

**MCCORMICK SCHOOL DISTRICT
NUMBER 1**

MCCORMICK, SOUTH CAROLINA

**ANNUAL FINANCIAL REPORT
June 30, 2016**

(With Independent Auditors' Report Thereon)

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MCCORMICK, SOUTH CAROLINA
Annual Financial Report
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MARTIN · SMITH

& COMPANY CPAs

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, 2016, which collectively comprise the District's basic financial statements, as listed in the accompanying table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

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, 2016, 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.

Others Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension liability and contribution schedules 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 the provisions of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 1, 2016, 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 and Company CPAs PA

Greenville, South Carolina
December 1, 2016

**MCCORMICK SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

This discussion and analysis of McCormick School District No. 1's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2016. 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 2016 are as follows:

- In the Statement of Net Position, the assets and deferred outflows of the District exceeded its liabilities and deferred inflows at the close of the 2016 fiscal year by \$7,882,501. Of this amount, \$14,613,425 represented an investment in capital assets, net of accumulated depreciation and related debt. The District also had \$1,290,106 restricted for debt service and capital projects. Therefore, the District reported a deficit balance in unrestricted net position of \$8,065,802. This deficit is entirely due to the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, last fiscal year. With the reporting change, the District is allocated its proportionate share of the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense of the South Carolina Retirement System plan.
- In the Statement of Activities, the District's total net position declined by \$403,670 for the 2016 fiscal year, as compared to an increase of \$340,693 in the previous year. Included in expenses was \$1,030,013 of depreciation expense on the District's fixed assets.
- The District had \$12,547,878 in expenses related to governmental activities; of these expenses \$4,002,233 was offset by program specific operating grants and contributions. General revenues (primarily taxes) of \$8,229,793 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 \$3,604,023, a decrease of \$556,121. \$2,260,464 is unassigned and available for spending at the government's discretion. \$1,334,878 is restricted and \$8,681 is nonspendable. No fund balances are committed or assigned.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,260,464, which is 24 percent of total general fund expenditures.
- The District's total net investment in governmental capital assets decreased by \$1,030,013 during the current fiscal year, as capital additions were lower than depreciation expense.
- The District's long-term debt decreased by \$1,406,000, as the District borrowed \$932,000 and paid \$2,338,000 on its bonded indebtedness.
- During the 2016 fiscal year, the District's governmental fund type revenues were \$12,182,026 compared to \$12,028,593 in the prior year.

**MCCORMICK SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

The statement of activities presents information showing how the government's net position is 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.

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

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. 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.

**MCCORMICK SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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 basic 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.

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 position Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of net position, Statement of revenues, expenses, and changes in net position, Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
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
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$7,882,501 at the close of the most recent fiscal year.

The following table provides a summary of the School District's net position for 2015 compared to 2016:

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets						
Current and Other Assets	\$ 5,536,990	\$ 6,697,086	\$ 199,603	\$ 271,793	\$ 5,736,593	\$ 6,968,879
Capital Assets	<u>21,265,222</u>	<u>22,295,236</u>	<u>58,203</u>	<u>73,831</u>	<u>21,323,425</u>	<u>22,369,067</u>
Total Assets	<u>26,802,212</u>	<u>28,992,322</u>	<u>257,806</u>	<u>345,624</u>	<u>27,060,018</u>	<u>29,337,946</u>
Deferred Outflows	<u>928,147</u>	<u>606,996</u>	<u>-</u>	<u>-</u>	<u>928,147</u>	<u>606,996</u>
Liabilities						
Long-term Liabilities	5,227,000	5,756,000	-	-	5,227,000	5,756,000
Net Pension Liability	11,340,500	10,419,233	-	-	11,340,500	10,419,233
Other Liabilities	<u>3,415,967</u>	<u>4,896,942</u>	<u>-</u>	<u>-</u>	<u>3,415,967</u>	<u>4,896,942</u>
Total Liabilities	<u>19,983,467</u>	<u>21,072,175</u>	<u>-</u>	<u>-</u>	<u>19,983,467</u>	<u>21,072,175</u>
Deferred Inflows	<u>122,197</u>	<u>586,596</u>	<u>-</u>	<u>-</u>	<u>122,197</u>	<u>586,596</u>
Net Position						
Net investment in capital assets	14,555,222	14,179,236	58,203	73,831	14,613,425	14,253,067
Restricted	1,334,878	1,127,135	-	-	1,334,878	1,127,135
Unrestricted	<u>(8,265,405)</u>	<u>(7,365,824)</u>	<u>199,603</u>	<u>271,793</u>	<u>(8,065,802)</u>	<u>(7,094,031)</u>
Total Net Position	<u>\$ 7,624,695</u>	<u>\$ 7,940,547</u>	<u>\$ 257,806</u>	<u>\$ 345,624</u>	<u>\$ 7,882,501</u>	<u>\$ 8,286,171</u>

Net position of the District's governmental activities decreased (\$7,624,695 compared to \$7,940,547). Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements changed from (\$7,365,824) at June 2015 to (\$8,265,405) at June 2016.

The deficit unrestricted net position for the years ended June 30, 2016 and June 30, 2015, is the result of the implementation of GASB No. 68, *Accounting and Financial Reporting for Pensions*.

The net position of business-type activities decreased \$87,818 (\$257,806 compared to \$345,624) for the year ended June 30, 2016.

**MCCORMICK SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The following table shows the changes in net position for fiscal year 2016 compared to 2015.

Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program Revenues						
Charges for Services	\$ -	\$ -	\$ 40,410	\$ 50,402	\$ 40,410	\$ 50,402
Operating Grants	4,002,233	4,374,093	564,376	544,158	4,566,609	4,918,251
Capital Grants	-	-	-	-	-	-
General Revenue						
Property Taxes	8,127,081	7,629,164	-	-	8,127,081	7,629,164
Other	52,712	70,280	23	23	52,735	70,303
Total Revenues	<u>12,182,026</u>	<u>12,073,537</u>	<u>604,809</u>	<u>594,583</u>	<u>12,786,835</u>	<u>12,668,120</u>
 Program Expenses						
Instruction	6,219,289	5,895,969	-	-	6,219,289	5,895,969
Support Services	6,046,079	5,285,946	-	-	6,046,079	5,285,946
Community Services	112,573	120,819	-	-	112,573	120,819
Intergovernmental	7,628	12,816	-	-	7,628	12,816
Interest and Fiscal Charges	162,309	397,169	-	-	162,309	397,169
Food Service	-	-	642,627	614,708	642,627	614,708
Total Expenses	<u>12,547,878</u>	<u>11,712,719</u>	<u>642,627</u>	<u>614,708</u>	<u>13,190,505</u>	<u>12,327,427</u>
Transfer (Food Service)	50,000	-	(50,000)	-	-	-
Change in Net Position	<u><u>\$ (315,852)</u></u>	<u><u>\$ 360,818</u></u>	<u><u>\$ (87,818)</u></u>	<u><u>\$ (20,125)</u></u>	<u><u>\$ (403,670)</u></u>	<u><u>\$ 340,693</u></u>

Governmental Activities. Governmental activities decreased the District's net position in 2016 by \$315,852.

Business Type Activities. Business-type activities decreased the District's net position in 2016 by \$87,818.

**MCCORMICK SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

The 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, 2016, the District's governmental funds reported a combined fund balance of \$3,604,023, as compared to \$4,160,144 for the prior year. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At June 30, 2016, the District's unassigned fund balance for all governmental funds was \$2,260,464 which solely represents the General Fund. The remainder includes funds restricted for capital projects of \$794,263 and restricted for debt service of \$495,843.

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 \$2,260,464.

The District's General Fund balance decreased by \$763,864 during the current fiscal year, compared to an increase of \$330,238 in the previous year. The District had an increase in revenues for the year, but also had an increase in expenses. The District continues to focus on careful cost management so as to improve its fund balance levels.

The District's Major Funds include General Fund, as described above, Special Revenue-Special Projects, Special Revenue-EIA, Debt Service, and Capital Projects.

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.

The District's debt service fund balance has remained relatively stable, increasing by \$207,743. The fiscal year ended 2016 debt service fund balance is \$495,843, all of which is reserved for the payment of debt service. The District's debt millage rate continues to be static.

The District's Capital Projects Fund balance was \$794,263 at the end fiscal year 2016, all of which is restricted for capital projects. The fund balance did not change in the current fiscal year.

Proprietary Funds

The District's only Proprietary Fund is the Food Service Fund. This program had a net loss of \$87,818 for the fiscal year ended June 30, 2016.

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 2016, 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.

**MCCORMICK SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2016, the District had \$21,323,425 invested in capital assets, net of depreciation.

The following table shows fiscal 2016 balances compared to 2015.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land/land improvements	\$ 794,246	\$ 804,006	\$ -	\$ -	\$ 794,246	\$ 804,006
Buildings	20,265,197	21,194,059	-	-	20,265,197	21,194,059
Equipment	166,723	253,233	-	-	166,723	253,233
Vehicles	39,056	43,938	58,203	73,831	97,259	117,769
Totals	<u>\$ 21,265,222</u>	<u>\$ 22,295,236</u>	<u>\$ 58,203</u>	<u>\$ 73,831</u>	<u>\$ 21,323,425</u>	<u>\$ 22,369,067</u>

Long-term Debt and Capital Lease Obligations

At fiscal year-end, the District had \$1,850,000 in bonds outstanding versus 2,348,000 in the prior year, a decrease of \$498,000.

At fiscal year-end, the District also had \$333,000 in acquisition agreement debt outstanding versus \$437,000 in the prior year, a decrease of \$104,000.

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. At fiscal year-end, the Foundation had \$4,527,000 in bonds outstanding versus \$5,331,000 in the prior year.

Outstanding Debt, at Year End

	<u>Governmental Activities</u>	<u>Governmental Activities</u>
	<u>2016</u>	<u>2015</u>
District acquisition agreement debt	\$ 333,000	\$ 437,000
District Refunding Bonds 2012 Series	-	1,430,000
District Refunding Bonds 2014 Series	918,000	918,000
Foundation Facilities Bonds 2008 Series	4,527,000	5,331,000
General Obligation Bonds 2015 Series	932,000	-
Total	<u>\$ 6,710,000</u>	<u>\$ 8,116,000</u>

**MCCORMICK SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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.

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 year 2016 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 Position
June 30, 2016

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,528,966	\$ 57	\$ 2,529,023
Cash with fiscal agent	1,103,238	-	1,103,238
Investments	708,512	-	708,512
Accounts receivable	24,734	-	24,734
Property taxes receivable	618,289	-	618,289
Due from governmental agencies	728,950	14,510	743,460
Internal balances	(184,380)	184,380	-
Prepaid expenses	8,681	656	9,337
Capital assets:			
Land and land improvements	882,080	-	882,080
Buildings	29,168,738	-	29,168,738
Equipment	780,374	158,922	939,296
Vehicles	188,666	-	188,666
Less accumulated depreciation	(9,754,636)	(100,719)	(9,855,355)
Total capital assets, net of depreciation	<u>21,265,222</u>	<u>58,203</u>	<u>21,323,425</u>
Total assets	<u>26,802,212</u>	<u>257,806</u>	<u>27,060,018</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred amounts related to pensions	<u>928,147</u>	<u>-</u>	<u>928,147</u>
Total deferred outflows of resources	<u>928,147</u>	<u>-</u>	<u>928,147</u>
<u>LIABILITIES</u>			
Accounts payable	778,316	-	778,316
Unearned income	1,094,488	-	1,094,488
Due to other governmental units	22,809	-	22,809
Other liabilities	37,354	-	37,354
Net pension liability	11,340,500	-	11,340,500
Long-term liabilities:			
Due within one year	1,483,000	-	1,483,000
Due in more than one year	5,227,000	-	5,227,000
Total liabilities	<u>19,983,467</u>	<u>-</u>	<u>19,983,467</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred amounts related to pensions	<u>122,197</u>	<u>-</u>	<u>122,197</u>
Total deferred inflows of resources	<u>122,197</u>	<u>-</u>	<u>122,197</u>
<u>NET POSITION</u>			
Net investment in capital assets	14,555,222	58,203	14,613,425
Restricted for:			
Capital projects	794,263	-	794,263
Debt service	495,843	-	495,843
Other	44,772	-	44,772
Unrestricted net position	(8,265,405)	199,603	(8,065,802)
Total net position	<u>\$ 7,624,695</u>	<u>\$ 257,806</u>	<u>\$ 7,882,501</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, 2016

