

DILLON COUNTY SCHOOL DISTRICT NO. 3
LATTA, SOUTH CAROLINA

**BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

FISCAL YEAR ENDED JUNE 30, 2019

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FINANCIAL SECTION



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

Robin B. Poston CPA
P. O. Box 576
307 Church Street
Georgetown, SC 29442
Tel (843) 527-3413
Fax (843) 546-7277
E-mail: HPM2@sc.rr.com

INDEPENDENT AUDITOR'S REPORT

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

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, 2019, 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, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information, and supplementary pension 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 4, 2019 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 4, 2019

DILLON COUNTY SCHOOL DISTRICT THREE

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) FOR YEAR ENDED JUNE 30, 2019

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, 2019. 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, 2019 by \$21,440,723 mainly as a reflection of the implementation of GASB Statement No. 68 requiring reporting of \$17,327,864 for the District's proportionate share of the net pension liability and GASB Statement No. 75 requiring reporting of \$13,257,021 for the District's proportionate share of the net OPEB liability.
- The District's total net position decreased \$102,238 which represents an approximate .48% decrease from the fiscal year ending June 30, 2018.
- Revenues totaled \$15,471,060.
- Expenses totaled \$15,573,298.
- 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, 2019.
- Our principal operating fund, the General Fund, had \$10,738,875 in fiscal year 2019 revenues, which primarily consisted of state aid and property taxes and \$10,813,171 in expenditures. The General Fund's fund balance decreased from \$1,521,767 as of June 30, 2018 to \$1,442,010 as of June 30, 2019.
- 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 \$21,440,723 as of June 30, 2019. This net position is due mainly to the District reporting \$17,327,864 for the proportionate share of the net pension liability as required by GASB No. 68 and also reporting \$13,257,021 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 (\$5,791,050) 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, 2019 as compared to fiscal year ended June 30, 2018.

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and Other Assets	\$ 3,121,034	3,804,370	\$ 343,810	335,255	\$ 3,464,844	4,139,625
Capital Assets, Net	6,159,836	5,295,064	98,125	97,371	6,257,961	5,392,435
Total Assets	9,280,870	9,099,434	441,935	432,626	9,722,805	9,532,060
Total Deferred Outflows	3,730,604	3,481,764	-0-	-0-	3,730,604	3,481,764
Current Liabilities	1,614,612	1,586,363	-0-	-0-	1,614,612	1,586,363
Long-term liabilities	31,814,250	31,041,976	3,453	3,265	31,817,703	31,045,241
Total Liabilities	33,428,862	32,628,339	3,453	3,265	33,432,315	32,631,604
Total Deferred Inflows	1,461,817	1,720,705	-0-	-0-	1,461,817	1,720,705
Net Position:						
Net Investment in Capital Assets	5,692,925	4,731,922	98,125	97,371	5,791,050	4,829,293
Unrestricted	(27,572,130)	(26,499,768)	340,357	331,990	(27,231,773)	(26,167,778)
Total Net Position	\$ (21,879,205)	(21,767,846)	\$ 438,482	429,361	\$ (21,440,723)	(21,338,485)

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 (\$21,767,846) and ended the fiscal year with net position of (\$21,879,205).

The following table presents a comparative summary of the changes in net position for the fiscal year ended June 30, 2019 and for the fiscal year ended June 30, 2018.

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
REVENUES:						
Program Revenues:						
Charges for Services	\$ 320,975	308,795	\$ 120,310	129,176	\$ 441,285	437,971
Operating Grants & Contributions	10,171,105	10,719,339	795,783	847,671	10,966,888	11,567,010
Capital Grants & Contributions	883,262	283,285	-0-	-0-	883,262	283,285
General Revenues:						
Property Taxes Levied for Gen Purpose	2,080,929	2,061,007	-0-	-0-	2,080,929	2,061,007
Property Taxes Levied for Debt Service	113,501	113,501	-0-	-0-	113,501	113,501
State Aid	981,285	926,469	-0-	-0-	981,285	926,469
Unrestricted Investment Earnings	3,837	6,413	73	48	3,910	6,461
Insurance Proceeds	-0-	41,284	-0-	-0-	-0-	41,284
Total Revenues	14,554,894	14,460,093	916,166	976,895	15,471,060	15,436,988
EXPENSES:						
Instruction	8,182,939	8,363,247	-0-	-0-	8,182,939	8,363,247
Supporting Services	6,071,135	6,142,003	-0-	-0-	6,071,135	6,142,003
Intergovernmental	290,430	139,666	-0-	-0-	290,430	139,666
Interest & Other Charges	2,341	21,039	-0-	-0-	2,341	21,039
Depreciation – Unallocated	133,692	152,420	-0-	-0-	133,692	152,420
Food Service	-0-	-0-	892,761	919,879	892,761	919,879
Total Expenses	14,680,537	14,818,375	892,761	919,879	15,573,298	15,738,254
Excess before Transfers	(125,643)	(358,282)	23,405	57,016	(102,238)	(301,266)
Transfers	14,284	20,586	(14,284)	(20,586)	-0-	-0-
INCREASE/(DECREASE) in Net Position	(111,359)	(337,696)	9,121	36,430	(102,238)	(301,266)
Net Position, Beginning	(21,767,846)	(8,634,860)	429,361	392,931	(21,338,485)	(8,241,929)
Prior Period Adjustments	-0-	(12,795,290)	-0-	-0-	-0-	(12,795,290)
Net Position, Ending	\$ (21,879,205)	(21,767,846)	\$ 438,482	429,361	\$ (21,440,723)	(21,338,485)

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	
	2019	2018	2019	2018
Instruction	\$ 8,182,939	8,363,247	\$ (1,111,615)	(1,116,240)
Support Services	6,071,135	6,142,003	(1,893,698)	(2,119,884)
Intergovernmental	290,430	139,666	(163,849)	(97,373)
Interest and Other Charges	2,341	21,039	(2,341)	(21,039)
Depreciation (unallocated)	133,692	152,420	(133,692)	(152,420)
Totals	\$ 14,680,537	14,818,375	\$ (3,305,195)	(3,506,956)

- The cost of all governmental activities this year was \$14,680,537.
- Federal and state governments and charges for services subsidized certain programs with grants and contributions and other local revenues of \$11,375,342.
- Net cost of governmental activities (\$3,305,195), was financed by general revenues, which are made up of primarily property taxes \$2,194,430, state aid \$981,285 and other miscellaneous general revenues and transfers of \$14,284. Investment earnings accounted for \$3,837 of funding. All of these components contributed to an overall decrease in net position for Governmental activities of \$111,359.
- The net decrease in governmental activities net position of \$111,359 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 \$9,121 for the current fiscal year. Operating grants and contributions decreased by \$51,888 from the prior fiscal year and expenses also decreased resulting in an overall increase in profit.

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 13% 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 \$1,442,010, a decrease of \$79,757 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. All three lease agreements were paid in full during current year ending June 30, 2019. 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 \$9,121. The balance of net position on June 30, 2019 was \$438,482. The balance on June 30, 2018 was \$429,361. 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, 2019, the District has invested \$6,159,836 (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 \$864,772 increase from the prior year, primarily a result of capitalizing excess costs incurred in connection with elementary school construction. Total depreciation expense for the year was \$361,609.

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, 2019:

		Amount	
		2019	2018
Land	\$	179,630	179,630
Construction in Progress		466,139	-0-
Buildings		2,727,720	2,863,015
Improvements		2,672,693	2,105,820
Vehicles		81	3,006
Equipment		113,573	143,593
Total Assets	\$	6,159,836	5,295,064

The net capital assets ending balance for business-type activities is \$98,125 reflecting an increase of \$754 from the prior year. Depreciation expense for the year was \$14,979. Additional information on the District’s capital assets and commitments can be found in Note 4 and Note 17, 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, 2019:

	Beginning Balance	Addition	Reduction	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 113,026	-0-	(113,026)	\$ -0-	\$ -0-
Notes Payable	466,911	-0-	-0-	466,911	43,625
Capital Leases	204,357	-0-	(204,357)	-0-	-0-
Total Long-Term Debt	\$ 784,294	-0-	(317,383)	\$ 466,911	\$ 43,625

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 year ending June 2018, 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 was 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. All lease agreements were paid in full during the current year ending June 30, 2019.

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

BUDGETARY HIGHLIGHTS

Our General Fund budget preparing process for fiscal year 2019 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 \$24,584 due primarily for increased costs of various instructional 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 2019-20 to the County Board of Education. The 2019-20 budget again 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 the International Baccalaureate program and the Montessori program. Other continued budget items include medical screening for all employees; K-12 student insurance; and limited funding for school resource officers and security crossing guards. Applicable employees continued to be paid according to the increased SDE salary scale, including step increases. Salary for paraprofessionals continued on an hourly rate schedule with the hourly bus driver pay to \$2.50 over the SDE bus driver pay scale.

While state revenues slightly increased, funding continues to fluctuate in the present economy. With continued funding cuts in the past several years, the District made adjustments for the loss of revenue by maintaining budgeted expenditure reductions in various supporting areas. While

our growth in number of students has leveled off, use of the district reserve fund has aided in compensation 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, 2019

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
ASSETS				
Cash	\$ -	\$ 449,401	\$ 449,401	\$ 276,083
Taxes Receivable (Net of Allowance)	217,566	-	217,566	-
Due From County Treasurer	2,261,114	-	2,261,114	-
Due From Other Governments	518,068	-	518,068	-
Pledges Receivable (Net of Allowance)	-	-	-	16,095
Due From Primary Government	-	-	-	9,600
Other Receivables	11,670	-	11,670	-
Internal Balances	112,616	(112,616)	-	-
Inventories	-	7,025	7,025	-
Capital Assets (Net of Accumulated Depreciation):				
Land (Non-Depreciable)	179,630	-	179,630	308,260
Construction in Progress (Non-Depreciable)	466,139	-	466,139	-
Buildings	2,727,720	-	2,727,720	3,388,901
Improvements	2,672,693	-	2,672,693	-
Vehicles	81	-	81	-
Equipment	113,573	98,125	211,698	183,484
TOTAL ASSETS	\$ 9,280,870	\$ 441,935	\$ 9,722,805	\$ 4,182,423
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows of Resources	\$ 3,730,604	\$ -	\$ 3,730,604	\$ -
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 3,730,604	\$ -	\$ 3,730,604	\$ -
LIABILITIES				
Accounts Payable	\$ 443,230	\$ -	\$ 443,230	\$ -
Accrued Payroll Liabilities	85,495	-	85,495	-
Accrued Interest Payable	6,984	-	6,984	9,535
Due To Component Unit	4,600	-	4,600	-
Due To State Department of Education	5,783	-	5,783	-
Unearned Grant Revenues	1,068,520	-	1,068,520	-
Noncurrent Liabilities:				
Due Within One Year	238,875	2,466	241,341	159,853
Due In More Than One Year	31,575,375	987	31,576,362	529,331
TOTAL LIABILITIES	\$ 33,428,862	\$ 3,453	\$ 33,432,315	\$ 698,719
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows of Resources	\$ 1,461,817	\$ -	\$ 1,461,817	\$ -
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 1,461,817	\$ -	\$ 1,461,817	\$ -
NET POSITION				
Net Investment in Capital Assets	\$ 5,692,925	\$ 98,125	\$ 5,791,050	\$ 3,465,696
Restricted for Capital Projects	-	-	-	29,153
Restricted for Scholarships	-	-	-	93,062
Restricted for Special Programs	-	-	-	614
Unrestricted	(27,572,130)	340,357	(27,231,773)	(104,821)
TOTAL NET POSITION	\$ (21,879,205)	\$ 438,482	\$ (21,440,723)	\$ 3,483,704

