>	<u>\$ 845,392</u>	<u>\$ 15,110,176</u>
\$ 318,217	\$ -	\$ (698,901)	\$ (532,848)
\$ -	\$ -	\$ 698,901	\$ 1,038,663
(318,217)	-	-	(1,018,077)
-	-	-	466,911
<u>\$ (318,217)</u>	<u>\$ -</u>	<u>\$ 698,901</u>	<u>\$ 487,497</u>
\$ -	\$ -	\$ -	\$ (45,351)
-	-	-	1,567,118
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,521,767</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, 2018**

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

Net change in fund balances - total governmental funds	\$	(45,351)
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.		544,746
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.		(41,307)
The issuance of long-term debt (e.g. general obligation bonds, notes, 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.		(27,097)
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>(768,687)</u>
Change in net position of governmental activities	\$	<u><u>(337,696)</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, 2018

	BUSINESS-TYPE ACTIVITY ENTERPRISE FUND (FOOD SERVICE)
ASSETS	
Current Assets:	
Cash	\$ 430,663
Inventories	10,691
Total Current Assets	<u>\$ 441,354</u>
Noncurrent Assets:	
Equipment	\$ 246,790
Less: Accumulated Depreciation	(149,419)
Total Noncurrent Assets	<u>\$ 97,371</u>
TOTAL ASSETS	<u>\$ 538,725</u>
LIABILITIES	
Current Liabilities:	
Compensated Absences	\$ 2,332
Due to Other Funds	106,099
Total Current Liabilities	<u>\$ 108,431</u>
Noncurrent Liabilities:	
Compensated Absences	\$ 933
Total Noncurrent Liabilities	<u>\$ 933</u>
TOTAL LIABILITIES	<u>\$ 109,364</u>
NET POSITION	
Investment in Capital Assets	\$ 97,371
Unrestricted	331,990
TOTAL NET POSITION	<u><u>\$ 429,361</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, 2018

	BUSINESS-TYPE ACTIVITY ENTERPRISE FUND (FOOD SERVICE)
OPERATING REVENUES	
Proceeds from Sales of Meals	\$ <u>121,598</u>
TOTAL OPERATING REVENUES	\$ <u>121,598</u>
OPERATING EXPENSES	
Food Costs	\$ 431,396
Salaries and Employee Benefits	320,227
Utilities	3,632
Depreciation	17,184
Supplies and Materials	121,653
Other Operating Costs	<u>25,787</u>
TOTAL OPERATING EXPENSES	\$ <u>919,879</u>
Operating Income (Loss)	\$ <u>(798,281)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest	\$ 48
USDA Reimbursements	787,013
Commodities Received From USDA	60,590
Other Federal and State Aid	68
Miscellaneous Revenues	<u>7,578</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	\$ <u>855,297</u>
Income (Loss) Before Transfers	\$ 57,016
TRANSFERS IN (OUT)	\$ <u>(20,586)</u>
Change in Net Position	\$ 36,430
NET POSITION BEGINNING OF YEAR	<u>392,931</u>
NET POSITION END OF YEAR	<u><u>429,361</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, 2018**

	BUSINESS-TYPE ACTIVITY ENTERPRISE FUND (FOOD SERVICE)
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Patrons	\$ 121,598
Payments to Suppliers for Goods and Services	(417,532)
Payments to Employees for Services	<u>(320,227)</u>
Net Cash Provided (Used) By Operating Activities	\$ <u>(616,161)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
USDA Federal Reimbursements	\$ 787,013
Other Federal and State Aid	68
Other Miscellaneous Receipts	7,578
Transfers to Other Funds	<u>(20,586)</u>
Net Cash Provided (Used) By Non-Capital Financing Activities	\$ <u>774,073</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of Capital Assets	\$ <u>(10,405)</u>
Net Cash Provided (Used) By Capital and Related Financing Activities	\$ <u>(10,405)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received on Investments	\$ <u>48</u>
Net Cash Provided (Used) By Investing Activities	\$ <u>48</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 147,555
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	<u>283,108</u>
CASH AND CASH EQUIVALENTS END OF YEAR	\$ <u><u>430,663</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, 2018**

		BUSINESS-TYPE ACTIVITY ENTERPRISE FUND (FOOD SERVICE)
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$	(798,281)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities:		
Depreciation		17,184
Non-Cash Commodities Used		60,590
Changes in Assets and Liabilities:		
(Increase) Decrease in Inventory		(2,228)
Increase (Decrease) in Due To/From Other Funds		106,248
Increase (Decrease) in Compensated Absences		326
		326
Net Cash Provided (Used) By Operating Activities	\$	(616,161)
 Supplemental Non-Cash Financing and Investing Information:		
Non-Cash Commodities Received from USDA	\$	<u>60,590</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, 2018**

	AGENCY FUND
ASSETS	
Cash and Cash Equivalents	\$ 106,544
Due From Component Unit	33,050
TOTAL ASSETS	\$ 139,594
LIABILITIES	
Accounts Payable	\$ 1,344
Due To Third Parties	138,250
TOTAL LIABILITIES	\$ 139,594
NET POSITION	\$ -

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

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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.

As more fully described in Note 7, the District implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement improves accounting and financial reporting by state and local governments for post-employment benefits other than pensions. As required by GASB, this statement was implemented retroactively by restating beginning net position.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018

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, 2018

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, 2018

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, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

It is the District's policy to permit employees hired prior to July 1, 2012 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.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position of the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF) and additions to/deductions from the plans' fiduciary net positions have been determined on the same basis as they are reported by the plans. For this purpose, the SCRHITF and the SCLTDITF plans recognize benefit payments 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.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

In the governmental fund financial statements, equity is classified as fund balance. The following classifications describe the relative strength of spending constraints placed on the purposes for which resources can be used:

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

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

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

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

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

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

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

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property Taxes

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

Nonexchange Transactions

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

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

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

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.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 \$537,207 and the corresponding bank balance was \$486,442.

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, 2018, \$93,295 of the District's bank balances of \$486,442 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.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 - DEPOSITS AND INVESTMENTS (continue)

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 \$2,176,331.

Component Unit

At year end, the Foundation's carrying amount of deposits was \$301,115 and the corresponding bank balance was also \$301,115. Of the Foundation's bank balance, \$51,115 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.

NOTE 3 – RECEIVABLES

Primary Government

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

	<u>General</u>	<u>Special Projects</u>	<u>EIA</u>	<u>Capital Projects</u>	<u>Total</u>
Receivables:					
Taxes	\$ 237,660	\$ -	\$ -	\$ -	\$ 237,660
State and Federal Grants	13,148	511,793	58,453	93,008	676,402
Other Receivables	<u>2,212</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,212</u>
Gross Receivables	\$ 253,020	\$ 511,793	\$ 58,453	\$ 93,008	\$ 916,274
Less: Allowance for					
Uncollectible Taxes	<u>(34,063)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(34,063)</u>
Net Receivables	<u>\$ 218,957</u>	<u>\$ 511,793</u>	<u>\$ 58,453</u>	<u>\$ 93,008</u>	<u>\$ 882,211</u>

Other receivables of \$641,941 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 did not collect any amount 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 \$17,698.

Pledges Receivable	\$ 31,594
Less: Allowance for Uncollectible Amounts	<u>(13,148)</u>
Totals	<u>\$ 18,446</u>

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 – RECEIVABLES (continued)

The following schedule lists pledges receivable by year.

Year Ended June 30	Pledges Receivable
2019	\$ 5,462
2020	3,534
2021	3,534
2022	3,216
2023	2,200
Thereafter	500
Totals	\$ 18,446

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
Governmental Activities:				
Capital Assets, not Being Depreciated:				
Land	\$ 179,630	\$ -	\$ -	\$ 179,630
Total Capital Assets, not Being Depreciated	\$ 179,630	\$ -	\$ -	\$ 179,630
Capital Assets, Being Depreciated:				
Buildings	\$ 7,108,867	\$ -	\$ -	\$ 7,108,867
Improvements	4,086,901	826,207	-	4,913,108
Vehicles	280,949	-	-	280,949
Support Equipment	123,126	-	-	123,126
Instructional Equipment	440,577	43,373	-	483,950
Maintenance Equipment	124,507	5,193	-	129,700
Total Capital Assets, Being Depreciated	\$ 12,164,927	\$ 874,773	\$ -	\$ 13,039,700
Less Accumulated Depreciation for:				
Buildings	\$ (4,118,513)	\$ (127,339)	\$ -	\$ (4,245,852)
Improvements	(2,647,763)	(159,525)	-	(2,807,288)
Vehicles	(274,571)	(3,372)	-	(277,943)
Support Equipment	(63,092)	(16,674)	-	(79,766)
Instructional Equipment	(365,793)	(22,212)	-	(388,005)
Maintenance Equipment	(124,507)	(905)	-	(125,412)
Total Accumulated Depreciation	\$ (7,594,239)	\$ (330,027)	\$ -	\$ (7,924,266)
Total Capital Assets, Being Depreciated, Net	\$ 4,570,688	\$ 544,746	\$ -	\$ 5,115,434
Governmental Activities Capital Assets, Net	\$ 4,750,318	\$ 544,746	\$ -	\$ 5,295,064

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 - CAPITAL ASSETS (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
Business-Type Activities:				
Capital Assets, Being Depreciated:				
Machinery and Equipment	\$ 236,385	\$ 10,405	\$ -	\$ 246,790
Total Capital Assets, Being Depreciated	\$ 236,385	\$ 10,405	\$ -	\$ 246,790
Less Accumulated Depreciation for:				
Machinery and Equipment	\$ (132,235)	\$ (17,184)	\$ -	\$ (149,419)
Total Accumulated Depreciation	\$ (132,235)	\$ (17,184)	\$ -	\$ (149,419)
Total Capital Assets, Being Depreciated, Net	\$ 104,150	\$ (6,779)	\$ -	\$ 97,371
Business-Type Activities Capital Assets, Net	\$ 104,150	\$ (6,779)	\$ -	\$ 97,371
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	\$ 3,737,242	\$ -	\$ -	\$ 3,737,242
Equipment and Furnishings	391,611	-	-	391,611
Total Capital Assets, Being Depreciated	\$ 4,128,853	\$ -	\$ -	\$ 4,128,853
Less Accumulated Depreciation for:				
Buildings	\$ (291,478)	\$ (74,745)	\$ -	\$ (366,223)
Equipment and Furnishings	(129,806)	(39,161)	-	(168,967)
Total Accumulated Depreciation	\$ (421,284)	\$ (113,906)	\$ -	\$ (535,190)
Total Capital Assets, Being Depreciated, Net	\$ 3,707,569	\$ (113,906)	\$ -	\$ 3,593,663
Total Capital Assets, Net	\$ 4,015,829	\$ (113,906)	\$ -	\$ 3,901,923

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DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 - CAPITAL ASSETS (continued)

Depreciation expense was charged to functions/programs as follows:

Primary Government:

Governmental Activities:

Instruction	\$	130,818
Supporting Services		46,789
Unallocated		<u>152,420</u>
Total Depreciation Expense - Governmental Activities	\$	<u><u>330,027</u></u>

Business-Type Activities:

Food Service	\$	<u>17,184</u>
Total Depreciation Expense - Business-Type Activities	\$	<u><u>17,184</u></u>

Component Unit:

Supporting Services	\$	<u>113,906</u>
Total Depreciation Expense - Component Unit	\$	<u><u>113,906</u></u>

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.