Functions / Programs	Expenses	Program Revenues			Net Revenue (Expense) and Change in Net Position		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business - Type Activities	Total
Governmental activities:							
Instruction	\$ 6,219,289	\$ -	\$ 2,829,637	\$ -	\$ (3,389,652)		\$ (3,389,652)
Support services	6,046,079	-	1,106,430	-	(4,939,649)		(4,939,649)
Community services	112,573	-	66,166	-	(46,407)		(46,407)
Intergovernmental	7,628	-	-	-	(7,628)		(7,628)
Interest and other charges	162,309	-	-	-	(162,309)		(162,309)
Total governmental activities	<u>12,547,878</u>	<u>-</u>	<u>4,002,233</u>	<u>-</u>	<u>(8,545,645)</u>		<u>(8,545,645)</u>
Business-type activities:							
Food service	642,627	40,410	564,376	-	-	\$ (37,841)	(37,841)
Total business-type activities	<u>642,627</u>	<u>40,410</u>	<u>564,376</u>	<u>-</u>	<u>-</u>	<u>(37,841)</u>	<u>(37,841)</u>
Total primary government	<u>\$ 13,190,505</u>	<u>\$ 40,410</u>	<u>\$ 4,566,609</u>	<u>\$ -</u>	<u>(8,545,645)</u>	<u>(37,841)</u>	<u>(8,583,486)</u>
General revenues:							
Property taxes levied for:							
General purposes					6,698,541	-	6,698,541
Debt service					1,428,540	-	1,428,540
Miscellaneous					52,404	-	52,404
Unrestricted investment earnings					308	23	331
Transfers - food service					50,000	(50,000)	-
Total general revenues, special, and extraordinary items					<u>8,229,793</u>	<u>(49,977)</u>	<u>8,179,816</u>
Change in net position					(315,852)	(87,818)	(403,670)
Net position, beginning of year					<u>7,940,547</u>	<u>345,624</u>	<u>8,286,171</u>
Net position, end of year					<u>\$ 7,624,695</u>	<u>\$ 257,806</u>	<u>\$ 7,882,501</u>

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

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Balance Sheet - Governmental Funds
June 30, 2016

	General	Special Revenue	EIA	Debt Service - District	Debt Service - Foundation	School Building - District	School Building - Foundation	Governmental Funds
<u>ASSETS</u>								
Cash and cash equivalents	\$ 2,484,194	\$ 44,772	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,528,966
Cash with fiscal agent	608,671	-	-	282,705	-	211,862	-	1,103,238
Investments	708,512	-	-	-	-	-	-	708,512
Accounts receivable	24,734	-	-	-	-	-	-	24,734
Property taxes receivable	488,748	-	-	129,541	-	-	-	618,289
Due from governmental agencies	-	727,839	1,111	-	-	-	-	728,950
Due from other funds	541,468	-	350,415	186,904	-	582,401	-	1,661,188
Prepaid expenses	8,681	-	-	-	-	-	-	8,681
Total assets	\$ 4,865,008	\$ 772,611	\$ 351,526	\$ 599,150	\$ -	\$ 794,263	\$ -	\$ 7,382,558

LIABILITIES AND FUND BALANCES

Liabilities:								
Accounts payable	\$ 778,316	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 778,316
Due to other funds	1,386,445	496,477	-	-	-	-	-	1,882,922
Due to other governmental units	-	-	22,809	-	-	-	-	22,809
Unearned income	431,102	231,362	328,717	103,307	-	-	-	1,094,488
Total liabilities	2,595,863	727,839	351,526	103,307	-	-	-	3,778,535
Fund balances:								
Nonspendable	8,681	-	-	-	-	-	-	8,681
Restricted	-	44,772	-	495,843	-	794,263	-	1,334,878
Committed	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-
Unassigned	2,260,464	-	-	-	-	-	-	2,260,464
Total fund balances	2,269,145	44,772	-	495,843	-	794,263	-	3,604,023
Total liabilities and fund balance	\$ 4,865,008	\$ 772,611	\$ 351,526	\$ 599,150	\$ -	\$ 794,263	\$ -	\$ 7,382,558

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 Position
June 30, 2016

Total fund balances - governmental funds	\$	3,604,023
<p>Amounts reported for governmental activities in the statement of net position are different because of the following:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. The cost of assets is \$31,019,858 and the accumulated depreciation is \$9,754,636.</p>		21,265,222
<p>Deferred outflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.</p>		928,147
<p>Deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.</p>		(122,197)
<p>Long-term liabilities, net pension liability and bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.</p>		<u>(18,050,500)</u>
Net position of governmental activities	\$	<u><u>7,624,695</u></u>

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

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, 2016

	General	Special Revenue	EIA	Debt Service - District	Debt Service - Foundation	School Building - District	School Building - Foundation	Governmental Funds
REVENUES								
Local property taxes	\$ 3,390,727	\$ -	\$ -	\$ 1,428,540	\$ -	\$ -	\$ -	\$ 4,819,267
Other local	52,710	157,722	-	-	-	-	-	210,432
Total local	3,443,437	157,722	-	1,428,540	-	-	-	5,029,699
State	5,065,252	358,165	749,995	140,377	-	-	-	6,313,789
Federal	38,043	800,495	-	-	-	-	-	838,538
Intergovernmental	-	-	-	-	-	-	-	-
Total revenues all sources	8,546,732	1,316,382	749,995	1,568,917	-	-	-	12,182,026
EXPENDITURES								
Current								
Instruction	4,470,625	830,804	239,085	-	-	-	-	5,540,514
Support services	4,813,880	403,408	266,306	-	-	-	-	5,483,594
Community services	46,406	66,166	-	-	-	-	-	112,572
Intergovernmental	7,627	-	-	-	-	-	-	7,627
Debt service	-	-	-	-	-	-	-	-
Principal	-	-	-	1,534,000	804,000	-	-	2,338,000
Interest and other	-	-	-	116,939	45,370	-	-	162,309
Capital outlay	-	-	75,531	-	-	-	-	75,531
Total expenditures	9,338,538	1,300,378	580,922	1,650,939	849,370	-	-	13,720,147
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(791,806)	16,004	169,073	(82,022)	(849,370)	-	-	(1,538,121)
OTHER FINANCING SOURCES (USES)								
Bond proceeds	-	-	-	932,000	-	-	-	932,000
Operating transfers in	169,073	-	-	118,179	849,370	-	-	1,136,622
Operating transfers out	(207,135)	-	(169,073)	(760,414)	-	-	-	(1,136,622)
Indirect cost transfers	66,004	(16,004)	-	-	-	-	-	50,000
Total other financing sources (uses)	27,942	(16,004)	(169,073)	289,765	849,370	-	-	982,000
Net change in fund balances	(763,864)	-0-	-0-	207,743	-0-	-0-	-0-	(556,121)
FUND BALANCE, July 1, 2015	3,033,009	44,772	-0-	288,100	-0-	794,263	-0-	4,160,144
FUND BALANCE, June 30, 2016	\$ 2,269,145	\$ 44,772	\$ -0-	\$ 495,843	\$ -0-	\$ 794,263	\$ -0-	\$ 3,604,023

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, 2016

Total net change in fund balance - governmental funds	\$ (556,121)
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 (\$0) are less than depreciation expense (\$1,030,013) in the period.	(1,030,013)
Governmental funds report District pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. This is the amount by which the costs of benefits earned (\$785,522) exceeds employer contributions (\$649,804).	(135,718)
Bond and bond premium proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.	(932,000)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	<u>2,338,000</u>
Change in net position of governmental activities	<u><u>\$ (315,852)</u></u>

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

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual
General Fund
For Fiscal Year Ended June 30, 2016

	<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	\$ 3,367,698	\$ 3,367,698	\$ 3,443,437	\$ 75,739
State	4,931,128	4,931,128	5,065,252	134,124
Federal	60,000	60,000	38,043	(21,957)
Intergovernmental	-	-	-	-
Total revenues	<u>8,358,826</u>	<u>8,358,826</u>	<u>8,546,732</u>	<u>187,906</u>
EXPENDITURES				
Current:				
Instruction	3,390,098	3,390,098	4,470,625	(1,080,527)
Support services	5,189,937	5,177,437	4,813,880	363,557
Community services	85,422	85,422	46,406	39,016
Intergovernmental	7,500	7,500	7,627	(127)
Capital outlay	-	-	-	-
Total expenditures	<u>8,672,957</u>	<u>8,660,457</u>	<u>9,338,538</u>	<u>(678,081)</u>
Excess (deficiency) of revenues over expenditures	(314,131)	(301,631)	(791,806)	(490,175)
OTHER FINANCING SOURCES (USES)				
Transfer from EIA fund	162,629	162,629	169,073	6,444
Transfers of indirect costs	13,000	13,000	66,004	53,004
Transfer to debt service fund	<u>(300,000)</u>	<u>(300,000)</u>	<u>(207,135)</u>	<u>92,865</u>
Net change in fund balance	<u>\$ (438,502)</u>	<u>\$ (426,002)</u>	(763,864)	<u>\$ (337,862)</u>
Fund balance, July 1, 2015			<u>3,033,009</u>	
Fund balance, June 30, 2016			<u>\$ 2,269,145</u>	

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

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 Fiscal Year Ended June 30, 2016

	<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	\$ 189,130	\$ 189,130	\$ 157,722	\$ (31,408)
State	501,306	501,306	358,165	(143,141)
Federal	1,428,791	1,428,791	800,495	(628,296)
Intergovernmental	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>2,119,227</u>	<u>2,119,227</u>	<u>1,316,382</u>	<u>(802,845)</u>
EXPENDITURES				
Current:				
Instruction	1,218,914	1,218,914	830,804	388,110
Support services	829,351	829,351	403,408	425,943
Community services	67,166	67,166	66,166	1,000
Intergovernmental	-	-	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>2,115,431</u>	<u>2,115,431</u>	<u>1,300,378</u>	<u>815,053</u>
Excess (deficiency) of revenues over expenditures	<u>3,796</u>	<u>3,796</u>	<u>16,004</u>	<u>12,208</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	36,577	36,577	-	(36,577)
Special revenue fund indirect costs	<u>(40,373)</u>	<u>(40,373)</u>	<u>(16,004)</u>	<u>24,369</u>
Total other financing sources (uses)	<u>(3,796)</u>	<u>(3,796)</u>	<u>(16,004)</u>	<u>(12,208)</u>
Net change in fund balance	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>-</u>	<u>\$ -0-</u>
Fund balance, July 1, 2015			<u>44,772</u>	
Fund balance, June 30, 2016			<u>\$ 44,772</u>	

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

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 Fiscal Year Ended June 30, 2016