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, 2019

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	\$ 8,182,939	\$ 119,900	\$ 6,911,105	\$ 40,319	\$ (1,111,615)	\$ -	\$ (1,111,615)	\$ -
Supporting Services	6,071,135	166,791	3,237,003	773,643	(1,893,698)	-	(1,893,698)	-
Intergovernmental	290,430	34,284	22,997	69,300	(163,849)	-	(163,849)	-
Interest and Other Charges	2,341	-	-	-	(2,341)	-	(2,341)	-
Depreciation - Unallocated*	133,692	-	-	-	(133,692)	-	(133,692)	-
Total Governmental Activities	\$ 14,680,537	\$ 320,975	\$ 10,171,105	\$ 883,262	\$ (3,305,195)	\$ -	\$ (3,305,195)	\$ -
Business-Type Activities:								
Food Service	\$ 892,761	\$ 120,310	\$ 795,783	\$ -	\$ -	\$ 23,332	\$ 23,332	\$ -
Total Business-Type Activities	\$ 892,761	\$ 120,310	\$ 795,783	\$ -	\$ -	\$ 23,332	\$ 23,332	\$ -
TOTAL PRIMARY GOVERNMENT	\$ 15,573,298	\$ 441,285	\$ 10,966,888	\$ 883,262	\$ (3,305,195)	\$ 23,332	\$ (3,281,863)	\$ -
COMPONENT UNIT								
Educational Foundation	\$ 227,439	\$ 2,072	\$ 43,265	\$ 292,881	\$ -	\$ -	\$ -	\$ 110,779
General Revenues:								
Taxes:								
Property Taxes, Levied for General Purposes					\$ 2,080,929	\$ -	\$ 2,080,929	\$ -
Property Taxes, Levied for Debt Service					113,501	-	113,501	-
State Aid Not Restricted to Specific Programs					981,285	-	981,285	-
Unrestricted Contributions					-	-	-	32,304
Unrestricted Investment Earnings					3,837	73	3,910	516
Transfers					14,284	(14,284)	-	-
TOTAL GENERAL REVENUES AND TRANSFERS					\$ 3,193,836	\$ (14,211)	\$ 3,179,625	\$ 32,820
CHANGE IN NET POSITION					\$ (111,359)	\$ 9,121	\$ (102,238)	\$ 143,599
NET POSITION BEGINNING OF YEAR					(21,767,846)	429,361	(21,338,485)	3,340,105
NET POSITION END OF YEAR					\$ (21,879,205)	\$ 438,482	\$ (21,440,723)	\$ 3,483,704

* Excludes depreciation of \$227,917 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, 2019**

	GENERAL	SPECIAL PROJECTS
ASSETS		
Taxes Receivable (Net of Allowance for Uncollectibles)	\$ 217,566	\$ -
Due From County Treasurer	2,261,114	-
Due From Other Funds	-	55,221
Due From State Department of Education	-	440,413
Due From State Government	-	-
Other Receivables	11,670	-
TOTAL ASSETS	\$ 2,490,350	\$ 495,634
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
Liabilities		
Accounts Payable	\$ 369,406	\$ -
Due To Component Unit	4,600	-
Due To Other Funds	517,443	-
Due To State Department of Education	-	5,783
Accrued Payroll Liabilities	85,495	-
Unearned Grant Revenues	-	489,851
Total Liabilities	\$ 976,944	\$ 495,634
Deferred Inflows of Resources		
Unavailable Property Taxes	\$ 71,396	\$ -
Total Deferred Inflows of Resources	\$ 71,396	\$ -
Fund Balances		
Unassigned	\$ 1,442,010	\$ -
Total Fund Balances	\$ 1,442,010	\$ -
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 2,490,350	\$ 495,634

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>
\$ -	\$ -	\$ -	\$ 217,566
-	-	-	2,261,114
616,880	-	-	672,101
35,613	-	-	476,026
-	-	42,042	42,042
-	-	-	11,670
<u>\$ 652,493</u>	<u>\$ -</u>	<u>\$ 42,042</u>	<u>\$ 3,680,519</u>
\$ 73,824	\$ -	\$ -	\$ 443,230
-	-	-	4,600
-	-	42,042	559,485
-	-	-	5,783
-	-	-	85,495
<u>578,669</u>	<u>-</u>	<u>-</u>	<u>1,068,520</u>
<u>\$ 652,493</u>	<u>\$ -</u>	<u>\$ 42,042</u>	<u>\$ 2,167,113</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,396</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,396</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,442,010</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,442,010</u>
<u>\$ 652,493</u>	<u>\$ -</u>	<u>\$ 42,042</u>	<u>\$ 3,680,519</u>

**DILLON COUNTY SCHOOL DISTRICT NO. 3
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
JUNE 30, 2019**

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

Ending fund balances - governmental funds balance sheet	\$	1,442,010
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		6,159,836
Other long-term assets are not available to pay for current period expenditures and, therefore, are not recognized as revenues in the funds.		71,396
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>(29,552,447)</u>
Net position of governmental activities	\$	<u><u>(21,879,205)</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, 2019

	GENERAL	SPECIAL PROJECTS
REVENUES		
Local	\$ 2,243,563	\$ 180,604
State	7,821,808	439,099
Federal	-	1,328,310
Intergovernmental	673,504	-
TOTAL REVENUES	\$ 10,738,875	\$ 1,948,013
EXPENDITURES		
Current		
Instruction	\$ 5,592,477	\$ 1,150,173
Supporting Services	4,718,934	675,658
Intergovernmental Expenditures	271,957	121,863
Debt Service		
Principal	204,358	-
Interest and Fiscal Agent Fees	9,621	-
Capital Outlay	15,824	319
TOTAL EXPENDITURES	\$ 10,813,171	\$ 1,948,013
Excess Revenues Over (Under) Expenditures	\$ (74,296)	\$ -
OTHER FINANCING SOURCES (USES)		
Transfers From Other Funds	\$ 385,954	\$ -
Transfers To Other Funds	(391,415)	-
TOTAL OTHER FINANCING SOURCES (USES)	\$ (5,461)	\$ -
Net Change in Fund Balances	\$ (79,757)	\$ -
FUND BALANCES BEGINNING OF YEAR	1,521,767	-
FUND BALANCES END OF YEAR	\$ 1,442,010	\$ -

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

<u>EDUCATION IMPROVEMENT ACT</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
\$ -	\$ 113,501	\$ -	\$ 2,537,668
1,714,610	-	42,042	10,017,559
-	-	-	1,328,310
-	-	-	673,504
<u>\$ 1,714,610</u>	<u>\$ 113,501</u>	<u>\$ 42,042</u>	<u>\$ 14,557,041</u>
\$ 711,135	\$ -	\$ -	\$ 7,453,785
82,669	-	21,443	5,498,704
42,997	-	93,297	530,114
-	113,026	-	317,384
-	475	-	10,096
<u>506,139</u>	<u>-</u>	<u>318,717</u>	<u>840,999</u>
<u>\$ 1,342,940</u>	<u>\$ 113,501</u>	<u>\$ 433,457</u>	<u>\$ 14,651,082</u>
<u>\$ 371,670</u>	<u>\$ -</u>	<u>\$ (391,415)</u>	<u>\$ (94,041)</u>
\$ -	\$ -	\$ 391,415	\$ 777,369
<u>(371,670)</u>	<u>-</u>	<u>-</u>	<u>(763,085)</u>
<u>\$ (371,670)</u>	<u>\$ -</u>	<u>\$ 391,415</u>	<u>\$ 14,284</u>
\$ -	\$ -	\$ -	\$ (79,757)
-	-	-	1,521,767
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,442,010</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, 2019**

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

Net change in fund balances - total governmental funds	\$	(79,757)
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.		225,043
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.		145
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.		469,488
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>(726,278)</u>
Change in net position of governmental activities	\$	<u><u>(111,359)</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, 2019

	BUSINESS-TYPE ACTIVITY ENTERPRISE FUND (FOOD SERVICE)
ASSETS	
Current Assets:	
Cash	\$ 449,401
Inventories	7,025
Total Current Assets	<u>\$ 456,426</u>
Noncurrent Assets:	
Equipment	\$ 262,524
Less: Accumulated Depreciation	<u>(164,399)</u>
Total Noncurrent Assets	<u>\$ 98,125</u>
TOTAL ASSETS	<u>\$ 554,551</u>
LIABILITIES	
Current Liabilities:	
Compensated Absences	\$ 2,466
Due to Other Funds	112,616
Total Current Liabilities	<u>\$ 115,082</u>
Noncurrent Liabilities:	
Compensated Absences	\$ 987
Total Noncurrent Liabilities	<u>\$ 987</u>
TOTAL LIABILITIES	<u>\$ 116,069</u>
NET POSITION	
Investment in Capital Assets	\$ 98,125
Unrestricted	<u>340,357</u>
TOTAL NET POSITION	<u><u>\$ 438,482</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, 2019

	BUSINESS-TYPE ACTIVITY ENTERPRISE FUND (FOOD SERVICE)
OPERATING REVENUES	
Proceeds from Sales of Meals	\$ <u>110,919</u>
TOTAL OPERATING REVENUES	\$ <u>110,919</u>
OPERATING EXPENSES	
Food Costs	\$ 432,462
Salaries and Employee Benefits	307,930
Utilities	2,349
Depreciation	14,980
Supplies and Materials	109,190
Other Operating Costs	<u>25,850</u>
TOTAL OPERATING EXPENSES	\$ <u>892,761</u>
Operating Income (Loss)	\$ <u>(781,842)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest	\$ 73
USDA Reimbursements	745,477
Commodities Received from USDA	50,306
Miscellaneous Revenues	<u>9,391</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	\$ <u>805,247</u>
Income (Loss) Before Transfers	\$ 23,405
TRANSFERS IN (OUT)	\$ <u>(14,284)</u>
Change in Net Position	\$ 9,121
NET POSITION BEGINNING OF YEAR	<u>429,361</u>
NET POSITION END OF YEAR	<u><u>438,482</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, 2019**

	BUSINESS-TYPE ACTIVITY ENTERPRISE FUND (FOOD SERVICE)
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Patrons	\$ 110,919
Payments to Suppliers for Goods and Services	(509,174)
Payments to Employees for Services	<u>(307,930)</u>
Net Cash Provided (Used) By Operating Activities	\$ <u>(706,185)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
USDA Federal Reimbursements	\$ 745,477
Other Miscellaneous Receipts	9,391
Transfers to Other Funds	<u>(14,284)</u>
Net Cash Provided (Used) By Non-Capital Financing Activities	\$ <u>740,584</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of Capital Assets	\$ <u>(15,734)</u>
Net Cash Provided (Used) By Capital and Related Financing Activities	\$ <u>(15,734)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received on Investments	\$ <u>73</u>
Net Cash Provided (Used) By Investing Activities	\$ <u>73</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 18,738
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	<u>430,663</u>
CASH AND CASH EQUIVALENTS END OF YEAR	\$ <u><u>449,401</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, 2019**

		BUSINESS-TYPE ACTIVITY ENTERPRISE FUND (FOOD SERVICE)
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$	(781,842)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities:		
Depreciation		14,980
Non-Cash Commodities Used		50,306
Changes in Assets and Liabilities:		
(Increase) Decrease in Inventory		3,666
Increase (Decrease) in Due To/From Other Funds		6,517
Increase (Decrease) in Compensated Absences		188
		188
Net Cash Provided (Used) By Operating Activities	\$	(706,185)
 Supplemental Non-Cash Financing and Investing Information:		
Non-Cash Commodities Received from USDA	\$	<u>50,306</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, 2019**

	AGENCY FUND
ASSETS	
Cash and Cash Equivalents	\$ <u>107,392</u>
TOTAL ASSETS	\$ <u>107,392</u>
LIABILITIES	
Accounts Payable	\$ 2,155
Due To Component Unit	5,000
Due To Third Parties	<u>100,237</u>
TOTAL LIABILITIES	\$ <u>107,392</u>
NET POSITION	\$ <u><u>-</u></u>

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

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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.

During the current year, the District implemented the provisions of GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This statement improves financial reporting by providing users of financial statements with essential information that was not previously consistently provided. In addition information about resources to liquidate debt and risks associated with changes in terms associated with debt will be disclosed.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2019

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, 2019

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, 2019

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, 2019

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, 2019

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, 2019

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, 2019

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 \$556,793 and the corresponding bank balance was \$604,778.

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, 2019, \$206,396 of the District's bank balances of \$604,778 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, 2019

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 \$2,261,114.

