

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

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**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

PRINCIPAL OFFICIALS

YEAR ENDED JUNE 30, 2012

Board of Trustees

**Eddie Dearybury, Board Chairperson
Sterling Farr, Board Vice-Chairperson
Ann Brown, Secretary
Shannon Gault
Jodi Gilmer
Holly Jolley
Don Kennedy
Kaye Kesler
Tracy Schultz**

Superintendent

Dr. Jim Ray

Assistant Superintendent for Finance & Operations

Greg Mack



INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Spartanburg County School District Three
Glendale, South Carolina

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Spartanburg County School District Three, South Carolina (the "School District"), as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Spartanburg County School District Three, South Carolina, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2012 on our consideration of the School 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedule – General Fund, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The supplementary information, as listed in the table of contents, and the schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133)* are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, as listed in the table of contents, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in cursive script that reads "Greene, Finney & Horton LLP".

Greene, Finney & Horton, LLP
Mauldin, South Carolina
October 10, 2012

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2012

This discussion and analysis of the Spartanburg County School District Number Three's (the "School District") financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to present the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2012 are as follows:

- The Spartanburg County School District Three SCAGO Education Facilities Corporation ("EFC") was established in July 2006. Although the EFC is a legally separate entity, it is reflected as a blended component unit of the School District and the financial information of the EFC is included in individual columns throughout the basic financial statements.
- The assets of the School District exceeded its liabilities at the close of the most recent fiscal year by approximately \$21.0 million. Of this amount, approximately \$3.6 million may be used to meet the School District's ongoing obligations to citizens and creditors (unrestricted net assets).
- The School District's total net assets decreased by approximately \$0.7 million. This decrease is primarily due to the results of operations in the General Fund, and capital projects that were completed during the year.
- As of the close of the current fiscal year, the School District's governmental funds reported combined ending fund balances of approximately \$5.5 million, a decrease of approximately \$1.2 million from the prior year ending fund balance, which is primarily attributable to the expenditure of capital funds for projects and short collections of local revenue in the General and Debt Service funds. Approximately 49% of the total fund balance amount (unreserved and undesignated fund balance), or approximately \$2.7 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 approximately \$2.7 million, which was approximately 12% of General Fund expenditures.
- The School District's total net capital assets decreased by approximately \$0.3 million (1.0%) during the current fiscal year. Key factors in this decrease were depreciation expense of approximately \$1.1 million partially offset by the School District's expenditures for building improvements and other capital assets of approximately \$0.8 million.
- The School District's total long term obligations decreased by approximately \$1.0 million (5%) during the current fiscal year primarily due to regularly scheduled principal payments.
- During 2012, the School District's governmental activities type revenues were approximately \$31.1 million compared to \$30.9 million in the prior year. This increase of approximately 0.8% was primarily due to an increase in State funding during the year.
- The School District had approximately \$31.8 million in expenses related to governmental activities; approximately \$15.2 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues of approximately \$15.9 million provided remaining funding for these programs.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – *Introductory Section*, *Financial Section* (which includes the basic financial statements, management's discussion and analysis, and the combining and individual fund financial schedules for governmental funds), and the *Compliance Section*.

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

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2012

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

The *Statement of Activities* presents information showing how the School District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, for some items, revenues and expenses are reported in this statement that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide basic financial statements distinguish functions of the School 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 School District include instruction, support services, community services and intergovernmental. The School District does not have any business-type activities.

The governmental-wide basic financial statements can be found as listed in the table of contents of this report.

Fund Basic Financial Statements. The remaining basic financial statements are *fund basic financial statements* that focus on *individual parts* of the School District, reporting the School 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 School 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 School 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 basic financial statements. However, unlike the government-wide basic financial statements, governmental fund basic financial statements focus on near-term uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide basic financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide basic financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The School 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 – EIA Fund, Special Revenue – Food Service Fund, Debt Service Fund and Capital Projects Fund, of which, all are considered to be major funds. In addition, the EFC's Capital Projects Fund and Debt Service Fund are also major funds and therefore shown in separate columns.

The governmental fund basic financial statements can be found as listed in the table of contents of this report.

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2012

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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 School District's own programs. The School District is the trustee, or fiduciary, for the pupil activity funds of the schools and accounts for this activity in an agency fund. The basic fiduciary fund financial statement can be found as listed in the table of contents of this report.

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund basic financial statements. The notes to the basic financial statements can be found as listed in the table of contents of this report.

Other Information. The combining and individual fund schedules referred to earlier can be found as listed in the table of contents of this report.

The School District has a legally adopted budget only for its General Fund. A budgetary comparison schedule has been provided as a required supplementary schedule for this fund to demonstrate compliance with its budget. This schedule can be found as listed in the table of contents of this report.

Figure A-1 Major Features of the School District's Government-Wide and Fund Basic Financial Statements			
	Government-Wide Basic Financial Statements	Governmental Funds	Fiduciary Funds
Scope	Entire School District government (except fiduciary funds) and the School District's component units	The activities of the School District that are not fiduciary	Instances in which the School District is the trustee or agent for someone else's resources, such as the Pupil Activity Fund
Required basic financial statements	<ul style="list-style-type: none"> ▪ Statement of net assets ▪ Statement of activities 	<ul style="list-style-type: none"> ▪ Balance sheet ▪ Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> ▪ Statement of 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 and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used and liabilities that come due during the year or soon, thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; the School 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

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2012

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the School District, assets exceeded liabilities by approximately \$21.0 million at the close of the most recent fiscal year.

Table 1 provides a summary of the School District's net assets for 2012 and 2011:

Table 1
Net Assets

	Governmental Activities	
	2012	2011
Assets		
Current and Other Assets	\$ 9,660,059	\$ 11,370,147
Capital Assets, Net	32,104,746	32,428,339
Total Assets	<u>41,764,805</u>	<u>43,798,486</u>
Liabilities		
Other Liabilities	3,388,318	3,796,701
Long-Term Liabilities	17,399,186	18,356,236
Total Liabilities	<u>20,787,504</u>	<u>22,152,937</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	16,496,637	15,885,998
Restricted	871,388	1,139,107
Unrestricted	3,609,276	4,620,444
Total Net Assets	<u>\$ 20,977,301</u>	<u>\$ 21,645,549</u>

The School District's current and other assets at June 30, 2012 decreased by approximately \$1.7 million from the prior year, attributable primarily to lower cash balances on hand at June 30, 2012 and lower amounts due from other governments. The School District's capital assets at June 30, 2012 decreased by approximately \$0.3 million from the prior year. The decrease was primarily due to depreciation expense of approximately \$1.1 million, partially offset by building improvements and other additions of approximately \$0.8 million. Total liabilities at June 30, 2012 decreased by approximately \$1.4 million from the prior year which was primarily due to decreases in deferred State revenue and regularly scheduled principal payments on long term debt.

The School District's net assets decreased by approximately \$0.7 million during 2012 which is primarily the result of operations in the General Fund and capital projects that were completed.

In the case of the School District, assets exceeded liabilities by approximately \$21.0 million at the close of the most recent fiscal year. By far the largest portion of the School District's net assets (\$16.5 million or 79%) reflects its investment in capital assets (i.e., land, buildings, furniture and equipment, infrastructure, etc.) less any related outstanding debt and lease purchase obligations used to acquire those assets. The School District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the School District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay these long-term obligations must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2012

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

An additional portion of the School District's net assets of approximately \$0.9 million (4%) represents resources that are subject to external restrictions on how they may be used. These net assets are restricted for the food service program, other special revenue programs (which are restricted by the revenue source), and debt service payments. The remaining balance is unrestricted net assets of approximately \$3.6 million (17%) which may be used to meet the government's ongoing obligations to citizens and creditors.

Table 2 shows the changes in net assets for fiscal year 2012 and 2011:

Table 2
Changes in Net Assets

Revenues	Governmental Activities	
	2012	2011
Program Revenues:		
Charges for Services	\$ 1,490,281	\$ 1,464,018
Operating Grants	13,735,469	13,231,807
General Revenue:		
Property Taxes	11,314,437	11,824,558
Other	4,571,953	4,342,601
Total Revenues	<u>31,112,140</u>	<u>30,862,984</u>
Program Expenses		
Instruction	16,431,199	15,497,468
Support Services	14,271,582	13,569,607
Community Services	101,388	90,068
Intergovernmental	120,038	101,100
Interest and Fiscal Charges	856,181	908,558
Total Program Expenses	<u>31,780,388</u>	<u>30,166,801</u>
Change in Net Assets	(668,248)	696,183
Net Assets, Beginning of Year	<u>21,645,549</u>	<u>20,949,366</u>
Net Assets, End of Year	<u>\$ 20,977,301</u>	<u>\$ 21,645,549</u>

Governmental Activities. Governmental activities decreased the School District's net assets from 2011 to 2012 by approximately \$0.7 million or approximately 3%. Key elements that impacted the change in net assets for 2012 are as follows:

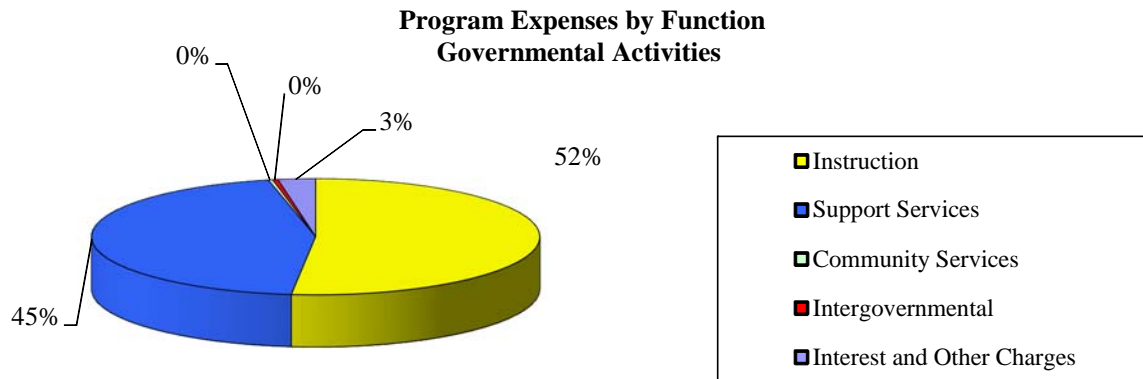
- An increase in instruction expenditures of approximately \$0.9 million.
- An increase in support services expenditures of approximately \$0.7 million.
- An increase in operating grants of approximately \$0.5 million
- A decrease in property taxes of approximately \$0.5 million.

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2012

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)



FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

As noted earlier, the School 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 determining available fund resources, how they were spent and what is available for future expenditures. Did the government generate enough revenue to pay for current obligations? What is available for spending at the end of the year?

For the year ended June 30, 2012, the School District's governmental funds reported a combined fund balance of approximately \$5.5 million, as compared to \$6.8 million for the prior year. The difference is primarily due to the expenditure of capital funds for projects and short collections of local revenue in the General and Debt Service funds. In particular, unreserved and undesignated fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At June 30, 2012, the School District's unassigned fund balance for all governmental funds was approximately \$2.7 million. The remaining amount of approximately \$2.8 million is primarily reserved or designated for prepaid items, special revenue, capital projects, debt service, and food service.

- The General Fund is the chief operating fund of the School District. At the end of the current fiscal year, unassigned fund balance of the General Fund totaled approximately \$2.7 million. The fund balance for the General Fund decreased by approximately \$0.5 million (16%) during fiscal year 2012.

The School District's major funds include the General Fund, as described above, Special Revenue Fund, Special Revenue-EIA Fund, Special Revenue – Food Service Fund, Debt Service Fund, Debt Service – EFC Fund, Capital Projects Fund, and the Capital Projects – EFC Fund.

The School District's Special Revenue Fund and Special Revenue – EIA Fund, generally are used to account for revenues derived from the State of South Carolina and the Federal Government. In general, these Special Revenue Funds do not have fund balances as revenues should be expended, deferred, or returned to the grantor. The Special Revenue – Food Service Fund is used to account for the School District's food service operations. The fund balance increased by approximately \$47,000.

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2012

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS (CONTINUED)

Governmental Funds (Continued)

The Debt Service Fund and Debt Service – EFC Fund is shown in the accompanying basic financial statements of the School District. The funds are used to account for debt retirement. The fund balance for the School District's Debt Service Fund decreased by approximately \$0.4 million from the prior year's balance primarily due outstanding short term debt at year end. The fund balance at June 30, 2012 was approximately \$86,000 which is reserved for the payment of debt service. The fund balance for the Debt Service – EFC Fund remained flat and was approximately \$0.9 million at June 30, 2012 and is reserved for future debt service related to the installment purchase revenue bonds.

The Capital Projects Fund and Capital Projects – EFC Fund are utilized to account for the School District's capital project transactions. The fund balance for the School District's Capital Projects Fund decreased by approximately \$0.4 million in 2012 to approximately \$0.6 million at June 30, 2012. The fund balances for the Capital Projects – EFC Fund remained relatively flat at approximately \$0.4 million at June 30, 2012. The fund balance of both funds are either reserved or assigned for future capital projects.

General Fund Budgetary Highlights

The School District's budget is prepared according to South Carolina law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The School District has only one legally adopted budget – the General Fund. During the course of fiscal year 2012, no amendments to the School District's General Fund revenue or expense budgets were made. Key highlights are as follows:

- Local taxes were collected at 89% of budget, due to an error in net assessment for operations from an accounting for owner occupied mobile homes, the discovery of the erroneous assumption regarding the County's treatment of property associated with Manufacturers' Depreciation Reimbursement, and a significant refund of prior year taxes and fees to one taxpayer. Overall, there was a deficit of local revenue collections of approximately \$796,000 due mostly to these errors and assumptions regarding Ad Valorem Taxes, and the refund.
- State revenues were collected at a surplus of \$229,335 due mostly to a one-time allocation of surplus Employee Benefits Employer Contributions funds and an increase in Manufacturer's Depreciation Expense Reimbursement.
- No Federal Stabilization Funds were available for Fiscal Year 2012.
- Enrollment experienced a slight decline, from 2,878 in fiscal year 2011 to 2,852 in fiscal year 2012, based on the average daily membership, grades K through 12, on the 135th day of school.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2012, the School District's capital assets were approximately \$32.1 million, net of accumulated depreciation. The total decrease in the School District's net capital assets was approximately \$0.3 million, or approximately 1%. Major capital asset events during the current fiscal year included:

- The School District finished a project reroofing Cowpens Middle School and had additional construction expenditure of \$0.6 million.
- Other equipment purchases added approximately \$0.2million.
- Depreciation expense of approximately \$1.1 million.

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2012

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Continued)

Table 3 shows fiscal 2012 and 2011 capital asset balances:

Table 3
Capital Assets

	Governmental Activities	
	June 30, 2012	June 30, 2011
Land	\$ 377,528	\$ 377,528
Construction in Progress	-	884,988
Building and Improvements	56,008,139	54,549,240
Machinery and Equipment	1,921,361	1,680,630
Less: Accumulated Depreciation	(26,202,282)	(25,064,047)
Totals	<u>\$ 32,104,746</u>	<u>\$ 32,428,339</u>

For more information on the School District's capital assets, see the notes to the basic financial statements.

