MCCORMICK SCHOOL DISTRICT
NUMBER 1

MCCORMICK, SOUTH CAROLINA

ANNUAL FINANCIAL REPORT
June 30, 2018

(With Independent Auditors' Report Thereon)

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Annual Financial Report
Table of Contents
June 30, 2018

FINANCIAL SECTION

Exhibit		Page(s)
	Independent Auditors' Report on Financial Statements	1-2
	Management's Discussion and Analysis	3-11
	BASIC FINANCIAL STATEMENTS	
	Government-wide Financial Statements	
A	Statement of Net Position	12
B	Statement of Activities	13
	Fund Financial Statements	
C	Balance Sheet - Governmental Funds	14
D	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	15
E	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	16
F	Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
	Statements of Revenues, Expenditures, and Changes in Fund Balance-Budget to Actual:	
G	General Fund	18
H	Special Revenue Funds - Special Projects Fund	19
I	Special Revenue Funds - Education Improvement Act	20
J	Statement of Net Position - Proprietary Funds	21
K	Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	22
L	Statement of Cash Flows - Proprietary Funds	23
M	Statement of Fiduciary Net Position - Fiduciary Fund	24
N	Statement of Changes in Fiduciary Net Position - Fiduciary Fund	25
	Notes to the Basic Financial Statements	26-54

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Annual Financial Report
Table of Contents
June 30, 2018

FINANCIAL SECTION, Continued

REQUIRED SUPPLEMENTARY INFORMATION

Schedule		Page(s)
1	Schedule of the Proportionate Share of the Net Pension Liability	55
2	Schedule of District Contributions - Pension Plan	56
3	Schedule of the Proportionate Share of the Net OPEB Liability	57
4	Schedule of District Contributions - OPEB Plan	58
5	General Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	59-66

OTHER SUPPLEMENTARY INFORMATION

Schedule		Page(s)
6	Special Revenue Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance	67-76
7	Special Revenue Fund - Schedule of Program Classifications	77
8	Special Revenue Fund - Summary Schedule for Designated State Restricted Grants	78
9	Education Improvement Act - Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance - All Programs	79-82
10	Education Improvement Act - Summary Schedule by Program	83
11	Debt Service Fund - District Schedule of Revenues, Expenditures, and Changes in Fund Balance	84
12	Debt Service Fund - Foundation Schedule of Revenues, Expenditures, and Changes in Fund Balance	85
13	School Building Fund - District Schedule of Revenues, Expenditures, and Changes in Fund Balance	86
14	School Building Fund - Foundation Schedule of Revenues, Expenditures, and Changes in Fund Balance	87
15	Food Service Fund - Schedule of Revenues, Expenditures, and Changes in Retained Earnings	88-89
16	Pupil Activity Fund - Balance Sheet	90
17	Pupil Activity Fund - Schedule of Receipts, Disbursements, and Changes in Due to Student Organizations	91
18	Schedule of Due to State Department of Education/Federal Government	92
19	Schedule of Capital Assets Used in Governmental Operations Funds by Function	93

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Annual Financial Report
Table of Contents
June 30, 2018

FINANCIAL SECTION, Continued

OTHER SUPPLEMENTARY INFORMATION, Continued

Schedule		Page(s)
20	Highlights……	94
21	Schedule of Expenditures of Federal Awards……	95-96
22	Location Reconciliation Schedule……	97
	COMPLIANCE SECTION	
23	Schedule of Prior Year Findings and Questioned Costs……	98
24	Schedule of Findings and Questioned Costs……	99-104
	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……	105
	Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by Uniform Guidance……	106-107

MARTIN · SMITH
& COMPANY CPAs

INDEPENDENT AUDITORS' REPORT
ON FINANCIAL STATEMENTS

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, 2018, 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, 2018, 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, pension liability and contribution schedules, and other post-employment benefits 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 November 28, 2018, 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
November 28, 2018

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, 2018. 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 2018 are as follows:

- In the Statement of Net Position, the liabilities and deferred inflows of the District exceeded its assets and deferred outflows at the close of the 2018 fiscal year by $3,387,455. Of this amount, $15,442,791 represented an investment in capital assets, net of accumulated depreciation and related debt. The District also had $1,376,817 restricted for debt service, capital projects, and other items. Therefore, the District reported a deficit balance in unrestricted net position of $20,207,063. This deficit is entirely due to the implementation of GASB Statements No. 68 and 75 as described more fully below.

- The District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* this year. With the reporting change, the District is allocated its proportionate share of the net liability for other postemployment benefits ("OPEB"), deferred outflows of resources, deferred inflows of resources, and expense of its OPEB plan. A restatement was done to the governmental activities net position to record the effects of the application of the new reporting guidance, which decreased beginning net position by $9,899,258.

- The District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in a previous year. 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 $1,697,589 for the 2018 fiscal year, as compared to an increase of $326,891 in the previous year. Included in expenses was $1,030,013 of depreciation expense on the District's fixed assets.

- The District had $15,260,909 in expenses related to governmental activities; of these expenses $5,677,837 was offset by program specific operating grants and contributions. General revenues (primarily taxes) of $7,937,807 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 $2,652,593, a decrease of $1,195,296. $1,203,273 is unassigned and available for spending at the government's discretion. $1,376,817 is restricted and $72,503 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 $1,203,273, which is 12% 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 $1,437,000, as the District borrowed $3,347,000 under general obligation bonds and paid $4,784,000 on its bonded indebtedness.

- During the 2018 fiscal year, the District's governmental fund-type revenues were $13,559,818 compared to $14,034,589 in the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The Statement of Net 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 District'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. These 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 the District's near-term financing requirements.

Because the focus of Governmental Funds is narrower than that of the Government-wide Financial Statements, it is useful to compare the information presented for Governmental Funds with similar information presented for Governmental Activities in the Government-wide Financial Statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate 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 School Building Fund, all of which are considered major funds.

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. In addition to the financial statements and accompanying notes, this report includes certain required supplementary information. A required budgetary comparison schedule has been provided for the General Fund which has a legally adopted budget to demonstrate its compliance with the budget. Required pension plan schedules have been included which provide relevant information regarding the District's participation in the South Carolina Retirement System.

Budgets for the Special Revenue Funds-Special Projects Fund and Special Revenue Funds–EIA Fund are not legally adopted. Budgets for the School Building Fund and Debt Service Fund are legally adopted. Budgetary comparison schedules (to demonstrate compliance with their budgets) and the combining and individual fund financial schedules are included in the supplementary information section.

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

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, liabilities and deferred inflows exceeded assets and deferred outflows by $3,387,455 at the close of the most recent fiscal year.

The following table provides a summary of the School District's net position for 2018 compared to 2017:

Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Assets						
Current and other assets	$ 6,880,632	$ 6,998,742	$ 205,698	$ 244,041	$ 7,086,330	$ 7,242,783
Capital assets	19,205,197	20,235,210	28,594	42,575	19,233,791	20,277,785
Total assets	26,085,829	27,233,952	234,292	286,616	26,320,121	27,520,568
Deferred Outflows	3,061,160	2,034,687	-	-	3,061,160	2,034,687
Liabilities						
Long-term liabilities	3,791,000	5,228,000	-	-	3,791,000	5,228,000
Net pension liability	23,791,936	12,882,492	-	-	23,791,936	12,882,492
Other liabilities	4,228,039	3,150,853	-	-	4,228,039	3,150,853
Total liabilities	31,810,975	21,261,345	-	-	31,810,975	21,261,345
Deferred Inflows	957,761	84,518	-	-	957,761	84,518
Net Position						
Net investment in capital assets	15,414,197	15,007,210	28,594	42,575	15,442,791	15,049,785
Restricted	1,376,817	1,592,553	-	-	1,376,817	1,592,553
Unrestricted	(20,412,761)	(8,676,987)	205,698	244,041	(20,207,063)	(8,432,946)
Total net position	$ (3,621,747)	$ 7,922,776	$ 234,292	$ 286,616	$ (3,387,455)	$ 8,209,392

Government Activities - Net position of the District's Governmental Activities decreased to ($3,621,747), as compared to $7,922,776. 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 ($8,676,987) at June 2017 to ($20,412,761) at June 2018.

The deficit net position for the year ended June 30, 2018 is the result of the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in the current year and GASB No. 68, *Accounting and Financial Reporting for Pensions* in a previous year.

Business-Type Activities - The net position of business-type activities decreased $52,324 ($234,292 compared to $286,616) for the year ended June 30, 2018.

The following table shows the changes in net position for fiscal year 2018 compared to 2017:

Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Revenues						
Program revenues:						
Charges for services	$ -	$ -	$ 27,440	$ 28,539	$ 27,440	$ 28,539
Operating grants	5,677,837	5,156,743	616,878	665,162	6,294,715	5,821,905
Capital grants	-	-	-	-	-	-
General revenue:						
Property taxes	7,783,650	8,824,077	-	-	7,783,650	8,824,077
Other	154,157	53,769	23	23	154,180	53,792
Total revenues	13,615,644	14,034,589	644,341	693,724	14,259,985	14,728,313
Program Expenses						
Instruction	7,268,385	6,518,244	-	-	7,268,385	6,518,244
Support services	7,616,772	6,862,960	-	-	7,616,772	6,862,960
Community services	148,016	116,579	-	-	148,016	116,579
Intergovernmental	18,876	13,253	-	-	18,876	13,253
Interest and fiscal charges	208,860	225,472	-	-	208,860	225,472
Food service	-	-	696,665	664,914	696,665	664,914
Total expenses	15,260,909	13,736,508	696,665	664,914	15,957,574	14,401,422
Transfer (Food service)	-	-	-	-	-	-
Changes in net position	$ (1,645,265)	$ 298,081	$ (52,324)	$ 28,810	$ (1,697,589)	$ 326,891

Changes in Net Position. Overall, the District's net position declined in 2018, as expenses exceeded revenues (including depreciation of $1,030,013) by $1,697,589. Total revenue showed a decrease of $468,328 when comparing 2018 to 2017. Program revenues, which included Federal and State revenues, increased by $472,810 due to higher allocations from the State of South Carolina in the Education Finance Act area, and an increase in the District's student enrollment. However, property taxes decreased for the current year.

Instruction expenses increased $750,141 and support services expenses increased $753,812. The increase in instruction expenses reflected a "Step" raise (additional year of experience) for teachers, teacher certificate upgrades, an increase in State health insurance premium, and a rate increase in the employer portion of the State Retirement System rates. The net increase in support services expenses reflected a "Step" for non-teachers, the non-teacher portion of State health insurance and retirement premiums increases, and modification to the academic and athletic salary supplement schedules.

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 serves 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, 2018, the District's Governmental Funds reported a combined fund balance of $2,652,593, as compared to $3,847,889 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, 2018, the District's unassigned fund balance for all Governmental Funds was $1,203,273 which solely represents the General Fund. The remainder includes funds restricted for capital projects of $783,117 and restricted for debt service of $548,906.

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 $1,203,273.

The District's General Fund balance decreased by $979,560 during the current fiscal year, compared to a decrease of $13,810 in the previous year. The District had a decrease in revenues, primarily in property taxes, for the year, accompanied by an increase in expenses. The District has heightened its 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 School Building.

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 over the past several fiscal years; however, in the current fiscal year it was reduced, decreasing by $215,758. The fiscal year ended 2018 Debt Service Fund balance is $548,906, all of which is reserved for the payment of debt service. The District's debt millage rate continues to be static.

The District's School Building Fund balance was $783,117 at the end fiscal year 2018, all of which is restricted for capital projects.

Proprietary Funds

The District's only Proprietary Fund is the Food Service Fund. This program had a net loss of $52,324 for the fiscal year ended June 30, 2018.

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 2018, substantial amendments to the District's General Fund revenue budget were made. However, net differences between the original budget and the final amended budget for revenues were relatively minor.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018, the District had $19,233,791 invested in capital assets, net of depreciation.

The following table shows fiscal 2018 balances compared to 2017:

Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land/Land Improvements	$ 774,728	$ 784,487	$ -	$ -	$ 774,728	$ 784,487
Buildings	18,401,178	19,336,336	-	-	18,401,178	19,336,336
Equipment	-	80,213	-	-	-	80,213
Vehicles	29,291	34,174	28,594	42,575	57,885	76,749
Totals	$ 19,205,197	$ 20,235,210	$ 28,594	$ 42,575	$ 19,233,791	$ 20,277,785

Long-term Debt and Capital Lease Obligations

In August 2017, the District issued $450,000 general obligation bonds, Series 2017. The bonds were issued to facilitate required payments on an existing financing agreement. The bonds were paid off in March 2018, as scheduled. In June 2018, the District issued $2,897,000 general obligation bonds, Series 2018. The bonds were issued to facilitate the full repayment of all Foundation facilities bonds.

At fiscal year-end, the District had $3,678,000 in bonds outstanding versus $1,311,000 in the prior year, an increase of $2,367,000. At fiscal year-end, the District also had $113,000 in acquisition agreement debt outstanding versus $226,000 in the prior year, a decrease of $113,000.

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. The Foundation issued facilities bonds in the amount of $10,000,000 pursuant to a School Facilities Use and Occupancy Agreement ("the Facilities Agreement"). The bonds were issued to facilitate the construction of a new high school educational facility and related athletic facilities. 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 no bonds outstanding versus $3,691,000 in the prior year:

Outstanding Debt, at Year End

	Governmental Activities	
	2018	2017
District acquisition agreement debt	$ 113,000	$ 226,000
District Refunding Bonds 2014 Series	308,000	607,000
Foundation Facilities Bonds 2008 Series	-	3,691,000
General Obligation Bonds 2015 Series	473,000	704,000
General Obligation Bonds 2018 Series	2,897,000	-
Total	$ 3,791,000	$ 5,228,000

Economic Factors

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

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

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

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 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. Tiers 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 2018 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.

REQUEST FOR INFORMATION

This financial report is designed to provide those interested with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Office of the Executive Director of Finance, at McCormick School District Number One, 821 North Mine Street, McCormick, South Carolina 29835. In addition, this Comprehensive Annual Financial Report may be found on the District's website at https://www.mccormick.k12.sc.us.