Component Unit

At year end, the Foundation's carrying amount of deposits was \$276,083 and the corresponding bank balance was also \$276,083. Of the Foundation's bank balance, \$26,083 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	\$ 244,484	\$ -	\$ -	\$ -	\$ 244,484
State and Federal Grants	-	440,413	35,613	42,042	518,068
Other Receivables	<u>11,670</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,670</u>
Gross Receivables	\$ 256,154	\$ 440,413	\$ 35,613	\$ 42,042	\$ 774,222
Less: Allowance for Uncollectible Taxes	<u>(26,918)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(26,918)</u>
Net Receivables	<u>\$ 229,236</u>	<u>\$ 440,413</u>	<u>\$ 35,613</u>	<u>\$ 42,042</u>	<u>\$ 747,304</u>

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 \$15,546.

Pledges Receivable	\$ 30,010
Less: Allowance for Uncollectible Amounts	<u>(13,915)</u>
Totals	<u>\$ 16,095</u>

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3 – RECEIVABLES (continued)

The following schedule lists pledges receivable by year.

Year Ended June 30	Pledges Receivable
2020	\$ 5,921
2021	3,810
2022	3,464
2023	2,400
2024	500
Totals	\$ 16,095

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
Governmental Activities:				
Capital Assets, not Being Depreciated:				
Land	\$ 179,630	\$ -	\$ -	\$ 179,630
Construction in Progress	-	466,139	-	466,139
Total Capital Assets, not Being Depreciated	\$ 179,630	\$ 466,139	\$ -	\$ 645,769
Capital Assets, Being Depreciated:				
Buildings	\$ 7,108,867	\$ -	\$ -	\$ 7,108,867
Improvements	4,913,108	760,242	-	5,673,350
Vehicles	280,949	-	-	280,949
Support Equipment	123,126	-	-	123,126
Instructional Equipment	483,950	-	-	483,950
Maintenance Equipment	129,700	-	-	129,700
Total Capital Assets, Being Depreciated	\$ 13,039,700	\$ 760,242	\$ -	\$ 13,799,942
Less Accumulated Depreciation for:				
Buildings	\$ (4,245,852)	\$ (135,295)	\$ -	\$ (4,381,147)
Improvements	(2,807,288)	(193,369)	-	(3,000,657)
Vehicles	(277,943)	(2,925)	-	(280,868)
Support Equipment	(79,766)	(8,266)	-	(88,032)
Instructional Equipment	(388,005)	(20,715)	-	(408,720)
Maintenance Equipment	(125,412)	(1,039)	-	(126,451)
Total Accumulated Depreciation	\$ (7,924,266)	\$ (361,609)	\$ -	\$ (8,285,875)
Total Capital Assets, Being Depreciated, Net	\$ 5,115,434	\$ 398,633	\$ -	\$ 5,514,067
Governmental Activities Capital Assets, Net	\$ 5,295,064	\$ 864,772	\$ -	\$ 6,159,836

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 4 - CAPITAL ASSETS (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Primary Government:				
Business-Type Activies:				
Capital Assets, Being Depreciated:				
Machinery and Equipment	\$ 246,790	\$ 15,733	\$ -	\$ 262,523
Total Capital Assets, Being Depreciated	<u>\$ 246,790</u>	<u>\$ 15,733</u>	<u>\$ -</u>	<u>\$ 262,523</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	\$ (149,419)	\$ (14,979)	\$ -	\$ (164,398)
Total Accumulated Depreciation	<u>\$ (149,419)</u>	<u>\$ (14,979)</u>	<u>\$ -</u>	<u>\$ (164,398)</u>
Total Capital Assets, Being Depreciated, Net	<u>\$ 97,371</u>	<u>\$ 754</u>	<u>\$ -</u>	<u>\$ 98,125</u>
Business-Type Activities Capital Assets, Net	<u><u>\$ 97,371</u></u>	<u><u>\$ 754</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 98,125</u></u>
Component Unit:				
Capital Assets, not Being Depreciated:				
Land	\$ 308,260	\$ -	\$ -	\$ 308,260
Total Capital Assets, not Being Depreciated	<u>\$ 308,260</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 308,260</u>
Capital Assets, Being Depreciated:				
Buildings	\$ 3,737,242	\$ 93,297	\$ -	\$ 3,830,539
Equipment and Furnishings	<u>391,611</u>	<u>-</u>	<u>-</u>	<u>391,611</u>
Total Capital Assets, Being Depreciated	<u>\$ 4,128,853</u>	<u>\$ 93,297</u>	<u>\$ -</u>	<u>\$ 4,222,150</u>
Less Accumulated Depreciation for:				
Buildings	\$ (366,223)	\$ (75,415)	\$ -	\$ (441,638)
Equipment and Furnishings	<u>(168,967)</u>	<u>(39,160)</u>	<u>-</u>	<u>(208,127)</u>
Total Accumulated Depreciation	<u>\$ (535,190)</u>	<u>\$ (114,575)</u>	<u>\$ -</u>	<u>\$ (649,765)</u>
Total Capital Assets, Being Depreciated, Net	<u>\$ 3,593,663</u>	<u>\$ (21,278)</u>	<u>\$ -</u>	<u>\$ 3,572,385</u>
Total Capital Assets, Net	<u><u>\$ 3,901,923</u></u>	<u><u>\$ (21,278)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,880,645</u></u>

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DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 4 - CAPITAL ASSETS (continued)

Depreciation expense was charged to functions/programs as follows:

Primary Government:

Governmental Activities:

Instruction	\$ 187,088
Supporting Services	40,829
Unallocated	<u>133,692</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 361,609</u></u>

Business-Type Activities:

Food Service	\$ <u>14,979</u>
Total Depreciation Expense - Business-Type Activities	<u><u>\$ 14,979</u></u>

Component Unit:

Supporting Services	\$ <u>114,575</u>
Total Depreciation Expense - Component Unit	<u><u>\$ 114,575</u></u>

As part of an agreement with the County, the District was to be reimbursed for certain expenditures incurred in connection with elementary school construction. As of the current fiscal year, the District had incurred \$639,729 in construction costs that remain unreimbursed by the County. The District does not expect to receive any further reimbursements and has capitalized the excess construction costs in the current year.

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 LIABILITIES

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. These direct placement 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. Annual installments of principal and interest of \$113,501 are due through March 1, 2019.

Direct placement general obligation bonds currently outstanding at June 30, 2019, are as follows:

Date of Issue	Interest Rate	Maturity	Original Issue	Outstanding June 30, 2019
2009	0.40%	March 1, 2019	\$ <u>1,000,000</u>	\$ <u>-</u>

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5 - LONG-TERM LIABILITIES (continued)

Notes Payable

The District entered into a direct borrowing agreement during the year ended June 30, 2017 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. Annual installments of principal and interest of \$50,629 are due beginning July 1, 2019 through July 1, 2028. The loan may be prepaid in whole or in part, based on the annual installment amount, at any time without penalty. In the event of default, the lender may require immediate payment of the entire unpaid balance, as well as all accrued interest, without presentment, demand, protest, or notice of any kind. Should the District fail to use the loan proceeds for the agreed upon purposes, they will be in default. In addition, upon default the entire principal remaining unpaid shall bear interest at a rate of the lesser of one (1%) percent per annum above the rate otherwise in effect or the highest applicable lawful rate.

Outstanding direct borrowing notes payable at June 30, 2019, are as follows:

<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Original Issue</u>	<u>Outstanding June 30, 2019</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>
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	46,302	4,327	50,629
2025-2029	242,142	11,004	253,146
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, 2019 for governmental activities is \$442,674 with corresponding accumulated depreciation of \$108,910.

The first agreement was executed on July 1, 2014 for the acquisition of technology equipment and requires five annual payments of \$109,131 beginning October 16, 2014 through October 16, 2018. The second agreement was executed on July 23, 2014 for the acquisition of playground equipment and requires five annual payments of \$73,952 beginning July 23, 2014 through August 25, 2018. The third agreement was executed on August 18, 2014 for the acquisition of playground equipment and requires five annual payments of \$30,895 beginning August 18, 2014 through September 1, 2018. All three lease agreements were paid in full during the current year ended June 30, 2019.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5 - LONG-TERM LIABILITIES (continued)

The following is a summary of changes in long-term obligations and balances of the District for June 30, 2019:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Direct Placement General Obligation Bonds	\$ 113,026	\$ -	\$ (113,026)	\$ -	\$ -
Direct Borrowing Notes Payable	466,911	-	-	466,911	43,625
Capital Leases	204,357	-	(204,357)	-	-
Net Pension Liability	16,991,911	3,799,147	(3,463,194)	17,327,864	-
Net OPEB Liability	12,336,107	2,565,062	(1,644,148)	13,257,021	-
Debt Guarantee	841,289	-	(152,105)	689,184	159,853
Compensated Absences	88,375	23,599	(38,704)	73,270	35,397
Totals	<u>\$ 31,041,976</u>	<u>\$ 6,387,808</u>	<u>\$ (5,615,534)</u>	<u>\$ 31,814,250</u>	<u>\$ 238,875</u>
Business-Type Activities:					
Compensated Absences	\$ 3,265	\$ 2,520	\$ (2,332)	\$ 3,453	\$ 2,466
Totals	<u>\$ 3,265</u>	<u>\$ 2,520</u>	<u>\$ (2,332)</u>	<u>\$ 3,453</u>	<u>\$ 2,466</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 direct borrowing loan from Carolina Bank & Trust in the amount of \$1,500,000 to finance the completion of the Ellis Performing Arts Center. This building is pledged as collateral for the debt. Repayment of the loan is being made in annual installments of \$194,285 beginning March 20, 2014 through March 20, 2023. Outstanding direct borrowing notes payable of the Foundation at June 30, 2019, are as follows:

<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Original Issue</u>	<u>Outstanding June 30, 2019</u>
2013	5.00%	March 20, 2023	\$ 1,500,000	\$ 689,184

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

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 159,853	\$ 34,432	\$ 194,285
2021	167,846	26,439	194,285
2022	176,238	18,047	194,285
2023	185,247	9,038	194,285
Totals	<u>\$ 689,184</u>	<u>\$ 87,956</u>	<u>\$ 777,140</u>

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5 - LONG-TERM LIABILITIES (continued)

The following is a summary of changes in long-term obligations and balances of the Foundation for June 30, 2019:

Component Unit:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Notes Payable	\$ 841,289	\$ -	\$ (152,105)	\$ 689,184	\$ 159,853
Totals	<u>\$ 841,289</u>	<u>\$ -</u>	<u>\$ (152,105)</u>	<u>\$ 689,184</u>	<u>\$ 159,853</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, 2019, 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	\$ -	\$ 517,443
Special Projects	55,221	-
EIA	616,880	-
School Building Fund	-	42,042
Food Service Fund	-	112,616
Total	<u>\$ 672,101</u>	<u>\$ 672,101</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	\$ 385,954	\$ 391,415
Special Projects	-	-
EIA	-	371,670
School Building Fund	391,415	-
Food Service Fund	-	14,284
Total	<u>\$ 777,369</u>	<u>\$ 777,369</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, 2019

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 non-employer and employer contributions for active employees and retirees to PEBA – Insurance Benefits. Non-employer contributions consist of an annual appropriation by the General Assembly and the statutorily required transfer from PEBA – Insurance Benefits reserves.

The SCRHITF is funded through participating employers that are mandated by State statute to contribute at a rate assessed each year by the Department of Administration Executive Budget Office on active employee covered payroll. The covered payroll surcharge for the year ended June 30, 2019 was 6.05%. The South Carolina Retirement System collects the monthly covered payroll surcharge for all participating employers and remits it directly to the SCRHITF. Other sources of funding for the SCRHITF 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. Non-employer contributions include mandatory transfers of accumulated PEBA, Insurance Benefits' reserves and the annual appropriation budgeted by the General Assembly. It is also funded through investment income.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7 - POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS (continued)

The SCLTDITF is funded through employer contributions for active employees that elect health insurance coverage. For this group of active employees, PEBA – Insurance Benefits bills and collects premiums 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, 2019. The SCLTDITF premium is billed monthly by PEBA, Insurance Benefits and transferred monthly to the SCLTDITF. It is also funded through investment income.

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 \$87,579 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, 2019:

SCRHITF	\$	447,710
SCLTDITF	\$	6,395

The District also recorded fringe benefit expenses for insurance benefits for active employees in the amount of \$1,262,587 for the year ended June 30, 2019.

