

**MCCORMICK SCHOOL DISTRICT
NUMBER 1**

MCCORMICK, SOUTH CAROLINA

**ANNUAL FINANCIAL REPORT
June 30, 2012**

(With Independent Auditors' Report Thereon)

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MCCORMICK, SOUTH CAROLINA
Annual Financial Report
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MARTIN SMITH & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS, PA

INDEPENDENT AUDITORS' REPORT
ON FINANCIAL STATEMENTS

The Board of Trustees
McCormick School District No. 1
McCormick, South Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of McCormick School District No. 1 as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements, as listed in the accompanying table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit 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 provisions of Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, each major fund, and the remaining fund information of McCormick School District No. 1 as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is supplementary information 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 the appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual non-major fund financial statements and the Schedule of Expenditures of Federal Awards, as required by U. S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations", are presented for purposes of additional analysis and are not a required part of the basic financial statements of McCormick School District No. 1. Such information is the responsibility of management and was derived from and relates 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 supplementary information and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated November 30, 2012, on our consideration of McCormick School District No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Martin Smith & Company CPAs PA

Greenville, South Carolina
November 30, 2012

**MCCORMICK SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED June 30, 2012**

This discussion and analysis of McCormick School District No. 1's (the "District's") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and the financial statements themselves to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2012 are as follows:

- In the Statement of Net Assets, the assets of the District exceeded its liabilities at the close of the 2012 fiscal year by \$17,420,866. Of this amount, \$3,950,545 may be used to meet the District's ongoing obligations to citizens and creditors.
- In the Statement of Activities, the District's total net assets increased by \$937,182 in the 2012 fiscal year, as compared to an increase of \$573,478 in the previous fiscal year.
- The District had \$11,479,776 in expenses related to governmental activities; of these expenses \$4,156,184 was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$8,227,546 provided the remaining funding for these programs.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$5,372,597, a decrease of \$1,213,776. \$3,721,869 is unassigned and available for spending at the District's discretion, \$8,880 is nonspendable, and \$1,641,848 is restricted. No fund balances are committed or assigned.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$3,721,869.
- The District's total net fixed assets decreased by \$991,898 during the current fiscal year, as capital expenditures were exceeded by depreciation expense.
- The District's total long-term obligations of \$13,604,000 are comprised of the District's outstanding general obligation bonds of \$5,315,000 and its outstanding acquisition debt of \$728,000. Additionally, the McCormick County School Facilities Foundation (the "Foundation") has outstanding facilities bonds of \$7,561,000. These bonds were sold in a previous fiscal year to fund the Foundation's construction program. The Foundation, although a separate legal entity, is a blended component unit of the District, and its activities and balances are included in the financial information of the District.
- During the 2012 fiscal year, the District's governmental fund type revenues were \$12,206,441 compared to \$12,142,567 in the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – the basic financial statements, required supplementary information (which includes this management's discussion and analysis section), an optional section that presents combining and individual fund statements and schedules for major governmental funds, and the compliance section.

Government-wide financial statements. The basic financial statements include two kinds of statements that present different views of the District. The first two statements are government-wide financial statements that provide a broad overview of the District's overall financial status, in a manner similar to a private-sector enterprise.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the government's net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, for some items, revenues and expenses are reported in this statement that will only result in cash flows in future fiscal periods.

**MCCORMICK SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE FISCAL YEAR ENDED June 30, 2012**

The government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Governmental activities of the District include instruction, supporting services, community services and intergovernmental. Business type activities of the District include food service operation.

The government-wide financial statements include not only the District itself, but also a component unit. The Foundation is a "blended" component unit, and as such, is included in the governmental activities of the District. Separate financial statements for the Foundation are not issued.

Fund financial statements. The remaining basic financial statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide 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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. All of the funds of the District can be divided into three categories; governmental funds, proprietary funds, and fiduciary 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 uses 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 a government'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 government'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 the comparison between governmental funds and governmental activities.

The District maintains five individual governmental funds. 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 fund, special projects fund, EIA fund, debt service fund and the capital projects fund, all of which are considered major funds. The Foundation's debt service and capital projects funds are also major funds and therefore shown in separate columns.

Proprietary Fund. The District maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses an enterprise fund to account for its food service operation. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail; therefore, the proprietary fund financial statements provide more detailed information for the food service operation, which is considered a major fund of the District.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the District's own programs. The District is the trustee, or fiduciary, for the pupil activity of the schools and accounts for this activity in an agency fund.

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. The District adopts an annual appropriated budget for its general fund, special projects fund and EIA fund. A budgetary comparison statement has been provided in the basic financial section of these funds to demonstrate compliance with their budgets.

**MCCORMICK SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE FISCAL YEAR ENDED June 30, 2012**

Major Features of the District's Government-wide and Fund Financial Statements

	Fund Financial Statements			
	Government-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District government (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary	Activities the District operates similar to private businesses	Instances in which the District is the trustee or agent for someone else's resources, such as the Pupil Activity Fund
Required financial statements	Statement of net assets Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of net assets, Statement of revenues, expenses, and changes in net assets, Statement of cash flows	Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the District's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods/services have been received and payment is due during the year or soon after	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

**MCCORMICK SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE FISCAL YEAR ENDED June 30, 2012**

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$17,420,866 at the close of the most recent fiscal year.

The following table provides a summary of the School District's net assets for 2011 compared to 2012:

	Net Assets					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Assets						
Current and Other Assets	\$ 7,360,167	\$ 8,605,494	\$ 219,796	\$ 170,940	\$ 7,579,963	\$ 8,776,434
Capital Assets	25,311,757	26,288,027	120,716	136,344	25,432,473	26,424,371
Total Assets	<u>32,671,924</u>	<u>34,893,521</u>	<u>340,512</u>	<u>307,284</u>	<u>33,012,436</u>	<u>35,200,805</u>
Liabilities						
Long-term Liabilities	13,604,000	16,698,000	-	-	13,604,000	16,698,000
Other Liabilities	1,987,570	2,019,121	-	-	1,987,570	2,019,121
Total Liabilities	<u>15,591,570</u>	<u>18,717,121</u>	<u>-</u>	<u>-</u>	<u>15,591,570</u>	<u>18,717,121</u>
Net Assets						
Invested in Capital Assets, Net of Debt	11,707,757	9,590,027	120,716	136,344	11,828,473	9,726,371
Restricted	1,641,848	3,115,246	-	-	1,641,848	3,115,246
Unrestricted	3,730,749	3,471,127	219,796	170,940	3,950,545	3,642,067
Total Net Assets	<u>\$ 17,080,354</u>	<u>\$ 16,176,400</u>	<u>\$ 340,512</u>	<u>\$ 307,284</u>	<u>\$ 17,420,866</u>	<u>\$ 16,483,684</u>

Total net assets of the District's governmental activities increased by 5 percent (\$17,080,354 compared to \$16,176,400). Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements changed from \$3,471,127 at June 2011 to \$3,730,749 at June 2012. This increase was higher than that of the previous year because of an increase in property tax receipts coupled with a careful maintenance of expenditures.

The net assets of business-type activities increased (\$340,512 compared to \$307,284) for the year ended June 30, 2012.

**MCCORMICK SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE FISCAL YEAR ENDED June 30, 2012**

The following table shows the changes in net assets for fiscal year 2012 compared to 2011.

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues						
Program Revenues:						
Charges for Services	\$ -	\$ -	\$ 53,402	\$ 53,984	\$ 53,402	\$ 53,984
Operating Grants	4,156,184	4,288,718	526,788	479,112	4,682,972	4,767,830
Capital Grants	-	-	-	-	-	-
General Revenue:						
Property Taxes	8,210,387	7,837,717	-	-	8,210,387	7,837,717
Other	17,159	21,808	23	295	17,182	22,103
Total Revenues	12,383,730	12,148,243	580,213	533,391	12,963,943	12,681,634
Program Expenses						
Instruction	5,397,991	5,533,395	-	-	5,397,991	5,533,395
Support Services	5,004,280	5,235,750	-	-	5,004,280	5,235,750
Community Services	249,942	47,367	-	-	249,942	47,367
Intergovernmental	13,268	13,989	-	-	13,268	13,989
Interest and Fiscal Charges	814,295	751,017	-	-	814,295	751,017
Food Service	-	-	546,985	526,638	546,985	526,638
Total Expenses	11,479,776	11,581,518	546,985	526,638	12,026,761	12,108,156
Increase (Decrease) in Net Assets	\$ 903,954	\$ 566,725	\$ 33,228	\$ 6,753	\$ 937,182	\$ 573,478

Governmental Activities. Governmental activities increased the District's net assets in 2012 by \$903,954 or 5%. Key elements of this increase include increased revenue from property tax collections coupled with careful cost management which reduced expenditures.

Business Type Activities. Business-type activities increased the District's net assets by \$33,228.

**MCCORMICK SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE FISCAL YEAR ENDED June 30, 2012**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

The analysis of governmental funds serve the purpose of looking at what resources came into the funds, how they were spent and what is available for future expenditures. Did the government generate enough revenue to pay for current obligations? What is available for spending at the end of the year?

For the year ended June 30, 2012, the District's governmental funds reported a combined fund balance of \$5,372,597, as compared to \$6,586,373 for the prior year. In particular, unassigned fund balance may serve as a useful measure of a government's net sources available for spending at the end of the fiscal year. At June 30, 2012, the District's unassigned fund balance for all governmental funds was \$3,721,869 which solely represents the General Fund. The remainder is restricted for items such as capital projects and debt service, with \$1,366,285 residing in capital projects, which is representative of the District's building plan, and \$230,902 in debt service.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,721,869.

The District's general fund balance increased by \$259,622 during the current fiscal year.

The District's Major Funds include general fund, special projects, special revenue - EIA, debt service - District, debt service - Foundation, capital projects - District and capital projects - Foundation.

The District's special revenue funds, special projects and EIA, are used to account for revenues derived from the State of South Carolina and the Federal Government. Special revenue funds do not have fund balances as revenues should be expended, deferred, or returned to the grantor.

Two debt service funds are shown in the accompanying financial statements. The District's debt service fund balance has remained relatively stable, decreasing by \$247,508 from fiscal year ended 2011. The fiscal year ended 2012 fund balance was \$230,902, all of which was restricted for the payment of debt service. The District's debt millage rate continues to be static. The Foundation's debt service fund balance decreased by \$1,000,083 from fiscal year ended 2011, as the Foundation redeemed an additional \$925,000 of its bond issue.

Two capital project funds are utilized as well to segregate District expenditures from Foundation capital project expenditures. The District's capital projects fund decreased by \$225,811 from fiscal year ended 2011 to 2012, as the District expended substantial funds on its capital projects. The District's capital project fund balance was \$1,366,285 at the end of the current fiscal year.

Proprietary Funds

The District's only Proprietary Fund is the food service fund. This program had an increase in net assets of \$33,228 for the fiscal year ended June 30, 2012.

**MCCORMICK SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE FISCAL YEAR ENDED June 30, 2012**

General Fund Budgetary Highlights

The School District's budget is prepared according to South Carolina law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. During the course of the fiscal year 2012, substantial amendments to the District's general fund revenue budget were made. However, net differences between the original budget and the final amended budget for revenues were relatively minor.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2012, the District had \$25,432,473 invested in capital assets, net of depreciation.

The total decrease in the District's investment in capital assets was \$991,898, as capital expenditures were exceeded by depreciation.

The following table shows fiscal 2012 balances compared to 2011.

**Capital Assets at June 30
(Net of Depreciation)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land and land improvements	\$ 833,285	\$ 843,044	\$ -	\$ -	\$ 833,285	\$ 843,044
Buildings	23,980,643	24,842,840	-	-	23,980,643	24,842,840
Equipment	497,829	602,042	120,716	136,344	618,545	738,386
Vehicles	-	101	-	-	-	101
Construction in progress	-	-	-	-	-	-
Totals	<u>\$ 25,311,757</u>	<u>\$ 26,288,027</u>	<u>\$ 120,716</u>	<u>\$ 136,344</u>	<u>\$ 25,432,473</u>	<u>\$ 26,424,371</u>

**MCCORMICK SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE FISCAL YEAR ENDED June 30, 2012**

Long-term Debt

At fiscal year-end, the District had \$5,315,000 in bonds outstanding versus \$6,625,000 in the prior year, a decrease of approximately 20% as shown in the following table. During fiscal year 2012, the District issued \$4,075,000 general obligation refunding bonds, Series 2012. These bonds were issued to advance refund bonds of \$4,245,000 from a 2002 bond issue. The net proceeds from the issuance were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments, except for the payment scheduled for March 1, 2013, which will be paid as contracted. The advance refunding met the requirements of an in-substance debt defeasance and the refunded bonds were removed from the District's balance sheet. Such bonds will be paid in full by the escrow agent during fiscal year 2013.

At fiscal year-end, the District also had \$728,000 in acquisition agreement debt outstanding versus \$815,000 in the prior year, a decrease of approximately 10% as shown in the following table.

All of the District's debt is backed by the full faith and credit of the District as is typical with General Obligation Bonded Indebtedness.

McCormick County School Facilities Foundation is a not-for-profit 501(c) (3) organization incorporated in 2008 for the specific charitable purpose of serving as a "support organization" for capital projects of the District. The Foundation issued facilities bonds in the amount of \$10,000,000 pursuant to a School Facilities Use and Occupancy Agreement (the Facilities Agreement) and evidence proportionate interests of the owners in certain rental payments to be made by the District under the terms of a base lease agreement between the District and the Foundation dated October 31, 2008. The bonds were issued to facilitate the construction of a new high school educational facility and related athletic facilities. The District will purchase the capital assets from the Foundation pursuant to the Facilities Agreement, which will obligate the District to make semi-annual installment payments to the Foundation in amounts calculated to be sufficient to enable the Foundation to pay the principal and interest on the outstanding bonds. The District's obligations under the Facilities Agreement are from year to year only and do not constitute a mandatory payment obligation of the District in any fiscal year in which funds are not appropriated by the District to pay the installment payments. However, the District would forfeit possession of the capital assets for the remainder of the lease term. During fiscal year 2012, in addition to its scheduled bond redemption, the Foundation redeemed \$925,000 of its bond issue. At fiscal year-end, the Foundation had \$7,561,000 in bonds outstanding versus \$9,258,000 in the prior year.

Outstanding Debt, at Year End

	<u>Governmental Activities</u>		<u>Governmental Activities</u>
	<u>2012</u>		<u>2011</u>
District General Obligation Bonds 2002 Series	\$ 1,240,000		\$ 6,625,000
District acquisition agreement debt	728,000		815,000
District Refunding Bonds 2012 Series	4,075,000		-
Foundation Facilities Bonds 2008 Series	7,561,000		9,258,000
	13,604,000		16,698,000

Economic Factors

The District is located in McCormick County in western South Carolina and contains the small town of McCormick. The District has a population of approximately 9,000 and operates one high school, one middle school and one elementary school.

Textiles and forestry are the largest employment sectors in the District, followed by wholesale and retail. Wholesale and retail trade and services represent the fastest growing sectors of the District.

The District has shown slight growth over the past five years. Total property tax collections have historically been strong and slowly increasing. Difficulties with manufacturing and textiles specifically, have been a drag on continued growth within the District.

MCCORMICK SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE FISCAL YEAR ENDED June 30, 2012

In 2007, South Carolina enacted Act 388, which was effective for the District beginning July 1, 2007. Act 388 provides an exemption for one hundred percent of the fair market value of owner occupied residential property, to the extent it is not already covered by other property tax relief exemptions, for all property taxes imposed for school operating purposes, but not including millage imposed for the repayment of general obligation debt for property tax years beginning after January 1, 2007. Act 388 also created a new Homestead Exemption fund (Homestead Exemption Fund) which is funded from an additional 1 cent sales tax imposed by Act 388.

Act 388 created three tiers of distribution to school districts. Tier one distributions equal the amounts that were received by the school districts for the fiscal year ended June 30, 2007, relating to an earlier property tax relief provision for owner occupied residential property. In the case of the District, that amount was \$404,119.

Tier two distributions equal the amounts received by school districts for the school operating portion of the homestead exemption for the elderly, disabled, and blind. In the case of the District, that amount was \$269,832. Tier one and two distributions are fixed and do not change.