Debt Administration

As shown in Table 4, the School District had outstanding long-term obligations of approximately \$17.4 million and \$18.4 million as of June 30, 2012 and 2011, respectively. The School District made principal payments on debt and lease purchase obligations in 2012 of approximately \$1.0 million and interest payments of approximately \$0.8 million (excluding bank fees and other expenses). All of the School District's general obligation bond debt is backed by the full faith and credit of the School District.

Table 4
Long-Term Obligations

Long-Term Obligations	Governmental Activities	
	June 30, 2012	June 30, 2011
Debt:		
2006 Installment Purchase Revenue Bonds	\$ 16,195,000	\$ 16,725,000
2010A GOB QSCB	960,000	1,080,000
2009B GOB	170,000	460,000
2009 SCE Note Payable	13,800	27,601
Premium on Installment Purchase Revenue Bonds	60,386	63,635
	<u>\$ 17,399,186</u>	<u>\$ 18,356,236</u>

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 School District's corporate limits. The School District's constitutional debt limit at June 30, 2012, was approximately \$4.3 million of which the School District had approximately \$1.5 million (including short term debt still outstanding at year end) outstanding debt against this limit.

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2012

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Debt Administration (Continued)

More detailed information about the School District's debt and other long-term obligation is presented in the notes to the basic financial statements.

ECONOMIC FACTORS

The School District is located in the eastern part of Spartanburg County and encompasses a land area of approximately 71 square miles. The county population is estimated to be 286,868, with the School District's population estimated at 18,000. The small municipalities of Cowpens and Pacolet and several historic mill villages are included in the School District.

The present area and boundaries of the School District were established in 1951 as a result of the consolidation of smaller school districts. The School District operates a voluntary non-racial unitary school system under guidelines approved by the U.S. Department of Health, Education, and Welfare. Schools in the School District include four elementary schools, two middle schools, and one senior high school. The School District is fully accredited by the South Carolina Department of Education and the Southern Association of Colleges and Schools.

The largest taxpaying industries in the county include R.R. Donnelley & Sons, a catalog printing and binding firm; Invista SARL, a polymer & resin firm; Duke Energy, a utility company; BASF, a surfactants manufacturer; and Johns Manville, a producer of engineered products. Together, these industries account for over 60% of the local taxes paid in fiscal year 2012.

FY 13 BUDGET

Many factors were considered by the School District's administration during the process of developing the fiscal year 2012-13 budget, which is balanced without using reserve funds. Increases in Education Finance Act and State Special Revenue funding, provided an overall General Fund budgeted revenue increase of approximately \$1,028,000. This increase was primarily utilized to fund salary increases for employees, all of whom will receive longevity step increases where available. Certified teaching staff and all those whose salary is connected with the state teacher pay scale also received a 2% Cost of Living (COLA) increase. The negotiated salary reductions for retirees remain in effect for budget year 2012-13. The School District's top goals continue to be improvement of academic achievement and continuation of its capital improvements and technology refresh programs, while minimizing the impact to the classroom of a budgetary climate which remains austere due to the continued weak economic recovery. There have been no announced reductions in state funding subsequent to the adoption of the fiscal year 2012-13 budget. Due to the overall weak and tenuous economic picture, however, mid-year reductions remain a possibility. Any midyear reductions will test the School District's financial position, but management is confident that through expenditure control, line item sequestration, and budget amendments, the School District's overall operations and financial position will not be compromised.

The School District has managed to provide small salary increases and no reductions in staff outside of normal attrition while absorbing the cost of additions to the employer's share of state retirement and health insurance. This was accomplished through increases in state funding, both in Education Finance Act funding and in State Special Revenue funding areas, as well as the utilization of deferred revenue from state sources. The use of deferred revenue to balance the current budget could create a funding issue for 2013-14 since these funds will no longer be available and alternate sources will have to be found, and/or reductions in expenditures will have to be made.

The economic recovery continues to be weak, and public education in South Carolina is ever more reliant on market sensitive revenue sources. This presents all public school districts in the state with a difficult and ongoing budget puzzle, particularly for the next two to three years. Even assuming economic recovery, growth in program offerings and the replacement of equipment and technology will be much more difficult in the ensuing years, as will the maintenance of current staffing levels. The School District leadership will continue to work closely with state, federal, and local authorities, within the legal confines of taxing authority, to maximize all potential revenue sources while maintaining austerity measures with regard to expenditures to ensure the strongest financial position possible under the current circumstances.

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2012

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide those interested with a general overview of the School District's finances and to show the School 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 Spartanburg School District Number Three, 3535 Clifton Glendale Road, Glendale, South Carolina, 29346.

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**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

STATEMENT OF NET ASSETS

JUNE 30, 2012

	PRIMARY GOVERNMENT
	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 5,426,708
Cash and Cash Equivalents, Restricted	43,122
Investments, Restricted	1,363,385
Cash and Investments Held by County Treasurer	620
Property Taxes Receivable, Net	482,664
Accounts Receivable, Net	799,346
Due from Other Governments	1,075,903
Inventories and Prepaid Items	19,177
Bond Issuance Costs, Net	449,134
Capital Assets:	
Non-Depreciable	377,528
Depreciable, Net	31,727,218
TOTAL ASSETS	41,764,805
LIABILITIES	
Accounts Payable	1,378,260
Accrued Salaries, Fringe & Benefits	1,213,433
Accrued Interest Payable	74,658
Unearned Revenue	721,967
Non-Current Liabilities:	
Due Within One Year	743,800
Due in More than One Year	16,655,386
TOTAL LIABILITIES	20,787,504
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	16,496,637
Restricted For:	
Debt Service	63,835
Special Revenue	440,937
Food Service	366,616
Unrestricted	3,609,276
TOTAL NET ASSETS	\$ 20,977,301

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

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2012

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
PRIMARY GOVERNMENT:					
Governmental Activities:					
Instruction	\$ 16,431,199	17,654	9,059,407	-	\$ (7,354,138)
Support Services	14,271,582	1,472,627	4,676,062	-	(8,122,893)
Community Services	101,388	-	-	-	(101,388)
Intergovernmental	120,038	-	-	-	(120,038)
Interest and Other Charges	856,181	-	-	-	(856,181)
Total Governmental Activities	31,780,388	1,490,281	13,735,469	-	(16,554,638)
TOTAL PRIMARY GOVERNMENT	\$ 31,780,388	1,490,281	13,735,469	-	(16,554,638)
GENERAL REVENUES:					
General Revenue:					
Property Taxes Levied for General Purposes					9,261,907
Property Taxes Levied for Debt Service					2,052,530
State Revenue in Lieu of Taxes					4,074,184
Other Taxes					130,454
Investment Earnings					72,079
Intergovernmental Revenue - Not Restricted to Specific Programs					148,984
Miscellaneous					146,252
TOTAL GENERAL REVENUES					15,886,390
CHANGE IN NET ASSETS					(668,248)
NET ASSETS - Beginning of Year					21,645,549
NET ASSETS - Ending of Year					\$ 20,977,301

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

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2012

	GENERAL	SPECIAL REVENUE	SPECIAL REVENUE - EIA
ASSETS			
Cash and Cash Equivalents	\$ 4,786,003	-	-
Cash and Cash Equivalents, Restricted	-	-	-
Investments, Restricted	-	-	-
Cash and Investments Held by County Treasurer	-	-	-
Receivables, Net:			
Taxes	406,891	-	-
Accounts	203,945	2,001	-
Daniel Morgan Technology Center	588,892	-	-
Due From:			
County Treasurer	104,025	-	-
State Agencies	241,241	863	127,013
Federal Agencies	-	487,953	-
Other Funds	1,572,705	569,245	459,122
Other Governments	3,763	-	-
Prepaid Items	19,177	-	-
TOTAL ASSETS	\$ 7,926,642	1,060,062	586,135
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts Payable	\$ 527,876	-	-
Accounts Payable - Daniel Morgan Technology Center	482,627	-	-
Accrued Salaries, Fringe & Benefits	1,213,433	-	-
Due To:			
Other Funds	2,668,813	484,630	67,169
Deferred/Unearned Revenue	315,688	134,495	518,966
TOTAL LIABILITIES	5,208,437	619,125	586,135
FUND BALANCES:			
Fund Balances			
Nonspendable:			
Prepaid Items	19,177	-	-
Restricted for:			
Debt Service	-	-	-
Capital Projects	-	-	-
Special Revenue	-	440,937	-
Food Service	-	-	-
Assigned for:			
Capital Projects	-	-	-
Unassigned	2,699,028	-	-
TOTAL FUND BALANCES	2,718,205	440,937	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,926,642	1,060,062	586,135

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

SPECIAL REVENUE - FOOD SERVICE	DEBT SERVICE	DEBT SERVICE - EFC	CAPITAL PROJECTS	CAPITAL PROJECTS - EFC	TOTAL GOVERNMENTAL FUNDS
640,705	-	-	-	-	\$ 5,426,708
-	-	-	-	43,122	43,122
-	-	1,358,948	-	4,437	1,363,385
-	620	-	-	-	620
-	75,773	-	-	-	482,664
4,508	-	-	-	-	210,454
-	-	-	-	-	588,892
-	19,792	-	-	-	123,817
163	-	-	-	-	369,280
91,090	-	-	-	-	579,043
-	410,065	-	690,162	421,997	4,123,296
-	-	-	-	-	3,763
-	-	-	-	-	19,177
736,466	506,250	1,358,948	690,162	469,556	\$ 13,334,221
-	367,757	-	-	-	\$ 895,633
-	-	-	-	-	482,627
-	-	-	-	-	1,213,433
369,850	-	421,997	46,273	64,564	4,123,296
-	52,765	-	64,952	-	1,086,866
369,850	420,522	421,997	111,225	64,564	7,801,855
-	-	-	-	-	19,177
-	85,728	936,951	-	-	1,022,679
-	-	-	-	404,992	404,992
-	-	-	-	-	440,937
366,616	-	-	-	-	366,616
-	-	-	578,937	-	578,937
-	-	-	-	-	2,699,028
366,616	85,728	936,951	578,937	404,992	5,532,366
736,466	506,250	1,358,948	690,162	469,556	\$ 13,334,221

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

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

JUNE 30, 2012

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 5,532,366
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Amounts reported for the governmental activities in the Statement of Net Assets are different because:

Property taxes and other revenues that will be collected in the future, but are not available soon enough to pay for the current year's expenditures are therefore deferred in the funds.	364,899
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Bond issuance costs are amortized over the lives of the bonds; however, in the governmental funds, bond issuance costs are expenditures the year they are incurred. The bond issuance costs of \$592,128 is shown net of accumulated amortization expense of \$142,994.	449,134
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of these capital assets was \$58,307,028 and the accumulated depreciation was \$26,202,282.	32,104,746
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Interest is recorded as an expenditure in the governmental funds when it is due and payable. Interest is recorded in the government-wide statements as it accrues regardless of when it is due and payable. This is the amount of interest that is accrued but unpaid at year end.	(74,658)
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Long-term liabilities, including bonds and lease purchase financing, are not due and payable in the current year and therefore are not reported as liabilities in the funds. Long-term liabilities consisted of the following:	
Long-Term Debt (including Lease Purchase Financing)	(17,338,800)
Long-Term Premium	(60,386)

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES	<u>\$ 20,977,301</u>
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The notes to the basic financial statements are an integral part of this statement.
See accompanying independent auditors' report.

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**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2012

	GENERAL	SPECIAL REVENUE	SPECIAL REVENUE - EIA
REVENUES			
Local Sources:			
Taxes	\$ 9,305,818	-	-
Investment Earnings	5,823	-	-
Other Local Sources	226,722	334,689	-
State Sources	12,766,368	477,431	2,567,848
Federal Sources	-	1,549,200	-
Intergovernmental Revenue	148,984	-	-
TOTAL REVENUE ALL SOURCES	22,453,715	2,361,320	2,567,848
EXPENDITURES			
Current:			
Instruction	12,755,313	1,497,408	1,574,621
Support Services	10,193,574	742,927	553,189
Community Services	-	101,388	-
Intergovernmental	92,000	-	28,038
Capital Outlay	135,891	43,866	18,833
Debt Service:			
Principal Retirement	-	-	-
Interest and Fiscal Charges	7,949	-	-
Other Charges	-	-	-
TOTAL EXPENDITURES	23,184,727	2,385,589	2,174,681
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(731,012)	(24,269)	393,167
OTHER FINANCING SOURCES (USES)			
Premium on General Obligation Bonds	-	-	-
Transfers In	447,367	117,273	17,387
Transfers Out	(238,798)	(4,200)	(410,554)
TOTAL OTHER FINANCING SOURCES (USES)	208,569	113,073	(393,167)
NET CHANGE IN FUND BALANCES	(522,443)	88,804	-
FUND BALANCES, Beginning of Year	3,240,648	352,133	-
FUND BALANCES, End of Year	\$ 2,718,205	440,937	-

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

See accompanying independent auditors' report.

SPECIAL REVENUE - FOOD SERVICE	DEBT SERVICE	DEBT SERVICE - EFC	CAPITAL PROJECTS	CAPITAL PROJECTS - EFC	TOTAL GOVERNMENTAL FUNDS
-	1,934,062	-	-	-	\$ 11,239,880
-	-	66,224	31	-	72,078
333,542	-	-	-	-	894,953
-	246,742	-	-	-	16,058,389
1,138,923	51,300	-	-	-	2,739,423
163	-	-	-	-	149,147
1,472,628	2,232,104	66,224	31	-	31,153,870
-	-	-	-	-	15,827,342
1,331,670	-	-	182,723	5,535	13,009,618
-	-	-	-	-	101,388
-	-	-	-	-	120,038
43,710	-	-	1,178,401	-	1,420,701
-	423,801	530,000	-	-	953,801
-	75,351	760,006	-	-	843,306
-	-	4,000	-	-	4,000
1,375,380	499,152	1,294,006	1,361,124	5,535	32,280,194
97,248	1,732,952	(1,227,782)	(1,361,093)	(5,535)	(1,126,324)
-	6,250	-	-	-	6,250
-	-	1,234,667	916,280	653	2,733,627
(50,000)	(2,150,947)	(653)	-	-	(2,855,152)
(50,000)	(2,144,697)	1,234,014	916,280	653	(115,275)
47,248	(411,745)	6,232	(444,813)	(4,882)	(1,241,599)
319,368	497,473	930,719	1,023,750	409,874	6,773,965
366,616	85,728	936,951	578,937	404,992	\$ 5,532,366

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, 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, 2012

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ (1,241,599)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the Statement of Activities.	953,801
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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.	(41,732)
--	----------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds only when it is due and payable and thus requires the use of current financial resources. However, in the Statement of Activities interest expense is recognized as the interest accrues, regardless of when it is due and payable. The interest reported in the Statement of Activities is the change in accrued interest.	5,794
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Bond premiums are revenues the year they are received in governmental funds, but are amortized over the life of the related bonds in the Statement of Activities.	3,249
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Bond issuance costs are expenditures the year they are incurred in governmental funds, but are amortized over the lives of bonds in the Statement of Activities.	(24,168)
--	----------

Governmental funds report capital asset additions as expenditures. However, in the Statement of Activities the cost of those assets that are considered capital asset additions is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital asset additions (\$814,642) exceeded depreciation expense (\$1,138,235) in the current year.	(323,593)
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ (668,248)
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The notes to the basic financial statements are an integral part of this statement.
See accompanying independent auditors' report.