	<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	\$ -	\$ -	\$ -	\$ -
State	1,100,410	1,100,410	749,995	(350,415)
Federal	-	-	-	-
Intergovernmental	-	-	-	-
	<u>1,100,410</u>	<u>1,100,410</u>	<u>749,995</u>	<u>(350,415)</u>
Total revenues				
EXPENDITURES				
Current:				
Instruction	308,671	308,671	239,085	69,586
Support services	500,705	500,705	266,306	234,399
Community services	-	-	-	-
Intergovernmental	-	-	-	-
Capital outlay	<u>121,961</u>	<u>121,961</u>	<u>75,531</u>	<u>46,430</u>
Total expenditures	<u>931,337</u>	<u>931,337</u>	<u>580,922</u>	<u>350,415</u>
Excess (deficiency) of revenues over expenditures	169,073	169,073	169,073	-
OTHER FINANCING SOURCES (USES)				
Transfer to general fund	<u>(169,073)</u>	<u>(169,073)</u>	<u>(169,073)</u>	<u>-</u>
Net change in fund balance	<u>\$ -0-</u>	<u>\$ -0-</u>	-0-	<u>\$ -0-</u>
Fund balance, July 1, 2015			<u>-0-</u>	
Fund balance, June 30, 2016			<u>\$ -0-</u>	

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

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Statement of Net Position
Proprietary Funds
June 30, 2016

	Enterprise Fund <u>Food Services</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 57
Accounts receivable	14,510
Due from other funds	184,380
Inventories - supplies and materials	<u>656</u>
Total current assets	<u>199,603</u>
Noncurrent assets:	
Furniture and equipment	158,922
Less accumulated depreciation	<u>(100,719)</u>
Total noncurrent assets	<u>58,203</u>
Total assets	<u>257,806</u>
NET POSITION	
Net investment in capital assets	58,203
Unrestricted	<u>199,603</u>
Total net position	<u>\$ 257,806</u>

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

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For Fiscal Year Ended June 30, 2016

	Enterprise Fund Food Services
OPERATING REVENUES	
Proceeds from sale of meals	\$ 40,410
Total operating revenues	<u>40,410</u>
OPERATING EXPENSES	
Food costs	282,215
Salaries and wages	220,386
Supplies and materials	104,080
Depreciation	15,628
Other operating costs	<u>20,318</u>
Total operating expenses	<u>642,627</u>
Operating income (loss)	<u>(602,217)</u>
NONOPERATING REVENUES (EXPENSES)	
USDA reimbursements	564,376
Other state aid	<u>23</u>
Total nonoperating revenues (expenses)	<u>564,399</u>
Income (loss) before operating transfers	(37,818)
Transfers in (out)	<u>(50,000)</u>
Change in net position	(87,818)
Total net position - July 1, 2015	<u>345,624</u>
Total net position - June 30, 2016	<u>\$ 257,806</u>

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

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Statement of Cash Flows
Proprietary Funds
For Fiscal Year Ended June 30, 2016

	Enterprise Fund <u>Food Services</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Received from patrons	\$ 50,374
Payments to employees for services	(220,386)
Payments to suppliers for goods and services	<u>(344,387)</u>
Net cash received from (used by) operating activities	<u>(514,399)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash received from USDA reimbursements	564,376
Cash received from other local and federal sources	<u>23</u>
Net cash received from (used for) noncapital financing activities	<u>564,399</u>
CASH FLOWS FROM CAPITAL AND 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>(50,000)</u>
Net increase (decrease) in cash and cash equivalents	-
Cash and cash equivalents - July 1, 2015	<u>57</u>
Cash and cash equivalents - June 30, 2016	<u>\$ 57</u>
Reconciliation of operating income (loss) to net cash received from (used by) operating activities:	
Operating income (loss) - Exhibit K	\$ (602,217)
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 accounts receivable	9,965
(Increase) decrease in inventories	445
(Increase) decrease in due from other funds	<u>61,780</u>
Net cash received from (used by) operating activities	<u>\$ (514,399)</u>

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

**MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2016**

	<u>Agency Fund</u> <u>Pupil Activity</u>
ASSETS	
Due from general fund	\$ <u>37,354</u>
Total assets	<u>37,354</u>
LIABILITIES	
Accounts payable	79
Due to student organizations	<u>37,275</u>
Total liabilities	<u>37,354</u>
NET POSITION	
Unreserved - undesignated	<u>-0-</u>
Total net position	<u><u>\$ -0-</u></u>

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

**MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For Fiscal Year Ended June 30, 2016**

	<u>Agency Fund</u> <u>Pupil Activity</u>
ADDITIONS	
Receipts	
Other	\$ <u>282,482</u>
Total receipts	<u>282,482</u>
 DEDUCTIONS	
Pupil activity programs	277,248
Increase in due to student organizations	<u>5,234</u>
Total deductions	<u>282,482</u>
 CHANGE IN NET ASSETS	 -0-
Net position, beginning of year	<u>-0-</u>
Net position, end of year	\$ <u><u>-0-</u></u>

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

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Notes to the Basic Financial Statements
Year Ended June 30, 2016

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 position 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 the Basic Financial Statements
Year Ended June 30, 2016

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 the Basic Financial Statements
Year Ended June 30, 2016

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 the Basic Financial Statements
Year Ended June 30, 2016

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 \$2,529,023 because of outstanding checks, deposits in transit, and other reconciling items) of \$4,406,044 at June 30, 2016, was insured or fully collateralized. The District's certificates of deposit balance of \$1,103,239 were 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, 2016 are as follows:

Insured	\$ 505,450
Collateralized	<u>5,003,833</u>
 Total bank balance	 <u><u>\$ 5,509,283</u></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 ("FDIC"),
- 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.

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.

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.

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Notes to the Basic Financial Statements
Year Ended June 30, 2016

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

d) Cash, Cash Equivalents and Investments, continued

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 the Basic Financial Statements
Year Ended June 30, 2016

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

g) Capital Assets, continued

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
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.

i) Pension Plan

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting, regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The District recognizes a net pension liability, which represents the District's proportionate share of the excess of the total pension liability over the fiduciary net position of the qualified pension plan, measured as of the District's fiscal year-end. Changes in the net pension liability during the period are recorded as pension expense, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Notes to the Basic Financial Statements
Year Ended June 30, 2016

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

j) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. District contributions to the plan subsequent to the measurement date and the net difference between expected and actual experience in the pension plan are included as deferred outflows of resources. These deferred pension charges are either (a) recognized in the subsequent period as a reduction of the net pension liability (which includes pension contributions made after the measurement date) or (b) amortized in a systematic and rational way to pension expense in future periods in accordance with GAAP.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The net difference between projected and actual earnings on pension Plan investments are included as deferred inflows of resources. These deferred pension credits are amortized in a systematic and rational way as a reduction to pension expense in future periods in accordance with GAAP.

k) Compensated Absences

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.

l) 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.

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Notes to the Basic Financial Statements
Year Ended June 30, 2016

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

l) **Fund Equity, Continued**

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.

m) **Net Position**

Net position represents the difference between assets plus deferred outflows and liabilities plus deferred inflows. Net investment in capital assets 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 position component as the unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

n) **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.

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Notes to the Basic Financial Statements
Year Ended June 30, 2016

2) **STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONTINUED**

Budgetary Practices, Continued

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.

3) **DUE FROM/DUE TO OTHER FUNDS**

Interfund balances at June 30, 2016, consist of the following individual fund receivables and payables:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General fund	\$ 541,468	\$ 1,386,445
Special revenue funds:		
Special projects fund	-	496,477
Education Improvement Act	350,415	-
Debt service	186,904	-
School building fund	582,401	-
Proprietary fund	184,380	-
Pupil activity fund	37,354	-
	<u>\$ 1,882,922</u>	<u>\$ 1,882,922</u>

The general fund receivable is a 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 school building fund owing the general fund for payments made on its behalf, and the general fund paying payroll costs for the food service fund.

The general fund received transfers from special revenue for indirect costs on federal programs and from EIA to cover EIA salaries and benefits, indirect costs on federal programs, and to supplement operations as part of funding flexibility. The general fund transferred funds to special revenue to help offset unfunded mandates and support exceptional program services.

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Notes to the Basic Financial Statements
Year Ended June 30, 2016

4) CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2016, 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	29,168,738	-	-	29,168,738
Equipment	780,374	-	-	780,374
Vehicles	188,666	-	-	188,666
	<u>30,332,964</u>	<u>-</u>	<u>-</u>	<u>30,332,964</u>
Less accumulated depreciation for:				
Land improvements	78,074	9,760	-	87,834
Buildings	7,974,679	928,862	-	8,903,541
Equipment	527,141	86,510	-	613,651
Vehicles	144,727	4,883	-	149,610
	<u>8,724,621</u>	<u>1,030,015</u>	<u>-</u>	<u>9,754,636</u>
Total capital assets being depreciated, net	<u>21,608,343</u>	<u>1,030,015</u>	<u>-</u>	<u>20,578,328</u>
Governmental activities capital assets, net	<u>\$ 22,295,237</u>	<u>\$ 1,030,015</u>	<u>\$ -</u>	<u>\$ 21,265,222</u>

Depreciation was charged to functions/programs as follows:

Governmental activities:		
Instruction		\$ 535,607
Support		<u>494,408</u>
Total depreciation expense - governmental activities		<u>\$ 1,030,015</u>

MCCORMICK SCHOOL DISTRICT NO. 1
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5) LONG-TERM DEBT

The following is a summary of changes in long-term debt for the District for the year ended June 30, 2016:

	Balance			Balance
	<u>June 30, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2016</u>
Acquisition agreement debt	\$ 437,000	\$ -	\$ 104,000	\$ 333,000
Refunding bonds	1,430,000	-	1,430,000	-
Foundation facilities bonds	5,331,000	-	804,000	4,527,000
General obligation bonds	918,000	932,000	-	1,850,000
	<u>\$ 8,116,000</u>	<u>\$ 932,000</u>	<u>\$ 2,338,000</u>	<u>\$ 6,710,000</u>

Long-term debt payable at June 30, 2016 is comprised of the following instruments:

\$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%.	\$ 333,000
\$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%.	4,527,000
\$918,000 2014 general obligation bonds due in annual installments of \$22,000 to \$311,000 through March 1, 2019; interest due semi-annually at 1.61%.	918,000
\$932,000 2015 general obligation bonds due in annual installments of \$228,000 to \$238,000 through March 1, 2020; interest due semi-annually at 1.51%.	<u>932,000</u>
	<u>\$ 6,710,000</u>

The annual requirements of principal and interest to service all long-term debt outstanding at June 30, 2016 are as follows:

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,483,000	\$ 199,563	\$ 1,682,563
2018	1,527,000	162,144	1,689,144
2019	1,544,000	120,709	1,664,709
2020	1,178,000	57,049	1,235,049
2021	978,000	22,812	1,000,812
	<u>\$ 6,710,000</u>	<u>\$ 562,277</u>	<u>\$ 7,272,277</u>

\$495,843 is available in the debt service – district fund to service the long-term debt at June 30, 2016.

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, 2016.

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5) LONG-TERM DEBT, CONTINUED

The following is a summary of changes in long-term obligations for the year ended June 30, 2016:

	<u>July 1,</u> <u>2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30,</u> <u>2016</u>
Amount available in debt service fund	\$ 288,100	\$ 207,743	\$ -	\$ 495,843
Amount to be provided for retirement of long-term obligations	<u>7,827,900</u>	<u>-</u>	<u>1,613,743</u>	<u>6,214,157</u>
Total available and to be provided	<u>\$ 8,116,000</u>	<u>\$ 207,743</u>	<u>\$ 1,613,743</u>	<u>\$ 6,710,000</u>
Total long-term obligations	<u>\$ 8,116,000</u>	<u>\$ 207,743</u>	<u>\$ 1,613,743</u>	<u>\$ 6,710,000</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.

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.

Subsequent to June 30, 2016, in August 2016, the District issued \$925,000 general obligation bonds, Series 2016. The bonds were issued to facilitate required payments on an existing financing agreement.