Tier three distributions are state funded payments to school districts to replace revenues formerly derived from taxation by school districts of owner occupied residential property. For the fiscal year ended June 30, 2008, those distributions were expected to equal, dollar for dollar, the revenue that would have been collected by the school districts from property taxes for school operating purposes imposed by the school districts on owner occupied residential property for that fiscal year as if no reimbursed exemptions applied. Beginning with the 2008-2009 fiscal year, the tier three distributions will be the sum of the amount of the fiscal year 2007-2008 tier three distributions plus the tier three reimbursement increases. Act 388 requires the tier three reimbursements to be increased annually by (i) an inflation factor equal to the percentage increase in the previous year Consumer Price Index, Southeast Region, as published by the United States Department of Labor, Bureau of Labor Statistics, plus (ii) the percentage increase in the previous year in the population of the State as determined by the Office of Research and Statistics of the State Budget and Control Board. The tier three increases are aggregated for the entire state and the amount going to any particular school district is equal to an amount that is the district's proportionate share of the aggregated funds based on the school district's weighted pupil units as a percentage of the statewide weighted pupil units as determined annually pursuant to the EFA, with an adjustment for certain poverty factors to provide programs for the affected students. There are provisions in the tier three reimbursement that could, in any given year, result in a minimum increase of four percent to the extent funds are available in the Homestead Exemption Fund. There are also provisions that require the total tier three reimbursements to the school districts in a county to be not less than \$2,500,000. If the amount of tier three distributions other than those dependent upon balances in the Homestead Exemption Fund exceed amounts in the Homestead Exemption Fund, the excess is required to be paid from the general fund of the State. The District's reimbursement for fiscal 2012 for tier three was \$2,500,000.

Act 388 requires that, to the extent revenues in the Homestead Exemption Fund are insufficient to pay all required reimbursements to a school district, the State will pay the difference from its general fund. However, there can be no assurances that such funds will be appropriated in the event there is such an insufficiency or that the change in funding sources resulting from Act 388 will not have an adverse effect on the District's operations. The District recognizes that Act 388 places increased reliance on state funds to fund the general fund. This increased reliance at the state level is being funded by the additional one penny sales tax, which in the District's opinion is not as stable as property tax revenue which the sales tax replaced.

In addition, Act 388 removes the authority of governing bodies of school districts to increase operating millage in any year to meet the required local EFA inflation factor and the per pupil maintenance of effort requirement.

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Statement of Net Assets
June 30, 2012

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,441,414	\$ 57	\$ 2,441,471
Cash with fiscal agent	1,800,144	-	1,800,144
Investments	1,479,488	-	1,479,488
Accounts receivable	335,789	-	335,789
Property taxes receivable	590,754	-	590,754
Due from governmental agencies	920,914	-	920,914
Internal balances	(217,216)	217,216	-
Inventories and prepaid expenses	8,880	2,523	11,403
Capital assets			
Land and land improvements	882,080	-	882,080
Buildings	29,168,738	-	29,168,738
Equipment	736,616	158,922	895,538
Vehicles	139,846	-	139,846
Less accumulated depreciation	<u>(5,615,523)</u>	<u>(38,206)</u>	<u>(5,653,729)</u>
Total capital assets, net of depreciation	<u>25,311,757</u>	<u>120,716</u>	<u>25,432,473</u>
 Total assets	 <u>32,671,924</u>	 <u>340,512</u>	 <u>33,012,436</u>
<u>LIABILITIES</u>			
Accounts payable	1,029,904	-	1,029,904
Deferred revenue	822,074	-	822,074
Due to other governmental units	1,000	-	1,000
Other liabilities	134,592	-	134,592
Long-term liabilities:			
Due within one year:			
Bonds, capital leases, and contracts	2,133,000	-	2,133,000
Due in more than one year:			
Bonds, capital leases, and contracts	<u>11,471,000</u>	<u>-</u>	<u>11,471,000</u>
 Total liabilities	 <u>15,591,570</u>	 <u>-</u>	 <u>15,591,570</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	11,707,757	120,716	11,828,473
Restricted for:			
Capital projects	1,366,285	-	1,366,285
Debt service	230,902	-	230,902
Other	44,661	-	44,661
Unrestricted (deficit)	<u>3,730,749</u>	<u>219,796</u>	<u>3,950,545</u>
 Total net assets	 <u>\$ 17,080,354</u>	 <u>\$ 340,512</u>	 <u>\$ 17,420,866</u>

The notes to the financial statements are an integral part of this statement.

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Statement of Activities
For the Year Ended June 30, 2012

Functions / Programs	Expenses	Program Revenues			Net Revenue (Expense) and Change in Net Assets		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business - Type Activities	Total
Governmental activities:							
Instruction	\$ 5,397,991	\$ -	\$ 2,883,058	\$ -	\$ (2,514,933)		\$ (2,514,933)
Support services	5,004,280	-	1,197,722	-	(3,806,558)		(3,806,558)
Community services	249,942	-	65,837	-	(184,105)		(184,105)
Intergovernmental	13,268	-	9,567	-	(3,701)		(3,701)
Interest and other charges	814,295	-	-	-	(814,295)		(814,295)
Total governmental activities	<u>11,479,776</u>	<u>-</u>	<u>4,156,184</u>	<u>-</u>	<u>(7,323,592)</u>		<u>(7,323,592)</u>
Business-type activities:							
Food service	546,985	53,402	526,788	-	-	\$ 33,205	33,205
Total business-type activities	<u>546,985</u>	<u>53,402</u>	<u>526,788</u>	<u>-</u>	<u>-</u>	<u>33,205</u>	<u>33,205</u>
Total primary government	<u>\$ 12,026,761</u>	<u>\$ 53,402</u>	<u>\$ 4,682,972</u>	<u>\$ -</u>	<u>(7,323,592)</u>	<u>33,205</u>	<u>(7,290,387)</u>
General revenues:							
Property taxes levied for:							
General purposes					7,020,965	-	7,020,965
Debt service					1,189,422	-	1,189,422
Miscellaneous					14,213	23	14,236
Unrestricted investment earnings					2,946	-	2,946
Total general revenues, special, and extraordinary items					<u>8,227,546</u>	<u>23</u>	<u>8,227,569</u>
Change in net assets					903,954	33,228	937,182
Net assets, beginning of year					<u>16,176,400</u>	<u>307,284</u>	<u>16,483,684</u>
Net assets, end of year					<u>\$ 17,080,354</u>	<u>\$ 340,512</u>	<u>\$ 17,420,866</u>

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
 Balance Sheet - Governmental Funds
 June 30, 2012

	General	Special Revenue	EIA	Debt Service - District	Debt Service - Foundation	School Building - District	School Building - Foundation	Total Governmental Funds
Cash and cash equivalents	\$ 2,396,753	\$ 44,661	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,441,414
Cash with fiscal agent	1,157,375	-	-	366,239	-	276,530	-	1,800,144
Investments	1,479,488	-	-	-	-	-	-	1,479,488
Accounts receivable	335,789	-	-	-	-	-	-	335,789
Property taxes receivable	545,834	-	-	44,920	-	-	-	590,754
Due from governmental agencies	-	920,914	-	-	-	-	-	920,914
Due from other funds	992,957	-	183,515	-	-	1,089,755	-	2,266,227
Prepaid expenses	8,880	-	-	-	-	-	-	8,880
Total assets	\$ 6,917,076	\$ 965,575	\$ 183,515	\$ 411,159	\$ -	\$ 1,366,285	\$ -	\$ 9,843,610

LIABILITIES AND FUND BALANCES

Liabilities:								
Accounts payable	\$ 1,029,904	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,029,904
Due to other funds	1,750,464	848,629	-	18,942	-	-	-	2,618,035
Due to other governmental units	-	-	1,000	-	-	-	-	1,000
Deferred revenues	405,959	72,285	182,515	161,315	-	-	-	822,074
Total liabilities	3,186,327	920,914	183,515	180,257	-	-	-	4,471,013
Fund balances:								
Nonspendable	8,880	-	-	-	-	-	-	8,880
Restricted	-	44,661	-	230,902	-	1,366,285	-	1,641,848
Committed	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-
Unassigned	3,721,869	-	-	-	-	-	-	3,721,869
Total fund balances	3,730,749	44,661	-	230,902	-	1,366,285	-	5,372,597
Total liabilities and fund balance	\$ 6,917,076	\$ 965,575	\$ 183,515	\$ 411,159	\$ -	\$ 1,366,285	\$ -	\$ 9,843,610

The notes to the financial statements are an integral part of this statement.

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2012

Total fund balances - governmental funds	\$ 5,372,597
Amounts reported for governmental activities in the statement of net assets are different because of the following:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. The cost of assets is \$30,927,280 and the accumulated depreciation is \$5,615,523.	25,311,757
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(13,604,000)</u>
Net assets of governmental activities	<u>\$ 17,080,354</u>

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

	General	Special Revenue	EIA	Debt Service - District	Debt Service - Foundation	School Building - District	School Building - Foundation	Total Governmental Funds
REVENUES								
Local property taxes	\$ 3,698,041	\$ -	\$ -	\$ 1,080,968	\$ -	\$ -	\$ -	\$ 4,779,009
Other local	16,605	190,437	-	408	-	146	-	207,596
Total local	3,714,646	190,437	-	1,081,376	-	146	-	4,986,605
State	4,882,355	224,068	854,070	108,454	-	-	-	6,068,947
Federal	55,382	1,095,507	-	-	-	-	-	1,150,889
Intergovernmental	-	-	-	-	-	-	-	-
Total revenues all sources	8,652,383	1,510,012	854,070	1,189,830	-	146	-	12,206,441
EXPENDITURES								
Current								
Instruction	3,405,199	772,766	578,440	-	-	-	-	4,756,405
Support services	3,662,420	658,055	172,903	-	-	-	-	4,493,378
Community services	184,105	65,837	-	-	-	-	-	249,942
Intergovernmental	3,701	9,567	-	-	-	-	-	13,268
Debt service	-	-	-	1,227,000	1,697,000	-	-	2,924,000
Principal	-	-	-	408,853	405,442	-	-	814,295
Interest and other	-	-	-	-	-	225,957	-	225,957
Capital outlay	-	-	-	-	-	-	-	-
Total expenditures	7,255,425	1,506,225	751,343	1,635,853	2,102,442	225,957	-	13,477,245
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,396,958	3,787	102,727	(446,023)	(2,102,442)	(225,811)	-	(1,270,804)
OTHER FINANCING SOURCES (USES)								
Premium on bonds sold	-	-	-	416,990	-	-	-	416,990
Refunding bond proceeds	-	-	-	4,075,000	-	-	-	4,075,000
Operating transfers in	102,727	29,457	-	124,844	1,102,359	-	-	1,359,387
Operating transfers out	(1,273,303)	-	(102,727)	-	-	-	-	(1,376,030)
Payment to debt escrow agent	-	-	-	(4,418,319)	-	-	-	(4,418,319)
Indirect cost transfers	33,240	(33,240)	-	-	-	-	-	-
Total other financing sources (uses)	(1,137,336)	(3,783)	(102,727)	198,515	1,102,359	-	-	57,028
Net change in fund balances	259,622	4	-0-	(247,508)	(1,000,083)	(225,811)	-0-	(1,213,776)
FUND BALANCE, July 1, 2011	3,471,127	44,657	-0-	478,410	1,000,083	1,592,096	-0-	6,586,373
FUND BALANCE, June 30, 2012	\$ 3,730,749	\$ 44,661	\$ -0-	\$ 230,902	\$ -	\$ 1,366,285	\$ -0-	\$ 5,372,597

The notes to the financial statements are an integral part of this statement.

**MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Reconciliation of Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2012**

Total net change in fund balance -- governmental funds \$ (1,213,776)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$88,109) are less than depreciation expense (\$1,064,379) in the period. (976,270)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets (4,075,000)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 2,924,000

Payment to debt escrow agent is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 4,245,000

Change in net assets of governmental activities \$ 903,954

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual
General Fund
For the Fiscal Year Ended June 30, 2012

	<u>Original</u>	<u>Final</u>	<u>Actual</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Favorable</u> <u>(Unfavorable)</u>
REVENUES				
Local	\$ 2,920,843	\$ 2,920,843	\$ 3,714,646	\$ 793,803
State	4,670,109	4,670,109	4,882,355	212,246
Federal	48,000	48,000	55,382	7,382
Intergovernmental	-	-	-	-
Total revenues	<u>7,638,952</u>	<u>7,638,952</u>	<u>8,652,383</u>	<u>1,013,431</u>
EXPENDITURES				
Current:				
Instruction	3,467,959	3,467,959	3,405,199	62,760
Support services	3,603,183	3,603,183	3,662,420	(59,237)
Community services	-	-	184,105	(184,105)
Intergovernmental	5,000	5,000	3,701	1,299
Total expenditures	<u>7,076,142</u>	<u>7,076,142</u>	<u>7,255,425</u>	<u>(179,283)</u>
Excess (deficiency) of revenues over expenditures	562,810	562,810	1,396,958	834,148
OTHER FINANCING SOURCES (USES)				
Transfer from EIA fund	122,162	122,162	102,727	(19,435)
Transfers of indirect costs	15,000	15,000	33,240	18,240
Transfer to special revenue fund	(7,500)	(7,500)	(7,500)	-
Transfer to debt service fund	(1,244,158)	(1,244,158)	(1,227,203)	16,955
Transfer to pupil activity fund	<u>(38,600)</u>	<u>(38,600)</u>	<u>(38,600)</u>	<u>-</u>
Net change in fund balance	<u>\$ (590,286)</u>	<u>\$ (590,286)</u>	259,622	<u>\$ 849,908</u>
Fund balance, July 1, 2011			<u>3,471,127</u>	
Fund balance, June 30, 2012			<u>\$ 3,730,749</u>	

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual
Special Revenue Funds - Special Projects Fund
For the Fiscal Year Ended June 30, 2012

	<u>Original</u>	<u>Final</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
REVENUES				
Local	\$ 63,179	\$ 63,179	\$ 190,437	\$ 127,258
State	164,944	164,944	224,068	59,124
Federal	1,102,964	1,102,964	1,095,507	(7,457)
Intergovernmental	-	-	-	-
Total revenues	<u>1,331,087</u>	<u>1,331,087</u>	<u>1,510,012</u>	<u>178,925</u>
EXPENDITURES				
Current:				
Instruction	654,901	654,901	772,766	(117,865)
Support services	710,937	710,937	658,055	52,882
Community services	39,550	39,550	65,837	(26,287)
Intergovernmental	-	-	9,567	(9,567)
Total expenditures	<u>1,405,388</u>	<u>1,405,388</u>	<u>1,506,225</u>	<u>(100,837)</u>
Excess (deficiency) of revenues over expenditures	<u>(74,301)</u>	<u>(74,301)</u>	<u>3,787</u>	<u>78,088</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	112,878	112,878	29,457	(83,421)
Spec revenue fund indirect costs	<u>(38,577)</u>	<u>(38,577)</u>	<u>(33,240)</u>	<u>5,337</u>
Total other financing sources (uses)	<u>74,301</u>	<u>74,301</u>	<u>(3,783)</u>	<u>(78,084)</u>
Net change in fund balance	<u>\$ -0-</u>	<u>\$ -0-</u>	4	<u>\$ 4</u>
Fund balance, July 1, 2011			<u>44,657</u>	
Fund balance, June 30, 2012			<u>\$ 44,661</u>	

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual
Special Revenue Funds - Education Improvement Act
For the Fiscal Year Ended June 30, 2012

	<u>Original</u>	<u>Final</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
REVENUES				
Local	\$ -	\$ -	\$ -	\$ -
State	734,283	734,283	854,070	119,787
Federal	-	-	-	-
Intergovernmental	-	-	-	-
	<u>734,283</u>	<u>734,283</u>	<u>854,070</u>	<u>119,787</u>
EXPENDITURES				
Current:				
Instruction	541,051	541,841	578,440	(36,599)
Support services	159,038	158,248	172,903	(14,655)
Community services	-	-	-	-
Intergovernmental	-	-	-	-
	<u>700,089</u>	<u>700,089</u>	<u>751,343</u>	<u>(51,254)</u>
Excess (deficiency) of revenues over expenditures	34,194	34,194	102,727	68,533
OTHER FINANCING SOURCES (USES)				
Transfer to general fund	<u>(34,194)</u>	<u>(34,194)</u>	<u>(102,727)</u>	<u>(68,533)</u>
Net change in fund balance	<u>\$ -0-</u>	<u>\$ -0-</u>	-0-	<u>\$ -0-</u>
Fund balance, July 1, 2011			<u>-0-</u>	
Fund balance, June 30, 2012			<u>\$ -0-</u>	