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

At June 30, 2019, the District reported a liability of \$13,257,021 for its proportionate share of the net OPEB liability, of which \$13,254,320 was for SCRHITF and \$2,701 was for SCLTDITF. The net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017 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, 2019 was .093534% for SCRHITF which was a .002470% increase from its proportionate share at June 30, 2018. The District’s proportionate share at June 30, 2019 was .088220% for SCLTDITF which was a .001254% increase from its proportionate share at June 30, 2018.

For the year ended June 30, 2019, the District recognized OPEB expense of \$832,567, of which \$825,488 was for SCRHITF and \$7,079 was for SCLTDITF.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7 - POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS (continued)

At June 30, 2019, 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	\$ 50,822	\$ -
Differences between expected and actual experience	198,556	4,618
Assumption changes	-	1,079,301
Changes in proportionate share and differences between employer contributions and proportionate share of total plan contributions	315,213	152
District contributions subsequent to the measurement date	<u>477,710</u>	<u>-</u>
Total	<u>\$ 1,042,301</u>	<u>\$ 1,084,071</u>

District contributions to the SCRHITF subsequent of the measurement date of \$477,710 reported as deferred outflows will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

<u>Year Ending June 30:</u>	
2020	\$ (114,384)
2021	(114,384)
2022	(114,384)
2023	(119,570)
2024	(128,194)
Thereafter	<u>71,436</u>
	<u>\$ (519,480)</u>

At June 30, 2019, 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	\$ 1,569	\$ 165
Assumption changes	-	176
Outstanding outflow balance between employer contributions and proportionate share of plan contributions	-	182
District contributions subsequent to the measurement date	<u>6,395</u>	<u>-</u>
Total	<u>\$ 7,964</u>	<u>\$ 523</u>

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7 - POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS (continued)

District contributions to the SCLTDITF subsequent of the measurement date of \$6,395 reported as deferred outflows will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

<u>Year Ending June 30:</u>		
2020	\$	383
2021		383
2022		383
2023		190
2024		(58)
Thereafter		<u>(235)</u>
	\$	<u><u>1,046</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 cost 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. Additional information as of the latest actuarial valuation for SCRHITF:

Valuation date	June 30, 2017
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	3.62% as of June 30, 2018
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 6.75% and gradually decreasing to an ultimate trend rate of 4.15% over a period of 14 years
Retiree Participation	79% for retirees who are eligible for funded premiums 59% participation for retirees who are eligible for partial funded premiums 20% participation for retirees who are eligible for non-funded premiums
Notes	There were no benefit changes during the year; the discount rate changed from 3.59% as of June 30, 2017 to 3.62% as of June 30, 2018.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7 - POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS (continued)

Additional information as of the latest actuarial valuation for SCLTDITF:

Valuation date	June 30, 2017
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	3.91% as of June 30, 2018
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; assumed percentage who will be eligible for a pension plan offset varies based on employee group
Expenses:	Third party administrative expenses were included in the benefit projections.
Notes	The discount rate changed from 3.87% as of June 30, 2017 to 3.91% as of June 30, 2018

Roll Forward Disclosure

The actuarial valuation was performed as of June 30, 2017. Update procedures were used to roll forward the total OPEB liability to June 30, 2018.

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, 2018:

<u>OPEB Trust</u>	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Employers' Net OPEB Liability(Asset)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</u>
SCRHITF	\$ 15,387,115,010	\$ 1,216,530,062	\$ 14,170,584,948	7.91%
SCLTDITF	\$ 39,261,091	\$ 36,199,863	\$ 3,061,228	92.20%

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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 Equivalents	20.0%	0.84%	0.17%
Total	100.0%		1.84%
Expected Inflation			2.25%
Total Return			4.09%
Investment Return Assumption			4.00%

Single Discount Rate

The Single Discount Rate of 3.62% 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 3.91% 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 3.62%. 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, 2019

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 3.62%, 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 (2.62%)	Current Discount Rate (3.62%)	1.00% Increase (4.62%)
District's proportionate share of the SCRHITF net OPEB liability	\$ 15,614,863	\$ 13,254,320	\$ 11,351,536

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	\$ 10,906,166	\$ 13,254,320	\$ 16,290,049

The following table presents the SCLTDITF's net OPEB liability calculated using a Single Discount Rate of 3.91%, 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 (2.91%)	Current Discount Rate (3.91%)	1.00% Increase (4.91%)
District's proportionate share of the SCLTDITF net OPEB liability	\$ 4,036	\$ 2,701	\$ 1,397

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 OPEB Plans

At June 30, 2019, 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, 2019

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 third party record keepers.

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 third party record keepers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the one of the four third party record keepers. 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 the ORP vendor 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 (9.41 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/current annual salary.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the Board are insufficient to maintain the amortization period set in statute, the Board shall increase employer contribution rates as necessary.

After June 30, 2027, 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 eighty-five 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 eighty-five percent. 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 eighty-five 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 eighty-five percent.

The Retirement System Funding and Administration Act 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.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 8 - PENSION AND RETIREMENT PLAN (continued)

- Required employee contribution rates¹ for fiscal year 2018-2019 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 2018-2019 are as follows:

SCRS

Employer Class Two	14.41% of earnable compensation
Employer Class Three	14.41% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation

State ORP

Employer Contribution ²	14.41% 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.

The Retirement System Funding and Administration Act of 2017 set a schedule for retirement contribution rate increases for SCRS. The State has appropriated funds for the General Fund and EIA share of the one percent increase in the employer contribution rate effective July 1, 2018. The Executive Budget Office will allocate these funds to state agencies and school districts. The General Assembly has also funded a one-time credit, similar to that received last year, for employer contributions for most employers in SCRS for fiscal year 2019. PEBA issued credit invoices to certain employers for their share of the one-time credit.

The District's share of appropriated funds were \$78,220 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, 2019 measurement period.

Contributions to the pension plan from the District were as follows for the year ended June 30, 2019:

SCRS	\$	1,053,718
ORP - Remitted to SCRS	\$	11,100
ORP - Remitted to Vendor	\$	6,624

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

At June 30, 2019, the District reported a liability of \$17,327,864 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 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, 2019 was .077333%, which was a .001852% increase from its proportionate share at June 30, 2018.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 8 - PENSION AND RETIREMENT PLAN (continued)

For the year ended June 30, 2019, the District recognized pension expense of \$1,629,255. At June 30, 2019, 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
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 31,279	\$ 101,970
Assumption changes	687,473	-
Net difference between projected and actual earnings on pension plan investments	275,253	-
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	621,516	275,253
District contributions subsequent to the measurement date	<u>1,064,818</u>	<u>-</u>
Total	<u>\$ 2,680,339</u>	<u>\$ 377,223</u>

District contributions subsequent of the measurement date of \$1,064,818 reported as deferred outflows will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30:</u>	
2020	\$ 784,043
2021	570,329
2022	(94,190)
2023	(21,884)
Thereafter	<u>-</u>
	<u>\$ 1,238,298</u>

Actuarial Assumptions and Methods

Actuarial valuations of the 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, 2018, 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, 2017. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2018, using generally accepted actuarial principles.

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2018.

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, 2018, 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, 2018, 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	\$ 48,821,730,067	\$ 26,414,916,370	\$ 22,406,813,697	54.1%

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, 2019

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 2018 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	47.0%		
Global Public Equity	33.0%	6.99%	2.31%
Private Equity	9.0%	8.73%	0.79%
Equity Options Strategies	5.0%	5.52%	0.28%
Real Assets	10.0%		
Real Estate (Private)	6.0%	3.54%	0.21%
Real Estate (REITs)	2.0%	5.46%	0.11%
Infrastructure	2.0%	5.09%	0.10%
Opportunistic	13.0%		
GTAA/Risk Parity	8.0%	3.75%	0.30%
Hedge Funds (non-PA)	2.0%	3.45%	0.07%
Other Opportunistic Strategies	3.0%	3.75%	0.11%
Diversified Credit	18.0%		
Mixed Credit	6.0%	3.05%	0.18%
Emerging Markets Debt	5.0%	3.94%	0.20%
Private Debt	7.0%	3.89%	0.27%
Conservative Fixed Income	12.0%		
Core Fixed Income	10.0%	0.94%	0.09%
Cash and Short Duration (Net)	2.0%	0.34%	0.01%
Total Expected Real Return	<u>100.0%</u>		<u>5.03%</u>
Inflation for Actuarial Purposes			<u>2.25%</u>
Total Expected Nominal Return			<u>7.28%</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, 2019

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	\$ 22,141,793	\$ 17,327,864	\$ 13,886,367

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, 2019, 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, 2019:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB - SCRHITF	\$ 1,042,301	\$ 1,084,071
OPEB - SCLTDTF	7,964	523
Pensions - SCRS Plan	<u>2,680,339</u>	<u>377,223</u>
Total	<u>\$ 3,730,604</u>	<u>\$ 1,461,817</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, 2019

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, 2019, 2018, and 2017.

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, 2019

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	\$ <u>71,396</u>
	\$ <u><u>71,396</u></u>
Long-Term Liabilities Not Reported in the Funds:	
Notes Payable	\$ (466,911)
Net Pension Liability	(17,327,864)
Deferred Outflows of Resources Related to Pension	2,680,339
Deferred Inflows of Resources Related to Pension	(377,223)
Net OPEB Liability	(13,257,021)
Deferred Outflows of Resources Related to OPEB	1,050,265
Deferred Inflows of Resources Related to OPEB	(1,084,594)
Debt Guarantee for Latta Schools Educational Foundation, Inc.	(689,184)
Accrued Interest Payable	(6,984)
Compensated Absences Payable	(73,270)
	\$ <u><u>(29,552,447)</u></u>

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

Capital Outlays:	
Capital Outlay Expenditures	\$ 586,652
Depreciation Expense	<u>(361,609)</u>
	\$ <u><u>225,043</u></u>
Revenues Not Recognized in the Funds:	
Property Taxes	\$ <u>145</u>
	\$ <u><u>145</u></u>

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

Issuance and Repayment of Long-Term Debt:	
Principal Repayment on Guaranteed Debt	\$ 152,105
Principal Repayment on General Obligation Bonds	113,026
Principal Repayment on Capital Leases	<u>204,357</u>
	<u>\$ 469,488</u>
Expenses Not Recognized in the Funds:	
Compensated Absences	\$ 15,105
Accrued Interest on Long-Term Debt	7,756
Pension Expense	(488,256)
OPEB Expense	<u>(260,883)</u>
	<u>\$ (726,278)</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, 2019, the outstanding principal of the debt is \$689,184.

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, 2019, the District paid \$152,105 in principal and \$42,180 in interest on the guaranteed debt. The cumulative amount that has been paid by the District as of June 30, 2019 is \$776,869. 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, 2019 is as follows:

Beginning Balance	Increases	Decreases	Ending Balance
\$ <u>841,289</u>	\$ <u>-</u>	\$ <u>(152,105)</u>	\$ <u>689,184</u>

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 16 – TAX ABATEMENTS

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

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

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 2018, the programs resulted in property tax abatements or tax revenue sharing with other South Carolina counties of \$2,289,098 for Dillon County; \$2,913,785 for the Dillon County Schools Board of Education; and \$728,336 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.

NOTE 17 – COMMITMENTS

The District had the following construction commitment outstanding at June 30, 2019:

	Estimated Completion Date	Commitment	Expenditures Incurred	Remaining Commitment June 30, 2019
Middle & High School Roofing Project	December 2019	\$ 1,108,391	\$ 415,490	\$ 692,901
Total		<u>\$ 1,108,391</u>	<u>\$ 415,490</u>	<u>\$ 692,901</u>

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 18 – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

GASB has issued Statement No. 84 *Fiduciary Activities*, to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. As a result of the Statement, funds for student activities for which the school district has administrative involvement can no longer be accounted for as pupil activity funds (fiduciary funds) but should be accounted for as special revenue funds. This standard is applicable for periods beginning after December 15, 2018.

