

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

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2019

	<u>Reference</u>	<u>Page</u>
Principal Officials		i
 <u>FINANCIAL SECTION</u> 		
Independent Auditor's Report		1
Management's Discussion and Analysis		3
Basic Financial Statements		
<i>Government-Wide Financial Statements</i>		
Statement of Net Position		12
Statement of Activities		13
<i>Fund Financial Statements</i>		
Balance Sheet - Governmental Funds		14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position		16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds		18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities		20
Statement of Fiduciary Assets and Liabilities - Agency Fund		21
Notes to the Financial Statements		22
Required Supplementary Information		
<u>Budgetary Comparison Schedule - General Fund</u>		
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budgets and Actual		56
<u>Pension Plan Schedules:</u>		
Schedule of the District's Proportionate Share of the Net Pension Liability - South Carolina Retirement System		57
Schedule of Contributions - South Carolina Retirement System		58
Schedule of the District's Proportionate Share of the Net Pension Liability - Police Officers Retirement System		59
Schedule of Contributions - Police Officers Retirement System		60
<u>Other Postemployment Benefit Plan Schedules:</u>		
Schedule of the District's Proportionate Share of the Net OPEB Liability - South Carolina Retiree Health Insurance Trust Fund		61
Schedule of the District's Contributions - South Carolina Retiree Health Insurance Trust Fund		62

(Continued)

MCCORMICK SCHOOL DISTRICT No. 1
MCCORMICK, SOUTH CAROLINA

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2019

FINANCIAL SECTION (CONTINUED)

	<u>Reference</u>	<u>Page</u>
Supplementary Information		
<i>Combining and Individual Fund Schedules</i>		
<u>General Fund</u>		
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Revised Budget and Actual	Schedule A-1	64
<u>Special Revenue Fund</u>		
Schedule of Revenues, Expenditures, and Changes in Fund Balances	Schedule B-1	72
Supplemental Listing of LEA Subfund Codes and Titles	Schedule B-2	84
Summary Schedule for Other Designated Restricted State Grants	Schedule B-3	85
<u>Special Revenue Fund - Education Improvement Act</u>		
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance - All Programs	Schedule B-4	86
Summary Schedule by Program	Schedule B-5	89
<u>Other Schedules</u>		
Detailed Schedule of Due to State Department of Education/ Federal Government	Schedule B-6	90
<u>Special Revenue - Food Service Fund</u>		
Schedule of Revenues, Expenditures, and Changes in Fund Balance	Schedule B-7	91
<u>Debt Service Fund - District</u>		
Schedule of Revenues, Expenditures, and Changes in Fund Balance	Schedule C-1	92
<u>Capital Projects Fund - District</u>		
Schedule of Revenues, Expenditures, and Changes in Fund Balance	Schedule D-1	93
<u>Fiduciary Fund - Pupil Activity Fund</u>		
Schedule of Receipts, Disbursements, and Changes in Due to Student Organizations	Schedule E-1	94
<i>Other Schedule</i>		
Location Reconciliation Schedule	Schedule F-1	95

(Continued)

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

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2019

COMPLIANCE SECTION

Schedule of Expenditures of Federal Awards	98
Notes to the Schedule of Expenditures of Federal Awards	99
Independent Auditor's Report - Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	101
Independent Auditor's Report - Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	103
Summary Schedule of Prior Audit Findings	105
Schedule of Findings and Questioned Costs	109
Corrective Action Plan	112

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

PRINCIPAL OFFICIALS

YEAR ENDED JUNE 30, 2019

Established in 1954

Board of Trustees

James B. Moss, Chairman
Verteema Chiles, Vice Chair
Karen Beckner
Christine Lee
Heather McNally
Janie Martin
Dr. Melody Wilt

Senior Administrative Staff

Dr. Betty Bagley, Interim Superintendent



Greene Finney, LLP

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of McCormick School District No. 1, South Carolina (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of McCormick School District No. 1, South Carolina, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note I.B in the notes to the financial statements, in the year ended June 30, 2019 the District has elected to change its policy for accounting and reporting its food service operations from an enterprise fund to a governmental fund. Our opinion is not modified with respect to this matter.

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Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were 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 as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Greene Finney, LLP
Mauldin, South Carolina
November 21, 2019

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2019

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, 2019. 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 financial statements and financial statements to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2019 are as follows:

- On the government-wide basis, the assets and deferred outflows of resources of the District were exceeded by its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$4.0 million. Unrestricted net position was a deficit of \$21.2 million. This deficit was due to primarily two factors:
 - The net pension liability of \$15.5 million as required by Governmental Accounting Standards Board ("GASB") Statement No. 68, "*Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*" ("GASB #68"). The District participates in the South Carolina Retirement System's ("SCRS") pension plans, and the District is required by GASB #68 to recognize is proportionate share of the SCRS' unfunded liabilities on the District's government-wide financial statements.
 - The net other postemployment benefit ("OPEB") plan liability of \$11.8 million as required by GASB Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*" ("GASB 75"). The District participates in the South Carolina Retiree Health Insurance Trust Fund ("SCRHITF") OPEB plan, and the District is required by GASB #75 to recognize is proportionate share of the SCRHITF's unfunded liabilities on the School District's government-wide financial statements.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$2.6 million. Approximately 75% of the total amount, or \$1.9 million, is available for spending at the government's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1.9 million, which is 21% of total General Fund expenditures for fiscal year 2019.
- The District's fund balance for the General Fund increased by \$0.5 million.
- During the 2019 fiscal year, the District's governmental fund type revenues were \$15.3 million compared to \$13.6 million in the prior year, or an increase of 13%.
- The District's net capital assets decreased by \$1.2 million (6.0%) during the current fiscal year to approximately \$18.9 million, primarily due to depreciation expense of \$1.2 million.
- The District's total outstanding bonds and leases were \$2.4 million at June 30, 2019, decreasing by \$2.3 million due to regularly scheduled principal payments during the year of \$2.3 million.
- Effective July 1, 2018, the District converted its food service activities from an enterprise fund to a special revenue fund. This change in accounting principle resulted in a decrease to beginning fund balance of approximately \$29 thousand for this fund, representing the net book value of capital assets for food service equipment, as capital assets are not reported in governmental funds. On its government-wide financial statements, the District recognized an increase to beginning net position for governmental activities of approximately \$234 thousand, as it no longer reports an business-type activities. There was no change in total net position for the District as a result of this change. Accordingly, the District is not reporting and proprietary/enterprise fund activities or balances as of and for the year ended June 30, 2019.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts — *Introductory Section*, *Financial Section* (which includes the financial statements, required supplementary information which includes this management's discussion and analysis section, the combining and individual fund financial schedules and the location reconciliation schedule) and the *Compliance Section*.

Government-Wide Financial Statements. The 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Financial Statements (Continued)

The *Statement of Net Position* presents information on all of the District's assets, liabilities, and deferred outflows/inflows of resources, with the difference 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.

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 District does not have any "business-type" activities.

The McCormick County School Facilities Foundation ("Foundation") was established by the District during the 2008 fiscal year. The Foundation is a blended component unit of the District, and as such, is included in the governmental activities of the District. Separate financial statements for the Foundation are not issued.

The government-wide financial statements can be found as listed in the table of contents.

Fund Financial Statements. The remaining 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 two categories: governmental funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Since the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation schedule following each governmental fund financial statement.

The District maintains six 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 Revenue Fund, Special Revenue Fund-EIA, Special Revenue Fund-Food Service, Debt Service Fund-District, Capital Projects Fund-District, all of which are considered to be major funds. The Debt Service Fund-Foundation is also a major fund and therefore shown in a separate column. This fund is inactive as it expended all of its resources in prior years and did not have any operations or balances as of June 30, 2019. The Capital Projects Fund-Foundation was used in prior years to account for and report capital outlay related to the Foundations operations. This fund has been inactive for several years, as it expended all of its resources in prior years and did not have any operations or balances as of June 30, 2011. The governmental fund financial statements can be found as listed in the table of contents.

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 activities of the schools and accounts for these activities in an agency fund. The fiduciary fund financial statement can be found as listed in the table of contents.

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

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found as listed in the table of contents. More detailed information regarding long-term debt and capital asset activity can also be found in the notes to the financial statements.

Supplementary Information. The combining and individual fund schedules and the location reconciliation schedule can be found as listed in the table of contents.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for this fund to demonstrate compliance with the budget. This schedule can be found as listed in the table of contents.

Major Features of McCormick School District No. 1’s Government-Wide and Fund Financial Statements			
	Government-Wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds) including the District’s blended component unit	The activities of the District that are not proprietary or fiduciary	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 Fiduciary Assets and Liabilities
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
Type of Asset/Liability Information	All assets, liabilities, and deferred outflows / inflows of resources, both financial and capital, and short-term and long-term	Only assets and deferred outflows of resources (if any) that are expected to be used and liabilities and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	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 or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources were exceeded by its liabilities and deferred inflows of resources by \$4.0 million at the close of the most recent fiscal year.

A summary of the District's net position as of June 30, 2019 compared to June 30, 2018 is presented below:

	2019	2018 *
Assets		
Current and Other Assets	\$ 5,610,488	\$ 7,086,330
Capital Assets (Net)	18,914,270	19,183,791
Total Assets	<u>24,524,758</u>	<u>26,270,121</u>
Deferred Outflows of Resources		
Deferred Pension Charges	2,842,801	2,690,088
Deferred OPEB Charges	2,191,998	371,072
Total Deferred Outflows of Resources	<u>5,034,799</u>	<u>3,061,160</u>
Liabilities		
Other Liabilities	2,640,316	4,178,039
Net Pension Liability	15,501,333	14,253,391
Net OPEB Liability	11,814,300	9,538,545
Long Term Liabilities	2,505,299	3,791,000
Total Liabilities	<u>32,461,248</u>	<u>31,760,975</u>
Deferred Inflows of Resources		
Deferred Pension Credits	113,056	55,954
Deferred OPEB Credits	966,268	901,807
Total Deferred Inflows of Resources	<u>1,079,324</u>	<u>957,761</u>
Net Position		
Net Investment in Capital Assets	16,763,914	15,442,791
Restricted	496,709	1,376,817
Unrestricted	(21,241,638)	(20,207,063)
Total Net Position	<u>\$ (3,981,015)</u>	<u>\$ (3,387,455)</u>

* Adjusted to include food service operations in with governmental activities, as the District converted its food service operations from a business-type activity to a governmental activity effective July 1, 2018; see Note I. B in the notes to the financial statements for details.

Total net position of the District's governmental activities decreased from a deficit of \$3.4 million at June 30, 2018 to a deficit of \$4.0 million at June 30, 2019 or a decrease of \$0.6 million. This decrease in total net position is primarily due to the District's increase in net pension and OPEB activity of \$1.6 million, a decrease in current assets of \$1.5 million, partially offset by a decrease in other and long-term liabilities of \$2.8 million. The decrease in total assets is primarily due to a decrease in capital assets of \$1.2 million, due to depreciation expense of \$1.2 million. The increase in deferred outflows of resources is due to changes in actuarial assumptions under GASB #68 and GASB #75. Total liabilities increased by \$0.7 million from the prior year primarily due to an increase in the net pension and net OPEB liabilities, partially offset by a decrease in long term liabilities due to regularly scheduled principal payments.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The increase in deferred inflows of resources is primarily due to changes in actuary assumptions, as required by GASB #68 and GASB #75 in the current year. Total net position decreased \$0.6 million. 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 was a deficit of \$21.0 million at June 30, 2019, due to the net pension liability of \$15.5 million as required by GASB #68 and the net OPEB liability of \$11.8 million as required by GASB #75.

The following table shows the changes in net position for fiscal year 2019 compared to 2018:

	Changes in Net Position	
	2019	2018 *
Revenues		
Program Revenues:		
Charges for Services	\$ 127,802	\$ 27,440
Operating Grants	6,513,629	6,294,715
General Revenues:		
Property Taxes	8,303,501	7,783,650
Other	174,411	154,180
Total Revenues	15,119,343	14,259,985
Program Activities		
Instruction	7,446,422	7,268,385
Support Services	8,460,851	8,313,437
Community Services	258,020	148,016
Intergovernmental	-	18,876
Interest and Other Charges	118,854	208,860
Total Expenses	16,284,147	15,957,574
Change in Net Position	(1,164,804)	(1,697,589)
Net Position, Beginning of Year	(3,387,455)	(1,689,866)
Prior Period Adjustment	571,244	-
Net Position, Beginning of Year, as Adjusted	(2,816,211)	(1,689,866)
Net Position, End of Year	\$ (3,981,015)	\$ (3,387,455)

* Adjusted to include food service operations in with governmental activities, as the District converted its food service operations from a business-type activity to a governmental activity effective July 1, 2018; see Note I. B in the notes to the financial statement for details.

Overall, the District's financial condition decreased in fiscal year 2019, not including the impact of the conversion of the food service fund and the prior period adjustments, as program revenues were exceeded by expenditures by \$1.2 million, compared to a \$1.7 million decrease in the prior year. Total revenues increased \$0.9 million (6%) from 2018 to 2019 due mainly to an increase in operating grants of \$0.2 million and an increase in property taxes of \$0.5 million. Program expenses increased \$0.3 million from 2018 to 2019 (2%). This was mainly due to an increase in instruction of \$0.2 million and support services of \$0.1 million.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2019

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, 2019, the District's governmental funds reported a *combined* fund balance of \$2.6 million as compared to \$3.1 million for the prior year, as expenditures exceeded revenues.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$1.9 million. The District's total General Fund balance was \$1.9 million, increasing \$0.5 million (34%) during the current fiscal year, as revenues and net transfers in of \$9.5 million exceeded expenditures of \$9.0 million. This increase is due primarily to an increase in property taxes and decreases in salaries and related benefits, and supplies and materials.

The District's special revenue funds including (EIA and Food Service) are used to account for revenues derived from the state of South Carolina and the federal government. The Special Revenue Fund balance decreased by \$45 thousand. The Special Revenue Fund-EIA does not have a fund balance as revenues should be expended, deferred, or returned to the grantor. The fund balance for the Special Revenue Fund-Food Service decreased by \$113 thousand (55%), compared to a decrease of \$52 thousand in the prior year. This decrease was due primarily to support service expenditures exceeding revenues.

The District has two debt service funds; the regular District Debt Service Fund and the Foundation Debt Service Fund (inactive and not shown in 2019). Both funds are used to account for the accumulation of funds for debt retirement. The District's Debt Service fund balance at the end of the current fiscal year was \$322 thousand. The fund balance decreased by \$171 thousand as current year property tax revenues were exceeded by debt service expenditures. The District's debt millage rate is 30.0 mills. The Debt Service Fund - Foundation accounts for the accumulated resources for payment on the facilities bonds sold by the non-profit organization. This fund was inactive as it had no activity in 2019.

The District's capital projects fund decreased by \$686 thousand during the 2019 fiscal year to \$222 thousand at June 30, 2019, as transfers out to the debt service fund of \$554 thousand (representing current year and prior years accumulation of the 2010 capital lease payments made by the debt service fund) and other expenditures of \$456 thousand, were partially offset by current year revenues of \$324 thousand.

General Fund Budgetary Highlights

The District's General Fund budget is prepared according to South Carolina law and is consistent with U.S. generally accepted accounting principles. The Board of Trustees adopted a budget that reflected total revenue sources and annual appropriations of \$10.0 million with a use of appropriated fund balance of \$0.2 million.

During the course of FY2019 there were no budget amendments.

At the end of FY2019, the General Fund had a positive total budget versus actual variance of \$718 thousand. This positive variance is due to expenditures and net transfers out being less than budget by \$1.2 million, partially offset with budgeted revenues and transfers in being below budget by \$0.5 million.

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

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2019

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of FY2019, the District had \$18.9 million invested in capital assets, net of depreciation.

The net decrease in the District’s investment in capital assets was \$1.2 million or 6%. The decrease was due to current year depreciation expense of \$1.2 million.

The following table shows fiscal year end 2019 capital asset balances compared to 2018:

Capital Assets	Capital Assets (Net of Depreciation)	
	Governmental Activities	
	2019	2018 *
Land	\$ 686,894	\$ 686,894
Land Improvements	78,075	87,834
Buildings and Improvements	17,390,546	18,401,178
Equipment	734,349	928,594
Vehicles	24,406	29,291
Capital Assets, Net	\$ 18,914,270	\$ 20,133,791

* Adjusted to include food service operations in with governmental activities, as the District converted its food service operations from a business-type activity to a governmental activity effective July 1, 2018; see Note I. B in the notes to the financial statement for details.

Additional information on the District’s capital assets can be found in Note III.C in the Notes to the Financial Statements.

Debt Administration

At the end of the current fiscal year, the primary government had \$2.4 million in outstanding indebtedness (including \$1.8 million in general obligation bonds), compared to \$4.7 million at June 30, 2018. The decrease of \$2.3 million is due primarily to regularly scheduled principal payments on the District’s outstanding indebtedness. All required principal payments of \$2.3 million were made during the year.

The following table shows fiscal year end 2019 outstanding debt compared to 2018:

	Outstanding Debt	
	Governmental Activities	
	2019	2018 *
2014 General Obligation Bonds	\$ -	\$ 288,000
2015 General Obligation Bonds	238,000	473,000
2018 General Obligation Bonds	1,523,000	2,897,000
Capital Leases	611,658	1,013,000
Total	\$ 2,372,658	\$ 4,671,000

* This has been adjusted to reflect prior period adjustments. See Note IV. E for more details.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2019

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Debt Administration (Continued)

The state limits the amount of general obligation debt that school districts can issue to 8% of the assessed value of all taxable property within the District's corporate limits. The District is authorized by state statute to exceed the legal debt margin of 8%, if citizens of the District approve such additional debt through a district-wide referendum. Only \$1.8 million of the outstanding debt is subject to this limit as of June 30, 2019.

Additional detailed information about the District's long-term obligations is presented in Note III.F in the Notes to the Financial Statements.

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 several 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.