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Statement of Net Assets
Proprietary Funds
June 30, 2012

	Enterprise Fund <u>Food Services</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 57
Due from other funds	217,216
Inventories - supplies and materials	<u>2,523</u>
Total current assets	<u>219,796</u>
Noncurrent assets:	
Furniture and equipment	158,922
Less accumulated depreciation	<u>(38,206)</u>
Total noncurrent assets	<u>120,716</u>
Total assets	<u>340,512</u>
NET ASSETS	
Invested in capital assets	120,716
Unrestricted	<u>219,796</u>
Total net assets	<u>\$ 340,512</u>

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2012

	Enterprise Fund <u>Food Services</u>
OPERATING REVENUES	
Proceeds from sale of meals	\$ 53,402
Total operating revenues	<u>53,402</u>
OPERATING EXPENSES	
Food costs	279,895
Salaries and wages	177,279
Supplies and materials	52,526
Depreciation	15,628
Other operating costs	21,657
Total operating expenses	<u>546,985</u>
Operating income (loss)	<u>(493,583)</u>
NONOPERATING REVENUES (EXPENSES)	
USDA reimbursements	526,069
Other federal sources	719
Other state aid	23
Total nonoperating revenues (expenses)	<u>526,811</u>
Income (loss) before operating transfers	<u>33,228</u>
Transfers in (out)	<u>-</u>
Change in net assets	33,228
Total net assets - July 1, 2011	<u>307,284</u>
Total net assets - June 30, 2012	<u>\$ 340,512</u>

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2012

	Enterprise Fund <u>Food Services</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Received from patrons	\$ 53,402
Payments to employees for services	(177,279)
Payments to suppliers for goods and services	(402,934)
Net cash received from (used by) operating activities	<u>(526,811)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash received from USDA reimbursements	526,069
Cash received from other local and federal sources	742
Net cash received from (used for) noncapital financing activities	<u>526,811</u>
CASH FLOWS FROM CAPITAL RELATED FINANCING ACTIVITIES	
Net cash received from (used for) capital and related financing activities	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Net cash received from (used by) investing activities	<u>-</u>
Net increase (decrease) in cash and cash equivalents	-
Cash and cash equivalents - July 1, 2011	<u>57</u>
Cash and cash equivalents - June 30, 2012	<u>\$ 57</u>
Reconciliation of operating income (loss) to net cash received from (used by) operating activities:	
Operating income (loss) - Exhibit K	\$ (493,583)
Adjustments to reconcile operating income (loss) to net cash received from (used by) operating activities:	
Depreciation	15,628
Change in assets and liabilities:	
(Increase) decrease in inventories	(441)
Increase (decrease) in due to other funds	<u>(48,415)</u>
Net cash received from (used by) operating activities	<u>\$ (526,811)</u>

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2012

	Agency Fund <u>Pupil Activity</u>
ASSETS	
Due from general fund	\$ <u>134,592</u>
Total assets	<u>134,592</u>
LIABILITIES	
Accounts payable	468
Due to student organizations	<u>134,124</u>
Total liabilities	<u>134,592</u>
NET ASSETS	
Unreserved - undesignated	<u>-0-</u>
Total net assets	\$ <u><u>-0-</u></u>

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2012

	<u>Agency Fund</u> <u>Pupil Activity</u>
ADDITIONS	
Receipts	
Bookstore sales	\$ 200
Student fees	300
Other	353,079
Transfer from other funds	<u>38,600</u>
Total receipts	<u>392,179</u>
DEDUCTIONS	
Pupil activity programs	358,615
Transfer to other funds	21,957
Increase in due to student organizations	<u>11,607</u>
Total deductions	<u>392,179</u>
CHANGE IN NET ASSETS	
Net assets, beginning of year	<u>-0-</u>
Net assets, end of year	<u>\$ -0-</u>

The notes to the financial statements are an integral part of this statement.

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Notes to Financial Statements
Year Ended June 30, 2012

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the McCormick County School District Number 1, South Carolina (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial accounting principles. The more significant of the District's accounting policies are described below.

a) **Reporting Entity**

McCormick County School District Number 1, South Carolina is a school district created by the South Carolina Legislature to provide public education services to students of a specified geographical district. The District receives funding from local, state and federal sources and must comply with any requirements of the funding source entities. The Board of Trustees (the Board) of McCormick County School District Number One is the level of government which has oversight responsibility and control over all activities related to public school education in District Number One of McCormick County, South Carolina. The District is not included in any other local governmental "reporting entity" as defined by the Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity". The established criteria set forth in Statement 14 is financial accountability and is defined as appointment of the component units' board and either the ability to impose will by the primary government or the possibility that the component unit will provide a financial benefit or impose a financial burden on the primary government.

As required by GAAP, the District's financial statements include the operations of all organizations for which the District Board exercises oversight responsibility or for which exclusion of a component unit would render the financial statements incomplete or misleading. Oversight responsibility is demonstrated by financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. Blended component units, although separate legal entities, are in substance part of the government's operations; data from these units are combined with data of the primary government.

McCormick County School Facilities Foundation (the Foundation) is a not-for-profit 501(c) (3) organization incorporated in 2008 for the specific charitable purpose of serving as a "support organization" for capital projects of the District. Foundation board members are appointed by the Board of the District. Because the Foundation exclusively benefits the District, the Foundation's financial information is blended with that of the District in these basic financial statements. Separate Foundation financial information is included in individual columns throughout the financial statements. Separate financial statements for the Foundation are not issued.

b) **Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District. 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.

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. 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. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Notes to Financial Statements
Year Ended June 30, 2012

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

c) **Measurement Focus, Basis of Accounting and Basis of 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

The government-wide statements are prepared using a different measurement focus from the manner in which governmental fund financial statements are prepared (see further detail below). Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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 government 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, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The following major funds and fund types are used by the District.

Governmental fund types are those through which most governmental functions of the District are financed. The District's expendable financial resources and related assets and liabilities (except for those accounted for in the proprietary and expendable trust funds) are accounted for through governmental funds. Governmental funds are accounted for using a current financial resources measurement focus and the modified accrual basis of accounting. The following are the District's major governmental fund types:

The General Fund, a major fund, is the general operating fund of the District and accounts for all revenues and expenditures of the District except those required to be accounted for in another fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to other funds are accounted for in the General Fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. This is a budgeted fund, and any fund balance is considered a resource available for use.

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Notes to Financial Statements
Year Ended June 30, 2012

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

c) Measurement Focus, Basis of Accounting and Basis of Presentation, continued

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The District has two Special Revenue Funds:

- i) The Special Projects Fund, a major fund, is used to account for financial resources provided by federal, state, and local projects and grants.
- ii) The Education Improvement Act (EIA) Fund, a major fund, is used to account for the revenue from the South Carolina Education Improvement Act of 1984 which is legally required by the state to be accounted for as a specific revenue source.

The Debt Service Fund - District, a major fund, is used to account for the accumulation of resources for, and payment of, all long-term debt principal, interest and related costs for the District.

The Debt Service Fund - Foundation, a major fund, is used to account for the accumulation of resources for, and payment of, all long-term debt principal, interest and related costs for the Foundation.

The Capital Projects Fund - District, a major fund, is used to account for financial resources to be used for site acquisitions, construction, equipment, and renovation of all major capital facilities except for those financed in the enterprise fund and the Capital Projects Fund - Foundation.

The Capital Projects Fund - Foundation, a major fund, is used to account for financial resources to be used for site acquisitions, construction, equipment, and renovation of all major capital facilities for the Foundation.

Proprietary Fund types are accounted for based on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The District applies all applicable GASB pronouncements, as well as the requirements for Financial Accounting Standards Board (FASB) Statements and Interpretations. In addition, the School District applies all FASB Statements and Interpretations issued after November 30, 1989 except for those that conflict with or contradict GASB pronouncements in accounting and reporting for its operations. Proprietary fund types include the following fund:

The Enterprise Fund is used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the District has decided that periodic determination of revenues earned, expenses incurred, and/or net income is necessary for management accountability. The Food Service Fund is the School District's only enterprise fund and is used to account for the United States Department of Agriculture's (USDA) approved school breakfast and lunch programs.

Fiduciary Fund types are used to account for expendable assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds and include Trust Funds and Agency Funds. Fiduciary Fund Types include:

The Agency Fund, an unbudgeted fund, accounts for the receipt and disbursement of monies to and from student activity organizations. These funds have no equity (assets are equal to liabilities) and do not include revenues and expenditures for general operation of the District. This accounting reflects the agency relationship of the District with the student activity organizations.

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Notes to Financial Statements
Year Ended June 30, 2012

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

d) Cash, Cash Equivalents and Investments

The District's cash and cash equivalents balance (which was different from the District's book balances of \$2,441,471 because of outstanding checks, deposits in transit, and other reconciling items) of \$2,348,384 at June 30, 2012, was insured or fully collateralized. The District's certificates of deposit balance of \$1,479,488 was also insured or fully collateralized.

Cash and savings accounts and certificates of deposit are placed with banking institutions and are protected by federal depository insurance up to \$250,000 and collateral pledged by the bank for 100% of the amount in excess of \$250,000. The collateral generally consists of obligations of the United States and its agencies or general obligations of the State of South Carolina or any of its political units. The collateral consists of investments that are insured or registered in the District's name or held by the District or its agents in the District's name.

Insured and collateralized amounts at June 30, 2012 are as follows:

Insured	\$ 255,833
Collateralized	<u>3,572,039</u>
Total bank balance	<u>\$ 3,827,872</u>

The District is authorized to invest in securities as allowed by South Carolina statute, which investments are restricted to:

- 1) Obligations of the United States and agencies thereof;
- 2) General obligations of the State of South Carolina or any of its political units;
- 3) Savings and loan associations to the extent that the same are secured by the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation,
- 4) Certificates of deposit where the certificates are collaterally secured by securities of the type described in (1) and (2) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest.
- 5) Open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (1) is limited to obligations described in 1) or 2) above, and (2) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

The District does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

The District's cash investment objectives are preservation of capital, liquidity and yield.

The District places no limit on the amount the District may invest in any one issuer. Investments issued by or explicitly guaranteed by the U.S. government and investments in mutual funds are exempt from concentration of credit risk disclosures.

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Notes to Financial Statements
Year Ended June 30, 2012

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

d) **Cash, Cash Equivalents and Investments, continued**

Investments in certificates of deposit are stated at cost which approximates market. Investments in mutual funds are stated at fair market value. During the year, investments made but not held as of the balance sheet date consisted of certificates of deposit.

Cash with fiscal agent consists of funds held by the McCormick County Treasurer. The Treasurer receives monies from local, state, and federal sources on behalf of the District. The monies held by the Treasurer are uninsured but are collateralized with government investments held by the pledging institution's agent in the name of the Treasurer. The Treasurer invests these funds in investments authorized by state statute as described above. All interest and other earnings gained are added to the fund. These monies are remitted to the District once a claim has been presented to the Treasurer.

For purposes of the statement of cash flows, the District's Proprietary fund type considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

e) **Receivables and Payables**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due from other funds" or "due to other funds". These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities.

f) **Inventories**

With the exception of the Proprietary fund, the District has elected to account for disbursements for inventory items as expenditures at the time of purchase. Accordingly, no inventories have been recorded in the financial statements of these funds. The Proprietary fund inventories are recorded at cost using the first-in, first-out method.

g) **Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business type activities column of the government-wide statement of net assets and in the respective fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District's infrastructure assets are immaterial and have been reported with the buildings and improvements. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets is capitalized.

All reported capital assets except land and construction in progress are depreciated. Construction projects begin being depreciated once they are complete, at which time the complete costs of the project are transferred to the appropriate fixed asset category. Improvements are depreciated over the remaining useful lives of the related capital assets.

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Notes to Financial Statements
Year Ended June 30, 2012

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

g) Capital Assets, continued

Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings	30 years	N/A
Buildings/ Improvements	10-30 years	N/A
Furniture and Equipment	5-10 years	7 years
Vehicles	10 years	N/A

h) Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. Payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

In the government-wide basic financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums, as well as bond issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Amortization of premiums and bond issuance costs are included in interest expense. Bond premiums are included with bonds payable and other long-term obligations. Bond issuance costs are included with other assets and are amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognized 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 expenditures.

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Notes to Financial Statements
Year Ended June 30, 2012

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

i) **Fund Equity**

In the fund financial statements, fund balance classifications depict the nature of the net resources reported in the governmental funds. Individual governmental funds may include nonspendable resources and amounts that are restricted, committed, or assigned, or any combination of these classifications. The general fund also includes unassigned amounts. The District considers that committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used. The District's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year by adjusting journal entries. First, nonspendable fund balances are determined. Then restricted fund balances for specific purposes, if any, are determined. Then any remaining fund balance amounts for the non-general funds are classified as restricted fund balance. Committed fund balance amounts are established by the District board through motions passed at District School Board meetings. The District has no committed fund balance amounts. Assigned fund balance amounts are established by the District administration. The District has no assigned fund balance amounts.

Nonspendable fund balance includes amounts which cannot be spent. This includes items that may not be in spendable form or that may be legally or contractually required to be maintained intact. The District's nonspendable fund balance represents amounts not in spendable form.

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Committed fund balance includes amounts that can only be used for the specific purposes pursuant to constraints imposed by a formal action of the District School Board.

Assigned fund balance includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. Assignments of fund balance are established by the District administration.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

j) **Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Outstanding debt, which has not been spent, is included in the same net assets component as the unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

k) **Vacation and Sick Leave**

There is no vested or accumulated vacation or sick pay that is expected to be paid after year end. All full-time employees of the District earn annual leave based on the length of service. It is the District's policy to vest unpaid annual leave with its employees up to the equivalent of forty five work days and to recognize compensated absences as an expense in the period earned rather than the period such benefit is paid.

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Notes to Financial Statements
Year Ended June 30, 2012

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

l) **Use of Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles as applicable to governmental units requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue, expenditures or expenses during the reporting period. Actual results could differ from those estimates.

2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Practices – Formal budgetary accounting is employed as a management tool for the District. Budgets are presented in the basic financial statements section for general fund and all major special revenue funds.

Each budget is presented on the modified accrual basis of accounting which is consistent with GAAP.

Each budget is prepared by function and object as dictated by the State of South Carolina adopted Program Oriented Budgeting and Accounting System and for management control purposes. This District's policies allow funds to be transferred between functions. However, the total budget cannot be increased beyond that level without approval of the Board in supplementary action. The legal level of control is at the fund level. During the year, the Board revised the budget.

The following procedures are followed in establishing the budgetary data as reflected in the financial statements:

- 1) In the fall of the preceding year, the District begins its budget process for the next succeeding fiscal year beginning on July 1.
- 2) After the District's budget committee reviews all requests and allocation requirements and related revenue, it presents a tentative proposed budget to the Superintendent for his review and adjustment.
- 3) The Superintendent then presents a proposed budget to the Board of Trustees which reviews it in a series of workshops and makes any additions or deletions it deems necessary.
- 4) Prior to July 1, the budget is legally enacted through passage of a resolution by the Board.
- 5) The Board of Trustees recommends the budget to the McCormick County Council.

The Administration has discretionary authority to make transfers between appropriation accounts. The revised budget amounts in the financial statements are as amended by the administration. All annual appropriations lapse at fiscal year end. Each budget is prepared by function and object as dictated by the State of South Carolina adopted Program Oriented Budgeting and Accounting System and for management control purposes. This District's policies allow funds to be transferred between functions. However, the total budget cannot be increased beyond that level without approval of the Board in supplementary action. The legal level of control is at the fund level. During the year, the Board revised the budget.