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

STATEMENT OF ASSETS AND LIABILITIES

FIDUCIARY FUND

JUNE 30, 2012

	AGENCY
ASSETS	
Cash and Cash Equivalents	\$ 107,892
TOTAL ASSETS	\$ 107,892
LIABILITIES	
Accounts Payable	\$ 30,024
Due to Student Organizations	77,868
TOTAL LIABILITIES	\$ 107,892

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

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

Spartanburg County School District Three, South Carolina (the "School District") is controlled by a Board of Trustees (the "Board"), which has oversight responsibility over the public school educational activities in the School District. The School District receives funding from local, state and federal government sources and must comply with the related requirements of these funding source entities. The School District is governed by a nine member Board.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The School District is controlled by a Board of Trustees (the "Board"), which has oversight responsibility over the public school education activities in the School District. The School District is not included in any other governmental "reporting entity" as defined in the GASB Sec. 2100.108 since Board members are elected by the public and have decision making authority, the power to designate management, the ability to significantly influence operations and the primary accountability for fiscal matters. For these reasons, the School District is recognized as a primary government in accordance with GAAP.

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

The primary criterion for determining inclusion or exclusion of a legally separate entity is financial accountability, which is presumed to exist if the School District both appoints a voting majority of the entity's governing body, and either 1) the School 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 School 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 School District. In order to be considered fiscally independent, an entity must have the authority to do all three of the following:

- i) Determine its budget without the School District having the authority to approve or modify that budget;
- ii) Levy taxes or set rates or charges without approval by the School District; and
- iii) Issue bonded debt without approval by the School District.

Finally, an entity could be a component unit even if it met all the conditions described above if excluding it would cause the School District's basic financial statements to be misleading or incomplete. 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. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide basic financial statements to emphasize they are legally separate from the School District. Based on the above criteria, the School District has one blended component unit; it does not have any discretely presented component units.

Blended Component Unit: SCAGO Educational Facilities Corporation for Spartanburg County School District No. 3 (the "EFC") was incorporated in 2006 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 School 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 the School District.

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

The EFC has five board members which are appointed by the board of directors of SCAGO. Three members of the board of directors for ECF shall also be members of the board of directors of SCAGO (following the initial term, his or her replacement will no longer need to be a member of the board of directors of SCAGO) with two additional members consisting of individuals who reside in the geographic area of the School District.

Upon dissolution, the remaining assets of EFC will be distributed to the School District. Because the EFC exclusively benefits the School District, the EFC's financial information is blended with that of the School District in these basic financial statements. Separate financial information for the EFC is included in individual columns throughout the basic financial statements. Separate financial statements for the EFC are not issued.

Related Entities: These basic financial statements exclude the operations/activities of Daniel Morgan Technology Center ("DMTC" or "Center"), Spartanburg, South Carolina. DMTC serves the high schools in Spartanburg County School District Three and Seven. Three board members each from Spartanburg County School District Three and Seven serve as voting members of the Board of Trustees of DMTC. The superintendents of the two school districts serve as *ex officio* members. DMTC serves Broome High School (a Spartanburg County School District Three school) and Spartanburg High School (a Spartanburg County School District Seven school). The DMTC is a multi district career and technology center. The mission of the DMTC is to provide students with the academic, technical, and decision making skills needed for success in the 21st century workplace. The School District currently serves as the fiscal agent for DMTC. Tuition and other support provided by the School District to DMTC is shown as expenditures/expenses in the School District's basic financial statements.

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

The government-wide basic financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the School District (the "Primary Government") and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, would be reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is 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 School District.

The **government-wide basic financial statements** are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are Fiduciary Fund basic financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Governmental fund basic financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, 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 revenue items are considered to be measurable and available only when cash is received by the government.

Fund basic financial statements report detailed information about the School District. The focus of Governmental Fund basic 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 School 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 funds and fund types are used by the School District.

Governmental Fund Types are those through which most governmental functions of the School District are financed. The School 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. The following are the School District's major governmental fund types:

The **General Fund, a major fund**, is the general operating fund of the School District and accounts for all revenues and expenditures of the School District except those required to be accounted for in other funds. 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.

SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Special Revenue Funds are used to account for and report 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 School District has the following major Special Revenue Funds:

- i) **The Special Revenue Fund, a major fund** and an unbudgeted fund, is used to account for financial resources provided by federal, state and local projects and grants that are restricted, committed or assigned for special education programs.
- ii) **The Education Improvement Act ("EIA") Fund, a major fund** and an unbudgeted fund, is used to account for the revenues 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 the EIA.
- iii) **The Food Service Fund, a major fund** and an unbudgeted fund, is used to account for the United States Department of Agriculture's ("USDA") approved school breakfast and lunch programs.

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

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

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

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

Fiduciary Fund types use the economic resources measurement focus and the accrual basis of accounting; they are used to account for expendable assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds and include agency funds. Fiduciary Fund Types include the following fund:

The *Agency 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 School District. This accounting reflects the agency relationship of the School District with the student activity organizations. Agency funds do not have a measurement focus.

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity

1. Cash, Cash Equivalents, and Investments

Cash and Cash Equivalents

The School District considers all highly liquid investments (including restricted assets) with original maturities of three months or less when purchased and investments in the South Carolina Pooled Investment Fund ("Pool") to be cash equivalents. Securities with an initial maturity of more than three months (from when initially purchased) that are not purchased from the pool are reported as investments.

Investments

The School District's investment policy is designed to operate within existing statutes (which are identical for all funds, fund types and component units within the State of South Carolina) that authorize the School 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.
- (f) Repurchase agreements when collateralized by securities as set forth in this section.

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

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

Investments (Continued)

- (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 School District's cash investment objectives are preservation of capital, liquidity and yield. The School District reports its cash and investments at fair value which is normally determined by quoted market prices (except as noted).

The School District currently or in the past year has used the following investments:

- South Carolina Local Government Investment Pool ("Pool") investments are invested with the South Carolina State Treasurer's Office, which established the South Carolina Pool pursuant to Section 6-6-10 of the South Carolina Code. The Pool is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any city treasurer or any governing body of a political subdivision of the State, may be deposited. The Pool is a 2a 7-like pool which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but has a policy that it will operate in a manner consistent with the SEC's Rule 2a 7 of the Investment Company Act of 1940. In accordance with GASB Statement No. 31, *"Accounting and Financial Reporting for Certain Investments and for External Investment Pools"*, investments are carried at fair value determined annually based upon quoted market prices. The total fair value of the Pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.00.
- Cash and Investments held by the County Treasurer which are property taxes collected by the School District's fiscal agent that have not been remitted to the School District. The County Treasurer invests these funds in investments authorized by state statute as outlined above. All interest and other earnings gained are added back to the fund and are paid out by the County Treasurer to the respective governments on a periodic basis.
- Open ended mutual funds which are primarily invested in money market funds which invest in short term obligations of the United States and related agencies.
- U.S. Treasury Bills are obligations of the United States government and have maturities of one year or less. They do not pay interest prior to maturity; instead they are sold at a discount of par value.

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

2. *Interfund 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 fund basic financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the statement of net assets.

3. *Inventories and Other Assets*

Inventories

Inventories in the Special Revenue - Food Service Fund are accounted for using the purchase method (expensed when paid). If significant amounts of inventories exist at year-end, the School District records these amounts in the balance sheet.

Prepaid Items

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

4. *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 Assets but are not reported in the fund basic financial statements. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$5,000. However, all land will be capitalized regardless of cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets is not capitalized for governmental activities as allowed by GAAP. The School District does not maintain ownership of any public domain ("infrastructure") general capital assets.

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>Capital Asset Category</u>	<u>Useful Life Range</u>
Buildings and Improvements	30–50 years
Machinery and Equipment	3–10 years

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

5. *Compensated Absences*

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." School District employees are granted vacation and sick leave in varying amounts. Vacation earned during a year must be used by the end of the year or it is permanently lost. Up to 90 days of sick leave can be carried forward from year to year, but can only be used for valid medical reasons. In addition, upon retirement 12-month employees are not reimbursed for accumulated vacation days or unused sick leave. In addition to vacation and sick leave, employees with 20 or more years of state experience can accumulate annual leave. Employees that have 90 days of sick leave accumulated as of July 1st can start accumulating annual leave. How much they accumulate depends on their contract (ex. 9 month employees accumulate 1 day per month up to 9 days, 12 month employees accumulate up to 12 days, etc.). An employee will only be paid out annual leave at their daily rate when they leave the district if they have worked 5 consecutive years with the District or upon retirement. As is consistent with the prior year, no amounts were accrued for compensated absences in the government-wide basic financial statements as the amounts were immaterial.

6. *Accrued Liabilities and Long-Term Obligations*

All payables, accrued liabilities and long-term obligations are reported in the government-wide basic financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund basic financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required retirement 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. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund basic financial statements until due and payable.

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

7. *Fund Balance*

In accordance with GASB #54 "Fund Balance Reporting and Governmental Fund Type Definitions" ("GASB #54"), 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 (i.e. principal on an endowment, etc.).

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.

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 (The Board) 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 for the District consist of amounts approved by a majority vote of the Board Members (a) in the annual budget or (b) in subsequent requests made throughout the year.

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. The Board has formally granted the Superintendent and the Finance Director the right to make assignments of fund balance for the District.

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 does not have a formally approved minimum fund balance policy, but generally attempts to keep its unassigned fund balance in the General Fund to be approximately two months of General Fund operating expenditures.

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

8. *Net Assets*

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

9. *Encumbrances*

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures are recorded to reflect the use of the applicable spending appropriations, is used by the General Fund during the year to control expenditures. Encumbrances do not constitute expenditures or liabilities. For budget purposes encumbrances and unused expenditure appropriations lapse at year end.

10. *Accounting Estimates*

The preparation of basic 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 basic 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.

11. *Comparative Data*

Comparative data (i.e. presentation of prior year totals by fund type) has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Budgetary Practices – The General Fund budget is presented as required supplementary information. The budget is presented on the modified accrual basis of accounting which is consistent with accounting principles generally accepted in the United States of America.

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

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

The following procedures are followed in establishing the budgetary data reflected in the budgetary comparison schedule:

- (1) In the spring the School District begins its budget process for the next succeeding fiscal year.
- (2) The School District's leadership team reviews all requests and allocation requirements and related revenue.
- (3) The Superintendent and the Assistant Superintendent for Finance & Operations then presents a proposed budget to the Board of Trustees which reviews it in a series of workshops and makes any additions or deletions it deems necessary.
- (4) Prior to July 1, the budget is legally enacted through passage of a resolution by the Board.

The administration has discretionary authority to make transfers between appropriation accounts. The revised budget amounts in the required supplementary schedule are as amended by the administration. All annual appropriations lapse at fiscal year end.

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 School District's deposits might not be recovered. The School 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, 2012, none of the School District's total bank balances (including Pupil Activity) of approximately \$6,055,000 (with a carrying value of approximately \$5,535,000) were exposed to custodial credit risk.

Investments

As of June 30, 2012, the School District had the following investments and maturities:

Investment Type	Credit Rating	Fair Value	Maturity in Less than One Year
South Carolina Local Government Investment Pool	Unrated ^	\$ 1,277,582	\$ 1,277,582
Cash and Investments Held by County Treasurer	Unrated ^	620	620
Federal National Mtg Assn Pool	AA+, AAA	1,292,100	1,292,100
Government Money Market Funds	AAA, Aaa	71,285	71,285
Total		<u>\$ 2,641,587</u>	<u>\$ 2,641,587</u>

^ Investments in 2a-7 like funds are not required to disclose interest rate risk.

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

SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

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

A. Deposits and Investments (Continued)

Investments (Continued)

Custodial Credit Risk for Investments: Custodial credit risk for investments is the risk that, in the event of a bank failure, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District does not have an investment policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of June 30, 2012, none of the School District's investments were exposed to custodial credit risk.

Credit Risk for Investments: Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District does not have an investment policy for credit risk but follows the investment policy statutes of the State of South Carolina.

Concentration of Credit Risk for Investments: The School District places no limit on the amount the School District may invest in any one issuer. Investments issued by or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools and other pooled investments are exempt from concentration of credit risk disclosures.

B. Property Taxes and Other Receivables

Real and personal property taxes (excluding vehicles) are levied on October 1 for the assessed valuations of property located in Spartanburg County as of the preceding January 1, and are due and payable at that time. 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
March 17 and Thereafter	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. 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.

For the year ended June 30, 2012, the operating and debt service millage rates were 219.2 mills (219.2 mills in the prior year) and 37.1 mills (37.1 mills in the prior year), respectively, based on an assessed value of approximately \$53.7 million for the School District.

On the government-wide and fund basic financial statements, taxes receivable are approximately \$483,000 (net of an allowance for uncollectibles of approximately \$483,000) at June 30, 2012. Allowances for uncollectibles were not necessary for the other receivable accounts.

Delinquent property taxes of approximately \$95,000 for operations \$23,000 for Debt Service have been recognized as revenue at June 30, 2012, because they were collected within sixty days after year end as they were considered measurable and available.

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

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

B. Property Taxes and Other Receivables (Continued)

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At June 30, 2012, the various components of deferred/unearned revenue reported in the governmental funds were as follows:

Deferred Property Taxes - General Fund	\$	312,134
Deferred Property Taxes - Debt Service Fund		52,765
Unearned Revenue from Prepaid Tuition - General Fund		3,554
Unearned Revenue Capital Projects		64,952
Unearned Revenue from Special Revenue and Special Revenue - EIA Funds		653,461
Total Deferred/Unearned Revenue for Governmental Funds	\$	<u>1,086,866</u>

C. Interfund Receivables and Payables

Interfund receivables and payables at June 30, 2012 (all of which are expected to be repaid within one year), are summarized as follows:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>
<u>Governmental Funds:</u>		
General Fund	\$ 1,572,705	\$ 2,668,813
Special Revenue Fund	569,245	484,630
Special Revenue - EIA Fund	459,122	67,169
Special Revenue - Food Service Fund	-	369,850
Debt Service Fund	410,065	-
Debt Service EFC Fund	-	421,997
Capital Projects Fund	690,162	46,273
Capital Projects EFC Fund	421,997	64,564
Total	<u>\$ 4,123,296</u>	<u>\$ 4,123,296</u>

All cash activities are recorded in the General Fund, and as a result, receivables and payables exist at year end that are either due to or due from the General Fund in the other funds. Various differences include Special Revenue payments not received from the State Department of Education until after the fiscal year, taxes receivable for the Debt Service Fund, and building project costs.