FY 2020 GENERAL FUND BUDGET

In July 2020, the Board of Trustees adopted a balanced General Fund budget for FY2020 that reflected total revenues and total appropriations of \$9.3 million. The FY2020 General Fund original budget represents a 4% decrease from the FY2019 General Fund budget of \$9.7 million.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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 Finance Department, at McCormick School District No. 1, 821 North Mine Street, McCormick, South Carolina, 29835. In addition, the Annual Financial Report may be found on the District's website at <http://www.mccormick.k12.sc.us>.

BASIC FINANCIAL STATEMENTS

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2019

	PRIMARY GOVERNMENT Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 3,235,082
Cash and Cash Equivalents, Restricted	5,055
Cash and Investments Held by County Treasurer	486,557
Property Taxes Receivable, Net	582,896
Accounts Receivable, Net	66,354
Due from Other Governments	1,232,087
Inventories	2,457
Capital Assets:	
Non-Depreciable	686,894
Depreciable, Net	18,227,376
TOTAL ASSETS	<u>24,524,758</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Pension Charges	2,842,801
Deferred OPEB Charges	2,191,998
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>5,034,799</u>
LIABILITIES	
Accounts Payable	599,705
Accrued Salaries & Benefits	879,828
Accrued Interest Payable	11,935
Due to Other Governments	3,290
Unearned Revenue	1,145,558
Non-Current Liabilities:	
Net Pension Liability	15,501,333
Net OPEB Liability	11,814,300
Due Within One Year	1,765,168
Due in More than One Year	740,131
TOTAL LIABILITIES	<u>32,461,248</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Pension Credits	113,056
Deferred OPEB Credits	966,268
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,079,324</u>
NET POSITION	
Net Investment in Capital Assets	16,763,914
Restricted For:	
Debt Service	403,874
Food Services	92,835
Unrestricted	(21,241,638)
TOTAL NET POSITION	<u>\$ (3,981,015)</u>

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION IN NET
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
PRIMARY GOVERNMENT:					
Governmental Activities:					
Instruction	\$ 7,446,422	-	2,646,826	-	\$ (4,799,596)
Support Services	8,460,851	40,198	3,866,803	-	(4,553,850)
Community Services	258,020	87,604	-	-	(170,416)
Interest and Other Charges	118,854	-	-	-	(118,854)
Total Governmental Activities	<u>16,284,147</u>	<u>127,802</u>	<u>6,513,629</u>	<u>-</u>	<u>(9,642,716)</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 16,284,147</u>	<u>127,802</u>	<u>6,513,629</u>	<u>-</u>	<u>(9,642,716)</u>
GENERAL REVENUES:					
General Revenues:					
Property Taxes Levied for General Purposes					3,591,936
Property Taxes Levied for Debt Service					1,219,672
State Revenue in Lieu of Taxes					3,491,893
Unrestricted Investment Earnings					565
Miscellaneous					173,846
Total General Revenues					<u>8,477,912</u>
CHANGE IN NET POSITION					<u>(1,164,804)</u>
NET POSITION, Beginning of Year					(3,621,747)
Conversion of Food Service Activities from Business-Type Activities to Governmental Activities - Note I. B					234,292
Prior Period Adjustment					571,244
NET POSITION, Beginning of Year, As Adjusted					<u>(2,816,211)</u>
NET POSITION, End of Year					<u>\$ (3,981,015)</u>

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2019

	GENERAL	SPECIAL REVENUE
ASSETS		
Cash and Cash Equivalents	\$ 3,235,025	-
Cash and Cash Equivalents, Restricted	5,055	-
Cash Held by County Treasurer	762	-
Receivables, Net:		
Taxes	458,445	-
Accounts	2,062	64,292
Due From:		
County Treasurer	258,343	-
State Agencies	-	3,176
Federal Agencies	-	640,554
Other Funds	432,269	-
Inventories	-	-
TOTAL ASSETS	\$ 4,391,961	708,022
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
LIABILITIES:		
Accounts Payable	\$ 275,453	-
Accrued Salaries & Benefits	879,828	-
Due To:		
Other Funds	985,519	432,270
Other Governments	-	-
Unearned Revenue	-	275,752
TOTAL LIABILITIES	2,140,800	708,022
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue - Property Taxes	334,653	-
TOTAL DEFERRED INFLOWS OF RESOURCES	334,653	-
FUND BALANCES:		
Fund Balances		
Restricted:		
Food Services	-	-
Debt Service	-	-
Capital Projects	-	-
Unassigned	1,916,508	-
TOTAL FUND BALANCES	1,916,508	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 4,391,961	708,022

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

SPECIAL REVENUE - EIA	SPECIAL REVENUE - FOOD SERVICE	DEBT SERVICE - DISTRICT	CAPITAL PROJECTS - DISTRICT	TOTAL GOVERNMENTAL FUNDS
-	57	-	-	\$ 3,235,082
-	-	-	-	5,055
-	-	294,646	191,147	486,555
-	-	124,451	-	582,896
-	-	-	-	66,354
-	-	-	-	258,343
2,535	-	-	324,252	329,963
-	3,227	-	-	643,781
867,271	87,094	-	31,155	1,417,789
-	2,457	-	-	2,457
869,806	92,835	419,097	546,554	\$ 7,028,275
-	-	-	324,252	\$ 599,705
-	-	-	-	879,828
-	-	-	-	1,417,789
-	-	3,288	-	3,288
869,806	-	-	-	1,145,558
869,806	-	3,288	324,252	4,046,168
-	-	93,572	-	428,225
-	-	93,572	-	428,225
-	92,835	-	-	92,835
-	-	322,237	-	322,237
-	-	-	222,302	222,302
-	-	-	-	1,916,508
-	92,835	322,237	222,302	2,553,882
869,806	92,835	419,097	546,554	\$ 7,028,275

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

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

JUNE 30, 2019

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 2,553,882
Amounts reported for the governmental activities in the Statement of Net Position are different because:	
Property taxes receivable will be collected in the future but are not available soon enough to pay for the current period's expenditures and therefore are unavailable in the funds.	428,225
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$32,078,781 and the accumulated depreciation is \$13,164,511.	18,914,270
Interest is recorded as an expenditure when due and payable in the governmental funds. Interest is recorded in the government-wide statements when due. This amount represents the amount due but unpaid at year-end.	(11,935)
The District's proportionate shares of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State pension plans are not recorded in the governmental funds but are recorded in the Statement of Net Position.	(12,771,588)
The District's proportionate share of the net OPEB liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State OPEB plan is not recorded in the governmental funds but is recorded in the Statement of Net Position.	(10,588,570)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consisted of the following:	
Long-Term Debt	(2,372,658)
Compensated Absences	(132,641)
	(2,505,299)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$ (3,981,015)

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

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MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2019

	GENERAL	SPECIAL REVENUE
REVENUES		
Local Sources:		
Taxes	\$ 3,625,817	-
Investment Earnings	554	11
Other Local Sources	165,120	507,120
State Sources	5,386,810	583,694
Federal Sources	25,352	1,430,325
TOTAL REVENUES	9,203,653	2,521,150
EXPENDITURES		
Current:		
Instruction	4,288,777	1,344,461
Support Services	4,654,290	737,551
Community Services	62,869	195,151
Intergovernmental	17,395	86,022
Capital Outlay	-	104,500
Debt Service:		
Principal Retirement	-	-
Interest and Fiscal Charges	-	-
TOTAL EXPENDITURES	9,023,331	2,467,685
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	180,322	53,465
OTHER FINANCING SOURCES (USES)		
Transfers In	327,501	-
Transfers Out	(17,777)	(98,259)
TOTAL OTHER FINANCING SOURCES (USES)	309,724	(98,259)
NET CHANGES IN FUND BALANCES	490,046	(44,794)
FUND BALANCES, Beginning of Year	1,275,776	44,794
Conversion of Food Services from Enterprise Fund to Special Revenue Fund	-	-
Prior Period Adjustment	150,686	-
FUND BALANCES, Beginning of Year, As Adjusted	1,426,462	44,794
FUND BALANCES, End of Year	\$ 1,916,508	-

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

SPECIAL REVENUE - EIA	SPECIAL REVENUE - FOOD SERVICE	DEBT SERVICE - DISTRICT	CAPITAL PROJECTS - DISTRICT	TOTAL GOVERNMENTAL FUNDS
-	-	1,220,173	-	\$ 4,845,990
-	-	-	-	565
15,827	24,344	-	-	712,411
1,237,503	-	134,792	324,252	7,667,051
-	618,377	-	-	2,074,054
1,253,330	642,721	1,354,965	324,252	15,300,071
309,711	-	-	-	5,942,949
355,743	767,341	-	132,033	6,646,958
-	-	-	-	258,020
-	-	-	-	103,417
358,634	6,020	-	-	469,154
-	-	2,010,000	288,342	2,298,342
-	-	70,612	35,910	106,522
1,024,088	773,361	2,080,612	456,285	15,825,362
229,242	(130,640)	(725,647)	(132,033)	(525,291)
-	17,777	554,169	-	899,447
(229,242)	-	-	(554,169)	(899,447)
(229,242)	17,777	554,169	(554,169)	-
-	(112,863)	(171,478)	(686,202)	(525,291)
-	234,292	548,906	783,117	2,886,885
-	(28,594)	-	-	(28,594)
-	-	(55,191)	125,387	220,882
-	205,698	493,715	908,504	3,079,173
-	92,835	322,237	222,302	\$ 2,553,882

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

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2019

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ (525,291)**

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

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. They are considered revenue in the Statement of Activities. (34,381)

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position. 2,298,342

Interest on long-term debt and in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and payable, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This amount is the net change in accrued interest. (11,935)

Changes in the District's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources for the current year are not reported in the governmental funds but are reported in the Statement of Activities. (1,152,331)

Changes in the District's proportionate share of the net OPEB liability, deferred outflows of resources, and deferred inflows of resources for the current year are not reported in the governmental funds but are reported in the Statement of Activities. (519,290)

In the Statement of Activities the loss on disposal of capital assets is reported, whereas in the governmental funds, proceeds from the disposal of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets disposed. (397)

Governmental funds reported cash capital asset additions as expenditures. However, in the Statement of Activities, the cost of those capital assets is allocated over their estimated useful lived as depreciation expense. This is the amount by which capital asset additions of \$-0- were exceeded by depreciation expense of \$1,219,521 in the current period. (1,219,521)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ (1,164,804)**

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

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

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUND

JUNE 30, 2019

	<u>AGENCY</u>
ASSETS	
Accounts Receivable	\$ 50,101
TOTAL ASSETS	<u><u>\$ 50,101</u></u>
LIABILITIES	
Accounts Payable	\$ 64
Due to Student Organizations	50,037
TOTAL LIABILITIES	<u><u>\$ 50,101</u></u>

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

McCormick School District No. 1, South Carolina (the “District”), was established in 1954; it has responsibility for and control over all activities related to public school education in all of McCormick County. The District has four schools and approximately 700 students for fiscal year 2019. The District receives funding from local, state and federal government sources and must comply with the related requirements of these funding source entities. The District is governed by a seven member Board of Trustees (the “Board”).

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

The financial statements of 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 Government Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District’s accounting policies are described below.

All activities, for which the Board exercises oversight responsibility, have been incorporated into the financial statements to form the reporting entity. The District’s financial statements include the accounts of all District operations, including, but not limited to, general operations and support services, food service operations, capital projects, debt service activities, and agency transactions.

As required by GAAP, the financial statements must present the District’s financial information with any of its component units. The primary criterion for determining inclusion or exclusion of a legally separate entity (component unit) is financial accountability, which is presumed to exist if the District both appoints a voting majority of the entity’s governing body, and either 1) the District is able to impose its will on the entity or, 2) there is a potential for the entity to provide specific financial benefits to, or impose specific financial burdens on the District. If either or both of the foregoing conditions are not met, the entity could still be considered a component unit if it is fiscally dependent on the District and there is a potential that the entity could either provide specific financial benefits to, or to impose specific financial burdens on the District.

In order to be considered fiscally independent, an entity must have the authority to do all of the following: (a) determine its budget without the District having the authority to approve or modify that budget; (b) levy taxes or set rates or charges without approval by the District; and (c) issue bonded debt without approval by the District. An entity has a financial benefit or burden relationship with the District if, for example, any one of the following conditions exists: (a) the District is legally entitled to or can otherwise access the entity’s resources, (b) the District is legally obligated or has otherwise assumed the obligation to finance the deficits or, or provide financial support to, the entity, or (c) the District is obligated in some manner for the debt of the entity. Finally, an entity could be a component unit even if it met all the conditions described above if excluding it would cause the District’s financial statements to be misleading.

Blended component units, although legally separate entities, are in substance part of the government's operations and data from these units are combined with data of the primary government in the financial statements. Discretely presented component units, on the other hand, are reported in a separate column in the financial statements to emphasize that they are legally separate from the District. The District has one blended component unit, as discussed below; the District does not have any discretely presented component units.

Blended Component Unit: McCormick County School Facilities Foundation (the “Foundation”) was incorporated in 2008 for educational and charitable purposes, specifically to (1) acquire, construct, finance, pledge, improve, maintain, operate, manage, lease and dispose of school buildings and other public education facilities for the use and benefit of the District and to (2) encourage and promote public education through cooperative arrangements with governmental entities and organizations exempt under Section 501(c)(3) that provide public education in McCormick County, South Carolina. The Foundation has board members which are appointed by the Board of the District.

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. The Reporting Entity (Continued)

Blended Component Unit (Continued): In 2008 the Foundation issued facilities bonds to finance various capital projects of the District. These bonds were satisfied during the year ended June 30, 2018. The facilities bonds were secured by lease agreements with the District and were retired through lease payments from the District. The lease agreements constitute the imposition of a financial burden on the District and provide services entirely to the District. The substance of the leases is that of a capital lease agreement. The assets and debt are accounted for as though they are assets and debt of the lessee (the District). Upon dissolution, the remaining assets will be distributed to the District. The District has a financial burden to the Foundation in that it is obligated for lease payments equaling the amount of debt to be relieved and associated interest payments. Because the Foundation exclusively benefits the District, the Foundation's financial information is blended with that of the District in these financial statements. Financial information for the Foundation is included in individual columns throughout the financial statements. Separate financial statements for the Foundation are not issued.

B. Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the District (the "Primary Government"). For the most part, the effect of interfund activity (except for interfund services provided and used between functions) 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 District does not report any business-type activities. 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.

The **government-wide financial statements** are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the accrual basis of accounting, 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 reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

Governmental **fund financial statements** are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government generally 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, claims and judgments and other long-term obligations, are recorded only when payment is due.

Property taxes, federal and state grant programs, 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 revenues are considered to be measurable and available only when cash has been received by the government.

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

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

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. There are a minimum number of funds maintained to keep the accounts consistent with legal and managerial requirements.

The following major categories of funds 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 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.

Following are the governmental fund types and funds used by the District:

The **General Fund, a major fund** and a budgeted 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 (a) are not allocated by law or contractual agreement to other funds or (b) that have not been restricted, committed, or assigned 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.

Special Revenue Funds are used to account for the proceeds of specific revenue sources (that are expected to continue to comprise a substantial portion of the inflows of the fund) that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The District has the following Special Revenue Funds:

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

- i) The **Special Revenue Fund, a major fund** and an unbudgeted fund, is used to account for and report the financial resources provided by federal, state and local projects and grants that are restricted, committed or assigned for specific educational programs.
- ii) The **Special Revenue – Education Improvement Act (“EIA”) Fund, a major fund** and an unbudgeted fund, is used to account for and report the restricted 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) which are restricted for specific programs authorized or mandated by EIA.
- iii) The **Special Revenue - Food Service Fund, a major fund** and an unbudgeted fund, is used to account for and report the financial resources received that are restricted for the cafeteria operations at school locations. These resources primarily consist of revenues received (a) from breakfast, lunch, and other food sales and (b) from the United States Department of Agriculture’s (“USDA”) approved school breakfast and lunch programs.

Effective July 1, 2018, the District converted its food service activities from an enterprise fund to a special revenue fund. This change in accounting principle resulted in a decrease to beginning fund balance of approximately \$29,000 for this fund, representing the net book value of capital assets for food service equipment, as capital assets are not reported in governmental funds. On its government-wide financial statements, the District recognized an increase to beginning net position for governmental activities of approximately \$234,000, as it no longer reports any business-type activities. There was no change in total net position for the District as a result of this change. Accordingly, the District is not reporting any proprietary/enterprise fund activities or balances as of and for the year ended June 30, 2019. Management believes that this new treatment for reporting its food service activities is preferable because they plan, internally budget, and report food service operations in the same manner as they do for all other governmental activities, using the modified accrual basis of accounting. In addition, since a significant amount of food service revenues are received from grants, this new treatment would be comparable and more consistent with the District’s treatment of its other federal and state grant programs.

The **Debt Service Fund - District, a major fund** and an unbudgeted fund, is used to account for and report the accumulation of financial resources that are restricted, committed, or assigned for the payment of all long-term debt principal, interest, and related costs of the District.

The **Debt Service Fund - Foundation, a major fund** and an unbudgeted fund, is used to account for and report the accumulation of financial resources that are restricted, committed, or assigned for the payment of all long-term debt principal, interest, and related costs of the Foundation (the District’s blended component unit). This fund is inactive as it expended all of its resources in prior years and did not have any operations or balances as of June 30, 2019. Therefore, this fund is not shown in the accompanying financial statements.

The **Capital Projects Fund - District, a major fund** and an unbudgeted fund, is used to account for and report financial resources that are restricted, committed, or assigned for expenditures of capital outlay related to site acquisitions, construction, equipment, and renovation of all major capital facilities of the District.

The **Capital Projects Fund – Foundation** was used in prior years to account for and report financial resources that were related to site acquisitions, construction, equipment, and renovation of all major capital facilities of the Foundation (the District’s blended component unit). This fund is inactive as it expended all of its resources in prior years and did not have any operations or balances as of June 30, 2011.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

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. The fiduciary fund financial statements are presented using the *accrual basis of accounting*. The fiduciary fund type and fund used by the District:

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.