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, 2018, are as follows:

<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Original Issue</u>	<u>Outstanding June 30, 2018</u>
2009	0.40%	March 1, 2019	\$ <u>1,000,000</u>	\$ <u>113,026</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>
2019	\$ <u>113,026</u>	\$ <u>475</u>	\$ <u>113,501</u>
Totals	\$ <u><u>113,026</u></u>	\$ <u><u>475</u></u>	\$ <u><u>113,501</u></u>

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 - LONG-TERM DEBT (continued)

Notes Payable

The District entered into an agreement during the current year for a ConserFund Revolving Loan/Grant Program to be used for energy improvements in the District. Approved project costs per the agreement were \$667,016. The agreement requires that 70% of the maximum approved project costs (\$466,911) be repaid by the District in the form of a loan.

Outstanding notes payable at June 30, 2018, are as follows:

<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Original Issue</u>	<u>Outstanding June 30, 2018</u>
2018	1.50%	July 1, 2028	\$ 466,911	\$ 466,911

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

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ -	\$ -	-
2020	43,625	7,004	50,629
2021	44,280	6,349	50,629
2022	44,944	5,685	50,629
2023	45,618	5,011	50,629
2024-2028	238,563	14,583	253,146
2029-2033	49,881	748	50,629
Totals	\$ 466,911	\$ 39,380	\$ 506,291

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, 2018 for governmental activities is \$442,674 with corresponding accumulated depreciation of \$86,776.

Future lease payments due at June 30, 2018 are as follows:

<u>Year Ending June 30</u>	<u>Total</u>
2019	\$ 213,978
Total Minimum Lease Payments	\$ 213,978
Amount Representing Interest	(9,621)
Present Value of Future Minimum Lease Payments	\$ 204,357

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 225,630	\$ -	\$ (112,604)	\$ 113,026	\$ 113,026
Notes Payable	-	466,911	-	466,911	-
Capital Leases	387,109	-	(182,752)	204,357	204,357
Net Pension Liability	15,967,256	4,254,036	(3,229,381)	16,991,911	-
Net OPEB Liability	-	12,336,107	-	12,336,107	-
Debt Guarantee	985,747	-	(144,458)	841,289	152,241
Compensated Absences	109,281	41,810	(62,716)	88,375	38,704
Totals	<u>\$ 17,675,023</u>	<u>\$ 17,098,864</u>	<u>\$ (3,731,911)</u>	<u>\$ 31,041,976</u>	<u>\$ 508,328</u>
Business-Type Activities:					
Compensated Absences	\$ 2,939	\$ 2,425	\$ (2,099)	\$ 3,265	\$ 2,332
Totals	<u>\$ 2,939</u>	<u>\$ 2,425</u>	<u>\$ (2,099)</u>	<u>\$ 3,265</u>	<u>\$ 2,332</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, 2018, are as follows:

Date of Issue	Interest Rate	Maturity	Original Issue	Outstanding June 30, 2018
2013	5.00%	March 20, 2023	\$ 1,500,000	\$ 841,289

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

Year Ended June 30	Principal	Interest	Total
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	185,111	9,174	194,285
Totals	<u>\$ 841,289</u>	<u>\$ 130,136</u>	<u>\$ 971,425</u>

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018:

Component Unit:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Notes Payable	\$ 985,747	\$ -	\$ (144,458)	\$ 841,289	\$ 152,241
Totals	<u>\$ 985,747</u>	<u>\$ -</u>	<u>\$ (144,458)</u>	<u>\$ 841,289</u>	<u>\$ 152,241</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, 2018, 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	\$ -	\$ 651,621
Special Projects	-	308,432
EIA	1,159,160	-
School Building Fund	-	93,008
Food Service Fund	-	106,099
Total	<u>\$ 1,159,160</u>	<u>\$ 1,159,160</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	\$ 339,762	\$ 698,901
Special Projects	-	959
EIA	-	318,217
School Building Fund	698,901	-
Food Service Fund	-	20,586
Total	<u>\$ 1,038,663</u>	<u>\$ 1,038,663</u>

NOTE 7 - POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS

Plan Descriptions

The Other Post-Employment Benefits Trust Funds (OPEB Trusts), which collectively refers to the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF), were established by the State of South Carolina as Act 195, which became effective on May 2008. The SCRHITF was created to fund and account for the employer costs of the State's retiree health and dental plans. The SCLTDITF was created to fund and account for the employer costs of the State's Basic Long-Term Disability Income Benefit Plan.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 - POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS (continued)

In accordance with Act 195, the OPEB Trusts are administered through South Carolina Public Employment Benefit Authority (PEBA), Insurance Benefits and the State Treasurer is the custodian of the funds held in trust. The Board of Directors of PEBA has been designated as the Trustee.

The OPEB Trusts are cost-sharing multiple-employer defined benefit plans. Article 5 of the State Code of Laws defines the two plans and authorized the Trustee to at any time adjust the plans, including its benefits and contributions, as necessary to insure the fiscal stability of the plans. In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents.

Benefits

The SCRHITF is a healthcare plan that covers retired employees of the State of Carolina, including all agencies, and public school districts. The SCRHITF provides health and dental insurance benefits to eligible retirees. Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires beginning employment May 2, 2008 and after, retirees are eligible for benefits if they have established 25 years of service for 100% employer funding and 15-24 years of service for 50% employer funding.

The SCLTDITF is a long-term disability plan that covers employees of the State of South Carolina, including all agencies and public school districts and all participating local government entities. The SCLTDITF provides disability payments to eligible employees that have been approved for disability.

Contributions and Funding Policies

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment and long-term disability benefits to be funded through annual appropriations by the General Assembly for active employees to the PEBA, Insurance Benefits and participating retirees to PEBA, except the portion funded through the pension surcharge and provided from other applicable sources of the PEBA, Insurance Benefits. For active employees who are not funded by State General Fund appropriations, participating employers are mandated by State statute to contribute at a rate assessed each year by the Department of Administration Executive Budget Office. The covered payroll surcharge for the year ended June 30, 2018 was 5.50%. The South Carolina Retirement System collects the monthly surcharge for all participating employers and remits it directly to the SCRHITF. Other sources of funding for the SCRHITF include mandatory transfers of accumulated PEBA, Insurance Benefits' reserves and income generated from investments. Employer contributions also include the implicit subsidy, or age-related subsidy inherent in the healthcare premiums structure. The implicit subsidy represents a portion of the health care expenditures paid on behalf of the employer's active employees. For purposes of GASB Statement No. 75, this expenditure on behalf of the active employee is reclassified as a retiree health care expenditure so that the employer's contributions towards the plan reflect the underlying age-adjusted, retiree benefit costs.

BLTD benefits are funded through a person's premium charged to State agencies, public school districts and other participating local governments. The monthly premium per active employee was \$3.22 for the fiscal year ended June 30, 2018. The SCLTDITF premium is billed monthly by PEBA, Insurance Benefits and transferred monthly to the SCLTDITF. It is also funded through investment income.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 - POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS (continued)

In accordance with part (b) of paragraph 69 of GASB Statement No. 75, participating employers recognize revenue in an amount equal to the employer's proportionate share of the change in the collective net OPEB liability arising from contributions to the OPEB plan during the measurement period from non-employer contributing entities for purposes other than the separate financing of specific liabilities to the OPEB plan. Therefore, employers classify this revenue in the same manner as it classifies grants from other entities.

The District's proportionate share of appropriated funds was \$72,568 and is reported as revenues from a contribution made by a non-employer contributing entity.

For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Trusts, and additions to and deductions from the OPEB Trusts fiduciary net position have been determined on the same basis as they were reported by the OPEB Trusts. For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Therefore, benefit and administrative expenses are recognized when due and payable. Investments are reported at fair value.

Contributions to the OPEB plans from the District were as follows for the year ended June 30, 2018:

SCRHITF	\$	443,597
SCLTDITF	\$	6,424

The District also recorded fringe benefit expenses for insurance benefits for active employees in the amount of \$1,159,554 for the year ended June 30, 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the District reported a liability of \$12,336,107 for its proportionate share of the net OPEB liability, of which \$12,334,530 was for SCRHITF and \$1,577 was for SCLTDITF. The net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016 that was projected forward to the measurement date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participants, actuarially determined. The District's proportionate share at June 30, 2018 was .091064% for SCRHITF and .086966% for SCLTDITF. Information was not available to determine the increase or decrease in the District's proportionate share from June 30, 2017.

For the year ended June 30, 2018, the District recognized OPEB expense of \$757,766, of which \$750,727 was for SCRHITF and \$7,039 was for SCLTDITF.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 - POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS (continued)

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to the SCRHITF OPEB plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net differences between projected and actual investment experience	\$ 21,194	\$ -
Differences between expected and actual experience	-	5,354
Assumption changes	-	1,160,622
Changes in proportionate share and differences between employer contributions and proportionate share of total plan contributions	-	176
District contributions subsequent to the measurement date	<u>443,597</u>	<u>-</u>
Total	<u>\$ 464,791</u>	<u>\$ 1,166,152</u>

District contributions to the SCRHITF subsequent of the measurement date of \$443,597 reported as deferred outflows will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in OPEB expense as follows:

<u>Year Ending June 30:</u>	
2019	\$ (181,405)
2020	(181,405)
2021	(181,405)
2022	(181,405)
2023	(186,704)
Thereafter	<u>(232,634)</u>
	<u>\$ (1,144,958)</u>

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to the SCLTDITF OPEB plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net differences between projected and actual investment experience	\$ 760	\$ -
Assumption changes	-	143
Outstanding outflow balance between employer contributions and proportionate share of plan contributions	-	40
District contributions subsequent to the measurement date	<u>6,424</u>	<u>-</u>
Total	<u>\$ 7,184</u>	<u>\$ 183</u>

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 - POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS (continued)

District contributions to the SCLTDITF subsequent of the measurement date of \$6,424 reported as deferred outflows will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in OPEB expense as follows:

<u>Year Ending June 30:</u>		
2019	\$	170
2020		170
2021		170
2022		170
2023		(20)
Thereafter		<u>(83)</u>
	\$	<u><u>577</u></u>

Actuarial Assumptions and Methods

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Additional information as of the latest actuarial valuation for SCRHITF:

Valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Inflation	2.25%
Investment rate of return	4.00, net of OPEB Plan investment expense including inflation
Single discount rate	3.56% as of June 30, 2017
Demographic assumptions	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2015
Mortality	For healthy retirees, the 2016 Public Retirees of South Carolina Mortality Table for Males and the 2016 Public Retirees of South Carolina Mortality Table for Females are used with fully generational mortality projections based on Scale AA from the year 2016. Multipliers are applied to the base tables based on gender and employment type.
Health care trend rate	Initial trend starting at 7.00% and gradually decreasing to an ultimate trend rate of 4.15% over a period of 15 years
Aging Factors	Based on plan specific experience
Retiree Participation	79% for retirees who are eligible for funded premiums
Notes	There were not benefit changes during the year; the discount rate changed from 2.92% as of June 30, 2016 to 3.56% as of June 30, 2017

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 - POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS (continued)

Additional information as of the latest actuarial valuation for SCLTDITF:

Valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Inflation	2.25%
Investment rate of return	4.00, net of OPEB Plan investment expense including inflation
Single discount rate	3.87% as of June 30, 2017
Salary, termination, and retirement rates	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2015
Disability incidence	The rates used in the valuation are based on the rates developed for the South Carolina Retirement Systems pension plans
Disability recovery	For participants in payment, 1987 CGDT Group Disability; for active employees, 60% were assumed to recover after the first year and 92% were assumed to recover after the first two years
Offsets	40% were assumed to be eligible for Social Security benefits;
Retiree Participation	assumed percentage who will be eligible for a pension plan offset varies based on employee group
Notes	There were no benefit changes during the year; the discount rate changed from 3.74% as of June 30, 2016 to 3.87% as of June 30, 2017

Roll Forward Disclosure

The actuarial valuation was performed as of June 30, 2016. Update procedures were used to roll forward the total OPEB liability to June 30, 2017.