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, 2019**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Local	\$ 2,362,856	\$ 2,362,856	\$ 2,243,563	\$ (119,293)
State	7,723,520	7,723,520	7,821,808	98,288
Intergovernmental	278,000	278,000	673,504	395,504
TOTAL REVENUES	\$ 10,364,376	\$ 10,364,376	\$ 10,738,875	\$ 374,499
EXPENDITURES				
Current				
Instruction	\$ 5,511,532	\$ 5,511,532	\$ 5,592,477	\$ (80,945)
Supporting Services	4,785,766	4,785,766	4,718,934	66,832
Intergovernmental Expenditures	234,310	234,310	271,957	(37,647)
Debt Service				
Redemption of Principal	204,358	204,358	204,358	-
Interest	9,621	9,621	9,621	-
Capital Outlay	43,000	43,000	15,824	27,176
TOTAL EXPENDITURES	\$ 10,788,587	\$ 10,788,587	\$ 10,813,171	\$ (24,584)
Excess Revenues Over (Under) Expenditures	\$ (424,211)	\$ (424,211)	\$ (74,296)	\$ 349,915
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	\$ 424,211	\$ 424,211	\$ 385,954	\$ (38,257)
Transfers To Other Funds	-	-	(391,415)	(391,415)
TOTAL OTHER FINANCING SOURCES (USES)	\$ 424,211	\$ 424,211	\$ (5,461)	\$ (429,672)
Net Change in Fund Balance	\$ -	\$ -	\$ (79,757)	\$ (79,757)
FUND BALANCE BEGINNING OF YEAR	1,521,767	1,521,767	1,521,767	-
FUND BALANCE END OF YEAR	\$ 1,521,767	\$ 1,521,767	\$ 1,442,010	\$ (79,757)

DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
FOR FISCAL YEAR ENDED JUNE 30, 2019

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, 2019, actual expenditures in the general fund exceeded budgeted appropriations by \$24,584.

**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									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
District's proportion of the net pension liability (asset)	0.077333%	0.075481%	0.074754%	0.074630%	0.078785%					
District's proportionate share of the net pension liability (asset)	\$ 17,327,864	\$ 16,991,911	\$ 15,967,256	\$ 14,153,883	\$ 13,564,156					
District's covered payroll	\$ 6,645,136	\$ 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	260.76%	274.09%	275.06%	251.53%	231.52%					
Plan fiduciary net position as a percentage of the total pension liability	54.10%	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									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contributions	\$ 1,064,818	\$ 1,011,230	\$ 880,173	\$ 801,019	\$ 762,722	\$ 763,684	\$ 667,188	\$ 626,422	\$ 663,776	\$ 672,838
Contributions in relation to the contractually required contributions	(1,064,818)	(1,011,230)	(880,173)	(801,019)	(762,722)	(763,684)	(667,188)	(626,422)	(663,776)	(672,838)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 7,896,027	\$ 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
Contributions as a percentage of covered payroll	13.49%	12.54%	11.46%	10.96%	10.82%	10.60%	10.60%	9.54%	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, 2019**

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, 2018.

Summary of Actuarial Methods and Significant Assumptions	
Valuation date	07/01/17
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									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
South Carolina Retiree Health Insurance Trust Fund										
District's proportion of the net OPEB liability (asset)	0.093534%	0.091064%								
District's proportionate share of the net OPEB liability (asset)	\$ 13,254,320	\$ 12,334,530								
District's covered payroll	\$ 8,057,413	\$ 7,683,123								
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	164.50%	160.54%								
Plan fiduciary net position as a percentage of the total OPEB liability	7.91%	7.60%								
South Carolina Long-Term Disability Insurance Trust Fund										
District's proportion of the net OPEB liability (asset)	0.088220%	0.086966%								
District's proportionate share of the net OPEB liability (asset)	\$ 2,701	\$ 1,577								
District's covered payroll	\$ N/A	\$ N/A								
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	N/A	N/A								
Plan fiduciary net position as a percentage of the total OPEB liability	92.20%	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									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
South Carolina Retiree Health Insurance Trust Fund										
Contractually required contributions	\$ 477,710	\$ 443,597								
Contributions in relation to the contractually required contributions	(477,710)	(443,597)								
Contribution deficiency (excess)	\$ -	\$ -								
District's covered payroll	\$ 7,896,027	\$ 8,065,402								
Contributions as a percentage of covered payroll	6.05%	5.50%								
South Carolina Long-Term Disability Insurance Trust Fund										
Contractually required contributions	\$ 6,395	\$ 6,424								
Contributions in relation to the contractually required contributions	(6,395)	(6,424)								
Contribution deficiency (excess)	\$ -	\$ -								
District's covered payroll	\$ N/A	\$ N/A								
Contributions as a percentage of covered payroll	N/A	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, 2019**

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, 2018.

Summary of Actuarial Methods and Significant Assumptions

OPEB Plan:	SCRHITF
Valuation date	June 30, 2017
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	3.62% as of June 30, 2018
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 6.75% and gradually decreasing to an ultimate trend rate of 4.15% over a period of 14 years
Retiree Participation	79% for retirees who are eligible for funded premiums 59% participation for retirees who are eligible for partial funded premiums 20% participation for retirees who are eligible for non-funded premiums
Notes	There were not benefit changes during the year; the discount rate changed from 3.59% as of June 30, 2017 to 3.62% as of June 30, 2018

**DILLON COUNTY SCHOOL DISTRICT NO. 3
NOTES TO THE OPEB PLANS SCHEDULES
FOR FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 - ACTUARIAL METHODS & ASSUMPTIONS USED (continued)

Summary of Actuarial Methods and Significant Assumptions

OPEB Plan:	SCLTDITF
Valuation date	June 30, 2017
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	3.91% as of June 30, 2018
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; assumed percentage who will be eligible for a pension plan offset varies based on employee group
Expenses	Third party administrative expenses were included in the benefit projections
Notes	The discount rate changed from 3.87% as of June 30, 2017 to 3.91% as of June 30, 2018

**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, 2019

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	\$ 1,548,000	\$ 1,661,058	\$ 113,058
1140 Penalties and Interest on Taxes	16,000	14,960	(1,040)
1190 Other Taxes	376,856	404,766	27,910
1500 Earnings on Investments:			
1510 Interest on Investments	1,000	3,837	2,837
1900 Other Revenue From Local Sources:			
1920 Contributions & Donations Private Sources	-	6,508	6,508
1930 Special Needs Transportation - Medicaid	-	1,306	1,306
1990 Miscellaneous Local Revenue			
1993 Receipt of Insurance Proceeds	-	-	-
1999 Revenue from Other Local Sources	421,000	151,128	(269,872)
Total Local Sources	\$ 2,362,856	\$ 2,243,563	\$ (119,293)
2000 Intergovernmental Revenue			
2100 Payments from Other Governmental Units	\$ 278,000	\$ 673,504	\$ 395,504
Total Intergovernmental Revenues	\$ 278,000	\$ 673,504	\$ 395,504
3000 Revenue from State Sources			
3100 Restricted State Funding:			
3130 Special Programs:			
3131 Handicapped Transportation	\$ -	\$ 663	\$ 663
3160 School Bus Driver Salary	104,000	104,293	293
3162 Transportation Workers' Compensation	-	4,836	4,836
3180 Fringe Benefits Employer Contributions	2,057,876	2,073,112	15,236
3190 Miscellaneous Restricted State Grants:			
3199 Other Restricted State Grants	-	588	588
3300 Education Finance Act (EFA):	* 4,681,028	-	(4,681,028)
3310 Full-Time Programs:			
3311 Kindergarten	* -	240,828	240,828
3312 Primary	* -	646,826	646,826
3313 Elementary	* -	1,156,765	1,156,765
3314 High School	* -	225,273	225,273
3315 Trainable Mentally Handicapped	* -	34,579	34,579
3316 Speech Handicapped	* -	165,846	165,846
3320 Part-Time Programs:			
3322 Educable Mentally Handicapped	* -	22,820	22,820
3323 Learning Disabilities	* -	318,057	318,057
3324 Hearing Handicapped	* -	5,607	5,607
3325 Visually Handicapped	* -	16,820	16,820
3326 Orthopedically Handicapped	* -	8,727	8,727
3327 Vocational	* -	914,183	914,183

* 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, 2019**

	<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	*	-	106,135
3332 High Achieving Students	*	-	69,288
3334 Limited English Proficiency	*	-	3,709
3351 Academic Assistance	*	-	156,160
3352 Pupils in Poverty	*	-	474,042
3353 Dual Credit Enrollment	*	-	4,987
3392 NBC Excess EFA Formula	*	-	8,159
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)	-	103,592	103,592
3825 Reimbursement for Property Tax Relief (Tier 3)	615,000	596,233	(18,767)
3830 Merchant's Inventory Tax	19,500	19,752	252
3840 Manufacturers Depreciation Reimbursement	32,000	33,675	1,675
3890 Other State Property Tax Revenues	30,000	43,917	13,917
3900 Other State Revenue:			
3993 PEBA On-Behalf	-	78,220	78,220
Total State Sources	<u>\$ 7,723,520</u>	<u>\$ 7,821,808</u>	<u>\$ 98,288</u>
TOTAL REVENUE ALL SOURCES	<u>\$ 10,364,376</u>	<u>\$ 10,738,875</u>	<u>\$ 374,499</u>

EXPENDITURES

100 Instruction

110 General Instruction

111 Kindergarten Programs:

100 Salaries	\$ 293,115	\$ 357,886	\$ (64,771)
200 Employee Benefits	146,351	145,044	1,307
400 Supplies and Materials	5,000	5,020	(20)

112 Primary Programs:

100 Salaries	766,119	741,311	24,808
200 Employee Benefits	336,003	321,741	14,262
400 Supplies and Materials	15,000	26,318	(11,318)

113 Elementary Programs:

100 Salaries	1,175,722	1,243,529	(67,807)
200 Employee Benefits	542,288	530,449	11,839
300 Purchased Services	-	780	(780)
400 Supplies and Materials	10,750	10,884	(134)
600 Other Objects	-	1,500	(1,500)

**DILLON COUNTY SCHOOL DISTRICT NO. 3
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR FISCAL YEAR ENDED JUNE 30, 2019**

EXPENDITURES (continued)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
100 Instruction (continued)			
110 General Instruction (continued)			
114 High School Programs:			
100 Salaries	903,187	882,322	20,865
200 Employee Benefits	393,351	400,063	(6,712)
400 Supplies and Materials	20,000	20,053	(53)
600 Other Objects	-	3,000	(3,000)
115 Career and Technology Education Programs:			
100 Salaries	138,554	141,621	(3,067)
200 Employee Benefits	67,820	67,856	(36)
120 Exceptional Programs			
121 Educable Mentally Handicapped:			
100 Salaries	39,571	39,072	499
200 Employee Benefits	17,891	17,400	491
122 Trainable Mentally Handicapped:			
100 Salaries	53,147	57,006	(3,859)
200 Employee Benefits	30,771	26,641	4,130
400 Supplies and Materials	-	180	(180)
126 Speech Handicapped:			
100 Salaries	99,955	99,955	-
200 Employee Benefits	39,146	41,358	(2,212)
127 Learning Disabilities:			
100 Salaries	114,082	113,762	320
200 Employee Benefits	42,822	43,973	(1,151)
400 Supplies and Materials	-	250	(250)
130 Pre-School Programs			
139 Early Childhood Programs:			
100 Salaries	81,737	78,205	3,532
200 Employee Benefits	43,935	34,522	9,413
140 Special Programs			
141 Gifted and Talented - Academic:			
100 Salaries	46,686	46,686	-
200 Employee Benefits	19,826	20,542	(716)
145 Homebound:			
100 Salaries	-	5,964	(5,964)
200 Employee Benefits	-	1,662	(1,662)
300 Purchased Services	4,750	2,831	1,919
149 Other Special Programs:			
300 Purchased Services	4,750	1,982	2,768

**DILLON COUNTY SCHOOL DISTRICT NO. 3
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR FISCAL YEAR ENDED JUNE 30, 2019**

