

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

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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

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GLENDALE, SOUTH CAROLINA**

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

PRINCIPAL OFFICIALS

YEAR ENDED JUNE 30, 2014

Board of Trustees

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

Superintendent

Dr. Jim Ray

Assistant Superintendent for Finance & Operations

Greg Mack



Greene Finney & Horton
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Spartanburg County School District Three, South Carolina (the "School District"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Spartanburg County School District Three, South Carolina, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Pending Implementation of Governmental Accounting Standards Board Statement on Pensions

As discussed in Note IV.J, the Governmental Accounting Standards Board recently issued Statement No. 68, “*Accounting and Financial Reporting for Pensions*” (“*Statement*”). This Statement, which will be adopted by the School District for the fiscal year ended June 30, 2015, will require the School District to report a net pension liability on its applicable financial statements for its participation in the South Carolina Retirement System (the “Plan”). Based on recent information provided by the South Carolina Public Employee Benefit Authority, it is anticipated that the School District’s share of the net pension liability associated with this Plan will decrease the School District’s beginning net position by approximately \$36,926,000. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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.

Supplementary Information

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*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2014 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* in considering the School District’s internal control over financial reporting and compliance.



Greene, Finney & Horton, LLP
Mauldin, South Carolina
November 10, 2014

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2014

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, 2014. The intent of this discussion and analysis is to present the School District's financial performance as a whole; readers should also review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2014 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 financial statements.
- The assets of the School District exceeded its liabilities at the close of the most recent fiscal year by approximately \$18.3 million. Of this amount, approximately \$3.3 million may be used to meet the School District's ongoing obligations to citizens and creditors (unrestricted Net Position).
- The School District's total Net Position decreased by approximately \$1.9 million. This decrease is primarily due to the expenditures on technology 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 \$8.7 million, an increase of approximately \$2.7 million from the prior year ending fund balance, which is primarily attributable unspent debt proceeds and the results of operations in the Debt Service funds. Approximately 33% of the total fund balance amount (unassigned fund balance), or approximately \$2.9 million, is available for spending at the government's discretion.
- At the end of the current fiscal year unassigned fund balance for the General Fund was approximately \$2.9 million, which was approximately 11% of General Fund expenditures.
- The School District's total net capital assets increased by approximately \$0.9 million (3.0%) during the current fiscal year. Key factors in this increase were the School District's expenditures for equipment and building upgrades of approximately \$2.1 million partially offset by depreciation expense of approximately \$1.2 million.
- The School District's total long term obligations increased by approximately \$5.0 million (28.3%) during the current fiscal year primarily due to new debt that was issued which was approximately \$6.2 million partially offset by regularly scheduled principal payments of approximately \$1.2 million.
- During 2014, the School District's governmental activities type revenues were approximately \$33.8 million compared to \$33.1 million in the prior year. This increase of approximately 2% was primarily due to an increase in property tax revenues.
- The School District had approximately \$35.6 million in expenses related to governmental activities; approximately \$15.4 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues of approximately \$18.3 million provided remaining funding for these programs.
- The School District implemented GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities*" ("GASB #65" or "Statement") in the year ended June 30, 2014. GASB #65 establishes accounting and financial reporting standards that require reclassification, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement supplements and extends the reach of GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*", which was adopted by the School District in the year ended June 30, 2013. The School District's only former financial statement item that was affected by the implementation of GASB #65 was its deferred revenue liability (for unavailable – property taxes) in its balance sheet – governmental funds. Under this Statement, deferred revenue that is not available or deferred revenue that is received by a government but is applicable to a future year should no longer be shown as a liability but will be reclassified and shown as a component of deferred inflows of resources.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2014

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

The *Statement of Activities* presents information showing how the School District's Net Position changed during the most recent fiscal year. All changes in Net Position 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 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 financial statements can be found as listed in the table of contents of this report.

Fund Financial Statements. The remaining financial statements are *fund 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2014

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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 fiduciary fund financial statement can be found as listed in the table of contents of this report.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2014

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Figure A-1 Major Features of the School District's Government-Wide and Fund Financial Statements			
	Government-Wide Financial Statements	Fund 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 financial statements	<ul style="list-style-type: none"> ▪ Statement of Net Position ▪ 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 balance sheet information	All balance sheet types - both financial and capital, and short-term and long-term	Only assets and deferred outflows of resources (if any) that are expected to be used and liabilities and deferred inflows of resources (if any) that come due during the year or soon, thereafter. No capital assets or long-term debt are 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, 2014

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, Net Position may serve over time as a useful indicator of a government's financial position. In the case of the School District, assets exceeded liabilities by approximately \$18.3 million at the close of the most recent fiscal year.

Table 1 provides a summary of the School District's Net Position for 2013 and 2014:

Table 1
Net Position

	Governmental Activities	
	2014	2013
Assets		
Current and Other Assets	\$ 14,099,875	\$ 9,750,507
Capital Assets, Net	31,928,467	31,008,406
Total Assets	<u>46,028,342</u>	<u>40,758,913</u>
Liabilities		
Other Liabilities	5,134,260	2,954,705
Long-Term Liabilities	22,632,888	17,635,137
Total Liabilities	<u>27,767,148</u>	<u>20,589,842</u>
Net Position		
Net Investment in Capital Assets	13,100,583	15,134,859
Restricted	1,841,062	1,141,633
Unrestricted	3,319,549	3,892,579
Total Net Position	<u>\$ 18,261,194</u>	<u>\$ 20,169,071</u>

The School District's current and other assets at June 30, 2014 increased by approximately \$8,349,000 from the prior year, attributable primarily to higher cash balances on hand at June 30, 2014. The School District's capital assets at June 30, 2014 increased by approximately \$0.9 million from the prior year. The increase was primarily due to additions of \$2.1 million, partially offset by depreciation expense of approximately \$1.2 million. Total liabilities at June 30, 2014 increased by approximately \$7.2 million from the prior year which was primarily due to increases in long term liabilities and increased accounts payable balances at year end.

The School District's Net Position decreased by approximately \$1.9 million during 2014 which is primarily due to technology purchases and capital projects that were completed.

In the case of the School District, assets exceeded liabilities by approximately \$18.3 million at the close of the most recent fiscal year. By far the largest portion of the School District's Net Position (\$13.1 million or 72%) 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, 2014

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

An additional portion of the School District's Net Position of approximately \$1.9 million (10%) represents resources that are subject to external restrictions on how they may be used. These Net Position 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 position of approximately \$3.3 million (18%) which may be used to meet the government's ongoing obligations to citizens and creditors.

Table 2 shows the changes in Net Position for fiscal year 2013 and 2014:

Table 2
Changes in Net Position

Revenues	Governmental Activities	
	2014	2013
Program Revenues:		
Charges for Services	\$ 1,470,969	\$ 1,506,738
Operating Grants	13,919,180	14,192,437
General Revenue:		
Property Taxes	13,626,323	12,808,919
Other	4,659,120	4,548,953
Total Revenues	33,675,592	33,057,047
Program Expenses		
Instruction	16,658,708	16,836,952
Support Services	17,147,270	15,942,920
Community Services	117,141	108,892
Intergovernmental	335,035	160,331
Interest and Fiscal Charges	1,325,315	816,182
Total Program Expenses	35,583,469	33,865,277
Change in Net Position	(1,907,877)	(808,230)
Net Position, Beginning of Year	20,169,071	20,977,301
Net Position, End of Year	\$ 18,261,194	\$ 20,169,071

Governmental Activities. Governmental activities decreased the School District's Net Position from 2013 to 2014 by approximately \$1.9 million or approximately 9%. Key elements that impacted the change in Net Position for 2014 are as follows:

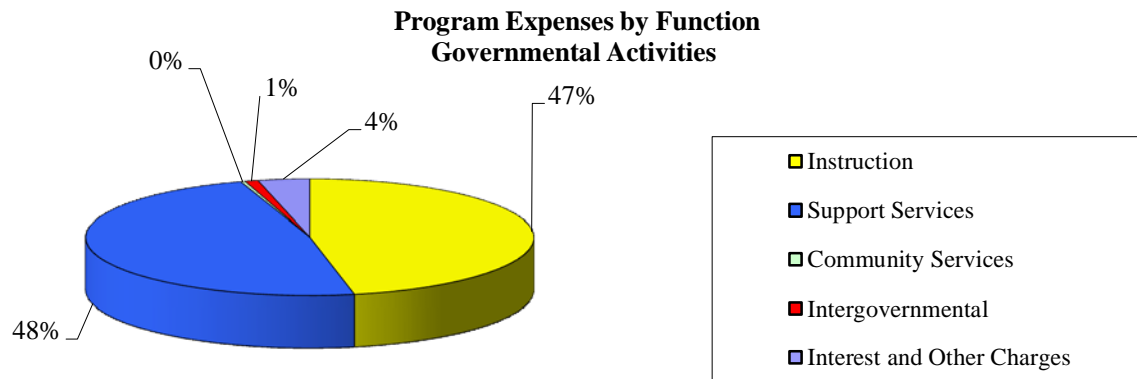
- A decrease in instruction expenditures of approximately \$0.2 million.
- An increase in support services expenditures of approximately \$1.2 million.
- An increase in interest and fiscal charges of approximately \$0.5 million.
- An increase in property taxes of approximately \$0.8 million.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2014

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, 2014, the School District's governmental funds reported a combined fund balance of approximately \$8.7 million, as compared to \$6.0 million for the prior year. The difference is primarily due to unspent bond proceeds in the capital projects fund and the results of operations in the debt service fund. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At June 30, 2014, the School District's unassigned fund balance for all governmental funds was approximately \$2.9 million. The remaining amount of approximately \$5.8 million is primarily assigned, restricted or nonspendable 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 \$2.9 million. The fund balance for the General Fund decreased by approximately \$0.1 million (4%) during fiscal year 2014.

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 \$23,000.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2014

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 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 increased by approximately \$678,000 from the prior year's balance primarily due to revenues being higher than the required debt service for the year. The fund balance at June 30, 2014 was approximately \$844,000 which is restricted for the payment of debt service. The fund balance for the Debt Service – EFC Fund remained flat and was approximately \$1.09 million at June 30, 2014 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 increased by approximately \$2,000,000 in 2014 to approximately \$2.4 million at June 30, 2014. The fund balances for the Capital Projects – EFC Fund remained relatively flat at approximately \$0.4 million at June 30, 2014. 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 2014, no amendments to the School District's General Fund revenue or expense budgets were made. However, authority was sought and granted for transfers of unassigned fund balance for use on one to one technology purchases. Key highlights are as follows:

- Local taxes were collected at 96% of assessed valuation and 100% of budget, due to more accurate exemption data on owner occupied real estate. Overall, there was a surplus of local revenue collections of approximately \$621,683 due mostly to these circumstances and a significant amount of non-budgeted revenue recorded in the General Fund.
- State revenues were collected at a slight deficit of \$40,669 due mostly to an over-budgeted estimate of state allocations for employer contributions and a mid-year adjustment of Education Finance Act appropriations due to increased state enrollment, partially offset by a positive difference in Act 388 revenue lines.
- There were no mid-year reductions in appropriated state funds outside of the aforementioned adjustment in the EFA appropriation.
- The General Fund expenditure budget variance was less than .01% while revenues were collected in excess of budget by 2.3%. Authorized transfers to the Technology Fund resulted in a net reduction in fund balance of \$135,709, resulting in an undesignated fund balance of 11.7% of the operating budget.
- Enrollment experienced a 2.3% decline, from 2,824 in fiscal year 2013 to 2,759 in fiscal year 2014, 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 2014, the School District's capital assets were approximately \$31.9 million, net of accumulated depreciation. The total increase in the School District's net capital assets was approximately \$0.9 million, or approximately 3%. Major capital asset events during the current fiscal year included:

- Depreciation expense of approximately \$1.2 million.
- Equipment purchases and building upgrades added approximately \$2.1 million.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2014

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Continued)

Table 3 shows fiscal 2014 and 2013 capital asset balances:

Table 3
Capital Assets

	Governmental Activities	
	June 30, 2014	June 30, 2013
Land	\$ 377,528	\$ 377,528
Construction in Progress	1,957,718	-
Building and Improvements	56,008,139	56,008,139
Machinery and Equipment	2,055,357	1,920,810
Less: Accumulated Depreciation	(28,470,275)	(27,298,071)
Totals	<u>\$ 31,928,467</u>	<u>\$ 31,008,406</u>

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

Debt Administration

As shown in Table 4, the School District had outstanding long-term obligations of approximately \$22.6 million and \$17.6 million as of June 30, 2014 and 2013, respectively. The School District made principal payments on debt and lease purchase obligations in 2014 of approximately \$1.2 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, 2014	June 30, 2013
Debt:		
2006 Installment Purchase Revenue Bonds	\$ 15,055,000	\$ 15,640,000
2009B GOB	60,000	115,000
2010A GOB QSCB	720,000	840,000
2012B GOB	502,000	983,000
2013 Performance Equipment Lease	6,242,000	-
Premium on Installment Purchase Revenue Bonds	53,888	57,137
	<u>\$ 22,632,888</u>	<u>\$ 17,635,137</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, 2014, was approximately \$4.5 million of which the School District had approximately \$1.3 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, 2014

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 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 290,969, 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 taxpayers in Spartanburg County School District Three ("District Three") include RR Donnelley & Sons, a catalog printing and binding firm; Duke Energy, a utility company; Auriga Polymers, Inc., a polymer & resin firm which purchased the former Invista SARL; BASF, a surfactants manufacturer; and Johns Manville, a producer of engineered products. Together, these industries account for over 29% of the assessed valuation in fiscal year 2014 for District Three.

