

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF
ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2013**

**PREPARED BY:
Rock Hill School District Three
Finance Department**

ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA

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ROCK HILL, SOUTH CAROLINA**

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ROCK HILL, SOUTH CAROLINA**

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ROCK HILL SCHOOL DISTRICT THREE
ADMINISTRATIVE CHART
FY 2012 – 2013

Board of Trustees

The School District is governed by a seven member Board of Trustees elected at large by the registered voters in the School District at the November general election in even-numbered years. Trustees are elected to serve staggered 4-year terms of office, which commence on December 1 of the year in which they are elected.

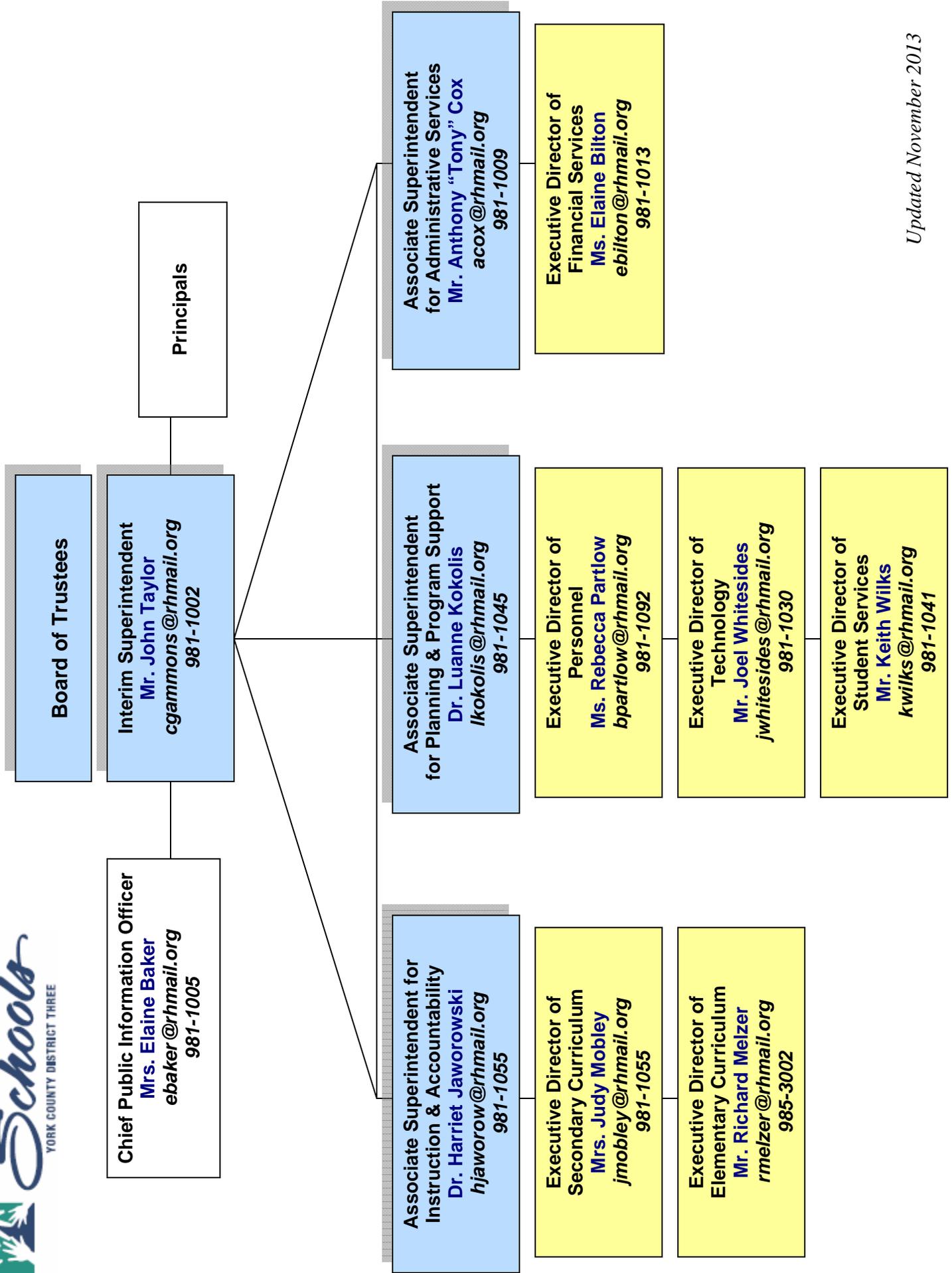
<u>Name</u>	<u>Occupation</u>	<u>Number of Years of Service</u>
Mr. Walter Brown, Sr.	Volunteer	12
Mrs. Mildred Douglas	Retired Educator	12
Mr. Terry Hutchinson	Master Automotive Technician	1
Ms. Elizabeth “Ann” Reid	College Instructor	12
Dr. Jane Sharp	Retired Educator	3
Ms. Virginia “Ginny” Moe	Church Musician	3
Mr. Jim Vining (Chair)	Management Consultant	14

District Personnel

<u>Name</u>	<u>Position</u>
Dr. Lynn Moody	Superintendent
Mr. Anthony Cox	Associate Superintendent for Administrative Services
Dr. Harriet Jaworowski	Associate Superintendent for Accountability and Instructional Services
Dr. Luanne Kokolis	Associate Superintendent for Planning Program Support Services
Ms. Elaine Bilton	Executive Director of Finance



District Organization Chart





November 21, 2013

To the Citizens of
Rock Hill School District Three

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of Rock Hill School District Three (the School District) for the fiscal year ended June 30, 2013. The responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the School District. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the School District.

The CAFR is presented in four sections: Introductory, Financial, Statistical, and Single Audit. The Introductory Section includes this transmittal letter, the School District's organizational chart, and a list of principal officials. The Financial Section includes Management's Discussion and Analysis, the financial statements, notes to the financial statements, as well as the independent auditor's report on the financial statements. Also included in the Financial Section is a Supplemental Subsection containing additional supplemental financial schedules (with account numbers) required statutorily by the South Carolina Department of Education. The Statistical Section presents selected financial, economic, and demographic trend data, generally, over the past ten years. The Single Audit section contains schedules and auditor's reports required for the School District to comply with the Revised Single Audit Act of 1996 and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The information presented in this letter of transmittal should be read in conjunction with Management's Discussion and Analysis, which can be found immediately following the report of the independent auditor.

PROFILE OF THE SCHOOL DISTRICT

The School District was created in March 1953, through the merger of four former school districts. The School District encompasses a land area of 228 square miles, or almost one third of the land area of York County (the County), which is on the border between North Carolina and South Carolina, just south of Charlotte, North Carolina. It is the 11th largest of 83 school districts in the state. The School District includes within its boundaries the entire City of Rock Hill, the fifth largest city in the State, as well as considerable surrounding territory.

The School District currently operates 17 elementary schools (16 with grades K-5, one school with grades K-6), a four year old child development center, five middle schools (grades 6-8), and three senior high schools (grades 9-12) to serve 17,485 students. The School District also has a vocational center, an adult education center, and an alternative center. The District currently has nine schools of choice; The Children's School - Montessori, Northside Elementary - Arts Integration, Sunset Park Elementary - Center for Accelerated Studies, Rosewood Elementary - International Baccalaureate, Richmond Drive Elementary - Chinese Emersion, Ebinport Elementary - Spanish Emersion, Oakdale Elementary - STEM, Sullivan Middle - International Baccalaureate and Saluda Trail - STEM. All three secondary schools offer International Baccalaureate programs. All schools in the School District and the School District itself are accredited by the South Carolina Department of Education and the School District is fully accredited by the Southern Association of Colleges and Schools (SACS).

REPORTING ENTITY

In August 2004, a charter school, The Children's Attention Home, was opened and is operating as an entity in York County School District Three. The School District has reviewed its operating entity definition in order to insure conformance with the Governmental Accounting Standards Board (GASB) Statement 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Unit* and is presenting the Charter School Financial Information in the accompanying statements as a component unit. The School District is not included in any other "reporting entity" as defined by GASB Statements 14 and 39.

ECONOMIC CONDITION AND OUTLOOK

Rock Hill School District Three is located in York County, with the entire city of Rock Hill being encompassed by the School District. Rock Hill is located in the north-central area of South Carolina approximately 20 miles south of Charlotte, NC along the I-77 corridor. Rock Hill is a growing community of 66,000 + residents. The City encompasses over 31 square miles. While not the County seat, Rock Hill is the largest city in York County, SC, the fourth largest city in South Carolina and premier "Ring City" in the Charlotte Metropolitan Statistical Area (MSA).

The diversity and strength of the business community continually supports growth even during challenging economic times. With three high-amenity business parks, Waterford, TechPark and Antrim, and three industrial parks, Southway Industrial Park, Airport Industrial Park and Rock Hill Industrial Park, Rock Hill offers sites and existing facilities to numerous businesses. The City's close proximity to both I-77, which runs through Rock Hill, and I-85 gives businesses easy access to major transportation routes. Charlotte/Douglas International Airport is 25 minutes north of Rock Hill via I-77. The airport serves more than 39 million passengers annually and is the sixth busiest airport in operations. It is a hub for US Airways, has eight major carriers, and averages 550 flights daily with direct non-stop service to more than 160 destinations. Rock Hill was selected by *Business Week* magazine as one of the "best places in America to raise a family" and is a three-time award winner of America's Promise Alliance "100 Best Communities for Young People".

According to the U.S Census Bureau, York County's population grew by more than 37% between 2000 and 2010 solidifying its place among the nation's fastest growing counties. However, the growth rate has slowed a bit, down from 4.8% in 2008 to an average annual growth rate between 1990 and 2010 of 2.7%. The County is now beginning to move away from its textile roots and is luring more financial, distribution and service companies. The School District, the largest of four school districts within the County, is located in the southeastern portion of the County about 25 miles south of Charlotte. This area contains several of the County's major companies including Resolute Forest Products (formerly Abitibi Bowater, Inc.), a paper mill and Comporium Communications, a telecommunications provider. Rock Hill is also home to Atlas Compressors, Tyco Electronics, West Marine Boating supplies, TerexAmida Industries and is the global headquarters of 3D Systems Corporation, a rapid prototyping company.

In February 2001, seven partners, one of whom was the School District, joined together to oversee the creation of the Old Town Renaissance Master Plan. This plan included six strategies for redevelopment: Downtown, College Town, Hometown (neighborhoods), Trolley Town (transportation), Textile Town (former textile mills), and Technology Town. Downtown revitalization continues to be a priority for the City of Rock Hill and the Rock Hill Economic Development Corporation. The focus of this plan is the development of a Downtown area with a unique blend of residential, retail restaurants and office space that embodies the concepts of smart-growth, neotraditional design and new urbanism.

Adopted in December of 2003 the Textile Corridor Master Plan, redevelopment of the former textile manufacturing area in downtown, is well into its final implementation. The area is comprised of approximately 250 acres within the urban core and with the completion of the historic Rock Hill Cotton Factory in the summer of 2007, the Plan's vision of a pedestrian-friendly, mixed-use urban village is beginning to transpire.

In March 2007 the city entered into a memorandum of understanding with its development partners to create Riverwalk with three miles of frontage on the Catawba River. Riverwalk will become a mixed-use pedestrian-friendly community and includes a Velodrome, the East Coast's only bicycle racing track, a BMX course and other sports-tourism-related attractions. Now completed, the project is expected to produce \$600 million in private investment, increase property taxes by \$4 million annually and generate 4,000 new jobs for Rock Hill.

MAJOR INITIATIVES

The School District is currently operating under its strategic plan for the years 2009-2014. The strategic plan includes a mission statement and motto and serves as the basis for school improvement and accountability. It also includes the School District's beliefs, strategic directions, and system priorities. Every school uses the School District's strategic plan to involve parents, teachers, principals and community in the development, annual review, and revision of each school's plan and activities.

Motto & Mission

“Engaging Students for Successful Futures”

The Rock Hill Climb represents the 2009-2014 Strategic Plan. Reaching the summit will indicate our success in providing all students with work that authentically engages them in the learning process. To get to the top of the Rock Hill Climb, the summit, our schools must travel four pathways which represent what we must provide for all students:

- Shared Vision and Beliefs
- Future Focus
- A Nurturing Environment
- Quality Work Design and Delivery

Primary Accomplishments for FY 2012-13 were as follows:

Forty Educators spent part of summer 2012 teaching English in Beijing and Shi Jia Zhuang in China.

Rock Hill Schools was one of three finalists in the Charlotte Region Sustainable Business Awards Program for its energy conservation successes.

The Ebinport Elementary School Improvement Council was selected to the S.C School Improvement Council's 2013 Honor Roll for the second consecutive year.

The RoboRockers, the robotics team at Saluda Trail Middle School, placed 1st in regional competition. The team was chosen from 21 competing teams for the “Project Award”.

Mount Gallant Elementary was one of three schools selected by the Palmetto Character Council as a S.C. School of Character.

South Pointe's AFJROTC was selected by the Dept. of the Air force for a Distinguished Unit Award.

The Applied Technology Center placed 1st in the SC Recycle Bowl while Finley road Elementary placed 2nd.

Seventeen schools were recipients of the Palmetto Gold and Silver Awards from the S.C. Department of Education based on state test results. The following schools won “Gold” awards for general performance; applied Technology Center, Castle Heights Middle, The Children's School at Sylvia Circle, Dutchman Creek Middle, Ebinport Elementary, Independence Elementary, India Hook Elementary, Mount Holly Elementary, Mount Gallant Elementary, Old Pointe Elementary, Rawlinson Road Middle, Sunset Park Center for Accelerated Studies, and York Road Elementary. The following schools received a “Silver” award for general performance: Belleview Elementary, Northside Elementary

School of the Arts, Saluda Trail Middle and Sullivan Middle. For closing the Achievement gap, Northside Elementary School of the Arts received a Gold Award, Rawlinson Road Middle received a silver award and Independence Elementary received a Gold award.

The Material Handling and Logistics Program at the Applied Technology Center received the Career and Technical Best Practice Award at the S.C. Education and Business Summit for its affiliation with the district's Back-the-Pact initiative.

More than 1,900 students were provided with book bags, school supplies and shoes and socks through the district's partnership with Samaritan's Feet and Elevation Church.