Net OPEB Liability

The Net OPEB Liability (NOL) is calculated separately for each OPEB Trust Fund and represents that particular Trust's Total OPEB Liability (TOL) determined in accordance with GASB Statement No. 74 less that Trust's fiduciary net position. The allocation of each employer's proportionate share of the collective Net OPEB Liability and collective OPEB expense was determined using the employer's payroll-related contributions over the measurement period. This method is expected to be reflective of the employer's long-term contribution effort as well as be transparent to individual employers and their external auditors.

The following table represents the components of the net OPEB liability as of June 30, 2017:

OPEB Trust	Total OPEB Liability	Plan Fiduciary Net Position	Employers' Net OPEB Liability(Asset)	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
SCRHITF	\$ 14,659,610,970	\$ 1,114,774,760	\$ 13,544,836,210	7.60%
SCLTDITF	\$ 38,510,568	\$ 36,697,589	\$ 1,812,979	95.29%

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 - POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS (continued)

The TOL is calculated by the Trusts' actuary, and each Trust's fiduciary net position is reported in the Trust's financial statements. The NOL is disclosed in accordance with the requirements of GASB Statement No. 74 in the Trusts' notes to the financial statements and required supplementary information. Liability calculations performed by the Trusts' actuary for the purpose of satisfying the requirements of GASB Statements No. 74 and 75 and are not applicable for other purposes, such as determining the Trusts' funding requirements.

Long-Term Expected Rate of Return

The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2017 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation. This information is summarized in the following table:

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Allocation- Weighted Long- Term Expected Real Rate of Return
U.S. Domestic Fixed Income	80.0%	2.09%	1.67%
Cash	20.0%	0.84%	0.17%
Total	100.0%		1.84%
Inflation for Actual Purposes			2.25%
Total Return			4.09%
Investment Return Assumption			4.00%

Single Discount Rate

The Single Discount Rate of 3.56% was used to measure the total OPEB liability for the SCRHITF. The accounting policy for this plan is to set the Single Discount Rate equal to the prevailing municipal bond rate. Due to the plan's investment and funding policies, the difference between a blended discount rate and the municipal bond rate would be less than several basis points (several hundredths of one percent).

A Single Discount Rate of 3.87% was used to measure the total OPEB liability for SCLTDITF. This Single Discount Rate was based on an expected rate of return on plan investments of 4.00% and a municipal bond rate of 3.56%. The projection of cash flows to determine this Single Discount Rate assumed that employer contributions will remain \$38.64 per year for each covered active employee. Based on these assumptions, the plan's Fiduciary Net Position and future contributions were sufficient to finance the benefit payments through the year 2037. As a result, the long-term expected rate of return on plan investments was applied to project benefit payments through the year 2037, and the municipal bond rate was applied to all benefit payments after that date.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 - POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS (continued)

Sensitivity Analysis

The following table presents the SCRHITF's net OPEB liability calculated using a Single Discount Rate of 3.56%, as well as what the plan's net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

	1.00% Decrease (2.56%)	Current Discount Rate (3.56%)	1.00% Increase (4.56%)
District's proportionate share of the SCRHITF net OPEB liability	\$ 14,526,590	\$ 12,334,530	\$ 10,567,193

Regarding the sensitivity of the SCRHITF's net OPEB liability to changes in the healthcare cost trend rates, the following table presents the plan's net OPEB liability, calculated using the assumed trend rates as well as what the plan's net OPEB liability would be if were calculated using a trend rate that is one percent lower or one percent higher:

	1.00% Decrease	Current Healthcare Cost Trend Rate	1.00% Increase
District's proportionate share of the SCRHITF net OPEB liability	\$ 10,114,826	\$ 12,334,530	\$ 15,208,514

The following table presents the SCLTDITF's net OPEB liability calculated using a Single Discount Rate of 3.87%, as well as what the plan's net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

	1.00% Decrease (2.87%)	Current Discount Rate (3.87%)	1.00% Increase (4.87%)
District's proportionate share of the SCLTDITF net OPEB liability	\$ 2,805	\$ 1,577	\$ 371

OPEB Plan Fiduciary Net Position

PEBA, Insurance Benefits issues audited financial statements and required supplementary information for the OPEB Trusts. The information is publically available through the Insurance Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA – Insurance Benefits, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, OPEB Trust fund financial information is also included in the comprehensive annual financial report of the state.

Payables to the Pension Plan

At June 30, 2018, the District had remitted all legally required contributions for the SCRHITF to the Dillon County Board of Education to remit to the plan on their behalf and all payments for the SCLTDITF to PEBA. Therefore, the District has reported no outstanding payables to the plan.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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 (9.00 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 (8.41 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, 2018

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. The PEBA Board increase the percentage rate in *SCRS* employer and employee contribution rates on the basis of the actuarial valuations, 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.

If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than ninety percent, then the board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than ninety percent. Any decrease in contribution rates must maintain the 2.9 differential between the *SCRS* employer and employee contribution rates. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than ninety percent, then effective on the following July first, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 90 percent.

The Retirement System Funding and Administration Act increases employer contribution rates to 13.56 percent for *SCRS* effective July 1, 2017. It also removes the 2.9 percent differential and increases and establishes a ceiling on employee contribution rates at 9 percent. The employer contribution rates will continue to increase annually by 1 percent through July 1, 2022. The legislation's ultimate scheduled employer rate is 18.56 percent. The amortization period is scheduled to be reduced one year for each of the next 10 years to a twenty year amortization schedule. The recent pension reform legislation also changes the long term funded ratio requirement from ninety to eighty-five.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 - PENSION AND RETIREMENT PLAN (continued)

- Required employee contribution rates¹ for fiscal year 2017-2018 are as follows:

SCRS

Employee Class Two	9.00% of earnable compensation
Employee Class Three	9.00% of earnable compensation

State ORP Employee	9.00% of earnable compensation
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- Required employer contribution rates¹ for fiscal year 2017-2018 are as follows:

SCRS

Employer Class Two	13.41% of earnable compensation
Employer Class Three	13.41% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation

State ORP

Employer Contribution ²	13.41% 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.

Employer contribution rates increased by more than one percentage point for the 2017-2018 fiscal year; therefore, in accordance with the South Carolina 2017-2018 Appropriation Act, Section 117.151 State funds were appropriated to PEBA for the Retirement Trust Funds. PEBA issued credit invoices to each employer for one percent of employer contributions based on its share of the appropriated funds.

The District's share of appropriated funds were \$75,928 and will be reported as revenues from a contribution made by a non-employer contributing entity and a reduction of net pension liability as of the June 30, 2018 measurement period.

Contributions to the pension plan from the District were as follows for the year ended June 30, 2018:

SCRS	\$	1,001,310
ORP - Remitted to SCRS	\$	9,920
ORP - Remitted to Vendor	\$	6,510

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

At June 30, 2018, the District reported a liability of \$16,991,911 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 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, 2018 was .075481%, which was a .000727% increase from its proportionate share at June 30, 2017.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 - PENSION AND RETIREMENT PLAN (continued)

For the year ended June 30, 2018, the District recognized pension expense of \$1,576,940. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 75,750	\$ 9,418
Assumption changes	994,695	-
Net difference between projected and actual earnings on pension plan investments	474,335	-
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	453,779	544,952
District contributions subsequent to the measurement date	1,011,230	-
Total	\$ 3,009,789	\$ 554,370

District contributions subsequent of the measurement date of \$1,011,230 reported as deferred outflows will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:		
2019	\$	318,767
2020		732,487
2021		521,997
2022		(129,062)
Thereafter		-
	\$	1,444,189

Actuarial Assumptions and Methods

Actuarial valuations of the ongoing plan 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 regarding the net pension liability 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 June 30, 2017, total pension liability (TPL), net pension liability (NPL), and sensitivity information were determined by the System's actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2016. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2017, using generally accepted actuarial principles. The Retirement System Funding and Administration Act of 2017 was signed into law April 25, 2017, and included a provision to reduce the assumed rate of return from 7.50% to 7.25% effective July 1, 2017. As a result of this legislation, GRS made an adjustment to the calculation of the roll-forward total pension liability for this assumption change as of the measurement date of June 30, 2017.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 - PENSION AND RETIREMENT PLAN (continued)

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2017.

Actuarial cost method	Entry age normal
Actuarial assumptions:	
Investment rate of return ¹	7.25%
Projected salary increases	3.0% to 12.5% (varies by service) ¹
Benefit adjustments	lesser of 1% or \$500 annually

¹Includes inflation at 2.25%

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table (2016 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

Assumptions used in the determination of the June 30, 2017, TPL are as follows.

Former Job Class	Males	Females
Educators	2016 PRSC Males multiplied by 92%	2016 PRSC Females multiplied by 98%
General Employees	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%

Net Pension Liability

The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB Statement No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2017, for SCRS are presented below.

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability(Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 48,244,437,494	\$ 25,732,829,268	\$ 22,511,608,226	53.3%

The TPL is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The NPL is disclosed in accordance with the requirements of GASB Statement No. 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Statements No. 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 30 year capital market assumptions. 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.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 - PENSION AND RETIREMENT PLAN (continued)

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2017 fiscal year. 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 7.25 percent assumed annual investment rate of return set in statute and used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Global Equity	45.0%		
Global Public Equity	31.0%	6.72%	2.08%
Private Equity	9.0%	9.60%	0.86%
Equity Options Strategies	5.0%	5.91%	0.30%
Real Assets	8.0%		
Real Estate (Private)	5.0%	4.32%	0.22%
Real Estate (REITs)	2.0%	6.33%	0.13%
Infrastructure	1.0%	6.26%	0.06%
Opportunistic	17.0%		
GTAA/Risk Parity	10.0%	4.16%	0.42%
Hedge Funds (non-PA)	4.0%	3.82%	0.15%
Other Opportunistic Strategies	3.0%	4.16%	0.12%
Diversified Credit	18.0%		
Mixed Credit	6.0%	3.92%	0.24%
Emerging Markets Debt	5.0%	5.01%	0.25%
Private Debt	7.0%	4.37%	0.31%
Conservative Fixed Income	12.0%		
Core Fixed Income	10.0%	1.60%	0.16%
Cash and Short Duration (Net)	2.0%	0.92%	0.02%
Total Expected Real Return	<u>100.0%</u>		<u>5.31%</u>
Inflation for Actuarial Purposes			<u>2.25%</u>
Total Expected Nominal Return			<u>7.56%</u>

Discount Rate

The discount rate used to measure the TPL was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in the SCRS will be made based on the actuarially determined rates based on provision in the South Carolina Code of Laws. 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 TPL.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 - PENSION AND RETIREMENT PLAN (continued)

Sensitivity Analysis

The following table presents the collective NPL of the District calculated using the discount rate of 7.25 percent, as well as what the Districts' NPL would be if it were calculated using a discount rate of 1.00 percent lower (6.25 percent) or 1.00 percent higher (8.25 percent) than the current rate.

	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
District's proportionate share of the net pension liability	\$ 21,900,240	\$ 16,991,911	\$ 14,013,709

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, 202 Arbor Lake Drive, Columbia, SC 29223.

Payables to the Pension Plan

At June 30, 2018, 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 OUTFLOWS AND INFLOWS OF RESOURCES

The following is a summary of deferred outflows and inflows of resources reported in the government-wide statements of the District for June 30, 2018:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB - SCRHITF	\$ 464,791	\$ 1,166,152
OPEB - SCLTDTF	7,184	183
Pensions - SCRS Plan	<u>3,009,789</u>	<u>554,370</u>
Total	<u>\$ 3,481,764</u>	<u>\$ 1,720,705</u>

NOTE 10 - DEFERRED COMPENSATION PLAN

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

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 - DEFERRED COMPENSATION PLAN (continued)

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

GASB Statement No. 32 was issued to address the 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 11 - 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, 2018, 2017, and 2016.