Exhibit A

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Statement of Net Position
June 30, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 2,377,438	$ 57	$ 2,377,495
Cash with fiscal agent	2,257,580	-	2,257,580
Investments	708,609	-	708,609
Accounts receivable	75,153	-	75,153
Property taxes receivable	810,545	-	810,545
Due from governmental agencies	757,366	-	757,366
Internal balances	(198,592)	198,592	-
Prepaid expenses	72,503	7,049	79,552
Other assets	20,030	-	20,030
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	(11,814,661)	(130,328)	(11,944,989)
Total capital assets, net of depreciation	19,205,197	28,594	19,233,791
Total assets	26,085,829	234,292	26,320,121
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts related to pensions and OPEB	3,061,160	-	3,061,160
Total deferred outflows of resources	3,061,160	-	3,061,160
LIABILITIES			
Accounts payable	1,761,602	-	1,761,602
Unearned income	2,339,235	-	2,339,235
Due to other governmental units	127,202	-	127,202
Net pension and OPEB liability	23,791,936	-	23,791,936
Long-term liabilities:			
Due within one year	2,008,000	-	2,008,000
Due in more than one year	1,783,000	-	1,783,000
Total liabilities	31,810,975	-0-	31,810,975
DEFERRED INFLOWS OF RESOURCES			
Deferred amounts related to pensions and OPEB	957,761	-	957,761
Total deferred inflows of resources	957,761	-0-	957,761
NET POSITION			
Net investment in capital assets	15,414,197	28,594	15,442,791
Restricted for:			
Capital projects	783,117	-	783,117
Debt service	548,906	-	548,906
Other	44,794	-	44,794
Unrestricted net position (deficit)	(20,412,761)	205,698	(20,207,063)
Total net position (deficit)	$ (3,621,747)	$ 234,292	$ (3,387,455)

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

Exhibit B

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Statement of Activities
For the Year Ended June 30, 2018

Functions / Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net Revenue (Expense) and Change in Net Position: Governmental Activities	Net Revenue (Expense) and Change in Net Position: Business - Type Activities	Net Revenue (Expense) and Change in Net Position: Total
Governmental activities:							
Instruction	$ 7,268,385	$ -	$ 3,720,827	$ -	$ (3,547,558)		$ (3,547,558)
Support services	7,616,772	-	1,905,506	-	(5,711,266)		(5,711,266)
Community services	148,016	-	46,976	-	(101,040)		(101,040)
Intergovernmental	18,876	-	4,528	-	(14,348)		(14,348)
Interest and other charges	208,860	-	-	-	(208,860)		(208,860)
Total governmental activities	15,260,909	-	5,677,837	-	(9,583,072)		(9,583,072)
Business-type activities:							
Food service	696,665	27,440	616,878	-	-	$ (52,347)	(52,347)
Total business-type activities	696,665	27,440	616,878	-	-	(52,347)	(52,347)
Total primary government	$ 15,957,574	$ 27,440	$ 6,294,715	$ -0-	(9,583,072)	(52,347)	(9,635,419)
General revenues:							
Property taxes levied for:							
General purposes					6,648,629	-	6,648,629
Debt service					1,135,021	-	1,135,021
Miscellaneous					154,135	-	154,135
Unrestricted investment earnings					22	23	45
Total general revenues, special, and extraordinary items					7,937,807	23	7,937,830
Change in net position					(1,645,265)	(52,324)	(1,697,589)
Net position, beginning of year, as previously reported					7,922,776	286,616	8,209,392
Cumulative change in accounting principle - GASB 75					(9,899,258)	-	(9,899,258)
Net position, beginning of year, as restated					(1,976,482)	286,616	(1,689,866)
Net position, end of year					$ (3,621,747)	$ 234,292	$ (3,387,455)

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

Exhibit C

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Balance Sheet - Governmental Funds
June 30, 2018

	General	Special Revenue	EIA	Debt Service - District	Debt Service - Foundation	School Building - District	School Building - Foundation	Governmental Funds
ASSETS								
Cash and cash equivalents	$ 2,332,644	$ 44,794	$ -	$ -	$ -	$ -	$ -	$ 2,377,438
Cash with fiscal agent	1,176,744	-	-	868,974	-	211,862	-	2,257,580
Investments	708,609	-	-	-	-	-	-	708,609
Accounts receivable	19,961	-	-	55,192	-	-	-	75,153
Property taxes receivable	656,374	-	-	154,171	-	-	-	810,545
Due from governmental agencies	-	750,406	6,960	-	-	-	-	757,366
Due from other funds	285,690	-	1,255,710	-	-	571,255	-	2,112,655
Prepaid expenses	72,503	-	-	-	-	-	-	72,503
Total assets	$ 5,252,525	$ 795,200	$ 1,262,670	$ 1,078,337	$ -0-	$ 783,117	$ -0-	$ 9,171,849
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	$ 1,761,603	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,761,603
Due to other funds	1,846,613	9,245	-	435,358	-	-	-	2,291,216
Due to other governmental units	-	122,674	4,528	-	-	-	-	127,202
Unearned income	368,533	618,487	1,258,142	94,073	-	-	-	2,339,235
Total liabilities	3,976,749	750,406	1,262,670	529,431	-0-	-0-	-0-	6,519,256
Fund balances:								
Nonspendable	72,503	-	-	-	-	-	-	72,503
Restricted	-	44,794	-	548,906	-	783,117	-	1,376,817
Committed	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-
Unassigned	1,203,273	-	-	-	-	-	-	1,203,273
Total fund balances	1,275,776	44,794	-	548,906	-	783,117	-	2,652,593
Total liabilities and fund balance	$ 5,252,525	$ 795,200	$ 1,262,670	$ 1,078,337	$ -0-	$ 783,117	$ -0-	$ 9,171,849

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

Exhibit D

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2018

Total fund balances - Governmental Funds	$	2,652,593
Amounts reported for governmental activities in the Statement of Net Position are different because of the following:		
Capital assets used in Governmental Activities are not financial resources and, therefore, are not reported in Governmental Funds. The cost of assets is $31,019,858 and the accumulated depreciation is $11,814,661.		19,205,197
Deferred outflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.		3,061,160
Deferred inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.		(957,761)
Long-term liabilities, including net pension and OPEB liability and bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		(27,582,936)
Net position of Governmental Activities	$	(3,621,747)

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, 2018

	General	Special Revenue	EIA	Debt Service - District	Debt Service - Foundation	School Building - District	School Building - Foundation	Governmental Funds
REVENUES								
Local property taxes	$ 3,317,059	$ -	$ -	$ 1,135,021	$ -	$ -	$ -	$ 4,452,080
Other local	98,288	395,212	-	-	-	-	-	493,500
Total local	3,415,347	395,212	-	1,135,021	-	-	-	4,945,580
State	5,442,213	457,398	1,149,134	176,301	-	-	-	7,225,046
Federal	38,576	1,307,237	-	-	-	-	-	1,345,813
Intergovernmental	-	43,379	-	-	-	-	-	43,379
Total revenues all sources	8,896,136	2,203,226	1,149,134	1,311,322	-	-	-	13,559,818
EXPENDITURES								
Current:								
Instruction	4,602,619	1,145,342	436,037	-	-	-	-	6,183,998
Support services	5,183,593	717,418	434,927	-	-	-	-	6,335,938
Community services	101,040	46,976	-	-	-	-	-	148,016
Intergovernmental	14,348	-	4,528	-	-	-	-	18,876
Debt service:								
Principal	-	-	-	1,093,000	3,691,000	-	-	4,784,000
Interest and other	-	-	-	80,880	127,980	-	-	208,860
Capital outlay	137,300	226,931	58,195	-	-	-	-	422,426
Total expenditures	10,038,900	2,136,667	933,687	1,173,880	3,818,980	-	-	18,102,114
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,142,764)	66,559	215,447	137,442	(3,818,980)	-	-	(4,542,296)
OTHER FINANCING SOURCES (USES)								
Bond proceeds	-	-	-	3,347,000	-	-	-	3,347,000
Operating transfers in	215,447	-	-	118,780	3,818,980	-	-	4,153,207
Operating transfers out	(118,780)	-	(215,447)	(3,818,980)	-	-	-	(4,153,207)
Indirect cost transfers	66,537	(66,537)	-	-	-	-	-	-
Total other financing sources (uses)	163,204	(66,537)	(215,447)	(353,200)	3,818,980	-	-	3,347,000
Net changes in fund balances	(979,560)	22	-0-	(215,758)	-0-	-0-	-0-	(1,195,296)
FUND BALANCE, July 1, 2017	2,255,336	44,772	-0-	764,664	-0-	783,117	-0-	3,847,889
FUND BALANCE, June 30, 2018	$ 1,275,776	$ 44,794	$ -0-	$ 548,906	$ -0-	$ 783,117	$ -0-	$ 2,652,593

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, 2018

Total net change in fund balance - Governmental Funds	$ (1,195,296)
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 and OPEB contributions as expenditures. However, in the Statement of Activities, the cost of pension and OPEB benefits earned net of employer contributions is reported as expense. This is the amount by which the costs of benefits earned ($1,129,419) exceeds employer contributions ($742,590).	(911,758)
Governmental Funds report certain non-employer OPEB contributions as revenue. However, in the Statement of Activities, such contributions are not recorded as revenue.	54,802
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.	(3,347,000)
Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	4,784,000
Changes in net position of Governmental Activities	$ (1,645,265)

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

Exhibit G

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, 2018

	Original	Final	Actual (Budgetary Basis)	Variance with Final Budget - Favorable (Unfavorable)
REVENUES				
Local	$ 3,374,071	$ 3,374,071	$ 3,415,347	$ 41,276
State	5,433,885	5,433,885	5,442,213	8,328
Federal	35,000	35,000	38,576	3,576
Intergovernmental	-	-	-	-
Total revenues all sources	8,842,956	8,842,956	8,896,136	53,180
EXPENDITURES				
Current:				
Instruction	3,952,271	3,952,271	4,602,619	(650,348)
Support services	5,435,325	5,435,325	5,183,593	251,732
Community services	79,359	79,359	101,040	(21,681)
Intergovernmental	7,000	7,000	14,348	(7,348)
Capital outlay	277,300	277,300	137,300	140,000
Total expenditures	9,751,255	9,751,255	10,038,900	(287,645)
Excess (deficiency) of revenues over expenditures	(908,299)	(908,299)	(1,142,764)	(234,465)
OTHER FINANCING SOURCES (USES)				
Transfer from Special Revenue Fund	450,000	450,000	-	(450,000)
Transfer from EIA Fund	166,581	166,581	215,447	48,866
Transfer from School Building Fund	500,000	500,000	-	(500,000)
Transfer from other funds indirect costs	12,500	12,500	66,537	54,037
Transfer from General Fund	941,543	941,543	-	(941,543)
Transfer to Debt Service Fund	(1,150,000)	(1,150,000)	(118,780)	1,031,220
Net changes in fund balance	$ 12,325	$ 12,325	(979,560)	$ (991,885)
Fund balance, July 1, 2017			2,255,336	
Fund balance, June 30, 2018			$ 1,275,776	

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

Exhibit H

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, 2018

	Original	Final	Actual (Budgetary Basis)	Variance with Final Budget - Favorable (Unfavorable)
REVENUES				
Local	$ 830,182	$ 830,182	$ 395,212	$ (434,970)
State	733,173	732,284	457,398	(274,886)
Federal	1,623,483	1,624,372	1,307,237	(317,135)
Intergovernmental	248,585	248,585	43,379	(205,206)
Total revenues all sources	3,435,423	3,435,423	2,203,226	(1,232,197)
EXPENDITURES				
Current:				
Instruction	1,543,640	1,543,640	1,145,342	398,298
Support services	1,150,150	1,150,150	717,418	432,732
Community services	234,520	234,520	46,976	187,544
Intergovernmental	-	-	-	-
Capital outlay	346,865	346,865	226,931	119,934
Total expenditures	3,275,175	3,275,175	2,136,667	1,138,508
Excess (deficiency) of revenues over expenditures	160,248	160,248	66,559	(93,689)
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	(76,559)	(76,559)	-	76,559
Special revenue fund indirect costs	(83,689)	(83,689)	(66,537)	17,152
Total other financing sources (uses)	(160,248)	(160,248)	(66,537)	93,711
Net changes in fund balance	$ -0-	$ -0-	22	$ -0-
Fund balance, July 1, 2017			44,772	
Fund balance, June 30, 2018			$ 44,794	

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

Exhibit I

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, 2018

	Original	Final	Actual (Budgetary Basis)	Variance with Final Budget - Favorable (Unfavorable)
REVENUES				
Local	$ -	$ -	$ -	$ -
State	2,361,377	2,406,693	1,149,134	(1,257,559)
Federal	-	-	-	-
Intergovernmental	-	-	-	-
Total revenues all sources	2,361,377	2,406,693	1,149,134	(1,257,559)
EXPENDITURES				
Current:				
Instruction	477,987	477,987	436,037	41,950
Support services	627,557	629,291	434,927	194,364
Community services	-	-	-	-
Intergovernmental	-	-	4,528	(4,528)
Capital outlay	1,083,968	1,083,968	58,195	1,025,773
Total expenditures	2,189,512	2,191,246	933,687	1,257,559
Excess (deficiency) of revenues over expenditures	171,865	215,447	215,447	-
OTHER FINANCING SOURCES (USES)				
Transfer to General Fund	(171,865)	(215,447)	(215,447)	-
Net changes in fund balance	$ -0-	$ -0-	-0-	$ -0-
Fund balance, July 1, 2017			-0-	
Fund balance, June 30, 2018			$ -0-	

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

Exhibit J

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Statement of Net Position
Proprietary Funds
June 30, 2018