Eighty students from the Class of 2013 graduated with Honors and Sixty-five students graduated with Highest Honors.

The district awarded 268 Gold Seal medallions to members of the class of 2013 who completed a minimum of 28 units with a GPA of 4.2 or higher and no grade lower than a "C".

College scholarships in the amount of \$24,976,663 were awarded to members of the Class of 2013. (Amount also includes athletic scholarships)

Twenty middle school students were designated as Duke TIP scholars. One hundred twenty middle school students were designated as South Carolina Junior Scholars.

Allison Cooke, Drew Bridges, Caitlin Yaskika, Justin Horne and Tyler Wilk, students at Rock Hill High placed 1st in the Fair Trade Challenge in national competition of the Business Professionals of America.

Trace Neal, from Rock Hill High, was a semifinalist in the National Achievement Scholarship Program.

The S.C. High School League designated 136 seniors as scholar-athletes.

Forty-six students were Advanced Placement scholar candidates, and 52 were International Baccalaureate diploma candidates.

In National History Day competition, eight students qualified at the state level to represent S.C. in national competition. Kelsey Collins, a student at Saluda Trail Middle School, was a national finalist with her Junior Historic Paper.

South Pointe's Rebecca McGregor was one of 25 students to receive a National Beta Club John W. Harris Leadership Award.

Taylor Alexis Barber, a fifth grade GT student at Mount Gallant Elementary, had her first early reader's book, **Tales of Riley, the Mouse**, published.

Banks Wright, a grade five student at Ebinport, was selected as the S.C. Safety Patrolman of the Year.

Dr. Jeff Vanables, a chemistry teacher at Northwestern High School was selected as the District's Teacher of the Year. He later became one of five finalists for the S.C. Teacher of the Year.

Julie Marshall, a teacher interventionist and literacy coach at Rosewood Elementary was honored with 37 other teachers nationwide for Teaching Excellence at the NEA Foundation's Salute to Excellence in Education Gala in Washington, D.C.

Katy Sheppard, kindergarten teacher at Sunset Park Center for Accelerated Studies was selected by the Palmetto Chapter of the International Reading Association as its Distinguished Teacher of Reading.

South Pointe High Schools Brianna Marie Early was selected by the S.C. Scholastic Press Association as the Journalist of the Year.

Northwestern High's football team was runner-up in the state 4-A championship.

The Northwestern High's cheerleaders placed 2nd in the Upper-State Championship and 3rd in state competition

Northwestern High had region championships in girls' basketball, baseball, boys' track, girls track, boys' soccer and girls' soccer.

Northwestern High's Julia Tindall placed 1st in girls' high jump state competition for the third consecutive year.

Rock Hill High's Bishop Ashley was runner-up in the state wrestling championships

South Pointe's Girls Golf Team and South Pointe's Boys Basketball Team were region champions

Bands at Northwestern High, Rock Hill High and South Pointe High were selected by the S.C. Band Association for an Outstanding Performance Award.

The Rock Hill High Bank of Distinction placed 2nd in the Upper-State Marching Band Championship and 5th in the 4A State Championship.

The South Pointe High's Band of Thunder won its first ever Grand Champion award in school history at the Southern Classic.

The Northwestern High Purple Regiment placed 1st in the Upper-State Marching Band Championship and 3rd in the 4A state championship.

Five members of the South Pointe Stallion Choral Concert Choir and five members of the Rock Hill High Chorus were selected as members of the National High School Honor Choir.

South Pointe High students Catherine Stiers, Vinita Maigur, Brianna-Marie Ealy and Abigail Norby won top individual awards for online publications in the S.C. Scholastic Press Association competition.

FINANCIAL INFORMATION

The Rock Hill School District Three management is responsible for developing and maintaining internal controls designed to insure that the assets of the School District are protected from loss, theft, or misuse and to insure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Control

At the beginning of each fiscal year, the Board of Trustees (the Board) approves the annual budget for the General Fund. The purpose of the approval by the Board is to insure compliance with the legal provisions indicated in the Policies of the Board of Trustees, as well as State and Federal laws. The Board, through policy, has given the School District Superintendent the responsibility of managing the School District's budget.

Budget transfers between function levels may be requested by school principals and department heads and are approved by the finance department. Quarterly, the Board is given interim financial reports which detail monthly, year-to-date expenditures and encumbrances versus budgetary appropriations.

All other budgets are reviewed and approved by either the Administration, or the governing body responsible for issuing the grant. Any funds allocated to the School District which do not require a budget are used to support the School District's educational program.

Debt Service expenditures are controlled by the bond issue requirements. Revenues to pay the debt service requirements are levied by the County Auditor. Each year the Board requests what it feels will be required in millage to be assessed by the County Auditor. However, the responsibility of maintaining an adequate cash balance in the debt service fund is legally that of the County Auditor.

Financial Condition

Property tax revenues remained steady, increasing approximately \$0.5 million from the prior year. The State increased funding to the District in the form of an increase in Base Student Cost from \$1,880 for 2011-2012 to \$2,012 in 2012-2013. State aide increased by approximately \$5.2 million or 7% due largely to the increase in Base Student Cost as well as growth. Actual revenues were more than expenditures by approximately \$ 2.5 million for the fiscal year. The 2012-2013 Budget included two step increases for teachers as well as a 2% cost of living, a 1.5% increase for other staff and the restoration of some cost reductions implemented during the financial crisis including the addition of five teaching position and discontinuation of a \$25 academic fee. The District continues to collect a \$60 per student athletic fee and maintains a focus on energy and other program conservation for cost savings.

The total fund balance in the general fund at year end was approximately \$22,730,000 (unassigned amount of approximately \$20,067,000) The administration continues to analyze the projected a fund balance need and continues to support the need to maintain at least the 17% minimum fund balance currently designated by the Board's policy. The South Carolina General Assembly passed Act 388 in June 2006, which eliminates all school operating taxes on owner-occupied homes and replaced it with a potentially less stable funding source of an additional 1 percent general sales tax. The targeted fund balance will allow the School District not only to maintain its ability to handle any major shortfalls due to an economic decline but also to handle the increase in operating costs should the need arise for new facilities in the future.

The School District still feels a positive fund balance is sound financial management. A positive fund balance serves several purposes. The first is to ensure that the instructional process is not interrupted by unforeseen budgetary constraints such as state cuts or default of a tax payment by a major industry. Secondly, the School District is able to reduce short term borrowing by having cash available in the later months of the year.

The third purpose is to maintain a positive bond rating. The Board has committed to focus toward technology, improving capital assets, and ensuring adequate facilities for our students. All of these items require issuing debt. Showing a continued commitment to maintaining an adequate fund balance will help to maintain and improve our current bond rating.

Cash Management

The School District invests all temporarily idle cash. These funds are invested in obligations collateralized by instruments issued or guaranteed by the United States Government or the State of South Carolina.

The School District uses several entities for investment of funds. Primarily is through participation in the South Carolina Local Government Investment Pool operated by the Office of the State Treasurer. Funds held by the County Treasurer's office are sent to the SGLIP. The School District has access to all funds in the State Pool within 24 hours. The School District also has an additional account at the State Pool whereby funds from the South Carolina Department of Education are deposited into the County Treasurer's account and immediately transferred into the School District's account.

Another investment tool is through treasury management services provided by Wachovia/Wells Fargo. The School District maintains several accounts with the bank and all excess funds are swept into an overnight investment account. General fund interest earned was approximately \$89,000 compared to approximately \$107,000 in the prior year. The School District has structured its banking contract for maximum earnings potential and the contract still provides the School District with a lower fee structure based on minimum average monthly deposits.

Risk Management

Rock Hill School District Three participates in the South Carolina School Boards' Insurance Trust Fund. The School Boards' Insurance Trust provides coverage for building and property, casualty and liability, and workers' compensation. The programs are directed toward minimizing costs through the integration of system design, risk control and claims management.

OTHER INFORMATION

Financial Reporting and Independent Audit

The financial report for the fiscal year ended June 30, 2013 has been prepared under the financial reporting model required by GASB 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The financial statements include government-wide financial statements as well as fund financial statements, which present information for individual major funds. As part of this reporting model, management is responsible for preparing a Management's Discussion and Analysis of the School District. This discussion is included in the front of the financial section of the report and provides an assessment of the School District's finances for FY 2013 and the outlook for the future.

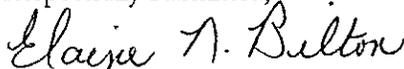
State statutes require an annual audit by an independent certified public accountant. The accounting firm of Greene Finney & Horton, LLC was selected by the Board of Trustees to perform this audit. In addition to meeting the requirements set forth in state statutes, the audit was designed to meet the requirements of the Single Audit Act Amendments of 1996 and related OMB Circular A-133. The auditors' report on the basic financial statements is included in the Financial Section of the CAFR. The auditors' reports related specifically to the single audit are included in the Single Audit Section.

Acknowledgments

The successful completion of this CAFR would not have been possible without the commitment and hard work of many people. The entire finance staff has continued to maintain an exemplary level of performance without which this report would not be able to be completed. We would also like to thank the Instruction Department and Division of Planning and Program Support for their contributions in time and information. We would like to thank our audit firm Greene Finney & Horton, LLC for their professional services in auditing the information contained within this document and their invaluable assistance with the compiling and printing of this financial report.

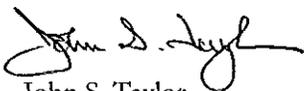
The management would also like to thank the Rock Hill School District Three Board of Trustees for their continued support and leadership. Without their help, we would not be able to maintain the exceptional staff needed to assure such a high level of competency.

Respectfully Submitted,



Elaine N. Bilton

Executive Director of Financial Services



John S. Taylor

Superintendent

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Rock Hill School District Three
Rock Hill, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Rock Hill School District Three, South Carolina (the "District"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, which statements reflected \$223,864, \$189,266, and \$431,355, respectively, in assets, net position, and revenues. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditor. 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, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Rock Hill School District Three, South Carolina, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the 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 and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, supplementary information, statistical section, and the schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133)*, all of which can be located in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and 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 by us. 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.

The introductory section, other information section, and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2013 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 21, 2013

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION & ANALYSIS

YEAR ENDED JUNE 30, 2013

INTRODUCTION

This discussion and analysis of Rock Hill School District Three's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the District's financial performance as a whole, with an emphasis on the Primary Government (which excludes the District's discretely presented charter school); readers should also review the transmittal letter, the financial statements, and the notes to the financial statements to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2012-2013 are as follows:

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year yielding net position of approximately \$157.0 million. Of this amount, approximately \$34.9 million may be used to meet the District's ongoing obligations (unrestricted net position).
- The District's total net position increased by approximately \$10.1 million compared to an approximately \$15.5 million increase in the prior year. This change in net position is primarily due to an increase in expenditures due to increased salary and related expenses.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of approximately \$44.3 million, an increase of approximately \$3.2 million from the prior year, which is attributable primarily to an increase in state revenues.
- At the end of the current fiscal year, total fund balance for the General Fund was approximately \$22.7 million, which is 18% percent of total General Fund expenditures. Approximately \$20.1 million is unassigned.
- The fund balance for the General Fund increased by approximately \$2.5 million, as revenues and other financing sources of approximately \$127.5 million exceeded expenditures and other financing uses of approximately \$125.0 million.
- The District's total capital assets decreased by approximately \$3.8 million (1.5%) during the current fiscal year, as depreciation expense of approximately \$8.7 million exceeded net additions of approximately \$4.9 million.
- The District's total outstanding indebtedness decreased by approximately \$10.5 million (6.5%) during the current fiscal year, due to principal payments of approximately \$16.5 million, partially offset by new borrowings of approximately \$6.0 million.
- The District implemented Governmental Accounting Standards Board ("GASB") Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*" ("GASB #63" or "Statement") in 2013. This Statement establishes financial reporting requirements and related disclosures for certain elements of a statement of financial position that were discussed in the GASB's 2007 Concepts Statement No. 4, "*Elements of Financial Statements*". In Concepts Statement No. 4, the GASB defines a *deferred outflow of resources* as a consumption of net assets by a government that is applicable to a future reporting period; a *deferred inflow of resources* as an acquisition of net assets by a government that is applicable to a future reporting period; and *net position* as the residual of all other elements presented in a statement of financial position (the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources). Under GASB #63, amounts for items that the GASB has designated to be deferred outflows of resources are to be presented in a statement of financial position in a separate section following assets, while amounts for items that the GASB has designated to be deferred inflows of resources are to be presented in a separate section following liabilities. The residual of assets and deferred outflows of resources over liabilities and deferred inflows of resources is to be reported as net position rather than as net assets in a statement of financial position. Since the District had no deferred outflows or inflows of resources at June 30, 2013, the District's implementation of GASB #63 had no material effect on the presentation of its 2013 financial statements.

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION & ANALYSIS

YEAR ENDED JUNE 30, 2013

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and notes to those statements. The financial statements include two kinds of statements, (*the government-wide financial statements and the fund financial statements*) that present different views of the District. The government-wide statements are intended to give the reader both an aggregate view of the District's finances and a longer-term view of those finances. The fund financial statements are intended to provide a more detailed look at specific financial activities.

Government-wide financial statements. These statements provide a broad overview of the District's overall financial status, in a manner similar to a private-sector enterprise. These statements report information about the District as a whole.

The *Statement of Net Position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To assess the District's overall health, other non-financial factors, such as the District's property tax base and the condition and age of school buildings, as well as other physical assets, should be considered.

The *Statement of Activities* presents information showing how the government'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 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 District's activities are divided into two categories in the government-wide statements:

- **Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Local, state, and federal funds finance most of these activities.
- **Business-type activities:** The District charges fees to help cover the cost of certain services that it provides. Included within this activity is the food service program.

The government-wide financial statements include not only the District itself (known as the primary government), but also its discretely presented component unit, the Children's Attention Home Charter School. Financial information for the charter school is reported separately from the financial information presented for the primary government itself; this information is not material to the District as a whole. See Note I.A. for details about how to obtain a copy of the charter school's complete separately issued financial statements.

Fund Financial Statements. The remaining financial statements are *fund financial statements* that focus on *individual parts* of the District, and not the District as a whole. The fund financial statements report the District's operations in *more detail* than the government-wide statements, and focus on the District's most significant, or "major" funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the District's basic services are included within the governmental funds. The governmental funds generally focus on two things-how cash and other assets can readily be converted to cash flow in and out, and the balances left at year-end that are available for spending.