FY 15 BUDGET

Many factors were considered by the School District's administration during the process of developing the fiscal year 2014-15 General Fund budget, which is balanced without using reserve funds. The most significant increase in local revenue came from a \$300,000 boost in Fee in Lieu of Taxes, resulting from additional investment at several of our larger taxpayers, the most material being that of Auriga Fibers. The most significant change in revenue this fiscal year, however, will be changes in the weightings in the Education Finance Act (EFA) formula. The weightings for the "general" categories of Primary, Elementary, and High School have all been set back to 1.0, to match the elementary weighting, and add-on weightings have been included for gifted and high poverty students, among others. These changes resulted in an increase in EFA funding of about \$462,000. However, incidental to the addition of the add-on weightings, two of the larger blocks of Education Improvement Act funding have been re-routed and thus represent a revenue loss in those categories. The net effect of the increases in EFA and decreases in EIA produced about \$94,000 in additional net revenue, although gross revenue increased by about \$860,500.

The increase in revenue was primarily utilized to fund the \$367,000 in expenditures from the Education Improvement Act that were moved to the General Fund along with their funding source, as explained above. Salary increases were provided for all employees qualifying for a longevity step. There was no Cost of Living (COLA) increase budgeted. The negotiated salary reductions for retirees remain in effect for budget year 2014-15, and has since been codified into law. The budget also provides for increases in employee benefits, one additional teaching position due to enrollment projections, and an additional School Resource Officer, as well as several minor line item adjustments.

The School District's top goals continue to be improvement of academic achievement and continuation of its capital improvements and one to one technology initiative, while minimizing the impact to the classroom of a budgetary climate which remains austere. There have been no announced reductions in state funding subsequent to the adoption of the fiscal year 2014-15 budget. Due to the relatively 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 monitoring, and budget amendments, the School District's overall operations and financial position will not be compromised.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2014

FY 15 BUDGET (CONTINUED)

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. Even assuming continued 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.

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.

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

STATEMENT OF NET POSITION

JUNE 30, 2014

	PRIMARY GOVERNMENT Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 6,798,353
Cash and Cash Equivalents, Restricted	4,173,813
Investments, Restricted	1,325,164
Cash and Investments Held by County Treasurer	620
Property Taxes Receivable, Net	520,187
Accounts Receivable, Net	26,395
Due from Other Governments	1,180,971
Inventories and Prepaid Items	74,372
Capital Assets:	
Non-Depreciable	2,335,246
Depreciable, Net	29,593,221
TOTAL ASSETS	46,028,342
LIABILITIES	
Accounts Payable	3,442,484
Accrued Salaries, Fringe & Benefits	1,233,625
Accrued Interest Payable	176,166
Retainage Payable	118,502
Unearned Revenue	163,483
Non-Current Liabilities:	
Due Within One Year	2,102,000
Due in More than One Year	20,530,888
TOTAL LIABILITIES	27,767,148
NET POSITION	
Net Investment in Capital Assets	13,100,583
Restricted For:	
Debt Service	745,080
Special Revenue	625,437
Food Service	470,545
Unrestricted	3,319,549
TOTAL NET POSITION	\$ 18,261,194

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

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

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

FUNCTIONS/PROGRAMS		PROGRAM REVENUES			(EXPENSE) REVENUE AND CHANGE IN NET POSITION
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
PRIMARY GOVERNMENT:	Expenses				
Governmental Activities:					
Instruction	\$ 16,658,708	10,150	8,920,875	-	\$ (7,727,683)
Support Services	17,147,270	1,460,819	4,998,305	-	(10,688,146)
Community Services	117,141	-	-	-	(117,141)
Intergovernmental	335,035	-	-	-	(335,035)
Interest and Other Charges	1,325,315	-	-	-	(1,325,315)
Total Governmental Activities	35,583,469	1,470,969	13,919,180	-	(20,193,320)
TOTAL PRIMARY GOVERNMENT	\$ 35,583,469	1,470,969	13,919,180	-	(20,193,320)
GENERAL REVENUES:					
Property Taxes Levied for General Purposes					10,862,116
Property Taxes Levied for Debt Service					2,764,207
State Revenue in Lieu of Taxes					4,100,803
Other Taxes					119,169
Investment Earnings					102,368
Intergovernmental Revenue - Not Restricted to Specific Programs					84,488
Miscellaneous					252,292
TOTAL GENERAL REVENUES					18,285,443
CHANGE IN NET POSITION					(1,907,877)
NET POSITION - Beginning of Year					20,169,071
NET POSITION - Ending of Year					\$ 18,261,194

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

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

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2014

	GENERAL	SPECIAL REVENUE	SPECIAL REVENUE - EIA
ASSETS			
Cash and Cash Equivalents	\$ 6,109,369	-	-
Cash and Cash Equivalents, Restricted	-	-	-
Investments, Restricted	-	-	-
Cash and Investments Held by County Treasurer	-	-	-
Receivables, Net:			
Taxes	429,066	-	-
Accounts	255,879	-	3,201
Due From:			
County Treasurer	137,095	-	-
State Agencies	258,967	23,362	173,543
Federal Agencies	-	517,136	-
Other Funds	3,356,198	632,069	65,089
Other Governments	780	-	-
Prepaid Items	74,372	-	-
TOTAL ASSETS	\$ 10,621,726	1,172,567	241,833
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts Payable	\$ 2,612,857	-	-
Accounts Payable - Daniel Morgan Technology Center	717,910	-	-
Accrued Salaries, Fringe & Benefits	1,233,625	-	-
Retainage Payable	-	-	-
Due To:			
Other Funds	2,733,781	511,839	117,645
Unearned Revenue	4,004	35,291	124,188
TOTAL LIABILITIES	7,302,177	547,130	241,833
Deferred Inflows of Resources:			
Unavailable Revenue - Property Taxes	394,843	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	394,843	-	-
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	7,697,020	547,130	241,833
FUND BALANCES:			
Fund Balances			
Nonspendable:			
Prepaid Items	74,372	-	-
Restricted for:			
Debt Service	-	-	-
Capital Projects	-	-	-
Special Revenue	-	625,437	-
Food Service	-	-	-
Unassigned	2,850,334	-	-
TOTAL FUND BALANCES	2,924,706	625,437	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 10,621,726	1,172,567	241,833

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

SPECIAL REVENUE - FOOD SERVICE	DEBT SERVICE	DEBT SERVICE - EFC	CAPITAL PROJECTS	CAPITAL PROJECTS - EFC	TOTAL GOVERNMENTAL FUNDS
688,984	-	-	-	-	\$ 6,798,353
-	-	70,952	4,071,396	31,465	4,173,813
-	-	1,319,855	-	5,309	1,325,164
-	620	-	-	-	620
-	91,121	-	-	-	520,187
2,598	-	-	-	-	261,678
-	29,691	-	-	-	166,786
40,397	-	-	-	-	496,269
-	-	-	-	-	517,136
8,946	1,149,986	-	251,537	421,997	5,885,822
-	-	-	-	-	780
-	-	-	-	-	74,372
740,925	1,271,418	1,390,807	4,322,933	458,771	\$ 20,220,980
-	347,000	-	-	-	\$ 2,959,857
-	-	-	-	-	717,910
-	-	-	-	-	1,233,625
-	-	-	118,502	-	118,502
270,380	3,172	421,997	1,762,444	64,564	5,885,822
-	-	-	-	-	163,483
270,380	350,172	421,997	1,880,946	64,564	11,079,199
-	77,381	-	-	-	472,224
-	77,381	-	-	-	472,224
270,380	427,553	421,997	1,880,946	64,564	11,551,423
-	-	-	-	-	74,372
-	843,865	968,810	-	-	1,812,675
-	-	-	2,441,987	394,207	2,836,194
-	-	-	-	-	625,437
470,545	-	-	-	-	470,545
-	-	-	-	-	2,850,334
470,545	843,865	968,810	2,441,987	394,207	8,669,557
740,925	1,271,418	1,390,807	4,322,933	458,771	\$ 20,220,980

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

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

JUNE 30, 2014

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 8,669,557
Amounts reported for the governmental activities in the Statement of Net Position 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 unavailable in the funds.	472,224
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 \$60,398,742 and the accumulated depreciation was \$28,470,275.	31,928,467
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.	(176,166)
Long-term liabilities, including bonds and note payable, 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 Note Payable-Lease Purchase)	(22,579,000)
Long-Term Premium	(53,888)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$ 18,261,194

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's 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, 2014

	GENERAL	SPECIAL REVENUE	SPECIAL REVENUE - EIA
REVENUES			
Local Sources:			
Taxes	\$ 10,857,193	-	-
Investment Earnings	4,204	-	-
Other Local Sources	310,190	285,987	-
State Sources	13,567,622	268,094	2,212,899
Federal Sources	-	1,585,633	-
Intergovernmental Revenue	84,488	-	-
TOTAL REVENUE ALL SOURCES	24,823,697	2,139,714	2,212,899
EXPENDITURES			
Current:			
Instruction	13,651,666	1,394,245	1,082,426
Support Services	11,013,357	631,701	532,783
Community Services	-	117,141	-
Intergovernmental	101,698	2,548	28,901
Capital Outlay	107,629	10,389	-
Debt Service:			
Principal Retirement	-	-	-
Interest and Fiscal Charges	9,067	-	-
Other Charges	-	-	-
TOTAL EXPENDITURES	24,883,417	2,156,024	1,644,110
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(59,720)	(16,310)	568,789
OTHER FINANCING SOURCES (USES)			
Premium	-	-	-
Note Payable - Lease Purchase	-	-	-
Transfers In	668,789	99,541	-
Transfers Out	(744,778)	-	(568,789)
TOTAL OTHER FINANCING SOURCES (USES)	(75,989)	99,541	(568,789)
NET CHANGE IN FUND BALANCES	(135,709)	83,231	-
FUND BALANCES, Beginning of Year	3,060,415	542,206	-
FUND BALANCES, End of Year	\$ 2,924,706	625,437	-

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

See accompanying independent auditor's report.