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

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

D. Transfers In and (Out)

Transfers from (to) other funds for the year ended June 30, 2012, consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Governmental Funds:</u>		
General Fund	\$ 447,367	\$ 238,798
Special Revenue Fund	117,273	4,200
Special Revenue - EIA Fund	17,387	410,554
Special Revenue - Food Service	-	50,000
Debt Service Fund	-	2,150,947
Debt Service Fund - EFC	1,234,667	653
Capital Projects Fund	916,280	-
Capital Projects Fund - EFC	653	-
<u>Fiduciary Funds:</u>		
Agency Fund	121,525	-
Totals	<u>\$ 2,855,152</u>	<u>\$ 2,855,152</u>

The funds transferred from the General Fund to the pupil activity funds were to cover the School District's activity costs. Approx. \$1.235 million was transferred from the Debt Service Fund to the EFC Debt Service Fund served to pay off the 2011 GO Bond and to set up a debt service reserve fund in compliance with the EFC Installment Purchase and Use Agreement. \$916k from the Debt Service was transferred to the Capital Projects Fund to pay for construction during FY12. Transfers between the Special Revenue funds were done only after attaining waivers from the SDE.

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

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

E. Capital Assets

Capital asset activity for the School District for the year ended June 30, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital Assets, Non-Depreciable:					
Land	\$ 377,528	-	-	-	\$ 377,528
Construction in Progress	884,988	573,911	-	(1,458,899)	-
Total Capital Assets, Non-Depreciable	<u>1,262,516</u>	<u>573,911</u>	<u>-</u>	<u>(1,458,899)</u>	<u>377,528</u>
Capital Assets, Depreciable:					
Buildings and Improvements	54,549,240	-	-	1,458,899	56,008,139
Machinery and Equipment	1,680,630	240,731	-	-	1,921,361
Total Capital Assets, Depreciable	<u>56,229,870</u>	<u>240,731</u>	<u>-</u>	<u>1,458,899</u>	<u>57,929,500</u>
Less: Accumulated Depreciation for:					
Buildings and Improvements	23,885,990	1,003,134	-	-	24,889,124
Machinery and Equipment	1,178,057	135,101	-	-	1,313,158
Total Accumulated Depreciation	<u>25,064,047</u>	<u>1,138,235</u>	<u>-</u>	<u>-</u>	<u>26,202,282</u>
Total Capital Assets, Depreciable, Net	<u>31,165,823</u>	<u>(897,504)</u>	<u>-</u>	<u>-</u>	<u>31,727,218</u>
Governmental Activities Capital Assets, Net	<u>\$ 32,428,339</u>	<u>(323,593)</u>	<u>-</u>	<u>-</u>	<u>\$ 32,104,746</u>

Additions were charged to functions/programs of the primary government as follows:

Governmental Activities:	
Instruction	\$ 39,342
Support Services	775,300
Total Additions - Governmental Activities	<u>\$ 814,642</u>

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

Governmental Activities:	
Instruction	\$ 580,500
Support Services	557,735
Total Depreciation Expense - Governmental Activities	<u>\$ 1,138,235</u>

In 2007, the Board of Trustees approved a list of approximately \$18,185,000 in capital needs, the result of a prioritization process of the School District's needs. After careful study of funding alternatives, the Board authorized the formation of the EFC, a non-profit corporation which assisted the School District in the formulation of an installment purchase plan, whereby the School District has leased the applicable buildings to the EFC for the purpose of capital improvements, and is in the process of purchasing them back utilizing general obligation debt over a 24 year period, allowing the School District to leverage its constitutional debt limit to complete the capital needs within a short-term construction cycle versus the more piecemeal approach of "pay as you go."

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

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

F. Short-Term Obligations

In November 2011, the School District issued a \$2,905,000 tax anticipation note ("2011 TAN") at a rate of 1.5% to help cover current operating needs. The School District drew down \$1,200,000 that was subsequently repaid in March 2012 for approximately \$1,205,700 (including interest). In August 2011, the School District issued a \$1,779,000 general obligation bond ("2011A GOB") at a rate of 1.0% for the principal portion of the debt service on the General Obligation Bonds. The School District subsequently repaid the 2011A GOB in March 2012 for approximately \$1,787,200 (including interest). In March 2012 the District issued a \$372,000 general obligation bond ("2012A GOB") at a rate of 2.0 % for the principal portion of the debt service on the Installment Purchase Revenue Bonds. The School District will repay the 2012A GOB in March of 2013 for approximately \$378,250 (including interest). Following is a summary of the changes in the School District short-term obligations for the year ended June 30, 2012:

Short-Term Obligation	Beginning Balance	Additions	Reductions	Ending Balance
2011 TAN	\$ -	1,200,000	1,200,000	\$ -
2011 GO Bonds	-	1,779,000	1,779,000	-
2012 GO Bonds	-	372,000	-	372,000
Total	<u>\$ -</u>	<u>3,351,000</u>	<u>2,979,000</u>	<u>\$ 372,000</u>

G. Long-Term Obligations

The School 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 School District. Installment purchase revenue bonds are obligations of the School District's blended component unit, EFC, and thus are not direct obligations which pledge the full faith and credit of the School District. Lease purchase ("LP") obligations are special obligations of the School District payable from the general revenues of the School District. The full faith, credit and taxing powers of the School District are not pledged for the payment of lease purchase obligations nor the interest thereon.

General obligation, installment purchase revenue bonds, and lease purchase obligations outstanding at June 30, 2012, were comprised of the following:

<u>2006 IPRB:</u>	EFC Installment Purchase Revenue Bonds ("IPR Bonds") in the amount of \$18,185,000, principal due in annual installments of \$465,000 to \$1,260,000 at December 1; interest at 4.0% to 5.00% paid semiannually, with a final maturity date in December 2030. Bonds maturing on or after December 1, 2016 are subject to redemption in whole or in part on any date on or after June 1, 2016, at the discretion of the EFC. In connection with the issuance of this indebtedness, a premium of \$79,610 and bond issuance costs of \$592,128 were recorded and are being amortized over the life of the bonds. The unamortized premium and bond issuance costs at June 30, 2012 were \$60,386 and \$449,134, respectively. These proceeds were used for various capital projects at various locations.
<u>2009B GOB:</u>	Original issue of \$2,065,000, due in annual installments of \$60,000 to \$1,320,000; interest at 2.25% to 2.4% paid semiannually, with a final maturity date in March 2015.
<u>2009 SCE Note:</u>	Original issue of \$27,601, due in two annual installments of \$13,801 beginning in October 2011. These proceeds were used for the acquisition of HVAC equipment.

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

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

G. Long-Term Obligations (Continued)

2010A GOB QSCB: Original issue of \$1,200,000, due in annual installments of \$120,000; interest at 4.75% paid semiannually, with a final maturity date in March 2020. These bonds receive a rebate at a rate of 4.75% semiannually which is included as revenue in Debt Service Fund. These proceeds were used for construction at Cowpens Elementary.

The IPR Bonds were issued pursuant to a Facilities Agreement and Base Lease Agreement between the School District and EFC. These agreements were authorized and approved by the Board of Trustees of the School District in 2006. The Facilities Agreement permits the School District to design, construct, renovate equip, furnish occupy and operate the facilities in exchange for the payment by the School District on a semi-annual basis of installments of the purchase price of the facilities sufficient to pay the principal and interest on the IPR Bonds as such amounts become due. By making each such payment of purchase price, the School District acquires an undivided interest in the facilities. Upon the making of the final scheduled payment of purchase price under the Facilities Agreement, the School District will have purchased all interest of EFC in the facilities and will own the facilities outright. The School District's obligations under the Facilities Agreement are from year to year only and do not constitute a mandatory payment obligation of the School District in any fiscal year in which funds are not appropriated by the School District to pay the installment payments of purchase price due in such fiscal year. However, the School District would forfeit possession of the Facilities for the remainder of the term of the Lease if it did not make the payment to EFC.

The IPR Bonds were issued by EFC in August 2006 to finance the costs of constructing and renovating educational facilities (the "2006 Facilities") to be sold by EFC to the School District pursuant to a School Facilities Purchase and Occupancy Agreement. EFC executed a Trust Agreement in connection with the IPR Bonds and established the following primary accounts:

- Reserve Account – Funds may only be used to make bond payments to the extent necessary to make up for a deficiency in the Base Lease Rental account – see below. The total in this account was approximately \$1,359,000 at June 30, 2012.

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

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

G. Long-Term Obligations (Continued)

The EFC 2008 Series IPR Bonds are not an obligation of the School District; however, since EFC is blended with the operations of the School District, EFC's debt is included with the School District's other obligations as required by GAAP. The following is a summary of changes in the School District long-term obligations for the year ended June 30, 2012:

Long-Term Obligation	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Debt:					
2006 IPRB *	\$ 16,725,000	-	530,000	16,195,000	\$ 555,000
2009B GOB	460,000	-	290,000	170,000	55,000
2010A GOB QSCB	1,080,000	-	120,000	960,000	120,000
2009 SCE Note Payable *	27,601	-	13,801	13,800	13,800
Total Debt:	18,292,601	-	953,801	17,338,800	743,800
Premium on IPRBs	63,635	-	3,249	60,386	-
Total Governmental Activities	<u>\$ 18,356,236</u>	<u>-</u>	<u>957,050</u>	<u>17,399,186</u>	<u>\$ 743,800</u>

* This debt is not subject to the 8% debt limitation.

General Fund resources typically have been used in prior years to liquidate the lease purchase obligations. The Debt Service Funds have primarily been used to service all other long-term obligations.

The governmental activities annual debt service requirements to maturity for its outstanding bonds and lease purchase obligations are as follows:

Year Ending June 30	Bonds		Total
	Principal	Interest	
2013	\$ 743,800	784,549	\$ 1,528,349
2014	760,000	749,029	1,509,029
2015	790,000	715,184	1,505,184
2016	755,000	683,144	1,438,144
2017	780,000	651,131	1,431,131
2018-2022	4,125,000	2,714,303	6,839,303
2023-2027	4,705,000	1,741,075	6,446,075
2028-2031	4,680,000	482,500	5,162,500
Total	<u>\$ 17,338,800</u>	<u>8,520,915</u>	<u>\$ 25,859,715</u>

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

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

G. Long-Term Obligations (Continued)

Interest paid on the debt issued by the School District is exempt from federal income tax. The School 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. The School District does not have a significant liability for arbitrage as of June 30, 2012.

The School District has 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 School District. The debt limitation does not apply to certain certificates of participation, debt approved through a district-wide referendum, and original or refunding debt for obligations issued on or before November 30, 1982. The School District's constitutional debt limit at June 30, 2012, was approximately \$4,294,000. The School District had \$1,502,000 outstanding debt against this limit.

IV. OTHER INFORMATION

A. South Carolina Retirement System Retirement Plans

The School District participates in a retirement plan under authorization of Title 9 of the SC Code of Laws, State of South Carolina which covers substantially all of the School District's full-time employees. The plan, the South Carolina Retirement System ("SCRS"), is a cost-sharing multiple employer defined benefit pension system that benefits employees of public schools, the State, and its political subdivisions, and is administered by the Retirement Division of the State Budget and Control Board of South Carolina. Only the State of South Carolina has the authority to establish and amend benefits and funding policy. Membership is required as a condition of employment and both employees and employers must contribute the required amount. A Comprehensive Annual Financial Report containing basic financial statements and required supplementary information for the South Carolina Retirement System is issued and publicly available by writing the South Carolina Retirement System, P.O. Box 11960, Columbia, SC 29211-1960.

Benefits vest after five years of service, and vested members who retire at age sixty-five or with twenty eight years of service at any age, receive an annual benefit, payable monthly for life. The benefit is based on the length of service and on average final compensation, an annualized average of the employee's highest twelve consecutive quarters' compensation. Reduced benefits are payable as early as age sixty.

The employee required contribution rates to the SCRS plan was 6.50% of covered salary for the years ended June 30, 2012, 2011, and 2010, respectively. The employer required contribution rate to the SCRS plan was 9.39%, 9.24%, and 9.24% for the years ended June 30, 2012, 2011, and 2010, respectively. Because the contribution rates to the SCRS are required, they are also actual contributions as well. Thus, the actual contribution rate and amount is 100% of the required contribution rate and amount for the plan for all years presented.

The State of South Carolina also provides an optional retirement plan ("State ORP"). It is a governmental plan administered as a qualified plan pursuant to Section 401(a) of the IRC. The State ORP is a defined contribution plan that provides retirement and survivor benefits for certain administrative positions which allows them to participate. As an alternative to the South Carolina Retirement System, employees eligible for the State ORP may choose between the State ORP plan or the SCRS plan.

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

IV. OTHER INFORMATION (CONTINUED)

A. South Carolina Retirement System Retirement Plans (Continued)

Employee required contribution rates to the State ORP was 6.50% of covered salary for the years ended June 30, 2012, 2011, and 2010, respectively. The employer required contribution rates are 4.39%, 4.24%, 4.24% for the years ended June 30, 2012, 2011, and 2010 respectively. An additional 5% is also remitted to the employees' authorized investment providers. The actual contribution rate and amount are 100% of the required contribution rate and amount for the State ORP for all years presented.

In addition to the above rates, participating employers have contributed (a) .15% of payroll for the SCRS and State ORP to provide a group life insurance benefit for their participants (for the current and preceding two years) and (b) 4.30%, 3.90%, and 3.50% surcharge on payroll for retiree health and dental insurance and group life insurance benefit for their active participants for the years ended June 30, 2012, 2011, and 2010, respectively. All employers contribute at the actuarially required contribution rates.

The School District had total wages of approximately \$17,889,000, \$16,939,000, and \$17,872,000 for the years ended June 30, 2012, 2011, and 2010, respectively. The following is a summary of the School District's member wages and employee and employer contributions for the retirement plans:

Year Ended June 30th	Member Wages	Employee Contributions	Employer Contributions	Total Contributions
<u>SCRS</u>				
2012	\$ 16,969,581	1,103,041	2,349,122	\$ 3,452,163
2011	16,180,145	1,051,709	2,236,979	3,288,688
2010	17,011,846	1,105,770	2,167,309	3,273,079
<u>State ORP</u>				
2012	\$ 818,808	53,223	72,342	\$ 125,565
2011	681,467	44,295	56,494	100,789
2010	677,240	44,021	53,434	97,455

B. Post-Employment Health Care Benefits

In addition to the pension benefits, and in accordance with provisions of the State Appropriations Act, an employer contribution surcharge (4.30%, 3.90%, and 3.50% for 2012, 2011, and 2010, respectively) percent of covered payroll was added to State and Public School entities covered by the State Health Insurance Program. This assessment is for the purpose of providing retiree health insurance coverage on a pay-as-you-go basis, and is remitted to the Division of Insurance Services. No additional employee contributions are required. The annual contribution rate is determined based on a state-wide estimate of annual premiums and covered payroll. The expenditure recognized by the employer for the year ended June 30, 2012 was approximately \$820,000.