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity

1. Cash, Cash Equivalents, and Investments

Cash and Cash Equivalents

The District considers all highly liquid investments (including restricted assets) with original maturities of three months or less when purchased to be cash equivalents. Securities with an initial maturity of more than three months (from when initially purchased) are reported as investments.

Investments

The District's investment policy is designed to operate within existing statutes (which are identical for all funds, fund types, and component units within South Carolina) that authorize the District to invest in the following:

- (a) Obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States.
- (b) Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (c) (i) General obligations of the State of South Carolina or any of its political units; or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (d) Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.
- (e) Certificates of deposit where the certificates are collaterally secured by securities of the type described in (a) and b) 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; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

1. Cash, Cash Equivalents, and Investments (Continued)

Investments (Continued)

- (f) Repurchase agreements when collateralized by securities as set forth in this section.
- (g) No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (a), (b), (c), and (f) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

The District's cash investment objectives are preservation of capital, liquidity and yield. The District reports its cash and investments at fair value which is normally determined by quoted market prices. The District currently or in the past year has used the following investments:

- Certificates of deposit where the certificates are collaterally secured by securities 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; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.

2. Restricted Assets

The District establishes certain accounts for assets restricted for specific purposes, typically by outside parties or legal agreements. Certain bond indentures require the establishment of (i) maximum annual principal and interest payments, unless a surety bond was provided; (ii) the next succeeding principal and accrued interest payment; and (iii) bond proceeds to be used for construction purposes as required in the bond agreement.

3. Receivables and Payables

Transactions between funds that are representative of reimbursement arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" on the fund financial statements. These amounts are eliminated in the Statement of Net Position. All trade and property taxes receivable are shown net of an allowance for uncollectible amounts and are expected to be collected within one year.

4. Prepaid Items and Inventories

Prepaid items in the governmental funds are accounted for using the purchase method (expensed when paid). Inventories for materials, supplies, purchased food and commodities are carried in an inventory account at cost, determined using the first-in, first-out method, except for commodities received from USDA that are valued at fair value. Inventories are subsequently charged to expenditures when consumed rather than when purchased.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

5. Capital Assets

Capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost and updated for additions and retirements during the year. The cost and accumulated depreciation of property sold or retired are removed from the accounts, and gain or loss, if any, are reflected in the financial statements. Donated capital assets are recorded at estimated acquisition value (as estimated by the District) at the date of donation. The District maintains a capitalization threshold of \$5,000 for all capital assets. 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.

All reported capital assets except land and construction in progress are depreciated. Construction projects begin being depreciated once they are completed and placed in service, at which time the complete costs of the project are transferred to the appropriate capital asset category. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	10-30 years
Buildings	30 years
Equipment	5-10 years
Vehicles	10 years

6. Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Certain District employees are granted vacation and sick leave in varying amounts. Upon termination of employment, an employee is reimbursed for accumulated but unused vacation days. Unused sick leave is not reimbursed and therefore not reported in the financial statements. The entire compensated absence liability and expense is reported in the government-wide financial statements.

7. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide 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. However, claims and judgments, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Long-term 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/obligations are reported as liabilities on the Statement of Net Position. If material, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenses.

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

7. *Accrued Liabilities and Long-Term Obligations (Continued)*

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as expenditures.

8. *Deferred Outflows / Inflows of Resources*

In addition to assets, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District currently has two types of deferred outflows of resources: (1) The District reports deferred pension charges in its Statement of Net Position in connection with its participation in the South Carolina Retirement System and the South Carolina Police Officers Retirement System. (2) The District reports deferred OPEB charges in its Statement of Net Position in connection with its participation in the South Carolina Retiree Health Insurance Trust Fund. The deferred pension and OPEB charges are either (a) recognized in the subsequent period as a reduction of the net pension/OPEB liability (which includes contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension/OPEB expense in future periods in accordance with GAAP.

In addition to liabilities, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District currently has three types of deferred inflows of resources: (1) The District reports unavailable revenue for property taxes only in the governmental funds Balance Sheet; it is deferred and recognized as an inflow of resources (revenues) in the period the amounts become available. (2) The District also reports deferred pension credits in its Statement of Net Position in connection with its participation in the South Carolina Retirement System and South Carolina Police Officers Retirement System. (3) The District reports deferred OPEB credits in its Statement of Net Position in connection with its participation in the South Carolina Retiree Health Insurance Trust Fund. The deferred pension and OPEB credits are amortized in a systematic and rational method and recognized as a reduction of pension/OPEB expense in future periods in accordance with GAAP.

9. *Fund Balance*

In accordance with GAAP, the District classifies its governmental fund balances as follows:

Nonspendable – includes amounts that inherently cannot be spent either because it is not in spendable form (i.e. prepaids, inventories, etc.) or because of legal or contractual requirements.

Restricted – includes amounts that are constrained by specific purposes which are externally imposed by (a) other governments through laws and regulations, (b) grantors or contributions through agreements, (c) creditors through debt covenants or other contracts, or (d) imposed by law through constitutional provisions or enabling legislation.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

9. Fund Balance (Continued)

Committed – includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action made by the highest level of decision making authority (Board of Trustees) before the end of the reporting period. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed amounts (if any) for the District consist of amounts approved by a majority vote of the Board of Trustees by resolution before the end of the reporting period.

Assigned – includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed and that such assignments are made before the report issuance date. Assigned fund balance for the District consists of (a) motions approved by the Board of Trustees before the report issuance date that are for a specific purposes or (b) appropriations of current fund balance (made in the annual budget process) for the succeeding budget year.

Unassigned – includes amounts that do not qualify to be accounted for and reported in any of the other fund balance categories. This classification represents the amount of 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, if expenditures incurred for specific purposes exceeded the amounts of restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The District generally uses restricted amounts to be spent first when both restricted and unrestricted (committed, assigned, and unassigned) fund balance is available unless there are legal documents, contracts, or agreements that prohibit doing such. Additionally, the District generally would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The District's Board of Trustees has formally adopted a minimum fund balance policy that requires 25% of the next year's General Fund expenditures (including transfers out) be available as unassigned fund balance. The minimum fund balance amount was approximately \$2,377,000 as of June 30, 2019, which represents 25% of the original budget for the General Fund for fiscal year 2020 that was approved by the Board of Trustees in July 2019. The District's unassigned fund balance at June 30, 2019 is approximately \$1,917,000 or 20% of the fiscal year 2020 budget.

10. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the Statement of Net Position. Net position is classified as net investment in capital assets, restricted and unrestricted. 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 enabling legislation, through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

11. Pensions and Other Postemployment Benefits

In government-wide financial statements, pensions and other postemployment benefits (“OPEB”) are required to be recognized and disclosed using the accrual basis of accounting (see Note IV.B and Note IV.C and the required supplementary information immediately following the notes to the financial statements for more information), regardless of the amounts recognized as pension and OPEB expenditures on the modified accrual basis of accounting. The District recognizes net pension and net OPEB liabilities (assets) for each plan for which it participates, which represents the excess of the total pension and OPEB liabilities over the fiduciary net position of the qualified plan, or the District’s proportionate share thereof in the case of a cost-sharing multiple-employer plan, measured as of the District’s fiscal year-end. Changes in the net pension and OPEB liabilities during the period are recorded as pension and OPEB expenses, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension and OPEB liabilities 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 plan and recorded as a component of pension and OPEB expense beginning with the period in which they are incurred. Any projected earnings on qualified pension and OPEB plan investments are recognized as a component of pension and OPEB expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension and OPEB expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

12. 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.

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.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

12. Fair Value (Continued)

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.

13. Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. In addition, they affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates and assumptions.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Formal budgetary accounting is employed as a management tool for the District. The budget is presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United State of America. The District Board of Trustees legally adopts an operating budget for the General Fund; budgets are not legally adopted for the District's other funds. The budget is a legal document that establishes total expenditure limits with the same basis of accounting being used to reflect actual revenues and expenditures under accounting principles generally accepted in the United States of America. The budget is prepared by function and object as dictated by the State-adopted Program Oriented Budgeting and Accounting System.

The administration has discretionary authority to make transfers between appropriation accounts. The total budget cannot be increased beyond that level approved by the Board of Trustees originally and in supplementary action. The legal level of control is at the fund level. The following procedures are followed in establishing the budgetary data 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 the proposed budget in a series of workshops, and makes any additions or deletions as deemed necessary.
- (4) Prior to July 1, the Board legally enacts the budget through passage of a resolution.

All annual appropriations lapse at fiscal year-end. Encumbrance accounting is utilized to assist in budgetary control through the use of purchase orders, which are recorded in order to reserve the portion of the applicable appropriation during the year. Encumbrances lapse at year-end.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

The administration reviews the financial information with the Board and with the Board Finance committee routinely throughout the school year. In early spring each year, when local and state revenues are more certain, both revenues and expenses are re-projected. The District's administration will then recommend to the Board any amendments necessary to successfully finish out the remainder of the school year in a favorable financial position. There were no amendments in fiscal year 2019.

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

A. Deposits and Investments

Deposits

Custodial Credit Risk for Deposits: Custodial credit risk for deposits is the risk that, in the event of a bank failure, the District's deposits might not be recovered. The District does not have a deposit policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of June 30, 2019, none of the District's bank balances of \$4,501,000 (which had a carrying value of \$3,727,000 due to outstanding checks) were exposed to custodial credit risk, as the deposits were insured.

Investments

As of June 30, 2019, the District did not have any investments.

B. Property Taxes Receivable and Unavailable/Unearned Revenues

McCormick County, South Carolina (the "County") is responsible for levying and collecting sufficient property taxes to meet funding obligations for the District. This obligation is established each year by the County Council and does not necessarily represent actual taxes levied or collected. Real and personal property taxes are levied and billed by the County on real and personal property (excluding motor vehicles) on or around October 1 based on assessed value determined as of the preceding January 1. All unpaid taxes levied October 1 become delinquent January 15 of the following year, and property taxes attach as an enforceable lien if not paid by March 16 of the following year. Penalties are added to taxes depending on the date paid as follows:

January 16 through February 1	-	3% of tax
February 2 through March 16	-	10% of tax
After March 16	-	15% of tax plus collection costs

Motor vehicle taxes are levied on the first day of the month in which the motor vehicle license expires and is due by the end of the month. All property taxes are billed and collected by the County. Property tax revenue is recognized when collected by the County Treasurer's Office. Real property taxes collected within 60 days after fiscal year end are also recognized as revenue for the year. Assessed values for real estate are established annually by the McCormick County Tax Assessor at 4% of market value for legal residence and 6% of market value for rental and other real property. For the year ended June 30, 2019, millage was set at 135.8 mills to cover the District's general operating services and uses. The millage to cover the District's scheduled debt service requirements was set at 30.0 mills.

The records of the McCormick County Treasurer's Office reported uncollected delinquent real and personal property taxes at June 30, 2019 of \$458,000 for the General Fund (net of allowance for uncollectible portion of \$153,000) and \$124,000 for the Debt Service Fund (net of allowance for uncollectible portion of \$41,000). Allowances for uncollectible amounts were not necessary for the other receivable accounts.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

B. Property Taxes Receivable and Unavailable/Unearned Revenues (Continued)

Governmental funds report unavailable revenues (as a component of deferred inflows of resources) in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period (i.e., they were not collected within 60 days after fiscal year-end.) Also, both the government-wide financial statements and governmental funds do not recognize revenue in connection with resources that have been received, but not yet earned.

At June 30, 2019, the various components of unavailable and unearned revenue were as follows:

Unavailable Revenues:	
Delinquent Property Taxes Receivable (General Fund)	\$ 334,653
Delinquent Property Taxes Receivable (Debt Service - District Fund)	93,572
Total Unavailable Revenues for Governmental Funds	<u>\$ 428,225</u>
Unearned Revenues:	
Revenue Collected, but Unearned (Special Revenue Fund)	\$ 275,752
Revenue Collected, but Unearned (Special Revenue - EIA Fund)	869,806
Total Unearned Revenues for both Government-wide Financial Statements and Governmental Funds	<u>\$ 1,145,558</u>

C. Capital Assets

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

Governmental Activities:	Beginning Balance *	Additions	Disposals	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 686,894	-	-	\$ 686,894
Total Capital Assets, Not Being Depreciated	<u>686,894</u>	<u>-</u>	<u>-</u>	<u>686,894</u>
Capital Assets, Being Depreciated:				
Land Improvements	195,186	-	-	195,186
Buildings	29,168,738	-	-	29,168,738
Equipment	1,839,297	-	-	1,839,297
Vehicles	188,666	-	-	188,666
Total Capital Assets Being Depreciated	<u>31,391,887</u>	<u>-</u>	<u>-</u>	<u>31,391,887</u>
Less Accumulated Depreciation:				
Land Improvements	107,352	9,759	-	117,111
Buildings	10,767,560	1,010,632	-	11,778,192
Equipment	910,703	194,245	-	1,104,948
Vehicles	159,375	4,885	-	164,260
Total Accumulated Depreciation	<u>11,944,990</u>	<u>1,219,521</u>	<u>-</u>	<u>13,164,511</u>
Total Capital Assets, Being Depreciated, Net	<u>19,446,897</u>	<u>(1,219,521)</u>	<u>-</u>	<u>18,227,376</u>
Total Capital Assets, Net	<u>\$ 20,133,791</u>	<u>(1,219,521)</u>	<u>-</u>	<u>\$ 18,914,270</u>

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

C. Capital Assets (Continued)

* Beginning balances have been adjusted to include approximately \$159,000 (cost) and approximately \$130,000 (accumulated depreciation) for food service capital assets, which are now being accounted for as governmental activities beginning July 1, 2018. The District is no longer reflecting any business-type activities in its financial statements. Beginning balances have also been adjusted approximately \$900,000 (cost) and no accumulated depreciation for a prior period adjustment. See Note IV.E. for more information regarding the prior period adjustment.

Depreciation expense was charged to functions/programs of the District as follows:

Governmental Activities:	<u>Depreciation Expense</u>
Instruction	\$ 585,370
Support Services	634,151
Total	<u>\$ 1,219,521</u>

D. Interfund Receivables and Payables

Interfund receivables and payables at June 30, 2019 are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<u>Governmental Funds:</u>		
General Fund	\$ 432,269	\$ 985,519
Special Revenue Fund	-	432,270
Special Revenue - EIA Fund	867,271	-
Special Revenue - Food Service Fund	87,094	-
Capital Projects Fund - District	31,155	-
Totals	<u>\$ 1,417,789</u>	<u>\$ 1,417,789</u>

The receivable in the General Fund is primarily the result of the Special Revenue funds owing the General Fund for payments paid for by the General Fund and being reimbursed by claims that were filed but not yet received as of year-end by the Special Revenue funds. The receivable in the EIA Fund, Capital Projects Fund and the Food Service Fund is due from the General Fund due to the timing of revenue received from the state.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

E. Transfers In and Out

Transfers between funds for the year ended June 30, 2019, consisted of the following:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 327,501	\$ 17,777
Special Revenue Fund	-	98,259
Special Revenue - EIA Fund	-	229,242
Special Revenue - Food Service	17,777	-
Debt Service Fund - District	554,169	-
Capital Projects Fund - District	-	554,169
Totals	<u>\$ 899,447</u>	<u>\$ 899,447</u>

Transfers are routinely made for indirect charges between the Special Revenue Fund, Special Revenue - EIA Fund, Food Service Fund, and the General Fund. In addition, the EIA Fund transferred funds to the General Fund as provided by the state’s funding flexibility. The transfer from the Capital Projects Fund to the Debt Service Fund was for lease payments in current and prior years.

F. Long-Term Obligations

The District issues bonds to provide funds for the acquisition and construction of major capital facilities. General Obligation Bonds (“GOB”) are direct obligations and pledge the full faith and credit of the District and are subject to the 8% debt limit if not issued under a bond referendum. Principal and interest payments on the District’s GOB are secured solely by ad valorem property taxes.

Interest paid on most of the debt issued by the District is exempt from federal income tax. The District sometimes temporarily reinvests the proceeds of such tax-exempt debt in materially higher-yielding taxable securities, especially during construction projects. The federal tax code refers to this practice as arbitrage. Excess earnings (the difference between the interest on the debt and the investment earnings received) resulting from arbitrage must be rebated to the federal government on the fifth anniversary of the issuance of the tax-exempt debt and every five years, thereafter, until the debt has been repaid, in accordance with the arbitrage regulations. As of June 30, 2019, the District did not have any positive arbitrage.

Details on the District’s outstanding debt issues as of June 30, 2019 are as follows:

Direct – GO Bonds

- 2015 GOB – Original issuance of \$932,000 to provide funds for capital needs. This indebtedness carries an interest rate of 1.51%. Principal payments range from \$228,000 to \$238,000, with a final maturity of March 1, 2020.
- 2018 GOB - Original issuance of \$2,897,000 to pay off the Foundation’s remaining debt. This indebtedness carries an interest rate of 2.82%. Principal payments range from \$362,000 to \$1,374,000, with a final maturity of March 1, 2021.

Direct – Capital Leases

- 2018 Capital Lease – Original issuance of \$900,000 to provide funds for capital needs. This indebtedness carries an interest rate of 3.99%. Principal payments range from \$288,000 to \$312,000, with a final maturity of July 10, 2021.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

F. Long-Term Obligations (Continued)

The following is a summary of changes in the District's long-term obligations for the year ended June 30, 2019:

Long-Term Obligation	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Debt:					
Direct					
2014 GOB	\$ 288,000	-	288,000	-	\$ -
2015 GOB	473,000	-	235,000	238,000	238,000
2018 GOB	2,897,000	-	1,374,000	1,523,000	1,161,000
Total Bonds	3,658,000	-	1,897,000	1,761,000	1,399,000
Capital Leases					
Direct					
2010 Capital Lease	113,000	-	113,000	-	-
2018 Capital Lease *	900,000	-	288,342	611,658	299,847
Total Capital Leases	1,013,000	-	401,342	611,658	299,847
Total Debt:	4,671,000	-	2,298,342	2,372,658	1,698,847
Compensated Absences	132,244	45,965	45,568	132,641	66,321
Total Governmental Activities	\$ 4,803,244	45,965	2,343,910	2,505,299	\$ 1,765,168

* Beginning balances have been adjusted approximately \$900,000 for a prior period adjustment. See Note IV.E. for more information regarding the prior period adjustment.