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION & ANALYSIS

YEAR ENDED JUNE 30, 2013

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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. The governmental fund statements provide a more detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. However the governmental fund statements do not encompass the additional long-term focus as that of the government-wide financial statements, and as a result additional information at the end of the governmental fund statements, in the form of a reconciliation, explains the relationship (or differences) between the governmental fund statements and the government-wide statements.

The District maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Special Revenue Fund, Special Revenue - EIA Fund, Debt Service Fund and Capital Projects Fund, all of which are considered to be major funds. The governmental fund financial statements can be found as listed in the table of contents of this report.

Proprietary Fund

The District maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses an enterprise fund to account for its food service operation. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail; therefore, the proprietary fund financial statements provide more detailed information for the food service activities; this fund is considered a major fund of the District. The proprietary 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 District's own programs. The District is the trustee, or fiduciary, for the pupil activity of the schools and accounts for this activity in an agency fund. 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 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 statements and individual fund financial schedules are included in the supplementary section. The District adopts an annual budget for its General Fund. A budgetary comparison schedule has been provided for this fund to demonstrate compliance with the budget.

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

MANAGEMENT’S DISCUSSION & ANALYSIS

YEAR ENDED JUNE 30, 2013

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Major Features of the District’s Government-Wide and Fund Financial Statements				
	Government-Wide Financial Statements	Fund Financial Statements		
Scope	Entire District (except fiduciary funds) and the discretely presented component unit.	The activities of the District that are not proprietary or fiduciary.	Activities the District operates similar to private businesses; in the District’s case, the food service operations.	Instances in which the District is the agent for someone else’s resources - 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 net position. ▪ Statement of revenues, expenses, and changes in net position. ▪ Statement of cash flows. 	<ul style="list-style-type: none"> ▪ Statement of fiduciary net position.
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term.	Only assets expected to be used and liabilities that come due during the year or soon, thereafter; no capital assets included.	All assets and liabilities, both financial and capital, and short-term and long-term.	All assets and liabilities, both short-term and long-term.
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 year end; expenditures when goods or services have been received and payment is due during or soon after year end.	All revenues and expenses during year, regardless of when cash is received or paid.	All revenues and expenses during year, regardless of when cash is received or paid.

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION & ANALYSIS

YEAR ENDED JUNE 30, 2013

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by approximately \$152.5 million at the close of the most recent fiscal year.

The table below provides a summary of net position for the District's Primary Government for the current and prior fiscal year:

	Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets						
Current and Other Assets	\$ 69,754,572	67,625,960	3,462,835	3,540,869	73,217,407	\$ 71,166,829
Capital Assets, Net	253,044,691	257,057,156	950,842	775,227	253,995,533	257,832,383
Total Assets	322,799,263	324,683,116	4,413,677	4,316,096	327,212,940	328,999,212
Liabilities						
Other Liabilities	20,102,310	21,540,051	-	-	20,102,310	21,540,051
Long Term Liabilities	150,151,686	160,613,340	-	-	150,151,686	160,613,340
Total Liabilities	170,253,996	182,153,391	-	-	170,253,996	182,153,391
Net Position						
Net Investment in						
Capital Assets	108,732,888	102,400,301	950,842	775,227	109,683,730	103,175,528
Restricted	12,415,202	10,914,842	-	-	12,415,202	10,914,842
Unrestricted	31,397,177	29,214,582	3,462,835	3,540,869	34,860,012	32,755,451
Total Net Position	\$ 152,545,267	142,529,725	4,413,677	4,316,096	156,958,944	\$ 146,845,821

The District's current and other assets at June 30, 2013 increased by approximately \$2.1 million from the prior year, primarily due to an increase in operating grants and other revenues. The District's capital assets at June 30, 2013 decreased by approximately \$3.8 million from the prior year due to depreciation expense of approximately \$8.9 million, partially offset by additions of approximately \$5.0 million, less disposals of approximately \$0.1 million. The District's total liabilities at June 30, 2013 decreased by approximately \$11.9 million from the prior year primarily due to a net reduction in outstanding indebtedness, which was the result of principal payments of approximately \$16.5 million, partially offset by new borrowings of approximately \$6.0 million.

The District's net position increased by approximately \$10.15 million during the current fiscal year as revenues exceeded expenses. See the discussion following the next table regarding this increase.

The largest portion of the District's net position (approximately \$109.7 million or 69.9%) reflects its investment in capital assets (i.e., land, buildings, furniture and equipment, etc.) less any related outstanding debt obligations used to acquire those assets. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt generally must be provided from other sources, since generally the capital assets themselves cannot be used to liquidate these liabilities.

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION & ANALYSIS

YEAR ENDED JUNE 30, 2013

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

An additional portion of the District's net position (approximately \$12.4 million or 7.9%) represents resources that are subject to external restrictions on how they may be used. These amounts are restricted primarily for debt service or by revenue source. The remaining portion of the District's net position is unrestricted net position (approximately \$34.9 million or 22.2%) may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net position for the District's Primary Government for the current and prior fiscal year:

**Table 2
Changes in Net Position**

	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Revenues						
Program Revenues:						
Charges for Services	\$ 1,978,291	1,903,326	1,827,360	2,014,405	3,805,651	\$ 3,917,731
Operating Grants	77,144,152	72,616,868	5,879,414	5,430,499	83,023,566	78,047,367
General Revenues:						
Taxes	63,801,992	66,019,931	-	-	63,801,992	66,019,931
State Revenue in Lieu of Taxes	29,344,465	28,638,186	-	-	29,344,465	28,638,186
Other	2,167,030	1,617,046	12,836	14,814	2,179,866	1,631,860
Total Revenues	<u>174,435,930</u>	<u>170,795,357</u>	<u>7,719,610</u>	<u>7,459,718</u>	<u>182,155,540</u>	<u>178,255,075</u>
Program Expenses						
Instruction	99,072,671	93,925,184	-	-	99,072,671	93,925,184
Supporting Services	60,273,955	54,518,963	-	-	60,273,955	54,518,963
Community Services	253,614	170,605	-	-	253,614	170,605
Interest and Other Charges	5,343,649	6,714,098	-	-	5,343,649	6,714,098
Food Service	-	-	7,098,528	7,395,976	7,098,528	7,395,976
Total Program Expenses	<u>164,943,889</u>	<u>155,328,850</u>	<u>7,098,528</u>	<u>7,395,976</u>	<u>172,042,417</u>	<u>162,724,826</u>
Excess (Deficiency)						
Before Transfers	9,492,041	15,466,507	621,082	63,742	10,113,123	15,530,249
Transfers In (Out)	<u>523,501</u>	<u>(65,825)</u>	<u>(523,501)</u>	<u>65,825</u>	<u>-</u>	<u>-</u>
Change in Net Position	10,015,542	15,400,682	97,581	129,567	10,113,123	15,530,249
Net Position, Beginning of Year	142,529,725	127,129,043	4,316,096	4,186,529	146,845,821	131,315,572
Net Position, End of Year	<u>\$ 152,545,267</u>	<u>142,529,725</u>	<u>4,413,677</u>	<u>4,316,096</u>	<u>156,958,944</u>	<u>\$ 146,845,821</u>

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION & ANALYSIS

YEAR ENDED JUNE 30, 2013

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities

The District's governmental activities net position increased by approximately \$10.0 million in 2013, compared to approximately \$15.4 million in 2012. This decrease was due to an increase in expenses and transfers of approximately \$9.0 million, which was partially offset by an increase in revenues of approximately \$3.6 million. The increase in revenues was largely due to an increase in local tax revenue as the result of reassessment and growth as well as an increase in state revenue due to an increase in base student funding. The increase in expenses was largely due to a step increase for teachers along with a 2% increase for teachers, and a 2.0% increase for all other employees.

Business-Type Activities

The District's business-type activities increased net position in 2013 by approximately \$98 thousand, compared to an increase of approximately \$130 thousand in the prior year. The decrease was primarily due to an increase in net transfers out to the General Fund of approximately \$589 thousand, partially offset by a decrease in expenses (primarily food costs) of \$297 thousand and an increase in revenues (both sales of meals and USDA reimbursements) of approximately \$260 thousand.

FUND ANALYSIS

Governmental Funds

The analysis of governmental funds serve the purpose of looking at what resources came into the funds, how they were spent and what is available for future expenditures. Did the government generate enough revenue to pay for current obligations? What is available for spending at the end of the year?

For the year ended June 30, 2013, the District's governmental funds reported a combined fund balance of approximately \$44.3 million, compared to approximately \$41.2 million for the prior year. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At June 30, 2013, the District's unassigned fund balance for all governmental funds was approximately \$20.1 million, which solely represents the General Fund. The remaining fund balance is comprised of approximately \$11.8 million restricted for debt service, approximately \$3.9 million restricted for capital projects, approximately \$0.9 million restricted for special revenue activities, approximately \$2.7 million in nonspendable fund balance (representing prepaid items and inventories), and approximately \$5.0 million assigned for capital projects.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, total fund balance of the General Fund was approximately \$22.7 million, of which approximately \$20.1 million was unassigned.

The District's General Fund balance increased approximately \$2.5 million from the prior year, a change of approximately \$3.8 million from the prior year's decrease of approximately \$1.3 million. Revenues for the current year were approximately \$122.8 million, increasing by approximately \$4.7 million from the prior year, due primarily to an increase in funding from the State of South Carolina (approximately \$4.2 million, primarily due to an increase in the base student funding) and a slight increase in local property taxes (approximately \$0.5 million – an increase in assessed values combined with better collections, while the millage remained unchanged at 141.4 mills). Expenditures for the current year were approximately \$124.7 million, increasing by approximately \$7.8 million from the prior year, due primarily to a step increase for teachers along with a 2.0% increase for teachers, and a 2.0% increase for noncertified employees below the highest pay banded. The unassigned fund balance of approximately \$20.1 million at June 30, 2013 in the General Fund represents 16% of General Fund expenditures for the fiscal year ended June 30, 2013.

The District's Special Revenue Fund and Special Revenue – EIA Fund, are used to account for revenues derived from the State of South Carolina and the Federal Government. Special Revenue funds generally do not have fund balances as revenues should be expended, deferred, or returned to the grantor.

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION & ANALYSIS

YEAR ENDED JUNE 30, 2013

FUND ANALYSIS (CONTINUED)

The Debt Service Fund is used to account for the accumulation of funds for debt retirement. The District's debt millage rate remained at 52.0 mills. The fund balance in the Debt Service Fund increased approximately \$1.0 million in 2013 to approximately \$11.8 million, as revenues of approximately \$22.2 million exceeded expenditures of approximately \$21.2 million. The entire fund balance is restricted for the future payment of debt service. The increase in the current year was approximately the same as the prior year increase of approximately \$1.0 million.

The Capital Projects Fund is utilized to account for the District's major capital project expenditures. The Capital Projects Fund decreased by approximately \$0.9 million during 2013 to approximately \$8.9 million at June 30, 2013, as expenditures for various technology purchases and construction projects of approximately \$8.9 million exceeded revenues of approximately \$0.3 million, proceeds from the sale of capital assets of approximately \$0.9 million and proceeds from bond proceeds of approximately \$6.8 million.

Proprietary Funds

The District's only Proprietary Fund is the Food Service Fund. This program had an increase in net position for fiscal 2013 of approximately \$98 thousand, as previously described above.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's General Fund 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. There were no amendments to the General Fund budget during the course of fiscal year 2013. Local revenue (primarily taxes) exceeded budget due to better than expected collection rates. Also, state revenues were more than budget due to an increase in the base student funding during the year. Expenditures were less than budget primarily due to much lower capital outlay as the District did not perform expected construction and technology upgrades. This was partially offset by higher than budgeted instruction expenditures which was the result of higher than expected cost for employee benefits. In addition the District was awarded one-time MOE funding from the State and the offsetting expenses were also recorded in the General Fund. The net change in fund balance (an increase of approximately \$2.5 million) was better than the budgeted decrease of approximately \$2.4 million by approximately \$4.9 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2013, the District had approximately \$254.0 million invested in capital assets, net of depreciation. The total decrease in the District's investment in capital assets was approximately \$3.8 million or 1.5%. While there was approximately \$5.1 million in additions to capital assets, depreciation expense was approximately \$8.8 million; there were also net disposals of approximately \$0.1 million. Significant capital asset events during the current fiscal year included the following:

- Construction in progress for school improvements at numerous locations.

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION & ANALYSIS

YEAR ENDED JUNE 30, 2013

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Continued)

The table below shows fiscal 2013 balances compared to 2012:

**Capital Assets at June 30, 2013 and June 30, 2012
(Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Land	\$ 10,301,734	10,377,815	-	-	10,301,734	\$ 10,377,815
Construction in Progress	2,659,784	2,139,856	-	-	2,659,784	2,139,856
Buildings and Improvements	235,981,425	240,909,714	-	-	235,981,425	240,909,714
Furniture and Equipment	4,101,748	3,629,771	950,842	775,227	5,052,590	4,404,998
Totals	<u>\$ 253,044,691</u>	<u>257,057,156</u>	<u>950,842</u>	<u>775,227</u>	<u>253,995,533</u>	<u>\$ 257,832,383</u>

The District has outstanding construction commitments of approximately \$471,000 at June 30, 2013. For more information regarding the District's capital assets and outstanding construction commitments, see Note III. C. in the Notes to the Financial Statements.

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

MANAGEMENT’S DISCUSSION & ANALYSIS

YEAR ENDED JUNE 30, 2013

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Debt Administration

At fiscal year-end, the District had approximately \$144.6 million in indebtedness, consisting of General Obligation bonds and capital leases, compared to approximately \$153.8 million in the prior year, a decrease of approximately \$9.2 million (6.0%) as shown in the table below. All of the District’s bonded debt is backed by the full faith and credit of the District as is typical with general obligation bond (“GOB”) indebtedness.