	Enterprise Fund Food Services
ASSETS	
Current assets:	
Cash and cash equivalents	$ 57
Due from other funds	198,591
Inventories - supplies and materials	7,050
Total current assets	205,698
Noncurrent assets:	
Furniture and equipment	158,922
Less accumulated depreciation	(130,328)
Total noncurrent assets	28,594
Total assets	234,292
NET POSITION	
Net investment in capital assets	28,594
Unrestricted	205,698
Total net position	$ 234,292

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

Exhibit K

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, 2018

	Enterprise Fund Food Services
OPERATING REVENUES	
Proceeds from sale of meals	$ 27,441
Total operating revenues	27,441
OPERATING EXPENSES	
Food costs	316,409
Salaries and wages	235,364
Supplies and materials	91,784
Depreciation	13,980
Other operating costs	39,130
Total operating expenses	696,667
Operating income (loss)	(669,226)
NONOPERATING REVENUES (EXPENSES)	
USDA reimbursements	616,879
Other state aid	23
Total nonoperating revenues (expenses)	616,902
Income (loss) before operating transfers	(52,324)
Transfers in (out)	-
Change in net position	(52,324)
Total net position - July 1, 2017	286,616
Total net position - June 30, 2018	$ 234,292

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

Exhibit L

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Statement of Cash Flows
Proprietary Funds
For Fiscal Year Ended June 30, 2018

		Enterprise Fund Food Services
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from patrons	$	27,441
Payments to employees for services		(235,364)
Payments to suppliers for goods and services		(370,229)
Net cash received from (used by) operating activities		(578,152)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from USDA reimbursements		578,129
Cash received from other local and federal sources		23
Net cash received from (used for) noncapital financing activities		578,152
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Net cash received from (used for) capital and related financing activities		-
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash received from (used by) investing activities		-
Net increase (decrease) in cash and cash equivalents		-
Cash and cash equivalents - July 1, 2017		57
Cash and cash equivalents - June 30, 2018	$	57
Reconciliation of operating income (loss) to net cash received from (used by) operating activities:		
Operating income (loss) - Exhibit K	$	(669,226)
Adjustments to reconcile operating income (loss) to net cash received from (used by) operating activities:		
Depreciation		13,980
USDA commodities used		38,750
Change in assets and liabilities:		
(Increase) decrease in inventories		(6,051)
(Increase) decrease in due from other funds		44,395
Net cash received from (used by) operating activities	$	(578,152)

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

Exhibit M

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2018

	Agency Fund Pupil Activity
ASSETS	
Due from student organizations	$ 20,030
Total assets	20,030
LIABILITIES	
Due to General Fund	20,030
Total liabilities	20,030
NET POSITION	
Unreserved - undesignated	-0-
Total net position	$ -0-

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

Exhibit N

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For Fiscal Year Ended June 30, 2018

	Agency Fund Pupil Activity
ADDITIONS	
Receipts	
Other	$ 316,720
Total receipts	316,720
DEDUCTIONS	
Pupil activity programs	367,299
Decrease in due to student organizations	(50,579)
Total deductions	316,720
CHANGE IN NET ASSETS	-0-
Net position, beginning of year	-0-
Net position, end of year	$ -0-

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

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the McCormick School District Number One, 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 School District Number One, 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 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 GASB Statement No. 14, "The Financial Reporting Entity". The established criteria set forth in GASB's 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.

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.

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.

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.

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.

School Building 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 School Building Fund - Foundation.

School Building 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 for this District 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.

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 $2,377,495 because of outstanding checks, deposits in transit, and other reconciling items) of $2,692,744 at June 30, 2018, was insured or fully collateralized. The District's certificates of deposit balances of $708,609 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 ("FDIC") 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, 2018 are as follows:

Insured	$ 527,791
Collateralized	2,164,953
Total bank balance	$ 2,692,744

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.

Interest Rate Risk: Interest rate risk for investments is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses form increasing interest rates.

Credit Risk for Investments: Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District does not have an investment policy for credit risk.

Cu**stodial Credit Risk for Investments:** Custodial credit risk for investments is the risk that, in the event of a bank failure, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have an investment policy for custodial credit risk. As of June 30, 2018, none of the District's investments were exposed to custodial credit risk.

Concentration of Credit Risk for Investments: The District places no limit on the amount it may invest in any one issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds and external investment pools are excluded from this disclosure requirement. None of the District's other security investments exceeded 5% of the total amount invested.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

d) Cash, Cash Equivalents and Investments, continued

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

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

For purposes of the Statement of Cash Flows, the District's proprietary fund-type considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

e) Receivables and Payables

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due from other funds" or "due to other funds". These amounts are eliminated in the Governmental and Business-type Activities columns of the Statement of Net Assets, except for the net residual amounts due between Governmental and Business-type Activities.

f) Inventories and Prepaid Assets

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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

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.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

g) Capital Assets, continued

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

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

h) Accrued Liabilities and Long-Term Obligations

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

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

In the Government-wide 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 ("NPL"), 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 NPL 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 NPL 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.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

j) Postemployment Benefits Other Than Pensions

In Government-wide Financial Statements, postemployment benefits other than pensions ("OPEB") are required to be recognized and disclosed using the accrual basis of accounting, regardless of the amount recognized as OPEB expenditures on the modified accrual basis of accounting. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plans and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, the plans recognize benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

k) 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. The District has deferred charges on refunding reported in the Government-wide Statement of Net Position and outflows related to pensions and OPEB plans. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. District contributions to the pension and OPEB plans subsequent to the measurement date and the net difference between expected and actual experience in the pension and OPEB plans 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 and OPEB liability (which includes pension and OPEB contributions made after the measurement date) or (b) amortized in a systematic and rational way to pension and OPEB 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 and OPEB plan investments are included as deferred inflows of resources. These deferred credits are amortized in a systematic and rational way as a reduction to pension and OPEB expense in future periods in accordance with GAAP.

l) 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.

m) 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's 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's administration. The District has no assigned fund balance amounts.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

m) Fund Equity, continued

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

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

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

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

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

n) 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.

o) Fair Value

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

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

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

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

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

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

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

o) Fair Value, continued

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

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

p) Use of Estimates

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

2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Practices – Formal budgetary accounting is employed as a management tool for the District. Budgets are presented in the basic financial statements section for General Fund and all major Special Revenue Funds. Each budget is presented on the modified accrual basis of accounting which is consistent with GAAP. Each budget is prepared by function and object as dictated by the State of South Carolina adopted Program Oriented Budgeting and Accounting System and for management control purposes. This District's policies allow funds to be transferred between functions. However, the total budget cannot be increased beyond that level without approval of the Board in supplementary action. The legal level of control is at the fund level. During the year, the Board revised the budget.

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

1) In the fall of the preceding year, the District begins its budget process for the next succeeding fiscal year beginning on July 1.

2) After the District's budget committee reviews all requests and allocation requirements and related revenue, it presents a tentative proposed budget to the Superintendent for his review and adjustment.

3) The Superintendent then presents a proposed budget to the Board of Trustees which reviews it in a series of workshops and makes any additions or deletions it deems necessary.

4) Prior to July 1, the budget is legally enacted through passage of a resolution by the Board.

5) The Board of Trustees recommends the budget to the McCormick County Council.

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

3) DUE FROM/DUE TO OTHER FUNDS

Interfund balances at June 30, 2018, consist of the following individual fund receivables and payables:

Fund	Receivable	Payable
General Fund	$ 285,690	$ 1,846,613
Special Revenue Funds:		
Special Projects Fund	-	9,245
Education Improvement Act Fund	1,255,710	-
Debt Service Fund	-	435,359
School Building Fund	571,255	-
Proprietary Fund	198,592	-
Pupil Activity Fund	-	20,030
	$ 2,311,247	$ 2,311,247

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 General Fund owing the Debt Service Fund and School Building Fund for payments made on its behalf, and the General Fund paying payroll costs for the Food Service Fund.

Transfers from and to other finds for the year ended June 30, 2018, consisted of the following:

Fund	Transfers In	Transfers Out
Governmental Funds:		
General Fund	$ 281,984	$ 118,780
Special Projects Fund		66,537
Education Improvement Act Fund	-	215,447
Debt Service Fund	3,937,760	3,818,980
Totals	$ 4,219,744	$ 4,219,744

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, 2018

4) CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2018, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
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
	30,332,964	-	-	30,332,964
Less accumulated depreciation for:				
Land improvements	97,593	9,759	-	107,352
Buildings	9,832,402	935,158	-	10,767,560
Equipment	700,161	80,213	-	780,374
Vehicles	154,492	4,883	-	159,375
	10,784,648	1,030,013	-	11,814,661
Total capital assets being depreciated, net	19,548,316	1,030,013	-	18,518,303
Governmental activities capital assets, net	$ 20,235,210	$ 1,030,013	$ -0-	$ 19,205,197

Depreciation was charged to functions/programs as follows:

Governmental activities:	
Instruction	$ 535,607
Support	494,406
Total depreciation expense - governmental activities	$ 1,030,013

5) LONG-TERM DEBT

The following is a summary of changes in long-term debt for the District for the year ended June 30, 2018:

	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018
Acquisition agreement debt	$ 226,000	$ -	$ 113,000	$ 113,000
Foundation facilities bonds	3,691,000	-	3,691,000	-
General obligation bonds	1,311,000	3,347,000	980,000	3,678,000
	$ 5,228,000	$ 3,347,000	$ 4,784,000	$ 3,791,000

Long-term debt payable at June 30, 2018 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%.	$ 113,000
$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%.	308,000
$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%.	473,000
$2,897,000 2018 general obligation bonds due in annual installments of $362,000 to $1,374,000 through March 1, 2021; interest due semi-annually at 2.82%.	2,897,000
	$ 3,791,000

The annual requirements of principal and interest to service all long-term debt outstanding at June 30, 2018 are as follows:

June 30	Principal	Interest	Total
2019	$ 2,008,000	$ 77,563	$ 2,085,563
2020	1,421,000	52,017	1,473,017
2021	362,000	10,208	372,208
	$ 3,791,000	$ 139,788	$ 3,930,788

In August 2017, the District issued $450,000 general obligation bonds, Series 2017. The bonds were issued to facilitate required payments on an existing financing agreement. The bonds were paid off in March 2018, as scheduled.

In June 2018, the District issued $2,897,000 general obligation bonds, Series 2018. The bonds were issued to facilitate the full repayment of all Foundation facilities bonds.

$548,906 is available in the Debt Service – District Fund to service the long-term debt at June 30, 2018.

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, 2018.

5) LONG-TERM DEBT, CONTINUED

The following is a summary of changes in long-term obligations for the year ended June 30, 2018:

	July 1, 2017	Additions	Deletions	June 30, 2018
Amount available in Debt Service Fund	$ 764,663	$ -	$ 215,757	$ 548,906
Amount to be provided for retirement of long-term obligations	4,463,337	3,347,000	4,568,243	3,242,094
Total available and to be provided	$ 5,228,000	$ 3,347,000	$ 4,784,000	$ 3,791,000
Total long-term obligations	$ 5,228,000	$ 3,347,000	$ 4,784,000	$ 3,791,000

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.

6) EMPLOYER RETIREMENT SYSTEMS AND PENSION PLANS

The South Carolina Public Employee Benefit Authority ("PEBA"), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the State Fiscal Accountability Authority ("SFAA"), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems ("Systems") and serves as a co-trustee of the Systems in conducting that review. Effective July 1, 2017, the Retirement System Funding and Administration Act of 2017 assigned the PEBA Board of Directors as the Custodian of the Retirement Trust Funds and assigned SC PEBA and the Retirement Systems Investment Commission ("RSIC") as co-trustees of the Retirement Trust Funds.

PEBA issues a Comprehensive Annual Financial Report ("CAFR") containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

6) EMPLOYER RETIREMENT SYSTEMS AND PENSION PLANS, CONTINUED

Plan Descriptions – 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 ("State ORP") is a defined contribution plan that is offered as an alternative to SCRS 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.

The South Carolina Police Officers Retirement System ("PORS"), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firemen of the state and its political subdivisions.

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 ORP, which is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers. For this reason, State ORP programs are not part of the retirement systems' trust funds for financial statement purposes. Employee and Employer contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employers to the member's account with investment providers for the employee contribution and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution, if applicable, which is retained by 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.

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 as follows:

6) EMPLOYER RETIREMENT SYSTEMS AND PENSION PLANS, CONTINUED

Plan Benefits, continued

SCRS – A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable 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 1after 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 percentage rate in 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 total employer contribution rate that exceeds 2.9% of earnable compensation for SCRS and 5% for 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.

If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than ninety percent, then the PEBA board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than ninety percent. Any decrease in contribution rates must maintain the 2.9 and 5% differentials between the SCRS and PORS employer and employee contribution rates respectively. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than 90%, then effective on the following July first, and annually thereafter as necessary, the PEBA board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 90%.

6) EMPLOYER RETIREMENT SYSTEMS AND PENSION PLANS, CONTINUED

Funding Policy, continued

The Retirement System Funding and Administration Act increases employer contribution rates to 13.56% for SCRS and 16.24% for PORS, effective July 1, 2017. It also removes the 2.9% and 5% differential and increases and establishes a ceiling on employee contribution rates at 9% and 9.75% for SCRS and PORS respectively. The employer contribution rates will continue to increase annually by 1% through July 1, 2022. The legislation's ultimate scheduled employer rate is 18.56% for SCRS and 21.24% for PORS. The amortization period is scheduled to be reduced one year for each of the next 10 years to a twenty-year amortization schedule. The recent pension reform legislation also changes the long term funded ratio requirement from ninety to eighty-five.

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

Contribution Summary – Required employer and employee contribution rates for the past three years are as follows:

	SCRS and State ORP Rates			PORS Rates		
	2018	2017	2016	2018	2017	2016
Employer Contribution Rate:^						
Retirement*	13.41%	11.41%	10.91%	15.84%	13.84%	13.34%
Incidental Death Benefit	0.15%	0.15%	0.15%	0.20%	0.20%	0.20%
Accidental Death Contributions	0.00%	0.00%	0.00%	0.20%	0.20%	0.20%
	13.56%	11.56%	11.06%	16.24%	14.24%	13.74%
Employee Contribution Rate	9.00%	8.66%	8.16%	9.75%	9.24%	8.74%

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

* Of the rate for the State ORP Plan, 5% of earnable compensation must be remitted by the employer directly to the ORP vendor to be allocated to the member's account with the remainder of the employer contribution remitted to the SCRS.