All postretirement benefits paid to the School District's retired members are made from the SCRS and from South Carolina's General Fund (Health Care). The School District has no liability beyond the payment of monthly contributions.

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

IV. OTHER INFORMATION (CONTINUED)

C. Risk Management

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

D. Grants

The School District participates in a number of federally assisted grant programs. These programs are subject to financial and compliance audits of major program requirements under the Office of Management and Budgets' Circular A-133 *Audits of States, Local Governments, and Non-profit Organizations*. Any disallowed claims, including amounts already collected, could become a liability of the School District. However, the School District expects such amounts, if any, to be immaterial.

E. Fund Balance Restrictions, Assignments and Nonspendable Amounts

In the Fund Financial Statements, the School District restricts those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Assignments of fund balance represent tentative management plans that are subject to change. The School District has restricted, assigned and nonspendable portions of fund balance at June 30, 2012 as follows:

<u>Restricted, Assigned and Nonspendable</u>	<u>Fund</u>		<u>Amount</u>
Nonspendable for Prepaid Items	General Fund	\$	19,177
Restricted for Special Programs	Special Revenue		440,937
Restricted for Food Service	Special Revenue - Food Service		366,616
Restricted for Debt Service	Debt Service		85,728
Restricted for Debt Service	Debt Service - EFC		936,951
Restricted for Capital Projects	Capital Projects - EFC		404,992
Assigned for Capital Projects	Capital Projects	\$	578,937

F. Related Organization

The School District remits a tuition payment to the DMTC to cover the educational costs of the School District's students attending the Center. This tuition payment is calculated using the Education Financial Act formula. For the year ended June 30, 2012, approximately \$193,000 was recorded as General Fund expenditures for Career & Technical Education Tuition paid to the DMTC. In addition at June 30, 2012, there was approximately \$483,000 due to the DMTC and approximately \$589,000 due from the DMTC. The School District serves as the fiscal agent for the DMTC. The School District pays the DMTC's bills and, in turn, is reimbursed from the DMTC in the form of state and local revenue that the DMTC receives.

G. Concentration of Property Tax Revenue Risk

The School District received over 60% of its local property tax revenue in 2012 from R.R. Donnelley & Sons, a catalog printing and binding firm; Invista SARL, a polymer & resin firm; Duke Energy, a utility company; BASF, a surfactants manufacturer; and Johns Manville, a producer of engineered products.

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

IV. OTHER INFORMATION (CONTINUED)

H. Other Matters

State Budget Cuts

As of October 2012, there has been no mention of mid-year budget cuts from the State of South Carolina due to sales tax and other sources of state revenues either meeting or exceeding budgetary projections. Due to the on-going economic uncertainties in the State and National economies, however, midyear budget cuts remain a possibility. Any reductions will test the School District's financial position, but management is confident that through expenditure control, line item sequestration, and budget amendments, the School District's overall operations and financial position will not be compromised.

I. Subsequent Events

Issuances of Debt

In September 2012, the School District had one debt issuance for \$2,585,000 with a net effective rate of 0.55%. This debt issuance is due in March 2015. This was issued for the payments of the installment debt and for capital maintenance items.

J. Pending Implementation of GASB Statement on Pensions

GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" ("Statement"), was issued by the Governmental Accounting Standards Board ("GASB") in June 2012. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that are provided by other entities. In addition, state and local governments who participate in a cost-sharing multiple employer plan will now be required to recognize a liability for its proportionate share of the net pension liability of that plan. It is GASB's intention that this new Statement will provide citizens and other users of the financial statements with a clearer picture of the size and nature of the District's financial obligations to current and former employees for past services rendered.

In particular, the District will be required to report a net pension liability for its participation in the SCRS and PORS on financial statements prepared on the economic resources measurement focus and accrual basis of accounting (i.e., the Statement of Net Assets) and present more extensive note disclosures. In general, it should not have a significant impact on the District's governmental funds.

The effect of implementation of this Statement has not been determined at this time, but it is anticipated that it will materially decrease the District's unrestricted net assets. This Statement is required to be implemented by the District no later than the fiscal year ending June 30, 2015.

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

Schedule A-1

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

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

YEAR ENDED JUNE 30, 2012

	BUDGETED AMOUNTS		ACTUAL (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Local Sources:				
Taxes	\$ 10,304,578	10,304,578	9,305,818	\$ (998,760)
Investment Earnings	30,000	30,000	5,823	(24,177)
Other Local Sources	-	-	226,722	226,722
Intergovernmental	-	-	148,984	148,984
State Sources	12,537,033	12,537,033	12,766,368	229,335
TOTAL REVENUE ALL SOURCES	22,871,611	22,871,611	22,453,715	(417,896)
EXPENDITURES				
Current:				
Instruction	12,919,273	12,919,273	12,755,313	163,960
Support Services	10,051,647	10,051,647	10,193,574	(141,927)
Intergovernmental	77,000	77,000	92,000	(15,000)
Capital Outlay	120,710	120,710	135,891	(15,181)
Debt Service:				
Interest and Fiscal Charges	13,300	13,300	7,949	5,351
TOTAL EXPENDITURES	23,181,930	23,181,930	23,184,727	(2,797)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(310,319)	(310,319)	(731,012)	(420,693)
OTHER FINANCING SOURCES (USES)				
Transfers In	400,319	400,319	447,367	47,048
Transfers Out	(90,000)	(90,000)	(238,798)	(148,798)
TOTAL OTHER FINANCING SOURCES (USES)	310,319	310,319	208,569	(101,750)
NET CHANGE IN FUND BALANCES	-	-	(522,443)	(522,443)
FUND BALANCES, Beginning of Year	-	3,240,648	3,240,648	-
FUND BALANCES, End of Year	\$ -	3,240,648	2,718,205	\$ (522,443)

Note to the Required Supplementary Information:

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

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

Schedule A-2

GENERAL FUND

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

YEAR ENDED JUNE 30, 2012

	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
1000 Revenue from Local Sources:			
1100 Taxes:			
1110 Ad Valorem Taxes-Including Delinquent (Independent)	\$ 9,004,578	8,016,361	\$ (988,217)
1200 Revenue from Local Governmental Units Other than LEAs:			
1280 Revenue in Lieu of Taxes (Independent and Dependent)	1,300,000	1,289,457	(10,543)
1300 Tuition:			
1310 From Patrons for Regular Day School	-	17,654	17,654
1500 Earnings on Investments:			
1510 Interest on Investments	30,000	5,823	(24,177)
1900 Other Revenue from Local Sources:			
1930 Medicaid	-	62,820	62,820
1990 Miscellaneous Local Revenue:			
1993 Receipt of Insurance Proceeds	-	1,395	1,395
Total Revenue from Local Sources	<u>10,334,578</u>	<u>9,538,363</u>	<u>(796,215)</u>
2000 Intergovernmental Revenue:			
2100 Payments from Other Governmental Units	-	148,984	148,984
Total Intergovernmental Revenue	<u>-</u>	<u>148,984</u>	<u>148,984</u>
3000 Revenue from State Sources:			
3100 Restricted State Funding:			
3130 Special Programs:			
3131 Handicapped Transportation	-	3,526	3,526
3160 School Bus Driver's Salary (Includes Hazardous Condition Transportation)	140,250	163,729	23,479
3162 Transportation Workers' Compensation	-	13,841	13,841
3180 Fringe Benefits Employer Contributions (No Carryover Provision)	2,375,944	2,467,923	91,979
3181 Retiree Insurance (No Carryover Provision)	488,501	569,345	80,844
3300 Education Finance Act:			
3310 Full-Time Programs:			
3311 Kindergarten	283,502	301,985	18,483
3312 Primary	923,424	880,274	(43,150)
3991 ADEPT (Assisting, Developing, and Evaluating Professional Teaching) (Carryover Only)	1,454,638	1,428,300	(26,338)
3314 High School	696,834	616,459	(80,375)
3315 Trainable Mentally Handicapped	24,926	26,511	1,585
(Carryover Only)	406,897	444,074	37,177
3317 Homebound	18,817	18,425	(392)
3320 Part-Time Programs:			
3321 Emotionally Handicapped	78,224	100,005	21,781
3322 Educable Mentally Handicapped	42,730	33,879	(8,851)
3323 Learning Disabilities	762,272	763,296	1,024
3324 Hearing Handicapped	30,355	23,205	(7,150)
3325 Visually Handicapped	7,598	7,722	124
3326 Orthopedically Handicapped	22,064	18,389	(3,675)
3327 Vocational	\$ 767,684	788,400	\$ 20,716

(Continued)

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

Schedule A-2

GENERAL FUND

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

YEAR ENDED JUNE 30, 2012

	FINAL BUDGET	ACTUAL	VARIANCE
3330 Other EFA Programs:			
3331 Autism	\$ 25,083	22,896	\$ (2,187)
3800 State Revenue in Lieu of Taxes:			
3810 Reimbursement for Local Residential Property Tax Relief (Tier 1)	1,091,770	1,091,770	-
3820 Homestead Exemption (Tier 2)	563,968	563,432	(536)
3825 Reimbursement for Property Tax Relief (Tier 3)	1,649,352	1,677,247	27,895
3830 Merchant's Inventory Tax	52,200	52,231	31
3840 Manufacturers Depreciation Reimbursement	600,000	667,806	67,806
3890 Other State Property Tax Revenues (Includes MC Vehicle Tax)	30,000	21,698	(8,302)
Total Revenue from State Sources	<u>12,537,033</u>	<u>12,766,368</u>	<u>229,335</u>
TOTAL REVENUE ALL SOURCES	<u>22,871,611</u>	<u>22,453,715</u>	<u>(417,896)</u>
EXPENDITURES			
100 Instruction:			
110 General Instruction:			
111 Kindergarten Programs:			
100 Salaries	632,847	710,952	(78,105)
200 Employee Benefits	244,367	246,650	(2,283)
400 Supplies and Materials	7,977	7,490	487
112 Primary Programs:			
100 Salaries	1,897,398	2,000,471	(103,073)
200 Employee Benefits	649,583	707,345	(57,762)
300 Purchased Services	-	1,613	(1,613)
400 Supplies and Materials	24,874	22,755	2,119
600 Other Objects	2,800	2,800	-
113 Elementary Programs:			
100 Salaries	3,243,578	3,135,464	108,114
200 Employee Benefits	1,057,511	1,028,406	29,105
300 Purchased Services	7,335	7,052	283
400 Supplies and Materials	97,462	81,928	15,534
600 Other Objects	1,400	1,400	-
114 High School Programs:			
100 Salaries	2,269,275	2,302,078	(32,803)
140 Terminal Leave	-	3,557	(3,557)
200 Employee Benefits	752,758	725,638	27,120
300 Purchased Services	19,918	19,005	913
400 Supplies and Materials	70,055	59,090	10,965
600 Other Objects	700	700	-
115 Career and Technology Education Program:			
100 Salaries	47,568	49,673	(2,105)
200 Employee Benefits	17,999	17,238	761
300 Purchased Services - Other Than Tuition	180,000	192,475	(12,475)
120 Exceptional Programs:			
121 Educable Mentally-Handicapped:			
100 Salaries	87,720	34,453	53,267
200 Employee Benefits	30,323	12,150	18,173
400 Supplies and Materials	\$ 2,500	2,500	\$ -

(Continued)

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

Schedule A-2

GENERAL FUND

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

YEAR ENDED JUNE 30, 2012

	FINAL BUDGET	ACTUAL	VARIANCE
122 Trainable Mentally Handicapped:			
100 Salaries	\$ 75,459	76,139	\$ (680)
200 Employee Benefits	24,075	23,466	609
126 Speech Handicapped:			
100 Salaries	155,998	-	155,998
200 Employee Benefits	57,616	-	57,616
400 Supplies and Materials	2,500	2,500	-
127 Learning Disabilities:			
100 Salaries	653,690	649,435	4,255
140 Terminal Leave	-	19,787	(19,787)
200 Employee Benefits	220,561	208,433	12,128
400 Supplies and Materials	2,500	2,495	5
128 Emotionally Handicapped:			
100 Salaries	88,696	80,756	7,940
200 Employee Benefits	33,556	31,567	1,989
400 Supplies and Materials	2,500	2,500	-
130 Pre-School Programs:			
133 Pre-School Handicapped-Self-Contained (5-Yr. Olds)			
100 Salaries	38,162	37,743	419
200 Employee Benefits	12,366	11,742	624
135 Pre-School Handicapped-Speech (3 & 4-Yr. Olds)			
100 Salaries	-	113	(113)
200 Employee Benefits	-	27	(27)
139 Early Childhood Programs:			
100 Salaries	71,138	75,792	(4,654)
200 Employee Benefits	22,956	20,660	2,296
300 Purchased Services	560	546	14
400 Supplies and Materials	-	8	(8)
140 Special Programs:			
141 Gifted and Talented - Academic:			
100 Salaries	-	10,629	(10,629)
200 Employee Benefits	-	2,358	(2,358)
400 Supplies and Materials	4,000	1,584	2,416
145 Homebound:			
100 Salaries	25,000	31,447	(6,447)
200 Employee Benefits	5,446	5,671	(225)
300 Purchased Services	2,500	2,967	(467)
149 Other Special Programs:			
100 Salaries	45,052	52,322	(7,270)
200 Employee Benefits	9,815	12,237	(2,422)
190 Instructional Pupil Activity:			
100 Salaries	15,750	16,000	(250)
200 Employee Benefits	3,429	3,506	(77)
Total Instruction	<u>\$ 12,919,273</u>	<u>12,755,313</u>	<u>\$ 163,960</u>

(Continued)

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

Schedule A-2

GENERAL FUND

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

YEAR ENDED JUNE 30, 2012

	FINAL BUDGET	ACTUAL	VARIANCE
200 Support Services:			
210 Pupil Services:			
211 Attendance and Social Work Services:			
100 Salaries	\$ 450	-	\$ 450
200 Employee Benefits	97	-	97
400 Supplies and Materials	500	1,304	(804)
212 Guidance Services:			
100 Salaries	527,490	549,682	(22,192)
140 Terminal Leave	-	6,038	(6,038)
200 Employee Benefits	186,108	182,188	3,920
300 Purchased Services	500	795	(295)
400 Supplies and Materials	9,552	7,323	2,229
213 Health Services:			
100 Salaries	189,882	193,538	(3,656)
200 Employee Benefits	69,990	67,574	2,416
300 Purchased Services	6,150	6,563	(413)
400 Supplies and Materials	7,200	7,189	11
500 Capital Outlay	1,000	968	32
214 Psychological Services:			
100 Salaries	74,072	73,363	709
200 Employee Benefits	23,931	19,438	4,493
300 Purchased Services	9,150	7,250	1,900
400 Supplies and Materials	1,200	601	599
220 Instructional Staff Services:			
221 Improvement of Instruction-Curriculum Development:			
100 Salaries	359,980	336,937	23,043
200 Employee Benefits	118,487	105,510	12,977
300 Purchased Services	4,000	4,821	(821)
400 Supplies and Materials	25,268	22,383	2,885
600 Other Objects	6,300	3,858	2,442
222 Library and Media Services:			
100 Salaries	426,557	460,938	(34,381)
200 Employee Benefits	159,110	168,948	(9,838)
300 Purchased Services	6,122	5,495	627
400 Supplies and Materials	81,757	82,234	(477)
500 Capital Outlay	9,580	9,475	105
223 Supervision of Special Programs:			
100 Salaries	95,249	100,112	(4,863)
200 Employee Benefits	32,750	32,464	286
300 Purchased Services	1,200	1,074	126
224 Improvement of Instruction-Inservice and Staff Training:			
100 Salaries	1,000	-	1,000
200 Employee Benefits	84	-	84
300 Purchased Services	13,535	7,255	6,280
230 General Administrative Services:			
231 Board of Education:			
300 Purchased Services	39,300	34,939	4,361
318 Audit Services	41,200	41,700	(500)
400 Supplies and Materials	3,000	3,013	(13)
600 Other Objects	\$ 21,500	16,093	\$ 5,407