Outstanding Indebtedness at June 30, 2013 and June 30, 2012

	Governmental Activities 2013	Governmental Activities 2012
GO Bond - November 1, 2003	\$ -	\$ 5,000,000
GO Bond - November 15, 2005	18,530,000	19,505,000
GO Bond - March 14, 2007	56,035,000	56,320,000
GO Bond - September 23, 2009	16,900,000	17,775,000
GO Bond - October 7, 2010	1,320,000	3,120,000
GO Bond - October 7, 2010	19,065,000	23,180,000
GO Bond - October 19, 2011	4,300,000	4,740,000
GO Bond - October 19, 2011	15,495,000	15,545,000
GO Bond - September 19, 2012	4,876,000	-
Capital Lease Obligations	8,089,848	8,593,547
Total Outstanding Indebtedness	<u>\$ 144,610,848</u>	<u>\$ 153,778,547</u>

Key highlights related to the District’s total indebtedness for 2013 are as follows:

- Principal payments of approximately \$15.2 million were made on the outstanding bonds and the capital lease.
- New borrowings of approximately \$3.0 million.

Section 15 of Article X of the South Carolina State Constitution allows Districts to incur a legal debt limit not to exceed 8% of the assessed value of all taxable property in the District, unless approved by a majority vote in a referendum authorized by law. At June 30, 2013, the District's assessed property valuation was approximately \$434.3 million. The District had approximately \$12.3 million in bonded debt subject to the 8% limit, resulting in unused legal debt margin of approximately \$22.4 million.

As noted earlier, other long-term obligations consist of bond premiums and accrued compensated absences. More detailed information about the District's debt and other long-term obligations is presented in III. D. in the Notes to the Financial Statements.

ECONOMIC FACTORS

Rock Hill School District Three is located in York County with the entire city of Rock Hill being encompassed by the School District. York County is located in the northern Piedmont portion of South Carolina and shares a common border with North Carolina. The County is an integral part of the State, which provides for some annual growth in the tax base. The area in general is growing and Rock Hill School District Three had an increase in average daily membership of 221 students. Although Average Daily membership increased for 2012-13, a state charter school opened in the district in 2010-2011 resulting in a large decrease in student population for that year. Because of the addition of grade levels at this school each year, the district enrollment will be closely monitored and is expected to continue a slow growth as the charter school is fully enrolled.

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION & ANALYSIS

YEAR ENDED JUNE 30, 2013

FY 2014 BUDGETS

In preparing the 2013-2014 budgets, the School Administration continued to operate under the mechanism of act 388 which eliminates all school operating taxes on owner-occupied homes and replaces it with a potentially less stable funding source of an additional 1% sales tax. While 2011-12 was a reassessment year which produced an increase in revenue and greater than expected growth in 2012-13, overall economic growth in South Carolina continues to be an unknown factor. For 2013-14 anticipating continuing growth and given an increase in base student funding from the state to \$2,101 the district developed a budget without a millage increase. In addition, the 2013-14 budget will contain a step increase for teachers, an increase in pay for other staff and will begin restoring some of the cost reduction measures imposed due to the economic downturn which began in 2009.

With the passage of Act 388, the local School Board will be restricted in future years on its ability to raise the millage for general operating purposes to the prior year millage increased by the average twelve month consumer price index plus the increase in population as determined by the Office of Research and Statistics of the State Budget and Control Board. We will continue to examine financial projections related to this significant change in funding source and also the State Budget and Control Board projections for 2013-14 as well as future years. We will plan carefully to provide the necessary resources to meet student and staff needs in the future and continue the successes of Rock Hill School District Three.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide those interested with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Elaine N. Bilton, Executive Director of Financial Services, at Rock Hill School District Three, 660 N. Anderson Road, PO Drawer 10072, Rock Hill, South Carolina, 29731.

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Basic Financial Statements

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

STATEMENT OF NET POSITION

JUNE 30, 2013

	PRIMARY GOVERNMENT			COMPONENT
	Governmental	Business-Type	Totals	UNIT
	Activities	Activities		Charter School
ASSETS				
Cash and Cash Equivalents	\$ 27,536,909	1,997	27,538,906	\$ 163,226
Cash and Investments Held by County Treasurer	30,997,864	-	30,997,864	-
Property Taxes Receivable, Net	7,431,867	-	7,431,867	-
Accounts Receivable	135,619	-	135,619	35,233
Due from State	1,540,350	-	1,540,350	-
Due from Federal	1,617,347	776,737	2,394,084	-
Internal Balances	(2,638,320)	2,638,320	-	-
Inventories and Prepaid Items	2,663,073	45,781	2,708,854	-
Bond Issuance Costs, Net	469,863	-	469,863	-
Capital Assets:				
Non-Depreciable	12,961,518	-	12,961,518	-
Depreciable, Net	240,083,173	950,842	241,034,015	25,405
TOTAL ASSETS	322,799,263	4,413,677	327,212,940	223,864
LIABILITIES				
Accounts Payable and Accrued Expenses	14,647,545	-	14,647,545	34,598
Accrued Interest Payable	2,083,588	-	2,083,588	-
Unearned Revenue	3,371,177	-	3,371,177	-
Non-Current Liabilities:				
Due Within One Year	15,584,272	-	15,584,272	-
Due in More than One Year	134,567,414	-	134,567,414	-
CHANGE IN NET POSITION	170,253,996	-	170,253,996	34,598
NET POSITION				
Net Investment in Capital Assets	108,732,888	950,842	109,683,730	25,405
Restricted For:				
Debt Service	11,545,521	-	11,545,521	-
Special Educational Programs	869,681	-	869,681	-
Unrestricted	31,397,177	3,462,835	34,860,012	163,861
TOTAL NET POSITION	\$ 152,545,267	4,413,677	156,958,944	\$ 189,266

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

ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2013

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION			Component Unit Charter School
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	
PRIMARY GOVERNMENT:								
Governmental Activities:								
Instruction	\$ 99,072,671	1,978,291	55,075,628	-	(42,018,752)	-	\$ (42,018,752)	
Support Services	60,273,955	-	22,068,524	-	(38,205,431)	-	(38,205,431)	
Community Services	253,614	-	-	-	(253,614)	-	(253,614)	
Interest of Long-Term Obligations	5,343,649	-	-	-	(5,343,649)	-	(5,343,649)	
Total Governmental Activities	164,943,889	1,978,291	77,144,152	-	(85,821,446)	-	(85,821,446)	
Business-Type Activities:								
Food Services	7,098,528	1,827,360	5,879,414	-	-	608,246	608,246	
Total Business-Type Activities	7,098,528	1,827,360	5,879,414	-	-	608,246	608,246	
TOTAL PRIMARY GOVERNMENT	\$ 172,042,417	3,805,651	83,023,566	-	(85,821,446)	608,246	(85,213,200)	
COMPONENT UNIT								
Charter School	\$ 371,188	-	172,592	-				(198,596)
GENERAL REVENUES:								
General Revenues:								
Property Taxes Levied for General Purposes					42,689,482	-	42,689,482	-
Property Taxes Levied for Debt Service					21,112,510	-	21,112,510	-
State Revenue in Lieu of Taxes					29,344,465	-	29,344,465	-
Investment Earnings					147,499	12,836	160,335	-
Miscellaneous-Not Restricted to Specific Programs					1,167,551	-	1,167,551	258,763
Gain (Loss) on Disposal of Capital Assets					851,980	-	851,980	-
Transfers In (Out)					523,501	(523,501)	-	-
Total General Revenues and Transfers					95,836,988	(510,665)	95,326,323	258,763
CHANGE IN NET POSITION					10,015,542	97,581	10,113,123	60,167
NET POSITION - Beginning of Year					142,529,725	4,316,096	146,845,821	129,099
NET POSITION					152,545,267	4,413,677	156,958,944	\$ 189,266

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

ROCK HILL SCHOOL DISTRICT THREE
 ROCK HILL, SOUTH CAROLINA

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2013

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>
ASSETS		
Cash and Cash Equivalents	\$ 27,536,809	100
Cash and Investments Held by County Treasurer	12,028,549	-
Receivables, Net:		
Taxes	5,451,659	-
Accounts	11,785	123,834
Due From:		
State	466,026	-
Federal	-	1,617,347
Other Funds	961,459	1,257,532
Prepaid Items	2,276,019	-
Inventories	387,054	-
TOTAL ASSETS	<u>\$ 49,119,360</u>	<u>2,998,813</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES:		
Accounts Payable	\$ 4,422,607	-
Accrued Salaries, Fringe & Benefits	10,136,998	-
Due To:		
Other Funds	6,694,669	1,557,395
Deferred/Unearned Revenue	5,134,982	571,737
TOTAL LIABILITIES	<u>26,389,256</u>	<u>2,129,132</u>
FUND BALANCES:		
Fund Balances		
Nonspendable For:		
Prepaid Items	2,276,019	-
Inventories	387,054	-
Restricted For:		
Debt Service	-	-
Capital Projects	-	-
Special Educational Programs	-	869,681
Assigned For:		
Capital Projects	-	-
Unassigned	20,067,031	-
TOTAL FUND BALANCES	<u>22,730,104</u>	<u>869,681</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 49,119,360</u>	<u>2,998,813</u>

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

SPECIAL REVENUE - EIA	DEBT SERVICE	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
-	-	-	\$ 27,536,909
-	11,017,684	7,951,631	30,997,864
-	1,980,208	-	7,431,867
-	-	-	135,619
1,074,324	-	-	1,540,350
-	-	-	1,617,347
2,257,753	631,217	8,737,753	13,845,714
-	-	-	2,276,019
-	-	-	387,054
3,332,077	13,629,109	16,689,384	\$ 85,768,743
4,289	-	83,651	\$ 4,510,547
-	-	-	10,136,998
528,348	-	7,703,622	16,484,034
2,799,440	1,803,769	-	10,309,928
3,332,077	1,803,769	7,787,273	41,441,507
-	-	-	2,276,019
-	-	-	387,054
-	11,825,340	-	11,825,340
-	-	3,902,111	3,902,111
-	-	-	869,681
-	-	5,000,000	5,000,000
-	-	-	20,067,031
-	11,825,340	8,902,111	44,327,236
3,332,077	13,629,109	16,689,384	\$ 85,768,743

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

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

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

JUNE 30, 2013

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS **\$ 44,327,236**

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

Outstanding property taxes and other revenues which will be collected in the future, but are not available soon enough to pay for the current period's expenditures, are therefore deferred in the funds. 6,938,751

Capital Assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$356,988,076, and the accumulated depreciation is \$103,943,385. 253,044,691

Bond issuance costs are amortized over the lives of the bonds on the statement of net position, but on the governmental funds balance sheet these costs are expenditures the year they are incurred. The bond issuance costs of \$790,705 is shown net of accumulated amortization expense of \$320,842. 469,863

Interest is recorded as an expenditure when due and payable in the governmental funds. Interest is recorded in the government-wide statements when it is due. This amount represents the amount of interest due but unpaid at year-end. (2,083,588)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities consisted of the following:

Long-Term Debt	(144,610,848)	
Net Premium	(4,968,978)	
Compensated Absences	(571,860)	(150,151,686)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$ 152,545,267**

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

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ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2013

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>
REVENUES		
Local Sources:		
Taxes	\$ 44,013,320	-
Investment Earnings	89,046	-
Other Local Sources	573,706	4,048,332
State Sources	77,890,436	1,493,564
Federal Sources	55	8,233,165
Intergovernmental Revenue	250,000	272,799
TOTAL REVENUE ALL SOURCES	122,816,563	14,047,860
EXPENDITURES		
Current:		
Instruction	75,771,420	9,549,796
Support Services	47,631,692	3,370,211
Community Services	168,625	84,747
Intergovernmental	195,807	224,155
Capital Outlay	15,816	5,017
Debt Service:		
Principal Retirement	503,699	-
Interest and Fiscal Charges	386,911	-
Other Charges	-	-
TOTAL EXPENDITURES	124,673,970	13,233,926
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,857,407)	813,934
OTHER FINANCING SOURCES (USES)		
Proceeds from the Sale of Capital Assets	57,028	-
Issuance of General Obligation Bonds	-	-
Premium on Issuance of Bonds	-	-
Transfers In	4,648,173	-
Transfers Out	(363,727)	(231,609)
CHANGE IN NET POSITION	4,341,474	(231,609)
NET CHANGES IN FUND BALANCES	2,484,067	582,325
FUND BALANCE, Beginning of Year	20,246,037	287,356
FUND BALANCE, End of Year	\$ 22,730,104	869,681

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

SPECIAL REVENUE - EIA	DEBT SERVICE	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
-	20,895,281	-	\$ 64,908,601
-	24,007	34,446	147,499
-	-	238,701	4,860,739
13,422,580	1,269,778	-	94,076,358
-	-	-	8,233,220
-	17,000	-	539,799
13,422,580	22,206,066	273,147	172,766,216
7,807,317	-	-	93,128,533
2,085,679	-	5,040,882	58,128,464
249	-	-	253,621
-	-	-	419,962
-	-	3,755,536	3,776,369
-	14,664,000	-	15,167,699
-	6,552,030	-	6,938,941
-	2,997	54,275	57,272
9,893,245	21,219,027	8,850,693	177,870,861
3,529,335	987,039	(8,577,546)	(5,104,645)
-	-	920,053	977,081
-	-	6,000,000	6,000,000
-	-	761,444	761,444
-	-	-	4,648,173
(3,529,335)	-	-	(4,124,671)
(3,529,335)	-	7,681,497	8,262,027
-	987,039	(896,049)	3,157,382
-	10,838,301	9,798,160	41,169,854
-	11,825,340	8,902,111	\$ 44,327,236

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

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

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

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

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 3,157,382
Amounts reported for governmental activities in the Statement of Activities are different because:	
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. They are considered revenues in the Statement of Activities.	817,870
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	15,167,699
The issuance of bonds provides current financial resources to governmental funds, but issuing debt or entering into capital leases increases long term liabilities in the Statement of Net Position. This is the proceeds and premiums received in the current year	(6,000,000)
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 when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	(286,233)
Bond issuance costs are expenditures the year they are incurred in governmental funds, but are amortized over the lives of the bonds in the Statement of Activities.	(122,666)
Bond premiums are recorded in the year they are received in governmental funds, but are amortized over the lives of the bonds in the Statement of Activities.	1,300,019
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	(6,064)
In the Statement of Activities the transfer of capital assets to enterprise fund activities is reported, whereas in the governmental funds, no amounts are reported since capital assets are not considered a current financial resource.	(125,101)
Governmental funds report capital asset additions as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over there estimated useful lives as depreciation expense. This is the amount by which capital asset additions of \$4,728,579 was exceeded by depreciation expense of \$8,615,943 during the year.	(3,887,364)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 10,015,542</u>