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Notes to Financial Statements
Year Ended June 30, 2012

3) DUE FROM/DUE TO OTHER FUNDS

Interfund balances at June 30, 2012, consist of the following individual fund receivables and payables:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General fund	\$ 992,957	\$ 1,750,464
Special revenue funds:		
Special projects fund	-	848,629
Education Improvement Act	183,515	-
Debt service	-	18,942
School building fund	1,089,755	-
Proprietary fund	217,216	-
Pupil activity fund	134,592	-
	<u>\$ 2,618,035</u>	<u>\$ 2,618,035</u>

The interfund receivables and payables are the result of special revenue owing the general fund for claims that were filed but not yet received, the general fund owing the EIA fund for amounts received for state claims on behalf of the EIA fund, the general fund owing the school building fund for bond proceeds received in previous year, and the general fund owing the food service fund for funds collected but not yet expended.

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Notes to Financial Statements
Year Ended June 30, 2012

4) CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2012, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 686,894	\$ -	\$ -	\$ 686,894
Capital assets, being depreciated				
Land improvements	195,186	-	-	195,186
Buildings	29,080,629	88,109	-	29,168,738
Equipment	736,616	-	-	736,616
Vehicles	139,846	-	-	139,846
Construction in progress	-	-	-	-
	<u>30,152,277</u>	<u>88,109</u>	<u>-</u>	<u>30,240,386</u>
Less accumulated depreciation for:				
Land improvements	39,036	9,759	-	48,795
Buildings	4,237,789	950,306	-	5,188,095
Equipment	134,574	104,213	-	238,787
Vehicles	139,745	101	-	139,846
	<u>4,551,144</u>	<u>1,064,379</u>	<u>-</u>	<u>5,615,523</u>
Total capital assets being depreciated, net	<u>25,601,133</u>	<u>(976,270)</u>	<u>-</u>	<u>24,624,863</u>
Governmental activities capital assets, net	<u>\$ 26,288,027</u>	<u>\$ (976,270)</u>	<u>\$ -</u>	<u>\$ 25,311,757</u>

Depreciation was charged to functions/programs as follows:

Governmental activities:	
Instruction	\$ 553,477
Support	<u>510,902</u>
Total depreciation expense - governmental activities	<u>\$ 1,064,379</u>

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Notes to Financial Statements
Year Ended June 30, 2012

5) **LONG-TERM DEBT**

The following is a summary of changes in long-term debt for the District for the year ended June 30, 2012:

	Balance June 30, 2011	Additions	Retirements	Refunding	Balance June 30, 2012
General obligation bonds	\$ 6,625,000	\$ -	\$ 1,140,000	\$ 4,245,000	\$ 1,240,000
Acquisition agreement debt	815,000	-	87,000	-	728,000
Refunding bonds	-	4,075,000	-	-	4,075,000
Foundation facilities bonds	9,258,000	-	1,697,000	-	7,561,000
	<u>\$ 16,698,000</u>	<u>\$ 4,075,000</u>	<u>\$ 2,924,000</u>	<u>\$ 4,245,000</u>	<u>\$ 13,604,000</u>

Long-term debt payable at June 30, 2012 is comprised of the following instruments:

\$12,700,000 2002 District building bonds due in annual installment of \$1,240,000 March 1, 2013; interest due semi-annually at 4.125%.	\$ 1,240,000
\$1,000,000 2009 District acquisition agreement debt due in annual installments of \$83,000 to \$119,000 through December 1, 2018; interest due annually at 4.6%.	728,000
\$4,075,000 2012 District refunding bonds due in annual installments of \$1,290,000 to \$1,430,000 through March 1, 2016; interest due semi-annually at 4.00% to 5.00%.	4,075,000
\$10,000,000 2008 Foundation facilities bonds due in annual installments of \$742,000 to \$1,087,000 through September 1, 2020; interest due semi-annually at 3.93%.	<u>7,561,000</u>
	<u>\$ 13,604,000</u>

The annual requirements of principal and interest to service all long-term debt outstanding at June 30, 2012 are as follows:

June 30	Principal	Interest	Total
2013	\$ 2,133,000	\$ 484,631	\$ 2,617,631
2014	2,220,000	492,182	2,712,182
2015	2,322,000	402,748	2,724,748
2016	2,437,000	309,194	2,746,194
2017	1,048,000	196,695	1,244,695
Thereafter	3,444,000	348,606	3,792,606
	<u>\$ 13,604,000</u>	<u>\$ 2,234,056</u>	<u>\$ 15,838,056</u>

\$230,902 is available in the debt service – district fund to service the long-term debt at June 30, 2012.

The various bond indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of moneys through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum revenue bond coverage. The District is in compliance with all such significant limitations and restrictions at June 30, 2012.

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Notes to Financial Statements
Year Ended June 30, 2012

5) LONG-TERM DEBT, Continued

The following is a summary of changes in long-term obligations for the year ended June 30, 2012:

	<u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2012</u>
Amount available in debt service fund	\$ 1,478,493	\$ -	\$ 1,247,591	\$ 230,902
Amount to be provided for retirement of long-term obligations	<u>15,219,507</u>	<u>4,075,000</u>	<u>5,921,409</u>	<u>13,373,098</u>
Total available and to be provided	<u>\$ 16,698,000</u>	<u>\$ 4,075,000</u>	<u>\$ 7,169,000</u>	<u>\$ 13,604,000</u>
Total long-term obligations	<u>\$ 16,698,000</u>	<u>\$ 4,075,000</u>	<u>\$ 7,169,000</u>	<u>\$ 13,604,000</u>

For the payment of principal and interest on the bonds as they mature, the full faith, credit and taxing power of the District is irrevocably pledged.

During the fiscal year ended June 30, 2012, the District issued \$4,075,000 general obligation refunding bonds, Series 2012. These bonds were issued to advance refund bonds of \$4,245,000 from a 2002 bond issue. The net proceeds from the issuance were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments, except for the payment scheduled for March 1, 2013, which will be paid as contracted. The advance refunding met the requirements of an in-substance debt defeasance and the refunded bonds were removed from the District's balance sheet. Such bonds will be paid in full by the escrow agent during the fiscal year ended June 30, 2013. The advance refunding resulted in an economic gain of \$542,598.

The Foundation facilities bonds were issued pursuant to a School Facilities Use and Occupancy Agreement (the Facilities Agreement) and evidence proportionate interests of the owners in certain rental payments to be made by the District under the terms of a base lease agreement between the District and the Foundation dated October 31, 2008. The bonds were issued to facilitate the construction of a new high school educational facility and related athletic facilities. The District will purchase the capital assets from the Foundation pursuant to the Facilities Agreement, which will obligate the District to make semi-annual installment payments to the Foundation in amounts calculated to be sufficient to enable the Foundation to pay the principal and interest on the outstanding bonds. The District's obligations under the Facilities Agreement are from year to year only and do not constitute a mandatory payment obligation of the District in any fiscal year in which funds are not appropriated by the District to pay the installment payments. However, the District would forfeit possession of the capital assets for the remainder of the lease term. During the year ended June 30, 2012, in addition to its scheduled bond redemption, the Foundation redeemed \$925,000 of its 2008 Foundation bond issue.

6) RETIREMENT PLAN

Substantially all District employees participate in the South Carolina Retirement System (the Plan), a cost-sharing multi-employer defined benefit pension plan administered by the Retirement Division of the State Budget and Control Board. The Plan offers retirement and disability benefits, cost of living adjustments on an ad-hoc basis, and life and survivor benefits. The Plan's provisions are established under Title 9 of the SC Code of Laws. The payroll for District employees covered by the Plan for the year ended June 30, 2012 was \$5,681,856; the District's total payroll was \$6,158,605.

All District full-time employees are required to participate in the Plan and make contributions as a condition of employment. A monthly pension benefit is payable to eligible employees at age 65 or upon attaining 28 years of credited service regardless of age, with reduced pension benefits payable as early as age 55 and 25 years of service. An employee is vested for a deferred annuity with 5 years service.

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6) **RETIREMENT PLAN, CONTINUED**

SCRS plan members are required to contribute 6.50% of their annual covered salary while the District is required to contribute an actuarially determined rate. The current rate for the SCRS is 13.685 of annual covered payroll. Additionally, the District must contribute .15% of covered payroll to a group life insurance benefit for SCRS participants.

Both employees and the District are required to contribute to the Plan at rates established under authority of Title 9 of the South Carolina Code of Laws. The contribution requirements for the current and two preceding years are as follows:

<u>Year Ended</u>	<u>Contribution Amount</u>		<u>Contribution Percentage</u>			
	<u>June 30</u>	<u>Employer</u>	<u>Employees</u>	<u>Employer</u>	<u>Employees</u>	
2012	\$	775,258	\$	369,321	13.685%	6.50%
2011		760,721		376,308	13.140%	6.50%
2010		765,826		379,925	12.740%	6.50%

The state of South Carolina also provides an optional retirement plan (State ORP). It is a governmental plan administered as a qualified plan pursuant to Section 401(a) of the Internal Revenue Code. The State ORP is a defined contribution plan that provides retirement and survivor benefits as an alternative to the SCRS. Employees may choose between the State ORP and the SCRS plan.

A Comprehensive Annual Financial Report containing financial statements and required supplementary information for the South Carolina Retirement System is issued and publicly available by writing the South Carolina Retirement, P. O. Box 11960, Columbia, SC 29211-1960.

7) **DEFERRED COMPENSATION PLAN**

The District, through the South Carolina Deferred Compensation Commission, offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all District employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, disability, death or unforeseeable emergency. Investments are managed by the plan's program administrator under a variety of investment options or a combination thereof. The participants make the choice of investment(s) option(s). Investments are carried at their market value. The District's administrative involvement is limited to transmitting amounts withheld from payroll to the program administrator.

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8) **POSTRETIREMENT BENEFITS**

The District is a member of the South Carolina Retirement System which was established July 1, 1945. The system covers public school employees, public higher-education personnel, state employees, city, county and other local public employees. It provides a complete schedule of benefits for regular retirement. A member is eligible for a full service retirement at age 65 or upon completion of thirty years membership. On or after January 1, 2002, members are eligible after twenty-eight years membership. Reduced benefits are payable as early as age 55.

As described more fully in Note 6, funding of the plan is made from employee/employer contributions. Benefits vest after five years of service. Vested members who retire at age 65 or with twenty-eight years of service at any age receive an annual benefit payable monthly for life. The benefit is based on length of service and on average final compensation.

In addition to providing pension plan and supplemental benefits, the state currently provides its retired employees with health care benefits. All postretirement benefits paid to District retired members are made from the South Carolina Retirement Systems and from South Carolina's General Fund (Health Care).

9) **POSTEMPLOYMENT BENEFITS**

The District provides death benefits to employees through the group life insurance program for members of the South Carolina Retirement System ("System"), which is explained further in Note 6. The beneficiaries of those employees who die in active service after one year of credited service are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the budgeted salary of the deceased member. The District has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly covered payroll. The District does not determine the number of eligible participants. For the year ended June 30, 2012, the District made contributions to the State for death benefits representing 0.15 percent of covered payroll.

Upon death of a retiree, a benefit will be paid to the designated beneficiary of an amount based on years of credit services as follows:

10 to 19 years of service credits	\$2,000
20 to 27 years of service credits	4,000
28 or more years of service credits	6,000

The District also provides its retired employees health care benefits through the State health insurance program for members of the System. The District has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly covered payroll. The District does not determine the number of eligible participants. The District's contributions are financed on an advance funded actuarially-determined basis.

MCCORMICK SCHOOL DISTRICT NO. 1
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Year Ended June 30, 2012

10) **RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. Because of the high cost of insurance purchased from commercial insurers, the District has chosen to participate with other school districts in the state in the South Carolina School Boards Insurance Trust/Workers' Compensation Pool (SCSBIT/WCP). This public entity risk pool operates as a common risk management and insurance program for member school districts. The District pays annual premiums to the public entity risk pool for its workers' compensation insurance coverage. The Agreement for Formation of the public entity risk pool provides that SCSBIT/WCP will be self-sustaining through member premiums and any deficiencies can be charged back the member school districts in the event that a fund deficit arises. The District also participates in the South Carolina School Boards Insurance Trust for all other risks of loss.

The District carries commercial insurance for certain risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The District has elected to be self-insured for unemployment taxes, whereby it would reimburse the South Carolina Employment Security Commission for actual claims paid attributable to service in the employ of the District. No separate liability for unemployment claims has been established due to the insignificant amounts of the expenditures.

11) **SUBSEQUENT EVENTS**

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through November 30, 2012, the date the financial statements were available to be issued.

12) **COMMITMENTS AND CONTINGENCIES**

The District participates in a number of federal and state assisted grant programs. Although the District has been audited in accordance with provisions of OMB Circular A-133, these programs are still subject to financial and compliance audits by the grantors or their representatives. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, the District's management believes such disallowances, if any, would not be significant.

In 2007, South Carolina enacted Act 388, which was effective for the District beginning July 1, 2007. Act 388 provides an exemption for one hundred percent of the fair market value of owner occupied residential property, to the extent it is not already covered by other property tax relief exemptions, for all property taxes imposed for school operating purposes, but not including millage imposed for the repayment of general obligation debt for property tax years beginning after January 1, 2007. Act 388 also created a new Homestead Exemption fund (Homestead Exemption Fund) which is funded from an additional 1 cent sales tax imposed by Act 388.

Act 388 created three tiers of distribution to school districts. Tier one distributions equal the amounts that were received by the school districts for the fiscal year ended June 30, 2007, relating to an earlier property tax relief provision for owner occupied residential property. In the case of the District, that amount was \$404,119.

Tier two distributions equal the amounts received by school districts for the school operating portion of the homestead exemption for the elderly, disabled, and blind. In the case of the District, that amount was \$269,832. Tier one and two distributions are fixed and do not change.

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12) COMMITMENTS AND CONTINGENCIES, CONTINUED

Tier three distributions are state funded payments to school districts to replace revenues formerly derived from taxation by school districts of owner occupied residential property. For the fiscal year ended June 30, 2008, those distributions were expected to equal, dollar for dollar, the revenue that would have been collected by the school districts from property taxes for school operating purposes imposed by the school districts on owner occupied residential property for that fiscal year as if no reimbursed exemptions applied. Beginning with the 2008-2009 fiscal year, the tier three distributions will be the sum of the amount of the fiscal year 2007-2008 tier three distributions plus the tier three reimbursement increases. Act 388 requires the tier three reimbursements to be increased annually by (i) an inflation factor equal to the percentage increase in the previous year Consumer Price Index, Southeast Region, as published by the United States Department of Labor, Bureau of Labor Statistics, plus (ii) the percentage increase in the previous year in the population of the State as determined by the Office of Research and Statistics of the State Budget and Control Board. The tier three increases are aggregated for the entire state and the amount going to any particular school district is equal to an amount that is the district's proportionate share of the aggregated funds based on the school district's weighted pupil units as a percentage of the statewide weighted pupil units as determined annually pursuant to the EFA, with an adjustment for certain poverty factors to provide programs for the affected students. There are provisions in the tier three reimbursement that could, in any given year, result in a minimum increase of four percent to the extent funds are available in the Homestead Exemption Fund. There are also provisions that require the total tier three reimbursements to the school districts in a county to be not less than \$2,500,000. If the amount of tier three distributions other than those dependent upon balances in the Homestead Exemption Fund exceed amounts in the Homestead Exemption Fund, the excess is required to be paid from the general fund of the State. The District's reimbursement for fiscal 2012 for tier three was \$2,500,000.

Act 388 requires that, to the extent revenues in the Homestead Exemption Fund are insufficient to pay all required reimbursements to a school district, the State will pay the difference from its general fund. However, there can be no assurances that such funds will be appropriated in the event there is such an insufficiency or that the change in funding sources resulting from Act 388 will not have an adverse effect on the District's operations. The District recognizes that Act 388 places increased reliance on state funds to fund the general fund. This increased reliance at the state level is being funded by the additional one penny sales tax, which in the District's opinion is not as stable as property tax revenue which the sales tax replaced. In addition, Act 388 removes the authority of governing bodies of school districts to increase operating millage in any year to meet the required local EFA inflation factor and the per pupil maintenance of effort requirement.