EXPENDITURES (continued)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
100 Instruction (continued)			
160 Other Exceptional Programs			
161 Autism:			
100 Salaries	40,770	40,262	508
200 Employee Benefits	18,433	17,929	504
170 Summer School Programs			
171 Primary Summer School:			
100 Salaries	-	360	(360)
200 Employee Benefits	-	29	(29)
172 Elementary Summer School:			
100 Salaries	-	24	(24)
200 Employee Benefits	-	1,827	(1,827)
175 Instructional Programs Beyond Regular School Day:			
100 Salaries	-	528	(528)
200 Employee Benefits	-	130	(130)
180 Adult/Continuing Educational Programs			
188 Parenting/Family Literacy:			
400 Supplies and Materials	-	20	(20)
Total Instruction	\$ 5,511,532	\$ 5,592,477	\$ (80,945)
200 Supporting Services			
210 Pupil Services			
212 Guidance Services:			
100 Salaries	\$ 94,587	\$ 88,553	\$ 6,034
200 Employee Benefits	31,372	25,752	5,620
300 Purchased Services	1,500	6,627	(5,127)
400 Supplies and Materials	1,500	2,608	(1,108)
213 Health Services:			
100 Salaries	74,496	73,012	1,484
200 Employee Benefits	34,246	35,585	(1,339)
300 Purchased Services	1,500	-	1,500
400 Supplies and Materials	16,500	17,691	(1,191)
214 Psychological Services:			
100 Salaries	51,215	51,215	-
200 Employee Benefits	21,081	22,052	(971)
300 Purchased Services	-	18,935	(18,935)

DILLON COUNTY SCHOOL DISTRICT NO. 3
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR FISCAL YEAR ENDED JUNE 30, 2019

EXPENDITURES (continued)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
200 Supporting Services (continued)			
210 Pupil Services (continued)			
217 Career Specialist Services			
100 Salaries	24,865	30,877	(6,012)
200 Employee Benefits	10,333	10,734	(401)
220 Instructional Staff Services			
221 Improvement of Instruction - Curriculum Development:			
100 Salaries	147,062	119,889	27,173
200 Employee Benefits	21,816	53,050	(31,234)
300 Purchased Services	33,913	34,874	(961)
400 Supplies and Materials	14,000	865	13,135
222 Library and Media Services:			
100 Salaries	162,051	162,051	-
200 Employee Benefits	67,514	70,375	(2,861)
400 Supplies and Materials	9,490	9,521	(31)
223 Supervision of Special Programs:			
100 Salaries	134,656	132,556	2,100
200 Employee Benefits	45,233	47,308	(2,075)
400 Supplies and Materials	-	48	(48)
224 Improvement of Instruction - Inservice and Staff Training:			
100 Salaries	4,000	4,403	(403)
200 Employee Benefits	1,108	1,304	(196)
300 Purchased Services	12,000	18,323	(6,323)
400 Supplies and Materials	900	448	452
600 Other Objects	450	740	(290)
230 General Administration Services			
231 Board of Education:			
200 Employee Benefits	-	35	(35)
300 Purchased Services	12,000	31,969	(19,969)
318 Audit Services	30,000	30,875	(875)
600 Other Objects	192,500	174,654	17,846
232 Office of the Superintendent:			
100 Salaries	174,217	174,217	-
200 Employee Benefits	84,152	91,656	(7,504)
300 Purchased Services	12,100	9,600	2,500
400 Supplies and Materials	5,350	5,325	25
500 Capital Outlay	1,500	-	1,500
600 Other Objects	3,000	17,229	(14,229)

DILLON COUNTY SCHOOL DISTRICT NO. 3
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR FISCAL YEAR ENDED JUNE 30, 2019

EXPENDITURES (continued)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
200 Supporting Services (continued)			
230 General Administration Services (continued)			
233 School Administration:			
100 Salaries	594,750	593,554	1,196
140 Terminal Leave	-	15,562	(15,562)
200 Employee Benefits	243,282	250,736	(7,454)
300 Purchased Services	2,000	2,657	(657)
400 Supplies and Materials	6,843	6,737	106
600 Other Objects	2,250	961	1,289
250 Finance and Operations Services			
251 Student Transportation:			
300 Purchased Services	-	841	(841)
252 Fiscal Services:			
100 Salaries	97,530	97,959	(429)
200 Employee Benefits	40,367	41,738	(1,371)
300 Purchased Services	9,000	11,464	(2,464)
400 Supplies and Materials	2,000	1,575	425
254 Operation and Maintenance of Plant:			
100 Salaries	462,305	448,762	13,543
200 Employee Benefits	228,837	211,386	17,451
300 Purchased Services	193,990	186,993	6,997
321 Public Utilities	65,100	21,972	43,128
400 Supplies and Materials	85,000	106,369	(21,369)
470 Energy	275,500	245,279	30,221
500 Capital Outlay	13,000	1,068	11,932
255 Student Transportation:			
100 Salaries	65,280	173,628	(108,348)
200 Employee Benefits	31,480	93,794	(62,314)
300 Purchased Services	223,800	4,118	219,682
400 Supplies and Materials	1,800	904	896
256 Food Services:			
100 Salaries	-	1,200	(1,200)
200 Employee Benefits	161,671	97,697	63,974
257 Internal Services:			
300 Purchased Services	25,000	23,020	1,980
258 Security:			
100 Salaries	-	2,700	(2,700)
200 Employee Benefits	-	749	(749)
300 Purchased Services	15,000	35,779	(20,779)

DILLON COUNTY SCHOOL DISTRICT NO. 3
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR FISCAL YEAR ENDED JUNE 30, 2019

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
EXPENDITURES (continued)			
200 Supporting Services (continued)			
260 Central Support Services			
266 Technology and Data Processing Services:			
100 Salaries	140,997	136,000	4,997
200 Employee Benefits	48,193	48,209	(16)
300 Purchased Services	92,673	93,412	(739)
400 Supplies and Materials	-	21,094	(21,094)
500 Capital Outlay	28,500	14,756	13,744
270 Supporting Services Pupil Activity			
271 Pupil Services Activities:			
100 Salaries	93,786	112,800	(19,014)
200 Employee Benefits	25,125	29,103	(3,978)
300 Purchased Services	-	2,250	(2,250)
400 Supplies and Materials	6,500	5,593	907
660 Pupil Activity	15,000	17,383	(2,383)
Total Supporting Services	\$ 4,828,766	\$ 4,734,758	\$ 94,008
400 Intergovernmental Expenditures			
412 Payments to Other Governmental Units			
720 Transits	\$ 40,000	\$ 77,672	\$ (37,672)
417 Payments to Nonprofit Entities			
720 Transits	194,310	194,285	25
Total Intergovernmental Expenditures	\$ 234,310	\$ 271,957	\$ (37,647)
500 Debt Service			
610 Redemption of Principal	\$ 204,358	\$ 204,358	\$ -
620 Interest	9,621	9,621	-
Total Debt Service	\$ 213,979	\$ 213,979	\$ -
TOTAL EXPENDITURES	\$ 10,788,587	\$ 10,813,171	\$ (24,584)
Excess Revenues Over (Under) Expenditures	\$ (424,211)	\$ (74,296)	\$ 349,915
OTHER FINANCING SOURCES (USES)			
Interfund Transfers, From (To) Other Funds:			
5230 Transfer from Special Revenue EIA Fund	\$ 384,211	\$ 371,670	\$ (12,541)
5280 Transfer from Other Funds Indirect Costs	40,000	14,284	(25,716)
424 - 710 Transfer to School Building Fund	-	(391,415)	(391,415)
TOTAL OTHER FINANCING SOURCES (USES)	\$ 424,211	\$ (5,461)	\$ (429,672)

**DILLON COUNTY SCHOOL DISTRICT NO. 3
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR FISCAL YEAR ENDED JUNE 30, 2019**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Excess Revenues and Expenditures Over (Under) Other Financing Sources (Uses)	\$ <u> -</u>	\$ <u> (79,757)</u>	\$ <u> (79,757)</u>
FUND BALANCE JULY 1, 2018		<u>1,521,767</u>	
FUND BALANCE JUNE 30, 2019		<u>\$ 1,442,010</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, 2019**

	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:			
3110 Occupational Education:			
3118 EEDA Career Specialist	\$ -	\$ -	\$ -
3120 General Education:			
3127 Student Health and Fitness - PE Teachers	-	-	-
3130 Special Programs:			
3135 Reading Coaches	-	-	-
3136 Student Health and Fitness - Nurses	-	-	-
3190 Miscellaneous Restricted State Grants:			
3193 Education License Plates	-	-	-
	-	-	-
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	628,200	-	-
4312 Rural and Low-Income School Program, Title VI	-	-	-
4351 Supporting Effective Instruction	-	-	-
4500 Programs for Children with Disabilities:			
4510 Individuals With Disabilities Education Act (IDEA)	-	470,379	-
4520 Pre-School Grants for Children with Disabilities (IDEA)	-	-	15,049
	-	-	-
4990 Other Federal Revenue:			
4997 Title IV - SSAE	-	-	-
	-	-	-
Total Federal Sources	\$ 628,200	\$ 470,379	\$ 15,049
TOTAL REVENUE ALL SOURCES	\$ 628,200	\$ 470,379	\$ 15,049

<u>CATE (207/208)</u>	<u>OTHER DESIGNATED RESTRICTED STATE GRANTS (900s)</u>	<u>OTHER SPECIAL REVENUE PROGRAMS (200s/800s)</u>	<u>TOTAL</u>
\$ -	\$ -	\$ 172,821	\$ 172,821
-	-	7,783	7,783
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 180,604</u>	<u>\$ 180,604</u>
\$ -	\$ 188,612	\$ -	\$ 188,612
-	11,388	-	11,388
-	122,104	-	122,104
-	29,097	-	29,097
-	319	-	319
-	87,579	-	87,579
<u>\$ -</u>	<u>\$ 439,099</u>	<u>\$ -</u>	<u>\$ 439,099</u>
\$ 35,518	\$ -	\$ -	\$ 35,518
-	-	9,912	638,112
-	-	45,048	45,048
-	-	63,645	63,645
-	-	-	470,379
-	-	-	15,049
-	-	60,559	60,559
<u>\$ 35,518</u>	<u>\$ -</u>	<u>\$ 179,164</u>	<u>\$ 1,328,310</u>
<u>\$ 35,518</u>	<u>\$ 439,099</u>	<u>\$ 359,768</u>	<u>\$ 1,948,013</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, 2019**

EXPENDITURES	TITLE I (201/202)	IDEA (203/204)	PRESCHOOL HANDICAPPED (205/206)
100 Instruction			
110 General Instruction			
112 Primary Programs:			
100 Salaries	\$ 387,320	\$ -	-
200 Employee Benefits	212,254	-	-
400 Supplies and Materials	22,199	-	-
113 Elementary Programs:			
100 Salaries	-	-	-
200 Employee Benefits	-	-	-
500 Capital Outlay	-	-	-
114 High School Programs:			
100 Salaries	-	-	-
200 Employee Benefits	-	-	-
400 Supplies and Materials	-	-	-
115 Career and Technology Education Programs:			
100 Salaries	-	-	-
200 Employee Benefits	-	-	-
120 Exceptional Programs			
122 Trainable Mentally Handicapped:			
100 Salaries	-	83,157	-
200 Employee Benefits	-	37,602	-
300 Purchased Services	-	125	-
400 Supplies and Materials	-	13,988	-
126 Speech Handicapped:			
100 Salaries	-	603	12,381
200 Employee Benefits	-	168	2,668
300 Purchased Services	-	329	-
400 Supplies and Materials	-	4,281	-
127 Learning Disabilities:			
100 Salaries	-	87,915	-
200 Employee Benefits	-	32,097	-
300 Purchased Services	-	141	-
400 Supplies and Materials	-	28,091	-
140 Special Programs			
149 Other Special Programs:			
300 Purchased Services	-	33,798	-
160 Other Exceptional Programs			
161 Autism:			
400 Supplies and Materials	-	3,250	-

<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>
\$ -	\$ 6,487	\$ -	\$ 393,807
-	4,901	-	217,155
-	-	-	22,199
-	-	42,686	42,686
-	-	17,680	17,680
-	319	-	319
-	-	17,420	17,420
-	-	7,922	7,922
-	-	34,050	34,050
35,518	-	6,038	41,556
-	-	1,745	1,745
-	-	-	83,157
-	-	-	37,602
-	-	-	125
-	-	-	13,988
-	-	-	12,984
-	-	-	2,836
-	-	-	329
-	-	-	4,281
-	-	-	87,915
-	-	-	32,097
-	-	-	141
-	-	-	28,091
-	-	-	33,798
-	-	-	3,250