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

NOTE 12 - 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 13 – 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.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 14 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND STATEMENTS

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net 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	\$ 71,251
County Reimbursement for Elementary School Construction	<u>639,729</u>
	<u>\$ 710,980</u>
Long-Term Liabilities Not Reported in the Funds:	
General Obligation Bonds	\$ (113,026)
Notes Payable	(466,911)
Capital Leases	(204,357)
Net Pension Liability	(16,991,911)
Deferred Outflows of Resources Related to Pension	3,009,789
Deferred Inflows of Resources Related to Pension	(554,370)
Net OPEB Liability	(12,336,107)
Deferred Outflows of Resources Related to OPEB	471,975
Deferred Inflows of Resources Related to OPEB	(1,166,335)
Debt Guarantee for Latta Schools Educational Foundation, Inc.	(841,289)
Accrued Interest Payable	(14,740)
Compensated Absences Payable	<u>(88,375)</u>
	<u>\$ (29,295,657)</u>

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

Capital Outlays:	
Capital Outlay Expenditures	\$ 874,773
Depreciation Expense	<u>(330,027)</u>
	<u>\$ 544,746</u>
Revenues Not Recognized in the Funds:	
Property Taxes	\$ <u>(41,307)</u>
	<u>\$ (41,307)</u>

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

Issuance and Repayment of Long-Term Debt:	
Issuance of Notes Payable	\$ (466,911)
Principal Repayment on Guaranteed Debt	144,458
Principal Repayment on General Obligation Bonds	112,604
Principal Repayment on Capital Leases	<u>182,752</u>
	<u>\$ (27,097)</u>
Expenses Not Recognized in the Funds:	
Compensated Absences	\$ 20,906
Accrued Interest on Long-Term Debt	11,084
Pension Expense	(565,500)
OPEB Expense	<u>(235,177)</u>
	<u>\$ (768,687)</u>

NOTE 15 – 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, 2018, the outstanding principal of the debt is \$841,289.

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.

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, 2018, the District paid \$144,458 in principal and \$49,826 in interest on the guaranteed debt. The cumulative amount that has been paid by the District as of June 30, 2018 is \$582,584. 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, 2018 is as follows:

Beginning Balance	Increases	Decreases	Ending Balance
\$ 985,747	\$ -	\$ (144,458)	\$ 841,289
<u>985,747</u>	<u>-</u>	<u>(144,458)</u>	<u>841,289</u>

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 16 – NET POSITION RESTATEMENT

The District retroactively implemented the provisions of GASB Statement No. 75 by restating net position as follows:

		Governmental Activities
As Originally Reported	\$	(8,634,860)
Net OPEB Liability		(13,245,311)
Deferred Outflows of Resources for Contributions Made After the Measurement Date		450,021
As Restated	\$	(21,430,150)

NOTE 17 – 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.

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.

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 2017, the programs resulted in property tax abatements or tax revenue sharing with other South Carolina counties of \$2,248,287 for Dillon County; \$2,716,622 for the Dillon County Schools Board of Education; and \$679,051 for Dillon County School District No. 3.

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

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 18 – SUBSEQUENT EVENTS

The District entered into a construction commitment subsequent to year end for renovations to the Teacherage housing. The total cost of the project is estimated to be \$70,761 and is expected to be completed by November of 2018.

NOTE 19 – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

GASB has issued Statement No. 87 *Leases*, to provide guidance for lease contracts for nonfinancial assets – including vehicles, heavy equipment, and buildings – but excludes nonexchange transactions, including donated assets, and leases of intangible assets (such as patents and software licenses). This guidance is intended to align the accounting and financial reporting of lease transactions more closely with their economic substance. The guidance is based on the underlying principle that leases are financings of the right to use an underlying asset for a period of time. It will eliminate the current distinction between operating and capital leases by treating all leases as financings. This standard is applicable for periods beginning after December 15, 2019. The District has not yet determined the impact of this statement on the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**DILLON COUNTY SCHOOL DISTRICT NO. 3
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR FISCAL YEAR ENDED JUNE 30, 2018**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Local	\$ 2,396,743	\$ 2,396,743	\$ 2,368,942	\$ (27,801)
State	7,728,339	7,728,339	7,744,022	15,683
Federal	-	-	200,105	200,105
Intergovernmental	263,000	263,000	345,211	82,211
TOTAL REVENUES	\$ 10,388,082	\$ 10,388,082	\$ 10,658,280	\$ 270,198
EXPENDITURES				
Current				
Instruction	\$ 5,783,226	\$ 5,783,226	\$ 5,697,942	\$ 85,284
Supporting Services	4,493,623	4,493,623	4,631,779	(138,156)
Intergovernmental Expenditures	224,310	224,310	241,831	(17,521)
Debt Service				
Redemption of Principal	182,752	182,752	182,752	-
Interest	49,300	49,300	31,226	18,074
Capital Outlay	43,000	43,000	25,873	17,127
TOTAL EXPENDITURES	\$ 10,776,211	\$ 10,776,211	\$ 10,811,403	\$ (35,192)
Excess Revenues Over (Under) Expenditures	\$ (388,129)	\$ (388,129)	\$ (153,123)	\$ 235,006
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	\$ 388,129	\$ 388,129	\$ 339,762	\$ (48,367)
Transfers To Other Funds	-	-	(698,901)	(698,901)
Proceeds From Long-Term Notes	-	-	466,911	466,911
TOTAL OTHER FINANCING SOURCES (USES)	\$ 388,129	\$ 388,129	\$ 107,772	\$ (280,357)
Net Change in Fund Balance	\$ -	\$ -	\$ (45,351)	\$ (45,351)
FUND BALANCE BEGINNING OF YEAR	1,567,118	1,567,118	1,567,118	-
FUND BALANCE END OF YEAR	\$ 1,567,118	\$ 1,567,118	\$ 1,521,767	\$ (45,351)

**DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
FOR FISCAL YEAR ENDED JUNE 30, 2018**

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, 2018, actual expenditures in the general fund exceeded budgeted appropriations by \$35,192.

**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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net pension liability (asset)	0.075481%	0.074754%	0.074630%	0.078785%	█	█	█	█	█	█
District's proportionate share of the net pension liability (asset)	\$ 16,991,911	\$ 15,967,256	\$ 14,153,883	\$ 13,564,156	█	█	█	█	█	█
District's covered payroll	\$ 6,199,286	\$ 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	274.09%	275.06%	251.53%	231.52%	█	█	█	█	█	█
Plan fiduciary net position as a percentage of the total pension liability	53.30%	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 - PENSION PLAN
SOUTH CAROLINA RETIREMENT SYSTEM
LAST 10 FISCAL YEARS**

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contributions	\$ 1,011,230	\$ 880,173	\$ 801,019	\$ 762,722	\$ 763,684	\$ 667,188	\$ 626,422	\$ 663,776	\$ 672,838	\$ 645,374
Contributions in relation to the contractually required contributions	<u>(1,011,230)</u>	<u>(880,173)</u>	<u>(801,019)</u>	<u>(762,722)</u>	<u>(763,684)</u>	<u>(667,188)</u>	<u>(626,422)</u>	<u>(663,776)</u>	<u>(672,838)</u>	<u>(645,374)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 8,065,402	\$ 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
Contributions as a percentage of covered payroll	12.54%	11.46%	10.96%	10.82%	10.60%	10.60%	9.54%	9.39%	9.39%	9.39%

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, 2018**

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, 2017.

Summary of Actuarial Methods and Significant Assumptions

Valuation date	07/01/16
Actuarial cost method	Entry age normal
Amortization method	Level percent open
Amortization period	30 years
Asset Valuation method	20% difference recognition method
Inflation rate	2.25%
Projected salary increases	3.0% to 12.5% (varies by service) ¹
Investment rate of return	7.25%
Benefit adjustments	lesser of 1% or \$500 annually

¹*Includes inflation at 2.25%*

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
South Carolina Retiree Health Insurance Trust Fund										
District's proportion of the net OPEB liability (asset)	0.091064%									
District's proportionate share of the net OPEB liability (asset)	\$ 12,334,530									
District's covered payroll	\$ 7,683,123									
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	160.54%									
Plan fiduciary net position as a percentage of the total OPEB liability	7.60%									
South Carolina Long-Term Disability Insurance Trust Fund										
District's proportion of the net OPEB liability (asset)	0.086966%									
District's proportionate share of the net OPEB liability (asset)	\$ 1,577									
District's covered payroll	\$ N/A									
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	N/A									
Plan fiduciary net position as a percentage of the total OPEB liability	95.29%									

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 75 implementation, which was fiscal year ending 2018. Information on the proportionate share of net OPEB liability is not available prior to that fiscal year.

**DILLON COUNTY SCHOOL DISTRICT NO. 3
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT CONTRIBUTIONS - OPEB PLANS
LAST 10 FISCAL YEARS**

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
South Carolina Retiree Health Insurance Trust Fund										
Contractually required contributions	\$ 443,597	\$	\$	\$	\$	\$	\$	\$	\$	\$
Contributions in relation to the contractually required contributions	(443,597)									
Contribution deficiency (excess)	\$ -	\$	\$	\$	\$	\$	\$	\$	\$	\$
District's covered payroll	\$ 8,065,402	\$	\$	\$	\$	\$	\$	\$	\$	\$
Contributions as a percentage of covered payroll	5.50%									
South Carolina Long-Term Disability Insurance Trust Fund										
Contractually required contributions	\$ 6,424	\$	\$	\$	\$	\$	\$	\$	\$	\$
Contributions in relation to the contractually required contributions	(6,424)									
Contribution deficiency (excess)	\$ -	\$	\$	\$	\$	\$	\$	\$	\$	\$
District's covered payroll	\$ N/A	\$	\$	\$	\$	\$	\$	\$	\$	\$
Contributions as a percentage of covered payroll	N/A									

Notes: The District is retroactively reporting data back to the year of GASB Statement 75 implementation, which was fiscal year ending 2018. Information on the proportionate share of net OPEB liability is not available prior to that fiscal year.

**DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO THE OPEB PLANS SCHEDULES
FOR FISCAL YEAR ENDED JUNE 30, 2018**

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 Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF). This information was obtained from the financial statements of the South Carolina Public Employee Benefit Authority (PEBA), Insurance Benefits and Other Postemployment Benefits Trust Funds for the year ended June 30, 2017.