The required contributions and percentages of amounts contributed by the District to the plans for the past three years were as follows:

Year Ended	SCRS Contributions		State ORP Contributions		PORS Contributions	
June 30,	Required	% Contributed	Required	% Contributed	Required	% Contributed
2018	$ 879,793	100%	$ 3,749	100%	$ 8,878	100%
2017	727,434	100%	6,225	100%	8,931	100%
2016	633,459	100%	7,801	100%	8,544	100%

Eligible payrolls of the District covered under the plans for the past three years were as follows:

Year Ended June 30,	SCRS Payroll	State ORP Payroll	PORS Payroll	Total Payroll
2018	$ 6,488,154	$ 43,791	$ 54,674	$ 6,586,619
2017	6,292,679	94,894	62,725	6,450,298
2016	5,727,482	128,727	62,192	5,918,401

6) EMPLOYER RETIREMENT SYSTEMS AND PENSION PLANS, CONTINUED

Actuarial Assumptions – Actuarial valuations of the ongoing plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued as of July 1, 2015. The June 30, 2017, total pension liability, net pension liability, and sensitivity information were determined by the System's consulting actuary, Gabriel, Roeder, Smith and Company ("GRS") and are based on an actuarial valuation performed as of July 1, 2016. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2017, using generally accepted actuarial principles. The Retirement System Funding and Administration Act of 2017 was signed into law April 25, 2017 and included a provision to reduce the assumed rate of return from 7.50% to 7.25% effective July 1, 2017. As a result of this legislation, GRS made an adjustment to the calculation of the roll-forward total pension liability for this assumption change as of the measurement date of June 30, 2017.

The following table provides a summary of the actuarial assumptions and methods used to calculate the total pension liability as of June 30, 2017:

	SCRS	PORS
Actuarial Cost Method	Entry age normal	Entry age normal
Actuarial assumptions:		
Investment rate of return*	7.25%	7.25%
Projected salary increases*	3.0% to 12.5% (varies by service)	3.5% to 9.5% (varies by service)
Benefit adjustments	lesser of 1% or $500 annually	lesser of 1% or $500 annually

*Includes inflation at 2.25%

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

Assumptions used in the determination of the June 30, 2017, total pension liability are as follows:

Former Job Class	Males	Females
Educators	2016 PRSC Males multiplied by 92%	2016 PRSC Females multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

6) EMPLOYER RETIREMENT SYSTEMS AND PENSION PLANS, CONTINUED

Long-Term Expected Rate of Return – The long-term expected rate of return on pension plan investments is based upon 30-year capital market assumptions. The long-term expected rate of return represents assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market-based inputs. Expected returns are net of investments fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2017 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.25% assumed annual investment rate of return used in the calculation of the total pension liability includes a 5.00% real rate of return and a 2.25% inflation component.

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – The net pension liability ("NPL") is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that system's fiduciary net position. NPL totals, as of June 30, 2017, for SCRS and PORS are presented below:

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	$ 48,244,437,494	$ 25,732,829,268	$ 22,511,608,226	53.3%
PORS	$ 7,013,684,001	$ 4,274,123,178	$ 2,739,560,823	60.9%

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, continued

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

At June 30, 2018, the District reported a liability of $14,134,138 and $119,253 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, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016, 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, 2017. The District's proportion of the net pension liability was based on the District's contributions received by PEBA during the measurement period, relative to the total employer contributions received from all of PEBA's participating employers. At the June 30, 2017 measurement date, the District's SCRS proportion was 0.062786%, which was an increase of .003064% from its proportion measured as of June 30, 2016. At the June 30, 2017 measurement date, the District's PORS proportion was .004350%, which was a decrease of 0.000620% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of $1,556,514 and $21,794 for its proportionate share of the PEBA's pension expense for SCRS and PORS, respectively. At June 30, 2018, the District reported its proportionate share of the PEBA's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
SCRS		
Net difference between expected and actual experience	$ 63,010	$ 7,834
Assumption changes	827,402	-
Net difference between projected and actual earnings on pension plan investments	394,559	-
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	469,417	37,534
District contributions subsequent to the measurement date	883,542	-
Total SCRS	2,637,930	45,368
PORS		
Net difference between expected and actual experience	1,063	-
Assumption changes	11,318	-
Net difference between projected and actual earnings on pension plan investments	4,250	-
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	26,649	10,586
District contributions subsequent to the measurement date	8,878	-
Total PORS	52,158	10,586
Total SCRS and PORS	$ 2,690,088	$ 55,954

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, continued

$883,542 and $8,878 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date to the SCRS and PORS, respectively, will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to the SCRS and PORS will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows (Inflows) of Resources: SCRS	PORS	Total
2019	$ 517,149	$ 9,596	$ 526,745
2020	800,163	13,339	813,502
2021	537,829	9,108	546,937
2022	(146,121)	651	(145,470)
	$ 1,709,020	$ 32,694	$ 1,741,714

Discount Rate – The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the system's fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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:

Asset Class	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
District's proportionate share of the Net Pension Liability:			
SCRS	$ 18,216,963	$ 14,134,138	$ 11,656,823
PORS	160,903	119,253	86,299

Pension Plan Fiduciary Net Position - Detailed information regarding the fiduciary net position of the plan administered by PEBA is available in the system's audited financial statements for the fiscal year ended June 30, 2017 (including the unmodified audit opinion on the financial statements). Additional actuarial information is available in the accounting and financial reporting actuarial valuation as of June 30, 2017.

7) OTHER POST-EMPLOYMENT BENEFITS TRUST FUNDS

PEBA administers the state's other post-employment benefits trusts. PEBA, Insurance Benefits issues a CAFR for the OPEB Trust Funds. This information is publicly available through the Insurance Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA – Insurance Benefits, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, OPEB Trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Descriptions – The Other Post-Employment Benefits Trust Funds ("OPEB Trusts"), collectively refers to the South Carolina Retiree Health Insurance Trust Fund ("SCRHITF") and the South Carolina Long-Term Disability Insurance Trust Fund ("SCLTDITF"), which were established by the State of South Carolina as Act 195 effective on May 2008. The SCRHITF was created to fund and account for the employer costs of the State's retiree health and dental plans. The SCLTDITF was created to fund and account for the employer costs of the State's Basic Long-Term Disability Income Benefit Plan. Due to the immateriality of the amounts represented by the District's participation in the SCLTDITF, the net OPEB liability, OPEB expense, deferred inflows of resources and deferred outflows of resources related to the SCLTDITF are not recorded in the District's financial statements.

In accordance with Act 195, the OPEB Trusts are administered by the PEBA, Insurance Benefits and the State Treasurer is the custodian of the funds held in trust. The Board of Directors of PEBA has been designated as the Trustee.

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

Plan Membership – Generally, retirees are eligible for the health and dental benefits if they have established 10 years of retirement service credit. For new hires on or after May 2, 2008, retirees are eligible for benefits if they have established 25 years of service for 100% employer funding and 15-24 years of service for 50% employer funding. Benefits become effective when the former employee retires under a state retirement system (i.e. SCRS, PORS, etc.). Basic long-term disability ("BLTD") benefits are provided to active state, school district and participating local government employees approved for disability.

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

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

7) OTHER POST-EMPLOYMENT BENEFITS TRUST FUNDS, CONTINUED

Funding Policy – Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment and long-term disability benefits to be funded through annual appropriations by the General Assembly for active employees to the PEBA, Insurance Benefits and participating retirees to PEBA, except for the portion funded through the pension surcharge and provided from the other applicable sources of the PEBA, Insurance Benefits. For active employees who are not funded by State General Fund appropriations, participating employers are mandated by State statute to contribute at a rate assessed each year by the Department of Administration Executive Budget Office. The covered payroll surcharge for the year ended June 30, 2017 was 5.33% and increased to 5.50% for the year ended June 30, 2018. The South Carolina Retirement System collects the monthly surcharge for all participating employers and remits it directly to the SCRHITF. Other sources of funding for the SCRHITF include mandatory transfers of accumulated PEBA, Insurance Benefits' reserves and income generated from investments. Employer contributions also include the implicit subsidy, or age-related subsidy inherent in the healthcare premiums structure. The implicit subsidy represents a portion of the health care expenditures paid on behalf of the employer's active employees. For purposes of GASB Statement No. 75, this expenditure on behalf of the active employee is reclassified as a retiree health care expenditure so that the employer's contributions towards the plan reflect the underlying age-adjusted, retiree benefit costs.

BLTD benefits are funded through a person's premium charged to State agencies, public school districts and other participating local governments. The monthly premium per active employee was $3.22 for the fiscal year ended June 30, 2017. The SCLTDITF premium is billed monthly by PEBA, Insurance Benefits and transferred monthly to the SCLTDITF. It is also funded through investment income.

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

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

Actuarial Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plans (as understood by the employer and plan participants) and include the types of benefits provided at the time the valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

7) OTHER POST-EMPLOYMENT BENEFITS TRUST FUNDS, CONTINUED

Actuarial Assumptions, continued

Additional information as of the latest actuarial valuation for SCRHITF:

Valuation Date:	June 30, 2016
Actuarial Cost Method:	Entry Age Normal
Inflation:	2.25%
Investment Rate of Return:	4.00, net of OPEB Plan investment expense; including inflation
Single Discount Rate:	3.56% as of June 30, 2017
Demographic Assumptions:	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2015
Mortality:	For health retirees, the 2016 Public Retirees of South Carolina Mortality Table for Males and the 2016 Public Retirees of South Carolina Mortality Table for Females are used with fully generational mortality projections based on Scale AA from the year 2016. Multipliers are applied to the base tables based on gender and employment type.
Health Care Trend Rate:	Initial trend starting at 7.00% and gradually decreasing to an ultimate trend rate of 4.15% over a period of 15 years
Aging Factors:	Based on plan specific experience
Retiree Participation:	79% for retirees who are eligible for funded premiums
Notes:	There were no benefit changes during the year; the discount rate changed from 2.92% as of June 30, 2016 to 3.56% as of June 30, 2017

Additional information as of the latest actuarial valuation for SCLTDITF:

Valuation Date:	June 30, 2016
Actuarial Cost Method:	Entry Age Normal
Inflation:	2.25%
Investment Rate of Return:	4.00, net of Plan investment expense; including inflation
Single Discount Rate:	3.87% as of June 30, 2017
Salary, Termination, and Retirement Rates:	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2015
Disability Incidence:	The rates used in the valuation are based on the rates developed for the South Carolina Retirement Systems pension plans
Disability Recovery:	For participants in payment, 1987 CGDT Group Disability; for active employees, 60% were assumed to recover after the first year and 92% were assumed to recover after the first two years
Offsets:	40% are assumed to be eligible for Social Security benefits; assumed percentage who will be eligible for a pension plan offset varies based on employee group
Notes:	There were no benefit changes during the year; the discount rate changed from 3.74% as of June 30, 2016 to 3.87% as of June 30, 2017

Roll Forward Disclosure – The actuarial valuation was performed as of June 30, 2016. Updated procedures were used to roll forward the total OPEB liability.

7) OTHER POST-EMPLOYMENT BENEFITS TRUST FUNDS, CONTINUED

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

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Allocation Weighted Long-Term Expected Real Rate of Return
U.S. Domestic Fixed Income	80.00%	2.09%	1.67%
Cash	20.00%	0.84%	0.17%
Total	100.00%		1.84%
Expected Inflation			2.25%
Total Return			4.09%
Investment Return Assumption			**4.00%**

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – The Net OPEB Liability ("NOL") is calculated separately for each OPEB Trust Fund and represents that particular Trust's Total OPEB Liability ("TOL") determined in accordance with GASB No. 74 less that Trust's fiduciary net position.

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

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

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

7) OTHER POST-EMPLOYMENT BENEFITS TRUST FUNDS, CONTINUED

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

At June 30, 2018, the District reported a liability of $9,538,545 for its proportionate share of the PEBA's net OPEB liability for the SCRHITF. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions received by PEBA during the measurement period, relative to the total projected employer contributions received from all of PEBA's participating employers. At June 30, 2017, the District's proportion was 0.070422%.

For the year ended June 30, 2018, the District recognized OPEB expense of $580,552 for its proportionate share of the PEBA's OPEB expense for SCRHITF. At June 30, 2018, the District reported its proportionate share of the PEBA's deferred outflows of resources and deferred inflows of resources related to SCRHITF from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between expected and actual experience	$ 16,390	$ 4,140
Assumption changes	-	897,533
Net difference between projected and actual earnings on OPEB plan investments	-	-
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	-	134
District contributions subsequent to the measurement date	354,682	-
	$ 371,072	$ 901,807

$354,682 reported as deferred outflows of resources related to SCRHITF resulting from District contributions to the PEBA subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to the SCRHITF will be recognized in OPEB expense as follows:

Year Ended June 30	Deferred Outflows (Inflows) of Resources
2019	$ (140,285)
2020	(140,285)
2021	(140,285)
2022	(144,382)
Thereafter	(320,180)
	$ (885,417)

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

7) OTHER POST-EMPLOYMENT BENEFITS TRUST FUNDS, CONTINUED

Discount Rate, continued

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

OPEB Liability Sensitivity – The following table presents the District's proportionate share of the SCRHITF's net OPEB liability calculated using a single discount rate of 3.56%, as well as what the District's net OPEB liability would be if it were calculated using a single discount rate that is one percent lower or one percent higher:

	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
District's proportionate share of the SCRHITF net OPEB liability	$ 11,233,709	$ 9,538,545	$ 8,171,827

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the SCRHITF net OPEB liability	$ 7,822,002	$ 9,538,545	$ 11,761,055

Additional Financial and Actuarial Information – Additional financial information supporting the preparation of the Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is available in the OPEB Trust Funds audited financial statements.