Annual debt service requirements to maturity for the District's long-term bonds are as follows:

Year Ending June 30	Bonded Indebtedness		Capital Lease		Total
	Direct		Direct		
	Principal	Interest	Principal	Interest	
2020	\$ 1,399,000	46,543	299,847	24,405	\$ 1,769,795
2021	362,000	5,104	311,811	12,441	691,356
Total	\$ 1,761,000	51,647	611,658	36,846	\$ 2,461,151

The Debt Service Funds are used to meet long-term obligations related to bonded indebtedness. The General Fund is used to meet obligations related to the compensated absences.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

F. Long-Term Obligations (Continued)

The District has continuous authority to issue general obligation bonds each calendar year, subject to a constitutional debt limit equal to 8% of the assessed value of all taxable property in the District. The debt limitation does not apply to debt approved through a district-wide voter referendum and original or refunding debt for obligations issued on or before November 30, 1982. At June 30, 2019, the District's assessed property valuation was approximately \$45,700,000 million, and the legal debt limit was approximately \$3,700,000. The District's outstanding debt applicable to the legal debt limit as of June 30, 2019 was approximately \$1,761,000, resulting in a legal debt margin of approximately \$1,899,000 at June 30, 2019.

IV. OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to torts, theft of damage to, and destruction of assets, errors or omissions, injuries to employees, and natural disasters. The District continues to carry commercial insurance for general liability, workers' compensation, and property and casualty coverage. There has been no reduction in insurance coverage as compared to the prior year. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

The District also participates in the State Health Insurance Plan through the State of South Carolina, a self-insured medical plan trust administered by the State Board. Through the Plan, permanent full time employees are eligible to receive health benefits up to a \$1 million lifetime limit and have the option of receiving health care benefits through health maintenance organizations and insurance carriers.

B. Retirement Plans

The District participates in the State of South Carolina's retirement plans, which are administered by the South Carolina Public Employee Benefit Authority ("PEBA"). The PEBA, created on July 1, 2012 and governed by an 11-member Board of Directors ("PEBA Board"), is the state agency responsible for the administration and management of the various retirement systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state's employee insurance programs. As such, the PEBA is responsible for administering the South Carolina Retirement Systems' ("Systems") five defined benefit pension plans. The Retirement Funding and Administration Act of 2017, which became effective July 1, 2017, increased the employer and employee contribution rates, established a ceiling on the SCRS and PORS employee contribution rates, lowered the assumed rate of return, required a scheduled reduction of the funding periods, and addressed various governance issues including the assignment of the PEBA Board as custodian of the retirement trust funds and assignment of the Retirement Systems Investment Commission ("RSIC") and PEBA as co-trustees of the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority ("SFAA"), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

The PEBA issues a Comprehensive Annual Financial Report ("CAFR") containing financial statements and required supplementary information for the System's Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on the 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. The 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.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Plan Description

The South Carolina Retirement System (“SCRS”), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.

The State Optional Retirement Program (“State ORP”) is a defined contribution plan that is offered as an alternative to the 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 firefighters. PORS also covers peace officers, coroners, probate judges, and magistrates.

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 the 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. Contributions to the State ORP are at the same rates as the 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 the SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution, if applicable, which is retained by the SCRS.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Plan Membership (continued)

- **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 the PORS. Magistrates are required to participate in the 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/current annual salary. A brief summary of benefit terms for each system is presented below.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Plan Benefits (Continued)

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.

Plan Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. If the scheduled employee and employer contributions provided in statute, or the rates last adopted by the PEBA Board, are insufficient to maintain the period set in statute, the PEBA Board shall increase employer contribution rates as necessary.

After June 30, 2027, if the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than eighty-five percent, then the 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 eighty-five percent. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than eighty-five percent, then effective on the following July first, and annually thereafter as necessary, the 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 eighty-five percent.

The Retirement System Funding and Administration Act establishes a ceiling on employee contribution rates at 9 percent and 9.75 percent for the SCRS and the PORS, respectively. The employer contribution rates will continue to increase annually by 1 percent through July 1, 2022. The legislation's ultimate scheduled employer rate is 18.56 percent for the SCRS and 21.24 percent for the PORS. The amortization period is scheduled to be reduced one year for each of the next 10 years to a twenty-year amortization period.

As noted earlier, both employees and the District are required to contribute to the Plans at rates established and as amended by the PEBA. The District's contributions are actuarially determined but are communicated to and paid by the District as a percentage of the employees' annual eligible compensation. Required employer and employee contribution rates for the past three years are as follows:

	SCRS and State ORP Rates			PORS Rates		
	2017	2018	2019	2017	2018	2019
Employer Contribution Rate: [^]						
Retirement*	11.41%	13.41%	14.41%	13.84%	15.84%	16.84%
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%
	<u>11.56%</u>	<u>13.56%</u>	<u>14.56%</u>	<u>14.24%</u>	<u>16.24%</u>	<u>17.24%</u>
Employee Contribution Rate	<u>8.66%</u>	<u>9.00%</u>	<u>9.00%</u>	<u>9.24%</u>	<u>9.75%</u>	<u>9.75%</u>

[^] 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.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Plan Contributions (Continued)

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

Year Ended June 30,	SCRS Contributions		State ORP Contributions		PORS Contributions	
	Required	% Contributed	Required	% Contributed	Required	% Contributed
2019	\$ 746,151	100%	8,216	100%	\$ 9,501	100%
2018	879,793	100%	3,749	100%	8,878	100%
2017	\$ 727,434	100%	6,225	100%	\$ 8,931	100%

In an effort to help offset a portion of the burden of the increased contribution requirement for employers, the State General Assembly (“State”) funded 1 percent of the SCRS and PORS contribution increases for the year ended June 30, 2018. The State’s budget appropriated these funds directly to the PEBA for the South Carolina Retirement System Trust Fund and the Police Officers Retirement System Trust Fund. The amount of funds appropriated by the State (nonemployer contributing entity) for the year ended June 30, 2018 (measurement date) to the District were approximately \$60,000 and \$1,000 for the SCRS and PORS, respectively.

The District recognized contributions (on-behalf benefits) from the State of approximately \$60,000 and \$1,000 for the year ended June 30, 2019. These contributions by the State are recognized as intergovernmental revenues and pension expenditures in the District’s governmental fund financial statements.

Eligible payrolls 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
2019	\$ 5,728,456	79,937	55,111	\$ 5,863,504
2018	6,488,154	43,791	54,674	6,586,619
2017	\$ 6,292,679	94,894	62,725	\$ 6,450,298

Actuarial Assumptions and Methods

Actuarial valuations of the plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ending June 30, 2015.

The June 30, 2018 total pension liability (“TPL”), net pension liability (“NPL”), and sensitivity information shown in this report were determined by the consulting actuary, Gabriel, Roeder, Smith and Company (“GRS”), and are based on an actuarial valuation performed as of July 1, 2017. The TPL was rolled-forward from the valuation date to the Plans’ fiscal year end, June 30, 2018, using generally accepted actuarial principles.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Actuarial Assumptions and Methods (Continued)

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2018 for the SCRS and PORS.

	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"), were developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

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%

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 returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2018 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the following table. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Long-Term Expected Rate of Return (Continued)

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

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

The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of the June 30, 2018 measurement date, for the SCRS and PORS, are presented in the following table:

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 48,821,730,067	26,414,916,370	\$ 22,406,813,697	54.1%
PORS	\$ 7,403,972,673	4,570,430,247	\$ 2,833,542,426	61.7%

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

The TPL is calculated by the Systems' actuary, and each Plans' fiduciary net position is reported in the Systems' financial statements. The NPL is disclosed in accordance with the requirements 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, 2019, the District reported liabilities of approximately \$15,393,000 and \$108,000 for its proportionate share of the NPL for the SCRS and PORS, respectively. The NPL were measured as of June 30, 2018, and the TPL for the Plans used to calculate the NPL were determined based on the most recent actuarial valuation report of July 1, 2017 that was projected forward to the measurement date. The District's proportion of the NPL were based on a projection of the District's long-term share of contributions to the Plans relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At the June 30, 2018 measurement date, the District's SCRS proportion was 0.068698 percent, which was an increase of 0.005912 from its proportion measured as of June 30, 2017. At the June 30, 2018 measurement date, the District's PORS proportion was 0.00383 percent, which was a decrease of 0.00052 from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of approximately \$1,919,000 and \$18,000 for the SCRS and PORS, respectively. At June 30, 2019, the District reported deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
SCRS		
Differences Between Expected and Actual Experience	\$ 27,786	\$ 90,583
Change in Assumptions	610,706	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	244,517	-
Changes in Proportion and Differences Between the Employer's Contributions and Proportionate Share of Contributions	1,226,991	5,288
Employer Contributions Subsequent to the Measurement Date	694,696	-
Total SCRS	<u>2,804,696</u>	<u>95,871</u>
PORS		
Differences Between Expected and Actual Experience	3,340	-
Change in Assumptions	7,147	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	2,167	-
Changes in Proportion and Differences Between the Employer's Contributions and Proportionate Share of Contributions	16,601	17,185
Employer Contributions Subsequent to the Measurement Date	8,850	-
Total PORS	<u>38,105</u>	<u>17,185</u>
Total SCRS and PORS	<u>\$ 2,842,801</u>	<u>\$ 113,056</u>

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Approximately \$695,000 and \$9,000 that were reported as deferred outflows of resources related to the District's contributions subsequent to the measurement date to the SCRS and PORS, respectively, will be recognized as a reduction of the NPL in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to the SCRS and PORS will increase (decrease) pension expense as follows:

Year Ended June 30,	SCRS	PORS	Total
2020	\$ 1,049,516	10,871	\$ 1,060,387
2021	830,772	5,543	836,315
2022	135,596	(3,487)	132,109
2023	(1,755)	(857)	(2,612)
Total	<u>\$ 2,014,129</u>	<u>12,070</u>	<u>\$ 2,026,199</u>

Discount Rate

The discount rate used to measure the TPL was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in the SCRS 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, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Sensitivity Analysis

The following table presents the sensitivity of the District's proportionate share of the NPL of the Plans to changes in the discount rate, calculated using the discount rate of 7.25 percent, as well as what it would be if it were calculated using a discount rate that is 1% point lower (6.25 percent) or 1% point higher (8.25 percent) than the current rate:

System	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
District's proportionate share of the net pension liability of the SCRS	\$ 19,669,311	15,392,934	\$ 12,335,734
District's proportionate share of the net pension liability of the PORS	146,136	108,399	77,490
Total	<u>\$ 19,815,447</u>	<u>15,501,333</u>	<u>\$ 12,413,224</u>

Plans Fiduciary Net Position

Detailed information regarding the fiduciary net position of the Plans administered by the PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for the SCRS and PORS. The CAFR is publicly available through the Retirement Benefits' link on the 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.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

IV. OTHER INFORMATION (CONTINUED)

C. Other Postemployment Benefits Plans

The PEBA is the state agency responsible for the administration and management of the state's employee insurance programs, other postemployment benefits trusts, and retirement systems. The laws of the State and the policies and procedures specified by the State for State agencies are applicable to all activities of the PEBA. By law, the SFAA also reviews certain PEBA Board decisions in administering the State Health Plan and other postemployment benefits ("OPEB"). See Note IV.B for more details on the PEBA and the SFAA.

The PEBA – Insurance Benefits issues audited financial statements and required supplementary information for the OPEB trust funds. This information is publicly available through the PEBA – Insurance Benefits' link on the PEBA's website at www.peba.sc.gov or a copy may be obtained by submitting a request to the PEBA – Insurance Benefits, 202 Arbor Lake Drive, Columbia, SC 29223. The 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 Postemployment Benefits Trust Funds ("OPEB Trusts" or "OPEB Plans"), collectively refers to the South Carolina Retiree Health Insurance Trust Fund ("SCRHITF") and the South Carolina Long-Term Disability Insurance Trust Fund ("SCLTDITF"), were established by the State of South Carolina as Act 195, which became effective on May 2008. The SCRHITF was created to fund and account for the employer costs of the State's retiree health and dental plans. The SCLTDITF was created to fund and account for the employer costs of the State's Basic Long-Term Disability ("BLTD") Income Benefit Plan.

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 PEBA Board has been designated as the Trustee.

The OPEB Trusts are cost-sharing multiple-employer defined benefit OPEB 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 postemployment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents.

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. Since the employer contribution/premium paid and the proportionate share of the net OPEB liability and related deferred outflows and inflows of resources related to the SCLTDITF are not material to the District, no SCLTDITF OPEB amounts have been recorded in these financial statements and only limited note disclosures have been provided related to these benefits.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

IV. OTHER INFORMATION (CONTINUED)

C. Other Postemployment Benefits Plans (Continued)

Plan Contributions and Funding Policies

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires the postemployment and long-term disability benefits to be funded through nonemployer and employer contributions for active employees and retirees to the PEBA – Insurance Benefits. Nonemployer contributions consist of an annual appropriation by the General Assembly and the statutorily required transfer from PEBA – Insurance Benefits reserves.

The SCRHITF is funded through participating employers that are mandated by State statute to contribute at a rate assessed each year by the Department of Administration Executive Budget Office on active employee covered payroll. The South Carolina Retirement System collects the monthly covered payroll surcharge for all participating employers and remits it directly to the SCRHITF. Other sources of funding for the SCRHITF also include 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. Nonemployer contributions include the mandatory transfer of accumulated PEBA – Insurance Benefits’ reserves and the annual appropriation budgeted by the General Assembly. It is also funded through investment income.

The covered payroll surcharge rates for the past three years were as follows:

	Year Ended June 30,		
	2017	2018	2019
Employer Contribution Rate [^]	5.33%	5.50%	6.05%

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

The required payroll surcharge, percentages of amounts contributed, and eligible payroll covered by the SCRHITF for the past three years were as follows:

Year Ended June 30,	Contributions		Eligible Payroll
	Required	% Contributed	
2019	\$ 318,613	100%	\$ 5,863,505
2018	354,682	100%	6,586,619
2017	\$ 343,793	100%	\$ 6,450,298

The State (via state appropriations) and the PEBA – Insurance Benefits (via state statute to transfer amounts above 140% of incurred but not reported claims) contributed to the SCRHITF on behalf of the District approximately \$89,000 for the year ended June 30, 2018 (measurement period). The contributions from these nonemployer contributing entities were approximately \$86,000 for the year ended June 30, 2019 and are recognized as state revenues and intergovernmental expenditures in the District’s governmental fund financial statements.

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 nonemployer 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.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

IV. OTHER INFORMATION (CONTINUED)

C. Other Postemployment Benefits Plans (Continued)

Plan Contributions and Funding Policies (Continued)

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

Actuarial Assumptions and Methods

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of the District's Proportionate Share of the Net OPEB Liability and the Schedule of the District's Contributions, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about the District's net OPEB liability, funded status of the OPEB Plan, and the District's contributions to the OPEB Plan.

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.

The total OPEB liability, net OPEB liability, and sensitivity information were determined by the consulting actuary and are based on the June 30, 2017 actuarial valuation. The total OPEB liability was rolled-forward from the valuation date to the OPEB plan's fiscal year ended June 30, 2018 using generally accepted actuarial principles.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

IV. OTHER INFORMATION (CONTINUED)

C. Other Postemployment Benefits Plans (Continued)

Actuarial Assumptions and Methods (Continued)

The following table provides a summary of the actuarial assumptions and methods used in the latest valuation for the SCRHITF:

Valuation Date:	June 30, 2017
Actuarial Cost Method:	Entry Age Normal
Actuarial Assumptions:	
Inflation:	2.25%
Investment Rate of Return:	4.00%, net of plan investment expense: including inflation
Single Discount Rate:	3.62% as of June 30, 2018
Demographic Assumptions:	Based on the experience study performed for the South Carolina Retirement Systems for the five-year period ending June 30, 2015
Mortality:	For healthy retirees, the 2016 Public Retirees of South Carolina Mortality Table for Males and the 2016 Public Retirees of South Carolina Mortality Table for Females are used with fully generational mortality projections based on Scale AA from the year 2016. Multipliers are applied to the based tables based on gender and employment type.
Health Care Trend Rate:	Initial trend starting at 6.75% and gradually decreasing to an ultimate trend rate of 4.15% over a period of 14 years
Retiree Participation:	79% for retirees who are eligible for funded premiums 59% for retirees who are eligible for partial funded premiums 20% for retirees who are eligible for non-funded premiums
Notes:	There were no benefit changes during the current year. The discount rate changed from 3.56% as of June 30, 2017 to 3.62% as of June 30, 2018.

Long-Term Expected Rate of Return

The long-term expected rate of returns represents 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. For actuarial purposes, the 4.00 percent assumed annual investment rate of return includes a 1.75 percent real rate of return and a 2.25 percent inflation component. This information is summarized in the following table:

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

IV. OTHER INFORMATION (CONTINUED)

C. Other Postemployment Benefits Plans (Continued)

Single Discount Rate

The Single Discount Rate of 3.62% was used to measure the total OPEB liability for the SCRHITF. The accounting policy for this plan is to set the Single Discount Rate equal to the prevailing municipal bond rate. Due to the SCRHITF'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).