SPECIAL REVENUE - FOOD SERVICE	DEBT SERVICE	DEBT SERVICE - EFC	CAPITAL PROJECTS	CAPITAL PROJECTS - EFC	TOTAL GOVERNMENTAL FUNDS
-	2,606,733	-	-	-	\$ 13,463,926
-	-	98,163	-	1	102,368
278,909	-	-	5,128	-	880,214
-	268,488	-	-	-	16,317,103
1,197,019	36,728	-	-	-	2,819,380
162	-	-	-	-	84,650
1,476,090	2,911,949	98,163	5,128	1	33,667,641
-	-	-	-	-	16,128,337
1,334,063	-	-	271,557	6,123	13,789,584
-	-	-	-	-	117,141
-	-	-	201,888	-	335,035
18,605	-	-	4,565,495	-	4,702,118
-	656,000	585,000	-	-	1,241,000
-	103,449	706,369	-	-	818,885
-	-	4,000	-	-	4,000
1,352,668	759,449	1,295,369	5,038,940	6,123	37,136,100
123,422	2,152,500	(1,197,206)	(5,033,812)	(6,122)	(3,468,459)
-	7,151	-	-	-	7,151
-	-	-	6,242,000	-	6,242,000
-	-	1,229,721	791,555	436	2,790,042
(100,000)	(1,482,039)	(436)	-	-	(2,896,042)
(100,000)	(1,474,888)	1,229,285	7,033,555	436	6,143,151
23,422	677,612	32,079	1,999,743	(5,686)	2,674,692
447,123	166,253	936,731	442,244	399,893	5,994,865
470,545	843,865	968,810	2,441,987	394,207	\$ 8,669,557

**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, 2014

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ 2,674,692**

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.	1,241,000
Bonds, note payables, and lease purchase financing proceeds provide current financial resources to governmental funds, but issuing debt or entering into lease purchasing financing increases long-term liabilities in the Statement of Net Position.	(6,242,000)
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.	13,078
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. This is the change in accrued interest for the year.	(92,991)
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
Bond issuance costs are expenditures the year they are incurred in governmental funds; the previously capitalized and unamortized balance was written off for the government-wide financial statements during the year ended June 30, 2014.	(424,966)
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 (\$2,092,265) exceeded depreciation expense (\$1,172,204) in the current year.	920,061

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ (1,907,877)**

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

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

STATEMENT OF ASSETS AND LIABILITIES

FIDUCIARY FUND

JUNE 30, 2014

	AGENCY
ASSETS	
Cash and Cash Equivalents	\$ 147,507
Receivables	142,234
TOTAL ASSETS	<u>\$ 289,741</u>
LIABILITIES	
Accounts Payable	\$ 245,432
Due to Student Organizations	44,309
TOTAL LIABILITIES	<u>\$ 289,741</u>

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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 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.

As required by GAAP, the financial statements must present the School District's financial information with any of its component units. The primary criterion for determining inclusion or exclusion of a legally separate entity (component unit) is financial accountability, which is presumed to exist if the 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 and there is a potential that the entity could either provide specific financial benefits to, or to impose specific financial burdens on the School District.

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

Blended component units, although legally separate entities, are in substance, part of the government's operations and data from these units are combined with data of the primary government in the fund financial statements. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide 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 FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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 financial statements. Separate financial information for the EFC is included in individual columns throughout the financial statements. Separate financial statements for the EFC are not issued.

Related Entities: These 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 financial statements.

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

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

SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The School District implemented GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities*" ("GASB #65" or "Statement") in the year ended June 30, 2014. GASB #65 establishes accounting and financial reporting standards that require reclassification, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement supplements and extends the reach of GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*", which was adopted by the School District in the year ended June 30, 2013. The School District's deferred revenue liability (for unavailable property taxes) in its governmental funds Balance Sheet was affected by the implementation of GASB #65, as deferred items that are not available are no longer shown as a liability but are now reclassified and shown as a component of deferred inflows of resources.

Also under GASB #65, all bond issuance costs, excluding those related to prepaid insurance costs, are to be expensed in the period incurred rather than capitalized. Any such unamortized bond issuance costs that were incurred and capitalized in a previous year should be written off by a cumulative adjustment to beginning net position. Accordingly, for its government-wide statements, the School District wrote off approximately \$425,000 in previously capitalized and unamortized bond issuance costs during the year ended June 30, 2014, however this was not deemed material to record as a cumulative adjustment to beginning net position.

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

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

When both restricted and unrestricted resources are available for use, it is the 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.

SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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:

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, 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 FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Investments (Continued)

- (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 FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, 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 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 position.

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 Position but are not reported in the fund 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 FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, 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 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 financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, 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 financial statements until due and payable.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Position. Bond premiums 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 is included in interest expense. Bond premiums are included with bonds payable and other long-term obligations. Issuance costs are expensed.

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.

7. *Deferred Outflows / Inflows of Resources*

In addition to assets, the statement of net position (government-wide) and the balance sheet (governmental funds) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The School District currently does not report any types of deferred outflows of resources.

SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. *Deferred Outflows / Inflows of Resources (Continued)*

In addition to liabilities, the statement of net position (government-wide) and the balance sheet (governmental funds) will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The School District currently has one type of deferred inflows of resources, which arises only under the modified accrual basis of accounting. This item, *unavailable revenue*, is reported only in the governmental funds balance sheet; it is deferred and recognized as an inflow of resources (revenues) in the period the amounts become available.

8. *Fund Balance*

In accordance with GASB Statement No. 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.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. Fund Balance (Continued)

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.

9. Net Position

Net Position represents the difference between assets and liabilities in the Statement of Net Position. Net Position is classified as net investment in capital assets; restricted; and unrestricted. Net investment in capital assets 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 position component as the unspent proceeds. Net Position is 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.

10. 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.

11. Accounting Estimates

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

12. 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.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

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.

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, 2014, approximately \$3,821,000 of the School District's total bank balances (including Pupil Activity) of approximately \$10,099,000 (with a carrying value of approximately \$9,766,000) we're exposed to custodial credit risk as this amount was not collateralized.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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

A. Deposits and Investments (Continued)

Investments

As of June 30, 2014, 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 ^	\$ 1,282,783	\$ 1,282,783
Federal Home Loan Bank Note	AA+, Aaa	1,319,855	1,319,855
Government Money Market Funds	AAAm, Aaa-mf	76,260	76,260
Total		<u>\$ 2,678,898</u>	<u>\$ 2,678,898</u>

* Credit Ratings are from Standard & Poors and Moody's, respectively

^ 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.

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, 2014, 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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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

B. Property Taxes and Other Receivables (Continued)

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, 2014, the operating and debt service millage rates were 227.9 mills (227.9 mills in the prior year) and 45.7 mills (37.1 mills in the prior year), respectively, based on an assessed value of approximately \$57.0 million for the School District.

On the government-wide and fund financial statements, taxes receivable are approximately \$520,000 (net of an allowance for uncollectibles of approximately \$520,000) at June 30, 2014. Allowances for uncollectibles were not necessary for the other receivable accounts.

Delinquent property taxes of approximately \$34,000 for operations and approximately \$14,000 for Debt Service have been recognized as revenue at June 30, 2014, because they were collected within sixty days after year end and are considered measurable and available.

C. Deferred Inflows and Unearned Revenues

Governmental funds report deferred inflows and unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Also, both the government-wide financial statements and governmental funds do not recognize revenue in connection with resources that have been received, but not yet earned. At June 30, 2014, the various components of deferred inflows and unearned revenue were as follows:

Deferred Inflows:

Delinquent Property Taxes Receivable (General Fund)	\$	394,843
Delinquent Property Taxes Receivable (Debt Service Fund)		77,381
Total Deferred Inflows for Governmental Funds	\$	<u>472,224</u>

Unearned Revenues:

Revenue Collected, but Unearned - Prepaid Tuition (General Fund)	\$	4,004
Revenue Collected, but Unearned (Special Revenue and EIA Funds)		159,479
Total Unearned Revenues for both Government-wide Financial Statements and Governmental Funds	\$	<u>163,483</u>

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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

D. Interfund Receivables and Payables

Interfund receivables and payables at June 30, 2014 (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	\$ 3,356,198	\$ 2,733,781
Special Revenue Fund	632,069	511,839
Special Revenue - EIA Fund	65,089	117,645
Special Revenue - Food Service Fund	8,946	270,380
Debt Service Fund	1,149,986	3,172
Debt Service EFC Fund	-	421,997
Capital Projects Fund	251,537	1,762,444
Capital Projects EFC Fund	421,997	64,564
Total	<u>\$ 5,885,822</u>	<u>\$ 5,885,822</u>

All cash activities are recorded in the General Fund, and as a result, receivable 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 Debt Service Fund, and building project costs.

E. Transfers In and (Out)

Transfers from (to) other funds for the year ended June 30, 2014 consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Governmental Funds:</u>		
General Fund	\$ 668,789	\$ 744,778
Special Revenue Fund	99,541	-
Special Revenue - EIA Fund	-	568,789
Special Revenue - Food Service	-	100,000
Debt Service Fund	-	1,482,039
Debt Service Fund - EFC	1,229,721	436
Capital Projects Fund	791,555	-
Capital Projects Fund - EFC	436	-
<u>Fiduciary Funds:</u>		
Agency Fund	106,000	-
Totals	<u>\$ 2,896,042</u>	<u>\$ 2,896,042</u>

The funds transferred from the General Fund to the pupil activity funds were to cover the School District's activity costs. Approx. \$1.23 million was transferred from the Debt Service Fund to the EFC Debt Service Fund served to set up a debt service reserve fund in compliance with the EFC Installment Purchase and Use Agreement. 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 FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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

F. Capital Assets

Capital asset activity for the School District for the year ended June 30, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Non-Depreciable:				
Land	\$ 377,528	-	-	\$ 377,528
Construction in Progress	-	1,957,718	-	1,957,718
Total Capital Assets, Non-Depreciable	<u>377,528</u>	<u>1,957,718</u>	<u>-</u>	<u>2,335,246</u>
Capital Assets, Depreciable:				
Buildings and Improvements	56,008,139	-	-	56,008,139
Machinery and Equipment	1,920,810	134,547	-	2,055,357
Total Capital Assets, Depreciable	<u>57,928,949</u>	<u>134,547</u>	<u>-</u>	<u>58,063,496</u>
Less: Accumulated Depreciation for:				
Buildings and Improvements	25,926,187	1,037,063	-	26,963,250
Machinery and Equipment	1,371,884	135,141	-	1,507,025
Total Accumulated Depreciation	<u>27,298,071</u>	<u>1,172,204</u>	<u>-</u>	<u>28,470,275</u>
Total Capital Assets, Depreciable, Net	<u>30,630,878</u>	<u>(1,037,657)</u>	<u>-</u>	<u>29,593,221</u>
Governmental Activities Capital Assets, Net	<u>\$ 31,008,406</u>	<u>920,061</u>	<u>-</u>	<u>\$ 31,928,467</u>

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

Governmental Activities:	
Instruction	\$ 597,824
Support Services	574,380
Total Depreciation Expense - Governmental Activities	<u>\$ 1,172,204</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 FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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

G. Short-Term Obligations

In March 2013, the School District issued a \$360,000 general obligation bond ("2013A GOB") at a rate of 1.5% for the principal portion of the debt service on the Installment Purchase Revenue Bonds. The School District repaid the 2013A GOB in March 2014 for approximately \$365,000 (including interest). In September 2013, the School District issued a \$1,138,000 general obligation bond ("2013B GOB") at a rate of 1.0% for the principal portion of the debt service on the Installment Purchase Revenue Bonds. The School District repaid the 2013B GOB in March 2014 for approximately \$1,143,000 (including interest). In March 2014 the District issued a \$347,000 general obligation bond ("2014A GOB") at a rate of 1.0 % for the principal portion of the debt service on the Installment Purchase Revenue Bonds. The School District will repay the 2014A SCAGO in March of 2015 for approximately \$350,000 (including interest). In July 2013, the School District issued a \$2,352,000 tax anticipation note ("2013 TAN") at a rate of 0.16% to help cover current operating needs. The School District drew down \$2,350,000 that was subsequently repaid in March 2014 for approximately \$2,367,000 (including interest). Following is a summary of the changes in the School District short-term obligations for the year ended June 30, 2014:

Short-Term Obligation	Beginning Balance	Additions	Reductions	Ending Balance
2013A GO Bonds	\$ 360,000	-	360,000	\$ -
2013B GO Bonds	-	1,138,000	1,138,000	-
2014A GO Bonds	-	347,000	-	347,000
2013 Tan	-	2,350,000	2,350,000	-
Total	<u>\$ 360,000</u>	<u>3,835,000</u>	<u>3,848,000</u>	<u>\$ 347,000</u>

H. 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. The Acquisition, Use and Security Agreement ("AUSE") Note Payable – Lease Purchase is an obligation of the School District payable from the general revenues of the School District or from the proceeds of general obligation debt; it is secured by the equipment acquired and constructed from the proceeds of this agreement. The full faith, credit and taxing powers of the School District are not pledged for the payment of the AUSE nor the interest thereon.