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General Fund
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Budget and Actual
For the Fiscal Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
1000 Revenue from local sources			
1200 Revenue from local governmental units other than LEAs			
1210 Ad valorem taxes - including delinquent (dependent)	\$ 2,770,843	\$ 3,586,257	\$ 815,414
1280 Revenue in lieu of taxes (independent and dependent)	135,000	111,784	(23,216)
1500 Earnings on investments			
1510 Interest on investments	7,500	2,392	(5,108)
1900 Other revenue from local sources			
1910 Rentals	7,500	6,240	(1,260)
1920 Contributions and donations-private sources	-	3,300	3,300
1950 Refund of prior year's expenditures	-	1,462	1,462
1990 Miscellaneous local revenue			
1993 Receipt of insurance proceeds	-	1,200	1,200
1999 Revenue from other local sources	-	2,011	2,011
	2,920,843	3,714,646	793,803
3000 Revenue from state sources			
3100 Restricted state funding			
3130 Special programs			
3131 Handicapped transportation	-	652	652
3160 School bus driver salary	74,396	88,846	14,450
(includes hazardous condition transportation)			
3162 Transportation workers' compensation	7,000	7,823	823
3180 Fringe benefits employer contributions (no carryover provision)	374,920	378,294	3,374
3181 Retiree insurance (no carryover provision)	154,701	183,044	28,343
3300 Education Finance Act			
3310 Full-time programs			
3311 Kindergarten	61,022	73,734	12,712
3312 Primary	153,831	185,876	32,045
3313 Elementary	174,158	210,437	36,279
3314 High school	83,512	100,909	17,397
3315 Trainable mentally handicapped	3,062	3,700	638
3316 Speech handicapped (part-time program)	27,877	33,684	5,807
3317 Homebound	3,244	3,920	676

MCCORMICK SCHOOL DISTRICT NO. 1
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General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For the Fiscal Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
3320 Part-time programs			
3321 Emotionally handicapped	\$ 305	\$ 368	\$ 63
3322 Educable mentally handicapped	15,404	18,613	3,209
3323 Learning disabilities	55,193	66,690	11,497
3324 Hearing handicapped	1,879	2,270	391
3326 Orthopedically handicapped	1,491	1,802	311
3327 Vocational	122,142	147,586	25,444
3330 Other EFA programs			
3331 Autism	1,879	2,270	391
3375 Education foundation supplement	40,480	48,913	8,433
3800 State revenue in lieu of taxes			
3810 Reimbursement for local residential property tax relief (tier 1)	404,119	404,119	-
3820 Homestead exemption (tier 2)	266,391	269,832	3,441
3825 Reimbursement for property tax relief (tier 3)	2,500,000	2,500,000	-
3830 Merchant's inventory tax	8,103	8,103	-
3840 Manufacturers depreciation reimbursement	35,000	23,844	(11,156)
3890 Other state property tax revenues (includes motor carrier vehicle tax)	100,000	115,970	15,970
3900 Other state revenue			
3999 Revenue from other state sources	-	1,056	1,056
Total state sources	<u>4,670,109</u>	<u>4,882,355</u>	<u>212,246</u>
4000 Revenue from federal sources			
4900 Other federal sources			
4999 Revenue from other federal sources	<u>48,000</u>	<u>55,382</u>	<u>7,382</u>
Total federal sources	<u>48,000</u>	<u>55,382</u>	<u>7,382</u>
Total revenue all sources	<u>7,638,952</u>	<u>8,652,383</u>	<u>1,013,431</u>

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General Fund
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Budget and Actual
For the Fiscal Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
EXPENDITURES			
100 Instruction			
110 General instruction			
111 Kindergarten programs			
100 Salaries	\$ 199,228	\$ 173,206	\$ 26,022
200 Employee benefits	54,999	59,648	(4,649)
400 Supplies and materials	3,400	3,079	321
112 Primary programs			
100 Salaries	447,464	305,178	142,286
200 Employee benefits	140,469	114,302	26,167
400 Supplies and materials	7,900	6,261	1,639
113 Elementary programs			
100 Salaries	748,371	757,002	(8,631)
200 Employee benefits	233,388	246,765	(13,377)
300 Purchased services	2,000	19,019	(17,019)
400 Supplies and materials	10,700	11,848	(1,148)
114 High school programs			
100 Salaries	333,518	363,301	(29,783)
200 Employee benefits	104,194	109,133	(4,939)
300 Purchased services	25,500	45,351	(19,851)
400 Supplies and materials	9,500	21,109	(11,609)
115 Career and technology education programs			
100 Salaries	477,688	490,698	(13,010)
200 Employee benefits	154,645	158,274	(3,629)
300 Purchased services - other than tuition	925	560	365
400 Supplies and materials	9,075	6,944	2,131
120 Exceptional programs			
121 Educable mentally handicapped			
100 Salaries	115,808	69,472	46,336
200 Employee benefits	34,919	32,021	2,898
122 Trainable mentally handicapped			
100 Salaries	66,332	17,460	48,872
200 Employee benefits	22,279	11,055	11,224

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	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
123 Orthopedically handicapped			
100 Salaries	\$ 1,680	\$ 1,680	-
200 Employee benefits	939	972	(33)
125 Hearing handicapped			
300 Purchased services	2,000	2,000	-
126 Speech handicapped			
300 Purchased services	15,000	18,133	(3,133)
400 Supplies and materials	-	93	(93)
127 Learning disabilities			
100 Salaries	157,584	234,712	(77,128)
200 Employee benefits	52,316	79,481	(27,165)
400 Supplies and materials	-	324	(324)
140 Special programs			
145 Homebound			
100 Salaries	4,000	11,438	(7,438)
200 Employee benefits	870	2,490	(1,620)
300 Purchased services	300	128	172
147 CDEPP			
100 Salaries	19,005	13,438	5,567
200 Employee benefits	9,344	7,160	2,184
160 Other exceptional programs			
161 Autism			
100 Salaries	1,680	10,492	(8,812)
200 Employee benefits	939	972	(33)
Total instruction	<u>3,467,959</u>	<u>3,405,199</u>	<u>62,760</u>

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Budget and Actual
For the Fiscal Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
200 Support services			
210 Pupil services			
211 Attendance and social work services			
100 Salaries	\$ 31,226	\$ 10,406	\$ 20,820
200 Employee benefits	10,674	3,011	7,663
212 Guidance services			
100 Salaries	330,847	284,388	46,459
200 Employee benefits	105,889	82,218	23,671
300 Purchased services	1,000	14,764	(13,764)
400 Supplies and materials	1,820	1,645	175
213 Health services			
100 Salaries	17,336	17,336	-
200 Employee benefits	4,004	4,191	(187)
300 Purchased services	6,000	31,095	(25,095)
400 Supplies and materials	1,980	1,906	74
220 Instructional staff services			
221 Improvement of instruction - curriculum development			
100 Salaries	90,249	91,235	(986)
200 Employee benefits	27,601	27,397	204
300 Purchased services	3,000	2,585	415
222 Library and media services			
100 Salaries	124,187	109,825	14,362
200 Employee benefits	35,026	35,777	(751)
300 Purchased services	5,390	390	5,000
400 Supplies and materials	10,010	8,554	1,456
223 Supervision of special programs			
100 Salaries	51,622	52,940	(1,318)
200 Employee benefits	18,878	16,896	1,982
224 Improvement of instruction - inservice and staff training			
100 Salaries	126,838	135,189	(8,351)
200 Employee benefits	42,724	42,427	297
300 Purchased services	-	16,519	(16,519)

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	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
230 General administration services			
231 Board of Education			
100 Salaries	\$ 22,925	\$ 6,767	\$ 16,158
200 Employee benefits	33,204	28,000	5,204
300 Purchased services	100,286	123,440	(23,154)
318 Audit services	17,000	24,000	(7,000)
400 Supplies and materials	4,550	5,015	(465)
600 Other objects	4,450	3,780	670
232 Office of the superintendent			
100 Salaries	172,105	162,557	9,548
200 Employee benefits	41,209	36,359	4,850
300 Purchased services	2,700	4,626	(1,926)
400 Supplies and materials	3,850	1,909	1,941
600 Other objects	500	695	(195)
233 School administration			
100 Salaries	171,742	182,732	(10,990)
200 Employee benefits	64,629	61,315	3,314
300 Purchased services	3,000	3,355	(355)
400 Supplies and materials	5,000	2,676	2,324
600 Other objects	10,000	2,300	7,700
250 Finance and operations services			
251 Student transportation (federal/district mandated)			
100 Salaries	5,616	-	5,616
200 Employee benefits	1,420	-	1,420
252 Fiscal services			
100 Salaries	103,060	120,517	(17,457)
200 Employee benefits	34,468	32,235	2,233
300 Purchased services	11,000	4,399	6,601
400 Supplies and materials	3,000	5,952	(2,952)
600 Other objects	100	387	(287)
254 Operation and maintenance of plant			
100 Salaries	222,788	215,249	7,539
200 Employee benefits	79,056	98,058	(19,002)
300 Purchased services	312,000	336,376	(24,376)
321 Public utilities (excludes gas, oil, elec, other heating fuels)	1,000	44,326	(43,326)
400 Supplies and materials	85,000	100,504	(15,504)
470 Energy (includes gas, oil, elec, other heating fuels)	400,000	346,191	53,809

(continued)

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Schedule of Revenues, Expenditures, and Changes in Fund Balance -
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For the Fiscal Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
255 Student transportation (state mandated)			
100 Salaries	\$ 200,614	\$ 207,135	\$ (6,521)
200 Employee benefits	51,904	44,922	6,982
300 Purchased services	9,936	25,178	(15,242)
400 Supplies and materials	684	-	684
256 Food service			
200 Employee benefits	80,431	85,360	(4,929)
258 Security			
100 Salaries	15,000	14,430	570
200 Employee benefits	1,801	4,030	(2,229)
300 Purchased services	30,000	30,000	-
260 Central support services			
263 Information services			
100 Salaries	8,922	8,922	-
200 Employee benefits	2,689	2,686	3
300 Purchased services	4,492	3,660	832
400 Supplies and materials	733	733	-
600 Other objects	800	278	522
264 Staff services			
100 Salaries	52,780	53,766	(986)
200 Employee benefits	16,844	16,469	375
300 Purchased services	5,750	10,340	(4,590)
400 Supplies and materials	1,400	1,483	(83)
266 Technology and data processing services			
300 Purchased services	26,000	14,210	11,790
270 Support services pupil activity			
271 Pupil services activities			
100 Salaries	101,225	153,215	(51,990)
200 Employee benefits	29,219	41,189	(11,970)
Total support services	<u>3,603,183</u>	<u>3,662,420</u>	<u>(59,237)</u>

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Budget and Actual
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	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
300 Community services			
350 Custody and care of children services			
100 Salaries	\$ -	\$ 139,743	\$ (139,743)
200 Employee benefits	-	44,362	(44,362)
Total community services	<u>-</u>	<u>184,105</u>	<u>(184,105)</u>
400 Other charges			
410 Intergovernmental expenditures			
412 Payments to other governmental units			
720 Transits	<u>5,000</u>	<u>3,701</u>	<u>1,299</u>
Total intergovernmental expenditures	<u>5,000</u>	<u>3,701</u>	<u>1,299</u>
Total expenditures	<u>7,076,142</u>	<u>7,255,425</u>	<u>(179,283)</u>
OTHER FINANCING SOURCES (USES)			
Interfund transfers, from (to) other funds			
5230 Transfer from special revenue EIA fund	122,162	102,727	(19,435)
5280 Transfer from other funds indirect costs	15,000	33,240	18,240
421-710 Transfer to special revenue fund	(7,500)	(7,500)	-
423-710 Transfer to debt service fund	(1,244,158)	(1,227,203)	16,955
426-710 Transfer to pupil activity fund	<u>(38,600)</u>	<u>(38,600)</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,153,096)</u>	<u>(1,137,336)</u>	<u>15,760</u>
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>\$ (590,286)</u>	259,622	<u>\$ 849,908</u>
FUND BALANCE, July 1, 2011		<u>3,471,127</u>	
FUND BALANCE, June 30, 2012		<u>\$ 3,730,749</u>	

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
SPECIAL REVENUE FUND
Combining Balance Sheet
June 30, 2012

	<u>Special Projects Fund</u>	<u>Education Improvement Act</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 44,661	\$ -	\$ 44,661
Due from governmental agencies	920,914	-	920,914
Prepaid expenses	-	-	-
Due from other funds	<u>-</u>	<u>183,515</u>	<u>183,515</u>
Total assets	<u>\$ 965,575</u>	<u>\$ 183,515</u>	<u>\$ 1,149,090</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
LIABILITIES			
Due to governmental units	\$ -	\$ 1,000	\$ 1,000
Accounts payable	-	-	-
Deferred revenues	72,285	182,515	254,800
Due to other funds	<u>848,629</u>	<u>-</u>	<u>848,629</u>
Total liabilities	<u>920,914</u>	<u>183,515</u>	<u>1,104,429</u>
FUND BALANCES			
Unreserved - undesignated	<u>44,661</u>	<u>-0-</u>	<u>44,661</u>
Total liabilities and fund balances	<u>\$ 965,575</u>	<u>\$ 183,515</u>	<u>\$ 1,149,090</u>

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
SPECIAL REVENUE FUND
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance
For Fiscal Year Ended June 30, 2012

	<u>Special Projects Fund</u>	<u>Education Improvement Act</u>	<u>Total</u>
REVENUES			
Local sources	\$ 190,437	\$ -	\$ 190,437
State sources	224,068	854,070	1,078,138
Federal sources	<u>1,095,507</u>	<u>-</u>	<u>1,095,507</u>
Total revenues all sources	<u>1,510,012</u>	<u>854,070</u>	<u>2,364,082</u>
EXPENDITURES			
Instruction	772,766	578,440	1,351,206
Supporting services	658,055	172,903	830,958
Community services	65,837	-	65,837
Intergovernmental expenditures	<u>9,567</u>	<u>-</u>	<u>9,567</u>
Total expenditures	<u>1,506,225</u>	<u>751,343</u>	<u>2,257,568</u>
OTHER FINANCING SOURCES (USES)	<u>(3,783)</u>	<u>(102,727)</u>	<u>(106,510)</u>
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			
	4	-0-	4
FUND BALANCE, July 1, 2011	<u>44,657</u>	<u>-0-</u>	<u>44,657</u>
FUND BALANCE, June 30, 2012	<u>\$ 44,661</u>	<u>\$ -0-</u>	<u>\$ 44,661</u>

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance - Special Projects Fund
For Fiscal Year Ended June 30, 2012

	Title I (BA Projects)(CA Projects) (201/202)	IDEA (203/204)	Preschool Handicapped (CG Projects)(205/206)	CATE (VA Projects)(207/208)	Drug Free (FP/FQ Projects) (209/210)	Adult Education (EA Projects)	Other Designated Restricted State Grants* (900s)	Other Special Revenue Programs* (200s/800s)	Total
REVENUES									
1000 Revenue from local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4
1500 Earnings on investments									
1510 Interest on investments									
1900 Other revenue from local sources									
1930 Medicaid	-	-	-	-	-	-	-	61,449	61,449
1999 Revenue from other local sources	-	-	-	-	-	-	-	128,984	128,984
Total local sources	-	-	-	-	-	-	-	190,437	190,437
3000 Revenue from state sources									
3100 Restricted state funding									
3110 Occupational education									
3118 EEDA career specialist	-	-	-	-	-	-	40,748	-	40,748
3120 General education									
3123 Formative assessment	-	-	-	-	-	-	9,361	-	9,361
3127 Student health and fitness - PE teachers	-	-	-	-	-	-	7,804	-	7,804
3130 Special programs									
3134 Child development education pilot program (CDEPP)	-	-	-	-	-	-	8,529	-	8,529
3136 Student health and fitness - nurses	-	-	-	-	-	-	27,099	-	27,099

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance - Special Projects Fund
For Fiscal Year Ended June 30, 2012

	Title I (BA Projects)(CA Projects)(201/202)	IDEA (203/204)	Preschool Handicapped (CG Projects)(205/206)	CATE (VA Projects)(207/208)	Drug Free (FP/FQ Projects)(209/210)	Adult Education (EA Projects)	Other Designated Restricted State Grants* (900s)	Other Special Revenue Programs* (200s/800s)	Total
3150 Adult education	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,858	\$ -	2,858
3151 Adult education: basic	-	-	-	-	-	-	3,941	-	3,941
3154 Young adult education	-	-	-	-	-	-	-	-	-
3600 Education Lottery Act revenue	-	-	-	-	-	-	2,130	-	2,130
3607 6-8 enhancement	-	-	-	-	-	-	121,598	-	121,598
3610 K-5 enhancement	-	-	-	-	-	-	-	-	-
Total state sources	-	-	-	-	-	-	224,068	-	224,068
4000 Revenue from federal sources	-	-	-	-	-	-	-	-	-
4200 Occupational education	-	-	-	-	-	-	-	-	-
4210 Perkins aid, Title I	-	-	-	17,474	-	-	-	-	17,474
4300 Elementary and Secondary Education Act of 1965 (ESEA)	540,670	-	-	-	-	-	-	-	540,670
4310 Title I, basic state grant programs	-	-	-	-	-	-	-	20,228	20,228
4312 Rural and low-income school program, Title VI	-	-	-	-	-	-	-	3,354	3,354
4315 ARRA, Title I basic state grant prgms	-	-	-	-	-	-	-	-	-
4331 Enhancing education through technology (E2T2), Title II	-	-	-	-	-	-	-	4,551	4,551
4351 Improving teacher quality	-	-	-	-	-	-	-	85,624	85,624

* See Schedule 4A for a listing of LEA sub fund codes for each program.