OPEB Liability, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB

The net OPEB liability ("NOL") is calculated separately for each system and represents that particular system's total OPEB liability determined in accordance with GASB No. 74 less its fiduciary net position. NOL totals, as of the June 30, 2018 measurement date for the SCRHITF, are presented in the following table:

System	Total OPEB Liability	OPEB Plan Fiduciary Net Position	Employers' Net OPEB Liability (Asset)	OPEB Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
SCRHITF	\$ 15,387,115,010	1,216,530,062	\$ 14,170,584,948	7.91%

The total OPEB liability is calculated by PEBA's actuary, and the fiduciary net position is reported in the PEBA's financial statements. The net OPEB liability is disclosed in accordance with the requirements of GASB No. 74 in the PEBA's 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. 74 and 75 are not applicable for other purposes, such as determining the OPEB Plans' funding requirements.

At June 30, 2019, the District reported a liability of approximately \$11,814,000 for its proportionate share of the net OPEB liability for the SCRHITF. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability for the SCRHITF used to calculate the net OPEB liability was determined based on the most recent actuarial valuation report of June 30, 2017 that was projected forward to the measurement date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the SCRHITF relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At the June 30, 2018 measurement date, the District's proportion was 0.083372 percent, which was an increase of 0.012950 from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized OPEB expense of approximately \$957,000 for the SCRHITF. At June 30, 2019, the District reported deferred outflows of resources (deferred OPEB charges) and deferred inflows of resources (deferred OPEB credits) related to OPEBs from the following sources:

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

IV. OTHER INFORMATION (CONTINUED)

C. Other Postemployment Benefits Plans (Continued)

OPEB Liability, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB (Continued)

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 176,984	\$ 4,116
Change in Assumptions	-	962,040
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	45,301	-
Changes in Proportion and Differences Between the Employer's Contributions and Proportionate Share of Contributions	1,651,100	112
Employer Contributions Subsequent to the Measurement Date	318,613	-
Total	\$ 2,191,998	\$ 966,268

Approximately \$319,000 that was reported as deferred outflows of resources related to the District's contributions subsequent to the measurement date to the SCRHITF, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources (deferred OPEB charges) and deferred inflows of resources (deferred OPEB credits) related to the SCRHITF will increase (decrease) OPEB expense as follows:

Year Ended June 30,	Increase (Decrease) OPEB Expense
2020	\$ 125,102
2021	125,102
2022	125,102
2023	120,251
2024	112,564
Thereafter	298,996
Total	\$ 907,117

The following table presents the sensitivity of the District's net OPEB liability for the SCRHITF to changes in the discount rate, calculated using the discount rate of 3.62%, as well as what it would be if it were calculated using a discount rate that is 1% point lower (2.62%) or 1% point higher (4.62%) than the current rate:

	1% Decrease (2.62%)	Current Discount Rate (3.62%)	1% Increase (4.62%)
Net OPEB Liability	\$ 13,918,380	11,814,300	\$ 10,118,245

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following table presents the sensitivity of the District's net OPEB liability to changes in the healthcare cost trend rate, calculated using the healthcare cost trend rate of 6.75% decreasing to 4.15%, as well as what it would be if it were calculated using a healthcare cost trend rate that is 1% point lower (5.75% decreasing to 3.15%) or 1% point higher (7.75% decreasing to 5.15%) than the current rate:

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

IV. OTHER INFORMATION (CONTINUED)

C. Other Postemployment Benefits Plans (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate (Continued)

	1% Decrease (5.75% decreasing to 3.15%)	Current Healthcare Cost Trend Rate (6.75% decreasing to 4.15%)	1% Increase (7.75% decreasing to 5.15%)
Net OPEB Liability	\$ 9,721,262	11,814,300	\$ 14,520,211

OPEB Plans' Fiduciary Net Position

Detailed information regarding the fiduciary net position of the OPEB Plans administered by the PEBA is available in the separately issued financial statements and required supplementary information for the South Carolina Public Employee Benefit Authority, Insurance Benefits and Other Post Employment Benefits Trust Funds. This information is publicly available through the Insurance Benefits' link on the PEBA's website at www.peba.sc.gov or a copy may be obtained by submitting a request to the PEBA – Insurance Benefits, 202 Arbor Lake Drive, Columbia, SC 29223.

D. Commitments, Contingencies, and Other Matters

The District participates in a number of state and federally assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The amount of program expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, would not have a material adverse effect on the financial condition of the District.

Various claims and lawsuits are pending against the District. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the District's management and legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the District.

E. Prior Period Adjustments

In connection with the District's review of its account balances, capital asset listing, capital asset rollforward, long-term obligation rollforward, and other financial activity (as they prepared for the 2019 audit), the District became aware of a number of misstatements in its prior year balances in both its governmental fund financial statements and its government-wide financial statements. The District recorded several prior period adjustments to correct these errors. These errors primarily relate to (a) cash held by County Treasurer not being recorded, (b) prepaid expense being recorded that belonged in the subsequent fiscal year, (c) several accounts payable and accrued liabilities that should not have been accrued back, (d) a capital lease that should have been recorded as a long-term obligation, (e) capital assets relating to the capital lease, (f) accounts receivable that should not have been accrued back, and (g) unavailable property taxes not being recognized on the government-wide financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

IV. OTHER INFORMATION (CONTINUED)

E. Prior Period Adjustments (Continued)

The total impact of the above adjustments that affected beginning fund balance/net position for the year ended June 30, 2019 was as follows:

Description	Fund Financial Statements Increase (Decrease) in Fund Balance/Net Position Governmental Funds
Cash	\$ 125,387
Overstated Accounts Receivable	(55,191)
Overstated Accounts Payable	150,686
	\$ 220,882

Description	Government- Wide Financial Statements Increase (Decrease) in Net Position Governmental Activities
Cash	\$ 125,387
Overstated Accounts Receivable	(55,191)
Overstated Accounts Payable	18,442
Overstated Balance on a Debt Issuance	20,000
Overstated Unavailable Revenues	462,606
	\$ 571,244

REQUIRED SUPPLEMENTARY INFORMATION

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGETS AND ACTUAL

YEAR ENDED JUNE 30, 2019

	BUDGETED AMOUNTS		ACTUAL (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Local Sources:				
Taxes	\$ 4,031,939	4,031,939	3,625,817	\$ (406,122)
Investment Earnings	350	350	554	204
Other Local Sources	13,500	13,500	165,120	151,620
State Sources	5,598,784	5,598,784	5,386,810	(211,974)
Federal Sources	35,000	35,000	25,352	(9,648)
TOTAL REVENUES	9,679,573	9,679,573	9,203,653	(475,920)
EXPENDITURES				
Current:				
Instruction	4,693,872	4,693,872	4,288,777	405,095
Support Services	5,286,789	5,286,789	4,654,290	632,499
Community Services	69,359	69,359	62,869	6,490
Intergovernmental	7,000	7,000	17,395	(10,395)
Capital Outlay	200,000	200,000	-	200,000
TOTAL EXPENDITURES	10,257,020	10,257,020	9,023,331	1,233,689
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(577,447)	(577,447)	180,322	757,769
OTHER FINANCING SOURCES (USES)				
Transfers In	349,071	349,071	327,501	(21,570)
Transfers Out	-	-	(17,777)	(17,777)
TOTAL OTHER FINANCING SOURCES (USES)	349,071	349,071	309,724	(39,347)
NET CHANGE IN FUND BALANCES	(228,376)	(228,376)	490,046	718,422
FUND BALANCES, Beginning of Year	1,275,776	1,275,776	1,275,776	-
Prior Period Adjustment	150,686	150,686	150,686	-
FUND BALANCES, Beginning of Year, Restated	1,426,462	1,426,462	1,426,462	-
FUND BALANCES, End of Year	\$ 1,198,086	1,198,086	1,916,508	\$ 718,422

Note: The budgets are presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY - SOUTH CAROLINA RETIREMENT SYSTEM

LAST FIVE FISCAL YEARS

	Year Ended June 30,				
	2019	2018	2017	2016	2015
The District's Proportion of the Net Pension Liability (Asset)	0.068698%	0.062786%	0.059722%	0.059476%	0.060213%
The District's Proportionate Share of the Net Pension Liability (Asset)	\$ 15,392,934	\$ 14,134,138	\$ 12,756,531	\$ 11,279,910	\$ 10,366,682
The District's Covered Payroll	\$ 6,531,945	\$ 6,387,573	\$ 5,856,209	\$ 5,654,034	\$ 5,608,007
The District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	235.66%	221.28%	217.83%	199.50%	184.86%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	54.10%	53.30%	52.90%	57.00%	59.90%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of June 30th of the preceding year. The District implemented GASB #68/71 during the year ended June 30, 2015. Information before 2015 is not available. The discount rate was lowered from 7.50% to 7.25% beginning with the year ended June 30, 2017 measurement date.

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

SCHEDULE OF CONTRIBUTIONS -
SOUTH CAROLINA RETIREMENT SYSTEM

LAST FIVE FISCAL YEARS

	Year Ended June 30,				
	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 754,366	883,542	733,659	641,260	\$ 602,249
Contributions in Relation to the Contractually Required Contribution:					
Contributions from the District	694,696	823,872	733,659	641,260	602,249
Contributions from the State	59,670	59,670	-	-	-
Contribution Deficiency (Excess)	\$ -	-	-	-	\$ -
The District's Covered Payroll	\$ 5,808,394	6,531,945	6,387,573	5,856,209	\$ 5,654,034
Contributions as a Percentage of Covered Payroll	12.99%	13.53%	11.49%	10.95%	10.65%

Notes to Schedule:

The District implemented GASB #68/71 during the year ended June 30, 2015. Information before 2015 is not available.

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY - POLICE OFFICERS RETIREMENT SYSTEM

LAST FIVE FISCAL YEARS

	Year Ended June 30,				
	2019	2018	2017	2016	2015
The District's Proportion of the Net Pension Liability (Asset)	0.00383%	0.00435%	0.00497%	0.00278%	0.00274%
The District's Proportionate Share of the Net Pension Liability (Asset)	\$ 108,399	119,253	125,961	60,590	\$ 52,551
The District's Covered Payroll	\$ 54,674	62,725	62,192	35,641	\$ 33,015
The District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	198.26%	190.12%	202.54%	170.00%	159.17%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	61.73%	60.90%	60.40%	64.60%	67.50%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of June 30th of the preceding year.
The District implemented GASB #68/71 during the year ended June 30, 2015. Information before 2015 is not available.
The discount rate was lowered from 7.50% to 7.25% beginning with the year ended June 30, 2017 measurement date.

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

SCHEDULE OF CONTRIBUTIONS -
POLICE OFFICERS RETIREMENT SYSTEM

LAST FIVE FISCAL YEARS

	Year Ended June 30,				
	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 9,501	8,878	8,931	8,544	4,779
Contributions in Relation to the Contractually Required Contribution:					
Contributions from the District	8,850	8,227	8,931	8,544	4,779
Contributions from the State	651	651	-	-	-
Contribution Deficiency (Excess)	\$ -	-	-	-	-
The District's Covered Payroll	\$ 55,111	54,674	62,725	62,192	35,641
Contributions as a Percentage of Covered Payroll	17.24%	16.24%	14.24%	13.74%	13.41%

Notes to Schedule:

The District implemented GASB #68/71 during the year ended June 30, 2015. Information before 2015 is not available.

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

REQUIRED SUPPLEMENTARY INFORMATION - OPEB PLAN SCHEDULES

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
SOUTH CAROLINA RETIREE HEALTH INSURANCE TRUST FUND**

LAST TWO FISCAL YEARS

	Year Ended June 30,	
	2019	2018
District's Proportion of the Net OPEB Liability	0.083372%	0.070422%
District's Proportionate Share of the Net OPEB Liability	\$ 11,814,300	\$ 9,538,545
District's Covered Payroll	\$ 6,586,619	\$ 6,450,298
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	179.4%	147.9%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	7.9%	7.6%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of June 30th of the preceding year (measurement date).

The District adopted GASB #75 during the year ended June 30, 2018. Information is not available for years prior to 2018.

The discount rates used by year were as follows: 3.62% 3.56%

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

REQUIRED SUPPLEMENTARY INFORMATION - OPEB PLAN SCHEDULES

**SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
SOUTH CAROLINA RETIREE HEALTH INSURANCE TRUST FUND**

LAST TWO FISCAL YEARS

	Year Ended June 30,	
	2019	2018
Contractually Required Contribution	\$ 318,613	\$ 354,682
Contributions in Relation to the Contractually Required Contribution	318,613	354,682
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 5,863,505	\$ 6,586,619
Contributions as a Percentage of Covered Payroll	5.43%	5.38%

Notes to Schedule:

The District adopted GASB #75 during the year ended June 30, 2018. Information is not available for years prior to 2018.

SUPPLEMENTARY INFORMATION

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2019

	REVISED BUDGET	ACTUAL	VARIANCE
REVENUES			
1000 Revenue from Local Sources:			
1200 Revenue from Local Governmental Units Other than LEAs:			
1210 Ad Valorem Taxes-Including Delinquent (Dependent)	\$ 3,515,766	3,557,409	\$ 41,643
1280 Revenue in Lieu of Taxes (Independent and Dependent)	76,411	68,408	(8,003)
1290 Other Taxes (Dependent)	439,762	-	(439,762)
1500 Earnings on Investments:			
1510 Interest on Investments	350	554	204
1900 Other Revenue from Local Sources:			
1910 Rentals	11,000	10,910	(90)
1950 Refund of Prior Year's Expenditures	-	55,452	55,452
1990 Miscellaneous Local Revenue:			
1999 Revenue from Other Local Sources	2,500	98,758	96,258
Total Revenue from Local Sources	<u>4,045,789</u>	<u>3,791,491</u>	<u>(254,298)</u>
3000 Revenue from State Sources:			
3100 Restricted State Funding:			
3130 Special Programs:			
3131 Handicapped Transportation	-	2,939	2,939
3160 School Bus Driver's Salary	131,000	129,536	(1,464)
3162 Transportation Workers' Compensation	7,500	7,859	359
3180 Fringe Benefits Employer Contributions (No Carryover Provision)	513,855	478,982	(34,873)
3181 Retiree Insurance (No Carryover Provision)	246,957	328,286	81,329
3300 Education Finance Act:			
3310 Full-Time Programs:			
3311 Kindergarten	-	41,421	41,421
3312 Primary	-	124,890	124,890
3313 Elementary	-	262,753	262,753
3314 High School	-	84,838	84,838
3315 Trainable Mentally Handicapped	-	6,600	6,600
3316 Speech Handicapped (Part-Time)	-	40,569	40,569
3317 Homebound	-	280	280
3320 Part-Time Programs:			
3321 Emotionally Handicapped	-	216	216
3322 Educable Mentally Handicapped	-	7,150	7,150
3323 Learning Disabilities	-	120,371	120,371
3326 Orthopedically Handicapped	-	2,114	2,114
3327 Vocational	\$ -	127,521	\$ 127,521

(Continued)

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2019

	REVISED BUDGET	ACTUAL	VARIANCE
3330 Miscellaneous EFA Programs:			
3331 Autism	\$ -	15,410	\$ 15,410
3332 High Achieving Students	-	5,025	5,025
3334 Limited English Proficiency	-	701	701
3351 Academic Assistance	-	53,866	53,866
3352 Pupils in Poverty	-	120,339	120,339
3353 Dual Credit Enrollment	-	5,899	5,899
3392 NBC Excess EFA Formula	-	1,821	1,821
3399 Other EFA Programs	1,176,150	-	(1,176,150)
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)	366,391	269,832	(96,559)
3825 Reimbursement for Property Tax Relief (Tier 3)	2,500,000	2,500,000	-
3830 Merchant's Inventory Tax	8,103	8,103	-
3840 Manufacturers Depreciation Reimbursement	25,000	29,358	4,358
3890 Other State Property Tax Revenues (Includes Motor Carrier Vehicle Tax)	27,850	145,691	117,841
3900 Other State Revenue:			
3993 PEBA on-Behalf	-	60,321	60,321
3999 Revenue from Other State Sources	191,859	-	(191,859)
Total Revenue from State Sources	<u>5,598,784</u>	<u>5,386,810</u>	<u>(211,974)</u>
4000 Revenue from Federal Sources:			
4900 Other Federal Sources:			
4999 Revenue from Other Federal Sources	35,000	25,352	(9,648)
Total Revenue from Federal Sources	<u>35,000</u>	<u>25,352</u>	<u>(9,648)</u>
TOTAL REVENUES	<u>9,679,573</u>	<u>9,203,653</u>	<u>(475,920)</u>
EXPENDITURES			
100 Instruction:			
110 General Instruction:			
111 Kindergarten Programs:			
100 Salaries	225,500	272,964	(47,464)
200 Employee Benefits	72,160	109,368	(37,208)
300 Purchased Services	2,500	600	1,900
400 Supplies and Materials	5,000	505	4,495
112 Primary Programs:			
100 Salaries	197,935	305,413	(107,478)
200 Employee Benefits	75,610	115,558	(39,948)
300 Purchased Services	1,500	-	1,500
400 Supplies and Materials	9,500	4,142	5,358
113 Elementary Programs:			
100 Salaries	1,341,240	1,217,306	123,934
200 Employee Benefits	361,508	492,356	(130,848)
300 Purchased Services	16,100	-	16,100
400 Supplies and Materials	\$ 29,850	11,881	\$ 17,969

(Continued)