**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, 2019**

	TITLE I (201/202)	IDEA (203/204)	PRESCHOOL HANDICAPPED (205/206)
EXPENDITURES (continued)			
100 Instruction (continued)			
170 Summer School Programs			
172 Elementary Summer School			
100 Salaries	-	-	-
200 Employee Benefits	-	-	-
180 Adult/Continuing Educational Programs			
188 Parenting/Family Literacy			
400 Supplies and Materials	6,427	-	-
Total Instruction	\$ 628,200	\$ 325,545	\$ 15,049
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	-	35,052	-
400 Supplies and Materials	-	-	-
214 Psychological Services:			
300 Purchased Services	-	-	-
400 Supplies and Materials	-	6,140	-
217 Career Specialist Services:			
100 Salaries	-	-	-
200 Employee Benefits	-	-	-
220 Instructional Staff Services			
221 Improvement of Instruction - Curriculum Development:			
100 Salaries	-	-	-
200 Employee Benefits	-	-	-
223 Supervision of Special Programs:			
100 Salaries	-	36,309	-
200 Employee Benefits	-	18,450	-
300 Purchased Services	-	2,169	-
400 Supplies and Materials	-	4,417	-
224 Improvement of Instruction - Inservice and Staff Training:			
100 Salaries	-	22,025	-
200 Employee Benefits	-	6,176	-
300 Purchased Services	-	1,849	-

<u>CATE (207/208)</u>	<u>OTHER DESIGNATED RESTRICTED STATE GRANTS (900s)</u>	<u>OTHER SPECIAL REVENUE PROGRAMS (200s/800s)</u>	<u>TOTAL</u>
-	-	3,072	3,072
-	-	3,860	3,860
<u>-</u>	<u>-</u>	<u>-</u>	<u>6,427</u>
\$ 35,518	\$ 11,707	\$ 134,473	\$ 1,150,492
\$ -	\$ 78,704	\$ -	\$ 78,704
-	29,401	-	29,401
-	19,530	96,837	116,367
-	9,567	32,303	41,870
-	-	-	35,052
-	-	520	520
-	-	8,877	8,877
-	-	-	6,140
-	54,877	-	54,877
-	25,629	-	25,629
-	93,090	31,360	124,450
-	29,015	13,688	42,703
-	-	-	36,309
-	-	-	18,450
-	-	-	2,169
-	-	-	4,417
-	-	3,300	25,325
-	-	933	7,109
-	-	3,193	5,042

**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, 2019**

	TITLE I (201/202)	IDEA (203/204)	PRESCHOOL HANDICAPPED (205/206)
EXPENDITURES (continued)			
200 Supporting Services (continued)			
250 Finance and Operations Services			
251 Student Transportation			
300 Purchased Services	-	12,247	-
	-	12,247	-
Total Supporting Services	\$ -	\$ 144,834	\$ -
400 Intergovernmental Expenditures			
414 Medicaid Payments to SCDE			
720 Transits	\$ -	\$ -	\$ -
419 Payments from PEBA Nonemployer Contributions			
720 Transits	-	-	-
	-	-	-
Total Intergovernmental Expenditures	\$ -	\$ -	\$ -
TOTAL EXPENDITURES	\$ 628,200	\$ 470,379	\$ 15,049
Excess Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -
FUND BALANCE JULY 1, 2018	-	-	-
FUND BALANCE JUNE 30, 2019	-	-	-

<u>CATE (207/208)</u>	<u>OTHER DESIGNATED RESTRICTED STATE GRANTS (900s)</u>	<u>OTHER SPECIAL REVENUE PROGRAMS (200s/800s)</u>	<u>TOTAL</u>
-	-	-	12,247
\$ -	\$ 339,813	\$ 191,011	\$ 675,658
-	87,579	-	87,579
\$ -	\$ 87,579	\$ 34,284	\$ 121,863
\$ 35,518	\$ 439,099	\$ 359,768	\$ 1,948,013
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ -	\$ -
-	-	-	-
\$ -	\$ -	\$ -	\$ -

**DILLON COUNTY SCHOOL DISTRICT NO. 3
SPECIAL PROJECTS FUND
SUMMARY SCHEDULE FOR DESIGNATED STATE RESTRICTED GRANTS
FOR FISCAL YEAR ENDED JUNE 30, 2019**

SUBFUND CODE	REVENUE CODE	PROGRAMS	REVENUES
919	3193	Education License Plates	\$ 319
928	3118	EEDA Career Specialist	188,612
935	3135	Reading Coaches	122,103
936	3136	Student Health and Fitness - Nurses	29,097
937	3127	Student Health and Fitness - PE Teachers	11,389
939	3393	Capital Improvement Plan - Additional	-
970	3670	School Safety - Facility and Infrastructure Safety Upgrades	-
994	3994	PEBA Nonemployer Contributions	87,579
TOTALS			\$ 439,099

<u>EXPENDITURES</u>	<u>SPECIAL PROJECTS INTERFUND TRANSFERS IN/(OUT)</u>	<u>OTHER FUND TRANSFERS IN/(OUT)</u>	<u>UNEARNED REVENUE</u>
\$ 319	\$ -	\$ -	\$ -
188,612	-	-	-
122,103	-	-	-
29,097	-	-	-
11,389	-	-	-
-	-	-	163,101
-	-	-	326,000
<u>87,579</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 439,099</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 489,101</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, 2019**

REVENUES	<u>ACTUAL</u>
3000 Revenue from State Sources	
3500 Education Improvement Act:	
3502 ADEPT	\$ 247
3511 Professional Development	7,436
3519 Grade 10 Assessments	34,593
3526 Refurbishment of K-8 Science Kits	14,439
3528 Industry Certifications/Credentials	22,997
3529 Career and Technology Education	60,000
3532 National Board Salary Supplement	28,858
3533 Teacher of the Year Award	1,076
3538 Students At Risk of School Failure	185,773
3541 Child Early Reading Development and Education Program (CERDEP) - Full Day 4K	265,856
3550 Teacher Salary Increase	307,024
3555 Teacher Salary Fringe	62,983
3557 Summer Reading Program	1,664
3558 Reading	7,480
3577 Teacher Supplies	26,950
3589 Maintenance of State Financial Support (MES) Tier II	157,763
3593 Capital Improvement Plan	466,139
3595 EEDA - Supplies and Materials	4,031
3597 Aid to Districts	51,054
3599 Other EIA	8,247
	<hr/>
Total State Sources	\$ <u>1,714,610</u>
TOTAL REVENUE ALL SOURCES	\$ <u>1,714,610</u>
EXPENDITURES	
100 Instruction	
110 General Instruction	
112 Primary Programs:	
100 Salaries	\$ 2,385
400 Supplies and Materials	18,651
113 Elementary Programs:	
100 Salaries	141,414
200 Employee Benefits	64,686
400 Supplies and Materials	14,763
114 High School Programs:	
100 Salaries	39,204
200 Employee Benefits	21,458
400 Supplies and Materials	7,975
115 Career and Technology Education Programs:	
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, 2019**

EXPENDITURES (continued)	<u>ACTUAL</u>
100 Instruction (continued)	
120 Exceptional Programs	
122 Trainable Mentally Handicapped:	
400 Supplies and Materials	7,638
127 Learning Disabilities:	
400 Supplies and Materials	69,673
140 Special Programs	
147 CERDEP:	
100 Salaries	163,244
200 Employee Benefits	102,612
170 Summer School Program	
171 Primary Summer School:	
100 Salaries	22,200
200 Employee Benefits	6,274
400 Supplies and Materials	12,684
175 Instructional Programs Beyond Regular School Day:	
100 Salaries	12,703
200 Employee Benefits	3,571
Total Instruction	\$ 751,135
200 Supporting Services	
210 Pupil Services	
212 Guidance Services:	
400 Supplies and Materials	\$ 38,212
220 Instructional Staff Services	
224 Improvement of Instruction - Inservice and Staff Training:	
100 Salaries	12,002
200 Employee Benefits	3,290
300 Purchased Services	20,506
250 Finance and Operations Services	
253 Facilities Acquisition and Construction:	
500 Capital Outlay	
520 Construction Services	466,139
260 Central Support Services	
266 Technology and Data Processing Services:	
400 Supplies and Materials	8,247

**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, 2019**

	ACTUAL
EXPENDITURES (continued)	
200 Supporting Services (continued)	
270 Support Services - Pupil Activity	
271 Pupil Service Activities	
660 Pupil Activity	412
Total Supporting Services	\$ 548,808
400 Intergovernmental Expenditures	
412 Payments to Other Governmental Units	
720 Transits	\$ 42,997
Total Intergovernmental Expenditures	\$ 42,997
TOTAL EXPENDITURES	\$ 1,342,940
Excess Revenues Over (Under) Expenditures	\$ 371,670
OTHER FINANCING SOURCES (USES)	
Interfund Transfers, From (To) Other Funds	
420-710 Transfer to General Fund	\$ (371,670)
TOTAL OTHER FINANCING SOURCES (USES)	\$ (371,670)
Excess Revenues and Expenditures Over (Under) Other Financing Sources (Uses)	\$ -
FUND BALANCE JULY 1, 2018	-
FUND BALANCE JUNE 30, 2019	\$ -

**DILLON COUNTY SCHOOL DISTRICT NO. 3
 EDUCATION IMPROVEMENT ACT
 SUMMARY SCHEDULE BY PROGRAM
 FOR FISCAL YEAR ENDED JUNE 30, 2019**

PROGRAM	<u>REVENUES</u>
3500 Education Improvement Act:	
3502 ADEPT	\$ 247
3507 Aid to District Technology	-
3511 Professional Development	7,436
3519 Grade 10 Assessments	34,593
3526 Refurbishment of K-8 Science Kits	14,439
3528 Industry Certifications/Credentials	22,997
3529 Career and Technology Education	60,000
3532 National Board Salary Supplement	28,858
3533 Teacher of the Year Award	1,076
3538 Students At Risk of School Failure	185,773
3541 Child Early Reading Development and Education Program (CERDEP) - Full Day 4K	265,856
3550 Teacher Salary Increase	307,024
3555 Teacher Salary Fringe	62,983
3557 Summer Reading Program	1,664
3558 Reading	7,480
3577 Teacher Supplies	26,950
3589 Maintenance of State Financial Support (MES) Tier II	157,763
3593 Capital Improvement Plan	466,139
3595 EEDA Supplies and Materials	4,031
3597 Aid to Districts	51,054
3599 Other EIA - ERATE	8,247
	<hr/>
TOTALS	\$ <u><u>1,714,610</u></u>

<u>EXPENDITURES</u>	<u>EIA INTERFUND TRANSFERS IN/(OUT)</u>	<u>OTHER FUND TRANSFERS IN/(OUT)</u>	<u>UNEARNED REVENUE</u>
\$ 247	\$ -	\$ -	\$ -
-	-	-	22,664
7,436	-	-	-
34,593	-	-	-
14,439	-	-	-
22,997	-	-	10,000
60,000	-	-	-
28,858	-	-	-
1,076	-	-	-
185,773	-	-	-
265,856	-	-	-
-	-	(307,024)	-
-	-	(62,983)	-
-	-	(1,664)	11,732
7,480	-	-	-
26,950	-	-	-
157,763	-	-	-
466,139	-	-	533,861
4,031	-	-	412
51,054	-	-	-
8,247	-	-	-
<u>\$ 1,342,939</u>	<u>\$ -</u>	<u>\$ (371,671)</u>	<u>\$ 578,669</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, 2019**

	<u>ACTUAL</u>
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	\$ 113,026
620 Interest	<u>475</u>
TOTAL EXPENDITURES	\$ <u>113,501</u>
Excess Revenues Over (Under) Expenditures	\$ <u>-</u>
FUND BALANCE JULY 1, 2018	<u>-</u>
FUND BALANCE JUNE 30, 2019	\$ <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, 2019**