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

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

STATEMENT OF NET POSITION

PROPRIETARY FUND

JUNE 30, 2013

	<u>ENTERPRISE</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 1,997
Due From:	
Federal Agencies	776,737
Other Funds	2,638,320
Inventories	45,781
Total Current Assets	<u>3,462,835</u>
Non-Current Assets:	
Capital Assets	4,705,273
Less: Accumulated Depreciation	(3,754,431)
Total Non-Current Assets	<u>950,842</u>
TOTAL ASSETS	<u>4,413,677</u>
NET POSITION	
Net Investment in Capital Assets	950,842
Unrestricted	3,462,835
TOTAL NET POSITION	<u>\$ 4,413,677</u>

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

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

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

PROPRIETARY FUND

YEAR ENDED JUNE 30, 2013

	<u>ENTERPRISE</u>
OPERATING REVENUES	
Proceeds from Sale of Meals	\$ 1,827,360
OPERATING EXPENSES	
Salaries and Benefits	2,290,843
Purchased Services	4,262,038
Food Costs and Supplies	393,748
Depreciation	145,863
Other	6,036
TOTAL OPERATING EXPENSES	<u>7,098,528</u>
OPERATING LOSS	<u>(5,271,168)</u>
NON-OPERATING REVENUES (EXPENSES)	
Commodities Received from USDA	427,129
USDA Reimbursements	5,439,730
Interest	12,836
Other Revenue	12,555
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>5,892,250</u>
INCOME BEFORE TRANSFERS	621,082
Transfer In - From General Fund	363,727
Transfer Out - Food Service Fund Indirect Costs	<u>(887,228)</u>
CHANGE IN NET POSITION	97,581
TOTAL NET POSITION, Beginning of Year	<u>4,316,096</u>
TOTAL NET POSITION, End of Year	<u>\$ 4,413,677</u>

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

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

YEAR ENDED JUNE 30, 2013

	<u>ENTERPRISE</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Meal Sales	\$ 1,827,360
Receipts from Other Revenues	665
Payments to Employees for Services	(2,290,843)
Payments to Suppliers for Goods and Services	(4,234,694)
NET CASH USED IN OPERATING ACTIVITIES	<u>(4,697,512)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
USDA Reimbursement	5,178,539
Other Federal Revenues	11,890
Transfers From (To) Other Funds	(184,200)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>5,006,229</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of Capital Assets	(321,478)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(321,478)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Earnings	12,836
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>12,836</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	75
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>1,922</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 1,997</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating Loss	\$ (5,271,168)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities	
Depreciation Expense	145,863
Non-Cash USDA Commodities Used	427,129
Other Non-Operating Revenues	665
Change In:	
Inventories	(1)
Net Cash Used in Operating Activities	<u>\$ (4,697,512)</u>
Non-Cash Transactions:	
Commodities Received from the USDA	\$ 427,129

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

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

STATEMENT OF ASSETS AND LIABILITIES

FIDUCIARY FUND

JUNE 30, 2013

	<u>AGENCY</u>
ASSETS	
Cash and Cash Equivalents	\$ 7,230
Receivables	1,007,538
TOTAL ASSETS	<u>\$ 1,014,768</u>
LIABILITIES	
Due to Student Organizations	\$ 1,014,768
TOTAL LIABILITIES	<u>\$ 1,014,768</u>

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

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Rock Hill School District Three, South Carolina (the "District"), is governed by a seven member Board of Trustees (the "Board"). The District provides regular and exceptional education for students from kindergarten through grade twelve.

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

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

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

Blended component units, although legally separate entities, are in substance, part of the government's operations and data from these units are combined with data of the primary government in the 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 District. Based on the criteria above, the District does not have any blended component units; it has one discretely presented component unit, as described below.

Discretely presented component unit – The Children's Attention Home Charter School is a public charter school, based on the guidelines of South Carolina Charter Schools Act of 1996. The charter school exclusively services the District and the charter school leadership terms remain under the jurisdiction of the District's Board and the District Superintendent. Complete separately issued financial statements may be obtained from the administrative offices of Children's Attention Home Charter School, Post Office Box 2892, Rock Hill, South Carolina 29732.

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

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity (except for interfund services provided and used between functions) has been removed from these statements. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

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

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

The District implemented Governmental Accounting Standards Board Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*" ("GASB #63") in 2013. GASB #63 establishes financial reporting requirements and related disclosures for certain elements of a statement of financial position that were discussed in the GASB's 2007 Concepts Statement No. 4, "*Elements of Financial Statements*". In Concepts Statement No. 4, the GASB defines a *deferred outflow of resources* as a consumption of net assets by a government that is applicable to a future reporting period; a *deferred inflow of resources* as an acquisition of net assets by a government that is applicable to a future reporting period; and *net position* as the residual of all other elements presented in a statement of financial position (the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources). Under GASB #63, amounts for items that the GASB has designated to be deferred outflows of resources are to be presented in a statement of financial position in a separate section following assets, while amounts for items that the GASB has designated to be deferred inflows of resources are to be presented in a separate section following liabilities. The residual of assets and deferred outflows of resources over liabilities and deferred inflows of resources is to be reported as net position rather than as net assets in a statement of financial position. Since the District had no deferred outflows or inflows of resources at June 30, 2013, the District's implementation of GASB #63 had no material effect on the presentation of its 2013 financial statements.

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.

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Property taxes, federal and state grant programs, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash has been received by the government.

Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The District does not have any non-major funds. Fiduciary Funds are reported by fund type.

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 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 District.

Governmental Fund Types are those through which most governmental functions of the District are financed. The District's expendable financial resources and related assets and liabilities (except for those accounted for in the Proprietary Funds) are accounted for through governmental funds. Governmental funds are accounted for using a current financial resources measurement focus and the modified accrual basis of accounting. The following are the District's major governmental fund types:

The **General Fund, a major fund** and a budgeted fund, is the general operating fund of the District and accounts for all revenues and expenditures of the District except those required to be accounted for in another fund. All general tax revenues and other receipts that (a) are not allocated by law or contractual agreement to other funds or (b) that have not been restricted, committed, or assigned to other funds are accounted for in the General Fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

Special Revenue Funds are used to account for 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 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 and report 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 and report the restricted revenue from the South Carolina Education Improvement Act of 1984 (which is legally required by the state to be accounted for as a specific revenue source) which are restricted for specific programs authorized or mandated by the EIA.

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Proprietary Fund Types are accounted for based on the flow of economic resources measurement focus and use of the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The District applies all applicable Governmental Accounting Standards Board ("GASB") pronouncements, as well as the requirements of Financial Accounting Standards Board ("FASB") Statements and interpretations, Accounting Principles Board ("APB") Opinions, and Accounting Research Bulletins ("ARBs"), issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

The District has elected not to apply the standards issued by those organizations after November 30, 1989 for the proprietary fund. This fund, however, has applied all applicable pronouncements issued by the Governmental Accounting Standards Board ("GASB").

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Fund are charges to students and teachers for breakfast, lunch and special sales. Operating expenses for the Enterprise Fund include the cost of sales, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Proprietary Fund types include the following fund:

The *Enterprise Fund, a major fund* and an unbudgeted fund, is used to account for those operations (a) where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or covered primarily through user charges of (b) or where the District has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The Food Service Fund is the District's only Enterprise Fund and is used to account for the United States Department of Agriculture's ("USDA") approved school breakfast and lunch programs.

Fiduciary Fund Types are used to account for expendable assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds and include Agency Funds. Fiduciary Fund Types include the following:

Agency Fund, an unbudgeted fund, accounts for the receipt and disbursement of monies to and from student activity organizations. These funds have no equity (assets are equal to liabilities) and do not include revenues and expenditures for general operation of the District. This accounting reflects the agency relationship of the District with the student activity organizations.

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Equity

Cash, Cash Equivalents, and Investments

Cash and Cash Equivalents

The District considers all highly liquid investments (including restricted assets) with original maturities of three months or less when purchased 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 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 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 Savings and Loan Insurance Corporation.
- (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.

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Equity (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 position value of one dollar a share and to that end, value its assets by the amortized cost method.

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

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

- Cash and Investments held by the County Treasurer, which consists of funds restricted for debt service and capital projects; it also consists of property taxes collected by the District's fiscal agent that have not been remitted to the 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.
- State Local Government Investment Pool (the "Pool") investments are invested with the South Carolina State Treasurer's Office, which established the 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. 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.

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." These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as "internal balances". All accounts and property taxes receivable are shown net of an allowance for uncollectible amounts.

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Equity (continued)

Prepaid Items and Inventories

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 period in which the services are consumed.

Under the system for accounting for inventories, materials and supplies are carried in an inventory account at cost, using the first-in, first-out method of accounting, and are subsequently charged to expenditures/expenses when consumed. Inventories in the Food Service Fund consist of purchased goods, supplies and USDA commodities received, but not used as of June 30, 2013, which are stated at fair market values assigned by the USDA.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the Proprietary Fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position, but are not reported in the fund financial statements.

Capital assets utilized by the Proprietary Fund are reported both in the business-type activities column of the government-wide Statement of Net Position and in the respective fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The cost and accumulated depreciation of assets sold or retired are removed from the accounts, and gains or losses, if any, are reflected in revenue or expenditures/expenses for the year. The District maintains a capitalization threshold of \$100,000 for assets with lives of 15 years or more and \$5,000 for all other capital assets. Improvements that meet this criteria are capitalized. The District does not own any infrastructure. 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 expensed.

In the enterprise fund, assets acquired or constructed by grants and shared revenues externally restricted for capital acquisitions and construction are reported as revenue in the period received in accordance with GASB Statement No. 33.

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>Asset Category</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Buildings and improvements	50 years	20 years
Furniture and equipment	3 – 7 years	3 – 12 years

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Equity (continued)

Compensated Absences

The District reports compensated absences in accordance with GASB Statement No. 16, “*Accounting for Compensated Absences*.” The entire compensated absence liability and expense is reported on the government-wide financial statements. Governmental funds will only recognize compensated absences liability if they have matured, for example, as a result of employee resignations or retirements. The District’s policy is to pay any salary-related payments, including accumulated vacation leave, upon termination up to 10 days. However, employees may accumulate vacation leave up to 20 days to be taken as time off. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Accrued Liabilities and Long-Term Obligations

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, non-current portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Position. Bond premiums and discounts (if any), as well as bond issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs are included with assets and are amortized over the term of the related debt.

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

Fund Balance

In accordance with Governmental Accounting Standards Board (“GASB”) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (“GASB 54”), which established new fund balance classifications for governmental fund types and clarifies the definitions of the governmental fund types the School District classifies 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.).

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Equity (continued)

Fund Balance (Continued)

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 of Trustees) before the end of the reporting period. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed amounts 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. At this time, the Board of Trustees has not formally granted the right to make assignments of fund balance for the District to anyone other than itself. The Capital Projects Fund assignment of fund balance of \$5,000,000 represents a transfer of that amount from the General Fund to the Capital Projects Fund for future capital projects, as approved by the Board of Trustees in the prior year.

Unassigned – includes amounts that do not qualify to be accounted for and reported in any of the other fund balance categories. This classification represents the amount of fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts of restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Outstanding debt, which has not been expended, 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 the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers between governmental funds and enterprise balances are eliminated.

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Equity (continued)

Interfund Activity (Continued)

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financial sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

The government-wide statement of activities excludes the effects of internal activity, if any, between the funds.

Use of Estimates

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Accounting

State statutes require a budget for operations to be approved before expenditures are incurred. The Board will usually approve the operating budget in June for the fiscal year beginning July 1. A budget is adopted by July of each fiscal year for the General Fund, on the same modified accrual basis used to reflect actual revenues and expenditures in the fund financial statements. The Board does not adopt a budget for the Special Revenue Fund. Special Revenue Fund budgets are controlled in conformance with the specific requirements of those funds (i.e. federal and state grant funds available are based on award amounts and the State EIA funds are based on state appropriation). In addition, no budgets are prepared for the Debt Service and Capital Projects funds. A budget and actual comparison is presented the accompanying fund financial statements for the General Fund. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts adopted in the original appropriation. The amounts reported as the final budgeted amounts in the budgetary schedules reflect the amounts in the final amended budget issued during the year ended June 30, 2013. This budget is prepared by function and object as dictated by the State-adopted Program Oriented Budgeting and Accounting System and for management control purposes. The District's policies allow funds to be transferred between functions with administrative approval. The total budget cannot be increased beyond that level approved by the Board of Trustees originally and in supplementary action. The legal level of control is at the fund level.

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

- a. In the winter, the District sets its budget calendar for the preparation of the budget for the next succeeding fiscal year.
- b. The Finance Department develops each school's allocation based on a membership projection. Each principal uses this allocation to develop the individual school budgets.
- c. The District's Administrative Cabinet, consisting of the Superintendent, Association Superintendents, and Executive Directors, reviews the requests and presents a proposed budget to the Board.

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Accounting (Continued)

- d. After review and preliminary approval by the Board, the proposed budget is presented at a public hearing. Following the public hearing, the Board adopts the budget.

The budget amounts in the financial statements are as amended and approved by the Board. No supplemental appropriations were necessary during the year ended June 30, 2013. All appropriations lapse at the end of the fiscal year.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits

Custodial Credit Risk for Deposits: Custodial credit risk for deposits is the risk that, in the event of a bank failure, the District's deposits might not be recovered. The District does not have a deposit policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of June 30, 2013, none of the District's bank balances (including fiduciary funds) of approximately \$2,863,000, which had a carrying value of approximately \$498,000, were exposed to custodial credit risk.