General obligation, installment purchase revenue bonds, and lease purchase obligations outstanding at June 30, 2014, were comprised of the following:

2006 IPRB: 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 was recorded and is being amortized over the life of the bonds. The unamortized premium at June 30, 2014 was \$53,888. The proceeds were used for various capital projects at various locations.

2009B GOB: 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.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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

H. 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 Middle.
- 2012B GOB: Original issue of \$2,585,000, due in annual installments of \$481,000 to \$1,602,000; interest at 4.0% paid semiannually, with a final maturity date in September 2015.
- 2013 Note Payable –
Lease Purchase –AUSE: Original Issue of \$6,242,000 in November 2013, due in annual installments of \$244,000 to \$810,000; interest at 2.695% paid annually, with a final maturity date in December 2028. The School District may prepay the outstanding balance in whole (not in part) at 102% of the outstanding balance. The proceeds are being used to provide financing for the acquisition, construction and installation of energy efficiency improvements and technology equipment. The AUSE is secured by the equipment being acquired or constructed. Repayments are subject to annual appropriation of funds by the School District's Board of Trustees. The outstanding balance is not subject to the School District's constitutional debt limit. The School District will have the option of making annual payments from General Fund revenues or from the proceeds of general obligation debt.

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 \$1,391,000 at June 30, 2014.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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

H. 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, 2014:

Long-Term Obligation	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Debt:					
2006 IPRB *	\$ 15,640,000	-	585,000	15,055,000	\$ 610,000
2009B GOB	115,000	-	55,000	60,000	60,000
2010A GOB QSCB	840,000	-	120,000	720,000	120,000
2012B GOB	983,000	-	481,000	502,000	502,000
2013 AUSE *	-	6,242,000	-	6,242,000	810,000
Total Debt:	17,578,000	6,242,000	1,241,000	22,579,000	2,102,000
Premium on IPRBs	57,137	-	3,249	53,888	-
Total Governmental Activities	\$ 17,635,137	6,242,000	1,244,249	22,632,888	\$ 2,102,000

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

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 debt are as follows:

Year Ending June 30	Debt		Total
	Principal	Interest	
2015	\$ 2,102,000	915,168	\$ 3,017,168
2016	1,221,000	829,536	2,050,536
2017	1,100,000	784,965	1,884,965
2018	1,054,000	742,366	1,796,366
2019	1,096,000	700,128	1,796,128
2020-2024	6,174,000	2,802,919	8,976,919
2025-2029	7,377,000	1,444,262	8,821,262
2030-2031	2,455,000	124,375	2,579,375
Total	\$ 22,579,000	8,343,719	\$ 30,922,719

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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

H. 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, 2014.

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, 2014 was approximately \$4,559,000. The School District had \$1,282,000 outstanding debt against this limit.

IV. OTHER INFORMATION

A. South Carolina Retirement System Retirement Plans

Full time employees of the District are covered under the South Carolina Retirement System ("SCRS"), a cost-sharing multiple-employer defined benefit pension plan. The SCRS was established by the South Carolina state legislature on July 1, 1945, for the benefit of teachers and employees of the State and its political subdivisions. The SCRS offers retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits, and survivor benefits. The Plan's provisions are established under Title 9 of the South Carolina Code of Laws and were originally administered by the South Carolina Budget and Control Board. Effective July 1, 2012, the South Carolina General Assembly transferred administration of the SCRS to the newly created South Carolina Public Employee Benefit Authority ("PEBA"). The PEBA has the authority to establish and amend benefits and funding policy. A comprehensive annual financial report containing financial statements and required supplementary information for the retirement benefits is issued and publicly available by writing to the South Carolina Public Employee Benefit Authority, 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.

Effective July 1, 2012, new hires will be subject to new rules brought about by South Carolina General Assembly action. Average final compensation for this group will be based on the member's five highest years of earnable compensation. Payments for unused annual leave are no longer used in the calculation of average final compensation, nor is service credit given for unused sick leave at retirement. Also for new hires after July 1, 2012, a member may retire only if the member has eight or more years of earned service (vesting), has reached the age of 65 (or age 60 with a 5 percent reduction for each year the member retires before age 65) or has satisfied the Rule of 90 as explained below, and has separated from service. Early retirement at age 55 with at least 25 years of service is no longer available for new hires after July 1, 2012.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

IV. OTHER INFORMATION (CONTINUED)

A. South Carolina Retirement System Retirement Plans (Continued)

The Rule of 90 states that age and years of service must add up to 90, with a minimum of 8 years of earned service. A member who is 56 years old, for example, and has at least 34 years of service, eight of which must be earned, would be eligible for normal retirement.

The employee required contribution rates to the SCRS plan were 7.50%, 7.00%, and 6.50% of covered salary for the years ended June 30, 2014, 2013, and 2012, respectively. The employer required contribution rates to the SCRS plan were 10.45%, 10.45 %, and 9.39% for the years ended June 30, 2014, 2013 and 2012, 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.

Employee required contribution rates to the State ORP were 7.50%, 7.00%, and 6.50% of covered salary for the years ended June 30, 2014, 2013, and 2012, respectively. The employer required contribution rates were 5.45%, 5.45%, 4.39% for the years ended June 30, 2014, 2013, and 2012 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) 4.92%, 4.55%, and 4.30% surcharge on payroll for retiree health and dental insurance and group life insurance benefit for their active participants for the years ended June 30, 2014, 2013, and 2012, respectively. All employers contribute at the actuarially required contribution rates.

The School District had total wages of approximately \$18,326,000, \$18,214,000, and \$17,889,000 for the years ended June 30, 2014, 2013, and 2012, respectively. The following is a summary of the School District's member wages and employee and employer contributions for the retirement plans:

<u>Year Ended June 30th</u>	<u>Member Wages</u>	<u>Employee Contributions</u>	<u>Employer Contributions</u>	<u>Total Contributions</u>
<u>SCRS</u>				
2014	\$ 17,200,140	1,289,501	2,671,954	\$ 3,961,455
2013	17,283,081	1,209,095	2,619,933	3,829,028
2012	\$ 16,969,581	1,103,041	2,349,122	\$ 3,452,163
<u>State ORP</u>				
2014	\$ 929,931	69,745	97,829	\$ 167,574
2013	915,916	64,114	92,965	157,079
2012	\$ 818,808	53,223	72,342	\$ 125,565

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

IV. OTHER INFORMATION (CONTINUED)

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 as a percent of covered payroll (4.92%, 4.55%, and 4.30% for 2014, 2013, and 2012, respectively) 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, 2014 was approximately \$873,000.

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.

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 and nonspendable portions of fund balance at June 30, 2014 as follows:

<u>Restricted, Assigned and Nonspendable</u>	<u>Fund</u>		<u>Amount</u>
Nonspendable for Prepaid Items	General Fund	\$	74,372
Restricted for Special Programs	Special Revenue		625,437
Restricted for Food Service	Special Revenue - Food Service		470,545
Restricted for Debt Service	Debt Service		843,865
Restricted for Debt Service	Debt Service - EFC		968,810
Restricted for Capital Projects	Capital Projects - EFC		394,207
Restricted for Capital Projects	Capital Projects	\$	2,441,987

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

IV. OTHER INFORMATION (CONTINUED)

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, 2014, approximately \$205,000 was recorded as General Fund expenditures for Career & Technical Education Tuition paid to the DMTC. In addition at June 30, 2014, there was approximately \$483,000 due to the DMTC and approximately \$20,000 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

38.2% of the School District's taxable assessed valuation for operations in 2013 is derived from taxable property owned by R.R. Donnelley & Sons, a catalog printing and binding firm; Duke Energy, a utility company; Auriga Polymers, Inc., a polymer & resin firm; BASF, a surfactants manufacturer; and Johns Manville, a producer of engineered products.

H. Construction Commitments

At June 30, 2014 the School District has outstanding commitments related to construction activities totaling approximately \$2,190,000.

I. Subsequent Events

Issuances of Debt

In September 2014, the School District issued its Series 2014B General Obligation Bonds in the amount of \$1,964,000 with a net effective rate of 0.09%. This debt issuance is due in full in March 2015. This was issued for the payments of the installment debt and for capital maintenance items.

In September 2014, the School District entered into a tax anticipation note ("TAN") for approximately \$2,601,000 at a net effective rate of 0.09% due in April 2015. In October the School District drew down \$1,200,000 of the available funds.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

IV. OTHER INFORMATION (CONTINUED)

J. Pending Implementation of GASB Statement on Pensions

GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions*" ("GASB 68"), which was issued by the Governmental Accounting Standards Board ("GASB") in June 2012, is required to be implemented by the School District for the fiscal year ended June 30, 2015. The primary objective of GASB 68 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 GASB 68 will provide citizens and other users of the financial statements with a clearer picture of the size and nature of the School District's financial obligations to current and former employees for past services rendered.

In particular, GASB 68 will require the School District to recognize a net pension liability (and related deferred outflows and inflows of resources) for its own pension plan and its participation in the SCRS plan on financial statements prepared on the economic resources measurement focus and accrual basis of accounting (i.e., the Statement of Net Position) and present more extensive note disclosures. It is anticipated that its implementation will not have a significant impact on the School District's governmental funds.

The School District has been in communications with the PEBA on the effect of implementing GASB 68. Based on recent information provided by PEBA, it is anticipated that the School District's net pension liability for its proportionate share of the net pension liability associated with the SCRS will decrease the School District's beginning unrestricted net position for the year ended June 30, 2015 by approximately \$36,926,000.

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

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

YEAR ENDED JUNE 30, 2014

	BUDGETED AMOUNTS		ACTUAL (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Local Sources:				
Taxes	\$ 10,544,904	10,544,904	10,857,193	\$ 312,289
Investment Earnings	5,000	5,000	4,204	(796)
Other Local Sources	-	-	310,190	310,190
Intergovernmental	102,200	102,200	84,488	(17,712)
State Sources	13,608,291	13,608,291	13,567,622	(40,669)
TOTAL REVENUE ALL SOURCES	24,260,395	24,260,395	24,823,697	563,302
EXPENDITURES				
Current:				
Instruction	14,066,975	14,066,975	13,651,666	415,309
Support Services	10,661,471	10,661,471	11,013,357	(351,886)
Intergovernmental	77,000	77,000	101,698	(24,698)
Capital Outlay	73,468	73,468	107,629	(34,161)
Debt Service:				
Interest and Fiscal Charges	8,000	8,000	9,067	(1,067)
TOTAL EXPENDITURES	24,886,914	24,886,914	24,883,417	3,497
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(626,519)	(626,519)	(59,720)	566,799
OTHER FINANCING SOURCES (USES)				
Transfers In	707,519	707,519	668,789	(38,730)
Transfers Out	(81,000)	(81,000)	(744,778)	(663,778)
TOTAL OTHER FINANCING SOURCES (USES)	626,519	626,519	(75,989)	(702,508)
NET CHANGE IN FUND BALANCES	-	-	(135,709)	(135,709)
FUND BALANCES, Beginning of Year	3,060,415	3,060,415	3,060,415	-
FUND BALANCES, End of Year	\$ 3,060,415	3,060,415	2,924,706	\$ (135,709)