	ACTUAL
REVENUES	
3000 Revenue from State Sources	
3900 Other State Revenue:	
3999 Revenue from Other State Sources	\$ <u>42,042</u>
Total State Sources	\$ <u>42,042</u>
TOTAL REVENUE ALL SOURCES	\$ <u>42,042</u>
EXPENDITURES	
200 Supporting Services	
250 Finance and Operations	
253 Facilities Acquisition and Construction:	
300 Purchased Services	\$ 21,443
500 Capital Outlay	
530 Improvements Other Than Buildings	<u>318,717</u>
Total Supporting Services	\$ <u>340,160</u>
400 Intergovernmental Expenditures	
417 Payments to Nonprofit Entities	
720 Transits	\$ <u>93,297</u>
Total Intergovernmental Expenditures	\$ <u>93,297</u>
TOTAL EXPENDITURES	\$ <u>433,457</u>
Excess Revenues Over (Under) Expenditures	\$ <u>(391,415)</u>
OTHER FINANCING SOURCES	
Interfund Transfers, From (To) Other Funds:	
5210 Transfer from General Fund	\$ <u>391,415</u>
TOTAL OTHER FINANCING SOURCES	\$ <u>391,415</u>
Excess Revenues and Expenditures Over (Under) Other Financing Sources (Uses)	\$ -
FUND BALANCE JULY 1, 2018	<u>-</u>
FUND BALANCE JUNE 30, 2019	<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, 2019

	ACTUAL
REVENUES	
1000 Revenue From Local Sources	
1500 Earnings on Investments:	
1510 Interest on Investments	\$ 73
1600 Food Service:	
1610 Lunch Sales to Pupils	84,015
1630 Special Sales to Pupils	5,946
1640 Lunch Sales to Adults	14,495
1660 Special Sales to Adults	6,463
1900 Other Revenue from Local Sources:	
1999 Revenue from Other Local Sources	9,391
Total Local Sources	\$ 120,383
4000 Revenue From Federal Sources	
4800 USDA Reimbursement:	
4810 School Lunch and After School Snacks Program	\$ 447,551
4830 School Breakfast Program	297,926
4900 Other Federal Sources:	
4991 USDA Commodities (Food Distribution Program)	50,306
Total Federal Sources	\$ 795,783
TOTAL REVENUE ALL SOURCES	\$ 916,166
EXPENSES	
250 Finance and Operations	
256 Food Service:	
100 Salaries	\$ 279,390
200 Employee Benefits	15,774
221 Pension Expense	12,766
300 Purchased Services	12,841
400 Supplies and Materials	544,001
500 Capital Outlay	14,980
600 Other Objects	13,009
TOTAL EXPENSES	\$ 892,761
Operating Income (Loss) Before Other Financing Sources (Uses)	\$ 23,405

**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, 2019**

	ACTUAL
OTHER FINANCING SOURCES (USES)	
Interfund Transfers, From (To) Other Funds	
432-791 Food Service Fund Indirect Costs	\$ <u>(14,284)</u>
TOTAL OTHER FINANCING SOURCES (USES)	\$ <u>(14,284)</u>
Net Income (Loss)	\$ 9,121
NET POSITION JULY 1, 2018	<u>429,361</u>
NET POSITION JUNE 30, 2019	<u><u>438,482</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, 2019**

	<u>ACTUAL</u>
RECEIPTS	
1000 Receipts From Local Sources	
1700 Pupil Activities:	
1710 Admissions	\$ 55,717
1730 Pupil Organization Membership Dues and Fees	1,535
1790 Other Pupil Activity Income	<u>312,692</u>
Total Receipts From Local Sources	\$ <u>369,944</u>
TOTAL RECEIPTS ALL SOURCES	\$ <u>369,944</u>
DISBURSEMENTS	
270 Supporting Services Pupil Activity	
271 Pupil Service Activities:	
660 Pupil Activity	\$ 133,556
272 Enterprise Activities:	
660 Pupil Activity	117,852
273 Trust and Agency Activities:	
660 Enterprise Activities	<u>156,549</u>
Total Pupil Activity Expenditures	\$ <u>407,957</u>
TOTAL DISBURSEMENTS	\$ <u>407,957</u>
Excess Receipts Over (Under) Disbursements	\$ (38,013)
DUE TO THIRD PARTIES JULY 1, 2018	<u>138,250</u>
DUE TO THIRD PARTIES JUNE 30, 2019	\$ <u><u>100,237</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, 2019**

		<u>LATTA SCHOOLS EDUCATIONAL FOUNDATION</u>
ASSETS		
Cash and Cash Equivalents	\$	276,083
Due from Primary Government		9,600
Pledges Receivable (Net of Allowance for Uncollectibles)		<u>16,095</u>
TOTAL ASSETS	\$	<u><u>301,778</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
Deferred Inflows of Resources		
Unavailable Pledges	\$	<u>15,546</u>
Total Deferred Inflows of Resources	\$	<u>15,546</u>
Fund Balances		
Restricted for:		
Capital Projects	\$	14,221
Scholarships		93,062
Assigned for:		
Capital Projects and Debt Service		<u>178,949</u>
Total Fund Balances	\$	<u>286,232</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$	<u><u>301,778</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	\$	286,232
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.		3,880,645
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.		15,546
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>(698,719)</u>
Net position (presented on page 13)	\$	<u><u>3,483,704</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, 2019**

	<u>LATTA SCHOOLS EDUCATIONAL FOUNDATION</u>
REVENUES	
1000 Revenue from Local Sources	
1500 Earnings on Investments:	
1510 Interest on Investments	\$ 516
1900 Other Revenue From Local Sources:	
1920 Contributions & Donations Private Sources	82,253
1999 Revenue from Other Local Sources	2,072
	84,841
Total Local Sources	\$ 84,841
2000 Intergovernmental Revenue	
2100 Payments from Other Governmental Units	\$ 287,582
Total Intergovernmental Revenue	\$ 287,582
TOTAL REVENUE ALL SOURCES	\$ 372,423
EXPENDITURES	
300 Community Services	
390 Other Community Services:	
100 Salaries	\$ 20,000
300 Purchased Services	3,460
400 Supplies and Materials	1,677
500 Capital Outlay	95,912
600 Other Objects	44,270
	165,319
Total Community Services	\$ 165,319
500 Debt Service	
610 Redemption of Principal	\$ 152,105
620 Interest	42,180
	194,285
Total Debt Service Expenditures	\$ 194,285
TOTAL EXPENDITURES	\$ 359,604
Excess Revenues Over (Under) Expenditures	\$ 12,819
FUND BALANCE JULY 1, 2018	273,413
FUND BALANCE JUNE 30, 2019	\$ 286,232

**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, 2019**

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	\$	12,819
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.		(21,278)
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.		(2,152)
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.		152,105
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.		2,105
Change in net position (reported on page 14)	\$	143,599

**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, 2019**

<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 2019	<u>5,783</u>
TOTALS					<u><u>5,783</u></u>

**DILLON COUNTY SCHOOL DISTRICT NO. 3
LOCATION RECONCILIATION SCHEDULE
FOR FISCAL YEAR ENDED JUNE 30, 2019**

<u>LOCATION</u>	<u>LOCATION DESCRIPTION</u>	<u>EDUCATION LEVEL</u>	<u>COST TYPE</u>	<u>TOTAL EXPENDITURES</u>
30	District	Non-Schools	Central	\$ 1,528,732
31	Latta Elementary	Elementary Schools	School	6,167,114
32	Latta Middle	Middle Schools	School	2,971,137
33	Latta High	High Schools	School	4,997,235
35	Latta Educational Foundation	Non-Schools	Central	287,582
TOTAL EXPENDITURES/DISBURSEMENTS FOR ALL FUNDS				\$ 15,951,800

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

General Fund (Subfunds 100s)	\$ 10,813,171
Special Revenue Fund (Subfunds 200s, 800s, 900s)	1,948,013
Special Revenue EIA Fund (Subfunds 300s)	1,342,940
Debt Service Fund (Subfunds 400s)	113,501
Capital Projects Fund (School Building) (Subfunds 500s)	433,457
Proprietary Fund (Food Service) (Subfunds 600s)	892,761
Trust and Agency Fund (Pupil Activity) (Subfunds 700s)	407,957
TOTAL EXPENDITURES/DISBURSEMENTS FOR ALL FUNDS	\$ 15,951,800

**DILLON COUNTY SCHOOL DISTRICT NO. 3
SPECIAL PROJECTS FUND
SUBFUND CODE LIST
FOR FISCAL YEAR ENDED JUNE 30, 2019**

OTHER RESTRICTED STATE GRANTS

919	Education License Plates
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
970	School Safety - Facilities and Infrastructure Safety Upgrades
994	PEBA Nonemployer Contributions

OTHER SPECIAL REVENUE GRANTS

210	Title IV, SSAE
240	Title I, Direct Student Services
251	Title VI, Rural and Low-Income School Program
267	Supporting Effective Instruction
270	Medicaid
274	12-Months Ag Program

SINGLE AUDIT SECTION



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

Robin B. Poston CPA
P. O. Box 576
307 Church Street
Georgetown, SC 29442
Tel (843) 527-3413
Fax (843) 546-7277
Email: HPM2@sc.rr.com

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

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

We have audited, 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, 2019, 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 4, 2019.

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 2019-001.

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 4, 2019



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

Robin B. Poston CPA
P. O. Box 576
307 Church Street
Georgetown, SC 29442
Tel (843) 527-3413
Fax (843) 546-7277
E-mail: HPM2@sc.rr.com

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE 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, 2019. 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, 2019.

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 4, 2019

**DILLON COUNTY SCHOOL DISTRICT NO. 3
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR FISCAL YEAR ENDED JUNE 30, 2019**

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:

Title I (CFDA No. 84.010)
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

2019-001 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 2018-001.

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, 2019**

B. Findings - Financial Statement Audit (continued)

2019-001 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, 2019**

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	19 Title I	\$ 567,350
202	Title I Grants to LEAs	84.010	18 Title I	60,850
240	Title I Direct Student Services	84.010	18 Title I	9,912
	Total Title I Cluster			<u>638,112</u> *
Special Education Cluster:				
203	IDEA	84.027	17 IDEA	7,912
203	IDEA	84.027	18 IDEA	47,183
203	IDEA	84.027	19 IDEA	414,210
203	IDEA Extended School Year	84.027	18 IDEA ESY	657
203	IDEA Extended School Year	84.027	19 IDEA ESY	417
205	Preschool Grant	84.173	19 IDEA	15,049
	Total Special Education Cluster			<u>485,428</u>
Vocational Education (CATE):				
207	Subprogram 01	84.048	19 CATE	35,518
210	Title IV Student Support & Academic Enrichment	84.424	18 SSAE	17,918
210	Title IV Student Support & Academic Enrichment	84.424	19 SSAE	42,641
	Total Title IV			<u>60,559</u>
251	Title VI Rural and Low-Income Schools	84.358	18 REAP	13,688
251	Title VI Rural and Low-Income Schools	84.358	19 REAP	31,360
	Total Title VI			<u>45,048</u>
267	Title II Improving Teacher Quality	84.367	18 Title II	6,178
267	Title II Improving Teacher Quality	84.367	19 Title II	57,467
	Total Title II			<u>63,645</u>
	Total U.S. Department of Education			<u>\$ 1,328,310</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	\$ 50,306
Cash Assistance:				
600	School Breakfast Program	10.553	N/A	297,926
600	School Lunch Program	10.555	N/A	447,551
	Total Child Nutrition Cluster			<u>795,783</u>
	Total U.S. Department of Agriculture		(See Disclosure)	<u>\$ 795,783</u> **
TOTAL FEDERAL AWARDS EXPENDED				<u><u>\$ 2,124,093</u></u>

DILLON COUNTY SCHOOL DISTRICT NO. 3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR FISCAL YEAR ENDED JUNE 30, 2019

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 \$120,383 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, 2019. 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 \$50,306 in the form of federal non-cash USDA food commodities for the year ended June 30, 2019. 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, 2019.
6. 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, 2019 remained at \$466,911.

**DILLON COUNTY SCHOOL DISTRICT NO. 3
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR FISCAL YEAR ENDED JUNE 30, 2019**

Findings – Financial Statement Audit

Finding 2018-001: 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, 2019. Due to cost/benefit considerations, the District has not taken corrective action.

Findings – Major Federal Awards Program Audit

None.