Investments

As of June 30, 2013, the District had the following investments:

Investment Type	Credit Rating	Fair Value	Weighted Average Maturity Less than One Year
State Local Government Investment Pool	Unrated ^	\$ 27,046,258	\$ 27,046,258
Cash and Investments Held by County Treasurer	Unrated ^	30,997,864	30,997,864
Total		\$ 58,044,122	\$ 58,044,122

^ Investments in 2a-7 like funds are not required to disclose interest rate risk (as the cash and investments in these funds have a weighted average maturity of 60 days or less). The County Treasurer invests the monies it holds in trust for governmental entities in separate accounts with the State Local Government Investment Pool. Thus, we have characterized this investment as a 2a-7 like fund.

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

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 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, 2013, none of the District's investments were exposed to custodial credit risk.

Concentration of Credit Risk for Investments: The District places no limit on the amount the 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.

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

Investments (continued)

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

B. Property Taxes and Other Receivables

York County, South Carolina (the "County") is responsible for levying and collecting sufficient property taxes to meet funding obligations for the District. This obligation is established each year by the Board of Trustees and does not necessarily represent actual taxes levied or collected. The property taxes are considered both measurable and available for purposes of recognizing revenue and a receivable from the County at the time they are collected by the County.

Real Property taxes are levied on October 1 on the assessed valuations of property listed as of the preceding December 31 for all real and business personal property located in the District, 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-February 1	3% of tax
February 2-March 15	10% of tax
After March 15	15 % of tax plus collection costs

Motor vehicle taxes are levied on the first day of the month in which the motor vehicle license expires and are due by the end of the month.

South Carolina Code Section 12-37-251(A) provides a property tax exemption for property classified pursuant to Section 12-43-220(C) (homestead exemption) from property taxes levied for other than bonded indebtedness and payments pursuant to lease purchase agreements for capital construction. The exemption applies against millage imposed for school operations and the amount of fair market value of the homestead that is exempt from such millage must be set by the Department of Revenue and Taxation based on the amount available in the State Property Tax Relief Fund.

Intergovernmental receivables at June 30, 2013 consisted of intergovernmental grants and reimbursements. All intergovernmental receivables are considered collectible in full due to the stable condition of State programs and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables at June 30, 2013 were as follows:

Due from the federal government:	
Food Service	\$ 776,737
Special Projects	1,617,347
Total due from the federal government	<u>2,394,084</u>
Due from state agencies:	
General fund	466,026
Education Improvement Act	1,074,324
Total due from state agencies	<u>1,540,350</u>
Total intergovernmental receivables	<u><u>\$ 3,934,434</u></u>

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Property Taxes and Other Receivables (Continued)

Receivables for property taxes are reported net of the allowance for uncollectible accounts. Taxes receivable of approximately \$5,452,000 in the General Fund and approximately \$1,980,000 in the Debt Service Fund are reported net of an allowance for uncollectible amounts of approximately \$570,000 and \$193,000, respectively. Allowances for uncollectible amounts were not necessary for the other receivable accounts.

Governmental funds report deferred revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At June 30, 2013, deferred revenue related to property taxes reported in the governmental funds totaled approximately \$5,135,000 and \$1,804,000 in the General and Debt Service Funds, respectively. Unearned revenues in the special revenue funds totaled approximately \$3,371,000 at June 30, 2013.

C. Capital Assets

Capital asset activity for the District for the year ended June 30, 2013, was as follows:

Government Activities:	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital Assets, Not Being Depreciated:					
Land	\$ 10,377,815	-	76,081	-	\$ 10,301,734
Construction in Progress	2,139,856	3,213,618	-	(2,693,690)	2,659,784
Total Capital Assets, Not Being Depreciated	<u>12,517,671</u>	<u>3,213,618</u>	<u>76,081</u>	<u>(2,693,690)</u>	<u>12,961,518</u>
Capital Assets, Being Depreciated:					
Buildings and Improvements	326,674,983	-	-	2,693,690	329,368,673
Furniture and Equipment	13,537,489	1,514,961	394,565	-	14,657,885
Total Capital Assets Being Depreciated	<u>340,212,472</u>	<u>1,514,961</u>	<u>394,565</u>	<u>2,693,690</u>	<u>344,026,558</u>
Less: Accumulated Depreciation For:					
Buildings and Improvements	85,765,269	7,621,979	-	-	93,387,248
Furniture and Equipment	9,907,718	993,964	345,545	-	10,556,137
Total Accumulated Depreciation	<u>95,672,987</u>	<u>8,615,943</u>	<u>345,545</u>	<u>-</u>	<u>103,943,385</u>
Total Capital Assets, Being Depreciated, Net	<u>244,539,485</u>	<u>(7,100,982)</u>	<u>49,020</u>	<u>2,693,690</u>	<u>240,083,173</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 257,057,156</u>	<u>(3,887,364)</u>	<u>125,101</u>	<u>-</u>	<u>\$ 253,044,691</u>
Business-Type Activities:					
Capital Assets, Being Depreciated:					
Equipment	\$ 4,383,795	321,478	-	-	\$ 4,705,273
Less: Accumulated Depreciation	3,608,568	145,863	-	-	3,754,431
Total Business-Type Activities Capital Assets, Net	<u>\$ 775,227</u>	<u>175,615</u>	<u>-</u>	<u>-</u>	<u>\$ 950,842</u>

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets (Continued)

Depreciation expense was charged to governmental functions for the Primary Government as follows:

Instruction	\$ 5,513,225
Support Services	3,102,718
Total Charged to Governmental Activities	<u>\$ 8,615,943</u>

The District has outstanding commitments related to construction activities totaling approximately \$471,000 at June 30, 2013.

D. Long-Term Obligations

A summary of changes in long-term obligations for the year ended June 30, 2013 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General Obligations Bonds					
Series 2003	\$ 5,000,000	-	5,000,000	-	\$ -
Series 2005A	19,505,000	-	975,000	18,530,000	1,180,000
Series 2007A	56,320,000	-	285,000	56,035,000	300,000
Series 2009A	17,775,000	-	875,000	16,900,000	1,000,000
Series 2010A	3,120,000	-	1,800,000	1,320,000	745,000
Series 2010B	23,180,000	-	4,115,000	19,065,000	4,425,000
Series 2011A	4,740,000	-	440,000	4,300,000	1,615,000
Series 2011B	15,545,000	-	50,000	15,495,000	4,860,000
Series 2012	-	6,000,000	1,124,000	4,876,000	342,000
Total General Obligation Bonds	<u>145,185,000</u>	<u>6,000,000</u>	<u>14,664,000</u>	<u>136,521,000</u>	<u>14,467,000</u>
Unamortized Bond Premiums	6,268,997	-	1,300,019	4,968,978	-
Total Bonds	151,453,997	6,000,000	15,964,019	141,489,978	14,467,000
Capital Lease Obligations	8,593,547	-	503,699	8,089,848	545,412
Compensated Absences	565,796	516,885	510,821	571,860	571,860
Total Governmental Activities	<u>\$ 160,613,340</u>	<u>6,516,885</u>	<u>16,978,539</u>	<u>150,151,686</u>	<u>\$ 15,584,272</u>

Compensated absences are paid from the fund where the employee's salary is paid. General obligation debt is paid from the Debt Service Fund. Capital lease obligations are paid from the General Fund.

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Long-Term Obligations (Continued)

General obligation bonds consist of the following at June 30, 2013:

Date/Description of Issue	Interest Rate	Payment Dates	Maturity	Original Issue Amount	Outstanding Balance
September 1, 2003 - Series 2003	4.25 - 5.00%	Mar./Sept.	2016	\$ 42,500,000	\$ -
November 15, 2005 - Series 2005A	4.00 - 5.00%	Mar./Sept.	2025	23,000,000	18,530,000
March 14, 2007 - Series 2007A	3.25 - 5.00%	Mar./Sept.	2032	63,000,000	56,035,000
September 23, 2009 - Series 2009A	2.00 - 5.00%	Mar./Sept.	2029	19,000,000	16,900,000
October 7, 2010 - Series 2010A	3.00 - 4.00%	Mar./Sept.	2015	5,000,000	1,320,000
October 7, 2010 - Series 2010B	5.00%	Mar./Sept.	2017	23,180,000	19,065,000
October 19, 2011 - Series 2011A	2.00 - 3.00%	Mar./Sept.	2015	5,000,000	4,300,000
October 19, 2011 - Series 2011B	2.00 - 5.00%	Mar./Sept.	2016	15,595,000	15,495,000
September 19, 2012 - Series 2012	4.00 - 5.00%	Mar./Sept.	2017	6,000,000	4,876,000
Total General Obligation Bonds				<u>\$ 202,275,000</u>	<u>\$ 136,521,000</u>

On September 29, 2006, the District entered into an agreement to finance the purchase of certain energy management equipment, accounting for this arrangement as a capital lease. The agreement requires principal payments currently totaling approximately \$8,090,000 over the remaining term of the lease at an interest rate of 3.98%. The lease term ends on October 27, 2023.

The cost of equipment recorded under the capital lease and related accumulated amortization was approximately \$15,916,000 and \$2,605,000, respectively, at June 30, 2013. Amortization of assets recorded under capital lease obligations has been included with depreciation expense.

In accordance with the provisions of Section 148(f) of the Internal Revenue Code of 1986, as amended, bonds must satisfy certain arbitrage rebate requirements. Positive arbitrage is the excess of (1) the amount earned on investments purchased with bond proceeds over (2) the amount that such investments would have earned had such investments been invested at a rate equal to the yield on the bond issue. In order to comply with the arbitrage rebate requirements, positive arbitrage must be paid to the U.S. Treasury at the end of each five year anniversary date of the bond issue. As of June 30, 2013, there were no amounts outstanding for arbitrage rebates.

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Long-Term Obligations (Continued)

The following table represents debt service requirements on all outstanding indebtedness through maturity for the District's governmental activities as of June 30, 2013:

Year Ending June 30,	General Obligation Bonds			Capital Lease Obligation			Grand Total
	Principal	Interest	Total	Principal	Interest	Total	
2014	\$ 14,467,000	6,045,015	20,512,015	545,412	312,114	857,526	\$ 21,369,541
2015	15,093,000	5,468,835	20,561,835	589,343	289,619	878,962	21,440,797
2016	13,717,000	4,794,565	18,511,565	635,599	265,334	900,933	19,412,498
2017	9,769,000	4,164,815	13,933,815	684,299	239,164	923,463	14,857,278
2018	5,050,000	3,690,615	8,740,615	735,542	211,010	946,552	9,687,167
2019-2023	29,065,000	14,718,205	43,783,205	4,542,715	555,950	5,098,665	48,881,870
2024-2028	29,965,000	7,782,310	37,747,310	356,938	2,964	359,902	38,107,212
2029-2032	19,395,000	2,313,038	21,708,038	-	-	-	21,708,038
Totals	\$ 136,521,000	48,977,398	185,498,398	8,089,848	1,876,155	9,966,003	\$ 195,464,401

Article X, Section 15 of the Constitution of the State of South Carolina, as amended, empowers each school district of the State to incur general obligation debt in such manner and upon such terms and conditions as the General Assembly shall prescribe by law. After November 30, 1982, each school district may incur general obligation debt, without an election and upon such terms and conditions as the General Assembly may prescribe, in an amount not exceeding 8% of the assessed value of all taxable property of such school district.

Bonded indebtedness existing on November 30, 1982, and bonded indebtedness authorized by a majority vote of the qualified electors of the District voting in a referendum will not be considered in the computation of the 8% limitation. The District had approximately \$12,331,000 in outstanding bonded indebtedness that was subject to the 8% debt limit at June 30, 2013; the remaining debt margin available to the District was approximately \$22,410,000 as of June 30, 2013.

E. Short-Term Obligations

The following is a summary of the changes in the District's short-term obligations for the year ended June 30, 2013:

Governmental Activities:	Beginning	Additions	Reductions	Ending
	Balance			Balance
Tax Anticipation Notes	\$ -	8,876,999	8,876,999	\$ -
Total Governmental Activities	\$ -	8,876,999	8,876,999	\$ -

The District issued a short-term Tax Anticipation Note in July 2012 for approximately \$8,877,000 with an annual interest rate of 1.5%. This Note was issued to fund on-going operations in the first half of fiscal 2013 until property tax revenues were collected. This Note plus interest of approximately \$54,000 was repaid in March 2013.

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Transfers In/Out

During the course of normal operations, the District has transactions between funds to provide services, construct assets, service debt, etc. These transactions are generally reflected as transfers. Funds are transferred into the General Fund from other funds to cover Education Improvement Act raises for teachers, indirect costs for federal programs and the required Medicaid match. Funds are transferred from the General Fund into the Special Projects Funds for future innovative board designated projects and staff development. Funds are transferred from the General Fund to the Capital Projects and Debt Service Fund for capital needs for each school. Funds are transferred from the General Fund to the Food Service Fund for reimbursement of fringe-related costs.

Transfers from (to) other funds for the year ended June 30, 2013, consisted of the following:

	Transfers In	Transfers Out
<u>Governmental Funds:</u>		
General Fund	\$ 4,648,173	\$ 363,727
Special Projects Fund	-	231,610
Special Revenue - EIA Fund	-	3,529,335
<u>Proprietary Fund:</u>		
Enterprise - Food Service	363,727	887,228
Totals	<u>\$ 5,011,900</u>	<u>\$ 5,011,900</u>

G. Interfund Receivables/Payables

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 ended, fringe amounts paid by the General Fund for the Food Service Fund, taxes receivable for Debt Service Fund, and building project costs. Interfund receivables and payables at June 30, 2013 (all of which are expected to be repaid within one year), are summarized as follows:

	Receivables	Payables
<u>Governmental Funds:</u>		
General Fund	\$ 961,459	\$ 6,694,669
Special Revenue Fund	1,257,532	1,557,395
Special Revenue - EIA Fund	2,257,753	528,348
Debt Service Fund	631,217	-
Capital Projects Fund	8,737,753	7,703,622
<u>Proprietary Fund:</u>		
Enterprise - Food Service	2,638,320	-
Totals	<u>\$ 16,484,034</u>	<u>\$ 16,484,034</u>

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

IV. OTHER INFORMATION

A. Retirement Plan

South Carolina Retirement System Retirement Plans

District employees participate in 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 PORS was established by the South Carolina state legislature on July 1, 1962, for the benefit of police officers and firemen. Both the SCRS and the PORS offer retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits, and survivor benefits. The Plans’ 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 and PORS 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.

Group life insurance for active employees are covered by an insurance benefit equal to one year’s salary after one year of SCRS service and retirees are covered by a benefit up to \$6,000 based on years of service.