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, 2014

	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
1000 Revenue from Local Sources:			
1100 Taxes:			
1110 Ad Valorem Taxes-Including Delinquent (Independent)	\$ 9,444,904	9,499,511	\$ 54,607
1200 Revenue from Local Governmental Units Other than LEAs:			
1280 Revenue in Lieu of Taxes (Independent and Dependent)	1,100,000	1,357,682	257,682
1300 Tuition:			
1310 From Patrons for Regular Day School	-	10,150	10,150
1500 Earnings on Investments:			
1510 Interest on Investments	5,000	4,204	(796)
1900 Other Revenue from Local Sources:			
1930 Medicaid	-	63,023	63,023
1990 Miscellaneous Local Revenue:			
1999 Revenue from Other Local Sources	-	237,017	237,017
Total Revenue from Local Sources	10,549,904	11,171,587	621,683
2000 Intergovernmental Revenue:			
2100 Payments from Other Governmental Units	102,200	84,488	(17,712)
Total Intergovernmental Revenue	102,200	84,488	(17,712)
3000 Revenue from State Sources:			
3100 Restricted State Funding:			
3130 Special Programs:			
3131 Handicapped Transportation	-	3,719	3,719
3160 School Bus Driver's Salary (Includes Hazardous Condition Transportation)	140,250	170,444	30,194
3162 Transportation Workers' Compensation	-	13,813	13,813
3165 Economic Education Development Act - Transportation	-	-	-
3180 Fringe Benefits Employer Contributions (No Carryover Provision)	2,686,535	2,583,823	(102,712)
3181 Retiree Insurance (No Carryover Provision)	699,344	783,310	83,966
3199 Other Restricted State Grants	-	391	391
3300 Education Finance Act:			
3310 Full-Time Programs:			
3311 Kindergarten	376,559	360,667	(15,892)
3312 Primary	987,685	961,579	(26,106)
3313 Elementary	1,544,238	1,415,632	(128,606)
3314 High School	722,670	727,560	4,890
3315 Trainable Mentally Handicapped	27,248	30,105	2,857
3316 Speech Handicapped (Part-Time Program)	392,408	336,748	(55,660)
3317 Homebound	14,726	15,425	699
3319 EFA Underpayment	-	-	-
3320 Part-Time Programs:			
3321 Emotionally Handicapped	113,250	116,800	3,550
3322 Educable Mentally Handicapped	37,389	38,863	1,474
3323 Learning Disabilities	853,699	860,256	6,557
3324 Hearing Handicapped	38,189	50,795	12,606
3325 Visually Handicapped	4,291	4,261	(30)
3326 Orthopedically Handicapped	20,436	16,304	(4,132)
3327 Vocational	\$ 884,715	886,068	\$ 1,353

(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, 2014

	FINAL BUDGET	ACTUAL	VARIANCE
3330 Other EFA Programs:			
3331 Autism	\$ 50,332	90,255	\$ 39,923
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	563,948	(20)
3825 Reimbursement for Property Tax Relief (Tier 3)	1,844,289	1,870,860	26,571
3827 \$2.5 Million Bonus	-	-	-
3830 Merchant's Inventory Tax	52,300	52,231	(69)
3840 Manufacturers Depreciation Reimbursement	440,000	497,797	57,797
3890 Other State Property Tax Revenues (Includes MC Vehicle Tax)	22,000	24,198	2,198
Total Revenue from State Sources	13,608,291	13,567,622	(40,669)
TOTAL REVENUE ALL SOURCES	24,260,395	24,823,697	563,302
EXPENDITURES			
100 Instruction:			
110 General Instruction:			
111 Kindergarten Programs:			
100 Salaries	748,540	761,587	(13,047)
200 Employee Benefits	286,105	285,079	1,026
400 Supplies and Materials	8,528	5,867	2,661
112 Primary Programs:			
100 Salaries	1,785,628	1,781,809	3,819
200 Employee Benefits	679,999	648,188	31,811
400 Supplies and Materials	22,369	21,627	742
600 Other Objects	2,800	2,800	-
113 Elementary Programs:			
100 Salaries	3,312,218	3,236,978	75,240
140 Terminal Leave	-	14,713	(14,713)
200 Employee Benefits	1,404,869	1,129,797	275,072
300 Purchased Services	6,790	6,428	362
400 Supplies and Materials	88,918	146,233	(57,315)
600 Other Objects	1,400	1,400	-
114 High School Programs:			
100 Salaries	2,550,910	2,554,787	(3,877)
200 Employee Benefits	921,892	873,011	48,881
300 Purchased Services	17,415	19,951	(2,536)
400 Supplies and Materials	64,027	80,018	(15,991)
500 Capital Outlay	-	1,166	(1,166)
600 Other Objects	700	700	-
115 Career and Technology Education Program:			
100 Salaries	70,260	70,441	(181)
200 Employee Benefits	26,435	26,179	256
300 Purchased Services - Other Than Tuition	217,000	205,209	11,791
120 Exceptional Programs:			
121 Educable Mentally-Handicapped:			
100 Salaries	51,678	51,228	450
200 Employee Benefits	21,576	21,379	197
400 Supplies and Materials	\$ 2,250	2,121	\$ 129

(Continued)

GENERAL FUND

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

YEAR ENDED JUNE 30, 2014

	FINAL BUDGET	ACTUAL	VARIANCE
122 Trainable Mentally Handicapped:			
100 Salaries	\$ 67,818	73,591	\$ (5,773)
200 Employee Benefits	23,873	16,670	7,203
126 Speech Handicapped:			
100 Salaries	168,506	168,506	-
200 Employee Benefits	64,167	53,624	10,543
400 Supplies and Materials	2,250	1,991	259
127 Learning Disabilities:			
100 Salaries	709,400	671,988	37,412
200 Employee Benefits	257,327	249,360	7,967
400 Supplies and Materials	2,250	2,171	79
128 Emotionally Handicapped:			
100 Salaries	109,104	112,254	(3,150)
200 Employee Benefits	53,095	45,033	8,062
400 Supplies and Materials	2,250	2,013	237
130 Pre-School Programs:			
133 Pre-School Handicapped-Self-Contained (5-Yr. Olds)			
100 Salaries	43,417	42,911	506
200 Employee Benefits	14,577	14,281	296
139 Early Childhood Programs:			
100 Salaries	82,223	77,026	5,197
200 Employee Benefits	33,395	26,962	6,433
300 Purchased Services	504	415	89
400 Supplies and Materials	-	50	(50)
140 Special Programs:			
141 Gifted and Talented - Academic:			
100 Salaries	-	7,883	(7,883)
200 Employee Benefits	-	1,882	(1,882)
400 Supplies and Materials	3,600	2,746	854
145 Homebound:			
100 Salaries	25,000	28,443	(3,443)
200 Employee Benefits	5,968	5,946	22
300 Purchased Services	2,250	2,811	(561)
149 Other Special Programs:			
100 Salaries	54,858	51,653	3,205
200 Employee Benefits	16,922	12,768	4,154
190 Instructional Pupil Activity:			
100 Salaries	18,500	18,500	-
200 Employee Benefits	4,414	4,366	48
600 Other Objects	9,000	8,292	708
Total Instruction	\$ 14,066,975	13,652,832	\$ 414,143

(Continued)

GENERAL FUND

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

YEAR ENDED JUNE 30, 2014

	FINAL BUDGET	ACTUAL	VARIANCE
200 Support Services:			
210 Pupil Services:			
211 Attendance and Social Work Services:			
400 Supplies and Materials	\$ 450	1,314	\$ (864)
212 Guidance Services:			
100 Salaries	604,044	618,743	(14,699)
200 Employee Benefits	220,771	217,444	3,327
300 Purchased Services	450	451	(1)
400 Supplies and Materials	8,072	6,691	1,381
213 Health Services:			
100 Salaries	212,131	227,029	(14,898)
200 Employee Benefits	70,234	78,442	(8,208)
300 Purchased Services	4,715	6,865	(2,150)
400 Supplies and Materials	7,200	5,843	1,357
500 Capital Outlay	1,000	646	354
214 Psychological Services:			
100 Salaries	75,833	75,833	-
200 Employee Benefits	25,745	22,647	3,098
300 Purchased Services	8,235	8,785	(550)
400 Supplies and Materials	1,080	1,374	(294)
220 Instructional Staff Services:			
221 Improvement of Instruction-Curriculum Development:			
100 Salaries	417,300	420,149	(2,849)
200 Employee Benefits	144,211	141,543	2,668
300 Purchased Services	3,600	5,026	(1,426)
400 Supplies and Materials	21,285	17,551	3,734
600 Other Objects	5,670	9,040	(3,370)
222 Library and Media Services:			
100 Salaries	458,921	457,694	1,227
200 Employee Benefits	175,740	181,825	(6,085)
300 Purchased Services	4,596	3,681	915
400 Supplies and Materials	71,538	67,267	4,271
500 Capital Outlay	7,898	6,952	946
223 Supervision of Special Programs:			
100 Salaries	171,359	164,568	6,791
200 Employee Benefits	61,880	59,961	1,919
300 Purchased Services	1,080	1,231	(151)
224 Improvement of Instruction-Inservice and Staff Training:			
100 Salaries	1,000	3,455	(2,455)
200 Employee Benefits	84	815	(731)
300 Purchased Services	9,413	9,541	(128)
400 Supplies and Materials	-	(43)	43
230 General Administrative Services:			
231 Board of Education:			
300 Purchased Services	38,300	40,167	(1,867)
318 Audit Services	39,500	41,600	(2,100)
400 Supplies and Materials	3,000	2,949	51
500 Capital Outlay	(4,930)	-	(4,930)
600 Other Objects	\$ 30,400	16,837	\$ 13,563

(Continued)

GENERAL FUND

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

YEAR ENDED JUNE 30, 2014

	FINAL BUDGET	ACTUAL	VARIANCE
232 Office of Superintendent:			
100 Salaries	\$ 204,085	204,345	\$ (260)
200 Employee Benefits	58,688	82,254	(23,566)
300 Purchased Services	4,800	2,882	1,918
400 Supplies and Materials	2,300	968	1,332
600 Other Objects	3,700	3,550	150
233 School Administration:			
100 Salaries	1,384,337	1,419,653	(35,316)
200 Employee Benefits	497,136	502,619	(5,483)
300 Purchased Services	91,630	85,229	6,401
400 Supplies and Materials	23,253	23,253	-
250 Finance and Operations Services:			
252 Fiscal Services:			
100 Salaries	327,973	330,193	(2,220)
200 Employee Benefits	103,831	105,657	(1,826)
300 Purchased Services	68,650	74,404	(5,754)
400 Supplies and Materials	8,950	22,541	(13,591)
600 Other Objects	2,700	17,990	(15,290)
253 Facilities Acquisition and Construction:			
500 Capital Outlay:			
540 Equipment	-	30,678	(30,678)
254 Operation and Maintenance of Plant:			
100 Salaries	1,099,067	1,081,195	17,872
200 Employee Benefits	464,957	430,616	34,341
300 Purchased Services	597,170	600,050	(2,880)
400 Supplies and Materials	908,700	925,212	(16,512)
470 Energy (Includes Gas, Oil, Elec. & Other Heating Fuels)	91,800	80,159	11,641
500 Capital Outlay	12,500	14,868	(2,368)
255 Student Transportation (State Mandated):			
100 Salaries	675,209	739,653	(64,444)
140 Terminal Leave	-	2,268	(2,268)
200 Employee Benefits	277,492	267,269	10,223
300 Purchased Services	22,500	8,834	13,666
400 Supplies and Materials	8,100	66,508	(58,408)
256 Food Service:			
200 Employee Benefits	13,399	12,063	1,336
257 Internal Services:			
300 Purchased Services	38,900	40,907	(2,007)
400 Supplies and Materials	3,000	9,771	(6,771)
258 Security:			
100 Salaries	-	41,553	(41,553)
200 Employee Benefits	-	10,339	(10,339)
300 Purchased Services	113,000	180,155	(67,155)
400 Supplies and Materials	2,700	6,015	(3,315)
260 Central Support Services:			
263 Information Services:			
100 Salaries	11,117	12,752	(1,635)
200 Employee Benefits	2,654	3,041	(387)
300 Purchased Services	3,000	8,532	(5,532)
400 Supplies and Materials	\$ 10,600	11,307	\$ (707)

(Continued)