Summary of Actuarial Methods and Significant Assumptions

OPEB Plan:	SCRHITF
Valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Inflation	2.25%
Investment rate of return	4.00, net of OPEB Plan investment expense including inflation
Single discount rate	3.56% as of June 30, 2017
Demographic assumptions	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2015
Mortality	For healthy retirees, the 2016 Public Retirees of South Carolina Mortality Table for Males and the 2016 Public Retirees of South Carolina Mortality Table for Females are used with fully generational mortality projections based on Scale AA from the year 2016. Multpliers are applied to the base tables based on gender and employment type.
Health care trend rate	Initial trend starting at 7.00% and gradually decreasing to an ultimate trend rate of 4.15% over a period of 15 years
Aging Factors	Based on plan specific experience
Retiree Participation	79% for retirees who are eligible for funded premiums
Notes	There were not benefit changes during the year; the discount rate changed from 2.92% as of June 30, 2016 to 3.56% as of June 30, 2017

**DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO THE OPEB PLANS SCHEDULES
FOR FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 - ACTUARIAL METHODS & ASSUMPTIONS USED (continued)

Summary of Actuarial Methods and Significant Assumptions

OPEB Plan:	SCLTDITF
Valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Inflation	2.25%
Investment rate of return	4.00, net of OPEB Plan investment expense including inflation
Single discount rate	3.87% as of June 30, 2017
Salary, termination, and retirement rates	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2015
Disability incidence	The rates used in the valuation are based on the rates developed for the South Carolina Retirement Systems pension plans
Disability recovery	For participants in payment, 1987 CGDT Group Disability; for active employees, 60% were assumed to recover after the first year and 92% were assumed to recover after the first two years
Offsets	40% were assumed to be eligible for Social Security benefits;
Retiree Participation	assumed percentage who will be eligible for a pension plan offset varies based on employee group
Notes	There were no benefit changes during the year; the discount rate changed from 3.74% as of June 30, 2016 to 3.87% as of June 30, 2017

**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, 2018

REVENUES	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
1000 Revenue from Local Sources			
1100 Taxes Levied/Assessed by the LEA:			
1110 Ad Valorem Taxes -			
Including Delinquent Taxes	\$ 1,495,000	\$ 1,680,297	\$ 185,297
1140 Penalties and Interest on Taxes	16,000	13,699	(2,301)
1190 Other Taxes	356,856	408,318	51,462
1500 Earnings on Investments:			
1510 Interest on Investments	1,000	6,413	5,413
1900 Other Revenue From Local Sources:			
1990 Miscellaneous Local Revenue			
1993 Receipt of Insurance Proceeds	527,887	41,284	(486,603)
1999 Revenue from Other Local Sources	-	218,931	218,931
Total Local Sources	\$ 2,396,743	\$ 2,368,942	\$ (27,801)
2000 Intergovernmental Revenue			
2100 Payments from Other Governmental Units	\$ 263,000	\$ 345,211	\$ 82,211
Total Intergovernmental Revenues	\$ 263,000	\$ 345,211	\$ 82,211
3000 Revenue from State Sources			
3100 Restricted State Funding:			
3130 Special Programs:			
3131 Handicapped Transportation	\$ -	\$ 709	\$ 709
3160 School Bus Driver Salary	70,000	100,599	30,599
3162 Transportation Workers' Compensation	-	5,448	5,448
3180 Fringe Benefits Employer Contributions	2,118,837	1,989,969	(128,868)
3190 Miscellaneous Restricted State Grants:			
3199 Other Restricted State Grants	-	550	550
3300 Education Finance Act (EFA):	* 4,664,186	-	(4,664,186)
3310 Full-Time Programs:			
3311 Kindergarten	* -	234,970	234,970
3312 Primary	* -	680,534	680,534
3313 Elementary	* -	1,130,157	1,130,157
3314 High School	* -	386,490	386,490
3315 Trainable Mentally Handicapped	* -	25,979	25,979
3316 Speech Handicapped	* -	161,027	161,027
3320 Part-Time Programs:			
3322 Educable Mentally Handicapped	* -	37,773	37,773
3323 Learning Disabilities	* -	312,973	312,973
3324 Hearing Handicapped	* -	5,491	5,491
3325 Visually Handicapped	* -	8,609	8,609
3326 Orthopedically Handicapped	* -	13,075	13,075
3327 Vocational	* -	752,576	752,576

* The District budgeted EFA programs (revenue account numbers 3311-3392) 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, 2018**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES (continued)			
3000 Revenue from State Sources (continued)			
3300 Education Finance Act (EFA) (continued):			
3330 Miscellaneous EFA Programs:			
3331 Autism	*	93,343	93,343
3332 High Achieving Students	*	73,367	73,367
3334 Limited English Proficiency	*	5,491	5,491
3351 Academic Assistance	*	160,770	160,770
3352 Pupils in Poverty	*	537,111	537,111
3353 Dual Credit Enrollment	*	5,021	5,021
3375 Education Foundation Supplement	*	1,682	1,682
3392 NBC Excess EFA Formula	*	17,911	17,911
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)	-	103,317	103,317
3825 Reimbursement for Property Tax Relief (Tier 3)	615,000	549,421	(65,579)
3830 Merchant's Inventory Tax	19,200	19,662	462
3840 Manufacturers Depreciation Reimbursement	32,000	34,231	2,231
3890 Other State Property Tax Revenues	25,000	35,722	10,722
3900 Other State Revenue:			
3993 PEBA On-Behalf	-	75,928	75,928
Total State Sources	<u>\$ 7,728,339</u>	<u>\$ 7,744,022</u>	<u>\$ 15,683</u>
4000 Revenue from Federal Sources			
4900 Other Federal Sources:			
4999 Revenue from Other Federal Sources	\$ -	\$ 200,105	\$ 200,105
Total Federal Sources	<u>\$ -</u>	<u>\$ 200,105</u>	<u>\$ 200,105</u>
TOTAL REVENUE ALL SOURCES	<u>\$ 10,388,082</u>	<u>\$ 10,658,280</u>	<u>\$ 270,198</u>
EXPENDITURES			
100 Instruction			
110 General Instruction			
111 Kindergarten Programs:			
100 Salaries	\$ 290,312	\$ 326,021	\$ (35,709)
200 Employee Benefits	142,547	143,620	(1,073)
400 Supplies and Materials	5,000	5,031	(31)
112 Primary Programs:			
100 Salaries	869,271	754,509	114,762
200 Employee Benefits	385,840	295,173	90,667
400 Supplies and Materials	15,000	24,803	(9,803)

**DILLON COUNTY SCHOOL DISTRICT NO. 3
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR FISCAL YEAR ENDED JUNE 30, 2018**

EXPENDITURES (continued)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
100 Instruction (continued)			
110 General Instruction (continued)			
113 Elementary Programs:			
100 Salaries	1,160,455	1,213,885	(53,430)
200 Employee Benefits	446,186	471,063	(24,877)
400 Supplies and Materials	10,750	18,298	(7,548)
114 High School Programs:			
100 Salaries	1,112,349	1,119,566	(7,217)
200 Employee Benefits	453,718	437,950	15,768
400 Supplies and Materials	20,000	16,917	3,083
115 Career and Technology Education Programs:			
100 Salaries	120,311	111,313	8,998
200 Employee Benefits	58,055	65,347	(7,292)
500 Capital Outlay	-	20	(20)
120 Exceptional Programs			
121 Educable Mentally Handicapped:			
100 Salaries	38,224	37,370	854
200 Employee Benefits	16,129	15,099	1,030
122 Trainable Mentally Handicapped:			
100 Salaries	56,799	58,946	(2,147)
200 Employee Benefits	30,178	24,530	5,648
126 Speech Handicapped:			
100 Salaries	97,462	97,308	154
200 Employee Benefits	37,315	37,283	32
127 Learning Disabilities:			
100 Salaries	110,835	111,235	(400)
200 Employee Benefits	40,625	40,934	(309)
130 Pre-School Programs			
139 Early Childhood Programs:			
100 Salaries	82,460	103,235	(20,775)
200 Employee Benefits	41,744	44,061	(2,317)
140 Special Programs			
141 Gifted and Talented - Academic:			
100 Salaries	45,320	45,320	-
200 Employee Benefits	18,917	19,085	(168)
145 Homebound:			
100 Salaries	-	2,862	(2,862)
200 Employee Benefits	-	754	(754)
300 Purchased Services	4,750	1,602	3,148

**DILLON COUNTY SCHOOL DISTRICT NO. 3
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR FISCAL YEAR ENDED JUNE 30, 2018**

EXPENDITURES (continued)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
100 Instruction (continued)			
140 Special Programs (continued)			
148 Gifted and Talented - Artistic:			
100 Salaries	8,522	-	8,522
200 Employee Benefits	3,402	-	3,402
149 Other Special Programs:			
300 Purchased Services	4,750	844	3,906
160 Other Exceptional Programs			
161 Autism:			
100 Salaries	39,382	38,438	944
200 Employee Benefits	16,618	15,540	1,078
Total Instruction	\$ 5,783,226	\$ 5,697,962	\$ 85,264
200 Supporting Services			
210 Pupil Services			
212 Guidance Services:			
100 Salaries	\$ 95,493	\$ 93,240	\$ 2,253
140 Terminal Leave	-	904	(904)
200 Employee Benefits	31,470	31,747	(277)
300 Purchased Services	1,500	123	1,377
400 Supplies and Materials	1,500	2,596	(1,096)
213 Health Services:			
100 Salaries	61,540	63,523	(1,983)
200 Employee Benefits	26,854	27,068	(214)
300 Purchased Services	1,500	1,524	(24)
400 Supplies and Materials	16,500	18,212	(1,712)
214 Psychological Services:			
100 Salaries	49,748	49,748	-
200 Employee Benefits	20,092	20,502	(410)
300 Purchased Services	-	6,896	(6,896)
217 Career Specialist Services			
100 Salaries	16,927	16,927	-
200 Employee Benefits	6,352	6,410	(58)
220 Instructional Staff Services			
221 Improvement of Instruction - Curriculum Development:			
100 Salaries	74,872	78,143	(3,271)
200 Employee Benefits	23,485	27,741	(4,256)
300 Purchased Services	34,894	39,324	(4,430)
400 Supplies and Materials	14,000	1,280	12,720

**DILLON COUNTY SCHOOL DISTRICT NO. 3
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR FISCAL YEAR ENDED JUNE 30, 2018**

EXPENDITURES (continued)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
200 Supporting Services (continued)			
220 Instructional Staff Services (continued)			
222 Library and Media Services:			
100 Salaries	160,638	159,025	1,613
200 Employee Benefits	64,814	65,444	(630)
400 Supplies and Materials	9,490	9,709	(219)
223 Supervision of Special Programs:			
100 Salaries	133,176	126,393	6,783
200 Employee Benefits	43,076	43,046	30
300 Purchased Services	-	132	(132)
224 Improvement of Instruction - Inservice and Staff Training:			
100 Salaries	4,000	5,275	(1,275)
200 Employee Benefits	1,062	1,529	(467)
300 Purchased Services	12,000	9,869	2,131
400 Supplies and Materials	900	100	800
600 Other Objects	450	555	(105)
230 General Administration Services			
231 Board of Education:			
200 Employee Benefits	-	36	(36)
300 Purchased Services	12,000	10,249	1,751
318 Audit Services	30,000	28,749	1,251
600 Other Objects	177,500	230,542	(53,042)
232 Office of the Superintendent:			
100 Salaries	167,960	167,903	57
200 Employee Benefits	80,311	85,265	(4,954)
300 Purchased Services	12,100	9,788	2,312
400 Supplies and Materials	5,350	6,820	(1,470)
500 Capital Outlay	1,500	-	1,500
600 Other Objects	3,000	10,927	(7,927)
233 School Administration:			
100 Salaries	598,789	598,591	198
140 Terminal Leave	-	7,302	(7,302)
200 Employee Benefits	236,187	237,186	(999)
300 Purchased Services	2,000	1,170	830
400 Supplies and Materials	6,843	7,739	(896)
600 Other Objects	2,250	1,633	617
250 Finance and Operations Services			
252 Fiscal Services:			
100 Salaries	96,458	93,061	3,397
140 Terminal Leave	-	8,396	(8,396)
200 Employee Benefits	38,848	40,451	(1,603)
300 Purchased Services	9,000	12,391	(3,391)
400 Supplies and Materials	2,000	555	1,445
600 Other Objects	-	264	(264)

**DILLON COUNTY SCHOOL DISTRICT NO. 3
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR FISCAL YEAR ENDED JUNE 30, 2018**