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance - Special Projects Fund
For Fiscal Year Ended June 30, 2012

	<u>Title I</u>	<u>IDEA</u>	<u>Preschool</u>	<u>CATE</u>	<u>Drug Free</u>	<u>Adult</u>	<u>Other</u>	<u>Other</u>	<u>Total</u>
	<u>(BA Projects)(CA Projects)(201/202)</u>	<u>(203/204)</u>	<u>Handicapped</u>	<u>(VA Projects)(207/208)</u>	<u>(FP/FQ Projects)(209/210)</u>	<u>Education</u>	<u>Designated</u>	<u>Special</u>	
			<u>(CG Projects)(205/206)</u>	<u>(207/208)</u>	<u>(209/210)</u>	<u>(EA Projects)</u>	<u>State Grants*</u>	<u>Revenue</u>	
							<u>(900s)</u>	<u>(200s/800s)</u>	
4400 Adult education	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 140,399	\$ -	\$ -	\$ 140,399
4410 Basic adult education									
4500 Programs for children with disabilities									
4510 IDEA	-	270,940	-	-	-	-	-	-	270,940
4520 Preschool grants (IDEA)	-	-	12,267	-	-	-	-	-	12,267
Total federal sources	540,670	270,940	12,267	17,474	-	140,399	-	113,757	1,095,507
Total revenue all sources	540,670	270,940	12,267	17,474	-	140,399	224,068	304,194	1,510,012

* See Schedule 4A for a listing of LEA sub fund codes for each program.

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance - Special Projects Fund
For Fiscal Year Ended June 30, 2012

	<u>Title I</u>	<u>IDEA</u>	<u>Preschool</u>	<u>CATE</u>	<u>Drug Free</u>	<u>Adult</u>	<u>Other</u>	<u>Other</u>	<u>Total</u>
	<u>(BA Projects)(201/202)</u>	<u>(CA Projects)(203/204)</u>	<u>Handicapped</u>	<u>(VA Projects)(207/208)</u>	<u>(FP/FQ Projects)(209/210)</u>	<u>Education</u>	<u>Designated</u>	<u>Special</u>	
			<u>(CG Projects)(205/206)</u>			<u>(EA Projects)</u>	<u>Restricted</u>	<u>Revenue</u>	
							<u>State Grants</u>	<u>Programs</u>	
							<u>(900s)</u>	<u>(200s/800s)</u>	
EXPENDITURES									
100 Instruction									
110 General instruction									
111 Kindergarten programs									
100 Salaries	\$ 93,126	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,359	\$ 99,485
200 Employee benefits	25,312	-	-	-	-	-	-	486	25,798
112 Primary programs									
100 Salaries	104,302	-	-	-	-	-	6,003	-	110,305
200 Employee benefits	13,027	-	-	-	-	-	1,801	-	14,828
300 Purchased services	-	-	-	-	-	-	10,248	-	10,248
400 Supplies and materials	-	-	-	-	-	-	-	175	175
113 Elementary programs									
100 Salaries	39,392	-	-	-	-	-	-	-	39,392
200 Employee benefits	1,646	-	-	-	-	-	-	-	1,646
300 Purchased services	-	-	-	-	-	-	800	-	800
400 Supplies and materials	-	-	-	-	-	-	4,464	4,551	9,015
114 High school programs									
100 Salaries	95,744	-	-	-	-	-	-	-	95,744
200 Employee benefits	21,297	-	-	-	-	-	-	-	21,297
115 Career and technology education programs									
300 Purchased services - other than tuition	-	1,550	-	-	-	-	-	-	1,550

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance - Special Projects Fund
For Fiscal Year Ended June 30, 2012

	<u>Title I</u>	<u>IDEA</u>	<u>Preschool</u>	<u>CATE</u>	<u>Drug Free</u>	<u>Adult</u>	<u>Other</u>	<u>Other</u>	<u>Total</u>
	<u>(BA Projects)(CA Projects)(201/202)</u>	<u>(CA Projects)(CG Projects)(203/204)</u>	<u>Handicapped (CG Projects)(205/206)</u>	<u>(VA Projects)(207/208)</u>	<u>(FP/FQ Projects)(209/210)</u>	<u>Education (EA Projects)</u>	<u>Designated Restricted State Grants (900s)</u>	<u>Special Revenue Programs (200s/800s)</u>	
120 Exceptional programs									
121 Educable mentally handicapped									
100 Salaries	\$ -	\$ 25,094	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,094
200 Employee benefits	-	8,049	-	-	-	-	-	-	8,049
400 Supplies and materials	-	97	-	-	-	-	-	-	97
125 Hearing handicapped									
300 Purchased services	-	50,376	-	-	-	-	-	-	50,376
126 Speech handicapped									
300 Purchased services	-	42,302	-	-	-	-	-	-	42,302
127 Learning disabilities									
400 Supplies and materials	-	193	-	-	-	-	-	-	193
140 Special programs									
147 CDEPP									
100 Salaries	-	-	-	-	-	-	3,341	-	3,341
200 Employee benefits	-	-	-	-	-	-	1,969	-	1,969
300 Purchased services	-	-	-	-	-	-	1,299	-	1,299
400 Supplies and materials	-	-	-	-	-	-	1,612	-	1,612
600 Other objects	-	-	-	-	-	-	308	-	308
160 Other exceptional programs									
161 Autism									
100 Salaries	-	-	5,493	-	-	-	-	-	5,493
200 Employee benefits	-	-	6,774	-	-	-	-	-	6,774

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance - Special Projects Fund
For Fiscal Year Ended June 30, 2012

	Title I (BA Projects)(CA Projects) (201/202)	IDEA (203/204)	Preschool Handicapped (CG Projects) (205/206)	CATE (VA Projects)(FP/FQ Projects) (207/208)	Drug Free (209/210)	Adult Education (EA Projects)	Other Designated Restricted State Grants (900s)	Other Special Revenue Programs (200s/800s)	Total
170 Summer school programs									
172 Elementary summer school									
100 Salaries	\$ 14,161	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,678	\$ -	\$ 24,839
200 Employee benefits	3,342	-	-	-	-	-	2,136	-	5,478
174 Gifted and talented summer school									
100 Salaries	-	-	-	-	-	-	-	5,000	5,000
200 Employee benefits	-	-	-	-	-	-	-	1,518	1,518
180 Adult/continuing educational programs									
181 Adult basic education programs									
100 Salaries	-	-	-	-	-	78,180	-	-	78,180
200 Employee benefits	-	-	-	-	-	20,361	-	-	20,361
300 Purchased services	-	-	-	-	-	3,570	-	-	3,570
400 Supplies and materials	-	-	-	-	-	9,925	2,858	-	12,783
182 Adult secondary education programs									
100 Salaries	-	-	-	-	-	6,000	-	-	6,000
200 Employee benefits	-	-	-	-	-	1,305	-	-	1,305
300 Purchased services	-	-	-	-	-	2,198	-	-	2,198
188 Parenting/family literacy									
100 Salaries	-	-	-	-	-	-	-	20,226	20,226
200 Employee benefits	-	-	-	-	-	-	-	9,239	9,239
300 Purchased services	-	-	-	-	-	-	-	3,879	3,879
400 Supplies and materials	1,000	-	-	-	-	-	-	-	1,000
Total instruction	412,349	127,661	12,267	-	-	121,539	47,517	51,433	772,766

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance - Special Projects Fund
For Fiscal Year Ended June 30, 2012

	Title I (BA Projects)(CA Projects) (201/202)	IDEA (203/204)	Preschool Handicapped (CG Projects)(205/206)	CATE (VA Projects)(207/208)	Drug Free (FFP/FQ Projects) (209/210)	Adult Education (EA Projects)	Other Designated Restricted State Grants (900s)	Other Special Revenue Programs (200s/800s)	Total
200 Support services	\$ 22,786	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	22,786
210 Pupil services	5,564	-	-	-	-	-	-	-	5,564
211 Attendance and social work services	-	-	-	-	-	-	-	-	-
100 Salaries	-	-	-	-	-	-	-	-	-
200 Employee benefits	-	-	-	-	-	-	-	-	-
213 Health services	-	1,834	-	-	-	-	20,941	12,076	34,851
100 Salaries	-	617	-	-	-	-	6,158	4,926	11,701
200 Employee benefits	-	16,612	-	-	-	-	-	13,846	30,458
300 Purchased services	-	690	-	-	-	-	-	-	690
400 Supplies and materials	-	-	-	-	-	-	-	-	-
214 Psychological services	-	144	-	-	-	-	-	-	144
300 Purchased services	-	-	-	-	-	-	-	-	-
216 Vocational placement services	-	3,360	-	11,169	-	-	-	36,162	50,691
100 Salaries	-	1,323	-	5,918	-	-	-	13,428	20,669
200 Employee benefits	-	-	-	-	-	-	-	2,548	2,548
300 Purchased services	-	-	-	-	-	-	-	1,115	1,115
400 Supplies and materials	-	-	-	-	-	-	-	-	-
217 Career specialist services	-	-	-	-	-	-	26,243	-	26,243
100 Salaries	-	-	-	-	-	-	14,506	-	14,506
200 Employee benefits	-	-	-	-	-	-	-	-	-

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance - Special Projects Fund
For Fiscal Year Ended June 30, 2012

	<u>Title I</u>	<u>IDEA</u>	<u>Preschool</u>	<u>CATE</u>	<u>Drug Free</u>	<u>Adult</u>	<u>Other</u>	<u>Other</u>	<u>Total</u>
	<u>(BA Projects)(CA Projects)</u>	<u>(203/204)</u>	<u>Handicapped</u>	<u>(VA Projects)</u>	<u>(FP/FQ Projects)</u>	<u>Education</u>	<u>Designated</u>	<u>Special</u>	<u>Total</u>
	<u>(201/202)</u>	<u>(203/204)</u>	<u>(CG Projects)</u>	<u>(207/208)</u>	<u>(209/210)</u>	<u>(EA Projects)</u>	<u>(900s)</u>	<u>Revenue</u>	<u>(200s/800s)</u>
220 Instructional staff services									
221 Improvement of instruction - curriculum development									
200 Employee benefits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 226	\$ 226
300 Purchased services	-	-	-	387	-	-	18,314	24,715	43,416
400 Supplies and materials	15,000	-	-	-	-	-	-	-	15,000
223 Supervision of special programs									
100 Salaries	10,200	74,969	-	-	-	6,949	1,902	-	94,020
200 Employee benefits	3,297	22,791	-	-	-	3,174	945	-	30,207
300 Purchased services	31,183	2,070	-	-	-	1,150	-	115	34,518
400 Supplies and materials	332	3,889	-	-	-	677	-	-	4,898
600 Other objects	-	400	-	-	-	-	-	-	400
224 Improvement of instruction - inservice and staff training									
100 Salaries	-	-	-	-	-	-	52,550	9,650	62,200
200 Employee benefits	-	-	-	-	-	-	22,800	1,688	24,488
300 Purchased services	5,000	-	-	-	-	-	-	44,486	49,486
400 Supplies and materials	-	-	-	-	-	-	-	3,164	3,164
250 Finance and operations services									
251 Student transportation (federal/district mandated)									
100 Salaries	4,999	-	-	-	-	-	4,750	22,706	32,455
200 Employee benefits	1,300	-	-	-	-	-	1,190	5,708	8,198
300 Purchased services	10,000	-	-	-	-	-	2,434	6,330	18,764

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance - Special Projects Fund
For Fiscal Year Ended June 30, 2012

	Title I (BA Projects)(CA Projects) (201/202)	IDEA (203/204)	Preschool Handicapped (CG Projects)(205/206)	CATE (VA Projects)(207/208)	Drug Free (FFP/FQ Projects) (209/210)	Adult Education (EA Projects)	Other Designated Restricted State Grants (900s)	Other Special Revenue Programs (200s/800s)	Total
254 Operation and maintenance of plant									
100 Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	2,262	-	-	2,262
200 Employee benefits	-	-	-	-	-	488	-	-	488
300 Purchased services	-	-	-	-	-	3,433	1,094	-	4,527
400 Supplies and materials	-	-	-	-	-	727	-	-	727
270 Support services - pupil activity									
271 Pupil service activities									
300 Purchased services	-	-	-	-	-	-	2,724	3,921	6,645
Total support services	109,661	128,699	-	17,474	-	18,860	176,551	206,810	658,055
300 Community services									
350 Custody and care of children									
100 Salaries	-	-	-	-	-	-	-	45,233	45,233
200 Employee benefits	-	-	-	-	-	-	-	17,999	17,999
300 Purchased services	-	-	-	-	-	-	-	17	17
400 Supplies and materials	-	-	-	-	-	-	-	2,588	2,588
Total community services	-	-	-	-	-	-	-	65,837	65,837

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance - Special Projects Fund
For Fiscal Year Ended June 30, 2012

	Title I (BA Projects)(CA Projects)(201/202)	IDEA (203/204)	Preschool Handicapped (CG Projects)(205/206)	CATE (VA Projects)(207/208)	Drug Free (FP/FQ Projects)(209/210)	Adult Education (EA Projects)	Other Designated Restricted State Grants (900s)	Other Special Revenue Programs (200s/800s)	Total
410 Intergovernmental expenditures									
411 Payments to South Carolina Department of Education									
720 Transits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,567	\$ 9,567
Total intergovernmental expenditures	-	-	-	-	-	-	-	9,567	9,567
Total expenditures	522,010	256,360	12,267	17,474	-	140,399	224,068	333,647	1,506,225
OTHER FINANCING SOURCES (USES)									
Interfund transfers, from (to) other funds									
5210 Transfer from general fund (excludes indirect costs)	-	-	-	-	-	-	-	7,500	7,500
5270 Transfer from pupil activity fund	-	-	-	-	-	-	-	21,957	21,957
431-791 Special revenue fund indirect costs	(18,660)	(14,580)	-	-	-	-	-	-	(33,240)
TOTAL OTHER FINANCING SOURCES (USES)	(18,660)	(14,580)	-	-	-	-	-	29,457	(3,783)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES									
FUND BALANCE, July 1, 2011	-0-	-0-	-0-	-0-	-0-	-0-	-0-	4	4
FUND BALANCE, June 30, 2012	-0-	-0-	-0-	-0-	-0-	-0-	-0-	44,657	44,657
	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 44,661	\$ 44,661

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Schedule of Program Classifications - Special Projects Fund
For the Fiscal Year Ended June 30, 2012