8) 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 retirement plans is optional. The deferred compensation is not available to employees until termination, retirement, disability, death or unforeseeable emergency. Investments are managed by the system'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.

9) POSTEMPLOYMENT BENEFITS

The District provides death benefits to employees through the group life insurance program for members of SCRS, 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, 2018, 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

10) RISK MANAGEMENT

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

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

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

11) 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 which is funded from an additional 1 cent sales tax imposed by Act 388.

11) COMMITMENTS AND CONTINGENCIES, CONTINUED

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. Tiers 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 2018 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.

12) PRIOR PERIOD ADJUSTMENT FOR OPEB LIABILITY

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75") was issued by the GASB in 2015. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for OPEB. It also improves information provided by state and local government employers about financial support for OPEB that are provided by other entities. In addition, state and local governments who participate in a cost-sharing multiple-employer plan are now required to recognize a liability for the proportionate share of the net OPEB liability of that plan. It is GASB's intention that these statements will provide citizens and other users of the financial statements with a clearer picture of the size and nature of the state and local government's financial obligations to current and former employees for past services rendered.

Effective July 1, 2017, the District implemented GASB 75. The adoption had no impact on the District's Governmental Financial Statements, which continue to report expenditures in the amount of the contractually required contributions. However, the adoption has resulted in the restatement of the District's net position as of July 1, 2017 for its Government-wide Financial Statements to reflect the reporting of net OPEB liabilities and deferred outflows and inflows of resources for its OPEB plans in accordance with the provisions of GASB 75. The District reports a net OPEB liability for its participation in the SCRHITF, along with related deferred outflows and inflows of resources. This resulted in a restatement of previously reported net position for Governmental Activities:

		Governmental Activities
Government-Wide Net Position (Deficit)		
Net position (deficit) as previously reported at June 30, 2017	$	7,922,776
Net OPEB liability (measurement date)		(10,189,099)
Deferred outflows - District's contributions made during fiscal year 2017		289,841
Total prior period adjustment		(9,899,258)
Net position (deficit) as restated, July 1, 2017	$	(1,976,482)

13) SUBSEQUENT EVENTS

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through November 28, 2018, 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, 2018.

Schedule 1

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Schedule of the Proportionate Share of the Net Pension Liability
June 30, 2018

	SCRS				PORS			
	2018	**2017**	**2016**	**2015**	**2018**	**2017**	**2016**	**2015**
District's proportion of the net pension liability	0.062786%	0.059722%	0.059476%	0.060213%	0.004350%	0.004970%	0.002780%	0.002740%
District's proportionate share of the net pension liability	$ 14,134,138	$ 12,756,531	$ 11,279,910	$ 10,366,682	$ 119,253	$ 125,961	$ 60,590	$ 52,551
District's covered-employee payroll	$ 6,387,573	$ 5,856,209	$ 5,654,034	$ 5,608,007	$ 62,725	$ 62,192	$ 35,641	$ 33,015
District's proportionate share of the net pension liability as a percentage of the covered-employee payroll	221.28%	217.83%	199.50%	184.86%	190.12%	202.54%	170.00%	159.17%
Plan fiduciary net position as a percentage of the total pension liability	53.30%	52.90%	57.00%	59.90%	60.90%	60.40%	64.60%	67.50%

Schedule 2

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Schedule of District Contributions - Pension Plan
June 30, 2018

	SCRS				PORS			
	2018	2017	2016	2015	2018	2017	2016	2015
Contractually required contributions	$ 883,542	$ 733,659	$ 641,260	$ 602,249	$ 8,878	$ 8,931	$ 8,544	$ 4,779
Contributions in relation to the contractually required contributions	883,542	733,659	641,260	602,249	8,878	8,931	8,544	4,779
Contribution deficiency (excess)	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-
District's covered-employee payroll	$ 6,531,945	$ 6,387,573	$ 5,856,209	$ 5,654,034	$ 54,674	$ 62,725	$ 62,192	$ 35,641
Contributions as percentage of covered-employee payroll	13.53%	11.49%	10.95%	10.65%	16.24%	14.24%	13.74%	13.41%

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Schedule of the Proportionate Share of the Net OPEB Liability
June 30, 2018

	SCRHITF
	2018
District's proportion of the net OPEB liability	0.070422%
District's proportionate share of the net OPEB liability	$ 9,538,545
District's covered-employee payroll	$ 6,450,298
District's proportionate share of the net OPEB liability as a percentage of the covered-employee payroll	147.88%
Plan fiduciary net position as a percentage of the total OPEB liability	7.60%

Schedule 4

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Schedule of District Contributions - OPEB Plan
June 30, 2018

	SCRHITF
	2018
Contractually required contributions	$ 354,682
Contributions in relation to the contractually required contributions	354,682
Contribution deficiency (excess)	$ -0-
District's covered-employee payroll	$ 6,586,619
Contributions as percentage of covered-employee payroll	5.38%

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, 2018

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
1000 Revenue from local sources			
1200 Revenue from local governmental units other than LEAs			
1210 Ad valorem taxes - including delinquent taxes (dependent)	$ 3,257,696	$ 3,250,152	$ (7,544)
1280 Revenue in lieu of taxes (independent and dependent)	95,000	66,907	(28,093)
1500 Earnings on investments			
1510 Interest on investments	75	-	(75)
1900 Other revenue from local sources			
1910 Rentals	11,000	10,410	(590)
1990 Miscellaneous local revenue			
1999 Revenue from other local sources	10,300	87,878	77,578
Total local sources	3,374,071	3,415,347	41,276
3000 Revenue from state sources			
3100 Restricted state funding			
3130 Special programs			
3131 Handicapped transportation	-	709	709
3160 School bus driver salary	131,000	130,419	(581)
(includes hazardous condition transportation)			
3162 Transportation workers' compensation	7,500	7,869	369
3180 Fringe benefits employer contributions (no carryover provision)	504,385	509,380	4,995
3181 Retiree insurance (no carryover provision)	213,368	246,957	33,589
3300 Education Finance Act (EFA)			
3310 Full-time programs			
3311 Kindergarten	44,843	42,922	(1,921)
3312 Primary	192,888	169,095	(23,793)
3313 Elementary	286,258	285,247	(1,011)
3314 High school	126,014	108,305	(17,709)
3315 Trainable mentally handicapped	4,758	4,661	(97)
3316 Speech handicapped (part-time)	62,955	46,475	(16,480)

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, 2018

	Budget	Actual	Variance Favorable (Unfavorable)
3320 Part-time programs			
3321 Emotionally handicapped	$ 1,190	$ 2,776	$ 1,586
3322 Educable mentally handicapped	6,088	10,019	3,931
3323 Learning disabilities	150,937	143,584	(7,353)
3325 Visually handicapped	875	437	(438)
3326 Orthopedically handicapped	2,379	3,052	673
3327 Vocational	108,940	129,041	20,101
3330 Miscellaneous EFA programs			
3331 Autism	16,724	20,553	3,829
3332 High achieving students	338	169	(169)
3334 Limited English proficiency	467	457	(10)
3350 Residential treatment facilities (RTF)			
3351 Academic assistance	55,526	57,363	1,837
3352 Pupils in poverty	159,778	153,090	(6,688)
3353 Dual credit enrollment	4,304	6,569	2,265
3375 Education foundation supplement	26,909	26,909	-
3392 NBC Excess EFA Formula	-	4,585	4,585
3800 State revenue in lieu of taxes			
3810 Reimbursement for local residential property tax relief (tier 1)	404,119	404,119	-
3820 Homestead exemption (tier 2)	266,391	269,832	3,441
3825 Reimbursement for property tax relief (tier 3)	2,500,000	2,500,000	-
3830 Merchant's inventory tax	8,103	8,103	-
3840 Manufacturer's depreciation reimbursement	25,850	28,403	2,553
3890 Other state property tax revenues (includes motor carrier vehicle tax)	94,998	120,296	25,298
3900 Other state revenue			
3999 Revenue from other state sources	26,000	817	(25,183)
Total state sources	5,433,885	5,442,213	8,328
4000 Revenue from federal sources			
4900 Other federal sources			
4999 Revenue from other federal sources	35,000	38,576	3,576
Total federal sources	35,000	38,576	3,576
Total revenues all sources	8,842,956	8,896,136	53,180

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, 2018

	Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES			
100 Instruction			
110 General instruction			
111 Kindergarten programs			
100 Salaries	$ 184,067	$ 291,087	$ (107,020)
200 Employee benefits	83,525	118,174	(34,649)
300 Purchased services	2,500	1,591	909
400 Supplies and materials	5,000	2,026	2,974
112 Primary programs			
100 Salaries	283,731	212,365	71,366
200 Employee benefits	98,020	79,274	18,746
300 Purchased services	1,430	327	1,103
400 Supplies and materials	9,500	4,836	4,664
113 Elementary programs			
100 Salaries	1,122,412	1,292,443	(170,031)
200 Employee benefits	356,710	453,836	(97,126)
300 Purchased services	5,300	2,193	3,107
400 Supplies and materials	20,177	12,830	7,347
114 High school programs			
100 Salaries	445,557	734,063	(288,506)
200 Employee benefits	148,000	228,666	(80,666)
300 Purchased services	76,500	95,408	(18,908)
400 Supplies and materials	11,700	10,487	1,213
600 Other objects	300	74	226
115 Career and technology education programs			
100 Salaries	443,650	331,210	112,440
200 Employee benefits	142,974	115,190	27,784
300 Purchased services - other than tuition	39,450	37,941	1,509
400 Supplies and materials	5,500	4,118	1,382
120 Exceptional programs			
121 Educable mentally handicapped			
100 Salaries	108,144	110,156	(2,012)
200 Employee benefits	31,677	42,940	(11,263)
300 Purchased services	-	14,736	(14,736)
400 Supplies and materials	500	-	500
122 Trainable mentally handicapped			
100 Salaries	57,500	47,358	10,142
200 Employee benefits	26,250	13,857	12,393
300 Purchased services	-	6,314	(6,314)

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, 2018

	Budget	Actual	Variance Favorable (Unfavorable)
126 Speech handicapped			
300 Purchased services	$ 35,000	$ 29,468	$ 5,532
127 Learning disabilities			
100 Salaries	85,116	140,307	(55,191)
200 Employee benefits	36,926	58,021	(21,095)
300 Purchased services	-	134	(134)
130 Preschool programs			
139 Early childhood programs			
400 Supplies and materials	-	39,023	(39,023)
140 Special programs			
145 Homebound			
100 Salaries	4,102	3,870	232
200 Employee benefits	1,493	1,058	435
300 Purchased services	770	616	154
160 Other exceptional programs			
161 Autism			
400 Supplies and materials	950	-	950
170 Summer school programs			
175 Instructional programs beyond regular school day			
100 Salaries	-	16,868	(16,868)
200 Employee benefits	-	6,500	(6,500)
300 Purchased services	-	3,894	(3,894)
400 Supplies and materials	-	389	(389)
180 Adult/continuing educational programs			
188 Parenting/family literacy			
100 Salaries	58,271	27,844	30,427
200 Employee benefits	17,069	11,127	5,942
400 Supplies and materials	2,500	-	2,500
Total instruction	3,952,271	4,602,619	(650,348)

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, 2018

	Budget	Actual	Variance Favorable (Unfavorable)
200 Support services			
210 Pupil services			
211 Attendance and social work services			
100 Salaries	$ 36,000	$ 27,724	$ 8,276
200 Employee benefits	10,940	11,727	(787)
300 Purchased services	1,200	1,123	77
400 Supplies and materials	1,900	-	1,900
212 Guidance services			
100 Salaries	216,109	206,013	10,096
200 Employee benefits	51,114	69,320	(18,206)
300 Purchased services	14,900	6,961	7,939
400 Supplies and materials	3,425	1,626	1,799
220 Instructional staff services			
221 Improvement of instruction - curriculum development			
100 Salaries	188,351	154,999	33,352
200 Employee benefits	69,399	78,159	(8,760)
300 Purchased services	9,000	2,957	6,043
400 Supplies and materials	18,500	19,956	(1,456)
600 Other objects	-	527	(527)
222 Library and media services			
100 Salaries	146,001	123,866	22,135
200 Employee benefits	76,649	46,412	30,237
300 Purchased services	1,475	901	574
400 Supplies and materials	9,630	6,457	3,173
224 Improvement of instruction - inservice and staff training			
100 Salaries	190,000	178,253	11,747
200 Employee benefits	61,063	28,116	32,947
300 Purchased services	35,300	11,758	23,542
400 Supplies and materials	4,500	11,833	(7,333)
600 Other objects	1,370	1,053	317
230 General administrative services			
231 Board of Education			
100 Salaries	8,500	6,000	2,500
200 Employee benefits	17,870	13,917	3,953
300 Purchased services	155,361	183,721	(28,360)
318 Audit services	25,000	21,620	3,380
400 Supplies and materials	3,500	3,134	366
600 Other objects	16,400	9,435	6,965

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, 2018

	Budget	Actual	Variance Favorable (Unfavorable)
232 Office of the superintendent			
100 Salaries	$ 153,680	$ 177,853	$ (24,173)
200 Employee benefits	48,208	47,279	929
300 Purchased services	48,050	49,292	(1,242)
400 Supplies and materials	18,752	10,641	8,111
600 Other objects	3,750	3,785	(35)
233 School administration			
100 Salaries	573,116	506,571	66,545
200 Employee benefits	192,600	201,840	(9,240)
300 Purchased services	3,394	2,056	1,338
400 Supplies and materials	1,950	1,121	829
600 Other objects	725	2,031	(1,306)
250 Finance and operations services			
251 Student transporation (Federal/District mandated)			
100 Salaries	3,500	3,037	463
200 Employee benefits	1,100	965	135
300 Purchased services	-	264	(264)
252 Fiscal services			
100 Salaries	114,100	115,632	(1,532)
140 Terminal leave	-	2,422	(2,422)
200 Employee benefits	42,124	42,937	(813)
300 Purchased services	32,350	20,167	12,183
400 Supplies and materials	16,910	18,266	(1,356)
500 Capital outlay	6,500	-	6,500
600 Other objects	48,125	25,678	22,447
254 Operation and maintenance of plant			
100 Salaries	262,280	268,853	(6,573)
140 Terminal leave	-	2,422	(2,422)
200 Employee benefits	91,403	96,666	(5,263)
300 Purchased services (excludes energy costs)	305,562	316,049	(10,487)
321 Public utility services (excludes gas, oil, elec, other heating fuels)	21,800	36,065	(14,265)
400 Supplies and materials (includes energy costs)	115,800	132,887	(17,087)
470 Energy (includes gas, oil, elec, other heating fuels)	398,500	387,992	10,508
500 Capital outlay	50,800	25,503	25,297
600 Other objects	1,500	176	1,324