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
EXPENDITURES (continued)			
200 Supporting Services (continued)			
250 Finance and Operations Services (continued)			
254 Operation and Maintenance of Plant:			
100 Salaries	458,480	460,652	(2,172)
200 Employee Benefits	221,215	206,635	14,580
300 Purchased Services	140,136	153,958	(13,822)
321 Public Utilities	12,100	20,717	(8,617)
400 Supplies and Materials	85,000	96,977	(11,977)
470 Energy	275,500	277,040	(1,540)
500 Capital Outlay	13,000	6,951	6,049
600 Other Objects	-	287	(287)
255 Student Transportation:			
100 Salaries	38,400	193,977	(155,577)
200 Employee Benefits	19,023	86,509	(67,486)
300 Purchased Services	243,300	4,170	239,130
400 Supplies and Materials	1,800	1,223	577
256 Food Services:			
100 Salaries	-	980	(980)
200 Employee Benefits	163,629	101,409	62,220
257 Internal Services:			
300 Purchased Services	25,000	25,948	(948)
258 Security:			
100 Salaries	-	4,860	(4,860)
200 Employee Benefits	-	1,291	(1,291)
300 Purchased Services	80,000	93,254	(13,254)
400 Supplies and Materials	-	174	(174)
260 Central Support Services			
266 Technology and Data Processing Services:			
100 Salaries	136,807	136,750	57
200 Employee Benefits	45,213	50,957	(5,744)
300 Purchased Services	24,600	40,936	(16,336)
400 Supplies and Materials	-	36,164	(36,164)
500 Capital Outlay	28,500	18,902	9,598
270 Supporting Services Pupil Activity			
271 Pupil Services Activities:			
100 Salaries	91,515	118,430	(26,915)
200 Employee Benefits	23,476	28,355	(4,879)
400 Supplies and Materials	6,500	6,500	-
660 Pupil Activity	15,000	17,623	(2,623)
Total Supporting Services	\$ 4,536,623	\$ 4,657,632	\$ (121,009)

**DILLON COUNTY SCHOOL DISTRICT NO. 3
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR FISCAL YEAR ENDED JUNE 30, 2018**

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
EXPENDITURES (continued)			
400 Intergovernmental Expenditures			
412 Payments to Other Governmental Units			
720 Transits	\$ 30,000	\$ 42,946	\$ (12,946)
417 Payments to Nonprofit Entities			
720 Transits	194,310	198,885	(4,575)
Total Intergovernmental Expenditures	\$ 224,310	\$ 241,831	\$ (17,521)
500 Debt Service			
610 Redemption of Principal	\$ 182,752	\$ 182,752	\$ -
620 Interest	49,300	31,226	18,074
Total Debt Service	\$ 232,052	\$ 213,978	\$ 18,074
TOTAL EXPENDITURES	\$ 10,776,211	\$ 10,811,403	\$ (35,192)
Excess Revenues Over (Under) Expenditures	\$ (388,129)	\$ (153,123)	\$ 235,006
OTHER FINANCING SOURCES (USES)			
5400 Proceeds from Long-Term Notes	\$ -	\$ 466,911	\$ 466,911
Interfund Transfers, From (To) Other Funds:			
5220 Transfer from Special Revenue Fund	-	959	959
5230 Transfer from Special Revenue EIA Fund	308,129	318,217	10,088
5280 Transfer from Other Funds Indirect Costs	80,000	20,586	(59,414)
424 - 710 Transfer to School Building Fund	-	(698,901)	(698,901)
TOTAL OTHER FINANCING SOURCES (USES)	\$ 388,129	\$ 107,772	\$ (280,357)
Excess Revenues and Expenditures Over (Under) Other Financing Sources (Uses)	\$ -	\$ (45,351)	\$ (45,351)
FUND BALANCE JULY 1, 2017		1,567,118	
FUND BALANCE JUNE 30, 2018		\$ 1,521,767	

**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, 2018**

	TITLE I (201/202)	IDEA (203/204)	PRESCHOOL HANDICAPPED (205/206)
REVENUES			
1000 Revenue From Local Sources			
1900 Other Revenue from Local Sources:			
1930 Medicaid	\$ -	\$ -	\$ -
1990 Miscellaneous Local Revenue			
1999 Revenue from Other Local Sources	-	-	-
	-	-	-
Total Local Sources	\$ -	\$ -	\$ -
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 Early Reading Development and Education (CDEP)	-	-	-
3135 Reading Coaches	-	-	-
3136 Student Health and Fitness - Nurses	-	-	-
3177 Summer Reading Camps	-	-	-
3183 Teacher Recruiting and Retention	-	-	-
3190 Miscellaneous Restricted State Grants:			
3193 Education License Plates	-	-	-
3600 Education Lottery Act Revenue:			
3630 K-12 Technology Initiative	-	-	-
3655 Classroom Libraries	-	-	-
3900 Other State Revenue:			
3994 PEBA Nonemployer Contributions	-	-	-
	-	-	-
Total State Sources	\$ -	\$ -	\$ -
4000 Revenue From Federal Sources			
4200 Occupational Education:			
4210 Perkins Aid, Title I Vocational Education	\$ -	\$ -	\$ -
4300 Elementary and Secondary Education Act of 1965 (ESEA):			
4310 Title I, Basic State Grant Programs	698,232	-	-
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)	-	497,455	-
4520 Pre-School Grants for Children with Disabilities (IDEA)	-	-	16,011
	-	-	16,011
Total Federal Sources	\$ 698,232	\$ 497,455	\$ 16,011
TOTAL REVENUE ALL SOURCES	\$ 698,232	\$ 497,455	\$ 16,011

<u>CATE (207/208)</u>	<u>OTHER DESIGNATED RESTRICTED STATE GRANTS (900s)</u>	<u>OTHER SPECIAL REVENUE PROGRAMS (200s/800s)</u>	<u>TOTAL</u>
\$ -	\$ -	\$ 180,864	\$ 180,864
-	-	8,086	8,086
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 188,950</u>	<u>\$ 188,950</u>
\$ -	\$ 210,823	\$ -	\$ 210,823
-	188,612	-	188,612
-	14,536	-	14,536
-	9,280	-	9,280
-	119,494	-	119,494
-	27,191	-	27,191
-	2,937	-	2,937
-	63,622	-	63,622
-	333	-	333
-	74,010	-	74,010
-	30,000	-	30,000
-	72,568	-	72,568
<u>\$ -</u>	<u>\$ 813,406</u>	<u>\$ -</u>	<u>\$ 813,406</u>
\$ 25,409	\$ -	\$ -	\$ 25,409
-	-	-	698,232
-	-	23,562	23,562
-	-	64,595	64,595
-	-	-	497,455
-	-	-	16,011
<u>\$ 25,409</u>	<u>\$ -</u>	<u>\$ 88,157</u>	<u>\$ 1,325,264</u>
<u>\$ 25,409</u>	<u>\$ 813,406</u>	<u>\$ 277,107</u>	<u>\$ 2,327,620</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, 2018**

EXPENDITURES	TITLE I (201/202)	IDEA (203/204)	PRESCHOOL HANDICAPPED (205/206)
100 Instruction			
110 General Instruction			
111 Kindergarten Programs:			
100 Salaries	\$ -	\$ -	-
200 Employee Benefits	-	-	-
112 Primary Programs:			
100 Salaries	370,735	-	-
200 Employee Benefits	175,521	-	-
400 Supplies and Materials	14,943	-	-
113 Elementary Programs:			
100 Salaries	-	-	-
200 Employee Benefits	-	-	-
400 Supplies and Materials	45,887	-	-
500 Capital Outlay	-	-	-
114 High School Programs:			
100 Salaries	-	-	-
200 Employee Benefits	-	-	-
400 Supplies and Materials	-	-	-
115 Career and Technology Education Programs:			
100 Salaries	-	-	-
120 Exceptional Programs			
122 Trainable Mentally Handicapped:			
100 Salaries	-	83,114	-
200 Employee Benefits	-	39,523	-
300 Purchased Services	-	85	-
400 Supplies and Materials	-	8,146	-
126 Speech Handicapped:			
100 Salaries	-	15	12,381
200 Employee Benefits	-	4	3,630
300 Purchased Services	-	380	-
400 Supplies and Materials	-	841	-
127 Learning Disabilities:			
100 Salaries	-	90,861	-
200 Employee Benefits	-	42,312	-
300 Purchased Services	-	79	-
400 Supplies and Materials	-	21,675	-
140 Special Programs			
147 CDEP:			
400 Supplies and Materials	-	-	-
149 Other Special Programs:			
300 Purchased Services	-	47,560	-

<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>
\$ -	\$ 6,000	\$ -	\$ 6,000
-	458	-	458
-	29,674	-	400,409
-	5,009	-	180,530
-	24,814	-	39,757
-	13,250	39,900	53,150
-	995	15,213	16,208
-	5,186	-	51,073
-	333	-	333
-	13,500	-	13,500
-	1,033	-	1,033
-	-	6,857	6,857
25,409	-	7,127	32,536
-	3,000	-	86,114
-	229	-	39,752
-	-	-	85
-	-	-	8,146
-	500	-	12,896
-	38	-	3,672
-	-	-	380
-	-	-	841
-	1,500	-	92,361
-	115	-	42,427
-	-	-	79
-	-	-	21,675
-	9,280	-	9,280
-	-	-	47,560

**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, 2018**

	TITLE I (201/202)	IDEA (203/204)	PRESCHOOL HANDICAPPED (205/206)
EXPENDITURES (continued)			
100 Instruction (continued)			
160 Other Exceptional Programs:			
161 Autism:			
400 Supplies and Materials	-	3,305	-
170 Summer School Programs			
171 Primary Summer School:			
100 Salaries	-	-	-
	-	-	-
Total Instruction	\$ 607,086	\$ 337,900	\$ 16,011
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	-	38,315	-
400 Supplies and Materials	-	-	-
214 Psychological Services:			
100 Salaries	-	-	-
400 Supplies and Materials	-	5,008	-
217 Career Specialist Services:			
100 Salaries	-	-	-
200 Employee Benefits	-	-	-
220 Instructional Staff Services			
221 Improvement of Instruction - Curriculum Development:			
100 Salaries	-	-	-
200 Employee Benefits	-	-	-
222 Library and Media Services:			
100 Salaries	-	-	-
223 Supervision of Special Programs:			
100 Salaries	-	36,238	-
200 Employee Benefits	-	18,332	-
300 Purchased Services	1,062	2,098	-
400 Supplies and Materials	415	2,821	-
600 Other Objects	-	832	-

<u>CATE (207/208)</u>	<u>OTHER DESIGNATED RESTRICTED STATE GRANTS (900s)</u>	<u>OTHER SPECIAL REVENUE PROGRAMS (200s/800s)</u>	<u>TOTAL</u>
-	-	-	3,305
-	2,937	-	2,937
\$ 25,409	\$ 117,851	\$ 69,097	\$ 1,173,354
\$ -	\$ 70,627	\$ -	\$ 70,627
-	25,545	-	25,545
-	17,454	111,744	129,198
-	9,738	36,471	46,209
-	-	-	38,315
-	-	356	356
-	500	-	500
-	-	-	5,008
-	65,395	-	65,395
-	27,044	-	27,044
-	92,858	16,705	109,563
-	26,636	-	26,636
-	1,500	-	1,500
-	857	-	37,095
-	-	-	18,332
-	-	-	3,160
-	-	-	3,236
-	-	-	832

**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, 2018**

	TITLE I (201/202)	IDEA (203/204)	PRESCHOOL HANDICAPPED (205/206)
EXPENDITURES (continued)			
200 Supporting Services (continued)			
220 Instructional Staff Services (continued)			
224 Improvement of Instruction - Inservice and Staff Training:			
100 Salaries	70,862	22,100	-
200 Employee Benefits	18,807	5,853	-
300 Purchased Services	-	3,750	-
250 Finance and Operations Services			
251 Student Transportation			
300 Purchased Services	-	11,757	-
260 Central Support Services			
266 Technology and Data Processing Services:			
300 Purchased Services	-	-	-
400 Supplies and Materials	-	-	-
500 Capital Outlay	-	12,451	-
Total Supporting Services	\$ 91,146	\$ 159,555	\$ -
400 Intergovernmental Expenditures			
411 Payments to SCDE			
720 Transits	\$ -	\$ -	\$ -
414 Medicaid Payments to SCDE			
720 Transits	-	-	-
419 Payments from PEBA Nonemployer Contributions			
720 Transits	-	-	-
Total Intergovernmental Expenditures	\$ -	\$ -	\$ -
TOTAL EXPENDITURES	\$ 698,232	\$ 497,455	\$ 16,011
Excess Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -
OTHER FINANCING SOURCES (USES)			
Interfund Transfers, From (To) Other Funds			
420-710 Transfer to General Fund	\$ -	\$ -	\$ -
TOTAL OTHER FINANCING SOURCES (USES)	\$ -	\$ -	\$ -
Excess Revenues and Expenditures Over (Under) Other Financing Sources (Uses)	\$ -	\$ -	\$ -
FUND BALANCE JULY 1, 2017	-	-	-
FUND BALANCE JUNE 30, 2018	\$ -	\$ -	\$ -