The employee required contribution rates to the SCRS plan was 7.0%, 6.5% and 6.5% of covered salary for the years ended June 30, 2013, 2012 and 2011, respectively. The employer required contribution rate to the SCRS plan was 10.45%, 9.385%, and 9.24% for the years ended June 30, 2013, 2012, and 2011, respectively. The District’s contributions to the SCRS, including life insurance, for the years ended June 30, 2013, 2012, and 2011 were approximately \$9,189,000, \$7,977,000, and \$7,863,000, respectively, which are equal to the required contributions.

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 7.00%, 6.50% and 6.50% of covered salary for the years ended June 30, 2013, 2012, and 2011, respectively. The employer required contribution rates are 10.45%, 9.385%, and 9.24% for the years ended June 30, 2013, 2012, and 2011. For which in 2013, 2012, and 2011, 5% of the employer required contribution is remitted to the employees authorized investment providers with the balance being remitted to the South Carolina Retirement System. Total contribution requirements (excluding the surcharge) for the years ended June 30, 2013, 2012, and 2011 to the ORP were approximately \$912,000, \$763,000, and \$803,000, respectively, from the District as an employer.

In addition to the above rates, participating employers have contributed (a) .15% of payroll for the SCRS and State ORP and .20% for SCPORS to provide a group life insurance benefit for their participants (for the current and preceding two years), (b) .20% of payroll for SCPORS to provide for accidental death coverage (for the current and preceding two years), and (c) 4.55%, 4.3%, and 3.9% surcharge on payroll for retiree health and dental insurance and group life insurance benefit for their active participants for the years ended June 30, 2013, 2012, and 2011, respectively.

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

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 (4.55% for 2013) percent of covered payroll was added to State and Public School entities covered by the State Health Insurance Program. This assessment is for the purpose of providing retiree health insurance coverage on a pay-as-you-go basis, and is remitted to the Division of Insurance Services. No additional employee contributions are required. The annual contribution rate is determined based on a state-wide estimate of annual premiums and covered payroll. The District paid approximately \$4,353,000, \$3,947,000, and \$3,605,000 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2013, 2012 and 2011.

All postretirement benefits paid to the District's retired members are made from the SCRS and from South Carolina's General Fund (Health Care). The District has no liability beyond the payment of monthly contributions. See Note 10.A for more details.

C. Deferred Compensation/Salary Deferral Plan

The District employees may participate in the 457 and/or 401(k) defined contribution deferred compensation plans available to state and local governmental employees through the state public employee retirement system. These programs are administered by a state approved nongovernmental third party. Contributions by employees under these plans totaled approximately \$605,000 for the year ended June 30, 2013.

D. Risk Management

The District is exposed to various risks of loss related to torts, theft of damage to, and destruction of assets, errors or omissions, injuries to employees, and natural disasters for which the School District carries commercial insurance. During the year ended June 30, 2013, the District obtained general liability, workers' compensation, and property insurance through the South Carolina Boards Insurance Trust (the "Trust") which represents South Carolina school districts joined together in a public entity risk pool. The School District pays an annual premium to the Trust for its general liability, workers' compensation and property insurance. The agreement for formation of the Trust provides that the Trust will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$100,000 for each insured event.

The District obtains its employee health and life insurance through the South Carolina State Budget and Control Board, Office of Insurance services, which represents all State agencies in South Carolina, joined together in a public entity risk pool. The School District pays monthly premiums based on participating employees.

The District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. Insurance coverage has remained stable since the prior fiscal year.

E. Operating Lease

The District entered into a non-cancellable operating lease for office equipment in August 2013. The lease requires a minimum monthly payment of approximately \$18,000 for a term of 60 months expiring in September 2018. It is anticipated that similar leases will be continued when this lease expires. This new lease replaces the existing lease that the District had in place during 2013 which was under the same terms. Lease expense for the year ended June 30, 2013 was approximately \$298,000. The new lease expires in September 2018, and the remaining commitments under this lease are approximately \$1,067,000.

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

IV. OTHER INFORMATION (CONTINUED)

F. Contingencies

Amounts received for receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

The District is a defendant in lawsuits arising in the normal course of business. It is the opinion of the District's management, after conferring with legal counsel, that the liability, if any, which might arise from these lawsuits would not have a material adverse effect on the District's financial position.

G. Pending Implementation of GASB Statement on Pensions

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

In particular, this Statement will require the District to report a net pension liability for its participation in the South Carolina Retirement System on financial statements prepared on the economic resources measurement focus and accrual basis of accounting (i.e., the Statement of Net Position for the government-wide statements) and present more extensive note disclosures. In general, it should not have a significant impact on the District's governmental funds.

The effect of implementation of this Statement has not been determined at this time, but it is anticipated that it will materially decrease the District's net position. GASB 68 is required to be implemented by the District no later than the fiscal year ending June 30, 2015.

H. Subsequent Events

In July 2013, the District entered into a Tax Anticipation Note ("TAN") program with the South Carolina Association of Governmental Organizations ("SCAGO") in the amount of approximately \$7,837,000 to provide financial resources for operations. The District has drawn down the entire amount available as of the date of issuance of the financial statements. This Note, including interest at an effective rate of 0.167%, is due in full at maturity in the spring of 2014.

In August 2013, the District entered into a General Obligation Debt Program with SCAGO, issuing its Series 2013A General Obligation Bonds in the amount of \$5,000,000 to provide funds for facilities and technology upgrades. The General Obligation Bonds was issued at an interest of 1.6%, with annual principal payments ranging from approximately \$586,000 to approximately \$2,912,000 and a final maturity in March 2017.

In August 2013, the District entered into an Equipment Acquisition and Use Agreement ("Agreement") in the amount of \$3,100,000 to provide funds for technology upgrades. The Agreement was issued at an interest of 0.94%, with annual principal payments ranging from approximately \$50,000 to approximately \$2,095,000 and a final maturity in December 2015.

GENERAL FUND

To account for all financial resources except those required to be accounted for in another fund. All property taxes, intra-governmental revenues, and miscellaneous revenues are recorded in this fund except amounts which are specifically collected to service debt or for which the District collects other funds in a fiduciary capacity. Operational expenditures for general education, support services, and other departments for the District are paid through the General Fund.

The following Budgetary Comparison Schedule for the General Fund has been prepared in the format mandated by the South Carolina Department of Education. The account numbers shown on the schedule are also mandated by the South Carolina Department of Education.

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ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

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

YEAR ENDED JUNE 30, 2013

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	(BUDGETARY BASIS)	WITH FINAL BUDGET-POSITIVE (NEGATIVE)
REVENUES				
Local Sources:				
Taxes	\$ 43,225,000	43,225,000	44,013,320	\$ 788,320
Investment Earnings	170,000	170,000	89,046	(80,954)
Other Local Sources	95,000	95,000	573,706	478,706
State Sources	74,406,000	74,406,000	77,890,436	3,484,436
Federal Sources	250,000	250,000	55	(249,945)
Intergovernmental Revenue	200,000	200,000	250,000	50,000
TOTAL REVENUE ALL SOURCES	118,346,000	118,346,000	122,816,563	4,470,563
EXPENDITURES				
Current:				
Instruction	75,078,469	75,078,469	75,771,420	(692,951)
Support Services	47,547,087	47,547,087	47,631,692	(84,605)
Community Services	155,336	155,336	168,625	(13,289)
Intergovernmental	227,000	227,000	195,807	31,193
Capital Outlay	871,500	871,500	15,816	855,684
Debt Service:				
Principal Retirement	503,699	503,699	503,699	-
Interest and Fiscal Charges	332,909	332,909	386,911	(54,002)
TOTAL EXPENDITURES	124,716,000	124,716,000	124,673,970	42,030
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(6,370,000)	(6,370,000)	(1,857,407)	4,512,593
OTHER FINANCING SOURCES (USES)				
Proceeds from the Sale of Capital Assets	80,000	80,000	57,028	(22,972)
Transfers In	4,090,000	4,090,000	4,648,173	558,173
Transfers Out	(200,000)	(200,000)	(363,727)	(163,727)
TOTAL OTHER FINANCING SOURCES (USES)	3,970,000	3,970,000	4,341,474	371,474
NET CHANGES IN FUND BALANCES	(2,400,000)	(2,400,000)	2,484,067	4,884,067
FUND BALANCES, Beginning of Year	20,246,037	20,246,037	20,246,037	-
FUND BALANCES, End of Year	\$ 17,846,037	17,846,037	22,730,104	\$ 4,884,067

Note: This schedule has been presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

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Supplementary Information

Combining and Individual Fund Schedules

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GENERAL FUND

To account for all financial resources except those required to be accounted for in another fund. All property taxes, intra-governmental revenues, and miscellaneous revenues are recorded in this fund except amounts which are specifically collected to service debt or for which the District collects other funds in a fiduciary capacity. Operational expenditures for general education, support services, and other departments for the District are paid through the General Fund.

The following Budgetary Comparison Schedule for the General Fund has been prepared in the format mandated by the South Carolina Department of Education. The account numbers shown on the schedule are also mandated by the South Carolina Department of Education.

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
REVISED BUDGET AND ACTUAL**

YEAR ENDED JUNE 30, 2013

	REVISED BUDGET	ACTUAL	VARIANCE
REVENUES			
1000 Revenues from Local Sources:			
1100 Taxes:			
1110 Ad Valorem Taxes-Including Delinquent (Independent)	\$ 31,500,000	32,389,279	\$ 889,279
1140 Penalties & Interest on Taxes (Independent)	1,900,000	1,572,743	(327,257)
1200 Revenue from Local Governmental Units Other than LEAs:			
1210 Ad Valorem Taxes-Including Delinquent (Dependent)	7,425,000	7,855,260	430,260
1240 Penalties & Interest on Taxes (Dependent)	500,000	271,560	(228,440)
1280 Revenue in Lieu of Taxes (Independent and Dependent)	1,900,000	1,924,478	24,478
1300 Tuition:			
1310 From Patrons for Regular Day School	62,000	21,518	(40,482)
1320 From Other LEAs for Regular Day School	-	9,359	9,359
1500 Earnings on Investments:			
1510 Interest on Investments	170,000	89,046	(80,954)
1900 Other Revenue from Local Sources:			
1910 Rentals	-	334,991	334,991
1990 Miscellaneous Local Revenue:			
1993 Receipt of Insurance Proceeds	-	9,159	9,159
1999 Revenue from Other Local Sources	33,000	198,679	165,679
Total Revenue from Local Sources	<u>43,490,000</u>	<u>44,676,072</u>	<u>1,186,072</u>
2000 Intergovernmental Revenue:			
2100 Payments from Other Governmental Units	200,000	250,000	50,000
Total Intergovernmental Revenue	<u>200,000</u>	<u>250,000</u>	<u>50,000</u>
3000 Revenue from State Sources:			
3100 Restricted State Funding:			
3130 Special Programs:			
3131 Handicapped Transportation	25,000	16,319	(8,681)
3133 IDEA Contingency Funds	-	929,946	929,946
3160 School Bus Driver's Salary (Includes Hazardous Condition Transportation)	625,000	702,481	77,481
3161 EAA Bus Driver Salary	-	3,678	3,678
3162 Transportation Workers' Compensation	-	52,860	52,860
3180 Fringe Benefits Employer Contributions (No Carryover Provision)	13,850,000	14,426,629	576,629
3181 Retiree Insurance (No Carryover Provision)	\$ 2,800,000	3,207,523	\$ 407,523

(Continued)

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
REVISED BUDGET AND ACTUAL**

YEAR ENDED JUNE 30, 2013

	REVISED BUDGET	ACTUAL	VARIANCE
3300 Education Finance Act:			
3310 Full-Time Programs:			
3311 Kindergarten	\$ 2,380,000	2,605,710	\$ 225,710
3312 Primary	6,520,000	6,635,459	115,459
3313 Elementary	8,468,900	8,456,584	(12,316)
3314 High School	4,030,000	4,283,492	253,492
3315 Trainable Mentally Handicapped	112,000	113,900	1,900
3316 Speech Handicapped (Part-Time Program)	1,485,000	1,485,391	391
3317 Homebound	90,500	81,587	(8,913)
3320 Part-Time Programs:			
3321 Emotionally Handicapped	175,000	166,035	(8,965)
3322 Educable Mentally Handicapped	101,000	105,890	4,890
3323 Learning Disabilities	3,735,000	3,755,431	20,431
3324 Hearing Handicapped	129,600	143,140	13,540
3325 Visually Handicapped	93,000	111,041	18,041
3326 Orthopedically Handicapped	103,000	75,572	(27,428)
3327 Vocational	4,030,000	3,917,193	(112,807)
3330 Other EFA Programs:			
3331 Autism	357,000	464,367	107,367
3800 State Revenue in Lieu of Taxes:			
3810 Reimbursement for Local Residential Property Tax Relief (Tier 1)	6,000,000	5,991,204	(8,796)
3820 Homestead Exemption (Tier 2)	1,700,000	1,710,186	10,186
3825 Reimbursement for Property Tax Relief (Tier 3)	16,100,000	16,969,308	869,308
3830 Merchant's Inventory Tax	221,000	221,539	539
3840 Manufacturers Depreciation Reimbursement	1,200,000	1,181,942	(18,058)
3890 Other State Property Tax Revenues (Includes Motor Carrier Vehicle Tax)	75,000	76,029	1,029
Total Revenue from State Sources	<u>74,406,000</u>	<u>77,890,436</u>	<u>3,484,436</u>
4000 Revenue from Federal Sources:			
4100 Federally Impacted Areas:			
4110 Maintenance & Operations (P.L. 874)	-	55	55
4900 Other Federal Sources:			
4999 Revenue from Other Federal Sources	250,000	-	(250,000)
Total Revenue from Federal Sources	<u>250,000</u>	<u>55</u>	<u>(249,945)</u>
TOTAL REVENUE ALL SOURCES	<u>\$ 118,346,000</u>	<u>122,816,563</u>	<u>\$ 4,470,563</u>

(Continued)

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
REVISED BUDGET AND ACTUAL**