(Continued)

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

Schedule A-2

GENERAL FUND

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

YEAR ENDED JUNE 30, 2012

	FINAL BUDGET	ACTUAL	VARIANCE
232 Office of Superintendent:			
100 Salaries	\$ 179,900	201,491	\$ (21,591)
200 Employee Benefits	71,012	79,408	(8,396)
300 Purchased Services	6,000	5,123	877
400 Supplies and Materials	3,300	1,880	1,420
600 Other Objects	2,700	2,113	587
233 School Administration:			
100 Salaries	1,354,820	1,375,333	(20,513)
200 Employee Benefits	445,843	433,479	12,364
300 Purchased Services	97,200	102,333	(5,133)
400 Supplies and Materials	25,785	23,669	2,116
250 Finance and Operations Services:			
252 Fiscal Services:			
100 Salaries	315,598	317,898	(2,300)
140 Terminal Leave	-	21,660	(21,660)
200 Employee Benefits	92,965	98,037	(5,072)
300 Purchased Services	71,915	66,678	5,237
400 Supplies and Materials	9,950	8,257	1,693
500 Capital Outlay	51	-	51
600 Other Objects	3,000	16,730	(13,730)
254 Operation and Maintenance of Plant:			
100 Salaries	1,121,606	1,068,531	53,075
200 Employee Benefits	441,888	381,290	60,598
300 Purchased Services	581,920	696,191	(114,271)
400 Supplies and Materials	913,200	952,903	(39,703)
470 Energy (Includes Gas, Oil, Elec. & Other Heating Fuels)	87,300	43,844	43,456
500 Capital Outlay	12,500	10,037	2,463
255 Student Transportation (State Mandated):			
100 Salaries	673,603	682,478	(8,875)
200 Employee Benefits	263,587	228,717	34,870
300 Purchased Services	25,000	17,323	7,677
400 Supplies and Materials	9,000	65,754	(56,754)
256 Food Service:			
200 Employee Benefits	13,012	11,141	1,871
257 Internal Services:			
300 Purchased Services	38,900	44,787	(5,887)
400 Supplies and Materials	3,000	3,797	(797)
258 Security:			
100 Salaries	-	4,717	(4,717)
200 Employee Benefits	-	1,046	(1,046)
300 Purchased Services	113,000	121,261	(8,261)
400 Supplies and Materials	2,700	3,830	(1,130)
260 Central Support Services:			
263 Information Services:			
100 Salaries	12,620	11,909	711
200 Employee Benefits	2,749	2,661	88
300 Purchased Services	3,250	9,225	(5,975)
400 Supplies and Materials	\$ 13,600	11,570	\$ 2,030

(Continued)

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

Schedule A-2

GENERAL FUND

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

YEAR ENDED JUNE 30, 2012

	FINAL BUDGET	ACTUAL	VARIANCE
264 Staff Services:			
100 Salaries	\$ 44,823	46,794	\$ (1,971)
200 Employee Benefits	17,401	17,024	377
300 Purchased Services	4,500	940	3,560
400 Supplies and Materials	400	-	400
266 Technology and Data Processing Services:			
100 Salaries	54,362	47,890	6,472
200 Employee Benefits	12,961	12,069	892
300 Purchased Services	113,721	137,935	(24,214)
400 Supplies and Materials	18,000	17,226	774
500 Capital Outlay	97,579	115,411	(17,832)
270 Support Services Pupil Activity:			
271 Pupil Services Activities:			
100 Salaries (Optional)	176,440	178,462	(2,022)
200 Employee Benefits (Optional)	35,600	37,805	(2,205)
300 Purchased Services (Optional)	12,745	9,431	3,314
600 Other Objects (Optional)	18,100	20,314	(2,214)
Total Support Services	10,172,357	10,329,465	(157,108)
400 Other Charges:			
410 Intergovernmental Expenditures:			
412 Payments to Other Governmental Units			
720 Transits	77,000	92,000	(15,000)
Total Intergovernmental Expenditures	77,000	92,000	(15,000)
500 Debt Service:			
620 Interest	13,300	7,949	5,351
Total Debt Service	13,300	7,949	5,351
TOTAL EXPENDITURES	\$ 23,181,930	23,184,727	\$ (2,797)
OTHER FINANCING SOURCES (USES)			
Interfund Transfers, From (To) Other Funds:			
5230 Transfer from Special Revenue EIA Fund	\$ 400,319	393,167	\$ (7,152)
5280 Transfer from Other Funds Indirect Costs	-	54,200	54,200
421-710 Transfer to Special Revenue Fund	-	(117,273)	(117,273)
426-710 Transfer to Pupil Activity Fund	(90,000)	(121,525)	(31,525)
TOTAL OTHER FINANCING SOURCES (USES)	310,319	208,569	(101,750)
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	-	(522,443)	(522,443)
FUND BALANCES, Beginning of Year	3,240,648	3,240,648	-
FUND BALANCES, End of Year	\$ 3,240,648	2,718,205	\$ (522,443)

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**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2012

	Title I (BA Projects) (201)	IDEA (CA Projects) (203)
REVENUES		
1000 Revenue from Local Sources:		
1900 Other Revenue from Local Sources:		
1920 Contributions and Donations Private Sources	\$ -	-
1930 Medicaid	-	-
1999 Revenue from Other Local Sources	-	-
Total Revenue from Local Sources	-	-
3000 Revenue from State Sources:		
3100 Restricted State Funding:		
3110 Occupational Education:		
3116 EEDA Miscellaneous	-	-
3118 EEDA Career Specialist	-	-
3120 General Education:		
3123 Formative Assessment	-	-
3125 Career and Technology Education Equipment	-	-
3127 Student Health and Fitness - PE Teachers	-	-
3128 High Schools That Work/Making Middle Grades Work	-	-
3190 Miscellaneous Restricted State Grants:		
3193 Education License Plates	-	-
3600 Education Lottery Act Revenue:		
3607 6-8 Enhancement (Carryover Provision)	-	-
3610 K-5 Enhancement (Carryover Provision)	-	-
3900 Other State Revenue:		
3991 ADEPT (Assisting, Developing, and Evaluating Professional Teaching) (Carryover Only)	-	-
Total Revenue from State Sources	-	-
4000 Revenue from Federal Sources:		
4200 Occupational Education:		
4210 Perkins Aid, Title I	-	-
4300 Elementary and Secondary Education Act of 1965 (ESEA):		
4310 Title I, Basic State Grant Programs (Carryover Provision)	451,780	-
4341 Language Instruction for Limited English Proficient and Immigrant Students, Title III (Carryover Provision)	-	-
4351 Improving Teacher Quality (Carryover Provision)	-	-
4500 Programs for Children with Disabilities:		
4510 Individuals with Disabilities Education Act (IDEA) (Carryover Provision)	-	770,968
4520 Preschool Grants (IDEA) (Carryover Provision)	\$ -	-

Preschool Handicapped (CG Projects) (205)	CATE (VA Projects) (207)	Drug Free (FP/FQ Projects) (209)	Other Designated Restricted State Grants (900s)	Other Special Revenue Programs (200s/800s)	Totals
-	-	-	-	72,284	\$ 72,284
-	-	-	-	128,173	128,173
-	-	-	-	134,232	134,232
-	-	-	-	334,689	334,689
-	-	-	79,545	-	79,545
-	-	-	81,496	-	81,496
-	-	-	32,853	-	32,853
-	-	-	4,524	-	4,524
-	-	-	21,092	-	21,092
-	-	-	12,674	-	12,674
-	-	-	361	-	361
-	-	-	20,970	-	20,970
-	-	-	216,337	-	216,337
-	-	-	7,579	-	7,579
-	-	-	477,431	-	477,431
-	77,859	-	-	-	77,859
-	-	-	-	-	451,780
-	-	-	-	13,473	13,473
-	-	-	-	127,312	127,312
-	-	-	-	-	770,968
33,627	-	-	-	-	\$ 33,627

(Continued)

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2012

	Title I (BA Projects) (201)	IDEA (CA Projects) (203)
4900 Other Federal Sources:		
4924 21st Century Community Learning Center Program (Title IV, 21st Century Schools)	\$ -	-
4999 Revenue from Other Federal Sources	-	-
Total Revenue from Federal Sources	<u>451,780</u>	<u>770,968</u>
TOTAL REVENUE ALL SOURCES	<u>451,780</u>	<u>770,968</u>
EXPENDITURES		
100 Instruction:		
110 General Instruction:		
111 Kindergarten Program:		
100 Salaries	-	-
200 Employee Benefits	-	-
112 Primary Programs:		
100 Salaries	100,356	-
200 Employee Benefits	32,275	-
300 Purchased Services	1,500	-
400 Supplies and Materials	25,566	-
113 Elementary Programs:		
100 Salaries	34,757	-
200 Employee Benefits	13,224	-
300 Purchased Services	-	-
400 Supplies and Materials	-	-
114 High School Programs:		
100 Salaries	-	-
200 Employee Benefits	-	-
300 Purchased Services	-	-
400 Supplies and Materials	-	-
500 Capital Outlay	-	-
115 Career and Technology Education Program:		
100 Salaries	-	-
200 Employee Benefits	-	-
500 Capital Outlay	-	-
120 Exceptional Programs:		
121 Educable Mentally Handicapped:		
100 Salaries	-	85,100
200 Employee Benefits	-	33,559
400 Supplies and Materials	\$ -	752

Schedule B-1

Preschool Handicapped (CG Projects) (205)	CATE (VA Projects) (207)	Drug Free (FP/FQ Projects) (209)	Other Designated Restricted State Grants (900s)	Other Special Revenue Programs (200s/800s)	Totals
-	-	-	-	20,000	\$ 20,000
-	-	-	-	54,181	54,181
33,627	77,859	-	-	214,966	1,549,200
33,627	77,859	-	477,431	549,655	2,361,320
-	-	-	7,606	-	7,606
-	-	-	3,623	-	3,623
-	-	-	66,011	60,325	226,692
-	-	-	22,621	16,918	71,814
-	-	-	-	1,289	2,789
-	-	-	-	23,008	48,574
-	-	-	28,569	754	64,080
-	-	-	10,031	113	23,368
-	-	-	5,736	908	6,644
-	-	-	33,108	38,790	71,898
-	-	-	20,769	44,473	65,242
-	-	-	6,445	9,709	16,154
-	302	-	192	6,573	7,067
-	6,857	-	18,378	27,291	52,526
-	39,342	-	-	-	39,342
-	23,044	-	-	-	23,044
-	6,956	-	-	-	6,956
-	-	-	4,524	-	4,524
-	-	-	-	-	85,100
-	-	-	-	-	33,559
-	-	-	-	-	\$ 752

(Continued)

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2012

	Title I (BA Projects) (201)	IDEA (CA Projects) (203)
126 Speech Handicapped:		
100 Salaries	\$ -	53,472
200 Employee Benefits	-	20,075
300 Purchased Services	-	800
400 Supplies and Materials	-	2,361
600 Other Objects	-	1,311
127 Learning Disabilities:		
100 Salaries	-	218,133
200 Employee Benefits	-	65,141
400 Supplies and Materials	-	863
128 Emotionally Handicapped:		
100 Salaries	-	27,773
200 Employee Benefits	-	15,704
400 Supplies and Materials	-	939
130 Pre-School Programs:		
133 Pre-School Handicapped Self-Contained (5-Yr. Olds):		
100 Salaries	-	-
200 Employee Benefits	-	-
400 Supplies and Materials	-	-
135 Pre-School Handicapped Speech (3 & 4-Yr. Olds):		
100 Salaries	-	-
200 Employee Benefits	-	-
300 Purchased Services	-	-
400 Supplies and Materials	-	-
139 Early Childhood Programs:		
100 Salaries	106,592	-
200 Employee Benefits	34,929	-
140 Special Programs:		
149 Other Special Programs:		
100 Salaries	-	-
200 Employee Benefits	-	-
180 Adult/Continuing Educational Programs:		
188 Parenting/Family Literacy:		
100 Salaries	100	-
200 Employee Benefits	24	-
400 Supplies and Materials	4,053	-
Total Instruction	<u>353,376</u>	<u>525,983</u>
200 Support Services:		
210 Pupil Services:		
212 Guidance Services:		
100 Salaries	-	-
200 Employee Benefits	\$ -	-

Schedule B-1

Preschool Handicapped (CG Projects) (205)	CATE (VA Projects) (207)	Drug Free (FP/FQ Projects) (209)	Other Designated Restricted State Grants (900s)	Other Special Revenue Programs (200s/800s)	Totals
-	-	-	-	-	\$ 53,472
-	-	-	-	-	20,075
-	-	-	-	-	800
-	-	-	-	-	2,361
-	-	-	-	-	1,311
-	-	-	-	-	218,133
-	-	-	-	-	65,141
-	-	-	-	-	863
-	-	-	-	-	27,773
-	-	-	-	-	15,704
-	-	-	-	-	939
26,079	-	-	-	-	26,079
7,202	-	-	-	-	7,202
346	-	-	-	-	346
-	-	-	-	43,509	43,509
-	-	-	-	13,121	13,121
-	-	-	-	1,028	1,028
-	-	-	-	908	908
-	-	-	-	-	106,592
-	-	-	-	-	34,929
-	-	-	26,000	-	26,000
-	-	-	9,457	-	9,457
-	-	-	-	-	100
-	-	-	-	-	24
-	-	-	-	-	4,053
33,627	76,501	-	263,070	288,717	1,541,274
-	-	-	254	-	254
-	-	-	56	-	\$ 56

(Continued)