6) EMPLOYER RETIREMENT SYSTEMS AND PENSION PLANS

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

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

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6) **EMPLOYER RETIREMENT SYSTEMS AND PENSION PLANS, CONTINUED**

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

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

State ORP – As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State Optional Retirement Program (“State ORP”), which is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers. For this reason, State ORP Employer contributions to the State ORP are at the same rates as SCRS.

PORS – To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012 is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

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6) **EMPLOYER RETIREMENT SYSTEMS AND PENSION PLANS, CONTINUED**

Plan Benefits – Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of benefit terms for each system is presented below:

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

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

PORS – A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

Funding Policy - Contributions are prescribed in Title 9 of the South Carolina code of Laws. The PEBA board may increase the SCRS and PORS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.0 percent of earnable compensation for the SCRS and 5 percent for the PORS. An increase in the contribution rates adopted by the PEBA Board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the PEBA Board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the PEBA Board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one-half of one percent per year.

As noted above, both employees and the School District are required to contribute to the plans at rates established and as amended by the PEBA.

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Notes to the Basic Financial Statements
Year Ended June 30, 2016

6) **EMPLOYER RETIREMENT SYSTEMS AND PENSION PLANS, CONTINUED**

Contribution Summary – The District’s eligible wages, contribution rates, and required contributions for the past three years were as follows:

	SCRS		
	2016	2015	2014
Eligible Wages	<u>\$ 5,727,482</u>	<u>\$ 5,373,220</u>	<u>\$ 5,308,113</u>
<u>Employer Rate</u>			
Retirement - SCRS	10.91%	10.75%	10.45%
Retirement Surcharge - SCRS	5.33%	5.00%	4.92%
GL Ins. Benefit - SCRS	0.15%	0.15%	0.15%
Total Employer Rate	<u>16.39%</u>	<u>15.90%</u>	<u>15.52%</u>
Employee Rate	<u>8.16%</u>	<u>8.00%</u>	<u>7.50%</u>
<u>Employer Contributions</u>			
Retirement - SCRS	\$ 624,868	\$ 577,621	\$ 554,698
Retirement Surcharge - SCRS	305,275	268,661	261,159
GL Ins. Benefit - SCRS	8,591	8,060	7,962
Total Employer Contributions	<u>\$ 938,734</u>	<u>\$ 854,342</u>	<u>\$ 823,819</u>
Employee Contributions	<u>\$ 467,363</u>	<u>\$ 429,737</u>	<u>\$ 397,870</u>

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Year Ended June 30, 2016

6) EMPLOYER RETIREMENT SYSTEMS AND PENSION PLANS, CONTINUED

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – The most recent annual actuarial valuation reports adopted by the PEBA Board and Budget and control board are as of July 1, 2014. The net pension liability of each defined benefit pension plan was therefore determined based on the July 1, 2014 actuarial valuations, using membership data as of July 1, 2014, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2015, using generally accepted actuarial procedures. Information included in the following schedules is based on the certification provided by PEBA’s consulting actuary, Gabriel, Roeder, Smith and Company.

At June 30, 2016, the District reported a liability of \$11,279,910 and \$60,590 for its proportionate share of the PEBA’s net pension liability for the SCRS and PORS systems, respectively. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014, using membership data as of that date, projected forward to the end of that fiscal year, and financial information of the pension trust funds as of June 30, 2015. The District’s proportion of the net pension liability was based on the District’s contributions received by PEBA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PEBA’s participating employers. At June 30, 2015, the District’s proportion was .059476% and .002780% for SCRS and PORS, respectively. For the year ended June 30, 2016, the District recognized pension expense of \$787,126 and \$5,545 for its proportionate share of the PEBA’s pension expense for SCRS and PORS, respectively. At June 30, 2016, the District reported its proportionate share of the PEBA’s deferred outflows of resources and deferred inflows of resources related to SCRS pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between expected and actual experience	\$ 200,406	\$ 20,172
Net difference between projected and actual earnings on pension plan investments	75,502	-
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	-	102,025
District contributions subsequent to the measurement date	<u>641,260</u>	<u>-</u>
	<u>\$ 917,168</u>	<u>\$ 122,197</u>

\$641,260 reported as deferred outflows of resources related to SCRS pensions resulting from District contributions to the PEBA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to the PEBA will be recognized in SCRS pension expense as follows:

<u>Year Ended June 30</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2017	\$ 29,050
2018	29,050
2019	(12,358)
2020	<u>107,969</u>
	<u>\$ 153,711</u>

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6) **EMPLOYER RETIREMENT SYSTEMS AND PENSION PLANS, CONTINUED**

At June 30, 2016, the District reported its proportionate share of the PEBA's deferred outflows of resources and deferred inflows of resources related to PORS pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between expected and actual experience	\$ 1,201	\$ -
Net difference between projected and actual earnings on pension plan investments	663	-
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	571	-
District contributions subsequent to the measurement date	<u>8,544</u>	<u>-</u>
	<u>\$ 10,979</u>	<u>\$ -</u>

\$8,544 reported as deferred outflows of resources related to PORS pensions resulting from District contributions to the PEBA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to the PEBA will be recognized in PORS pension expense as follows:

<u>Year Ended June 30</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2017	\$ 247
2018	247
2019	178
2020	<u>1,763</u>
	<u>\$ 2,435</u>

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6) **EMPLOYER RETIREMENT SYSTEMS AND PENSION PLANS, CONTINUED**

Actuarial Assumptions - Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2010, and the next experience study is scheduled to be conducted after the June 30, 2015 annual valuation is complete.

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions:

<u>Actuarial Cost Method</u>	<u>Entry Age</u>
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	levels off at 3.5%
Inflation	2.75%
Benefit adjustments	lesser of 1% or \$500

Long-Term Expected Rate of Return - The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30 year capital market outlook at the end of the fourth quarter 2013. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission ("RSIC") using a building block approach. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

The RSIC, which manages the investments of PEBA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>
Short Term		
Cash	2.0%	1.9%
Short Duration	3.0%	2.0%
Domestic Fixed Income		
Core Fixed Income	7.0%	2.7%
High Yield	2.0%	3.8%
Bank Loans	4.0%	3.8%
Global Fixed Income		
Global Fixed Income	3.0%	2.8%
Emerging Markets Debt	6.0%	5.1%
Global Public Equity	31.0%	7.1%
Global Tactical Asset Allocation	10.0%	4.9%
Alternatives		
Hedge Funds (Low Beta)	8.0%	4.3%
Private Debt	7.0%	9.9%
Private Equity	9.0%	9.9%
Real Estate	5.0%	6.0%
Commodities	3.0%	5.9%
	<u>100.0%</u>	

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6) EMPLOYER RETIREMENT SYSTEMS AND PENSION PLANS, CONTINUED

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Liability Sensitivity - The following presents the District's proportionate share of the net pension liability, calculated using the discount rate disclosed in the preceding paragraph, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

<u>Asset Class</u>	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
District's proportionate share of the net pension liability			
SCRS	\$ 14,220,744	\$ 11,279,910	\$ 8,815,118
PORS	82,538	60,590	40,970

Pension Plan Fiduciary Net Position - Detailed information about the defined benefit pension plan's fiduciary net position is available in a separately-issued financial report. That report may be obtained on the Internet at www.retirement.sc.gov or by writing to PEBA at South Carolina Public Employee Benefit Authority, 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.

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.

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8) POSTRETIREMENT BENEFITS, CONTINUED

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, 2016, 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.

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.

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11) 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 the Uniform Guidance, 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.

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 2016 for tier three was \$2,500,000.

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11) COMMITMENTS AND CONTINGENCIES, CONTINUED

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.

12) SUBSEQUENT EVENTS

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through December 1, 2016, the date the financial statements were available to be issued. There were no such events requiring recording or disclosure for the year ended June 30, 2016.

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Schedule of the Proportionate Share of the Net Pension Liability
June 30, 2016

	SCRS		PORS	
	2016	2015	2016	2015
District's proportion of the net pension liability	0.059476%	0.060213%	0.002780%	0.002740%
District's proportionate share of the net pension liability	\$ 11,279,910	\$ 10,366,682	\$ 60,590	\$ 52,551
District's covered-employee payroll	\$ 5,373,220	\$ 5,308,113	\$ 35,641	\$ 33,015
District's proportionate share of the net pension liability as a percentage of the covered-employee payroll	209.93%	195.30%	170.00%	159.17%
Plan fiduciary net position as a percentage of the total pension liability	57.00%	59.90%	64.60%	67.50%

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Schedule of District Contributions
June 30, 2016

	<u>SCRS</u>		<u>PORS</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 641,260	\$ 602,249	\$ 8,544	\$ 4,779
Contributions in relation to the contractually required contributions	<u>641,260</u>	<u>602,249</u>	<u>8,544</u>	<u>4,779</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered-employee payroll	\$ 5,856,208	\$ 5,654,034	\$ 62,192	\$ 35,641
Contributions as percentage of covered-employee payroll	10.95%	10.65%	13.74%	13.41%

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For Fiscal Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
REVENUES			
1000 Revenue from local sources			
1200 Revenue from local governmental units other than LEAs			
1210 Ad valorem taxes - including delinquent taxes (dependent)	\$ 3,085,098	\$ 3,311,385	\$ 226,287
1280 Revenue in lieu of taxes (independent and dependent)	95,000	79,342	(15,658)
1500 Earnings on investments			
1510 Interest on investments	2,200	306	(1,894)
1900 Other revenue from local sources			
1910 Rentals	11,000	10,120	(880)
1990 Miscellaneous local revenue			
1999 Revenue from other local sources	<u>174,400</u>	<u>42,284</u>	<u>(132,116)</u>
Total local sources	<u>3,367,698</u>	<u>3,443,437</u>	<u>75,739</u>
3000 Revenue from state sources			
3100 Restricted state funding			
3130 Special programs			
3131 Handicapped transportation	-	702	702
3160 School bus driver salary	68,515	86,837	18,322
(includes hazardous condition transportation)			
3162 Transportation workers' compensation	7,500	7,776	276
3180 Fringe benefits employer contributions (no carryover provision)	438,655	438,655	-
3181 Retiree insurance (no carryover provision)	209,790	209,790	-
3300 Education Finance Act (EFA)			
3310 Full-time programs			
3311 Kindergarten	59,212	60,539	1,327
3312 Primary	173,120	176,999	3,879
3313 Elementary	125,169	127,973	2,804
3314 High school	123,849	126,624	2,775
3315 Trainable mentally handicapped	6,029	6,164	135
3316 Speech handicapped (part-time program)	50,399	51,528	1,129
3317 Homebound	1,970	2,014	44

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For Fiscal Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
3320 Part-time programs			
3321 Emotionally handicapped	\$ 1,954	\$ 1,998	\$ 44
3322 Educable mentally handicapped	7,420	7,586	166
3323 Learning disabilities	125,303	128,110	2,807
3324 Hearing handicapped	1,312	1,341	29
3325 Visually handicapped	2,486	2,542	56
3326 Orthopedically handicapped	2,219	2,269	50
3327 Vocational	134,887	137,909	3,022
3330 Miscellaneous EFA programs			
3331 Autism	9,045	9,248	203
3332 High achieving students	2,297	2,348	51
3334 Limited English proficiency	-	396	396
3350 Residential treatment facilities (RTF)			
3351 Academic assistance	30,909	31,602	693
3352 Pupils in poverty	133,497	136,488	2,991
3800 State revenue in lieu of taxes			
3810 Reimbursement for local residential property tax relief (tier 1)	321,097	404,119	83,022
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	25,000	27,535	2,535
3890 Other state property tax revenues (includes motor carrier vehicle tax)	95,000	98,225	3,225
Total state sources	<u>4,931,128</u>	<u>5,065,252</u>	<u>134,124</u>
4000 Revenue from federal sources			
4900 Other federal sources			
4999 Revenue from other federal sources	60,000	38,043	(21,957)
Total federal sources	<u>60,000</u>	<u>38,043</u>	<u>(21,957)</u>
Total revenue all sources	<u>8,358,826</u>	<u>8,546,732</u>	<u>187,906</u>