GENERAL FUND

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

YEAR ENDED JUNE 30, 2014

	FINAL BUDGET	ACTUAL	VARIANCE
264 Staff Services:			
100 Salaries	\$ 46,141	47,836	\$ (1,695)
200 Employee Benefits	18,698	18,949	(251)
300 Purchased Services	4,050	2,841	1,209
400 Supplies and Materials	360	4,655	(4,295)
266 Technology and Data Processing Services:			
100 Salaries	99,842	96,272	3,570
200 Employee Benefits	35,785	28,626	7,159
300 Purchased Services	135,600	163,092	(27,492)
400 Supplies and Materials	15,000	15,915	(915)
500 Capital Outlay	57,000	53,320	3,680
270 Support Services Pupil Activity:			
271 Pupil Services Activities:			
100 Salaries (Optional)	188,314	200,664	(12,350)
200 Employee Benefits (Optional)	49,057	52,425	(3,368)
300 Purchased Services (Optional)	11,389	18,026	(6,637)
600 Other Objects (Optional)	34,000	34,000	-
Total Support Services	10,734,939	11,119,820	(384,881)
400 Other Charges:			
410 Intergovernmental Expenditures:			
412 Payments to Other Governmental Units			
720 Transits	77,000	101,698	(24,698)
Total Intergovernmental Expenditures	77,000	101,698	(24,698)
500 Debt Service:			
620 Interest	8,000	9,067	(1,067)
Total Debt Service	8,000	9,067	(1,067)
TOTAL EXPENDITURES	\$ 24,886,914	24,883,417	\$ 3,497
OTHER FINANCING SOURCES (USES)			
Interfund Transfers, From (To) Other Funds:			
5230 Transfer from Special Revenue EIA Fund	\$ 607,519	568,789	\$ (38,730)
5280 Transfer from Other Funds Indirect Costs	100,000	100,000	-
421-710 Transfer to Special Revenue Fund	-	(99,541)	(99,541)
424-710 Transfer to Capital Projects Fund	-	(539,237)	(539,237)
426-710 Transfer to Pupil Activity Fund	(81,000)	(106,000)	(25,000)
TOTAL OTHER FINANCING SOURCES (USES)	626,519	(75,989)	(702,508)
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	-	(135,709)	(135,709)
FUND BALANCES, Beginning of Year	3,060,415	3,060,415	-
FUND BALANCES, End of Year	\$ 3,060,415	2,924,706	\$ (135,709)

(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, 2014

	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:		
3127 Student Health and Fitness - PE Teachers	-	-
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:		
3999 Revenue from Other State Sources	-	-
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)	455,346	-
4341 Language Instruction for Limited English Proficient and Immigrant Students, Title III (Carryover Provision)	-	-
4343 McKinney-Vento	-	-
4351 Improving Teacher Quality (Carryover Provision)	-	-
4500 Programs for Children with Disabilities:		
4510 Individuals with Disabilities Education Act (IDEA) (Carryover Provision)	-	778,007
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
-	-	-	-	17,648	\$ 17,648
-	-	-	-	125,839	125,839
-	-	-	-	142,500	142,500
-	-	-	-	285,987	285,987
-	-	-	21,444	-	21,444
-	-	-	81,496	-	81,496
-	-	-	20,187	-	20,187
-	-	-	243	-	243
-	-	-	5,829	-	5,829
-	-	-	135,020	-	135,020
-	-	-	-	3,875	3,875
-	-	-	264,219	3,875	268,094
-	39,750	-	-	-	39,750
-	-	-	-	54,107	509,453
-	-	-	-	12,762	12,762
-	-	-	-	50,089	50,089
-	-	-	-	95,410	95,410
-	-	-	-	-	778,007
35,972	-	-	-	-	\$ 35,972

(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, 2014

	Title I (BA Projects) (201)	IDEA (CA Projects) (203)
4900 Other Federal Sources:		
4999 Revenue from Other Federal Sources	\$ -	-
Total Revenue from Federal Sources	<u>455,346</u>	<u>778,007</u>
TOTAL REVENUE ALL SOURCES	<u>455,346</u>	<u>778,007</u>
EXPENDITURES		
100 Instruction:		
110 General Instruction:		
111 Kindergarten Program:		
100 Salaries	7,581	-
200 Employee Benefits	3,327	-
112 Primary Programs:		
100 Salaries	167,148	-
200 Employee Benefits	53,156	-
300 Purchased Services	500	-
400 Supplies and Materials	26,424	-
113 Elementary Programs:		
100 Salaries	-	-
200 Employee Benefits	-	-
300 Purchased Services	2,790	-
400 Supplies and Materials	-	-
114 High School Programs:		
100 Salaries	-	-
200 Employee Benefits	-	-
300 Purchased Services	-	-
400 Supplies and Materials	-	-
120 Exceptional Programs:		
121 Educable Mentally Handicapped:		
100 Salaries	-	113,989
200 Employee Benefits	-	49,494
400 Supplies and Materials	\$ -	435

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
-	-	-	-	64,190	\$ 64,190
35,972	39,750	-	-	276,558	1,585,633
35,972	39,750	-	264,219	566,420	2,139,714
-	-	-	15,049	210	22,840
-	-	-	5,138	18	8,483
-	-	-	72,977	68,138	308,263
-	-	-	24,712	24,464	102,332
-	-	-	-	2,974	3,474
-	-	-	-	5,987	32,411
-	-	-	-	1,282	1,282
-	-	-	-	121	121
-	-	-	-	3,550	6,340
-	-	-	-	40,816	40,816
-	-	-	12,433	53,797	66,230
-	-	-	7,106	12,683	19,789
-	-	-	-	6,593	6,593
-	37,250	-	243	28,236	65,729
-	-	-	-	-	113,989
-	-	-	-	-	49,494
-	-	-	-	-	\$ 435

(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, 2014

	Title I (BA Projects) (201)	IDEA (CA Projects) (203)
122 Trainable Mentally Handicapped:		
100 Salaries	\$ -	200
200 Employee Benefits	-	48
400 Supplies and Materials	-	1,000
126 Speech Handicapped:		
100 Salaries	-	56,626
200 Employee Benefits	-	22,867
300 Purchased Services	-	1,019
400 Supplies and Materials	-	1,928
600 Other Objects	-	1,215
127 Learning Disabilities:		
100 Salaries	-	201,373
200 Employee Benefits	-	69,030
300 Purchased Services	-	85
400 Supplies and Materials	-	2,947
130 Pre-School Programs:		
133 Pre-School Handicapped Self-Contained (5-Yr. Olds):		
100 Salaries	-	-
200 Employee Benefits	-	-
400 Supplies and Materials	-	-
139 Early Childhood Programs:		
100 Salaries	100,683	-
200 Employee Benefits	36,493	-
170 Summer School Programs:		
173 High School Summer School:		
100 Salaries	-	-
200 Employee Benefits	-	-
175 Instructional Programs Beyond Regular School Day:		
100 Salaries	-	-
200 Employee Benefits	-	-
180 Adult/Continuing Educational Programs:		
188 Parenting/Family Literacy:		
100 Salaries	30	-
200 Employee Benefits	7	-
400 Supplies and Materials	4,248	-
Total Instruction	<u>\$ 402,387</u>	<u>522,256</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
-	-	-	-	-	\$ 200
-	-	-	-	-	48
-	-	-	-	-	1,000
-	-	-	-	-	56,626
-	-	-	-	-	22,867
-	-	-	-	-	1,019
-	-	-	-	-	1,928
-	-	-	-	-	1,215
-	-	-	-	-	201,373
-	-	-	-	-	69,030
-	-	-	-	-	85
-	-	-	-	-	2,947
27,176	-	-	-	-	27,176
8,127	-	-	-	-	8,127
669	-	-	-	-	669
-	-	-	-	-	100,683
-	-	-	-	-	36,493
-	-	-	1,542	-	1,542
-	-	-	363	-	363
-	-	-	-	6,416	6,416
-	-	-	-	1,532	1,532
-	-	-	-	-	30
-	-	-	-	-	7
-	-	-	-	-	4,248
35,972	37,250	-	139,563	256,817	\$ 1,394,245

(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, 2014

	Title I (BA Projects) (201)	IDEA (CA Projects) (203)
200 Support Services:		
210 Pupil Services:		
213 Health Services:		
100 Salaries	\$ -	-
200 Employee Benefits	-	-
300 Purchased Services	-	20,007
214 Psychological Services:		
100 Salaries	-	98,575
200 Employee Benefits	-	33,973
300 Purchased Services	-	20,368
400 Supplies and Materials	-	2,717
217 Career Specialists Services:		
100 Salaries	-	-
200 Employee Benefits	-	-
220 Instructional Staff Services:		
221 Improvement of Instruction - Curriculum Development:		
100 Salaries	-	-
200 Employee Benefits	-	-
400 Supplies and Materials	-	-
223 Supervision of Special Programs:		
100 Salaries	17,179	53,437
200 Employee Benefits	5,930	18,230
300 Purchased Services	2,304	1,582
400 Supplies and Materials	340	-
600 Other Objects	-	182
224 Improvement of Instruction - Inservice and Staff Training:		
100 Salaries	10,927	390
200 Employee Benefits	2,522	33
300 Purchased Services	6,731	5,575
400 Supplies and Materials	-	682
500 Capital Outlay	-	-
600 Other Objects	-	-
230 General Administration Services:		
232 Office of the Superintendent:		
300 Purchased Services	-	-
400 Supplies and Materials	-	-
600 Other Objects	-	-
233 School Administration:		
300 Purchased Services	-	-
250 Finance and Operations Services:		
251 Student Transportation (Federal/District Mandated):		
100 Salaries	-	-
200 Employee Benefits	-	-
300 Purchased Services	\$ 3,208.89	-

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
-	-	-	-	8,268	\$ 8,268
-	-	-	-	3,840	3,840
-	-	-	-	-	20,007
-	-	-	-	-	98,575
-	-	-	-	-	33,973
-	-	-	-	-	20,368
-	-	-	-	-	2,717
-	-	-	59,658	-	59,658
-	-	-	21,838	-	21,838
-	-	-	27,664	53,254	80,918
-	-	-	9,667	18,657	28,324
-	-	-	-	1,486	1,486
-	-	-	-	22,784	93,400
-	-	-	-	5,425	29,585
-	-	-	-	-	3,886
-	-	-	-	-	340
-	-	-	-	-	182
-	-	-	-	-	11,317
-	-	-	-	-	2,555
-	2,500	-	-	15,434	30,240
-	-	-	5,829	-	6,511
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	2,673	2,673
-	-	-	-	22,481	22,481
-	-	-	-	28,502	28,502
-	-	-	-	1,054	1,054
-	-	-	-	135	135
-	-	-	-	32	32
-	-	-	-	1,898	\$ 5,107

(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, 2014

	Title I (BA Projects) (201)	IDEA (CA Projects) (203)
252 Fiscal Services:		
100 Salaries	\$ -	-
200 Employee Benefits	-	-
300 Purchased Services	-	-
400 Supplies and Materials	-	-
255 Student Transportation (State Mandated):		
400 Supplies and Materials	-	-
260 Central Support Services:		
266 Technology and Data Processing Services:		
500 Capital Outlay	-	-
270 Support Services - Pupil Activity:		
271 Pupil Services Activities:		
300 Purchased Services (Optional)	3,817	-
400 Supplies and Materials (Optional)	-	-
Total Support Services	<u>52,959</u>	<u>255,751</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>
410 Intergovernmental Expenditures:		
417 Payments to Nonprofit Entities (Other Than for First Steps)		
720 Transits	-	-
Total Intergovernmental Expenditures	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>455,346</u>	<u>778,007</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)	-	-
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
-	-	-	-	2,750	\$ 2,750
-	-	-	-	648	648
-	-	-	-	1,571	1,571
-	-	-	-	500	500
-	-	-	-	201	201
-	-	-	-	10,389	10,389
-	-	-	-	-	3,817
-	-	-	-	4,242	4,242
-	2,500	-	124,656	206,224	642,090
-	-	-	-	79,103	79,103
-	-	-	-	11,838	11,838
-	-	-	-	26,200	26,200
-	-	-	-	117,141	117,141
-	-	-	-	2,548	2,548
-	-	-	-	2,548	2,548
35,972	39,750	-	264,219	582,730	2,156,024
-	-	-	-	25,792	25,792
-	-	-	-	73,749	73,749
-	-	-	-	99,541	99,541
-	-	-	-	83,231	83,231
-	-	-	35	541,245	542,206
-	-	-	35	624,476	\$ 625,437