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2019

	REVISED BUDGET	ACTUAL	VARIANCE
114 High School Programs:			
100 Salaries	\$ 655,312	430,936	\$ 224,376
200 Employee Benefits	172,800	155,145	17,655
300 Purchased Services	104,000	113,493	(9,493)
400 Supplies and Materials	10,500	5,106	5,394
600 Other Objects	400	-	400
115 Career and Technology Education Program:			
100 Salaries	521,706	353,782	167,924
200 Employee Benefits	133,242	134,001	(759)
300 Purchased Services - Other Than Tuition	75,500	19,532	55,968
400 Supplies and Materials	12,600	1,780	10,820
120 Exceptional Programs:			
121 Educable Mentally Handicapped:			
100 Salaries	138,976	20,738	118,238
200 Employee Benefits	64,154	5,625	58,529
400 Supplies and Materials	1,200	-	1,200
122 Trainable Mentally Handicapped:			
100 Salaries	57,000	2,490	54,510
200 Employee Benefits	31,250	1,254	29,996
123 Orthopedically Handicapped:			
100 Salaries	-	827	(827)
200 Employee Benefits	-	372	(372)
300 Purchased Services	12,000	800	11,200
126 Speech Handicapped:			
300 Purchased Services	60,000	-	60,000
127 Learning Disabilities:			
100 Salaries	193,742	302,845	(109,103)
200 Employee Benefits	54,797	145,911	(91,114)
300 Purchased Services	1,200	-	1,200
128 Emotionally Handicapped:			
100 Salaries	-	3,203	(3,203)
200 Employee Benefits	-	1,488	(1,488)
140 Special Programs:			
145 Homebound:			
100 Salaries	4,200	3,882	318
200 Employee Benefits	1,935	1,132	803
300 Purchased Services	2,625	410	2,215
160 Other Exceptional Programs:			
161 Autism:			
100 Salaries	-	9,111	(9,111)
200 Employee Benefits	-	4,275	(4,275)
400 Supplies and Materials	950	-	950
170 Summer School Programs:			
175 Instructional Programs Beyond Regular School Day:			
200 Employee Benefits	-	619	(619)
180 Adult/Continuing Educational Programs:			
181 Adult Basic Education Programs:			
300 Purchased Services	\$ -	10,000	\$ (10,000)

(Continued)

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2019

	REVISED BUDGET	ACTUAL	VARIANCE
188 Parenting/Family Literacy:			
100 Salaries	\$ 28,000	18,142	\$ 9,858
200 Employee Benefits	11,380	11,785	(405)
400 Supplies and Materials	6,000	-	6,000
Total Instruction	<u>4,693,872</u>	<u>4,288,777</u>	<u>405,095</u>
200 Support Services:			
210 Pupil Services:			
211 Attendance and Social Work Services:			
100 Salaries	27,600	27,694	(94)
200 Employee Benefits	8,636	12,791	(4,155)
300 Purchased Services	1,500	-	1,500
212 Guidance Services:			
100 Salaries	193,000	147,538	45,462
200 Employee Benefits	56,699	58,843	(2,144)
300 Purchased Services	10,450	-	10,450
400 Supplies and Materials	7,550	150	7,400
220 Instructional Staff Services:			
221 Improvement of Instruction-Curriculum Development:			
100 Salaries	173,500	142,990	30,510
140 Terminal Leave	-	13,523	(13,523)
200 Employee Benefits	56,108	56,134	(26)
300 Purchased Services	20,500	3,132	17,368
400 Supplies and Materials	229,000	63,683	165,317
600 Other Objects	500	-	500
222 Library and Media Services:			
100 Salaries	127,189	120,029	7,160
200 Employee Benefits	42,512	35,612	6,900
300 Purchased Services	2,450	1,042	1,408
400 Supplies and Materials	13,120	3,084	10,036
223 Supervision of Special Programs:			
100 Salaries	-	1,859	(1,859)
200 Employee Benefits	-	205	(205)
300 Purchased Services	-	445	(445)
400 Supplies and Materials	-	7,866	(7,866)
224 Improvement of Instruction-Inservice and Staff Training:			
100 Salaries	215,945	89,261	126,684
200 Employee Benefits	60,600	32,801	27,799
300 Purchased Services	66,300	1,804	64,496
400 Supplies and Materials	35,000	10,688	24,312
600 Other Objects	400	-	400
230 General Administrative Services:			
231 Board of Education:			
100 Salaries	8,500	3,745	4,755
200 Employee Benefits	6,290	6,035	255
300 Purchased Services	143,300	117,826	25,474
318 Audit Services	20,000	30,400	(10,400)
400 Supplies and Materials	2,800	1,190	1,610
600 Other Objects	\$ 12,775	7,536	\$ 5,239

(Continued)

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2019

	REVISED BUDGET	ACTUAL	VARIANCE
232 Office of Superintendent:			
100 Salaries	\$ 152,215	184,157	\$ (31,942)
200 Employee Benefits	63,590	53,774	9,816
300 Purchased Services	12,950	37,683	(24,733)
400 Supplies and Materials	2,000	8,317	(6,317)
600 Other Objects	1,750	725	1,025
233 School Administration:			
100 Salaries	490,618	504,884	(14,266)
200 Employee Benefits	184,589	208,882	(24,293)
300 Purchased Services	2,894	-	2,894
400 Supplies and Materials	1,950	545	1,405
600 Other Objects	725	79	646
250 Finance and Operations Services:			
251 Student Transportation (Federal/District Mandated):			
200 Employee Benefits	-	132	(132)
300 Purchased Services	7,840	-	7,840
252 Fiscal Services:			
100 Salaries	130,000	118,440	11,560
140 Terminal Leave	-	14,257	(14,257)
200 Employee Benefits	40,640	49,912	(9,272)
300 Purchased Services	15,300	32,188	(16,888)
400 Supplies and Materials	7,100	3,710	3,390
600 Other Objects	12,888	222,946	(210,058)
254 Operation and Maintenance of Plant:			
100 Salaries	229,300	259,277	(29,977)
200 Employee Benefits	96,695	114,562	(17,867)
300 Purchased Services	334,117	299,674	34,443
321 Public Utilities (Excludes Gas, Oil, Elec. & Other Heating Fuels)	31,600	41,636	(10,036)
400 Supplies and Materials	133,800	79,789	54,011
470 Energy (Includes Gas, Oil, Elec. & Other Heating Fuels)	378,000	439,270	(61,270)
600 Other Objects	2,500	45	2,455
255 Student Transportation (State Mandated):			
100 Salaries	329,223	296,603	32,620
200 Employee Benefits	61,050	72,003	(10,953)
300 Purchased Services	7,450	14,775	(7,325)
400 Supplies and Materials	600	-	600
256 Food Service:			
200 Employee Benefits	58,845	21,562	37,283
258 Security:			
100 Salaries	21,360	13,750	7,610
200 Employee Benefits	5,100	4,292	808
300 Purchased Services	30,000	52,197	(22,197)
260 Central Support Services:			
263 Information Services:			
300 Purchased Services	8,345	-	8,345
400 Supplies and Materials	1,500	189	1,311
600 Other Objects	\$ 160	-	\$ 160

(Continued)

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2019

	REVISED BUDGET	ACTUAL	VARIANCE
264 Staff Services:			
100 Salaries	\$ 124,500	84,551	\$ 39,949
200 Employee Benefits	23,703	33,333	(9,630)
300 Purchased Services	15,100	21,249	(6,149)
400 Supplies and Materials	4,000	3,695	305
600 Other Objects	500	500	-
266 Technology and Data Processing Services:			
100 Salaries	110,000	35,452	74,548
200 Employee Benefits	40,990	12,272	28,718
300 Purchased Services	246,752	112,559	134,193
400 Supplies and Materials	47,000	2,932	44,068
500 Capital Outlay	200,000	-	200,000
270 Support Services Pupil Activity:			
271 Pupil Services Activities:			
100 Salaries	94,350	102,793	(8,443)
200 Employee Benefits	25,776	28,508	(2,732)
300 Purchased Services	55,400	19,823	35,577
400 Supplies and Materials	90,400	47,819	42,581
600 Other Objects	9,400	643	8,757
Total Support Services	<u>5,486,789</u>	<u>4,654,290</u>	<u>832,499</u>
300 Community Services:			
350 Custody and Care of Children Services:			
100 Salaries	47,000	42,495	4,505
140 Terminal Leave	-	1,636	(1,636)
200 Employee Benefits	19,859	18,738	1,121
300 Purchased Services	2,000	-	2,000
400 Supplies and Materials	500	-	500
Total Community Services	<u>69,359</u>	<u>62,869</u>	<u>6,490</u>
400 Other Charges:			
412 Payments to Other Governmental Units			
720 Transits	7,000	17,395	(10,395)
Total Intergovernmental Expenditures	<u>7,000</u>	<u>17,395</u>	<u>(10,395)</u>
TOTAL EXPENDITURES	<u>\$ 10,257,020</u>	<u>9,023,331</u>	<u>\$ 1,233,689</u>

(Continued)

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2019

	REVISED BUDGET	ACTUAL	VARIANCE
OTHER FINANCING SOURCES (USES)			
Interfund Transfers, From (To) Other Funds:			
5220 Transfer from Special Revenue Fund (Excludes Indirect Cost)	\$ -	44,805	\$ 44,805
5230 Transfer from Special Revenue EIA Fund	266,571	229,242	(37,329)
5280 Transfer from Other Funds Indirect Costs	82,500	53,454	(29,046)
425-710 Transfer to Food Service Fund	-	(17,777)	(17,777)
TOTAL OTHER FINANCING SOURCES (USES)	<u>349,071</u>	<u>309,724</u>	<u>(39,347)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(228,376)</u>	<u>490,046</u>	<u>718,422</u>
FUND BALANCES, Beginning of Year	1,275,776	1,275,776	-
Prior Period Adjustment	150,686	150,686	-
FUND BALANCES, Beginning of Year, Restated	<u>1,426,462</u>	<u>1,426,462</u>	<u>-</u>
FUND BALANCES, End of Year	<u>\$ 1,198,086</u>	<u>1,916,508</u>	<u>\$ 718,422</u>

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

SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2019

	Title I (BA Projects) (201/202)	IDEA (CA Projects) (203/204)
REVENUES		
1000 Revenue from Local Sources:		
1500 Earnings on Investments:		
1510 Interest on Investments	\$ -	-
1900 Other Revenue from Local Sources:		
1930 Special Needs Transportation - Medicaid	-	-
1999 Revenue from Other Local Sources	-	-
Total Revenue from Local Sources	<u>-</u>	<u>-</u>
3000 Revenue from State Sources:		
3100 Restricted State Funding:		
3110 Occupational Education:		
3118 EEDA Career Specialists	-	-
3120 General Education:		
3127 Student Health and Fitness - PE Teachers	-	-
3130 Special Programs:		
3134 Child Early Reading Development and Education Program (CERDEP) - Full Day 4K	-	-
3135 Reading Coaches	-	-
3136 Student Health and Fitness - Nurses	-	-
3156 Adult Education	-	-
3190 Miscellaneous Restricted State Grants:		
3193 Education License Plates	-	-
3199 Other Restricted State Grants	-	-
3600 Education Lottery Act Revenue:		
3670 School Safety - Facility and Infrastructure Safety Upgrades	-	-
3900 Other State Revenue:		
3994 PEBA Nonemployer Contributions	-	-
3999 Revenue from Other State Sources	-	-
Total Revenue from State Sources	<u>-</u>	<u>-</u>
4000 Revenue from Federal Sources:		
4200 Occupational Education:		
4210 Perkins Aid, Title I - Career and Technology Education - Basic Grants to States	\$ -	-

Preschool Handicapped (CG Projects) (205/206)	CATE (VA Projects) (207/208)	Other Designated Restricted State Grants (900s)	Other Special Revenue Programs (200s/800s)	Totals
-	-	-	11	\$ 11
-	-	-	98,514	98,514
-	-	22,207	386,399	408,606
-	-	22,207	484,924	507,131
-	-	134,714	-	134,714
-	-	5,567	-	5,567
-	-	8,844	-	8,844
-	-	61,052	-	61,052
-	-	52,259	-	52,259
-	-	5,100	-	5,100
-	-	461	-	461
-	-	-	3,480	3,480
-	-	104,500	-	104,500
-	-	86,022	-	86,022
-	-	101,003	20,692	121,695
-	-	559,522	24,172	583,694
-	124,997	-	-	\$ 124,997

(Continued)

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

SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2019

	Title I (BA Projects) (201/202)	IDEA (CA Projects) (203/204)
4300 Elementary and Secondary Education Act of 1965 (ESEA):		
4310 Title I, Basic State Grant Programs (Carryover Provision)	\$ 383,547	-
4312 Rural and Low-Income School Program, Title V	-	-
4351 Supporting Effective Instruction	-	-
4500 Programs for Children with Disabilities:		
4510 Individuals with Disabilities Education Act (IDEA)	-	470,177
4520 Pre-School Grants for Children with Disabilities (IDEA)	-	-
4900 Other Federal Sources:		
4924 21st Century Community Learning Centers Program, (Title IV, 21st Century Schools)	-	-
4997 Title IV - SSAE	-	-
Total Revenue from Federal Sources	<u>383,547</u>	<u>470,177</u>
TOTAL REVENUES	<u>383,547</u>	<u>470,177</u>
EXPENDITURES		
100 Instruction:		
110 General Instruction:		
112 Primary Programs:		
100 Salaries	-	-
200 Employee Benefits	-	-
300 Purchased Services	-	-
400 Supplies and Materials	-	-
113 Elementary Programs:		
100 Salaries	-	-
140 Terminal Leave	-	-
200 Employee Benefits	-	-
300 Purchased Services	116,111	-
400 Supplies and Materials	115,684	-
114 High School Programs:		
100 Salaries	-	-
200 Employee Benefits	-	-
300 Purchased Services	-	-
400 Supplies and Materials	\$ 54,874	-

Preschool Handicapped (CG Projects) (205/206)	CATE (VA Projects) (207/208)	Other Designated Restricted State Grants (900s)	Other Special Revenue Programs (200s/800s)	Totals
-	-	-	240,318	\$ 623,865
-	-	-	19,084	19,084
-	-	-	71,540	71,540
-	-	-	-	470,177
14,832	-	-	-	14,832
-	-	-	85,711	85,711
-	-	-	20,119	20,119
14,832	124,997	-	436,772	1,430,325
14,832	124,997	581,729	945,868	2,521,150
-	-	41,906	5,000	46,906
-	-	21,611	620	22,231
-	-	-	6,360	6,360
-	-	-	177,930	177,930
-	-	2,400	11,420	13,820
-	-	-	13,945	13,945
-	-	701	5,397	6,098
-	-	22,207	977	139,295
-	-	-	27,563	143,247
-	-	-	49,781	49,781
-	-	-	14,425	14,425
-	-	-	5,444	5,444
-	-	461	2,256	\$ 57,591

(Continued)

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

SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2019

	Title I (BA Projects) (201/202)	IDEA (CA Projects) (203/204)
115 Career and Technology Education Program:		
300 Purchased Services - Other Than Tuition	\$ -	-
400 Supplies and Materials	-	-
120 Exceptional Programs:		
121 Educable Mentally Handicapped:		
100 Salaries	-	45,378
200 Employee Benefits	-	26,452
300 Purchased Services	-	374
400 Supplies and Materials	-	3,200
122 Trainable Mentally Handicapped:		
100 Salaries	-	2,039
200 Employee Benefits	-	1,818
126 Speech Handicapped:		
300 Purchased Services	-	82,388
127 Learning Disabilities:		
100 Salaries	-	30,566
200 Employee Benefits	-	13,383
300 Purchased Services	-	4,474
400 Supplies and Materials	-	1,374
130 Pre-School Programs:		
136 Pre-School Handicapped Itinerant (3 & 4-Yr. Olds):		
600 Other Objects	-	-
139 Early Childhood Programs:		
300 Purchased Services	-	-
140 Special Programs:		
141 Gifted and Talented - Academic:		
300 Purchased Services	-	-
400 Supplies and Materials	-	-
147 CERDEP:		
100 Salaries	-	-
400 Supplies and Materials	-	-
149 Other Special Programs:		
400 Supplies and Materials	94	-
170 Summer School Programs:		
172 Elementary Summer School:		
100 Salaries	18,068	-
200 Employee Benefits	3,963	-
300 Purchased Services	-	-
400 Supplies and Materials	-	-
	\$ -	-

Preschool Handicapped (CG Projects) (205/206)	CATE (VA Projects) (207/208)	Other Designated Restricted State Grants (900s)	Other Special Revenue Programs (200s/800s)	Totals
-	112,770	-	-	\$ 112,770
-	4,357	-	-	4,357
10,000	-	-	-	55,378
3,500	-	-	-	29,952
-	-	-	-	374
-	-	-	-	3,200
-	-	-	-	2,039
-	-	-	-	1,818
-	-	-	-	82,388
-	-	-	-	30,566
-	-	-	-	13,383
-	-	-	-	4,474
-	-	-	-	1,374
-	-	39,023	-	39,023
-	-	52,780	-	52,780
-	-	-	6,150	6,150
-	-	-	2,841	2,841
-	-	6,425	-	6,425
-	-	2,419	-	2,419
-	-	-	-	94
-	-	-	22,159	40,227
-	-	-	6,317	10,280
-	-	-	3,036	3,036
-	-	-	2,000	2,000

(Continued)

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

SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2019

	Title I (BA Projects) (201/202)	IDEA (CA Projects) (203/204)
175 Instructional Programs Beyond Regular School Day:		
100 Salaries	\$ -	-
200 Employee Benefits	-	-
300 Purchased Services	-	-
180 Adult/Continuing Educational Programs:		
188 Parenting/Family Literacy:		
100 Salaries	27,484	-
200 Employee Benefits	9,000	-
300 Purchased Services	-	-
400 Supplies and Materials	1,773	-
600 Other Objects	-	-
Total Instruction	<u>347,051</u>	<u>211,446</u>
200 Support Services:		
210 Pupil Services:		
212 Guidance Services:		
100 Salaries	-	-
213 Health Services:		
100 Salaries	-	-
200 Employee Benefits	-	-
300 Purchased Services	4,721	75,666
400 Supplies and Materials	-	4,647
214 Psychological Services:		
300 Purchased Services	-	24,041
217 Career Specialists Services:		
100 Salaries	-	-
200 Employee Benefits	-	-
220 Instructional Staff Services:		
221 Improvement of Instruction - Curriculum Development:		
140 Terminal Leave	-	-
200 Employee Benefits	-	-
300 Purchased Services	-	25,648
400 Supplies and Materials	-	-
600 Other Objects	-	-
223 Supervision of Special Programs:		
100 Salaries	298	35,700
200 Employee Benefits	93	15,783
300 Purchased Services	1,842	28,933
400 Supplies and Materials	\$ 3,000	2,930