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For Fiscal Year Ended June 30, 2016

	<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	\$ 211,900	\$ 280,207	\$ (68,307)
200 Employee benefits	90,750	100,316	(9,566)
400 Supplies and materials	4,500	3,240	1,260
112 Primary programs			
100 Salaries	336,345	367,029	(30,684)
200 Employee benefits	133,473	157,791	(24,318)
400 Supplies and materials	9,500	8,336	1,164
113 Elementary programs			
100 Salaries	713,723	1,109,460	(395,737)
200 Employee benefits	391,331	420,054	(28,723)
300 Purchased services	4,200	603	3,597
400 Supplies and materials	21,500	14,738	6,762
114 High school programs			
100 Salaries	236,612	448,602	(211,990)
200 Employee benefits	143,972	187,807	(43,835)
300 Purchased services	77,569	76,500	1,069
400 Supplies and materials	12,075	7,739	4,336
115 Career and technology education programs			
100 Salaries	341,562	434,786	(93,224)
200 Employee benefits	171,275	146,870	24,405
300 Purchased services - other than tuition	45,400	44,000	1,400
400 Supplies and materials	9,500	2,981	6,519
120 Exceptional programs			
121 Educable mentally handicapped			
100 Salaries	88,135	160,306	(72,171)
200 Employee benefits	41,423	51,197	(9,774)
400 Supplies and materials	-	5,820	(5,820)
122 Trainable mentally handicapped			
100 Salaries	63,716	80,751	(17,035)
200 Employee benefits	33,353	35,730	(2,377)

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For Fiscal Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
123 Orthopedically handicapped			
400 Supplies and materials	\$ 250	\$ -	\$ 250
125 Hearing handicapped			
400 Supplies and materials	250	-	250
126 Speech handicapped			
300 Purchased services	15,000	62,065	(47,065)
127 Learning disabilities			
100 Salaries	86,308	168,439	(82,131)
200 Employee benefits	31,407	56,474	(25,067)
400 Supplies and materials	-	6,275	(6,275)
140 Special programs			
145 Homebound			
100 Salaries	10,400	941	9,459
200 Employee benefits	1,427	210	1,217
300 Purchased services	4,500	218	4,282
148 Gifted and talented - artistic			
200 Employee benefits	-	346	(346)
180 Adult/continuing educational programs			
188 Parenting/family literacy			
100 Salaries	41,523	18,391	23,132
200 Employee benefits	17,219	12,403	4,816
Total instruction	<u>3,390,098</u>	<u>4,470,625</u>	<u>(1,080,527)</u>

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For Fiscal Year Ended June 30, 2016

	<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	\$ 47,861	\$ 31,422	\$ 16,439
200 Employee benefits	19,004	14,491	4,513
300 Purchased services	1,200	476	724
212 Guidance services			
100 Salaries	186,248	176,460	9,788
200 Employee benefits	75,486	51,812	23,674
300 Purchased services	4,823	980	3,843
400 Supplies and materials	2,400	1,361	1,039
220 Instructional staff services			
221 Improvement of instruction - curriculum development			
100 Salaries	309,502	115,611	193,891
200 Employee benefits	64,829	32,079	32,750
300 Purchased services	16,003	43,726	(27,723)
400 Supplies and materials	8,500	1,752	6,748
222 Library and media services			
100 Salaries	116,116	158,852	(42,736)
200 Employee benefits	32,741	55,747	(23,006)
300 Purchased services	3,570	(3,412)	6,982
400 Supplies and materials	9,790	5,897	3,893
223 Supervision of special programs			
100 Salaries	-	105,814	(105,814)
200 Employee benefits	-	30,316	(30,316)
300 Purchased services	-	5,483	(5,483)
400 Supplies and materials	-	2,560	(2,560)
600 Other objects	-	797	(797)
224 Improvement of instruction - inservice and staff training			
100 Salaries	193,703	125,543	68,160
200 Employee benefits	74,469	6,406	68,063
300 Purchased services	5,500	3,658	1,842
400 Supplies and materials	-	10,313	(10,313)

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For Fiscal Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
230 General administrative services			
231 Board of Education			
100 Salaries	\$ 8,500	\$ 8,167	\$ 333
200 Employee benefits	9,315	6,278	3,037
300 Purchased services	110,076	173,548	(63,472)
318 Audit services	20,000	20,000	-
400 Supplies and materials	3,150	1,194	1,956
600 Other objects	11,865	27,522	(15,657)
232 Office of the superintendent			
100 Salaries	170,940	191,921	(20,981)
200 Employee benefits	47,945	42,529	5,416
300 Purchased services	9,690	9,235	455
400 Supplies and materials	3,350	2,679	671
600 Other objects	1,575	5,655	(4,080)
233 School administration			
100 Salaries	500,974	538,104	(37,130)
200 Employee benefits	211,385	197,017	14,368
300 Purchased services	3,622	2,579	1,043
400 Supplies and materials	2,450	1,205	1,245
600 Other objects	958	189	769
250 Finance and operations services			
251 Student transportation (Federal /District mandated)			
100 Salaries	-	3,656	(3,656)
300 Purchased services	-	13,343	(13,343)
252 Fiscal services			
100 Salaries	97,000	95,895	1,105
200 Employee benefits	42,206	26,892	15,314
300 Purchased services	33,006	43,260	(10,254)
400 Supplies and materials	8,225	7,390	835
600 Other objects	38,126	41,684	(3,558)
254 Operation and maintenance of plant			
100 Salaries	253,934	219,604	34,330
140 Terminal leave	-	4,804	(4,804)
200 Employee benefits	86,033	63,089	22,944
300 Purchased services	397,365	314,107	83,258
321 Public utility services (excludes gas, oil, elec, other heating fuels)	65,558	36,757	28,801
400 Supplies and materials	153,918	135,333	18,585
470 Energy (includes gas, oil, elec, other heating fuels)	413,082	345,501	67,581

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For Fiscal Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
255 Student transportation (state mandated)			
100 Salaries	\$ 293,858	\$ 284,224	\$ 9,634
200 Employee benefits	69,034	54,522	14,512
300 Purchased services	10,500	8,130	2,370
400 Supplies and materials	683	420	263
256 Food service			
200 Employee benefits	74,040	88,401	(14,361)
258 Security			
100 Salaries	26,575	16,389	10,186
200 Employee benefits	5,443	4,492	951
300 Purchased services	30,000	30,000	-
260 Central support services			
263 Information services			
100 Salaries	5,500	750	4,750
200 Employee benefits	3,631	121	3,510
300 Purchased services	42,600	30,649	11,951
400 Supplies and materials	3,780	1,505	2,275
600 Other objects	325	-	325
264 Staff services			
100 Salaries	159,390	99,528	59,862
200 Employee benefits	24,635	25,927	(1,292)
300 Purchased services	5,933	7,246	(1,313)
400 Supplies and materials	6,000	2,180	3,820
600 Other objects	21	-	21
266 Technology and data processing services			
100 Salaries	95,250	59,541	35,709
200 Employee benefits	39,920	15,639	24,281
300 Purchased services	187,086	171,994	15,092
400 Supplies and materials	53,330	200,846	(147,516)
270 Support services - pupil activity			
271 Pupil services activities			
100 Salaries	94,350	88,944	5,406
200 Employee benefits	27,060	20,757	6,303
300 Purchased services	26,200	21,421	4,779
400 Supplies and materials	12,400	19,261	(6,861)
600 Other objects	3,900	3,712	188
Total support services	<u>5,177,437</u>	<u>4,813,880</u>	<u>363,557</u>

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For Fiscal Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
300 Community services			
350 Custody and care of children			
100 Salaries	\$ 60,768	\$ 32,695	\$ 28,073
200 Employee benefits	21,404	13,308	8,096
300 Purchased services	2,500	403	2,097
400 Supplies and materials	750	-	750
	<u>85,422</u>	<u>46,406</u>	<u>39,016</u>
Total community services			
400 Other charges			
410 Intergovernmental expenditures			
412 Payments to other governmental units			
720 Transits	7,500	7,627	(127)
	<u>7,500</u>	<u>7,627</u>	<u>(127)</u>
Total intergovernmental expenditures			
	<u>7,500</u>	<u>7,627</u>	<u>(127)</u>
Total expenditures	<u>8,660,457</u>	<u>9,338,538</u>	<u>(678,081)</u>
 OTHER FINANCING SOURCES (USES)			
Interfund transfers, from (to) other funds			
5230 Transfer from special revenue EIA fund	162,629	169,073	6,444
5280 Transfer from other funds indirect costs	13,000	66,004	53,004
423-710 Transfer to debt service fund	(300,000)	(207,135)	92,865
	<u>(124,371)</u>	<u>27,942</u>	<u>152,313</u>
Total other financing sources (uses)			
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	\$ <u>(426,002)</u>	(763,864)	\$ <u>(337,862)</u>
FUND BALANCE, July 1, 2015		<u>3,033,009</u>	
FUND BALANCE, June 30, 2016		<u>\$ 2,269,145</u>	

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA

Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance
For Fiscal Year Ended June 30, 2016

	Title I (BA Projects) (201/202)	IDEA (CA Projects) (203/204)	Preschool Handicapped (CG Projects) (205/206)	CATE (VA Projects) (207/208)	Adult Education (EA Projects) (243)	Other Designated Restricted State Grants* (900s)	Other Special Revenue Programs* (200s/800s)	Total
REVENUES								
1000 Revenue from local sources								
1900 Other revenue from local sources								
1930 Special needs transportation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,206	\$ 13,206
1990 Miscellaneous local revenue								
1999 Revenue from other local sources	-	-	-	-	-	-	144,516	144,516
Total local sources	-	-	-	-	-	-	157,722	157,722
3000 Revenue from state sources								
3100 Restricted state funding								
3110 Occupational education						44,197	-	44,197
3118 EEDA career specialists							-	-
3120 General education								
3127 Student health and fitness - PE teachers						6,540	-	6,540
3130 Special programs								
3135 Reading coaches						68,070	-	68,070
3136 Student health & fitness - nurses						46,418	-	46,418
3155 DSS SNAP & E&T program						5,505	-	5,505
3177 Summer reading camps						36,707	-	36,707

* See Schedule 5 for a listing of LEA sub fund codes for each program.

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA

Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance
For Fiscal Year Ended June 30, 2016

	Title I (BA Projects) (201/202)	IDEA (CA Projects) (203/204)	Preschool Handicapped (CG Projects) (205/206)	CATE (VA Projects) (207/208)	Adult Education (EA Projects) (243)	Other Designated Restricted State Grants* (900s)	Other Special Revenue Programs* (200s/800s)	Total
3190 Miscellaneous restricted state grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 742	\$ -	\$ 742
3193 Education license plates	-	-	-	-	-	12,778	-	12,778
3194 Digital instructional materials	-	-	-	-	-	-	-	-
3600 Education Lottery Act revenue	-	-	-	-	-	1,628	-	1,628
3607 6-8 enhancement	-	-	-	-	-	84,115	-	84,115
3610 K-5 enhancement	-	-	-	-	-	51,465	-	51,465
3630 K-12 technology initiative	-	-	-	-	-	-	-	-
Total state sources	-	-	-	-	-	358,165	-	358,165
4000 Revenue from federal sources	-	-	-	6,397	-	-	-	6,397
4200 Occupational education	-	-	-	-	-	-	-	-
4210 Perkins aid, Title I	-	-	-	-	-	-	-	-
4300 Elementary and Secondary Education Act of 1965 (ESEA)	516,978	-	-	-	-	-	-	516,978
4310 Title I, basic state grant programs	-	-	-	-	-	-	3,000	3,000
4312 Rural and low-income school program, Title VI	-	-	-	-	-	-	53,739	53,739
4351 Improving teacher quality	-	-	-	-	-	-	-	-

* See Schedule 5 for a listing of LEA sub fund codes for each program.