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, 2018

	Budget	Actual	Variance Favorable (Unfavorable)
255 Student transportation (state mandated)			
100 Salaries	$ 331,695	$ 289,696	$ 41,999
200 Employee benefits	63,585	66,026	(2,441)
300 Purchased services	4,677	32,008	(27,331)
400 Supplies and materials	600	-	600
256 Food services			
200 Employee benefits	91,500	122,158	(30,658)
258 Security			
100 Salaries	22,700	13,438	9,262
200 Employee benefits	5,895	3,949	1,946
300 Purchased services	30,000	30,000	-
260 Central support services			
263 Information services			
300 Purchased services	47,611	67,337	(19,726)
400 Supplies and materials	1,500	269	1,231
600 Other objects	1,419	417	1,002
264 Staff services			
100 Salaries	120,000	111,748	8,252
200 Employee benefits	23,703	35,132	(11,429)
300 Purchased services	17,837	1,918	15,919
400 Supplies and materials	7,300	2,857	4,443
600 Other objects	1,500	1,546	(46)
266 Technology and data processing services			
100 Salaries	182,000	153,363	28,637
200 Employee benefits	53,010	53,642	(632)
300 Purchased services	245,970	176,147	69,823
400 Supplies and materials	77,000	95,304	(18,304)
500 Capital outlay	220,000	111,797	108,203
270 Support services - pupil activity			
271 Pupil services activities			
100 Salaries	94,350	109,924	(15,574)
200 Employee benefits	27,737	30,132	(2,395)
300 Purchased services	48,700	36,802	11,898
400 Supplies and materials	58,400	45,116	13,284
600 Other objects	3,900	4,149	(249)
Total support services	5,712,625	5,320,893	391,732

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, 2018

	Budget	Actual	Variance Favorable (Unfavorable)
300 Community services			
350 Custody and care of children			
100 Salaries	$ 57,000	$ 83,433	$ (26,433)
200 Employee benefits	19,859	16,053	3,806
300 Purchased services	2,000	1,554	446
400 Supplies and materials	500	-	500
Total community services	79,359	101,040	(21,681)
400 Other charges			
410 Intergovernmental expenditures			
412 Payments to other governmental units			
720 Transits	7,000	14,348	(7,348)
Total intergovernmental expenditures	7,000	14,348	(7,348)
Total expenditures	9,751,255	10,038,900	(287,645)
OTHER FINANCING SOURCES (USES)			
Interfund transfers, from (to) other funds			
5220 Transfer from Special Revenue Fund (excludes indirect cost)	450,000	-	(450,000)
5230 Transfer from Special Revenue EIA Fund	166,581	215,447	48,866
5250 Transfer from School Building Fund	500,000	-	(500,000)
5280 Transfer from other funds indirect cost	12,500	66,537	54,037
5290 Transfer from internal service fund	941,543	-	(941,543)
423-710 Transfer to Debt Service Fund	(1,150,000)	(118,780)	1,031,220
Total other financing sources (uses)	920,624	163,204	(757,420)
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	$ 12,325	(979,560)	$ (991,885)
FUND BALANCE, July 1, 2017		2,255,336	
FUND BALANCE, June 30, 2018		$ 1,275,776	

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, 2018

	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								
1500 Earnings on investments								
1510 Interest on investments	$ -	$ -	$ -	$ -	$ -	$ -	$ 22	$ 22
1900 Other revenue from local sources								
1930 Special needs transportation - Medicaid	-	-	-	-	-	-	26,001	26,001
1999 Revenue from other local sources	-	-	-	-	-	-	369,189	369,189
Total local sources	-	-	-	-	-	-	395,212	395,212
2000 Intergovernmental revenue								
2100 Payments from other governmental units	-	-	-	-	-	-	43,379	43,379
Total intergovernmental revenue	-	-	-	-	-	-	43,379	43,379
3000 Revenue from state sources								
3100 Restricted state funding								
3105 Technology technical assistance	-	-	-	-	-	92,347	-	92,347
3110 Occupational education								
3118 EEDA career specialists	-	-	-	-	-	94,780	-	94,780
3120 General education								
3127 Student health and fitness - PE teachers	-	-	-	-	-	7,646	-	7,646

* See Schedule 7 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, 2018

	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
3130 Special programs								
3135 Reading coaches	$ -	$ -	$ -	$ -	$ -	$ 55,364	$ -	$ 55,364
3136 Student health & fitness - Nurses	-	-	-	-	-	39,450	-	39,450
3177 Summer reading camps	-	-	-	-	-	46,691	-	46,691
3183 Teacher recruiting & retention	-	-	-	-	-	31,184	-	31,184
3190 Miscellaneous restricted state grants								
3193 Education license plates	-	-	-	-	-	146	-	146
3199 Other restricted state grants	-	-	-	-	-	10,394	-	10,394
3600 Education Lottery Act revenue								
3630 K-12 technology initiative	-	-	-	-	-	488	-	488
3900 Other state revenue								
3999 Revenue from other state sources	-	-	-	-	-	78,908	-	78,908
Total state sources	-	-	-	-	-	457,398	-	457,398
4000 Revenue from federal sources								
4200 Occupational education								
4210 Perkins aid, Title I	-	-	-	7,444	-	-	-	7,444

* See Schedule 7 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, 2018

	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
4300 Elementary and Secondary Education Act of 1965 (ESEA)								
4310 Title I, basic state grant programs	$ 413,975	$ -	$ -	$ -	$ -	$ -	$ -	$ 413,975
4312 Rural and low-income school program, Title V	-	-	-	-	-	-	20,221	20,221
4351 Improving teacher quality	-	-	-	-	-	-	67,047	67,047
4400 Adult education								
4410 Basic adult education	-	-	-	-	8,714	-	-	8,714
4500 Programs for children with disabilities								
4510 IDEA	-	646,162	-	-	-	-	-	646,162
4520 Preschool grants for children with disabilities (IDEA)	-	-	17,769	-	-	-	-	17,769
4900 Other federal sources								
4924 21st Century Community Learning Center Program, Title IV	-	-	-	-	-	-	125,905	125,905
Total federal sources	413,975	646,162	17,769	7,444	8,714	-	213,173	1,307,237
Total revenues all sources	413,975	646,162	17,769	7,444	8,714	457,398	651,764	2,203,226

* See Schedule 7 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, 2018

	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	$ 57,911	$ -	$ -	$ -	$ -	$ 45,918	$ 51,152	$ 154,981
200 Employee benefits	16,122	-	-	-	-	20,651	4,957	41,730
300 Purchased services	-	-	-	-	-	8,836	38,193	47,029
400 Supplies and materials	-	-	-	-	-	146	4,500	4,646
113 Elementary programs								
100 Salaries	70,107	-	-	-	-	50,641	-	120,748
200 Employee benefits	22,314	-	-	-	-	15,299	-	37,613
300 Purchased services	1,000	-	-	-	-	-	-	1,000
400 Supplies and materials	1,268	-	-	-	-	4,927	-	6,195
114 High school programs								
100 Salaries	24,030	-	-	-	-	-	-	24,030
200 Employee benefits	9,912	-	-	-	-	-	-	9,912
400 Supplies and materials	3,057	-	-	-	-	-	-	3,057
115 Career and technology education programs								
300 Purchased services - other than tuition	-	1,016	-	34	-	-	8,015	9,065
400 Supplies and materials	-	-	-	965	-	-	279	1,244

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, 2018

	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	$ -	$ 81,228	$ 10,000	$ -	$ -	$ -	$ -	$ 91,228
200 Employee benefits	-	28,667	6,851	-	-	-	-	35,518
400 Supplies and materials	-	72,737	-	-	-	-	-	72,737
126 Speech handicapped								
300 Purchased services	-	54,988	-	-	-	-	-	54,988
127 Learning disabilities								
100 Salaries	-	86,037	-	-	-	-	-	86,037
200 Employee benefits	-	34,170	-	-	-	-	-	34,170
400 Supplies and materials	-	6,351	-	-	-	-	-	6,351
130 Preschool programs								
139 Early childhood programs								
100 Salaries	-	-	-	-	-	-	21,882	21,882
200 Employee benefits	-	-	-	-	-	-	8,459	8,459
300 Purchased services	-	-	-	-	-	-	12,612	12,612
400 Supplies and materials	-	-	-	-	-	-	426	426
170 Summer school programs								
172 Elementary summer school								
100 Salaries	17,725	-	-	-	-	31,788	17,822	67,335
200 Employee benefits	3,287	-	-	-	-	9,308	4,914	17,509
400 Supplies and materials	-	-	-	-	-	169	-	169

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, 2018

	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
175 Instructional programs beyond regular school day								
100 Salaries	$ 10,820	$ -	$ -	$ -	$ -	$ -	$ 58,985	$ 69,805
200 Employee benefits	2,942	-	-	-	-	-	12,509	15,451
300 Purchased services	-	-	-	-	-	-	3,000	3,000
400 Supplies and materials	12,540	-	-	-	-	-	1,108	13,648
180 Adult/continuing educational programs								
181 Adult basic education programs								
400 Supplies and materials	-	-	-	-	8,454	-	-	8,454
188 Parenting/family literacy								
100 Salaries	26,945	-	-	-	-	-	7,900	34,845
200 Employee benefits	11,654	-	-	-	-	-	10,165	21,819
300 Purchased services	-	-	-	-	-	-	3,499	3,499
400 Supplies and materials	2,444	-	-	-	-	-	56	2,500
600 Other objects	-	-	-	-	-	-	1,650	1,650
Total instruction	294,078	365,194	16,851	999	8,454	187,683	272,083	1,145,342

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, 2018

	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
200 Support services								
210 Pupil services								
213 Health services								
100 Salaries	$ -	$ -	$ -	$ -	$ -	$ 27,650	$ 8,715	$ 36,365
200 Employee benefits	-	-	-	-	-	11,800	675	12,475
300 Purchased services	10,000	54,112	-	-	-	-	-	64,112
400 Supplies and materials	-	3,000	-	-	-	-	200	3,200
214 Psychological services								
300 Purchased services	-	20,900	-	-	-	-	-	20,900
216 Career & technical education placement services								
100 Salaries	-	-	-	-	-	-	44,754	44,754
200 Employee benefits	-	-	-	-	-	-	12,062	12,062
300 Purchased services	-	-	-	-	-	-	3,691	3,691
400 Supplies and materials	-	-	-	-	-	-	1,108	1,108
217 Career specialist services								
100 Salaries	-	-	-	-	-	66,313	-	66,313
200 Employee benefits	-	-	-	-	-	28,467	-	28,467
220 Instructional staff services								
221 Improvement of instruction - curriculum development								
100 Salaries	34,995	2,000	-	-	-	-	-	36,995
200 Employee benefits	4,387	502	-	-	-	-	-	4,889
300 Purchased services	47,175	63,394	-	6,445	-	16,215	22,505	155,734
400 Supplies and materials	-	-	-	-	-	10,842	-	10,842

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, 2018

	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
223 Supervision of special programs								
100 Salaries	$ -	$ 50,002	$ -	$ -	$ -	$ -	$ -	$ 50,002
200 Employee benefits	-	32,773	-	-	-	-	-	32,773
300 Purchased services	3,500	5,000	-	-	260	-	-	8,760
400 Supplies and materials	527	7,135	-	-	-	-	-	7,662
600 Other objects	-	527	-	-	-	-	-	527
224 Improvement of instruction - inservice and staff training								
300 Purchased services	-	-	-	-	-	-	3,906	3,906
400 Supplies and materials	-	-	-	-	-	-	30	30
250 Finance and operations services								
251 Student transportation (federal/district mandated)								
100 Salaries	-	-	-	-	-	-	17,310	17,310
200 Employee benefits	-	-	-	-	-	-	5,244	5,244
300 Purchased services	-	-	-	-	-	-	25,233	25,233
252 Fiscal services								
100 Salaries	-	-	-	-	-	-	166	166
200 Employee benefits	-	-	-	-	-	-	53	53
255 Student transportation (state mandated)								
500 Capital outlay	-	-	-	-	-	-	51,184	51,184

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, 2018

	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
260 Central support services								
264 Staff services								
300 Purchased services	$ -	$ -	$ -	$ -	$ -	$ 11,063	$ -	$ 11,063
400 Supplies and materials	-	-	-	-	-	4,530	-	4,530
266 Technology and data processing services								
400 Supplies and materials	-	-	-	-	-	13,088	30,392	43,480
500 Capital outlay	-	-	-	-	-	79,747	96,000	175,747
270 Support services - pupil activity								
271 Pupil service activities								
300 Purchased services	-	-	-	-	-	-	4,772	4,772
Total support services	100,584	239,345	-	6,445	260	269,715	328,000	944,349
300 Community services								
350 Custody and care of children								
100 Salaries	-	-	-	-	-	-	10,883	10,883
200 Employee benefits	-	-	-	-	-	-	16,910	16,910
300 Purchased services	-	-	-	-	-	-	17,570	17,570
400 Supplies and materials	-	-	-	-	-	-	1,613	1,613
Total community services	-	-	-	-	-	-	46,976	46,976
Total expenditures	394,662	604,539	16,851	7,444	8,714	457,398	647,059	2,136,667