Preschool Handicapped (CG Projects) (205/206)	CATE (VA Projects) (207/208)	Other Designated Restricted State Grants (900s)	Other Special Revenue Programs (200s/800s)	Totals
-	-	-	51,505	\$ 51,505
-	-	-	14,024	14,024
-	-	-	11,237	11,237
-	-	-	10,026	37,510
-	-	-	11,357	20,357
-	-	-	1,684	1,684
-	-	-	300	2,073
-	-	-	1,650	1,650
13,500	117,127	189,933	465,404	1,344,461
-	-	44,556	-	44,556
-	-	35,000	3,679	38,679
-	-	17,259	875	18,134
-	-	-	14,883	95,270
-	-	-	1,670	6,317
-	-	-	-	24,041
-	-	59,971	-	59,971
-	-	30,187	-	30,187
-	-	-	49,207	49,207
-	-	-	3,526	3,526
-	-	-	34,005	59,653
-	1,770	-	4,264	6,034
-	6,000	-	-	6,000
-	-	-	-	35,998
-	-	-	-	15,876
-	-	-	141	30,916
-	100	-	-	\$ 6,030

(Continued)

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

SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2019

	Title I (BA Projects) (201/202)	IDEA (CA Projects) (203/204)
224 Improvement of Instruction - Inservice and Staff Training:		
300 Purchased Services	\$ 22,703	-
400 Supplies and Materials	-	-
250 Finance and Operations Services:		
251 Student Transportation (Federal/District Mandated):		
100 Salaries	-	-
200 Employee Benefits	-	-
300 Purchased Services	-	-
400 Supplies and Materials	-	121
252 Fiscal Services:		
300 Purchased Services	-	-
258 Security:		
500 Capital Outlay	-	-
260 Central Support Services:		
266 Technology and Data Processing Services:		
300 Purchased Services	-	-
400 Supplies and Materials	-	-
270 Support Services - Pupil Activity:		
271 Pupil Services Activities:		
300 Purchased Services	-	-
400 Supplies and Materials (Optional)	-	-
Total Support Services	<u>32,657</u>	<u>213,469</u>
300 Community Services:		
350 Custody and Care of Children:		
100 Salaries	-	-
200 Employee Benefits	-	-
300 Purchased Services	-	-
400 Supplies and Materials	-	-
Total Community Services	<u>-</u>	<u>-</u>
410 Intergovernmental Expenditures:		
419 Payments from Nonemployer Contributions		
720 Transits	-	-
Total Intergovernmental Expenditures	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	\$ 379,708	424,915

Preschool Handicapped (CG Projects) (205/206)	CATE (VA Projects) (207/208)	Other Designated Restricted State Grants (900s)	Other Special Revenue Programs (200s/800s)	Totals
-	-	-	63,389	\$ 86,092
-	-	9,200	-	9,200
-	-	-	6,008	6,008
-	-	-	1,810	1,810
-	-	-	16,123	16,123
-	-	-	-	121
-	-	-	3,332	3,332
-	-	104,501	-	104,501
-	-	-	28,451	28,451
-	-	-	40,194	40,194
-	-	-	4,948	4,948
-	-	-	10,876	10,876
-	7,870	300,674	287,381	842,051
-	-	-	62,248	62,248
-	-	-	40,797	40,797
-	-	-	71,328	71,328
-	-	5,100	15,678	20,778
-	-	5,100	190,051	195,151
-	-	86,022	-	86,022
-	-	86,022	-	86,022
13,500	124,997	581,729	942,836	\$ 2,467,685

(Continued)

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

SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2019

	Title I (BA Projects) (201/202)	IDEA (CA Projects) (203/204)
	<u> </u>	<u> </u>
OTHER FINANCING SOURCES (USES)		
Interfund Transfers, From (To) Other Funds:		
420-710 Transfer to General Fund (Exclude Indirect Costs)	\$ -	-
431-791 Special Revenue Fund Indirect Costs	(3,839)	(45,262)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,839)</u>	<u>(45,262)</u>
EXCESS OF REVENUES OVER EXPENDITURES	-	-
FUND BALANCES, Beginning of Year	<u>-</u>	<u>-</u>
FUND BALANCES, End of Year	<u><u>\$ -</u></u>	<u><u>-</u></u>

Preschool Handicapped (CG Projects) (205/206)	CATE (VA Projects) (207/208)	Other Designated Restricted State Grants (900s)	Other Special Revenue Programs (200s/800s)	Totals
-	-	-	(44,805)	\$ (44,805)
(1,332)	-	-	(3,021)	(53,454)
(1,332)	-	-	(47,826)	(98,259)
-	-	-	(44,794)	(44,794)
-	-	-	44,794	44,794
-	-	-	-	\$ -

SPECIAL REVENUE FUND

SUPPLEMENTAL LISTING OF LEA SUBFUND CODES AND TITLES

YEAR ENDED JUNE 30, 2019

OTHER DESIGNATED RESTRICTED STATE GRANTS

- 903 Teacher Recruiting and Retention
- 915 Technology Technical Assistance (Carryover Only)
- 919 Education License Plates
- 924 Child Early Reading Development and Education Program (CDEP) - Full Day 4K
- 926 Summer Reading Camp
- 928 EEDA Career Specialist
- 935 Reading Coaches
- 936 Student Health and Fitness - Nurses
- 937 Student Health and Fitness - (PE Teacher Ratio)
- 939 Capital Improvement Plan - Additional
- 956 Adult Education
- 968 Classroom Libraries
- 970 School Safety - Facility and Infrastructure Safety Upgrades
- 980 Payments from Other Local Governmental Units
- 994 PEBA Nonemployer Contributions

OTHER SPECIAL REVENUE PROGRAMS

- 210 Title IV - SSAE
- 224 21st Century Community Learning Centers, Title IV
- 225 Mathematics and Science Partnerships program, Title II (84.366B)
- 237 Title I, School Improvement Focus Schools
- 238 Title I, Section 1003(A), School Improvement Misc (Carryover Provision)
- 239 Title I, Section 1003(A), School Improvement Priority Schools (Carryover Provision)
- 240 Title I Direct Student Services
- 250 State Fiscal Stabilization Fund (ARRA) (84.394)
- 251 Rural and Low-Income School Program, Title V (84.358B)
- 266 Teacher Incentive Grant (ARRA) (84.374A)
- 267 Title II - Improving Teacher Quality
- 268 Teacher Incentive Fund 3
- 280 Special Needs Transportation - Medicaid
- 299 Interest on Investments
- 800 Music Pilot Quaver
- 803 Extended School Year IDEA
- 811 Cerra Proviso
- 821 John De La Howe
- 825 Teacher Cadet
- 830 Professional Mental Disabled
- 890 First Steps
- 891 First Steps - PAT
- 893 4K Block Grant
- 899 Technology EOC

SPECIAL REVENUE FUND

SUMMARY SCHEDULE FOR OTHER DESIGNATED RESTRICTED STATE GRANTS

YEAR ENDED JUNE 30, 2019

Subfund	Revenue	Programs	Revenues	Expenditures	Special Revenue		Special Revenue Fund Unearned
					Interfund Transfers In (Out)	Other Fund Transfers In (Out)	
903	1999	Revenue from Other Local Sources	\$ 22,207	22,207	-	-	\$ -
919	3193	Education License Plates	461	461	-	-	-
924	3134	Child Early Reading Development and Education Program	8,844	8,844	-	-	-
928	3118	EEDA Career Specialists	134,714	134,714	-	-	-
935	3135	Reading Coaches	61,052	61,052	-	-	-
936	3136	Student Health and Fitness - Nurses	52,259	52,259	-	-	-
937	3127	Student Health and Fitness - PE Teachers	5,567	5,567	-	-	-
939	3630	Capital Improvement Plan - Additional	-	-	-	-	163,101
956	3156	Adult Education	5,100	5,100	-	-	-
968	3999	Other Restricted State Grant	9,200	9,200	-	-	-
970	3670	School Safety - Facility and Infrastructure Safety Upgrades	104,500	104,500	-	-	-
980	3999	Early Headstart	91,803	91,803	-	-	-
994	3994	PEBA Nonemployer Contributions	86,022	86,022	-	-	-
Totals			\$ 581,729	581,729	-	-	\$ 163,101

EDUCATION IMPROVEMENT ACT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
ALL PROGRAMS

YEAR ENDED JUNE 30, 2019

	ACTUAL
REVENUES	
1000 Revenue from Local Sources:	
1990 Miscellaneous Local Revenue:	
1999 Revenue from Other Local Sources	\$ 15,827
Total Revenue from Local Sources	15,827
3000 Revenue from State Sources:	
3500 Education Improvement Act:	
3502 ADEPT	988
3507 Aid to District Technology	14,980
3518 Adoption List of Formative Assessment	3,991
3519 Grade 10 Assessments	5,804
3526 Refurbishment of Science Kits	15,480
3528 Industry Certifications / Credentials	8,565
3529 Career and Technology Education	40,450
3532 National Board Certification Salary Supplement (No Carryover Provision)	57,717
3533 Teacher of the Year Awards (No Carryover Provision)	1,077
3538 Students at Risk of School Failure	108,093
3541 Child Early Reading Development and Education Program (CERDEP) - Full day 4K	80,380
3550 Teacher Salary Increase (No Carryover Provision)	190,220
3555 Teacher Salary Fringe (No Carryover Provision)	39,022
3556 Adult Education	2,497
3557 Summer Reading Program	41,007
3558 Reading (Carryover)	3,605
3571 CSI and Priority Schools	61,574
3577 Teacher Supplies (No Carryover Provision)	15,950
3589 Maintenance of State Financial Support (MES) Tier II	152,966
3593 Capital Improvement Plan	358,634
3595 EEDA - Supplies and Materials	352
3597 Aid to Districts	24,781
3599 Other EIA	9,370
Total Revenue from State Sources	1,237,503
TOTAL REVENUES	1,253,330

EXPENDITURES

100 Instruction:	
110 General Instruction:	
111 Kindergarten Programs:	
100 Salaries	15,000
200 Employee Benefits	4,239
400 Supplies and Materials	\$ 596
	(Continued)

EDUCATION IMPROVEMENT ACT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
ALL PROGRAMS

YEAR ENDED JUNE 30, 2019

	<u>ACTUAL</u>
112 Primary Programs:	
100 Salaries	\$ 7,500
200 Employee Benefits	2,120
400 Supplies and Materials	7,563
113 Elementary Programs:	
100 Salaries	15,000
200 Employee Benefits	4,239
300 Purchased Services	9,370
400 Supplies and Materials	55,697
114 High School Programs:	
100 Salaries	8,500
200 Employee Benefits	2,196
300 Purchased Services	11,632
400 Supplies and Materials	7,726
115 Career and Technology Education Program:	
300 Purchased Services - Other Than Tuition	12,142
400 Supplies and Materials	47,990
140 Special Programs:	
147 CDEPP:	
100 Salaries	48,525
200 Employee Benefits	25,355
300 Purchased Services	217
400 Supplies and Materials	5,241
600 Other Objects	90
170 Summer School Programs:	
174 Gifted and Talented Summer School:	
300 Purchased Services	952
175 Instructional Programs Beyond Regular School Day:	
100 Salaries	11,676
200 Employee Benefits	3,176
300 Purchased Services	2,969
Total Instruction	<u>309,711</u>
200 Support Services:	
210 Pupil Services:	
212 Guidance Services:	
400 Supplies and Materials	352
215 Exceptional Program Services:	
400 Supplies and Materials	\$ 34,913

(Continued)

EDUCATION IMPROVEMENT ACT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
ALL PROGRAMS

YEAR ENDED JUNE 30, 2019

	<u>ACTUAL</u>
220 Instructional Staff Services:	
221 Improvement of Instruction-Curriculum Development:	
100 Salaries	\$ 31,769
200 Employee Benefits	2,891
300 Purchased Services	26,973
400 Supplies and Materials	170,546
223 Supervision of Special Programs:	
100 Salaries	34,394
200 Employee Benefits	13,209
400 Supplies and Materials	2,677
224 Improvement of Instruction - Inservice and Staff Training:	
300 Purchased Services	17
400 Supplies and Materials	3,991
250 Finance and Operations Services:	
251 Student Transportation (Federal/District Mandated):	
300 Purchased Services	18,449
253 Facilities Acquisition and Construction:	
500 Capital Outlay:	
520 Construction Services	358,634
260 Central Support Services:	
266 Technology and Data Processing Services:	
300 Purchased Services	584
400 Supplies and Materials	14,978
Total Support Services	<u>714,377</u>
TOTAL EXPENDITURES	<u>1,024,088</u>
OTHER FINANCING SOURCES (USES)	
Interfund Transfers, From (To) Other Funds:	
420-710 Transfer to General Fund (Exclude Indirect Costs)	(229,242)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(229,242)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-
FUND BALANCE, Beginning of Year	<u>-</u>
FUND BALANCE, End of Year	<u>\$ -</u>

EDUCATION IMPROVEMENT ACT

SUMMARY SCHEDULE BY PROGRAM

YEAR ENDED JUNE 30, 2019

Program	Revenues	Expenditures	EIA Interfund Transfers In/(Out)	Other Fund Transfers In/(Out)	EIA Fund Unearned Revenue
3500 Education Improvement Act:					
3502 ADEPT	\$ 988	988	-	-	\$ -
3507 Aid to District Technology	14,980	14,980	-	-	-
3509 Arts in Education	15,827	15,827	-	-	-
3518 Adoption List of Formative Assessment	3,991	3,991	-	-	-
3519 Grade 10 Assessments	5,804	5,804	-	-	-
3526 Refurbishment of Science Kits	15,480	15,480	-	-	8,824
3528 Industry Certifications / Credentials	8,565	8,565	-	-	13,750
3529 Career and Technology Education	40,450	40,450	-	-	20,177
3532 National Board Salary Supplement (No Carryover Provision)	57,717	57,717	-	-	-
3533 Teacher of the Year Awards (No Carryover Provision)	1,077	1,077	-	-	-
3538 Students at Risk of School Failure	108,093	108,093	-	-	-
3541 Child Early Reading Development and Education Program - (CERDEP) - Full Day 4K	80,380	80,380	-	-	33,113
3550 Teacher Salary Increase (No Carryover Provision)	190,220	-	-	(190,220)	-
3555 Teacher Salary Fringe (No Carryover Provision)	39,022	-	-	(39,022)	-
3556 Adult Education	2,497	2,497	-	-	-
3557 Summer Reading Program	41,007	41,007	-	-	-
3558 Reading (Carryover)	3,605	3,605	-	-	-
3571 CSI and Priority Schools	61,574	61,574	-	-	138,426
3577 Teacher Supplies (No Carryover Provision)	15,950	15,950	-	-	-
3589 Maintenance of State Financial Support (MES) Tier II	152,966	152,966	-	-	-
3593 Capital Improvement Plan	358,634	358,634	-	-	641,366
3595 EEDA - Supplies and Materials	352	352	-	-	1,064
3597 Aid to Districts	24,781	24,781	-	-	-
3599 Other EIA	9,370	9,370	-	-	13,086
Totals	\$ 1,253,330	1,024,088	-	(229,242)	\$ 869,806

DETAILED SCHEDULE OF DUE TO STATE DEPARTMENT OF EDUCATION/FEDERAL GOVERNMENT

YEAR ENDED JUNE 30, 2019

Program	Project Number	Revenue Code	Description	Amount Due to State Department of Education or Federal Government	Status of Amount Due to Grantors
None					

SPECIAL REVENUE - FOOD SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2019

	<u>ACTUAL</u>
REVENUES	
1000 Revenue from Local Sources:	
1600 Food Service:	
1610 Lunch Sales to Pupils	\$ 352
1620 Breakfast Sales to Pupils	143
1630 Special Sales to Pupils	48
1640 Lunch Sales to Adults	13,999
1650 Breakfast Sales to Adults	890
1660 Special Sales to Adults	186
1900 Other Revenue from Local Sources:	
1999 Revenue from Other Local Sources	8,726
Total Revenue from Local Sources	<u>24,344</u>
4000 Revenue from Federal Sources:	
4800 USDA Reimbursement:	
4810 School Lunch and After School Snacks Program, and Special Milk Program	389,447
4830 School Breakfast Program	185,109
4900 Other Federal Sources:	
4991 USDA Commodities (Food Distribution Program) (Carryover Provision)	43,821
Total Revenue from Federal Sources	<u>618,377</u>
TOTAL REVENUES	<u>642,721</u>
EXPENDITURES	
256 Food Service:	
100 Salaries	234,905
200 Employee Benefits	83,821
300 Purchased Services (Exclude Gas, Oil, Electricity and Other Heating Fuels)	73,923
400 Supplies and Materials (Include Gas, Oil, Electricity and Other Heating Fuels)	373,773
500 Capital Outlay	6,020
600 Other Objects	919
Total Food Service	<u>773,361</u>
TOTAL EXPENDITURES	<u>773,361</u>
OTHER FINANCING SOURCES (USES)	
Interfund Transfers, From (To) Other Funds:	
5210 Transfer from General Fund (Excludes Indirect Costs)	17,777
TOTAL OTHER FINANCING SOURCES (USES)	<u>17,777</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(112,863)</u>
FUND BALANCE, Beginning of Year	234,292
Conversion from Enterprise Fund to Governmental Fund	(28,594)
FUND BALANCE, Beginning of Year, as Adjusted	<u>205,698</u>
FUND BALANCE, End of Year	<u>\$ 92,835</u>