(Continued)

**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, 2014

**OTHER DESIGNATED
RESTRICTED STATE GRANTS**

919	Education License Plates
926	EEDA Miscellaneous
928	EEDA Career Specialists
933	Formative Assessment (Carryover Only)
937	Student Health and Fitness - PE Teachers
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)
232	McKinney-Vento
264	Title III
267	Improving Teacher Quality (Carryover Provision)
801	Medicaid Administration
820	Medicaid
839	Spark Grant
841	SC Arts Commission Grant
842	Clemson Reading Recovery Grant

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, 2014

SUBFUND	REVENUE CODE	PROGRAMS	REVENUES	EXPENDITURES	SPECIAL REVENUE		
					INTERFUND TRANSFERS IN (OUT)	OTHER FUND TRANSFERS IN (OUT)	UNEARNED
919	3193	Education License Plates	\$ 243	243	-	-	\$ -
926	3116	EEDA Miscellaneous	21,444	21,444	-	-	3,026
928	3118	EEDA Career Specialists	81,496	81,496	-	-	-
937	3127	Student Health and Fitness - PE Teachers	20,187	20,187	-	-	-
960	3610	K-5 Enhancement	135,020	135,020	-	-	-
965	3620	Digital Instructional Materials	-	-	-	-	15,902
967	3607	6-8 Enhancement	5,829	5,829	-	-	7,554
Totals			\$ 264,219	264,219	-	-	\$ 26,482

**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, 2014

	ACTUAL
REVENUES	
3500 Education Improvement Act:	
3502 ADEPT	\$ 1,867
3505 School Technology Initiative	5,789
3509 Arts in Education	13,600
3511 Professional Development	22,195
3518 Formative Assessment	6,636
3525 Career and Technology Education Equipment	3,000
3526 Refurbishment of K-8 Science Kits	23,494
3532 National Board Certification (NBC) Salary Supplement (No Carryover Provision)	263,146
3533 Teacher of the Year Awards	1,077
3538 Student at Risk of School Failure	615,705
3540 Early Childhood Program (4K Programs Serving Four-Year-Old Children)	77,640
3544 High Achieving Students	105,375
3550 Teacher Salary Increase (No Carryover Provision)	502,037
3555 School Employer Contributions (No Carryover Provision)	66,752
3558 Reading	4,700
3577 Teacher Supplies (No Carryover Provision)	60,775
3578 High Schools That Work/Making Middle Grades Work	21,654
3581 Student Health and Fitness-Nurses	123,706
3585 Aid to Districts-Special Education	88,119
3592 Work-Based Learning	11,529
3594 EEDA Supplemental Programs	56,103
3597 Aid to Districts	138,000
Total Revenue from State Sources	2,212,899
TOTAL REVENUE ALL SOURCES	2,212,899

EXPENDITURES

100 Instruction:	
110 General Instruction:	
111 Kindergarten Programs:	
100 Salaries	11,541
200 Employee Benefits	3,314
112 Primary Programs:	
100 Salaries	127,863
200 Employee Benefits	54,456
400 Supplies and Materials	\$ 28,631

(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, 2014

	ACTUAL
113 Elementary Programs:	
100 Salaries	\$ 95,484
200 Employee Benefits	30,702
300 Purchased Services	43,559
400 Supplies and Materials	33,257
114 High School Programs:	
100 Salaries	95,299
200 Employee Benefits	25,687
300 Purchased Services	5,234
400 Supplies and Materials	22,964
115 Career and Technology Education Program:	
100 Salaries	20,036
200 Employee Benefits	6,730
400 Supplies and Materials	563
120 Exceptional Programs:	
121 Educable Mentally Handicapped:	
100 Salaries	54,714
200 Employee Benefits	16,001
127 Learning Disabilities:	
100 Salaries	116,289
200 Employee Benefits	31,574
130 Pre-School Programs:	
133 Preschool Handicapped Self-Contained (5-Yr. Olds):	
100 Salaries	8,323
200 Employee Benefits	3,938
139 Early Childhood Programs:	
100 Salaries	54,256
200 Employee Benefits	17,408
400 Supplies and Materials	7,930
140 Special Programs:	
141 Gifted and Talented - Academic:	
100 Salaries	61,739
200 Employee Benefits	18,706
300 Purchased Services	305
148 Gifted and Talented - Artistic:	
400 Supplies and Materials	\$ 5,105

(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, 2014

	ACTUAL
170 Summer School Programs:	
172 Elementary Summer School:	
100 Salaries	\$ 21,455
200 Employee Benefits	5,203
400 Supplies and Materials	1,200
173 High School Summer School:	
100 Salaries	29,146
200 Employee Benefits	6,786
400 Supplies and Materials	143
175 Instructional Programs Beyond Regular School Day:	
100 Salaries	11,267
200 Employee Benefits	2,576
180 Adult/Continuing Educational Programs:	
188 Parenting/Family Literacy:	
300 Purchased Services	2,906
400 Supplies and Materials	136
Total Instruction	<u>1,082,426</u>
200 Support Services:	
210 Pupil Services:	
212 Guidance Services:	
400 Supplies and Materials	3,091
213 Health Services:	
100 Salaries	91,137
200 Employee Benefits	32,570
220 Instructional Staff Services:	
221 Improvement of Instruction-Curriculum Development:	
100 Salaries	144,904
200 Employee Benefits	43,044
400 Supplies and Materials	36,056
222 Library and Media:	
100 Salaries	22,497
200 Employee Benefits	4,602
400 Supplies and Materials	1,967
223 Supervision of Special Programs:	
100 Salaries	7,456
200 Employee Benefits	4,073
224 Improvement of Instruction - In-service and Staff Training:	
100 Salaries	14,671
200 Employee Benefits	3,459
300 Purchased Services	43,380
400 Supplies and Materials	\$ 35,457

(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, 2014

	ACTUAL
250 Finance and Operations Services:	
255 Student Transportation (State Mandated):	
100 Salaries	\$ 17,160
200 Employee Benefits	3,926
300 Purchased Services	5,893
266 Technology and Data Processing Services:	
300 Purchased Services	5,789
400 Supplies and Materials	11,651
Total Support Services	532,783
410 Intergovernmental Expenditures:	
412 Payments to Other Governmental Units	
720 Transits	28,901
Total Intergovernmental Expenditures	28,901
TOTAL EXPENDITURES	1,644,110
OTHER FINANCING SOURCES (USES)	
Interfund Transfers, From (To) Other Funds:	
420-710 Transfer to General Fund (Exclude Indirect Costs)	(568,789)
TOTAL OTHER FINANCING SOURCES (USES)	(568,789)
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	-
FUND BALANCES, Beginning of Year	-
FUND BALANCES, End of Year	\$ -

(Continued)

EDUCATION IMPROVEMENT ACT

SUMMARY SCHEDULE BY PROGRAM

YEAR ENDED JUNE 30, 2014

Program	Revenues	Expenditures	EIA Interfund Transfers In/(Out)	Other Fund Transfers In/(Out)	EIA Fund Unearned Revenue
3500 Education Improvement Act:					
3502 ADEPT	\$ 1,867	1,867	-	-	\$ -
3505 School Technology Initiative	5,789	5,789	-	-	-
3509 Arts in Education	13,600	13,600	-	-	-
3511 Professional Development	22,195	22,195	-	-	-
3518 Formative Assessment	6,636	6,636	-	-	-
3525 Career and Technology Education Equipment	3,000	3,000	-	-	29,893
3526 Refurbishment of K-8 Science Kits	23,494	23,494	-	-	5,316
3532 National Board Certification (NBC) Salary Supplement (No Carryover Provision)	263,146	263,146	-	-	-
3533 Teacher of the Year Awards (No Carryover Provision)	1,077	1,077	-	-	-
3538 Students at Risk of School Failure	615,705	615,705	-	-	61,744
3540 Early Childhood Program (4K Programs Serving Four-Year-Old Children)	77,640	77,640	-	-	-
3544 High Achieving Students	105,375	105,375	-	-	-
3550 Teacher Salary Increase (No Carryover Provision)	502,037	-	-	(502,037)	-
3555 School Employer Contributions (No Carryover Provision)	66,752	-	-	(66,752)	-
3558 Reading	4,700	4,700	-	-	8,658
3577 Teacher Supplies (No Carryover Provision)	60,775	60,775	-	-	-
3578 High Schools That Work	21,654	21,654	-	-	14,369
3581 Students Health and Fitness-Nurses	123,706	123,706	-	-	-
3585 Aid to Districts-Special Education	88,119	88,119	-	-	-
3592 School-to-Work Transition Act	11,529	11,529	-	-	-
3594 EEDA Supplemental Programs	56,103	56,103	-	-	4,208
3597 Aid to Districts	138,000	138,000	-	-	-
Totals	\$ 2,212,899	1,644,110	-	(568,789)	\$ 124,188

**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, 2014

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, 2014

	<u>ACTUAL</u>
REVENUES	
1000 Revenue from Local Sources:	
1100 Taxes:	
1110 Ad Valorem Taxes - Including Delinquent (Fiscally Independent LEA)	\$ 2,334,482
1200 Revenue from Local Governmental Units Other than LEAs:	
1280 Revenue in Lieu of Taxes (Dependent and Independent)	272,251
Total Revenue from Local Sources	<u>2,606,733</u>
3000 Revenue from State Sources:	
3800 State Revenue in Lieu of Taxes:	
3820 Homestead Exemption	149,319
3830 Merchant's Inventory Tax	13,379
3840 Manufacturers Depreciation Reimbursement	99,821
3890 Other State Property Tax Revenues (Includes Motor Carrier Vehicle Tax)	5,969
Total Revenue from State Sources	<u>268,488</u>
4000 Revenue from Federal Sources:	
4900 Other Federal Sources:	
4999 Revenue from Other Federal Sources	36,728
Total Revenue from Federal Sources	<u>36,728</u>
TOTAL REVENUE ALL SOURCES	<u>2,911,949</u>
EXPENDITURES	
500 Debt Service:	
610 Redemption of Principal	656,000
620 Interest	92,219
690 Other Objects (Includes Fees for Servicing Bonds)	11,230
Total Debt Service	<u>759,449</u>
TOTAL EXPENDITURES	<u>759,449</u>
OTHER FINANCING SOURCES (USES)	
5110 Premium on Bonds Sold	7,151
Interfund Transfers, From (To) Other Funds:	
423-710 Transfer to Capital Projects Fund	(252,318)
424-710 Transfer to Debt Service - EFC Fund	(1,229,721)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,474,888)</u>
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	677,612
FUND BALANCE, Beginning of Year	<u>166,253</u>
FUND BALANCE, End of Year	<u>\$ 843,865</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, 2014

	ACTUAL
REVENUES	
1000 Revenue from Local Sources:	
1500 Earnings on Investments:	
1510 Interest on Investments	\$ 98,163
Total Revenue from Local Sources	<u>98,163</u>
TOTAL REVENUE ALL SOURCES	<u>98,163</u>
 EXPENDITURES	
500 Debt Service:	
610 Redemption of Principal	585,000
620 Interest	706,369
690 Other Objects (Includes Fees for Servicing Bonds)	4,000
Total Debt Service	<u>1,295,369</u>
TOTAL EXPENDITURES	<u>1,295,369</u>
 OTHER FINANCING SOURCES (USES)	
Interfund Transfers, From (To) Other Funds:	
5275 Transfer from Debt Service Fund	1,229,721
424-710 Transfer to Capital Projects Fund	(436)
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,229,285</u>
 EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	32,079
 FUND BALANCE, Beginning of Year	<u>936,731</u>
 FUND BALANCE, End of Year	<u><u>\$ 968,810</u></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, 2014