<u>LEA</u> <u>Subfund</u> <u>Code</u>	<u>Program</u>	<u>Revenue</u>	<u>Revenue</u> <u>Code</u>
<u>OTHER RESTRICTED STATE GRANTS</u>			
928	EEDA career specialist	\$ 40,748	3118
933	Formative assessment	9,361	3123
937	Student health and fitness - PE teachers	7,804	3127
924	CDEPP	8,529	3134
936	Student health and fitness - nurses	27,099	3136
921	Adult education: basic	2,858	3151
920	Young adult education	3,941	3154
967	6-8 enhancement	2,130	3607
960	K-5 enhancement	121,598	3610
		<u>\$ 224,068</u>	
<u>OTHER SPECIAL REVENUE PROGRAMS</u>			
299	Interest on investments	\$ 4	1510
280	Medicaid	61,449	1930
288	SDE/ABC childcare	1,795	1999
830	JAG - CIS	49,672	1999
890	First steps	77,517	1999
253	Enhancing education through technology (E2T2), Title II	4,551	4331
251	Rural and low-income school program, Title VI	20,228	4312
222	ARRA, Title I basic state grant programs	3,354	4315
267	Improving teacher quality	85,624	4351
		<u>\$ 304,194</u>	

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Summary Schedule for Designated State Restricted Grants
For the Fiscal Year Ended June 30, 2012

Revenue Subfund Code	Programs	Revenues	Expenditures	Special Revenue		Special Revenue Fund Deferred
				Interfund Transfers In/(Out)	Other Fund Transfers In/(Out)	
928 3118	EEDA career specialist	\$ 40,748	\$ 40,748	\$ -	\$ -	\$ -
933 3123	Formative assessment	9,361	9,361	-	-	-
937 3127	Student health and fitness - PE teachers	7,804	7,804	-	-	6,094
924 3134	CDEPP	8,529	8,529	-	-	-
936 3136	Student health and fitness - nurses	27,099	27,099	-	-	-
921 3151	Adult education: basic	2,858	2,858	-	-	-
920 3154	Young adult education	3,941	3,941	-	-	-
908 3126	Refurbishment of K-8 science kits	-	-	-	-	4,036
919 3193	Education license plates	-	-	-	-	367
967 3607	6-8 enhancement	2,130	2,130	-	-	1,916
960 3610	K-5 enhancement	121,598	121,598	-	-	46,809
		<u>\$ 224,068</u>	<u>\$ 224,068</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,222</u>

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Education Improvement Act
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2012

REVENUES

3000 Revenue from state sources		
3500 Education Improvement Act		
3511 Professional development	\$	11,163
3525 Career and technology education equipment		26,696
3526 Refurbishment of K-8 science kits		7,183
3530 Trainable and profoundly mentally disabled student services		4,548
3532 National board certification (NBC) salary supplement		91,114
3533 Teacher of the year award		1,077
3538 Students at risk of school failure		246,786
3541 Child development education pilot program (CDEPP)		44,512
3544 High achieving students		13,503
3550 Teacher salary increase		84,559
3555 School employer contributions		18,168
3556 Adult education		126,971
3568 EAA technical assistance		59,555
3577 Teacher supplies		16,750
3578 High schools that work/making middle grades work		2,222
3585 Aid to districts - special education		24,841
3588 IDEA MOE special allocation		49,210
3592 Work-based learning		2,274
3597 Aid to districts		21,706
3598 Cost savings allocations		<u>1,232</u>
Total state sources		<u>854,070</u>
Total revenue all sources		<u>854,070</u>

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Education Improvement Act
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2012

EXPENDITURES

100 Instruction		
110 General instruction		
111 Kindergarten programs		
100 Salaries	\$	45,246
200 Employee benefits		16,667
400 Supplies and materials		16,750
112 Primary programs		
100 Salaries		115,899
200 Employee benefits		37,955
400 Supplies and materials		7,183
113 Elementary programs		
100 Salaries		89,981
200 Employee benefits		18,969
300 Purchased services		86
400 Supplies and materials		25,287
114 High school programs		
100 Salaries		4,370
200 Employee benefits		751
115 Career and technology education programs		
400 Supplies and materials		4,021
500 Capital outlay		23,408
120 Exceptional programs		
121 Educable mentally handicapped		
100 Salaries		24,983
200 Employee benefits		25,945
300 Purchased services		362
130 Preschool programs		
137 Preschool handicapped self-contained		
400 Supplies and materials		15,093
140 Special programs		
147 CDEPP		
100 Salaries		33,287
200 Employee benefits		11,224
148 Gifted and talented - artistic		
100 Salaries		11,026
200 Employee benefits		2,478

(continued)

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Education Improvement Act
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2012

149 Other special programs		
100 Salaries	\$	331
200 Employee benefits		64
300 Purchased services		79
180 Adult/continuing educational programs		
181 Adult basic education programs		
100 Salaries		18,147
200 Employee benefits		2,827
300 Purchased services		8,900
400 Supplies and materials		15,179
182 Adult secondary education programs		
100 Salaries		1,560
200 Employee benefits		382
		<hr/>
Total instruction		<u>578,440</u>
200 Support services		
210 Pupil services		
211 Attendance and social work services		
100 Salaries		7,500
200 Employee benefits		1,609
400 Supplies and materials		1,500
212 Guidance services		
100 Salaries		18,274
200 Employee benefits		3,266
213 Health services		
300 Purchased services		4,548
220 Instructional staff services		
221 Improvement of instruction - curriculum development		
100 Salaries		2,100
200 Employee benefits		(430)
300 Purchased services		13,798
400 Supplies and materials		4,217
222 Library and media		
100 Salaries		7,500
200 Employee benefits		1,583

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Education Improvement Act
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2012

223 Supervision of special programs		
100 Salaries	\$	56,105
200 Employee benefits		18,345
300 Purchased services		2,489
400 Supplies and materials		2,649
224 Improvement of instruction - inservice and staff training		
300 Purchased services		7,355
400 Supplies and materials		5,792
230 General administration services		
233 School administration		
400 Supplies and materials		116
250 Finance and operations services		
254 Operation and maintenance of plant		
400 Supplies and materials		273
255 Student transportation		
100 Salaries		1,167
200 Employee benefits		65
300 Purchased services		13,082
		<u>172,903</u>
300 Community services		
390 Other community services		
300 Purchased services		<u>-</u>
Total community services		<u>-</u>
Total expenditures		<u>751,343</u>
OTHER FINANCING SOURCES (USES)		
Interfund transfers, from (to) other funds		
420-710 Transfer to general fund (excludes indirect costs)		<u>(102,727)</u>
Total other financing sources (uses)		<u>(102,727)</u>
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES		-0-
FUND BALANCE, July 1, 2011		<u>-0-</u>
FUND BALANCE, June 30, 2012	\$	<u><u>-0-</u></u>

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Education Improvement Act
Summary Schedule by Program
For the Fiscal Year Ended June 30, 2012

PROGRAM	EIA Interfund				
	<u>Revenues</u>	<u>Expenditures</u>	<u>Transfers In(Out)</u>	<u>Transfers In(Out)</u>	<u>Deferred Revenue</u>
3500 Education Improvement Act					
3502 ADEPT	\$ 3,001	\$ -	\$ -	\$ -	\$ 3,001
3511 Professional development	5,493	11,163	-	5,670	-
3525 Career and technology education equipment	26,581	26,696	-	26,696	26,581
3526 Refurbishment of K-8 science kits	4,360	7,183	-	4,577	1,754
3530 Trainable and profoundly mentally disabled student services	4,660	4,548	-	4,548	4,660
3532 National board certification (NBC) salary supplement	91,114	91,114	-	-	-
3533 Teacher of the year award	1,077	1,077	-	-	-
3538 Students at risk of school failure	201,734	246,786	-	45,052	-
3541 Child development education pilot program (CDEPP)	55,049	44,512	-	22,269	32,806
3542 Preschool programs for children with disabilities	5,448	-	-	-	5,448
3544 High achieving students	15,000	13,503	-	11,200	12,697
3550 Teacher salary increase	84,559	84,559	-	-	-
3555 School employer contributions	18,168	18,168	-	-	-
3556 Adult education	142,988	126,971	-	27,890	43,907
3558 Reading	5,034	-	-	14,500	19,534
3568 EAA technical assistance	-	59,555	-	64,144	4,589
3577 Teacher supplies	16,750	16,750	-	-	-
3578 High schools that work/making middle grades work	-	2,222	-	2,222	-
3585 Aid to districts - special education	44,855	24,841	-	-	20,014
3588 IDEA MOE special allocation	-	49,210	-	49,210	-
3592 Work-based learning	-	2,274	-	2,274	-
3597 Aid to districts	25,762	21,706	-	-	4,056
3598 Cost savings allocations	1,041	1,232	-	1,232	1,041
3599 Other EIA	2,427	-	-	-	2,427
TOTALS	<u>\$ 755,101</u>	<u>\$ 854,070</u>	<u>\$ -0-</u>	<u>\$ 281,484</u>	<u>\$ 182,515</u>

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Debt Service Fund - District
Schedule of Revenues, Expenditures, and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2012

REVENUES

1000 Revenue from local sources	
1200 Revenue from local governmental units other than LEAs	
1210 Ad valorem taxes - including delinquent (fiscally dependent LEA)	\$ 1,080,968
1500 Earnings on investments	
1510 Interest on investments	<u>408</u>
Total local sources	<u>1,081,376</u>
3000 Revenue from state sources	
3800 State revenue in lieu of taxes	
3820 Homestead exemption (tier 2)	78,562
3830 Merchant's inventory tax	767
3840 Manufacturers depreciation reimbursement	5,269
3890 Other state property tax revenues (includes motor carrier vehicle tax)	<u>23,856</u>
Total state sources	<u>108,454</u>
Total revenue all sources	<u>1,189,830</u>

EXPENDITURES

500 Debt service	
319 Legal services	37,500
395 Other professional and technical services	36,171
610 Redemption of principal	1,227,000
620 Interest	<u>335,182</u>
Total debt service	<u>1,635,853</u>
Total expenditures	<u>1,635,853</u>

OTHER FINANCING SOURCES (USES)

5110 Premium on bonds sold	416,990
5130 Proceeds of refunding debt	4,075,000
441-720 Payment to refunded debt escrow agent	(4,418,319)
Interfund transfers, from (to) other funds	
5210 Transfer from general fund	<u>124,844</u>
Total other financing sources (uses)	<u>198,515</u>

EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES (247,508)

FUND BALANCE, July 1, 2011 478,410

FUND BALANCE, June 30, 2012 \$ 230,902

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Debt Service Fund - Foundation
Schedule of Revenues, Expenditures, and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2012

REVENUES

1000 Revenue from local sources	
1500 Earnings on investments	
1510 Interest on investments	-
	<hr/>
Total local sources	-
	<hr/>
Total revenue all sources	-
	<hr/>

EXPENDITURES

500 Debt service	
319 Legal services	6,000
395 Other professional and technical services	69,083
610 Redemption of principal	1,697,000
620 Interest	330,359
	<hr/>
Total debt service	2,102,442
	<hr/>
Total expenditures	2,102,442
	<hr/>

OTHER FINANCING SOURCES (USES)

Interfund transfers, from (to) other funds	
5210 Transfer from general fund	1,102,359
	<hr/>
Total other financing sources (uses)	1,102,359
	<hr/>

EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	(1,000,083)
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FUND BALANCE, July 1, 2011	<hr/> 1,000,083
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FUND BALANCE, June 30, 2012	\$ <hr/> <hr/> -
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MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
School Building Fund - District
Schedule of Revenues, Expenditures, and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2012

REVENUES

1000 Revenue from local sources	
1500 Earnings on investments	
1510 Interest on investments	\$ <u>146</u>
Total local sources	<u>146</u>
Total revenue all sources	<u>146</u>

EXPENDITURES

250 Finance and operations	
253 Facilities acquisition and construction	
100 Salaries	13,730
200 Employee benefits	3,063
300 Purchased services	23,604
400 Supplies and materials	101,399
500 Capital outlay	
520 Construction services	82,589
600 Other objects	
690 Other objects	<u>1,572</u>
Total expenditures	<u>225,957</u>

EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	(225,811)
FUND BALANCE, July 1, 2011	<u>1,592,096</u>
FUND BALANCE, June 30, 2012	<u>\$ <u>1,366,285</u></u>

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
School Building Fund - Foundation
Schedule of Revenues, Expenditures, and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2012

REVENUES

1000 Revenue from local sources	
1500 Earnings on investments	
1510 Interest on investments	\$ <u> -</u>
Total local sources	<u> -</u>
Total revenue all sources	<u> -</u>

EXPENDITURES

250 Finance and operations	
253 Facilities acquisition and construction	
500 Capital outlay	
520 Construction services	<u> -</u>
Total expenditures	<u> -</u>

EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES

EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	-
FUND BALANCE, July 1, 2011	<u> -</u>
FUND BALANCE, June 30, 2012	\$ <u><u> -0-</u></u>

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Food Service Fund
Schedule of Revenues, Expenses, and Changes in Retained Earnings
For the Fiscal Year Ended June 30, 2012

REVENUES

1000 Revenue from local sources		
1600 Food service		
1610 Lunch sales to pupils	\$	29,607
1630 Special sales to pupils		12
1640 Lunch sales to adults		8,541
1660 Special sales to adults		499
1900 Other revenue from local sources		
1999 Revenue from other local sources		<u>14,743</u>
Total local sources		<u>53,402</u>
3000 Revenue from state sources		
3100 Restricted state funding		
3140 School lunch		
3142 Program aid		<u>23</u>
Total state sources		<u>23</u>
4000 Revenue from federal sources		
4800 USDA reimbursement		
4810 School lunch and after school snacks program		309,566
4830 School breakfast program		216,503
4900 Other federal sources		
4999 Revenue from other federal sources		<u>719</u>
Total federal sources		<u>526,788</u>
Total revenue all sources		<u>580,213</u>

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Food Service Fund
Schedule of Revenues, Expenses, and Changes in Retained Earnings
For the Fiscal Year Ended June 30, 2012

EXPENDITURES

256 Food service		\$ 176,360
100 Salaries		919
200 Employee benefits		
300 Purchased services (excludes gas, oil, elec, other heating fuels)		
325 Rentals		655
332 Travel		3,893
360 Printing		599
395 Other		15,269
400 Supplies and materials (includes gas, oil, elec, other heating fuels)		
410 Supplies		52,526
460 Purchased food		279,552
462 Commodity distribution charge		343
500 Capital outlay		
570 Depreciation		15,628
600 Other objects		
670 Sales tax		497
690 Other		744
		546,985
Total expenditures		
		33,228
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES		
RETAINED EARNINGS, July 1, 2011		307,284
RETAINED EARNINGS, June 30, 2012		\$ 340,512

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Pupil Activity Fund
Balance Sheet
June 30, 2012

	<u>Student Activity Fund</u>
<u>ASSETS</u>	
Due from general fund	\$ <u>134,592</u>
Total assets	\$ <u><u>134,592</u></u>
<u>LIABILITIES AND FUND BALANCES</u>	
LIABILITIES	
Accounts payable	\$ 468
Due to student organizations	<u>134,124</u>
Total liabilities	<u>134,592</u>
FUND BALANCES	
	<u>-0-</u>
Total liabilities and fund balances	\$ <u><u>134,592</u></u>

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Pupil Activity Fund

Schedule of Receipts, Disbursements, and Changes in Due to Student Organizations
For the Fiscal Year Ended June 30, 2012

RECEIPTS

1000 Receipts from local sources	
1700 Pupil activities	
1720 Bookstore sales	\$ 200
1740 Student fees	300
1790 Other	282,152
1900 Other revenue from local sources	
1920 Contributions and donations private sources	25,946
1999 Revenue from other local sources	<u>44,981</u>
Total receipts from local sources	<u>353,579</u>

DISBURSEMENTS

270 Support services pupil activity	
271 Pupil service activities	
100 Salaries	14,715
200 Employee benefits	3,949
660 Supporting services pupil activity	<u>339,951</u>
Total disbursements	<u>358,615</u>

OTHER FINANCING SOURCES (USES)

Interfund transfers, from (to) other funds	
5210 Transfer from general fund (excludes indirect costs)	38,600
421-710 Transfer to special revenue fund	<u>(21,957)</u>
Total other financing sources (uses)	<u>16,643</u>

EXCESS/DEFICIENCY OF RECEIPTS OVER DISBURSEMENTS 11,607

DUE TO STUDENT ORGANIZATIONS, July 1, 2011 122,517

DUE TO STUDENT ORGANIZATIONS, June 30, 2012 \$ 134,124

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Schedule of Due to State Department of Education/Federal Government
June 30, 2012

<u>Program</u>	<u>Project Number</u>	<u>Revenue & Subfund Codes</u>	<u>Description</u>	<u>Amount Due to State Department of Education/ Federal Government</u>
EIA Teacher supplies		3577	Overclaimed funds	\$ <u>1,000.00</u>
				\$ <u><u>1,000.00</u></u>

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Schedule of Capital Assets Used in Governmental Operations by Function
For the Fiscal Year Ended June 30, 2012

<u>Function</u>	<u>Land and Improvements</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Vehicles</u>	<u>Totals</u>
High school	\$ -	\$ 12,830,789	\$ 561,812	\$ 16,669	\$ 13,409,270
Elementary and middle school	882,080	14,506,391	89,078	-	15,477,549
Administration and services	-	1,831,558	85,726	123,177	2,040,461
Totals	<u>\$ 882,080</u>	<u>\$ 29,168,738</u>	<u>\$ 736,616</u>	<u>\$ 139,846</u>	<u>\$ 30,927,280</u>

<u>Function</u>	<u>Capital Assets July 1, 2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>Capital Assets June 30, 2012</u>
High school	\$ 13,321,161	\$ 88,109	\$ -	\$ 13,409,270
Elementary and middle school	15,477,549	-	-	15,477,549
Administration and services	2,040,461	-	-	2,040,461
Totals	<u>\$ 30,839,171</u>	<u>\$ 88,109</u>	<u>\$ -</u>	<u>\$ 30,927,280</u>

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Schedule of Prior Year Findings and Questioned Costs
For Fiscal Year Ended June 30, 2012

Financial Statement Findings

11-01

Bank Statement Reconciliations

- Condition:** Bank statements for the various cash accounts were not reconciled on a timely basis.
- Effect:** Accounting personnel performed partial reconciliations of the bank statements regularly, but did not complete the reconciliations and did not adjust the general ledger appropriately. A strong system of internal accounting controls requires the timely and complete reconciliation of bank statements so that errors or irregularities, if any, are detected and addressed, and general ledger adjustments are made on a timely basis.
- Recommendation:** Timely, accurate preparation of reconciliations of all bank statements should be performed, with such reconciliations reviewed by financial management on a timely basis.
- Status:** While additional attention was given to bank reconciliations during the current year, comment is repeated in substantially the same form in the current year.