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2012

	Title I (BA Projects) (201)	IDEA (CA Projects) (203)
213 Health Services:		
100 Salaries	\$ -	-
200 Employee Benefits	-	-
300 Purchased Services	-	4,251
214 Psychological Services:		
100 Salaries	-	94,286
200 Employee Benefits	-	30,317
300 Purchased Services	-	8,393
400 Supplies and Materials	-	1,882
215 Exceptional Program Services:		
300 Purchased Services	-	131
217 Career Specialists Services:		
100 Salaries	-	-
200 Employee Benefits	-	-
220 Instructional Staff Services:		
221 Improvement of Instruction - Curriculum Development:		
100 Salaries	41,361	-
200 Employee Benefits	13,464	-
300 Purchased Services	-	-
400 Supplies and Materials	-	-
600 Other Objects	-	-
223 Supervision of Special Programs:		
100 Salaries	26,107	77,557
200 Employee Benefits	8,824	22,041
300 Purchased Services	298	1,005
400 Supplies and Materials	30	532
600 Other Objects	-	179
224 Improvement of Instruction - Inservice and Staff Training:		
100 Salaries	2,767	350
200 Employee Benefits	363	29
300 Purchased Services	5,190	3,685
400 Supplies and Materials	-	347
230 General Administration Services:		
232 Office of the Superintendent:		
300 Purchased Services	-	-
400 Supplies and Materials	-	-
600 Other Objects	-	-
233 School Administration:		
100 Salaries	-	-
200 Employee Benefits	-	-
250 Finance and Operations Services:		
252 Fiscal Services:		
300 Purchased Services	\$ -	-

Preschool Handicapped (CG Projects) (205)	CATE (VA Projects) (207)	Drug Free (FP/FQ Projects) (209)	Other Designated Restricted State Grants (900s)	Other Special Revenue Programs (200s/800s)	Totals
-	-	-	-	7,928	\$ 7,928
-	-	-	-	3,428	3,428
-	-	-	-	-	4,251
-	-	-	-	-	94,286
-	-	-	-	-	30,317
-	-	-	-	-	8,393
-	-	-	-	-	1,882
-	-	-	-	-	131
-	-	-	59,943	-	59,943
-	-	-	21,553	-	21,553
-	-	-	49,550	-	90,911
-	-	-	16,958	-	30,422
-	-	-	3,874	6,000	9,874
-	-	-	37,941	22,403	60,344
-	-	-	-	4,500	4,500
-	-	-	-	27,156	130,820
-	-	-	-	6,038	36,903
-	-	-	-	-	1,303
-	-	-	-	-	562
-	-	-	-	-	179
-	-	-	-	1,300	4,417
-	-	-	-	275	667
-	1,358	-	12,496	22,418	45,147
-	-	-	11,736	4,570	16,653
-	-	-	-	3,968	3,968
-	-	-	-	32,416	32,416
-	-	-	-	2,830	2,830
-	-	-	-	1,468	1,468
-	-	-	-	326	326
-	-	-	-	2,104	\$ 2,104

(Continued)

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2012

	Title I (BA Projects) (201)	IDEA (CA Projects) (203)
254 Operation and Maintenance of Plant:		
100 Salaries	\$ -	-
200 Employee Benefits	-	-
300 Purchased Services	-	-
400 Supplies and Materials	-	-
255 Student Transportation (State Mandated):		
100 Salaries	-	-
200 Employee Benefits	-	-
400 Supplies and Materials	-	-
258 Security:		
400 Supplies and Materials	-	-
270 Support Services - Pupil Activity:		
271 Pupil Services Activities:		
300 Purchased Services (Optional)	-	-
600 Other Objects (Optional)	-	-
Total Support Services	<u>98,404</u>	<u>244,985</u>
300 Community Services:		
350 Custody and Care of Children:		
100 Salaries	-	-
200 Employee Benefits	-	-
400 Supplies and Materials	-	-
Total Community Services	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>451,780</u>	<u>770,968</u>
OTHER FINANCING SOURCES (USES)		
Interfund Transfers, From (To) Other Funds:		
5210 Transfer from General Fund (Exclude Indirect Costs)	-	-
5220 Transfer from Special Revenue Fund (Exclude Indirect Costs)	-	-
431-791 Special Revenue Fund Indirect Costs (Use Only for Transfer of Indirect Costs to General Fund)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	-	-
FUND BALANCES, Beginning of Year	<u>-</u>	<u>926</u>
FUND BALANCES, End of Year	<u>\$ -</u>	<u>926</u>

Preschool Handicapped (CG Projects) (205)	CATE (VA Projects) (207)	Drug Free (FP/FQ Projects) (209)	Other Designated Restricted State Grants (900s)	Other Special Revenue Programs (200s/800s)	Totals
-	-	-	-	6,727	\$ 6,727
-	-	-	-	1,493	1,493
-	-	-	-	1,786	1,786
-	-	-	-	4,000	4,000
-	-	-	-	10,500	10,500
-	-	-	-	2,207	2,207
-	-	-	-	1,662	1,662
-	-	-	-	3,678	3,678
-	-	-	-	2,118	2,118
-	-	-	-	520	520
-	1,358	-	214,361	183,819	742,927
-	-	-	-	67,787	67,787
-	-	-	-	16,317	16,317
-	-	-	-	17,284	17,284
-	-	-	-	101,388	101,388
33,627	77,859	-	477,431	573,924	2,385,589
-	-	-	-	39,318	39,318
-	-	-	-	77,955	77,955
-	-	-	-	(4,200)	(4,200)
-	-	-	-	113,073	113,073
-	-	-	-	88,804	88,804
-	-	-	35	351,172	352,133
-	-	-	35	439,976	\$ 440,937

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

Schedule B-2

SPECIAL REVENUE FUND

SUPPLEMENTAL LISTING OF LEA SUBFUND CODES AND TITLES

YEAR ENDED JUNE 30, 2012

**OTHER DESIGNATED
RESTRICTED STATE GRANTS**

905	Career Technology Education Equipment
916	ADEPT (Assisting, Developing, and Evaluating Professional Teaching)
919	Education License Plates
926	EEDA Miscellaneous
928	EEDA Career Specialists
933	Formative Assessment
937	Student Health and Fitness - PE Teachers
938	High Schools That Work/Making Middle Grades Work
960	K-5 Enhancement (Carryover Provision)
967	6-8 Enhancement (Carryover Provision)

**OTHER SPECIAL REVENUE
PROGRAMS**

201	Title I
203	IDEA
205	Preschool Grants
207	Perkins Aid, Title I, Base Grants Current Year (84.048)
211	JROTC
220	After School Care
224	21st Century Community Learning Centers Program (Title IV, 21st Century Schools)
264	Title III
267	Improving Teacher Quality (Carryover Provision)
801	Medicaid Administration
820	Medicaid
838	Mary Black Foundation Grant
839	Spark Grant
851	Scholars Academy

SPARTANBURG COUNTY SCHOOL DISTRICT THREE
 GLENDALE, SOUTH CAROLINA

Schedule B-3

SPECIAL REVENUE FUND

SUMMARY SCHEDULE FOR OTHER DESIGNATED RESTRICTED STATE GRANTS

YEAR ENDED JUNE 30, 2012

SUBFUND	REVENUE CODE	PROGRAMS	REVENUES	EXPENDITURES	SPECIAL REVENUE		
					INTERFUND TRANSFERS IN (OUT)	OTHER FUND TRANSFERS IN (OUT)	DEFERRED
905	3125	VOC ED Equipment	\$ 4,524	4,524	-	-	\$ -
916	3991	ADEPT (Assisting, Developing, and Evaluating Professional Teaching) (Carryover Only)	7,579	7,579	-	-	-
919	3193	Education License Plates	361	361	-	-	-
926	3116	EEDA Miscellaneous	79,545	79,545	-	-	21,444
928	3118	EEDA Career Specialists	81,496	81,496	-	-	-
933	3123	Formative Assessment	32,853	32,853	-	-	1,319
937	3127	Student Health and Fitness - PE Teachers	21,092	21,092	-	-	-
938	3128	High Schools That Work	12,674	12,674	-	-	-
960	3610	K-5 Enhancement	216,337	216,337	-	-	108,436
967	3607	6-8 Enhancement	20,970	20,970	-	-	-
Totals			\$ 477,431	477,431	-	-	\$ 131,199

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

Schedule B-4

EDUCATION IMPROVEMENT ACT

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

YEAR ENDED JUNE 30, 2012

	ACTUAL
REVENUES	
3000 Revenue from State Sources:	
3500 Education Improvement Act:	
3502 ADEPT	\$ 786
3509 Arts in Education	3,500
3511 Professional Development	24,174
3525 Career and Technology Education Equipment	18,987
3526 Refurbishment of K-8 Science Kits	6,389
3530 Trainable & Profoundly Mentally Disabled Student Services (Students with Moderate to Severe Intellectual Disabilities)	9,508
3532 National Board Certification (NBC) Salary Supplement (No Carryover Provision)	279,416
3533 Teacher of the Year Awards	1,077
3538 Student at Risk of School Failure	734,188
3540 Early Childhood Program (4K Programs Serving Four-Year-Old Children)	62,248
3542 Preschool Programs for Children with Disabilities	17,387
3544 High Achieving Students	109,559
3550 Teacher Salary Increase (No Carryover Provision)	393,167
3558 Reading	32,070
3577 Teacher Supplies (No Carryover Provision)	54,250
3581 Student Health and Fitness-Nurses	126,806
3585 Aid to Districts-Special Education	103,874
3588 IDEA MOE Special Allocations	467,054
3592 Work-Based Learning	11,828
3597 Aid to Districts	95,656
3598 Cost Savings Allocations	6,690
3599 Other EIA	9,234
Total Revenue from State Sources	<u>2,567,848</u>
TOTAL REVENUE ALL SOURCES	<u>2,567,848</u>
EXPENDITURES	
100 Instruction:	
110 General Instruction:	
111 Kindergarten Programs:	
100 Salaries	22,500
200 Employee Benefits	3,989
112 Primary Programs:	
100 Salaries	46,122
200 Employee Benefits	12,338
300 Purchased Services	688
400 Supplies and Materials	\$ 45,890

(Continued)

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

Schedule B-4

EDUCATION IMPROVEMENT ACT

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

YEAR ENDED JUNE 30, 2012

	ACTUAL
113 Elementary Programs:	
100 Salaries	\$ 99,998
200 Employee Benefits	26,653
300 Purchased Services	6,389
400 Supplies and Materials	39,390
114 High School Programs:	
100 Salaries	81,586
200 Employee Benefits	22,220
300 Purchased Services	5,733
400 Supplies and Materials	88,457
115 Career and Technology Education Program:	
100 Salaries	26,640
200 Employee Benefits	8,177
300 Purchased Services - Other Than Tuition	956
400 Supplies and Materials	154
500 Capital Outlay	18,833
120 Exceptional Programs:	
121 Educable Mentally Handicapped:	
100 Salaries	103,509
200 Employee Benefits	35,094
126 Speech Handicapped:	
100 Salaries	162,302
200 Employee Benefits	56,407
127 Learning Disabilities:	
100 Salaries	173,744
200 Employee Benefits	56,912
128 Emotionally Handicapped:	
100 Salaries	9,527
200 Employee Benefits	3,422
130 Pre-School Programs:	
133 Preschool Handicapped Self-Contained (5-Yr. Olds):	
100 Salaries	11,341
200 Employee Benefits	4,478
135 Preschool Handicapped Speech (3-and 4-Yr. Olds):	
100 Salaries	9,036
200 Employee Benefits	1,993
139 Early Childhood Programs:	
100 Salaries	62,023
200 Employee Benefits	25,571
300 Purchased Services	159
400 Supplies and Materials	\$ 6,838

(Continued)

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

Schedule B-4

EDUCATION IMPROVEMENT ACT

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

YEAR ENDED JUNE 30, 2012

	ACTUAL
140 Special Programs:	
141 Gifted and Talented - Academic:	
100 Salaries	\$ 66,999
200 Employee Benefits	19,117
148 Gifted and Talented - Artistic:	
400 Supplies and Materials	6,842
149 Other Special Programs:	
100 Salaries	26,508
200 Employee Benefits	5,249
170 Summer School Programs:	
172 Elementary Summer School:	
100 Salaries	68,796
200 Employee Benefits	15,560
400 Supplies and Materials	868
173 High School Summer School:	
100 Salaries	33,988
200 Employee Benefits	7,748
400 Supplies and Materials	589
175 Instructional Programs Beyond Regular School Day:	
100 Salaries	47,013
200 Employee Benefits	10,078
180 Adult/Continuing Educational Programs:	
188 Parenting/Family Literacy:	
300 Purchased Services	5,030
Total Instruction	<u>1,593,454</u>
200 Support Services:	
212 Guidance Services:	
400 Supplies and Materials	2,750
213 Health Services:	
100 Salaries	95,869
200 Employee Benefits	30,937
220 Instructional Staff Services:	
221 Improvement of Instruction-Curriculum Development:	
100 Salaries	218,384
200 Employee Benefits	57,775
400 Supplies and Materials	4,028
222 Library and Media:	
100 Salaries	22,504
200 Employee Benefits	4,937
400 Supplies and Materials	\$ 1,750

(Continued)

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

Schedule B-4

EDUCATION IMPROVEMENT ACT

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

YEAR ENDED JUNE 30, 2012

	ACTUAL
223 Supervision of Special Programs:	
100 Salaries	\$ 6,779
200 Employee Benefits	5,049
224 Improvement of Instruction - In-service and Staff Training:	
100 Salaries	5,300
200 Employee Benefits	1,246
300 Purchased Services	11,656
400 Supplies and Materials	46,978
250 Finance and Operations Services:	
255 Student Transportation (State Mandated):	
100 Salaries	24,934
200 Employee Benefits	5,061
300 Purchased Services	7,252
Total Support Services	<u>553,189</u>
410 Intergovernmental Expenditures:	
412 Payments to Other Governmental Units	
720 Transits	28,038
Total Intergovernmental Expenditures	<u>28,038</u>
TOTAL EXPENDITURES	<u>2,174,681</u>
 OTHER FINANCING SOURCES (USES)	
Interfund Transfers, From (To) Other Funds:	
5230 Transfer from Special Revenue EIA Fund	17,387
420-710 Transfer to General Fund (Exclude Indirect Costs)	(393,167)
422-710 Transfer to EIA Fund	(17,387)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(393,167)</u>
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	-
FUND BALANCES, Beginning of Year	<u>-</u>
FUND BALANCES, End of Year	<u><u>\$ -</u></u>