<u>CATE (207/208)</u>	<u>OTHER DESIGNATED RESTRICTED STATE GRANTS (900s)</u>	<u>OTHER SPECIAL REVENUE PROGRAMS (200s/800s)</u>	<u>TOTAL</u>
-	-	1,050	94,012
-	-	276	24,936
-	-	8,156	11,906
-	-	-	11,757
-	8,191	-	8,191
-	202,632	-	202,632
-	74,010	-	86,461
\$ -	\$ 622,987	\$ 174,758	\$ 1,048,446
\$ -	\$ -	\$ 527	\$ 527
-	-	31,766	31,766
-	72,568	-	72,568
\$ -	\$ 72,568	\$ 32,293	\$ 104,861
\$ 25,409	\$ 813,406	\$ 276,148	\$ 2,326,661
\$ -	\$ -	\$ 959	\$ 959
\$ -	\$ -	\$ (959)	\$ (959)
\$ -	\$ -	\$ (959)	\$ (959)
\$ -	\$ -	\$ -	\$ -
-	-	-	-
\$ -	\$ -	\$ -	\$ -

**DILLON COUNTY SCHOOL DISTRICT NO. 3
SPECIAL PROJECTS FUND
SUMMARY SCHEDULE FOR DESIGNATED STATE RESTRICTED GRANTS
FOR FISCAL YEAR ENDED JUNE 30, 2018**

SUBFUND CODE	REVENUE CODE	PROGRAMS	REVENUES
903	3183	Teacher Recruiting and Retention	\$ 63,622
915	3105	Technology Technical Assistance	210,823
919	3193	Education License Plates	333
924	3134	Child Early Reading Development and Education (CDEP)	9,280
926	3177	Summer Reading Camps	2,937
928	3118	EEDA Career Specialist	188,612
935	3135	Reading Coaches	119,494
936	3136	Student Health and Fitness - Nurses	27,191
937	3127	Student Health and Fitness - PE Teachers	14,536
939	3393	Capital Improvement Plan - Additional	-
963	3630	K-12 Technology Initiative	74,010
968	3655	Classroom Libraries	30,000
994	3994	PEBA Nonemployer Contributions	72,568
TOTALS			\$ 813,406

<u>EXPENDITURES</u>	<u>SPECIAL PROJECTS INTERFUND TRANSFERS IN/(OUT)</u>	<u>OTHER FUND TRANSFERS IN/(OUT)</u>	<u>UNEARNED REVENUE</u>
\$ 63,622	\$ -	\$ -	\$ -
210,823	-	-	-
333	-	-	-
9,280	-	-	-
2,937	-	-	-
188,612	-	-	-
119,494	-	-	-
27,191	-	-	-
14,536	-	-	-
-	-	-	163,101
74,010	-	-	-
30,000	-	-	-
72,568	-	-	-
<u>\$ 813,406</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 163,101</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, 2018**

REVENUES	<u>ACTUAL</u>
3000 Revenue from State Sources	
3500 Education Improvement Act:	
3507 Aid to District Technology	\$ 29,909
3511 Professional Development	11,092
3512 Technology Professional Development	6,574
3519 Grade 10 Assessments	31,928
3526 Refurbishment of K-8 Science Kits	14,638
3529 Career and Technology Education	50,000
3532 National Board Salary Supplement	19,007
3533 Teacher of the Year Award	1,077
3538 Students At Risk of School Failure	191,246
3541 Child Early Reading Development and Education Program (CDEP) - Full Day 4K	294,636
3550 Teacher Salary Increase	273,866
3555 Teacher Salary Fringe	44,351
3557 Summer Reading Program	3,145
3558 Reading	4,350
3577 Teacher Supplies	28,050
3587 Maintenance of State Financial Support (MES) Tier I	18,822
3589 Maintenance of State Financial Support (MES) Tier II	275,594
3592 Work-Based Learning	1,693
3595 EEDA - Supplies and Materials	4,383
3597 Aid to Districts	27,075
	<hr/>
Total State Sources	\$ <u>1,331,436</u>
TOTAL REVENUE ALL SOURCES	\$ <u>1,331,436</u>
EXPENDITURES	
100 Instruction	
110 General Instruction	
112 Primary Programs:	
400 Supplies and Materials	\$ 18,870
113 Elementary Programs:	
100 Salaries	139,240
200 Employee Benefits	62,165
400 Supplies and Materials	13,918
114 High School Programs:	
100 Salaries	24,572
200 Employee Benefits	13,071
400 Supplies and Materials	7,700
115 Career and Technology Education Programs:	
100 Salaries	630
200 Employee Benefits	43
400 Supplies and Materials	301
500 Capital Outlay	40,000

**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, 2018**

EXPENDITURES (continued)	<u>ACTUAL</u>
100 Instruction (continued)	
120 Exceptional Programs	
122 Trainable Mentally Handicapped:	
400 Supplies and Materials	9,825
127 Learning Disabilities:	
400 Supplies and Materials	185,741
140 Special Programs	
147 CDEP:	
100 Salaries	199,940
200 Employee Benefits	94,696
160 Other Exceptional Programs	
161 Autism:	
400 Supplies and Materials	4,410
170 Summer School Program	
171 Primary Summer School:	
100 Salaries	29,763
200 Employee Benefits	8,494
400 Supplies and Materials	4,660
175 Instructional Programs Beyond Regular School Day:	
100 Salaries	17,158
200 Employee Benefits	4,452
400 Supplies and Materials	<u>2,576</u>
Total Instruction	\$ <u>882,225</u>
200 Supporting Services	
210 Pupil Services	
212 Guidance Services:	
400 Supplies and Materials	\$ 37,686
220 Instructional Staff Services	
222 Library and Media Services:	
400 Supplies and Materials	825
223 Supervision of Special Programs:	
400 Supplies and Materials	5,198
224 Improvement of Instruction - Inservice and Staff Training:	
100 Salaries	19,875
200 Employee Benefits	5,247
300 Purchased Services	9,671
400 Supplies and Materials	5,290

**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, 2018**

	ACTUAL
EXPENDITURES (continued)	
200 Supporting Services (continued)	
260 Central Support Services	
266 Technology and Data Processing Services:	
300 Purchased Services	6,574
400 Supplies and Materials	29,909
270 Support Services - Pupil Activity	
271 Pupil Service Activities	
300 Purchased Services	719
Total Supporting Services	\$ 120,994
400 Intergovernmental Expenditures	
412 Payments to Other Governmental Units	
720 Transits	\$ 10,000
Total Intergovernmental Expenditures	\$ 10,000
TOTAL EXPENDITURES	\$ 1,013,219
Excess Revenues Over (Under) Expenditures	\$ 318,217
OTHER FINANCING SOURCES (USES)	
Interfund Transfers, From (To) Other Funds	
420-710 Transfer to General Fund	\$ (318,217)
TOTAL OTHER FINANCING SOURCES (USES)	\$ (318,217)
Excess Revenues and Expenditures Over (Under) Other Financing Sources (Uses)	\$ -
FUND BALANCE JULY 1, 2017	-
FUND BALANCE JUNE 30, 2018	\$ -

**DILLON COUNTY SCHOOL DISTRICT NO. 3
 EDUCATION IMPROVEMENT ACT
 SUMMARY SCHEDULE BY PROGRAM
 FOR FISCAL YEAR ENDED JUNE 30, 2018**

PROGRAM	<u>REVENUES</u>
3500 Education Improvement Act:	
3507 Aid to District Technology	\$ 29,909
3511 Professional Development	11,092
3512 Technology Professional Development	6,574
3519 Grade 10 Assessments	31,928
3526 Refurbishment of K-8 Science Kits	14,638
3528 Industry Certifications/Credentials	-
3529 Career and Technology Education	50,000
3532 National Board Salary Supplement	19,007
3533 Teacher of the Year Award	1,077
3538 Students At Risk of School Failure	191,246
3541 Child Early Reading Development and Education Program (CDEP) - Full Day 4K	294,636
3550 Teacher Salary Increase	273,866
3555 Teacher Salary Fringe	44,351
3557 Summer Reading Program	3,145
3558 Reading	4,350
3577 Teacher Supplies	28,050
3587 Maintenance of State Financial Support (MES) Tier I	18,822
3589 Maintenance of State Financial Support (MES) Tier II	275,594
3592 Work-Based Learning	1,693
3593 Capital Improvement Plan	-
3595 EEDA Supplies and Materials	4,383
3597 Aid to Districts	27,075
3599 Other EIA - ERATE	-
	<hr/>
TOTALS	\$ <u><u>1,331,436</u></u>

<u>EXPENDITURES</u>	<u>EIA INTERFUND TRANSFERS IN/(OUT)</u>	<u>OTHER FUND TRANSFERS IN/(OUT)</u>	<u>UNEARNED REVENUE</u>
\$ 29,909	\$ -	\$ -	\$ -
11,092	-	-	7,436
6,574	-	-	-
31,928	-	-	-
14,638	-	-	-
-	-	-	22,997
50,000	-	-	-
19,007	-	-	-
1,077	-	-	-
191,246	-	-	-
294,636	-	-	-
-	-	273,866	-
-	-	44,351	-
3,145	-	-	1,664
4,350	-	-	7,480
28,050	-	-	-
18,822	-	-	-
275,594	-	-	157,763
1,693	-	-	-
-	-	-	1,000,000
4,383	-	-	2,026
27,075	-	-	-
-	-	-	8,247
<u>\$ 1,013,219</u>	<u>\$ -</u>	<u>\$ 318,217</u>	<u>\$ 1,207,613</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, 2018**

	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	\$ 112,604
620 Interest	<u>897</u>
TOTAL EXPENDITURES	\$ <u>113,501</u>
Excess Revenues Over (Under) Expenditures	\$ <u>-</u>
FUND BALANCE JULY 1, 2017	<u>-</u>
FUND BALANCE JUNE 30, 2018	\$ <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, 2018**

	ACTUAL
REVENUES	
1000 Revenue from Local Sources	
1900 Other Revenue From Local Sources:	
1920 Contributions & Donations Private Sources	\$ <u>46,491</u>
Total Local Sources	\$ <u>46,491</u>
3000 Revenue from State Sources	
3900 Other State Revenue:	
3999 Revenue from Other State Sources	\$ <u>100,000</u>
Total State Sources	\$ <u>100,000</u>
TOTAL REVENUE ALL SOURCES	\$ <u>146,491</u>
EXPENDITURES	
200 Supporting Services	
250 Finance and Operations	
253 Facilities Acquisition and Construction:	
300 Purchased Services	\$ 8,415
500 Capital Outlay	
520 Construction Services	716,820
530 Improvements Other Than Buildings	<u>120,157</u>
Total Supporting Services	\$ <u>845,392</u>
TOTAL EXPENDITURES	\$ <u>845,392</u>
Excess Revenues Over (Under) Expenditures	\$ <u>(698,901)</u>
OTHER FINANCING SOURCES	
Interfund Transfers, From (To) Other Funds:	
5210 Transfer from General Fund	\$ <u>698,901</u>
TOTAL OTHER FINANCING SOURCES	\$ <u>698,901</u>
Excess Revenues and Expenditures Over (Under) Other Financing Sources (Uses)	\$ -
FUND BALANCE JULY 1, 2017	<u>-</u>
FUND BALANCE JUNE 30, 2018	<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, 2018