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA

Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance
For Fiscal Year Ended June 30, 2016

	Title I (BA Projects) (201/202)	IDEA (CA Projects) (203/204)	Preschool Handicapped (CG Projects) (205/206)	CATE (VA Projects) (207/208)	Adult Education (EA Projects) (243)	Other Designated Restricted State Grants* (900s)	Other Special Revenue Programs* (200s/800s)	Total
4400 Adult education	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,196	\$ 6,196
4410 Basic adult education								
4500 Programs for children with disabilities								
4510 IDEA	-	83,116	-	-	-	-	-	83,116
4520 Preschool grants for children with disabilities (IDEA)	-	-	15,069	-	-	-	-	15,069
4900 Other federal sources								
4924 21st century community learning center program, Title IV	-	-	-	-	-	-	116,000	116,000
Total federal sources	516,978	83,116	15,069	6,397	-	-	178,935	800,495
Total revenue all sources	516,978	83,116	15,069	6,397	-	358,165	336,657	1,316,382

* See Schedule 5 for a listing of LEA sub fund codes for each program.

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA

Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance
For Fiscal Year Ended June 30, 2016

	Title I (BA Projects) (201/202)	IDEA (CA Projects) (203/204)	Preschool Handicapped (CG Projects) (205/206)	CATE (VA Projects) (207/208)	Adult Education (EA Projects) (243)	Other Designated Restricted State Grants (900s)	Other Special Revenue Programs (200s/800s)	Total
EXPENDITURES								
100 Instruction								
110 General instruction								
112 Primary programs								
100 Salaries	\$ 82,826	\$ -	\$ -	\$ -	\$ -	\$ 77,558	\$ 17,616	\$ 178,000
200 Employee benefits	32,156	-	-	-	-	50,302	4,712	87,170
300 Purchased services	2,190	-	-	-	-	-	-	2,190
400 Supplies and materials	22,332	-	-	-	-	942	-	23,274
113 Elementary programs								
100 Salaries	26,939	-	-	-	-	1,787	4,904	33,630
200 Employee benefits	10,218	-	-	-	-	1,502	-	11,720
300 Purchased services	19,457	-	-	-	-	3,001	-	22,458
400 Supplies and materials	49,562	-	-	-	-	35,169	-	84,731
114 High school programs								
100 Salaries	50,265	-	-	-	-	-	-	50,265
200 Employee benefits	19,337	-	-	-	-	-	-	19,337
300 Purchased services	2,360	-	-	-	-	-	-	2,360
400 Supplies and materials	18,359	-	-	-	-	51,465	-	69,824
115 Career and technology education programs								
300 Purchased services - other than tuition	-	1,348	-	152	-	-	-	1,500
400 Supplies and materials	-	-	-	3,880	-	-	-	3,880

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA

Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance
For Fiscal Year Ended June 30, 2016

	Title I (BA Projects) (201/202)	IDEA (CA Projects) (203/204)	Preschool Handicapped (CG Projects) (205/206)	CATE (VA Projects) (207/208)	Adult Education (EA Projects) (243)	Other Designated Restricted State Grants (900s)	Other Special Revenue Programs (200s/800s)	Total
120 Exceptional programs								
121 Educable mentally handicapped								
100 Salaries	\$ -	60	11,873	\$ -	\$ -	\$ -	-	11,933
200 Employee benefits	-	7,225	3,196	-	-	-	-	10,421
400 Supplies and materials	-	7,000	-	-	-	-	-	7,000
140 Special programs								
149 Other special programs	92	-	-	-	-	-	-	92
400 Supplies and materials								
170 Summer school programs								
172 Elementary summer school								
100 Salaries	24,845	-	-	-	-	17,550	-	42,395
200 Employee benefits	6,115	-	-	-	-	5,090	-	11,205
175 Instructional programs beyond regular school day								
100 Salaries	10,194	-	-	-	-	-	57,915	68,109
200 Employee benefits	2,622	-	-	-	-	-	10,480	13,102
300 Purchased services	-	-	-	-	-	-	3,780	3,780
400 Supplies and materials	-	-	-	-	-	1,628	72	1,700
180 Adult/continuing educational programs								
181 Adult basic education programs								
100 Salaries	25,945	-	-	-	-	-	199	26,144
200 Employee benefits	9,555	-	-	-	-	-	-	9,555
400 Supplies and materials	1,178	-	-	-	-	5,504	5,770	12,452

**MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA**

Special Revenue Fund

**Schedule of Revenues, Expenditures, and Changes in Fund Balance
For Fiscal Year Ended June 30, 2016**

	Title I (BA Projects) (201/202)	IDEA (CA Projects) (203/204)	Preschool Handicapped (CG Projects) (205/206)	CATE (VA Projects) (207/208)	Adult Education (EA Projects) (243)	Other Designated Restricted State Grants (900s)	Other Special Revenue Programs (200s/800s)	Total
188 Parenting/family literacy								
100 Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,979	\$ 5,979
200 Employee benefits	-	-	-	-	-	-	6,807	6,807
300 Purchased services	-	-	-	-	-	-	9,719	9,719
400 Supplies and materials	-	-	-	-	-	-	72	72
Total instruction	416,547	15,633	15,069	4,032	-	251,498	128,025	830,804
200 Support services								
210 Pupil services								
211 Attendance and social work services								
100 Salaries	259	-	-	-	-	-	-	259
300 Purchased services	3,853	-	-	-	-	-	-	3,853
213 Health services								
100 Salaries	-	-	-	-	-	30,681	8,246	38,927
200 Employee benefits	-	-	-	-	-	15,738	162	15,900
300 Purchased services	9,000	48,835	-	-	-	-	617	58,452
400 Supplies and materials	-	150	-	-	-	-	1,389	1,539
214 Psychological services								
300 Purchased services	-	18,498	-	-	-	-	-	18,498
216 Career & technical education placement services								
100 Salaries	-	-	-	-	-	-	31,602	31,602
200 Employee benefits	-	-	-	-	-	-	10,337	10,337
300 Purchased services	-	-	-	-	-	-	3,136	3,136
400 Supplies and materials	-	-	-	-	-	-	896	896

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA

Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance
For Fiscal Year Ended June 30, 2016

	<u>Title I</u>	<u>IDEA</u>	<u>Preschool</u>	<u>CATE</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>Education</u>	<u>Designated</u>	<u>Special</u>	
	<u>(201/202)</u>	<u>(203/204)</u>	<u>(CG Projects)</u>	<u>(207/208)</u>	<u>(EA Projects)</u>	<u>State Grants</u>	<u>Revenue</u>	
			<u>(205/206)</u>	<u>(207/208)</u>	<u>(243)</u>	<u>(900s)</u>	<u>Programs</u>	<u>(200s/800s)</u>
217 Career specialist services								
100 Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,077	\$ -	\$ 35,077
200 Employee benefits	-	-	-	-	-	9,120	-	9,120
220 Instructional staff services								
221 Improvement of instruction - curriculum development								
100 Salaries	32,546	-	-	-	-	-	-	32,546
200 Employee benefits	6,369	-	-	-	-	-	-	6,369
300 Purchased services	30,134	-	-	1,587	-	2,500	-	34,221
400 Supplies and materials	1,373	-	-	335	-	-	11,152	12,860
223 Supervision of special programs								
100 Salaries	425	-	-	-	-	-	113	538
200 Employee benefits	98	-	-	-	-	-	1,706	1,804
300 Purchased services	4,163	-	-	-	-	-	61	4,224
400 Supplies and materials	599	-	-	-	-	-	-	599
224 Improvement of instruction - inservice and staff training								
100 Salaries	-	-	-	-	-	-	3,651	3,651
300 Purchased services	-	-	-	-	-	12,778	16,000	28,778
400 Supplies and materials	-	-	-	-	-	-	1,652	1,652
250 Finance and operations services								
251 Student transportation (federal/district mandated)								
100 Salaries	-	-	-	-	-	600	34,870	35,470
200 Employee benefits	-	-	-	-	-	173	4,794	4,967

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA

Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance
For Fiscal Year Ended June 30, 2016

	Title I (BA Projects) (201/202)	IDEA (CA Projects) (203/204)	Preschool Handicapped (CG Projects) (205/206)	CATE (VA Projects) (207/208)	Adult Education (EA Projects) (243)	Other Designated Restricted State Grants (900s)	Other Special Revenue Programs (200s/800s)	Total
252 Fiscal services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 159	\$ 159
400 Supplies and materials								
255 Student transportation (state mandated)								
100 Salaries	-	-	-	-	-	-	2,633	2,633
270 Support services - pupil activity								
271 Pupil service activities								
300 Purchased services	-	-	-	443	-	-	4,898	5,341
Total support services	88,819	67,483	-	2,365	-	106,667	138,074	403,408
300 Community services								
350 Custody and care of children								
100 Salaries	-	-	-	-	-	-	45,911	45,911
200 Employee benefits	-	-	-	-	-	-	15,892	15,892
300 Purchased services	-	-	-	-	-	-	2,394	2,394
400 Supplies and materials	-	-	-	-	-	-	1,969	1,969
Total community services	-	-	-	-	-	-	66,166	66,166
Total expenditures	505,366	83,116	15,069	6,397	-	358,165	332,265	1,300,378

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA

Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance
For Fiscal Year Ended June 30, 2016

	Title I (BA Projects) (201/202)	IDEA (CA Projects) (203/204)	Preschool Handicapped (CG Projects) (205/206)	CATE (VA Projects) (207/208)	Adult Education (EA Projects) (243)	Other Designated Restricted State Grants (900s)	Other Special Revenue Programs (200s/800s)	Total
OTHER FINANCING SOURCES (USES)								
Interfund transfers, from (to) other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5210 Transfer from general fund	(11,612)						(4,392)	(16,004)
431-791 Special revenue fund indirect costs								
TOTAL OTHER FINANCING SOURCES (USES)	(11,612)						(4,392)	(16,004)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
FUND BALANCE, July 1, 2015	-0-	-0-	-0-	-0-	-0-	-0-	44,772	44,772
FUND BALANCE, June 30, 2016	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 44,772	\$ 44,772

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Special Revenue Fund
Schedule of Program Classifications
For Fiscal Year Ended June 30, 2016

<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 specialists	\$ 44,197	3118
937	Student health and fitness - PE teachers	6,540	3127
935	Reading Coaches	68,070	3135
936	Student health and fitness - nurses	46,418	3136
955	DSS SNAP & E&T program	5,505	3155
926	Summer reading camps	36,707	3177
919	Education license plates	742	3193
914	Digital Instructional Materials	12,778	3194
967	6-8 enhancement	1,628	3607
960	K-5 enhancement	84,115	3610
963	K-12 technology initiative	51,465	3630
		<u>\$ 358,165</u>	
<u>OTHER SPECIAL REVENUE PROGRAMS</u>			
280	Medicaid	\$ 2,528	1930
839	Special needs transportation	2,633	1930
280	Admin claiming	8,044	1930
830	JAG - CIS	50,870	1999
890	First steps	88,743	1999
926	Summer reading donation	4,904	1999
251	Rural and low-income school program, Title VI	3,000	4312
267	Improving teacher quality	53,739	4351
243	Basic adult education	6,196	4410
224	21st century learning center program, Title IV	116,000	4924
		<u>\$ 336,657</u>	