11-02

Reconciliation of Funds Received Through and Cash Held with County Treasurer

- Condition:** Funds received through the County Treasurer and cash balances held with the County Treasurer were not reconciled on a timely basis. A strong system of internal accounting controls requires timely reconciliation with records provided by the County Treasurer and the "Payments to Counties" report, so that revenue is accurately recorded and errors or irregularities, if any, are detected and addressed on a timely basis.
- Effect:** Accounting personnel did not reconcile information received from the County Treasurer and the payments to counties report, so as to adjust the general ledger appropriately.
- Recommendation:** Timely, accurate reconciliation with the County Treasurer should be performed.
- Status:** Comment is repeated in current year.

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Schedule of Prior Year Findings and Questioned Costs
For Fiscal Year Ended June 30, 2012

Financial Statement Findings

11-03

Internal Control over Financial Reporting

- Condition:** Under current professional standards, the District is responsible for the internal control process which includes the preparation of financial statements in accordance with generally accepted accounting principles. This preparation of materially accurate financial statements will help the District to prevent, detect and correct potential misstatements in the financial statements or footnotes. During the audit process numerous adjustments and corrections were made to the financial statements.
- Effect:** The District's independent auditors assist in the preparation of accurate financial statements and disclosures, but are not considered a part of the District's internal control process under newly-issued audit standards.
- Recommendation:** The condition, cause and effect described above are common to similar organizations. The District should seek to improve the review process for amounts reflected in the financial statements. The District should continue to employ individuals capable of thoroughly reviewing and accepting responsibility for proposed journal entries and the financial statements.
- Status:** Comment is repeated in substantially the same form in current year.
-

Federal Award Findings and Questioned Costs

None.

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Schedule of Findings and Questioned Costs
For Fiscal Year Ended June 30, 2012

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Deficiency(ies) identified? yes no

Noncompliance material to financial statements noted?

yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Reportable condition(s) identified that are not considered to be material weakness(es)? yes none reported

Type of auditors' report issued on compliance for major programs: Unqualified.

Any audit findings disclosed that required to be reported in accordance with section 510(a) of Circular A-133?

yes no

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

10.553	School Breakfast Program
10.555	School Lunch Program
10.550	Commodities/Food Distribution

Dollar threshold used to distinguish between type A and type B programs: \$300,000
Auditee qualified as low-risk auditee?

yes no

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Schedule of Findings and Questioned Costs
For Fiscal Year Ended June 30, 2012

Section II - Financial Statement Findings

12-01

Bank Statement Reconciliations

Condition: Bank statements for the various cash accounts were not fully reconciled and the general ledger was not appropriately adjusted on a timely basis.

Criteria: Internal accounting control requirements

Effect: Accounting personnel performed reconciliations of the bank statements regularly, but did not complete the reconciliations and did not adjust the general ledger appropriately. A strong system of internal accounting controls requires the timely and complete reconciliation of bank statements so that errors or irregularities, if any, are detected and addressed, and general ledger adjustments are made on a timely basis. During the audit process, significant adjusting entries were required so as to properly state cash balances.

Recommendation: Timely preparation of reconciliations of all bank statements should be performed, with such reconciliations reviewed by financial management on a timely basis. The general ledger should be adjusted, as necessary, so that cash account balances are properly stated.

Response: Management will emphasize the importance of following established internal control procedures for timely, complete reconciliations of bank statements. District finance department personnel and auditor personnel will work collaboratively to ensure that bank reconciliations are properly completed. There were, however, areas of improvement in the reconciliation process, including the accurate identification and explanation of reconciling items. In the past, due to the limited number of finance department employees, there was no separation of duties between the preparation and review of bank reconciliations. For fiscal year 2012-2013 and following, these duties will be divided between the finance director and the assistant finance director.

12-02

Reconciliation of Funds Received and Cash Held with County Treasurer

Condition: Funds received through the County Treasurer and cash balances held with the County Treasurer were not reconciled on a timely basis. A strong system of internal accounting controls requires timely reconciliation with records provided by the County Treasurer and the "Payments to Counties" report, so that revenue is accurately recorded and errors or irregularities, if any, are detected and addressed on a timely basis.

Criteria: Internal accounting control requirements

Effect: Accounting personnel did not reconcile information received from the County Treasurer and the "Payments to Counties" report, so as to adjust the general ledger appropriately. During the audit process, significant adjusting entries were made to properly recognize revenues received and cash held by the County Treasurer.

Recommendation: Timely reconciliation with the County Treasurer should be performed.

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Schedule of Findings and Questioned Costs
For Fiscal Year Ended June 30, 2012

Section II - Financial Statement Findings, continued

12-02 Reconciliation of Funds Received and Cash Held with County Treasurer, continued

Response: Management will emphasize the importance of following established internal control procedures for timely, complete reconciliation with the County Treasurer. District finance department personnel and auditor personnel will work collaboratively to ensure that reconciliations of district and County activity are properly completed. The district has scheduled a meeting with County personnel on December 6, 2012, to present this audit finding and request the additional County ledger reports needed to identify the district's activity at the County office.

12-03 Internal Control over Financial Reporting

Condition: Under current professional standards, the District is responsible for the internal control process which includes the preparation of financial statements in accordance with generally accepted accounting principles. This preparation of materially accurate financial statements will help the District to prevent, detect and correct potential misstatements in the financial statements or footnotes. During the audit process numerous adjustments and corrections were made to the financial statements. The number of adjusting entries increased to one hundred forty seven entries. In numerous entries, the amounts involved were material to the financial statements.

Criteria: The financial statement revisions made during the audit process constitute a material weakness in internal control under standards.

Effect: The District's independent auditors assist in the preparation of accurate financial statements and disclosures, but are not considered a part of the District's internal control process under newly-issued audit standards.

Recommendation: The condition, cause and effect described above are common to similar organizations. The District should seek to improve the review process for amounts reflected in the financial statements. The District should continue to employ individuals capable of thoroughly reviewing and accepting responsibility for proposed journal entries and the financial statements.

Response: The District has an ongoing succession planning process in which each department will cross-train employees within the department so that district information will be safeguarded and improved. The finance director is currently cross-training the assistant finance director to achieve succession goals. Also, the district has a vacant accountant position and those duties have been absorbed by the finance director and assistant finance director. For fiscal year 2012-2013 and following, the reconciliation process will include a separate preparer and reviewer to ensure timely reconciliation.

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Schedule of Findings and Questioned Costs
For Fiscal Year Ended June 30, 2012

Section II - Financial Statement Findings, continued

12-04

Recording of Activity in Special Revenue Funds

- Condition:** Special revenue funds (including EIA) are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. These sources may be local, state, or federal. It is the responsibility of the District to monitor the expenditure of these special revenue funds so as to insure that such expenditures are in accordance with the allowable specified purposes. This monitoring should be on a regular, timely basis. As of the end of each fiscal year, the District should have accurately recorded all revenues and expenditures for each special revenue fund in such a manner that all revenues available have been expended or any unexpended revenue is deferred, to the extent allowable. The special revenue funds (including EIA) were not analyzed and adjusted during the period and as of the end of the fiscal year.
- Criteria:** Internal accounting control requirements.
- Effect:** Accounting personnel did not analyze the special revenue funds, so as to adjust the general ledger appropriately. During the audit process, significant adjusting entries were made to properly record expenditures and defer revenues, as necessary, to properly state special revenue funds.
- Recommendation:** Timely analysis of each special revenue fund should be performed throughout the period. As of the end of the fiscal year, expenditures for each special revenue fund should equal revenues, with revenue deferred as necessary.
- Response:** All special revenue funds (including EIA) were recorded and the amounts received during the fiscal year were compared to the "Payments to Counties" report. There were some remaining amounts that could be rolled over from the previous year. These funds have been identified and have been properly rolled over to be utilized during fiscal year 2012-2013.

Section III - Federal Award Findings and Questioned Costs

None.

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Highlights
For the Fiscal Year Ended June 30, 2012

The table on this page presents pupil cost based on the average daily attendance of 777. This table may be compared with the District's objectives and with other state and national statistics on schools.

	Per Pupil Cost (General Fund Expenditures) Based on 2011-2012 Average Daily <u>Attendance</u>
Instruction	\$ 4,382.50
Pupil services	580.39
Instructional staff services	694.64
Administration	835.94
Finance and operations	2,207.53
Central support	144.85
Pupil activities	250.20
Intergovernmental	<u>4.76</u>
Total	\$ <u><u>9,100.82</u></u>

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2012

<u>LEA Subfund Code</u>	<u>Federal Grantor/ Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantor's Number</u>	<u>Total Expenditures</u>
<u>U. S. DEPARTMENT OF EDUCATION</u>				
Passed through SC Department of Education:				
201	Title I grant to LEAs	84.010	12-BA058	\$ 540,669
207	CATE (Subprogram 02)	84.048	12-VA058	17,474
207	CATE (Subprogram 08)	84.048	12-VA058	0
	Total 84. 048			<u>17,474</u>
203	Individuals with disabilities education (IDEA)	84.027	12-CA058	270,940
222	ARRA, Title I basic state grant programs	84.389A	12-SA058	3,354
253	Enhancing education through technology (E2T2), Title II	84.318X	12-ET058	4,551
251	Rural and low-income school program, Title VI	84.358	12-BS058	20,228
205	Preschool grants	84.173	12-CG058	12,267
243	Basic adult education	84.002	12-EA058	140,400
267	Improving teacher quality	84.367	12-TQ058	<u>85,624</u>
TOTAL U.S. DEPARTMENT OF EDUCATION				<u>1,095,507</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Passed through SDE:				
600's	School Lunch Program **	10.555		See
600's	School Breakfast Program **	10.553		disclosure
600's	Commodities/Food Distribution **	10.550		<u>below</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE				<u>546,985</u>
TOTAL FEDERAL ASSISTANCE EXPENDED				<u>\$ 1,642,492</u>

The accounting system used by South Carolina LEAs does not allow for the segregation of expenditures by fund source in the Food Service Fund. Thus the total amount, displayed under "Total USDA," includes \$53,402 of state and local revenue. The detailed schedule for the Food Service is on Schedule 10 of this audit report.

**Denotes Major Program

See accompanying notes to Schedule of Expenditures of Federal Awards

**MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2012**

(1) General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of McCormick County School District Number One for the year ended June 30, 2012. All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other government agencies, is included on the schedule.

(2) Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the District's general purpose financial statements.

(3) Relationship to Combined Financial Statements

Federal financial assistance revenues are reported in the District's general purpose financial statements as federal revenues in the Special Revenue Fund and operating and nonoperating revenues in the Proprietary Fund.

(4) Relationship to Federal Financial Reports

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for timing differences relating to revenues and expenditures received or made subsequent to the filing of federal financial reports.

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Location Reconciliation Schedule
For the Fiscal Year Ended June 30, 2012

<u>Location ID</u>	<u>Location Description</u>	<u>Education Level</u>	<u>Cost Type</u>	<u>Total Expenditures</u>
01	McCormick High School	High school	School	\$ 2,776,812
02	McCormick Middle School	Middle school	School	1,370,596
03	McCormick Elementary School	Elementary school	School	2,265,537
05	Vocational School	High school	School	1,270,641
06	Special Services	Non-school	Central	276,185
07	Transportation	Non-school	Central	61,303
10	District	Non-school	Central	2,187,085
15	Grant	Non-school	Central	134,199
16	Grant	Non-school	Central	30,605
20	Adult Education	Non-school	Central	357,014
49	Grant	Non-school	Central	184,104
80	Grant	Non-school	Central	9,175
99	District	Non-school	Central	<u>3,459,589</u>
TOTAL EXPENDITURES/DISBURSEMENTS FOR ALL FUNDS				\$ <u>14,382,845</u>
The above expenditures are reconciled to the District's financial statements as follows:				
	General Fund			\$ 7,255,425
	Special Revenue Fund (includes EIA)			2,257,568
	Debt Service Fund			3,738,295
	Capital Projects Fund			225,957
	Proprietary Fund			546,985
	Trust and agency Fund			<u>358,615</u>
TOTAL EXPENDITURES/DISBURSEMENTS FOR ALL FUNDS				\$ <u>14,382,845</u>

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF BASIC
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Trustees
McCormick School District No. 1
McCormick, South Carolina

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of McCormick School District No. 1 as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 30, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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 that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described above and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses.

A deficiency in 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 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. We identified matters that we consider to be significant deficiencies, as described in Findings 12-01 through 12-04 in the Schedule of Findings and Questioned Costs.

A material weakness is a deficiency, or combination of deficiencies, in internal controls, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected, on a timely basis. We noted matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses, as described in Findings 12-01 through 12-04 in the Schedule of Findings and Questioned Costs.

The District's responses to the findings identified in our audit are described in the Schedule of Findings and Questioned Costs. We did not audit the District's responses and, accordingly, we express no opinion on the responses.

This report is intended for the information of the Board of Trustees, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Martin Smith & Company CPAs PA

Greenville, South Carolina
November 30, 2012

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
McCormick School District No. 1
McCormick, South Carolina

We have audited the compliance of McCormick School District No. 1 with the types of compliance requirements described in the United States Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the accompanying Schedule of Expenditures of Federal Awards. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133; "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, McCormick School District No. 1 complied, in all material respects, with the compliance requirements referred to above applicable to its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in an entity's internal control over compliance 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, noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We noted no matters involving the internal control over compliance that we consider a significant deficiency. A material weakness is a deficiency, or combination of deficiencies, in internal control, 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, by the District's internal controls on a timely basis. We noted no matters involving the internal control over compliance that we consider a material weakness.

Our consideration of the internal control over compliance was for the limited purpose described above and was not designed to identify all deficiencies in the District's internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance.

This report is intended for the information of the Board of Trustees, management, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Greenville, South Carolina
November 30, 2012

Martin Smith & Company CPAs PA