DEBT SERVICE FUND - DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2019

	<u>ACTUAL</u>
REVENUES	
1000 Revenue from Local Sources:	
1200 Revenue from Local Governmental Units Other than LEAs:	
1210 Ad Valorem Taxes-Including Delinquent (Dependent)	\$ 1,220,173
Total Revenue from Local Sources	<u>1,220,173</u>
3000 Revenue from State Sources:	
3800 State Revenue in Lieu of Taxes:	
3820 Homestead Exemption (Tier 2)	98,477
3830 Merchant's Inventory Tax	767
3840 Manufacturers Depreciation Reimbursement	6,486
3890 Other State Property Tax Revenues (Includes Motor Carrier Vehicle Tax)	29,062
Total Revenue from State Sources	<u>134,792</u>
TOTAL REVENUES	<u>1,354,965</u>
 EXPENDITURES	
500 Debt Service:	
610 Redemption of Principal	2,010,000
620 Interest	70,612
Total Debt Service	<u>2,080,612</u>
TOTAL EXPENDITURES	<u>2,080,612</u>
 OTHER FINANCING SOURCES (USES)	
Interfund Transfers, From (To) Other Funds:	
5250 Transfer from Capital Projects Fund	554,169
TOTAL OTHER FINANCING SOURCES (USES)	<u>554,169</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(171,478)</u>
 FUND BALANCE, Beginning of Year	548,906
Prior Period Adjustment	(55,191)
FUND BALANCE, Beginning of Year, As Adjusted	<u>493,715</u>
 FUND BALANCE, End of Year	<u>\$ 322,237</u>

CAPITAL PROJECTS FUND - DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2019

	<u>ACTUAL</u>
REVENUES	
3000 Revenue from State Sources:	
3900 Other State Revenue:	
3999 Revenue from Other State Sources	\$ 324,252
Total Revenue from State Sources	<u>324,252</u>
TOTAL REVENUES	<u>324,252</u>
EXPENDITURES	
200 Support Services:	
250 Finance and Operations:	
253 Facilities Acquisition & Construction:	
300 Purchased Services	132,033
Total Support Services	<u>132,033</u>
500 Debt Service:	
610 Redemption of Principal	288,342
620 Interest	35,910
Total Debt Service	<u>324,252</u>
TOTAL EXPENDITURES	<u>456,285</u>
OTHER FINANCING SOURCES (USES)	
Interfund Transfers, From (To) Other Funds:	
423-710 Transfer to Debt Service Fund	(554,169)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(554,169)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(686,202)</u>
FUND BALANCE, Beginning of Year	783,117
Prior Period Adjustment	125,387
FUND BALANCE, Beginning of Year, As Adjusted	<u>908,504</u>
FUND BALANCE, End of Year	<u>\$ 222,302</u>

PUPIL ACTIVITY FUND

SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN DUE TO STUDENT ORGANIZATIONS

YEAR ENDED JUNE 30, 2019

	<u>ACTUAL</u>
RECEIPTS	
1000 Receipts from Local Sources:	
1700 Pupil Activities:	
1790 Other Pupil Activity Income	\$ 265,074
1900 Other Revenue from Local Sources	
1920 Contributions & Donations Private Sources	13,914
1999 Revenue from Other Local Sources	145,564
Total Receipts from Local Sources	<u>424,552</u>
TOTAL RECEIPTS	<u>424,552</u>
DISBURSEMENTS	
190 Instructional Pupil Activity:	
100 Salaries	31,551
200 Employee Benefits	10,623
600 Other Objects	277
Total Instruction	<u>42,451</u>
270 Support Services Pupil Activity:	
271 Pupil Service Activities:	
100 Salaries	64,239
200 Employee Benefits	14,588
300 Purchased Services	2,242
400 Supplies and Materials	13,049
600 Other Objects	
660 Pupil Activity	217,916
Total Support Services	<u>312,034</u>
TOTAL DISBURSEMENTS	<u>354,485</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	70,067
DUE TO STUDENT ORGANIZATIONS, Beginning of Year	<u>(20,030)</u>
DUE TO STUDENT ORGANIZATIONS, End of Year	<u>\$ 50,037</u>

LOCATION RECONCILIATION SCHEDULE

YEAR ENDED JUNE 30, 2019

<u>LOCATION ID</u>	<u>LOCATION DESCRIPTION</u>	<u>EDUCATION LEVEL</u>	<u>COST TYPE</u>	<u>TOTAL EXPENDITURES</u>
01	McCormick High School	High School	School	\$ 2,608,243
02	McCormick Middle School	Middle School	School	1,637,459
03	McCormick Elementary School	Elementary School	School	2,901,934
05	Vocational School	High School	School	1,608,223
06	Special Services	Non-School	Central	553,269
07	Transportation	Non-School	Central	94,708
10	District	Non-School	Central	3,828,250
20	Adult Education	Non-School	Central	2,497
49	Grant	Non-School	Central	383,542
80	Grant	Non-School	Central	27,468
99	District	Non-School	Central	2,534,254
TOTAL EXPENDITURES / DISBURSEMENTS FOR ALL FUNDS				<u><u>\$ 16,179,847</u></u>

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

General Fund	\$ 9,023,331
Special Revenue Fund	2,467,685
Special Revenue Fund - EIA Fund	1,024,088
Special Revenue Fund - Food Services	773,361
Debt Service Fund - District	2,080,612
Capital Projects Fund - District	456,285
Pupil Activity Fund	354,485
TOTAL EXPENDITURES / DISBURSEMENTS FOR ALL FUNDS	<u><u>\$ 16,179,847</u></u>

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COMPLIANCE SECTION

MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2019

LEA Subfund Code	Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass Through/ Grantor's Number	Federal Expenditures
US DEPARTMENT OF AGRICULTURE				
Pass-through State Department of Education:				
600	National School Breakfast Program	10.553	N/A	\$ 185,109
600	National School Lunch Program - Cash Assistance	10.555	N/A	389,447
600	National School Lunch Program - Non-Cash Assistance	10.555	N/A	43,821
Total 10.553, 10.555				618,377
TOTAL US DEPARTMENT OF AGRICULTURE				618,377
US DEPARTMENT OF EDUCATION				
Pass-through State Department of Education:				
201	Title I (Carryover)	84.010	18 Title I Reg	62,876
201	Title I	84.010	19 Title I Reg	291,618
201	Title I Mini Grant	84.010	19 Title I Mini Grant	22,703
201	Title I - Direct Student Services	84.010	18 Title I Direct Student Services	6,350
237	Title 1 - Grants to Local Educational Agencies	84.010A	19 Title I TSI	30,584
238	Title 1 - Grants to Local Educational Agencies	84.010	19 Title I School Improvement Mini	58,119
239	Title 1 - Grants to Local Educational Agencies	84.010	19 Title I CSI	126,172
240	Title I - Direct Student Services	84.010	19 Title I Direct Student Services	25,443
Total 84.010				623,865
Individuals with Disabilities Education Act:				
203	IDEA - Grants to States	84.027A	18 IDEA	214,425
203	IDEA - Grants to States	84.027A	19 IDEA	255,753
205	Handicapped Preschool Grants (Carryover)	84.173A	19 IDEA Preschool	14,831
Total 84.027A, 84.173A				485,009
207	CATE (Subprogram 4)	84.048A	18 CATE	6,000
207	CATE (Subprogram 6)	84.048A	18 CATE	24,922
207	CATE (Subprogram 2)	84.048A	18 CATE	2,966
207	CATE (Subprogram 7)	84.048A	18 CATE	1,770
207	CATE (Subprogram 15)	84.048A	18 CATE	100
207	CATE Innovative Challenge	84.048A	INNOVATIVE CHALLENGE	89,239
Total 84.048A				124,997
210	Student Support and Academic Enrichment Grants	84.424A	18 Title IV SSAE	11,128
210	Student Support and Academic Enrichment Grants	84.424A	19 Title IV SSAE	8,991
Total 84.424				20,119
224	21st Century Community Learning Centers	84.287C	18 21st Century	11,528
224	21st Century Community Learning Centers	84.287C	19 21st Century	74,183
Total 84.287C				85,711
251	Rural and Low Income School Program, Title V	84.358B	19-REAP	1,052
251	Rural and Low Income School	84.358B	19 - RURAL AND LOW INCOME SCHOOL RLIS	18,032
Total 84.358				19,084
267	Improving Teacher Quality	84.367A	18 Title II-ITQ	34,556
267	Improving Teacher Quality	84.367A	19 Title II - Mini Grant	11,957
267	Improving Teacher Quality	84.367A	19 Title II Supporting Effective Instruction	24,139
268	Improving Teacher Quality	84.367A	17 Title II - ITQ	889
Total 84.367A				71,541
Total Pass Through Programs				1,430,326
TOTAL US DEPARTMENT OF EDUCATION				1,430,326
US DEPARTMENT OF DEFENSE				
Direct Programs:				
100	AFJROTC	12.000	N/A	25,351
TOTAL US DEPARTMENT OF DEFENSE				25,351
TOTAL FEDERAL ASSISTANCE EXPENDED				\$ 2,074,054

See accompanying notes to the schedule of expenditures of federal awards.

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

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2019

A – General

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) presents the activity of all federal award programs of McCormick School District No. 1, South Carolina (the “District”) for the year ended June 30, 2019. All federal awards received directly from the federal agencies, as well as those passed through other government agencies, are included on the Schedule.

B – Basis of Accounting

The accompanying Schedule is presented using the modified accrual basis of accounting, which is described in the notes to the District’s financial statements.

C – Relationship to Financial Statements

Federal award expenditures are reported in the District’s financial statements primarily as expenditures in the Special Revenue Fund and the Special Revenue - Food Service Fund.

D – 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 expenditures made subsequent to the filing of the federal financial reports.

E – Indirect Cost Rate

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

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Greene Finney, LLP

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of McCormick School District No. 1, South Carolina (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 21, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned cost as 2019-001, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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District's Response to Findings

District's response to the finding identified in our audit are described in the accompanying schedule of findings and questioned cost. District's responses was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Greene Finney, LLP". The signature is written in a cursive, flowing style.

Greene Finney, LLP
Mauldin, South Carolina
November 21, 2019



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal Program

We have audited McCormick School District No. 1, South Carolina's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned cost as items 2019-002 and 2019-003. Our opinion on each major federal program is not modified with respect to these matters.

The District's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned cost and corrective action plan. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned cost as items 2019-002 and 2019-003, that we consider to be material weaknesses.

The District's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned cost and corrective action plan. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

Greene Finney, LLP

Greene Finney, LLP
Mauldin, South Carolina
November 21, 2019

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2019

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.

Context, Cause, and 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.

Status: Bank reconciliations are now being completed on a more timely basis.

2018-002: RECONCILIATION OF FUNDS RECEIVED AND CASH HELD WITH COUNTY TRASURER

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.

Context, Cause, and 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.

Status: Reconciliations and cash balances are now being completed on a more timely basis.

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2019

2018-003: RECONCILIATION OF FUNDS RECEIVED AND CASH HELD WITH COUNTY TRASURER

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.

Context, Cause, and 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.

Status: Reconciliations and cash balances are now being completed on a more timely basis.

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 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.

Context, Cause, and 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.

Status: The District due to turnover of staff has hired two interim financial professionals to review the financial statements.

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2019

2018-005: TRANSACTIONS NOT RECORDED IN PROPER FUNDS

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.

Context, Cause, and 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.

Status: Transactions are now being recorded in the appropriate fund.

2018-006: CONTRACT TO SUPPORT CASH DISBURSEMENTS

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.

Context, Cause, and 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.

Status: The District is now maintaining and retaining all appropriate documentation for disbursements.

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2019

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.
- Context, Cause, and 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’s Board of Director’s on a timely basis, so as to enable analysis, discussion and action.
- Status:** The District is now reviewing budget to actual results in a timely manner.

2018-008: REQUEST FOR GRANT REIMBURSEMENTS

Federal Agency: U.S. Department of Education
Pass-Through Agency: South Carolina Department of Education
IDEA Cluster: CFDA #'s 84.027 and 84.173
Pass-Through Grantor’s Award Numbers and Years: FAIN - 2018 H027A170081; H173A170085

- Condition:** The District is responsible to request reimbursements for expenditures incurred in the operation of its federal programs. These reimbursement request 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 year.
- Criteria:** Federal governmental agencies have guidelines regulating the grant application, award, cost reimbursement, and reporting for federal grant programs.
- Context, Cause, and Effect:** The District received over-reimbursement of IDEA expenditures. As a result, the District owes these amounts back to the IDEA program.
- Status:** The District is now reviewing all reimbursements ensuring they have not been previously claimed.

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u> X </u> Yes	<u> </u> No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None Reported
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No

Federal Awards

Internal control over major programs

Material weakness(es) identified?	<u> X </u> Yes	<u> </u> No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516 (Uniform Guidance)?	<u> X </u> Yes	<u> </u> No
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Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553 and 10.555	National School Breakfast and Lunch Program Cluster
84.027A and 84.173A	IDEA Cluster

Dollar threshold used to distinguish between type A and type B programs:	<u> \$750,000 </u>
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Auditee qualified as low-risk auditee?	<u> </u> Yes	<u> X </u> No
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**MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2019

Section II – Current Year Financial Statement Findings

2019-001: PRIOR PERIOD ADJUSTMENTS

Condition: In connection with the District’s review of its account balances, capital asset listing, capital asset rollforward, long-term obligation rollforward, and other financial activity (as they prepared for the 2019 audit), the District became aware of a number of misstatements in its prior year balances in both its governmental fund financial statements and its government-wide financial statements. The District recorded several prior period adjustments to correct these errors. These errors primarily relate to (a) cash held by County Treasurer not being recorded, (b) prepaid expense being recorded that belonged in the subsequent fiscal year, (c) several accounts payable and accrued liabilities that should not have been accrued back, (d) a capital lease that should have been recorded as a long-term obligation, (e) capital assets relating to the capital lease, (f) accounts receivable that should not have been accrued back, and (g) unavailable property taxes not being recognized on the government-wide financial statements.

Criteria: The District should have adequate internal controls in place that would prevent or detect material misstatements from day-to-day transactions all the way to the reporting of those transactions in the annual financial statements.

Context, Cause and Effect: Throughout the year, the District generally keeps its account balances on a cash/modified accrual basis of accounting. At year end, the District (with the assistance of its external auditor) converts these balances to the appropriate basis of accounting for its fund and government-wide financial statements. A number of these conversion entries were not made in the prior year. Also, the District was not fully aware of all of the accounting and financial reporting differences between the fund and government-wide financial statements. These issues resulted in the District’s financial statements being misstated in the prior year.

Recommendation: We would encourage the District to become more aware of the accounting and financial reporting requirements for its fund and government-wide financial statements and to gain a better understanding of the annual financial reporting process (and the related conversion entries).

Response: The District concurs and will improve their understanding to ensure no future misstatements occur. In addition, the District now has contract finance staff to assist in this understanding.

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2019

Section III – Current Year Federal Award Findings and Questioned Costs

2019-002: PRIOR YEAR DATA COLLECTION FORM

Condition: During our audit of the School District we noted the prior year (fiscal year 2018) data collection form and prior year (fiscal year 2018) audit had not been uploaded to the Federal Audit Clearing House (“FAC”) within the nine-month time window after that fiscal year end.

Criteria: The data collection form and the audit should be submitted to the FAC within nine-months after the year end date.

Context, Cause and Effect: A lack of understanding related to requirements regarding federal funding.

Recommendation: We recommend that the District personnel improve their understanding of requirements regarding federal funding and ensure the data collection form and audit is submitted to the FAC within the allowable time frame.

Response: The District concurs and will improve their understanding to ensure no future requirements and due dates are not met.

Federal Agency: U.S. Department of Education
Pass-Through Agency: South Carolina Department of Education
IDEA Cluster: CFDA #'s 84.027 and 84.173
Pass-Through Grantor's Award Numbers and Years: 2018 H027A180081; H6304520
Repeat Finding from Prior Year? No

2019-003: ALLOWABLE COSTS (NON-PAYROLL DISBURSEMENTS)

Questioned Costs
\$ - 0 -.

Condition: Certain expenditures for this program had not been approved by the Superintendent and / or the IDEA Director until after they had been submitted for reimbursement and the claim amount had been received by the District.

Criteria: All expenditures for this program should be reviewed and approved by appropriate District personnel prior to being claimed for reimbursement.

Context, Cause, and Effect: In performing our compliance testing, we noted four non-payroll disbursements that had not been approved by the Superintendent and / or IDEA Director until after the transactions had been submitted for reimbursement and the claim amount had been received. All of these transactions appeared to be adequately supported and properly charged to this program, so no questioned costs were reported.

Recommendation: We recommend that the District implement procedures and controls to ensure that only expenditures as allowable by the SDE are charged to this program.

Response: The District concurs. The District is looking into reviewing several accounting policies and roles to ensure all expenditures are appropriately approved in a timely manner.



MCCORMICK COUNTY SCHOOL DISTRICT

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Trustees Christine Lee
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**MCCORMICK SCHOOL DISTRICT NO. 1
MCCORMICK, SOUTH CAROLINA**

CORRECTIVE ACTION PLAN

YEAR ENDED JUNE 30, 2019

Betty Bagley
Interim Superintendent

Section II – Financial Statement Findings

Finding: 2019-001

Contact Person: Betty Bagley, Interim Superintendent
bbagley@mccormick.k12.sc.us

Corrective Action: The District is going to obtain training and review other materials to help understand the accounting and financial reporting of all transactions to ensure future misstatements do not occur.

Proposed Completion Date: Prior to June 30, 2020

Section III – Federal Award Findings and Questioned Costs

Finding: 2019-002

Contact Person: Betty Bagley, Interim Superintendent
bbagley@mccormick.k12.sc.us

Corrective Action: The District has reached out to the external auditors for the year ended June 30, 2018 to follow up and ensure the fiscal year 2018 data collection form is filed. The District will ensure all future data collection forms are filed as part of the auditing process going forward.

Proposed Completion Date: Prior to June 30, 2020

Finding: 2019-003

Contact Person: Betty Bagley, Interim Superintendent
bbagley@mccormick.k12.sc.us

Corrective Action: The District is currently reviewing all internal controls and procedures. As a result, procedures will be put into place to ensure a proper monitoring and review process will go into effect ensuring all federal funding expenditures are approved before being claimed.

Proposed Completion Date: Prior to June 30, 2020