	ACTUAL
REVENUES	
1000 Revenue From Local Sources	
1500 Earnings on Investments:	
1510 Interest on Investments	\$ 48
1600 Food Service:	
1610 Lunch Sales to Pupils	94,699
1630 Special Sales to Pupils	5,033
1640 Lunch Sales to Adults	15,849
1650 Breakfast Sales to Adults	365
1660 Special Sales to Adults	5,652
1900 Other Revenue from Local Sources:	
1999 Revenue from Other Local Sources	7,578
Total Local Sources	\$ 129,224
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	\$ 481,967
4830 School Breakfast Program	305,046
4900 Other Federal Sources:	
4991 USDA Commodities (Food Distribution Program)	60,590
Total Federal Sources	\$ 847,603
TOTAL REVENUE ALL SOURCES	\$ 976,895
EXPENSES	
250 Finance and Operations	
256 Food Service:	
100 Salaries	\$ 294,333
200 Employee Benefits	14,942
221 Pension Expense	10,952
300 Purchased Services	13,610
400 Supplies and Materials	556,681
500 Capital Outlay	17,184
600 Other Objects	12,177
TOTAL EXPENSES	\$ 919,879
Operating Income (Loss) Before Other Financing Sources (Uses)	\$ 57,016

**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, 2018**

	<u>ACTUAL</u>
OTHER FINANCING SOURCES (USES)	
Interfund Transfers, From (To) Other Funds	
432-791 Food Service Fund Indirect Costs	\$ <u>(20,586)</u>
TOTAL OTHER FINANCING SOURCES (USES)	\$ <u>(20,586)</u>
Net Income (Loss)	\$ 36,430
NET POSITION JULY 1, 2017	<u>392,931</u>
NET POSITION JUNE 30, 2018	<u><u>\$ 429,361</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, 2018**

	<u>ACTUAL</u>
RECEIPTS	
1000 Receipts From Local Sources	
1700 Pupil Activities:	
1710 Admissions	\$ 77,144
1730 Pupil Organization Membership Dues and Fees	1,608
1790 Other Pupil Activity Income	<u>347,597</u>
Total Receipts From Local Sources	\$ <u>426,349</u>
TOTAL RECEIPTS ALL SOURCES	\$ <u>426,349</u>
DISBURSEMENTS	
270 Supporting Services Pupil Activity	
271 Pupil Service Activities:	
660 Pupil Activity	\$ 163,677
272 Enterprise Activities:	
660 Pupil Activity	120,740
273 Trust and Agency Activities:	
660 Enterprise Activities	<u>152,800</u>
Total Pupil Activity Expenditures	\$ <u>437,217</u>
TOTAL DISBURSEMENTS	\$ <u>437,217</u>
Excess Receipts Over (Under) Disbursements	\$ (10,868)
DUE TO THIRD PARTIES JULY 1, 2017	<u>149,118</u>
DUE TO THIRD PARTIES JUNE 30, 2018	\$ <u><u>138,250</u></u>

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, 2018**

	<u>LATTA SCHOOLS EDUCATIONAL FOUNDATION</u>
ASSETS	
Cash and Cash Equivalents	\$ 301,115
Due from Primary Government	4,600
Pledges Receivable (Net of Allowance for Uncollectibles)	<u>18,446</u>
TOTAL ASSETS	\$ <u><u>324,161</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	
Liabilities	
Accounts Payable	\$ <u>33,050</u>
Total Liabilities	\$ <u>33,050</u>
Deferred Inflows of Resources	
Unavailable Pledges	\$ <u>17,698</u>
Total Deferred Inflows of Resources	\$ <u>17,698</u>
Fund Balances	
Restricted for:	
Capital Projects	\$ 10,152
Scholarships	87,004
Other Special Programs	449
Assigned for:	
Capital Projects and Debt Service	<u>175,808</u>
Total Fund Balances	\$ <u>273,413</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ <u><u>324,161</u></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	\$ 273,413
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.	3,901,923
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.	17,698
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>(852,929)</u>
Net position (presented on page 13)	\$ <u><u>3,340,105</u></u>

**DILLON COUNTY SCHOOL DISTRICT NO. 3
DISCRETELY PRESENTED COMPONENT UNIT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR FISCAL YEAR ENDED JUNE 30, 2018**

	<u>LATTA SCHOOLS EDUCATIONAL FOUNDATION</u>
REVENUES	
1000 Revenue from Local Sources	
1500 Earnings on Investments:	
1510 Interest on Investments	\$ 565
1900 Other Revenue From Local Sources:	
1920 Contributions & Donations Private Sources	80,072
1999 Revenue from Other Local Sources	1,928
	82,565
Total Local Sources	\$ 82,565
2000 Intergovernmental Revenue	
2100 Payments from Other Governmental Units	\$ 198,885
Total Intergovernmental Revenue	\$ 198,885
TOTAL REVENUE ALL SOURCES	\$ 281,450
EXPENDITURES	
300 Community Services	
390 Other Community Services:	
100 Salaries	\$ 20,000
300 Purchased Services	7,953
400 Supplies and Materials	1,685
500 Capital Outlay	2,064
600 Other Objects	87,130
	118,832
Total Community Services	\$ 118,832
500 Debt Service	
610 Redemption of Principal	\$ 144,458
620 Interest	49,827
	194,285
Total Debt Service Expenditures	\$ 194,285
TOTAL EXPENDITURES	\$ 313,117
Excess Revenues Over (Under) Expenditures	\$ (31,667)
FUND BALANCE JULY 1, 2017	305,080
FUND BALANCE JUNE 30, 2018	\$ 273,413

**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, 2018**

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	\$	(31,667)
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.		(113,906)
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.		(13,339)
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.		144,458
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.		1,998
Change in net position (reported on page 14)	\$	(12,456)

**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, 2018**

<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 2018	<u>4,617</u>
TOTALS					<u><u>4,617</u></u>

**DILLON COUNTY SCHOOL DISTRICT NO. 3
LOCATION RECONCILIATION SCHEDULE
FOR FISCAL YEAR ENDED JUNE 30, 2018**

<u>LOCATION</u>	<u>LOCATION DESCRIPTION</u>	<u>EDUCATION LEVEL</u>	<u>COST TYPE</u>	<u>TOTAL EXPENDITURES</u>
30	District	Non-Schools	Central	\$ 1,864,942
31	Latta Elementary	Elementary Schools	School	6,334,246
32	Latta Middle	Middle Schools	School	3,330,092
33	Latta High	High Schools	School	4,739,107
35	Latta Educational Foundation	Non-Schools	Central	198,885
TOTAL EXPENDITURES/DISBURSEMENTS FOR ALL FUNDS				\$ <u>16,467,272</u>

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

General Fund (Subfunds 100s)	\$ 10,811,403
Special Revenue Fund (Subfunds 200s, 800s, 900s)	2,326,661
Special Revenue EIA Fund (Subfunds 300s)	1,013,219
Debt Service Fund (Subfunds 400s)	113,501
Capital Projects Fund (School Building) (Subfunds 500s)	845,392
Proprietary Fund (Food Service) (Subfunds 600s)	919,879
Trust and Agency Fund (Pupil Activity) (Subfunds 700s)	437,217
TOTAL EXPENDITURES/DISBURSEMENTS FOR ALL FUNDS	\$ <u>16,467,272</u>

**DILLON COUNTY SCHOOL DISTRICT NO. 3
SPECIAL PROJECTS FUND
SUBFUND CODE LIST
FOR FISCAL YEAR ENDED JUNE 30, 2018**

OTHER RESTRICTED STATE GRANTS

903	Teacher Recruiting and Retention
915	Technology Technical Assistance
919	Education License Plates
924	Child Early Reading Development and Education (CDEP)
926	Summer Reading Camps
928	EEDA Career Specialist
935	Reading Coaches
936	Student Health and Fitness - Nurses
937	Student Health and Fitness - PE Teachers
939	Capital Improvement Plan - Additional
963	K-12 Technology Initiative
968	Classroom Libraries
994	PEBA Nonemployer Contributions

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

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, 2018, 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 7, 2018. As described in Note 7 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

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 2018-001.

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 7, 2018



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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, 2018. 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, 2018.

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 7, 2018

**DILLON COUNTY SCHOOL DISTRICT NO. 3
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR FISCAL YEAR ENDED JUNE 30, 2018**

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:
 - USDA Child Nutrition Cluster:
 - School Breakfast Program (CFDA No. 10.553)
 - School Lunch Program (CFDA No. 10.555)
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

2018-001 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 2017-001.

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, 2018**

B. Findings - Financial Statement Audit (continued)

2018-001 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, 2018**

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	18 Title I	\$ 594,150
202	Title I Grants to LEAs	84.010	17 Title I	104,082
	Total Title I Cluster			<u>698,232</u>
Special Education Cluster:				
203	IDEA	84.027	17 IDEA	46,747
203	IDEA	84.027	18 IDEA	449,508
203	IDEA Extended School Year	84.027	18 IDEA ESY	1,200
205	Preschool Grant	84.173	18 IDEA	16,011
	Total Special Education Cluster			<u>513,466</u>
Vocational Education (CATE):				
207	Subprogram 01	84.048	18 CATE	25,409
251	Title VI Rural and Low-Income Schools	84.358	17 REAP	6,857
251	Title VI Rural and Low-Income Schools	84.358	18 REAP	16,705
	Total Title VI			<u>23,562</u>
267	Title II Improving Teacher Quality	84.367	17 Title II	6,048
267	Title II Improving Teacher Quality	84.367	18 Title II	58,547
	Total Title II			<u>64,595</u>
	Total U.S. Department of Education			<u>\$ 1,325,264</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	\$ 60,590 *
Cash Assistance:				
600	School Breakfast Program	10.553	N/A	305,046 *
600	School Lunch Program	10.555	N/A	481,967 *
	Total Child Nutrition Cluster			<u>847,603</u>
	Total U.S. Department of Agriculture		(See Disclosure)	<u>\$ 847,603 **</u>
U.S. DEPARTMENT OF DEFENSE:				
Passed Through Dillon County Board of Education:				
100	JROTC	12.U01	N/A	\$ 73,004
	Total U.S. Department of Defense			<u>\$ 73,004</u>
U.S. DEPARTMENT OF ENERGY:				
Passed Through SC ORS Energy Office:				
100	ARRA - State Energy Program	81.041	S-004-17	\$ 667,016
	Total U.S. Department of Energy			<u>\$ 667,016</u>
	TOTAL FEDERAL AWARDS EXPENDED			<u>\$ 2,912,887</u>

DILLON COUNTY SCHOOL DISTRICT NO. 3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR FISCAL YEAR ENDED JUNE 30, 2018

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 \$129,292 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, 2018. 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 \$60,590 in the form of federal non-cash USDA food commodities for the year ended June 30, 2018. 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 federal awards to subrecipients for the year ended June 30, 2018.
- 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.
- 7. During the year ended June 30, 2018, Dillon County School District No. 3 expended \$667,016 under the U.S. Department of Energy ConserFund PLUS Revolving Loan/Grant Program. Of this amount, \$466,911 was awarded to the District in the form of a federal loan that is to be repaid over a term of 10 years at 1.50% interest. Annual payments of \$50,629 will begin July 1, 2019. No payments were made during the current period; therefore, the loan balance outstanding at June 30, 2018 remained at \$466,911.

**DILLON COUNTY SCHOOL DISTRICT NO. 3
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR FISCAL YEAR ENDED JUNE 30, 2018**

Findings – Financial Statement Audit

Finding 2017-001: 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, 2018. Due to cost/benefit considerations, the District has not taken corrective action.

Findings – Major Federal Awards Program Audit

None.