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, 2018

	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								
431-791 Special Revenue Fund indirect costs	$ (19,313)	$ (41,623)	$ (918)	$ -	$ -	$ -	$ (4,683)	$ (66,537)
TOTAL OTHER FINANCING SOURCES (USES)	(19,313)	(41,623)	(918)	-	-	-	(4,683)	(66,537)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-0-	-0-	-0-	-0-	-0-	-0-	22	22
FUND BALANCE, July 1, 2017	-0-	-0-	-0-	-0-	-0-	-0-	44,772	44,772
FUND BALANCE, June 30, 2018	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ 44,794	$ 44,794

Schedule 7

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Special Revenue Fund
Schedule of Program Classifications
For Fiscal Year Ended June 30, 2018

LEA Subfund Code	Program		Revenue	Revenue Code
OTHER RESTRICTED STATE GRANTS				
915	Technology technical assistance	$	92,347	3105
928	EEDA career specialists		94,780	3118
937	Student health and fitness - PE teachers		7,646	3127
935	Reading Coaches		55,364	3135
825	Teacher cadet		10,394	3199
936	Student health and fitness - nurses		39,450	3136
926	Summer reading camps		46,691	3177
821	De La Howe operations revenue		78,908	3999
903	Teacher recruiting and retention		31,184	3183
919	Education license plates		146	3193
963	K-12 technology initiative		488	3630
		$	457,398	
OTHER SPECIAL REVENUE PROGRAMS				
280	Special needs transportation - Medicaid	$	26,002	1930
830	JAG - CIS		66,666	1999
811	Cerra proviso		122,077	1999
890	First Steps		54,053	1999
980	Payments from other local governmental units		43,379	2100
899	Technology EOC		126,392	1999
299	Interest on investments		22	1510
251	Rural and low-income school program, Title V		20,221	4312
267	Improving teacher quality		67,047	4351
224	21st century learning center program, Title IV		125,905	4924
		$	651,764	

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Special Revenue Fund
Summary Schedule for Designated State Restricted Grants
For Fiscal Year Ended June 30, 2018

Subfund	Revenue Code	Programs	Revenues	Expenditures	Special Revenue Interfund Transfers In/(Out)	Other Fund Transfers In/(Out)	Special Revenue Fund Unearned
935	935	Reading Coaches	$ 55,364	$ 55,364	$ -	$ -	$ -
915	3105	Technology technical assistance	92,347	92,347	-	-	-
928	3118	EEDA career specialists	94,780	94,780	-	-	40,408
937	3127	Student health and fitness - PE teachers	7,646	7,646	-	-	-
924	3134	CDEPP	-	-	-	-	8,844
936	3136	Student health and fitness - nurses	39,450	39,450	-	-	23,162
926	3177	Summer reading camps	46,691	46,691	-	-	-
903	3183	Teacher recruiting and retention	31,184	31,184	-	-	22,207
919	3193	Education license plates	146	146	-	-	86
825	3199	Teacher cadet	10,394	10,394	-	-	-
963	3630	K-12 technology initiative	488	488	-	-	-
821	3999	De La Howe operations revenue	78,908	78,908	-	-	3,292
			$ 457,398	$ 457,398	$ -0-	$ -0-	$ 97,999

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, 2018

REVENUES	
3000 Revenue from state sources	
3500 Education Improvement Act	
3502 ADEPT	$ 2,091
3507 Aid to district technology	19,688
3511 Professional development	8,323
3518 Adoption list of formative assessment	8,490
3519 Grade 10 assessments	860
3525 Career and technology education equipment	75,101
3527 Special career and technology education equipment	41,042
3528 Industry certifications/credentials	19,985
3529 Career and technology education	39,374
3532 National board salary supplement	78,808
3533 Teacher of the year awards	1,077
3538 Students at risk of school failure	104,852
3541 Child early reading development and education program (CDEP) - Full Day 4K	118,188
3550 Teacher salary increase	185,419
3555 Teacher salary fringe	30,028
3556 Adult education	18,109
3557 Summer reading program	17,346
3558 Reading	5,083
3577 Teacher supplies	19,800
3578 High schools that work/making middle grades work	5,420
3587 Maintenance of state financial support (MES) Tier I	43,337
3589 Maintenance of state financial support (MES) Tier II	253,502
3592 Work-based learning	1,680
3595 EEDA - supplies and materials	3,376
3597 Aid to districts	12,708
3599 Other EIA	35,447
Total state sources	1,149,134
Total revenues all sources	1,149,134

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, 2018

EXPENDITURES	
100 Instruction	
110 General instruction	
111 Kindergarten programs	
100 Salaries	$ 25,509
200 Employee benefits	4,311
112 Primary programs	
100 Salaries	8,371
200 Employee benefits	2,259
400 Supplies and materials	16,464
113 Elementary programs	
100 Salaries	53,481
200 Employee benefits	4,762
300 Purchased services	2,393
400 Supplies and materials	9,710
114 High school programs	
100 Salaries	34,086
200 Employee benefits	6,426
400 Supplies and materials	6,050
600 Other objects	1,783
115 Career and technology education programs	
100 Salaries	8,700
200 Employee benefits	6,888
300 Purchased services	27,169
400 Supplies and materials	42,362
500 Capital outlay	44,256
120 Exceptional programs	
121 Eduable mentally handiapped	
400 Supplies and materials	8,954
127 Learning disabilities	
400 Supplies and materials	17,908
128 Emotionally handicapped	
400 Supplies and materials	2,984

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, 2018

140 Special programs	
147 CDEP	
100 Salaries	$ 59,233
200 Employee benefits	12,035
300 Purchased services	1,981
400 Supplies and materials	43,233
500 Capital outlay	1,588
600 Other objects	118
160 Other exceptional programs	
161 Autism	
400 Supplies and materials	6,126
170 Summer school program	
175 Instructional programs beyond regular school day	
100 Salaries	12,062
200 Employee benefits	3,307
300 Purchased services	500
180 Adult/continuing educational programs	
181 Adult basic education programs	
100 Salaries	4,938
200 Employee benefits	1,151
400 Supplies and materials	783
Total instruction	481,881
200 Support services	
210 Pupil services	
212 Guidance services	
100 Salaries	1,681
213 Health services	
300 Purchased services	3,376
215 Exceptional program services	
400 Supplies and materials	229,164
220 Instructional staff services	
221 Improvement of instruction - curriculum development	
100 Salaries	971
300 Purchased services	17,336
400 Supplies and materials	11,504

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, 2018

222 Library and media services	
100 Salaries	$ 8,438
200 Employee benefits	2,132
223 Supervision of special programs	
100 Salaries	60,205
200 Employee benefits	23,365
300 Purchased services	443
400 Supplies and materials	243
224 Improvement of instruction - inservice and staff training	
300 Purchased services	10,141
400 Supplies and materials	52,485
230 General administrative services	
233 School administration	
400 Supplies and materials	243
250 Finance and operations services	
251 Student transportation (Federal/District mandated)	
300 Purchased services	9,000
260 Central support services	
266 Technology and data processing services	
300 Purchased services	700
400 Supplies and materials	3,500
500 Capital outlay	12,351
Total support services	447,278
400 Other charges	
410 Intergovernmental expenditures	
411 Payments to State Department of Education	
720 Transits	4,528
Total intergovernmental expenditures	4,528
Total expenditures	933,687
OTHER FINANCING SOURCES (USES)	
Interfund transfers, from (to) other funds	
420-710 Transfer to General Fund (excludes indirect costs)	(215,447)
Total other financing sources (uses)	(215,447)
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	-0-
FUND BALANCE, July 1, 2017	-0-
FUND BALANCE, June 30, 2018	$ -0-

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Education Improvement Act
Summary Schedule by Program
For Fiscal Year Ended June 30, 2018

PROGRAM	Revenues	Expenditures	EIA Interfund Transfers In/(Out)	Other Fund Transfers In/(Out)	EIA Fund Unearned
3500 Education Improvement Act					
3502 ADEPT	$ 2,091	$ 2,091	$ -	$ -	$ -
3507 Aid to district technology	19,688	19,688	-	-	-
3511 Professional development	8,323	8,323	-	-	-
3518 Adoption list of formative assessment	8,490	8,490	-	-	-
3519 Grade 10 assessments	860	860	-	-	874
3525 Career and technology education equipment	75,101	75,101	-	-	-
3526 Refurbishment of science kits	-	-	-	-	12,181
3527 Special career and technology education equipment	41,042	41,042	-	-	-
3528 Industry certifications/credentials	19,985	19,985	-	-	8,556
3529 Career and technology education	39,374	39,374	-	-	10,627
3532 National board salary supplement	78,808	78,808	-	-	-
3533 Teacher of the year awards	1,077	1,077	-	-	-
3538 Students at risk of school failure	104,852	104,852	-	-	1,524
3541 Child early reading development and education program (CDEP) - Full Day 4K	118,188	118,188	-	-	24,562
3550 Teacher salary increase	185,419	-	-	(185,419)	-
3555 Teacher salary fringe	30,028	-	-	(30,028)	-
3556 Adult education	18,109	18,109	-	-	2,497
3557 Summer reading program	17,346	17,346	-	-	27,598
3558 Reading	5,083	5,083	-	-	3,605
3577 Teacher supplies	19,800	19,800	-	-	-
3578 High schools that work/making middle grades work	5,420	5,420	-	-	-
3587 Maintenance of state financial support (MES) Tier I	43,337	43,337	-	-	-
3589 Maintenance of state financial support (MES) Tier II	253,502	253,502	-	-	152,966
3592 Work-based learning	1,680	1,680	-	-	-
3593 Capital improvement plan	-	-	-	-	1,000,000
3595 EEDA - supplies and materials	3,376	3,376	-	-	352
3597 Aid to districts	12,708	12,708	-	-	342
3599 Other EIA	35,447	35,447	-	-	12,458
TOTALS	$ 1,149,134	$ 933,687	$ -0-	$ (215,447)	$ 1,258,142

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, 2018

REVENUES	
1000 Revenue from local sources	
1200 Revenue from local governmental units other than LEAs	
1210 Ad valorem taxes - including delinquent (dependent)	$ 1,135,021
Total local sources	1,135,021
3000 Revenue from state sources	
3800 State revenue in lieu of taxes	
3820 Homestead exemption (tier 2)	137,488
3830 Merchant's inventory tax	767
3840 Manufacturers depreciation reimbursement	9,436
3890 Other state property tax revenues (includes motor carrier vehicle tax)	28,610
Total state sources	176,301
Total revenues all sources	1,311,322
EXPENDITURES	
500 Debt service	
610 Redemption of principal	1,093,000
620 Interest	29,706
690 Other objects (includes fees for servicing bonds)	51,174
Total debt service	1,173,880
Total expenditures	1,173,880
OTHER FINANCING SOURCES (USES)	
5100 Sale of bonds	
5120 Proceeds from general obligation bonds	3,347,000
Interfund transfers, from (to) other funds	
5210 Transfer from General Fund	118,780
423-710 Transfer to Debt Service Fund - Foundation	(3,818,980)
Total other financing sources (uses)	(353,200)
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	(215,758)
FUND BALANCE, July 1, 2017	764,664
FUND BALANCE, June 30, 2018	$ 548,906

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, 2018

REVENUES	
1000 Revenue from local sources	
1500 Earnings on investments	
1510 Interest on investments	$ -
Total local sources	-0-
Total revenues all sources	-0-
EXPENDITURES	
500 Debt service	
610 Redemption of principal	3,691,000
620 Interest	127,980
Total debt service	3,818,980
Total expenditures	3,818,980
OTHER FINANCING SOURCES (USES)	
Interfund transfers, from (to) other funds	
5240 Transfer from Debt Service Fund - District	3,818,980
Total other financing sources (uses)	3,818,980
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	-
FUND BALANCE, July 1, 2017	-
FUND BALANCE, June 30, 2018	$ -0-

Schedule 13

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, 2018

REVENUES	
1000 Revenue from local sources	
1500 Earnings on investments	
1510 Interest on investments	$ -
Total local sources	-0-
Total revenues all sources	-0-
EXPENDITURES	
250 Finance and operations services	
253 Facilities acquisition and construction	
300 Purchased services	-
Total expenditures	-0-
OTHER FINANCING SOURCES (USES)	
Interfund transfers, from (to) other funds	
423-710 Transfer to Debt Service Fund	-
Total other financing sources (uses)	-0-
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	-0-
FUND BALANCE, July 1, 2017	783,117
FUND BALANCE, June 30, 2018	$ 783,117

Schedule 14

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, 2018

REVENUES	
1000 Revenue from local sources	
1500 Earnings on investments	
1510 Interest on investments	$ -
Total local sources	-0-
Total revenues all sources	-0-
EXPENDITURES	
250 Finance and operations services	
253 Facilities acquisition and construction	
500 Capital outlay	
520 Construction services	-
Total expenditures	-0-
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	-0-
FUND BALANCE, July 1, 2017	-
FUND BALANCE, June 30, 2018	$ -0-

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Food Service Fund
Schedule of Revenues, Expenses, and Changes in Retained Earnings
For Fiscal Year Ended June 30, 2018

REVENUES		
1000 Revenue from local sources		
1600 Food service		
1610 Lunch sales to pupils	$	511
1620 Breakfast sales to pupils		18
1630 Special sales to pupils		6
1640 Lunch sales to adults		16,342
1650 Breakfast sales to adults		7
1660 Special sales to adults		108
1900 Other revenue from local sources		
1990 Miscellaneous local revenue		
1999 Revenue from other local sources		10,449
Total local sources		27,441
3000 Revenue from state sources		
3100 Restricted state funding		
3140 School lunch		
3142 School lunch program aid		23
Total state sources		23
4000 Revenue from federal sources		
4800 USDA reimbursement		
4810 School lunch and after school snacks program		395,300
4830 School breakfast program		182,829
4900 Other federal sources		
4991 USDA commodities (Food distribution program)		38,750
Total federal sources		616,879
Total revenues all sources		644,343