EDUCATION IMPROVEMENT ACT

SUMMARY SCHEDULE BY PROGRAM

YEAR ENDED JUNE 30, 2012

Program	Revenues	Expenditures	EIA Interfund Transfers In/(Out)	Other Fund Transfers In/(Out)	EIA Fund Deferred Revenue
3500 Education Improvement Act:					
3502 ADEPT	\$ 786	786	-	-	\$ 3,116
3509 Arts in Education	3,500	3,500	-	-	-
3511 Professional Development	24,174	24,174	-	-	6,904
3525 Career and Technology Education Equipment	18,987	18,987	-	-	22,119
3526 Refurbishment of K-8 Science Kits	6,389	6,389	-	-	15,587
3530 Trainable & Profoundly Mentally Disabled Student Services (Students with Moderate to Severe Intellectual Disabilities)	9,508	9,508	-	-	-
3532 National Board Certification (NBC) Salary Supplement (No Carryover Provision)	279,416	279,416	-	-	-
3533 Teacher of the Year Awards (No Carryover Provision)	1,077	1,077	-	-	-
3538 Students at Risk of School Failure	734,188	734,188	-	-	317,371
3540 Early Childhood Program (4K Programs Serving Four-Year-Old Children)	62,248	77,384	15,136	-	-
3542 Preschool Programs for Children with Disabilities	17,387	-	-	(17,387)	-
3544 High Achieving Students	109,559	111,810	2,251	-	-
3550 Teacher Salary Increase (No Carryover Provision)	393,167	-	-	(393,167)	-
3558 Reading	32,070	32,070	-	-	3,082
3577 Teacher Supplies (No Carryover Provision)	54,250	54,250	-	-	-
3581 Students Health and Fitness-Nurses	126,806	126,806	-	-	-
3585 Aid to Districts-Special Education	103,874	103,874	-	-	150,787
3592 School-to-Work Transition Act	11,828	11,828	-	-	-
3597 Aid to Districts	95,656	95,656	-	-	-
3598 Cost Savings Allocations	6,690	6,690	-	-	-
3599 Other EIA	9,234	9,234	-	-	-
Totals	\$ 2,567,848	2,174,681	17,387	(410,554)	\$ 518,966

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

Schedule B-6

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

YEAR ENDED JUNE 30, 2012

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

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

Schedule C-1

DEBT SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2012

	ACTUAL
REVENUES	
1000 Revenue from Local Sources:	
1100 Taxes:	
1110 Ad Valorem Taxes - Including Delinquent (Fiscally Independent LEA)	\$ 1,715,819
1200 Revenue from Local Governmental Units Other than LEAs:	
1280 Revenue in Lieu of Taxes (Dependent and Independent)	218,243
Total Revenue from Local Sources	<u>1,934,062</u>
3000 Revenue from State Sources:	
3800 State Revenue in Lieu of Taxes:	
3820 Homestead Exemption	116,288
3830 Merchant's Inventory Tax	13,379
3840 Manufacturers Depreciation Reimbursement	113,027
3890 Other State Property Tax Revenues (Includes Motor Carrier Vehicle Tax)	4,048
Total Revenue from State Sources	<u>246,742</u>
4000 Revenue from Federal Sources:	
4900 Other Federal Sources:	
4999 Revenue from Other Federal Sources	51,300
Total Revenue from Federal Sources	<u>51,300</u>
TOTAL REVENUE ALL SOURCES	<u>2,232,104</u>
EXPENDITURES	
500 Debt Service:	
610 Redemption of Principal	423,801
620 Interest	61,905
690 Other Objects (Includes Fees for Servicing Bonds)	13,446
Total Debt Service	<u>499,152</u>
TOTAL EXPENDITURES	<u>499,152</u>
OTHER FINANCING SOURCES (USES)	
5110 Premium on Bonds Sold	6,250
Interfund Transfers, From (To) Other Funds:	
423-710 Transfer to Capital Projects Fund	(916,280)
424-710 Transfer to Debt Service - EFC Fund	(1,234,667)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,144,697)</u>
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	(411,745)
FUND BALANCE, Beginning of Year	<u>497,473</u>
FUND BALANCE, End of Year	<u>\$ 85,728</u>

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

Schedule C-2

DEBT SERVICE FUND - EFC

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2012

	<u>ACTUAL</u>
REVENUES	
1000 Revenue from Local Sources:	
1500 Earnings on Investments:	
1510 Interest on Investments	\$ 66,224
Total Revenue from Local Sources	<u>66,224</u>
TOTAL REVENUE ALL SOURCES	<u>66,224</u>
 EXPENDITURES	
500 Debt Service:	
610 Redemption of Principal	530,000
620 Interest	760,006
690 Other Objects (Includes Fees for Servicing Bonds)	4,000
Total Debt Service	<u>1,294,006</u>
TOTAL EXPENDITURES	<u>1,294,006</u>
 OTHER FINANCING SOURCES (USES)	
Interfund Transfers, From (To) Other Funds:	
5275 Transfer from Debt Service Fund	1,234,667
424-710 Transfer to Capital Projects Fund	(653)
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,234,014</u>
 EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	6,232
 FUND BALANCE, Beginning of Year	<u>930,719</u>
 FUND BALANCE, End of Year	<u>\$ 936,951</u>

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

Schedule D-1

CAPITAL PROJECTS FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2012

	ACTUAL
REVENUES	
1000 Revenue from Local Sources:	
1500 Earnings on Investments:	
1510 Interest on Investments	\$ 31
Total Revenue from Local Sources	31
TOTAL REVENUE ALL SOURCES	31
EXPENDITURES	
250 Finance and Operations:	
253 Facilities Acquisition & Construction:	
300 Purchased Services	77,565
400 Supplies and Materials	105,158
500 Capital Outlay:	
520 Construction Services	510,564
530 Improvements Other Than Buildings	5,223
540 Equipment	66,594
545 Technology, Equipment and Software	472,188
550 Vehicles	123,832
Total Support Services	1,361,124
TOTAL EXPENDITURES	1,361,124
OTHER FINANCING SOURCES (USES)	
Interfund Transfers, From (To) Other Funds:	
5240 Transfer from Debt Service Fund	916,280
TOTAL OTHER FINANCING SOURCES (USES)	916,280
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	(444,813)
FUND BALANCE, Beginning of Year	1,023,750
FUND BALANCE, End of Year	\$ 578,937

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

Schedule D-2

CAPITAL PROJECTS FUND - EFC

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - EFC

YEAR ENDED JUNE 30, 2012

	<u>ACTUAL</u>
EXPENDITURES	
250 Finance and Operations:	
253 Facilities Acquisition & Construction:	
300 Purchased Services	\$ 5,535
Total Support Services	<u>5,535</u>
TOTAL EXPENDITURES	<u>5,535</u>
OTHER FINANCING SOURCES (USES)	
Interfund Transfers, From (To) Other Funds:	
5240 Transfer from Debt Service Fund	<u>653</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>653</u>
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	(4,882)
FUND BALANCE, Beginning of Year	<u>409,874</u>
FUND BALANCE, End of Year	<u>\$ 404,992</u>

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

Schedule E-1

FOOD SERVICE FUND

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

YEAR ENDED JUNE 30, 2012

	ACTUAL
REVENUES	
1000 Revenue from Local Sources:	
1600 Food Service:	
1610 Lunch Sales to Pupils	\$ 241,464
1630 Special Sales to Pupils	51,118
1640 Lunch Sales to Adults	34,239
1660 Special Sales to Adults	6,721
Total Revenue from Local Sources	<u>333,542</u>
3000 Revenue from State Sources:	
3100 Restricted State Funding:	
3140 School Lunch:	
3142 Program Aid	163
Total Revenue from State Sources	<u>163</u>
4000 Revenue from Federal Sources:	
4800 USDA Reimbursement:	
4810 School Lunch and After School Snacks Program	776,400
4830 School Breakfast Program	255,207
4900 Other Federal Sources:	
4991 USDA Commodities (Food Distribution Program) (Carryover Provision)	97,507
4999 Revenue from Other Federal Sources	9,809
Total Revenue from Federal Sources	<u>1,138,923</u>
TOTAL REVENUE ALL SOURCES	<u>1,472,628</u>
EXPENSES	
256 Food Service:	
100 Salaries	21,674
300 Purchased Services (Exclude Gas, Oil, Electricity and Other Heating Fuels)	1,197,192
400 Supplies and Materials (Include Gas, Oil, Electricity and Other Heating Fuels)	109,943
500 Capital Outlay	43,710
600 Other Objects	2,861
Total Food Service Expenses	<u>1,375,380</u>
TOTAL EXPENSES	<u>1,375,380</u>
OTHER FINANCING SOURCES (USES)	
Interfund Transfers, From (To) Other Funds:	
432-791 Food Service Fund Indirect Costs	(50,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(50,000)</u>
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	47,248
FUND NET ASSETS, Beginning of Year	<u>319,368</u>
FUND NET ASSETS, End of Year	<u>\$ 366,616</u>

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

Schedule F-1

PUPIL ACTIVITY FUND

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

YEAR ENDED JUNE 30, 2012

	ACTUAL
RECEIPTS	
1000 Receipts from Local Sources:	
1700 Pupil Activities:	
1710 Admissions	\$ 100,664
1720 Bookstore Sales	18,100
1730 Pupil Organization Membership Dues and Fees	7,238
1740 Student Fees	99,270
1790 Other	625,625
1900 Other Revenue from Local Sources	
1920 Contributions & Donations Private Sources	5,668
1993 Receipt of Insurance Proceeds	2,000
1999 Revenue from Other Local Sources	20,357
Total Receipts from Local Sources	<u>878,922</u>
TOTAL RECEIPTS ALL SOURCES	<u>878,922</u>
DISBURSEMENTS	
190 Instructional Pupil Activity:	
100 Salaries (Optional)	10,835
200 Employee Benefits (Optional)	1,256
300 Purchased Services (Optional)	836
400 Supplies and Materials (Optional)	218
660 Pupil Activity	33,222
Total Instruction	<u>46,367</u>
270 Support Services Pupil Activity:	
271 Pupil Service Activities:	
100 Salaries (Optional)	68,592
200 Employee Benefits (Optional)	15,020
300 Purchased Services (Optional)	36,154
400 Supplies and Materials (Optional)	118,920
500 Capital Outlay (Optional)	61,374
660 Pupil Activity	730,433
Total Pupil Activity Expenditures	<u>1,030,493</u>
400 Intergovernmental Expenditures:	
412 Payments to Other Governmental Units	
720 Transits	1,390
Total Intergovernmental Expenditures	<u>1,390</u>
TOTAL DISBURSEMENTS	<u>\$ 1,078,250</u>

(Continued)

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

Schedule F-1

PUPIL ACTIVITY FUND

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

YEAR ENDED JUNE 30, 2012

	<u>ACTUAL</u>
OTHER FINANCING SOURCES (USES)	
Interfund Transfers, From (To) Other Funds:	
5210 Transfer from General Fund (Excludes Indirect Costs)	\$ 121,525
TOTAL OTHER FINANCING SOURCES (USES)	<u>121,525</u>
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	(77,803)
DUE TO STUDENT ORGANIZATIONS, Beginning of Year	<u>155,671</u>
DUE TO STUDENT ORGANIZATIONS, End of Year	<u><u>\$ 77,868</u></u>

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

LOCATION RECONCILIATION SCHEDULE

YEAR ENDED JUNE 30, 2012

Location ID	Location Description	Education Level	Cost Type	Total Expenditures
01	Cannons Elementary	Elementary School	School	\$ 3,143,530
02	Clifdale Elementary	Elementary School	School	3,242,582
03	Cowpens Elementary	Elementary School	School	3,588,322
05	District Office	Non-School	Central	3,046,637
06	Pacolet Elementary	Elementary School	School	3,650,454
07	Cowpens Middle	Middle School	School	4,738,677
08	Middle School of Pacolet	Middle School	School	1,943,360
09	Broome High	High School	School	8,331,484
11	Special Education Center	Non-School	Central	210,840
14	Staff and Media Center	Non-School	Central	110,735
15	Superintendent and Board	Non-School	Central	337,257
16	Business Office	Non-School	Central	579,304
17	Maintenance Center	Non-School	Central	72,061
18	Transportation Center	Non-School	Central	28,195
19	District Special Projects	Non-School	Central	335,006
				<u><u>\$ 33,358,444</u></u>

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

Fund	Amount
General Fund	\$ 23,184,727
Special Revenue Fund	2,385,589
Special Revenue - EIA Fund	2,174,681
Special Revenue - Food Service Fund	1,375,380
Debt Service Fund	499,152
Debt Service - EFC Fund	1,294,006
Capital Projects -EFC Fund	5,535
Pupil Activity Fund	1,078,250
	<u><u>\$ 33,358,444</u></u>

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2012

LEA Subfund Code	Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass Through Grantor's Number	Federal Expenditures
<u>US DEPARTMENT OF AGRICULTURE</u>				
	Pass-through State Department of Education:			
600	National School Breakfast Program	10.553	N/A	\$ 255,207
600	National School Lunch Program - Cash Assistance	10.555	N/A	776,400
600	National School Lunch Program - Non-Cash Assistance	10.555	N/A	97,507
	Total 10.553 & 10.555			<u>1,129,114</u>
600	Team Nutrition Grant	10.574	N/A	9,809
	TOTAL US DEPARTMENT OF AGRICULTURE			<u>1,138,923</u>
<u>US DEPARTMENT OF EDUCATION</u>				
	Pass-through State Department of Education:			
201	Title I Grants to LEA's	84.010	12-BA080	451,780
	Individuals with Disabilities Education Act:			
203	IDEA	84.027A	12-CA080	770,968
205	Handicapped Preschool Grants	84.173A	12-CG-080	33,627
	Total 84.027A & 84.173A			<u>804,595</u>
207	Occupational Education - WBL Activities	84.048	12VA080	77,859
224	21st Century Community Learning Centers Grants, Title IV	84.287	12CL080-01	20,000
264	Language Instruction - Title III	84.365A	12-BP078	13,473
267	Improving Teacher Quality - Title II	84.367A	12-TQ080	127,312
	TOTAL US DEPARTMENT OF EDUCATION			<u>1,495,019</u>
<u>US DEPARTMENT OF DEFENSE</u>				
	Direct Program:			
211	Air Force ROTC	12.000	N/A	<u>54,181</u>
	TOTAL FEDERAL ASSISTANCE EXPENDED			<u>\$ 2,688,123</u>

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2012

A – General

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) presents the activity of all federal award programs of Spartanburg County School District Three, South Carolina (the “School District”) for the year ended June 30, 2012. 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 School District’s basic financial statements.

C – Relationship to Basic Financial Statements

Federal award expenditures are reported in the School District’s basic financial statements as expenditures or loans in the Special Revenue Fund and in 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.

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

The Board of Trustees
Spartanburg County School District Three
Glendale, South Carolina

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Spartanburg County School District Three, South Carolina (the "School District") as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 10, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.


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

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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


Greene, Finney & Horton, LLP
Mauldin, South Carolina
October 10, 2012

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

The Board of Trustees
Spartanburg County School District Three
Glendale, South Carolina

Compliance

We have audited Spartanburg County School District Three, South Carolina's (the "School District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2012. The School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

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

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

A handwritten signature in cursive script that reads "Greene, Finney & Horton LLP".

Greene, Finney & Horton, LLP
Mauldin, South Carolina
October 10, 2012

**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2012

No findings in the prior year.

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**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2012

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

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

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	<u> </u> Yes	<u> X </u> No
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Identification of major programs:

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

Dollar threshold used to distinguish between type A and type B programs:	<u> \$ 300,000 </u>
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Auditee qualified as low-risk auditee?	<u> X </u> Yes	<u> </u> No
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Section II - Financial Statement Findings

NONE

Section III - Federal Awards Findings and Questioned Costs

NONE