	ACTUAL
REVENUES	
1000 Revenue from Local Sources:	
1900 Other Revenue from Local Sources:	
1999 Revenue from Other Local Sources	\$ 5,128
Total Revenue from Local Sources	<u>5,128</u>
TOTAL REVENUE ALL SOURCES	<u>5,128</u>
EXPENDITURES	
250 Finance and Operations:	
253 Facilities Acquisition & Construction:	
300 Purchased Services	103,658
400 Supplies and Materials	167,899
500 Capital Outlay:	
520 Construction Services	3,351,942
530 Improvements Other Than Buildings	10,500
545 Technology, Equipment and Software	1,101,279
550 Vehicles	101,774
Total Support Services	<u>4,837,052</u>
400 Other Charges:	
410 Intergovernmental Expenditures:	
412 Payments to Other Governmental Units	
720 Transits	201,888
Total Intergovernmental Expenditures	<u>201,888</u>
TOTAL EXPENDITURES	<u>5,038,940</u>
OTHER FINANCING SOURCES (USES)	
5600 Lease Purchases	6,242,000
Interfund Transfers, From (To) Other Funds:	
5210 Transfer from General Fund (Exclude Indirect Costs)	539,237
5240 Transfer from Debt Service Fund	252,318
TOTAL OTHER FINANCING SOURCES (USES)	<u>7,033,555</u>
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	1,999,743
FUND BALANCE, Beginning of Year	<u>442,244</u>
FUND BALANCE, End of Year	<u>\$ 2,441,987</u>

**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, 2014

	ACTUAL
REVENUES	
1000 Revenue from Local Sources:	
1500 Earnings on Investments:	
1510 Interest on Investments	\$ 1
Total Revenue from Local Sources	1
TOTAL REVENUE ALL SOURCES	1
EXPENDITURES	
250 Finance and Operations:	
253 Facilities Acquisition & Construction:	
300 Purchased Services	\$ 6,123
Total Support Services	6,123
TOTAL EXPENDITURES	6,123
OTHER FINANCING SOURCES (USES)	
Interfund Transfers, From (To) Other Funds:	
5240 Transfer from Debt Service Fund	436
TOTAL OTHER FINANCING SOURCES (USES)	436
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	(5,686)
FUND BALANCE, Beginning of Year	399,893
FUND BALANCE, End of Year	\$ 394,207

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

Schedule E-1

FOOD SERVICE FUND

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

YEAR ENDED JUNE 30, 2014

	ACTUAL
REVENUES	
1000 Revenue from Local Sources:	
1600 Food Service:	
1610 Lunch Sales to Pupils	\$ 174,786
1630 Special Sales to Pupils	55,769
1640 Lunch Sales to Adults	26,406
1660 Special Sales to Adults	6,677
1900 Other Revenue from Local Sources:	
1999 Revenue from Other Local Sources	15,271
Total Revenue from Local Sources	<u>278,909</u>
3000 Revenue from State Sources:	
3100 Restricted State Funding:	
3140 School Lunch:	
3142 Program Aid	162
Total Revenue from State Sources	<u>162</u>
4000 Revenue from Federal Sources:	
4800 USDA Reimbursement:	
4810 School Lunch and After School Snacks Program	768,147
4830 School Breakfast Program	265,986
4900 Other Federal Sources:	
4991 USDA Commodities (Food Distribution Program) (Carryover Provision)	87,402
4999 Revenue from Other Federal Sources	75,484
Total Revenue from Federal Sources	<u>1,197,019</u>
TOTAL REVENUE ALL SOURCES	<u>1,476,090</u>
EXPENSES	
256 Food Service:	
100 Salaries	20,523
300 Purchased Services (Exclude Gas, Oil, Electricity and Other Heating Fuels)	1,197,175
400 Supplies and Materials (Include Gas, Oil, Electricity and Other Heating Fuels)	113,224
500 Capital Outlay	18,605
600 Other Objects	3,141
Total Food Service Expenses	<u>1,352,668</u>
TOTAL EXPENSES	<u>1,352,668</u>
OTHER FINANCING SOURCES (USES)	
Interfund Transfers, From (To) Other Funds:	
432-791 Food Service Fund Indirect Costs	(100,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(100,000)</u>
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	23,422
FUND NET ASSETS, Beginning of Year	<u>447,123</u>
FUND NET ASSETS, End of Year	<u>\$ 470,545</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, 2014

	ACTUAL
RECEIPTS	
1000 Receipts from Local Sources:	
1700 Pupil Activities:	
1710 Admissions	\$ 117,525
1720 Bookstore Sales	15,415
1730 Pupil Organization Membership Dues and Fees	3,969
1740 Student Fees	87,897
1790 Other	707,136
1900 Other Revenue from Local Sources	
1920 Contributions & Donations Private Sources	7,808
1999 Revenue from Other Local Sources	19,220
Total Receipts from Local Sources	<u>958,970</u>
TOTAL RECEIPTS ALL SOURCES	<u>958,970</u>
DISBURSEMENTS	
190 Instructional Pupil Activity:	
100 Salaries (Optional)	10,508
200 Employee Benefits (Optional)	2,110
660 Pupil Activity	31,454
Total Instruction	<u>44,072</u>
270 Support Services Pupil Activity:	
271 Pupil Service Activities:	
100 Salaries (Optional)	80,606
200 Employee Benefits (Optional)	19,293
300 Purchased Services (Optional)	33,145
400 Supplies and Materials (Optional)	107,790
660 Pupil Activity	783,005
Total Pupil Activity Expenditures	<u>1,023,839</u>
400 Intergovernmental Expenditures:	
412 Payments to Other Governmental Units	
720 Transits	6,874
Total Intergovernmental Expenditures	<u>6,874</u>
TOTAL DISBURSEMENTS	<u>\$ 1,074,785</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, 2014

	ACTUAL
OTHER FINANCING SOURCES (USES)	
Interfund Transfers, From (To) Other Funds:	
5210 Transfer from General Fund (Excludes Indirect Costs)	\$ 106,000
TOTAL OTHER FINANCING SOURCES (USES)	106,000
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	(9,815)
DUE TO STUDENT ORGANIZATIONS, Beginning of Year	54,124
DUE TO STUDENT ORGANIZATIONS, End of Year	\$ 44,309

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

LOCATION RECONCILIATION SCHEDULE

YEAR ENDED JUNE 30, 2014

Location ID	Location Description	Education Level	Cost Type	Total Expenditures
01	Cannons Elementary	Elementary School	School	\$ 3,783,575
02	Clifdale Elementary	Elementary School	School	3,610,085
03	Cowpens Elementary	Elementary School	School	4,282,986
05	District Office	Non-School	Central	3,773,323
06	Pacolet Elementary	Elementary School	School	4,381,860
07	Cowpens Middle	Middle School	School	4,717,954
08	Middle School of Pacolet	Middle School	School	2,265,118
09	Broome High	High School	School	9,658,878
11	Special Education Center	Non-School	Central	188,680
14	Staff and Media Center	Non-School	Central	112,342
15	Superintendent and Board	Non-School	Central	369,189
16	Business Office	Non-School	Central	609,552
17	Maintenance Center	Non-School	Central	61,379
18	Transportation Center	Non-School	Central	29,417
19	District Special Projects	Non-School	Central	366,547
				<u><u>\$ 38,210,885</u></u>

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

Fund	Amount
General Fund	\$ 24,883,417
Special Revenue Fund	2,156,024
Special Revenue - EIA Fund	1,644,110
Special Revenue - Food Service Fund	1,352,668
Debt Service Fund	759,449
Debt Service - EFC Fund	1,295,369
Capital Projects Fund	5,038,940
Capital Projects -EFC Fund	6,123
Pupil Activity Fund	1,074,785
	<u><u>\$ 38,210,885</u></u>

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2014

LEA Subfund Code	Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass Through Grantor's Number	Federal Expenditures
US DEPARTMENT OF AGRICULTURE				
Pass-through State Department of Education:				
600	National School Breakfast Program	10.553	N/A	\$ 265,986
600	National School Lunch Program - Cash Assistance	10.555	N/A	768,147
600	National School Lunch Program - Non-Cash Assistance	10.555	N/A	87,402
Total 10.553 & 10.555				1,121,535
Pass-through S.C. Department of Social Services				
600	Summer Food Service Program for Children	10.559	5SC300329	36,395
604	At Risk After School Program	10.558	5SC300329	39,089
TOTAL US DEPARTMENT OF AGRICULTURE				1,197,019
US DEPARTMENT OF EDUCATION				
Pass-through State Department of Education:				
201	Title I Grants to LEA's	84.010	14-BA080	455,346
237	Title I - Focus	84.010	13-FO080	54,107
Total 84.010 & 84.389A				509,453
Individuals with Disabilities Education Act:				
203	IDEA	84.027A	14-CA-080	475,101
203	IDEA	84.027A	13-CA-080	302,906
205	Handicapped Preschool Grants	84.173A	14-CG-080	24,479
205	Handicapped Preschool Grants	84.173A	13-CG-080	11,493
Total 84.027A & 84.173A				813,979
207	Occupational Education - WBL Activities	84.048	14VA080	39,750
232	McKinney Vento	84.196A	13FH080	32,975
232	McKinney Vento	84.196A	12FH080	17,114
264	Language Instruction - Title III	84.365A	13-BP080	11,818
264	Language Instruction - Title III	84.365A	12-BP080	944
267	Improving Teacher Quality - Title II	84.367A	14-TQ080	93,034
267	Improving Teacher Quality - Title II	84.367A	13-TQ080	2,376
845	College Access Challenge Grant Program	84.378A	N/A	4,484
TOTAL US DEPARTMENT OF EDUCATION				1,525,927
US DEPARTMENT OF DEFENSE				
Direct Program:				
211	Air Force ROTC	12.000	N/A	59,706
TOTAL FEDERAL ASSISTANCE EXPENDED				\$ 2,782,652

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

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2014

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, 2014. 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 financial statements.

C – Relationship to Financial Statements

Federal award expenditures are reported in the School District’s financial statements as expenditures 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 FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Spartanburg County School District Three, South Carolina (the "School District") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated November 10, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2014-001.

School District's Response to Finding

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

Purpose of this Report

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



Greene, Finney & Horton, LLP
Mauldin, South Carolina
November 10, 2014

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL
CONTROL OVER COMPLIANCE AS REQUIRED BY OMB CIRCULAR A-133**

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal Program

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, 2014. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

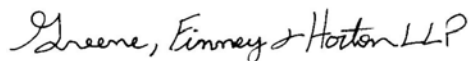
Report on Internal Control Over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Greene, Finney & Horton, LLP
Mauldin, South Carolina
November 10, 2014

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2014

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, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u> </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> X </u> Yes	<u> </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 auditor's report issued on compliance for major programs: Unmodified

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>
10.553, 10.555 & 10.559	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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**SPARTANBURG COUNTY SCHOOL DISTRICT THREE
GLENDALE, SOUTH CAROLINA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2014

Section II – Financial Statement Findings

2014-001: NONCOMPLIANCE WITH LAWS AND REGULATIONS – COLLATERALIZATION OF DEPOSITS

Condition:	The School District's deposits were exposed to custodial credit risk by approximately \$3,821,000 at one of its financial institutions as of June 30, 2014 as this amount was not collateralized.
Criteria:	The School District should have sufficient collateralization of its deposits that exceed the FDIC limits at all financial institutions in order to comply with state law.
Context and Effect:	The School District was relying on its financial institution to maintain sufficient collateral amounts. However, one financial institution did not provide sufficient collateral as of June 30, 2014. In addition, the School District's deposits at this institution were still not sufficiently collateralized as of the date the financial statements were issued.
Cause:	Oversight by School District personnel.
Recommendation:	We recommend that the School District take the necessary steps to ensure their deposits are sufficiently collateralized.
Response:	The School District will take the necessary steps to ensure that all deposits are sufficiently collateralized.

Section III– Federal Awards Findings and Questioned Costs

None Noted