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Special Revenue Fund
Summary Schedule for Designated State Restricted Grants
For Fiscal Year Ended June 30, 2016

<u>Subfund</u>	<u>Revenue Code</u>	<u>Programs</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Special Revenue</u>		<u>Special Revenue Fund Unearned</u>
					<u>Interfund Transfers In/(Out)</u>	<u>Other Fund Transfers In/(Out)</u>	
928	3118	EEDA career specialists	\$ 44,197	\$ 44,197	\$ -	\$ -	\$ 15,778
937	3127	Student health and fitness - PE teachers	6,540	6,540	-	-	-
935	3135	Reading Coaches	68,070	68,070	-	-	-
936	3136	Student health and fitness - nurses	46,418	46,418	-	-	561
920	3154	Young adult education	-	-	-	-	36,000
955	3155	DSS SNAP & E&T program	5,505	5,505	-	-	-
926	3177	Summer reading camps	36,707	36,707	-	-	37,784
919	3193	Education license plates	742	742	-	-	-
914	3194	Digital Instructional Materials	12,778	12,778	-	-	-
825	3199	Character education	-	-	-	-	11,500
967	3607	6-8 enhancement	1,628	1,628	-	-	-
960	3610	K-5 enhancement	84,115	84,115	-	-	-
963	3630	K-12 technology initiative	51,465	51,465	-	-	-
			<u>\$ 358,165</u>	<u>\$ 358,165</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 101,623</u>

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Education Improvement Act
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance - All Programs
For Fiscal Year Ended June 30, 2016

REVENUES

3000 Revenue from state sources	
3500 Education Improvement Act	
3502 ADEPT	\$ 681
3511 Professional development	6,172
3518 Formative assessment	3,810
3525 Career and technology education equipment	64,224
3526 Refurbishment of K-8 science kits	2,750
3532 National board salary supplement	75,957
3533 Teacher of the year awards	1,077
3538 Students at risk of school failure	135,118
3541 Child development education program (CDEP)	120,587
3550 Teacher salary increase	147,023
3555 Teacher salary fringe	22,050
3556 Adult education	63,058
3558 Reading	2,286
3577 Teacher supplies	17,000
3578 High schools that work/making middle grades work	6,039
3592 Work-based learning	3,492
3594 EEDA supplemental programs	28,785
3595 EEDA - supplies and materials	2,503
3597 Aid to districts	<u>47,383</u>
 Total state sources	 <u>749,995</u>
 Total revenue all sources	 <u>749,995</u>

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Education Improvement Act
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance - All Programs
For Fiscal Year Ended June 30, 2016

EXPENDITURES

100 Instruction		
110 General instruction		
111 Kindergarten programs		
100 Salaries	\$	19,729
200 Employee benefits		3,208
400 Supplies and materials		1,000
112 Primary programs		
100 Salaries		7,813
200 Employee benefits		1,636
400 Supplies and materials		11,000
113 Elementary programs		
100 Salaries		23,438
200 Employee benefits		4,864
400 Supplies and materials		3,500
114 High school programs		
100 Salaries		15,051
200 Employee benefits		5,121
300 Purchased services		550
400 Supplies and materials		7,786
600 Other objects		200
115 Career and technology education programs		
100 Salaries		12,600
200 Employee benefits		3,151
400 Supplies and materials		77
500 Capital outlay		64,147
140 Special programs		
147 CDEP		
100 Salaries		68,983
200 Employee benefits		24,572
300 Purchased services		2,359
400 Supplies and materials		13,290
500 Capital outlay		11,384

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Education Improvement Act
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance - All Programs
For Fiscal Year Ended June 30, 2016

170 Summer school programs		
172 Elementary summer school		
400 Supplies and materials	\$	298
173 High school summer school		
400 Supplies and materials		296
180 Adult/continuing educational programs		
181 Adult basic education programs		
100 Salaries		6,897
200 Employee benefits		1,253
300 Purchased services		413
		<hr/>
Total instruction		<u>314,616</u>
200 Support services		
210 Pupil services		
212 Guidance services		
100 Salaries		7,926
200 Employee benefits		3,482
300 Purchased services		5,853
400 Supplies and materials		142
220 Instructional staff services		
221 Improvement of instruction - curriculum development		
100 Salaries		568
200 Employee benefits		113
300 Purchased services		500
400 Supplies and materials		1,385
222 Library and media services		
100 Salaries		7,813
200 Employee benefits		1,542

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Education Improvement Act
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance - All Programs
For Fiscal Year Ended June 30, 2016

223 Supervision of special programs		
100 Salaries	\$	139,697
200 Employee benefits		36,951
300 Purchased services		3,640
400 Supplies and materials		289
224 Improvement of instruction - inservice and staff training		
300 Purchased services		4,168
400 Supplies and materials		5,062
230 General administrative services		
233 School administration		
400 Supplies and materials		53
250 Finance and operations services		
251 Student transportation (Federal district mandated)		
300 Purchased services		9,472
255 Student transportation (State mandated)		
100 Salaries		25,481
200 Employee benefits		12,169
		<u>37,650</u>
Total support services		<u>266,306</u>
Total expenditures		<u>580,922</u>
OTHER FINANCING SOURCES (USES)		
Interfund transfers, from (to) other funds		
420-710 Transfer to general fund (excludes indirect costs)		<u>(169,073)</u>
Total other financing sources (uses)		<u>(169,073)</u>
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES		-0-
FUND BALANCE, July 1, 2015		<u>-0-</u>
FUND BALANCE, June 30, 2016	\$	<u><u>-0-</u></u>

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Education Improvement Act
Summary Schedule by Program
For Fiscal Year Ended June 30, 2016

<u>PROGRAM</u>	<u>Revenues</u>	<u>Expenditures</u>	EIA Interfund Transfers <u>In/(Out)</u>	Other Fund Transfers <u>In/(Out)</u>	<u>EIA Fund Unearned</u>
3500 Education Improvement Act					
3502 ADEPT	\$ 681	\$ 681	-	-	\$ -
3511 Professional development	6,172	6,172	-	-	2,578
3512 Technology professional development	-	-	-	-	4,260
3518 Formative assessment	3,810	3,810	-	-	3,976
3525 Career and technology education equipment	64,224	64,224	-	-	13,073
3526 Refurbishment of K-8 science kits	2,750	2,750	-	-	12,375
3527 Special CATE equipment	-	-	-	-	147,000
3532 National board salary supplement	75,957	75,957	-	-	-
3533 Teacher of the year awards	1,077	1,077	-	-	-
3535 Reading coaches	-	-	-	-	8,000
3538 Students at risk of school failure	135,118	135,118	-	-	-
3541 Child development education program (CDEP)	120,587	120,587	-	-	117,050
3550 Teacher salary increase	147,023	-	-	(147,023)	-
3555 Teacher salary fringe	22,050	-	-	(22,050)	-
3556 Adult education	63,058	63,058	-	-	9,664
3558 Reading	2,286	2,286	-	-	5,052
3577 Teacher supplies	17,000	17,000	-	-	-
3578 High schools that work/making middle grades work	6,039	6,039	-	-	4,579
3592 Work-based learning	3,492	3,492	-	-	-
3594 EEDA supplemental programs	28,785	28,785	-	-	-
3595 EEDA - supplies and materials	2,503	2,503	-	-	-
3597 Aid to districts	47,383	47,383	-	-	-
TOTALS	\$ 749,995	\$ 580,922	\$ -0-	\$ (169,073)	\$ 327,607

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Debt Service Fund - District
Schedule of Revenues, Expenditures, and Changes in Fund Balance
For Fiscal Year Ended June 30, 2016

REVENUES

1000 Revenue from local sources	
1200 Revenue from local governmental units other than LEAs	
1210 Ad valorem taxes - including delinquent (dependent)	\$ 1,428,540
Total local sources	<u>1,428,540</u>
3000 Revenue from state sources	
3800 State revenue in lieu of taxes	
3820 Homestead exemption (tier 2)	99,729
3830 Merchant's inventory tax	767
3840 Manufacturers depreciation reimbursement	6,758
3890 Other state property tax revenues (includes motor carrier vehicle tax)	<u>33,123</u>
Total state sources	<u>140,377</u>
Total revenue all sources	<u>1,568,917</u>

EXPENDITURES

500 Debt service	
610 Redemption of principal	1,534,000
620 Interest	94,439
690 Other objects (includes fees for servicing bonds)	<u>22,500</u>
Total debt service	<u>1,650,939</u>
Total expenditures	<u>1,650,939</u>

OTHER FINANCING SOURCES (USES)

5100 Sale of bonds	
5120 Proceeds from general obligation bonds	932,000
Interfund transfers, from (to) other funds	
5210 Transfer from general fund	118,179
426-710 Transfer to debt service fund - Foundation	<u>(760,414)</u>
Total other financing sources (uses)	<u>289,765</u>

EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES 207,743

FUND BALANCE, July 1, 2015 288,100

FUND BALANCE, June 30, 2016 \$ 495,843

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Debt Service Fund - Foundation
Schedule of Revenues, Expenditures, and Changes in Fund Balance
For Fiscal Year Ended June 30, 2016

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	
610 Redemption of principal	804,000
620 Interest	45,370
	<hr/>
Total debt service	849,370
	<hr/>
Total expenditures	849,370
	<hr/>

OTHER FINANCING SOURCES (USES)

Interfund transfers, from (to) other funds	
5210 Transfer from general fund	88,956
5240 Transfer from debt service fund - District	760,414
	<hr/>
Total other financing sources (uses)	849,370
	<hr/>

EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES

EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	-
	<hr/>
FUND BALANCE, July 1, 2015	-
	<hr/>
FUND BALANCE, June 30, 2016	\$ -0-
	<hr/> <hr/>

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
School Building Fund - District
Schedule of Revenues, Expenditures, and Changes in Fund Balance
For Fiscal Year Ended June 30, 2016

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 services	
253 Facilities acquisition and construction	
300 Purchased services	-
400 Supplies and materials	-
600 Other objects	
690 Other objects	<u> -</u>
Total expenditures	<u> -</u>

EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES -

FUND BALANCE, July 1, 2015 794,263

FUND BALANCE, June 30, 2016 \$ 794,263

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
School Building Fund - Foundation
Schedule of Revenues, Expenditures, and Changes in Fund Balance
For Fiscal Year Ended June 30, 2016

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

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

EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES

FUND BALANCE, July 1, 2015	-
	<hr/>
FUND BALANCE, June 30, 2016	\$ -0-
	<hr/> <hr/>

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Food Service Fund
Schedule of Revenues, Expenditures, and Changes in Retained Earnings
For Fiscal Year Ended June 30, 2016

REVENUES

1000 Revenue from local sources	
1600 Food service	
1610 Lunch sales to pupils	\$ 689
1630 Special sales to pupils	432
1640 Lunch sales to adults	15,753
1660 Special sales to adults	400
1900 Other revenue from local sources	
1990 Miscellaneous local revenue	
1999 Revenue from other local sources	<u>23,136</u>
Total local sources	<u>40,410</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	366,346
4830 School breakfast program	<u>198,030</u>
Total federal sources	<u>564,376</u>
Total revenue all sources	<u>604,809</u>

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Food Service Fund
Schedule of Revenues, Expenditures, and Changes in Retained Earnings
For Fiscal Year Ended June 30, 2016