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Food Service Fund
Schedule of Revenues, Expenses, and Changes in Retained Earnings
For Fiscal Year Ended June 30, 2018

EXPENSES	
250 Finance and operations	
256 Food service	
100 Salaries	$ 233,954
200 Employee benefits	1,410
300 Purchased services (excludes energy costs)	33,768
400 Supplies and materials (includes energy costs)	408,193
500 Capital outlay	15,570
600 Other objects	3,772
Total expenses	696,667
OTHER FINANCING SOURCES (USES)	
Interfund transfers, from (to) other funds	
432-791 Food Service Fund indirect costs	-
Total other financing sources (uses)	-
EXCESS/DEFICIENCY OF REVENUES OVER EXPENSES	(52,324)
RETAINED EARNINGS, July 1, 2017	286,616
RETAINED EARNINGS, June 30, 2018	$ 234,292

Schedule 16

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Pupil Activity Fund
Balance Sheet
June 30, 2018

	Student Activity Fund
ASSETS	
Due from student organizations	$ 20,030
Total assets	$ 20,030
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Due to General Fund	$ 20,030
Total liabilities	20,030
FUND BALANCES	-0-
Total liabilities and fund balances	$ 20,030

Schedule 17

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, 2018

RECEIPTS	
1000 Receipts from local sources	
1700 Pupil activities	
1790 Other pupil activity income	$ 203,193
1900 Other revenue from local sources	
1920 Contributions and donations from private sources	44,514
1990 Miscellaneous local revenue	
1999 Revenue from other local sources	69,013
Total receipts from local sources	316,720
DISBURSEMENTS	
100 Instruction	
190 Instructional pupil activity	
600 Other objects	42,639
200 Support services	
270 Support services - pupil activity	
271 Pupil service activities	
100 Salaries	61,539
200 Employee benefits	22,940
660 Pupil activity	205,708
272 Enterprise activities	
660 Pupil activity	34,351
273 Trust and agencies activities	
660 Pupil activity	122
Total disbursements	367,299
OTHER FINANCING SOURCES (USES)	
Interfund transfers, from (to) other funds	
5210 Transfer from General Fund (excludes indirect costs)	-
Total other financing sources (uses)	-0-
EXCESS/DEFICIENCY OF RECEIPTS OVER DISBURSEMENTS	(50,579)
DUE TO STUDENT ORGANIZATIONS, July 1, 2017	30,549
DUE TO STUDENT ORGANIZATIONS, June 30, 2018	$ (20,030)

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Schedule of Due to State Department of Education/Federal Government
June 30, 2018

Program	Project Number	Revenue & Subfund Codes	Description	Amount Due to SCDE or Federal Government	Status of Amounts Due to Grantors
Refurbishment of science kits	EIA	3526	Unspent allocation	$ 4,527.72	Unpaid
IDEA	17IDEA	4510	Overclaimed funds	83,946.61	Unpaid
CDEPP	17CDEPP	3134	Unspent allocation	38,727.27	Unpaid
				$ 127,201.60	

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, 2018

Function	Land and Improvements	Buildings	Equipment	Vehicles	Totals
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	$ 882,080	$ 29,168,738	$ 780,374	$ 188,666	$ 31,019,858

Function	Capital Assets July 1, 2017	Additions	Disposals	Capital Assets June 30, 2018
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	$ 31,019,858	$ -0-	$ -0-	$ 31,019,858

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Highlights
For the Fiscal Year Ended June 30, 2018

The table on this page presents pupil cost based on the average daily attendance of 741. 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 2017-2018 Average Daily Attendance
Instruction	$ 6,211.36
Pupil services	437.91
Instructional staff services	897.77
Administration	1,673.81
Finance and operations	2,770.92
Central support	1,095.11
Pupil activities	305.16
Community services	136.36
Intergovernmental	19.36
Total	$ 13,547.77

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2018

LEA Subfund Code	Federal Grantor/ Pass-Through Grantor Program Title	Federal CFDA Number	Pass Through Grantor's Number	Total Expenditures
	U. S. DEPARTMENT OF EDUCATION			
	Passed through SC Department of Education:			
201	Title I grant to LEAs	84.010	18 TITLE I REG	$ 413,975
207	CATE (Subprogram 4)	84.048	18 CATE	6,478
207	CATE (Subprogram 6)	84.048	18 CATE	966
	Total 84. 048			7,444
	Special Education Cluster:			
203	Individuals with disabilities education (IDEA)	84.027	18 IDEA	646,162
205	Preschool grants	84.173	18 IDEA PRE	17,769
	Total Special Education Cluster			663,931
243	Basic adult education	84.002	18-EA058	8,714
224	21st century learning center program, Title IV	84.287C	18 21ST CENT	125,905
251	Rural and low-income school program, Title V	84.358	18-REAP	20,221
267	Improving teacher quality - Mini grant	84.367	18 Title II-ITQ MINI	8,951
267	Improving teacher quality	84.367	18 Title II-ITQ	58,096
	TOTAL U.S. DEPARTMENT OF EDUCATION			1,307,237
	U. S. DEPARTMENT OF DEFENSE			
	Passed through McCormick County			
100	AFJROTC	12.000	N/A	38,576
	U.S. DEPARTMENT OF AGRICULTURE			
	Passed through SDE:			
	Child nutrition cluster:			
	Non-cash assistance (commodities):			
600's	National School Lunch Program	10.555	N/A	38,750
	Cash assistance:			
600's	National School Lunch Program	10.555	N/A	395,300
600's	School Breakfast Program	10.553	N/A	182,829
	Total for program (cluster)			616,879
	TOTAL U.S. DEPARTMENT OF AGRICULTURE			616,879
	TOTAL FEDERAL ASSISTANCE EXPENDED			$ 1,962,692

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, 2018

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of *Title 2* U.S. Code of Federal Regulations *Part 200* , Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

(2) Summary of Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is presented such that expenditures are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, whereby certain types of expenditures are not allowable or are limited as to reimbursement.

(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.

(5) Indirect Cost Rate

The District has elected not to use the 10% de minimus cost rate allowed under the Uniform Guidance.

Schedule 22

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Location Reconciliation Schedule
For the Fiscal Year Ended June 30, 2018

Location ID	Location Description	Education Level	Cost Type	Total Expenditures
01	McCormick High School	High school	School	$ 2,882,950
02	McCormick Middle School	Middle school	School	1,594,998
03	McCormick Elementary School	Elementary school	School	2,733,556
05	Vocational School	High school	School	1,860,617
06	Special Services	Non-school	Central	980,930
07	Transportation	Non-school	Central	125,429
10	District	Non-school	Central	3,791,653
20	Adult Education	Non-school	Central	26,824
49	Grant	Non-school	Central	361,681
80	Grant	Non-school	Central	61,280
99	District	Non-school	Central	4,746,162
TOTAL EXPENDITURES/DISBURSEMENTS FOR ALL FUNDS				$ 19,166,080

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

General Fund	$ 10,038,900
Special Revenue Funds (includes EIA)	3,070,354
Debt Service Fund	4,992,860
School Building Fund	-
Proprietary Fund	696,667
Agency Fund	367,299
TOTAL EXPENDITURES/DISBURSEMENTS FOR ALL FUNDS	$ 19,166,080

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Schedule of Prior Year Findings and Questioned Costs
For Fiscal Year Ended June 30, 2018

Financial Statement Findings

None.

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, 2018

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified.	
Internal control over financial reporting:		
• Material weakness(es) identified?	X yes	___ no
• Significant weakness(es) identified that are not considered to be material weakness(es)?	___ yes	X no
Noncompliance material to financial statements noted?	___ yes	X no

Federal Awards

Internal control over major programs:		
• Material weakness(es) identified?	X yes	___ no
• Significant weakness(es) identified that are not considered to be material weakness(es)?	___ yes	X 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	X no

Identification of major programs:

CFDA Numbers	**Name of Federal Program or Cluster**
84.027	IDEA

Dollar threshold used to distinguish between type A and type B programs:	$750,000	
Auditee qualified as low-risk auditee?	___ yes	X no

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Schedule of Findings and Questioned Costs
For Fiscal Year Ended June 30, 2018

Section II - Financial Statement Findings

2018-001 **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 throughout the entire fiscal year.

Criteria: Internal accounting control requirements

Effect: Accounting personnel did not perform complete reconciliations of the bank statements and did not adjust the general ledger appropriately throughout the entire fiscal year. 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 understands the importance of this internal control and is committed to resolving this area of concern during the 2019 fiscal year.

2018-002 **Reconciliation of Funds Received and Cash Held with County Treasurer**

Condition: Funds received for the General Fund through the County Treasurer and cash balances held with the County Treasurer were not fully reconciled and adjusted on a timely basis at fiscal year-end.

Criteria: Internal accounting control requirements

Effect: Accounting personnel did not reconcile information received from the County Treasurer for the General Fund at fiscal year-end, so as to adjust the general ledger appropriately. 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. During the audit process, adjusting entries were made to properly recognize revenues received and cash held by the County Treasurer for the general fund.

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

Response: District management has established procedures to request monthly reports from the County Treasurer and has developed a monthly timeline for complete reconciliation and recording in the District's accounting records. Staff will insure that the reconciliation and any adjustments are made throughout year and at fiscal year-end.

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Schedule of Findings and Questioned Costs
For Fiscal Year Ended June 30, 2018

Section II - Financial Statement Findings, continued

2018-003 **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.

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. 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. 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.

Response: District management has established procedures to request monthly reports from the County Treasurer and has developed a monthly timeline for complete reconciliation and recording in the District's accounting records. Staff will insure that the reconciliation and any adjustments are made throughout year and at fiscal year-end.

2018-004 **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 has 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.

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Schedule of Findings and Questioned Costs
For Fiscal Year Ended June 30, 2018

Section II - Financial Statement Findings, continued

2018-004 **<u>Internal Control over Financial Reporting, continued</u>**

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

2018-005 **<u>Transactions Not Recorded in Proper Funds</u>**

Condition: In certain cases, transactions were not recorded in the proper fund. Activity within Debt Service, Food Service, Special Revenue and EIA Funds was not always recorded within those funds on a timely basis.

Criteria: Internal controls over the accounting for transactions should be in place to ensure that all transactions are being recorded in the appropriate fund.

Effect: Because the accounting transactions were not recorded in the appropriate fund, fund financial statements were not accurate, and revenues and expenditures had to be transferred to the appropriate fund after year end.

Recommendation: Controls would be improved if all transactions throughout the year were recorded in the appropriate fund and each fund was balanced on a regular basis.

Response: District management understands the importance of timely, accurate reporting by fund. Transactions will be recorded in the appropriate fund.

2018-006 **<u>Contract to Support Cash Disbursements</u>**

Condition: The District entered into an agreement for public relations and website development services with a company and paid approximately $83,000 for such services during the fiscal year. While invoices, consisting of daily timesheets, were provided to the District as support for payment, no formal written agreement exists documenting the terms of the arrangement.

Criteria: Internal controls over disbursements require that contracts for significant service arrangements be clearly documented.

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Schedule of Findings and Questioned Costs
For Fiscal Year Ended June 30, 2018

Section II - Financial Statement Findings, continued

2018-006 **Contract to Support Cash Disbursements, continued**

Effect: Because there is a lack of documentation, there could be instances where the system of internal control could be overridden. For our sample of selected disbursement transactions, in several cases it was difficult to determine that the appropriate amounts were paid, although the disbursements were supported by invoices.

Recommendation: Controls over cash disbursements would be improved if the District ensured that contract arrangements for significant service arrangements were carefully documented.

Response: The District will maintain contracts for significant service arrangements and will pay for these services in accordance with the contract.

2018-007 **Comparisons of Actual Results to Budgets**

Condition: District financial management did not appear to perform timely, detailed comparisons of financial results to expected results. Therefore, District management did not regularly communicate actual to budget variances internally or to the District Board of Directors. A strong system of internal accounting controls includes establishing accountability for operating within the financial constraints of the approved budget. This requires regular, timely and detailed comparisons of actual operating results with expectations (as documented in the annual budget).

Criteria: Internal accounting control requirements and financial management guidelines

Effect: Actual financial results for the current year for the District's General Fund were significantly below budgeted expectations. This situation was not identified and communicated to the District Board of Director's on a timely basis, so as to enable analysis, discussion and action.

Recommendation: Financial management should work closely with District management to carefully analyze any significant variances from budgets. Management should regularly communicate to the Board any significant variances, the causes, and management's plans for addressing. Management should work closely with the Board

Response: District management has established procedures to perform monthly comparisons of actual results to budgets, with careful analysis of variances. The results of these comparisons will be communicated regularly within the District and with the Board of Directors.

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA
Schedule of Findings and Questioned Costs
For Fiscal Year Ended June 30, 2018

Section III - Federal Award Findings and Questioned Costs

2018-008 **<u>Requests for Grant Reimbursements</u>**

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 submitted a request for reimbursement of IDEA expenditures during the year and, mistakenly, included certain expenditures for which it had previously requested and been given reimbursement. Therefore, the District has been over-reimbursed by $83,946.61 in IDEA funding during the current fiscal year.

Criteria: Federal governmental agencies have guidelines regulating the grant application, award, cost reimbursement, and reporting for federal grant programs.

Effect: The District received over-reimbursement of IDEA expenditures. As a result, the District owes these amounts back to the 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 ensure that requests for reimbursement of grant funds are made based upon allowable expenditures.

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.

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, 2018, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 28, 2018. 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.

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 2018.001 through 2018.004 in the Schedule of Finding and Questioned Costs. We also noted other matters requiring communication, as described in Findings 2018.005 through 2018.007.

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
November 28, 2018

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 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018. 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 on Each Major Federal Program

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, 2018.

Report on Internal Control Over Compliance

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.

Board of Trustees
McCormick School District No. 1
Page 2

Report on Internal Control Over Compliance, continued

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, by the District's internal controls on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We noted a matter involving the internal control over compliance that we consider a material weakness, as described in Finding 2018.008 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 internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing on internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Martin Smith and Company CPAs PA

Greenville, South Carolina
November 28, 2018