EXPENDITURES

250 Finance and operations	
256 Food service	
100 Salaries	\$ 218,968
200 Employee benefits	1,418
300 Purchased services (excludes energy costs)	10,163
400 Supplies and materials (includes energy costs)	386,295
500 Capital outlay	19,416
600 Other objects	<u>6,367</u>
Total expenditures	<u>642,627</u>
OTHER FINANCING SOURCES (USES)	
Interfund transfers, from (to) other funds	
432-791 Food service fund indirect costs	<u>(50,000)</u>
Total other financing sources (uses)	<u>(50,000)</u>
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	(87,818)
RETAINED EARNINGS, July 1, 2015	<u>345,624</u>
RETAINED EARNINGS, June 30, 2016	<u><u>\$ 257,806</u></u>

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Pupil Activity Fund
Balance Sheet
June 30, 2016

	<u>Student Activity Fund</u>
<u>ASSETS</u>	
Due from general fund	\$ <u>37,354</u>
Total assets	\$ <u><u>37,354</u></u>
<u>LIABILITIES AND FUND BALANCES</u>	
LIABILITIES	
Accounts payable	\$ 79
Due to student organizations	<u>37,275</u>
Total liabilities	<u>37,354</u>
FUND BALANCES	
	<u>-0-</u>
Total liabilities and fund balances	\$ <u><u>37,354</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 Fiscal Year Ended June 30, 2016

RECEIPTS

1000 Receipts from local sources	
1700 Pupil activities	
1790 Other pupil activity income	\$ 235,293
1900 Other revenue from local sources	
1920 Contributions and donations from private sources	6,677
1990 Miscellaneous local revenue	
1999 Revenue from other local sources	<u>40,512</u>
Total receipts from local sources	<u>282,482</u>

DISBURSEMENTS

100 Instruction	
190 Instructional pupil activity	
600 Other objects	4,143
200 Support services	
270 Support services - pupil activity	
271 Pupil service activities	
100 Salaries	27,885
200 Employee benefits	8,251
660 Pupil activity	232,132
272 Enterprise activities	
660 Pupil activity	<u>4,837</u>
Total disbursements	<u>277,248</u>

OTHER FINANCING SOURCES (USES)

Interfund transfers, from (to) other funds	
5210 Transfer from General Fund (Excludes indirect costs)	<u>-</u>
Total other financing sources (uses)	<u>-</u>

EXCESS/DEFICIENCY OF RECEIPTS OVER DISBURSEMENTS 5,234

DUE TO STUDENT ORGANIZATIONS, July 1, 2015 32,041

DUE TO STUDENT ORGANIZATIONS, June 30, 2016 \$ 37,275

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Schedule of Due to State Department of Education/Federal Government
June 30, 2016

<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>
Refurbishment of K-8 science kits		3526	Overclaimed funds	\$ 547.34
Child development education program (CDEP)		3541	Overclaimed funds	<u>22,261.39</u>
				<u>\$ 22,808.73</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, 2016

<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	129,484	171,997	2,133,039
Totals	<u>\$ 882,080</u>	<u>\$ 29,168,738</u>	<u>\$ 780,374</u>	<u>\$ 188,666</u>	<u>\$ 31,019,858</u>

<u>Function</u>	<u>Capital Assets July 1, 2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>Capital Assets June 30, 2016</u>
High school	\$ 13,409,270	\$ -	\$ -	\$ 13,409,270
Elementary and middle school	15,477,549	-	-	15,477,549
Administration and services	2,133,039	-	-	2,133,039
Totals	<u>\$ 31,019,858</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,019,858</u>

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Highlights
For the Fiscal Year Ended June 30, 2016

The table on this page presents pupil cost based on the average daily attendance of 781. 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 2015-2016 Average Daily <u>Attendance</u>
Instruction	\$ 5,724.23
Pupil services	354.67
Instructional staff services	897.76
Administration	1,572.12
Finance and operations	2,353.25
Central support	788.64
Pupil activities	192.55
Community services	59.42
Intergovernmental	<u>9.77</u>
Total	<u><u>\$ 11,952.42</u></u>

**MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2016**

<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	16-BA058	\$ 516,978
207	CATE (Subprogram 13)		84.048	16-VA058	<u>6,397</u>
	Total 84. 048				<u>6,397</u>
203	Individuals with disabilities education (IDEA)		84.027	16-CA058	83,116
224	21st century learning center program, Title IV		84.287C	16-CL058	116,000
251	Rural and low-income school program, Title VI		84.358	16-BS058	3,000
205	Preschool grants		84.173	16-CG058	15,069
243	Basic adult education		84.002	16-EA058	6,196
267	Improving teacher quality	**	84.367	16-TQ058	<u>53,739</u>
TOTAL U.S. DEPARTMENT OF EDUCATION					<u>800,495</u>
<u>U. S. DEPARTMENT OF DEFENSE</u>					
Passed through McCormick County					
100	AFJROTC		12.000	N/A	<u>38,043</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>					
Passed through SDE:					
600's	School Lunch Program		10.555		366,346
600's	School Breakfast Program		10.553		198,030
600's	Commodities/Food Distribution		10.550		<u>-</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE					<u>564,376</u>
TOTAL FEDERAL ASSISTANCE EXPENDED					<u>\$ 1,402,914</u>

**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, 2016**

(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, 2016. 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, 2016

<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	\$ 2,552,367
02	McCormick Middle School	Middle school	School	1,440,849
03	McCormick Elementary School	Elementary school	School	2,876,721
05	Vocational School	High school	School	1,749,872
06	Special Services	Non-school	Central	374,781
07	Transportation	Non-school	Central	76,625
10	District	Non-school	Central	2,862,034
16	Grant	Non-school	Central	15,751
20	Adult Education	Non-school	Central	74,759
49	Grant	Non-school	Central	204,817
80	Grant	Non-school	Central	38,254
99	District	Non-school	Central	<u>2,373,192</u>
TOTAL EXPENDITURES/DISBURSEMENTS FOR ALL FUNDS				<u>\$ 14,640,022</u>

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

General Fund	\$ 9,338,538
Special Revenue Fund (includes EIA)	1,881,300
Debt Service Fund	2,500,309
Capital Projects Fund	-
Proprietary Fund	642,627
Trust and agency Fund	<u>277,248</u>
TOTAL EXPENDITURES/DISBURSEMENTS FOR ALL FUNDS	<u>\$ 14,640,022</u>

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Schedule of Prior Year Findings and Questioned Costs
For Fiscal Year Ended June 30, 2016

Financial Statement Findings

2015-001	<u>Bank Statement Reconciliations</u>
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 so that cash account balances are properly stated.
Status:	Bank statement reconciliations were not completed on a timely basis. This comment is repeated in the current year.
2015-002	<u>Reconciliation of Funds Received and Cash Held with County Treasurer</u>
Condition:	Funds received for the debt service fund through the County Treasurer and cash balances held with the County Treasurer were not reconciled on a timely basis throughout the entire fiscal year. 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 for the debt service fund, 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 for the debt service fund.
Recommendation:	Timely reconciliation with the County Treasurer should be performed.
Status:	Reconciliations of funds received and cash held were not completed on a timely basis. This comment is repeated in the current year.

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Schedule of Prior Year Findings and Questioned Costs
For Fiscal Year Ended June 30, 2016

Section II - Financial Statement Findings, continued

2015-003

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. The District made significant progress in improving the review process for amounts reflected in the financial statements. However, during the audit process numerous adjustments and corrections were made to the financial statements. In some 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 continue 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:** The review process was not fully implemented during the year. This comment is repeated in the 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, 2016

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified.

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant weakness(es) identified that are not considered to be material weakness(es)? yes no

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant weakness(es) identified that are not considered to be material weakness(es)? yes no

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

Any audit findings disclosed that required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

84.010
84.367

Title I
Improving teacher quality

Dollar threshold used to distinguish between type A and type B programs: \$750,000

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, 2016

Section II - Financial Statement Findings

2016-001

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 did not perform complete reconciliations of the bank statements regularly 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 so that cash account balances are properly stated.

Response: District management and audit firm have implemented a plan to have an experienced accountant with the audit firm meet with and train District staff in the preparation of bank reconciliations using Excel worksheets in addition to the bank reconciliation program within the District's accounting software package. Good progress was made during the current year but additional training and dedicated time will be devoted to resolving this area of concern during the 2017 fiscal year.

2016-002

Reconciliation of Funds Received and Cash Held with County Treasurer

Condition: Funds received for the debt service fund through the County Treasurer and cash balances held with the County Treasurer were not reconciled on a timely basis throughout the entire fiscal year. 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 for the debt service fund, 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 for the debt service fund.

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, 2016

Section II - Financial Statement Findings, continued

2016-002
Continued

Reconciliation of Funds Received and Cash Held with County Treasurer,

Response: District staff will work in conjunction with the audit firm to develop a process to appropriately account for transactions within the debt service fund. This process will identify the debt service fund cash accounts held by the County Treasurer, establish procedures to request monthly reports from the County Treasurer, and develop a monthly timeline for complete reconciliation and recording in the District's accounting records.

2016-003

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. The District made significant progress in improving the review process for amounts reflected in the financial statements. However, during the audit process numerous adjustments and corrections were made to the financial statements. In some 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 continue 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 invested in initial training for the finance department with the South Carolina Association of School Business Officials. Other training opportunities offered through the District's financial software provider are ongoing and provided to District staff throughout the year.

To address the fact that several adjustments were required during the audit process, the finance department has established a monitoring system. Two staff members will assist in reviewing the data and information related to the monthly financial reports and statement generated by the finance department.

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Schedule of Findings and Questioned Costs
For Fiscal Year Ended June 30, 2016

Section III - Federal Award Findings and Questioned Costs

2016-004

Requests for Grant Reimbursements

- Condition:** The District is responsible to request reimbursements for expenditures incurred in the operation of its federal programs. These reimbursement requests must be submitted on a timely basis and must be supported by appropriate documentation. The District did not submit timely requests for reimbursement for all of its IDEA expenditures during the year and, therefore, did not receive reimbursement for all such expenditures.
- Criteria:** Federal governmental agencies have guidelines regulating the grant application, award, cost reimbursement, and reporting for federal grant programs.
- Effect:** The District did not receive reimbursement of all of its expenditures. As a result, operational and other funds were used to cover shortfalls in its IDEA program.
- Recommendation:** The District should assign responsibility for the oversight of each federal and state grant to an individual who understands the specific guidelines for the grant. This individual should closely monitor all aspects of the grant, including reimbursement requests. The District should have processes in place to insure that requests for reimbursement of grant funds are made on a timely basis.
- Response:** District federal program managers will monitor programs in the SDE Grants Accounting Program in conjunction with the District finance department. This will insure that budgeted funds have been expended and properly submitted for reimbursement. District management will stress the vital importance of intense and concerted cooperation between the District finance department and program offices. The draft accountability manual which the District is currently reviewing and implementing will address this issue.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND OTHER MATTERS
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, 2016, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 1, 2016. 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, material weaknesses or significant deficiencies may exist that have not been identified.

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 no matters that we consider to be significant deficiencies. 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 2016-001 through 2016-003 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.

Purpose of this Report

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

Martin Smith and Company CPAs PA

Greenville, South Carolina
December 1, 2016

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

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

Report on Compliance for Each Major Program

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”) Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016. The District’s major federal programs are identified in the accompanying Schedule of Expenditures of Federal Awards.

Management’s Responsibility

Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the District’s management.

Auditor’s Responsibility

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 audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (“Uniform Guidance”). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District’s compliance with those requirements.

Opinion

In our opinion, McCormick School District No. 1 complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control over compliance.

A deficiency in 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. We noted no matters involving the internal control over compliance that we consider to be a deficiency. 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 a matter involving the internal control over compliance that we consider a material weakness, as described in Finding 2016-004 in the Schedule of Findings and Questioned Costs.

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. Given these limitations, we noted no matters involving the internal control over compliance that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

This report is intended solely for the information and use of the Board of Trustees, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Martin Smith and Company CPAs PA

Greenville, South Carolina
December 1, 2016