YEAR ENDED JUNE 30, 2013

	REVISED BUDGET	ACTUAL	VARIANCE
EXPENDITURES			
100 Instruction:			
110 General Instruction:			
111 Kindergarten Programs:			
100 Salaries	\$ 4,105,541	4,351,681	\$ (246,140)
200 Employee Benefits	1,601,980	1,629,296	(27,316)
300 Purchased Services	121,383	127,824	(6,441)
400 Supplies and Materials	61,251	56,678	4,573
112 Primary Programs:			
100 Salaries	10,734,928	11,330,045	(595,117)
200 Employee Benefits	3,745,623	3,839,249	(93,626)
300 Purchased Services	215,760	239,910	(24,150)
400 Supplies and Materials	223,298	215,194	8,104
113 Elementary Programs:			
100 Salaries	18,646,927	18,651,097	(4,170)
200 Employee Benefits	6,301,113	5,943,436	357,677
300 Purchased Services	362,754	380,812	(18,058)
400 Supplies and Materials	353,765	347,870	5,895
600 Other Objects	1,530	1,530	-
114 High School Programs:			
100 Salaries	12,335,433	12,194,957	140,476
200 Employee Benefits	4,190,133	3,773,792	416,341
300 Purchased Services	253,636	257,030	(3,394)
400 Supplies and Materials	354,734	331,551	23,183
600 Other Objects	2,986	1,985	1,001
115 Career and Technology Education Program:			
100 Salaries	2,105,889	2,123,947	(18,058)
200 Employee Benefits	743,417	724,743	18,674
300 Purchased Services - Other Than Tuition	34,958	36,402	(1,444)
400 Supplies and Materials	119,350	94,378	24,972
500 Capital Outlay	5,500	-	5,500
600 Other Objects	2,733	1,483	1,250
120 Exceptional Programs:			
121 Educable Mentally-Handicapped:			
100 Salaries	670,867	664,495	6,372
200 Employee Benefits	241,426	224,083	17,343
300 Purchased Services	14,390	14,928	(538)
400 Supplies and Materials	1,858	1,768	90
122 Trainable Mentally Handicapped:			
100 Salaries	81,794	99,773	(17,979)
200 Employee Benefits	37,724	43,975	(6,251)
300 Purchased Services	14,759	14,942	(183)
400 Supplies and Materials	\$ 2,630	2,605	\$ 25

(Continued)

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
REVISED BUDGET AND ACTUAL**

YEAR ENDED JUNE 30, 2013

	REVISED BUDGET	ACTUAL	VARIANCE
123 Orthopedically Handicapped:			
100 Salaries	\$ 21,341	26,908	\$ (5,567)
200 Employee Benefits	8,753	7,072	1,681
300 Purchased Services	4,119	4,209	(90)
124 Visually Handicapped:			
100 Salaries	109,119	108,805	314
200 Employee Benefits	38,900	35,172	3,728
300 Purchased Services	281	280	1
125 Hearing Handicapped:			
100 Salaries	186,871	188,193	(1,322)
200 Employee Benefits	67,369	63,358	4,011
300 Purchased Services	2,246	2,390	(144)
126 Speech Handicapped:			
100 Salaries	-	440,340	(440,340)
200 Employee Benefits	-	142,014	(142,014)
300 Purchased Services	-	147,749	(147,749)
400 Supplies and Materials	3,373	3,372	1
127 Learning Disabilities:			
100 Salaries	3,170,890	3,261,472	(90,582)
200 Employee Benefits	1,089,369	1,082,473	6,896
300 Purchased Services	40,189	41,821	(1,632)
400 Supplies and Materials	12,827	11,867	960
128 Emotionally Handicapped:			
100 Salaries	247,025	258,795	(11,770)
200 Employee Benefits	86,404	87,932	(1,528)
300 Purchased Services	6,962	7,166	(204)
400 Supplies and Materials	737	704	33
133 Pre-School Handicapped-Self-Contained (5-Yr. Olds)			
100 Salaries	261,655	279,993	(18,338)
200 Employee Benefits	93,758	97,176	(3,418)
300 Purchased Services	7,711	8,025	(314)
400 Supplies and Materials	1,337	1,337	-
137 Pre-School Handicapped-Self-Contained (3 & 4-Yr. Olds)			
100 Salaries	198,673	156,167	42,506
200 Employee Benefits	88,508	52,836	35,672
300 Purchased Services	6,679	8,680	(2,001)
139 Early Childhood Programs:			
100 Salaries	236,884	258,972	(22,088)
200 Employee Benefits	89,309	89,133	176
300 Purchased Services	5,435	8,584	(3,149)
140 Special Programs:			
141 Gifted and Talented - Academic:			
100 Salaries	162,001	161,868	133
200 Employee Benefits	55,070	47,302	7,768
400 Supplies and Materials	\$ 455	375	\$ 80

(Continued)

ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2013

	REVISED BUDGET	ACTUAL	VARIANCE
143 Advanced Placement:			
400 Supplies and Materials	\$ 1,425	1,316	\$ 109
145 Homebound:			
100 Salaries	300,000	199,172	100,828
200 Employee Benefits	71,370	48,909	22,461
300 Purchased Services	8,400	2,127	6,273
160 Other Exceptional Programs:			
161 Autism:			
100 Salaries	279,081	301,738	(22,657)
200 Employee Benefits	103,574	101,999	1,575
300 Purchased Services	6,296	6,617	(321)
400 Supplies and Materials	1,116	1,009	107
170 Summer School Programs:			
173 High School Summer School:			
100 Salaries	6,720	13,440	(6,720)
200 Employee Benefits	1,534	3,073	(1,539)
180 Adult/Continuing Educational Programs:			
181 Adult Basic Education Programs:			
100 Salaries	85,688	85,688	-
200 Employee Benefits	28,886	28,375	511
300 Purchased Services	750	733	17
400 Supplies and Materials	5,732	3,637	2,095
600 Other Objects	487	513	(26)
188 Parenting/Family Literacy:			
100 Salaries	117,930	92,088	25,842
200 Employee Benefits	50,059	47,118	2,941
300 Purchased Services	10,645	11,655	(1,010)
400 Supplies and Materials	9,956	8,214	1,742
Total Instruction	<u>75,083,969</u>	<u>75,771,420</u>	<u>(687,451)</u>
200 Support Services:			
210 Pupil Services:			
211 Attendance and Social Work Services:			
100 Salaries	414,695	404,660	10,035
200 Employee Benefits	143,430	135,857	7,573
300 Purchased Services	8,213	6,509	1,704
400 Supplies and Materials	7,715	7,291	424
600 Other Objects	388	75	313
212 Guidance Services:			
100 Salaries	2,399,310	2,476,302	(76,992)
200 Employee Benefits	790,987	786,378	4,609
300 Purchased Services	5,012	1,354	3,658
400 Supplies and Materials	31,796	27,552	4,244
600 Other Objects	\$ 1,428	760	\$ 668

(Continued)

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
REVISED BUDGET AND ACTUAL**

YEAR ENDED JUNE 30, 2013

	REVISED BUDGET	ACTUAL	VARIANCE
213 Health Services:			
100 Salaries	\$ 697,068	651,709	\$ 45,359
200 Employee Benefits	252,093	213,049	39,044
300 Purchased Services	154,874	77,002	77,872
400 Supplies and Materials	32,916	28,966	3,950
600 Other Objects	2,775	1,998	777
214 Psychological Services:			
100 Salaries	749,533	750,437	(904)
200 Employee Benefits	238,214	229,990	8,224
300 Purchased Services	15,160	15,159	1
400 Supplies and Materials	2,064	2,062	2
216 Vocational Placement Services:			
100 Salaries	128,564	140,764	(12,200)
200 Employee Benefits	43,704	45,634	(1,930)
300 Purchased Services	19,371	2,991	16,380
400 Supplies and Materials	1,864	2,220	(356)
600 Other Objects	350	223	127
220 Instructional Staff Services:			
221 Improvement of Instruction-Curriculum Development:			
100 Salaries	1,028,724	1,041,260	(12,536)
200 Employee Benefits	321,541	314,942	6,599
300 Purchased Services	224,756	195,595	29,161
400 Supplies and Materials	105,490	87,843	17,647
500 Capital Outlay	6,000	5,840	160
600 Other Objects	79,841	48,130	31,711
222 Library and Media Services:			
100 Salaries	1,538,231	1,539,335	(1,104)
200 Employee Benefits	529,273	511,498	17,775
300 Purchased Services	17,247	16,864	383
400 Supplies and Materials	157,554	153,579	3,975
223 Supervision of Special Programs:			
100 Salaries	222,867	222,867	-
200 Employee Benefits	79,445	77,740	1,705
300 Purchased Services	51,526	51,245	281
400 Supplies and Materials	10,740	10,579	161
224 Improvement of Instruction-Inservice and Staff Training:			
100 Salaries	341,422	345,203	(3,781)
200 Employee Benefits	111,822	104,093	7,729
300 Purchased Services	89,917	63,640	26,277
400 Supplies and Materials	\$ 360	562	\$ (202)

(Continued)

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
REVISED BUDGET AND ACTUAL**

YEAR ENDED JUNE 30, 2013

	REVISED BUDGET	ACTUAL	VARIANCE
230 General Administrative Services:			
231 Board of Education:			
100 Salaries	\$ 51,600	50,800	\$ 800
200 Employee Benefits	173,220	51,496	121,724
300 Purchased Services	100,188	61,016	39,172
318 Audit Services	40,008	54,604	(14,596)
400 Supplies and Materials	1,900	557	1,343
600 Other Objects	6,500	36,319	(29,819)
232 Office of Superintendent:			
100 Salaries	270,630	275,664	(5,034)
200 Employee Benefits	81,236	76,115	5,121
300 Purchased Services	13,547	12,086	1,461
400 Supplies and Materials	7,792	2,262	5,530
600 Other Objects	59,450	60,366	(916)
233 School Administration:			
100 Salaries	7,794,338	7,728,835	65,503
140 Terminal Leave	-	7,909	(7,909)
200 Employee Benefits	2,745,913	2,626,528	119,385
300 Purchased Services	204,452	191,740	12,712
400 Supplies and Materials	304,733	282,176	22,557
500 Capital Outlay	1,000	-	1,000
600 Other Objects	18,577	12,918	5,659
250 Finance and Operations Services:			
251 Student Transportation (Federal/District Mandated):			
100 Salaries	-	69,453	(69,453)
200 Employee Benefits	-	5,441	(5,441)
300 Purchased Services	-	3,955	(3,955)
600 Other Objects	-	87,160	(87,160)
252 Fiscal Services:			
100 Salaries	525,536	519,274	6,262
200 Employee Benefits	170,712	170,111	601
300 Purchased Services	77,300	47,882	29,418
400 Supplies and Materials	30,000	22,377	7,623
600 Other Objects	1,200	1,700	(500)
254 Operation and Maintenance of Plant:			
100 Salaries	4,542,344	3,930,898	611,446
140 Terminal Leave	-	735	(735)
200 Employee Benefits	1,767,056	1,484,296	282,760
300 Purchased Services	3,880,551	4,562,719	(682,168)
400 Supplies and Materials	4,827,000	4,984,724	(157,724)
500 Capital Outlay	13,392	-	13,392
600 Other Objects	\$ 6,000	10,216	\$ (4,216)

(Continued)

ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2013

	REVISED BUDGET	ACTUAL	VARIANCE
255 Student Transportation (State Mandated):			
100 Salaries	\$ 2,778,363	2,513,412	\$ 264,951
140 Terminal Leave	-	2,608	(2,608)
200 Employee Benefits	1,010,691	963,313	47,378
300 Purchased Services	53,140	49,940	3,200
400 Supplies and Materials	23,124	19,177	3,947
600 Other Objects	10,200	9,493	707
257 Internal Services:			
100 Salaries	416,765	405,077	11,688
140 Terminal Leave	-	1,927	(1,927)
200 Employee Benefits	130,558	115,083	15,475
300 Purchased Services	281,057	225,020	56,037
400 Supplies and Materials	6,914	1,851	5,063
600 Other Objects	790	633	157
258 Security:			
100 Salaries	18,800	14,310	4,490
200 Employee Benefits	4,473	2,902	1,571
300 Purchased Services	152,000	257,561	(105,561)
400 Supplies and Materials	5,000	49,650	(44,650)
600 Other Objects	500	99	401
260 Central Support Services:			
262 Planning, Research, Development and Evaluation:			
100 Salaries	427,919	431,949	(4,030)
200 Employee Benefits	130,119	128,987	1,132
300 Purchased Services	90,604	68,988	21,616
400 Supplies and Materials	27,368	26,227	1,141
500 Capital Outlay	10,000	9,976	24
600 Other Objects	1,000	616	384
263 Information Services:			
100 Salaries	106,038	106,143	(105)
200 Employee Benefits	30,643	30,292	351
300 Purchased Services	7,421	7,268	153
400 Supplies and Materials	1,083	1,072	11
600 Other Objects	17,850	17,971	(121)
264 Staff Services:			
100 Salaries	410,083	405,544	4,539
200 Employee Benefits	138,595	143,547	(4,952)
300 Purchased Services	87,165	143,483	(56,318)
400 Supplies and Materials	26,105	25,897	208
600 Other Objects	1,008	1,007	1
266 Technology and Data Processing Services:			
100 Salaries	590,966	594,012	(3,046)
200 Employee Benefits	182,985	181,321	1,664
300 Purchased Services	388,733	380,107	8,626
400 Supplies and Materials	487,126	482,898	4,228
600 Other Objects	\$ 158	158	\$ -

(Continued)

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
REVISED BUDGET AND ACTUAL**

YEAR ENDED JUNE 30, 2013

	REVISED BUDGET	ACTUAL	VARIANCE
270 Support Services Pupil Activity:			
271 Pupil Services Activities:			
100 Salaries (Optional)	\$ 1,107,165	1,138,676	\$ (31,511)
200 Employee Benefits (Optional)	261,242	224,623	36,619
300 Purchased Services (Optional)	36,704	61,417	(24,713)
400 Supplies and Materials (Optional)	41,725	39,666	2,059
600 Other Objects (Optional)	136,452	131,518	4,934
Total Support Services	48,413,087	47,647,508	765,579
300 Community Services:			
390 Other Community Services:			
100 Salaries	90,060	90,060	-
200 Employee Benefits	27,197	26,904	293
300 Purchased Services	20,634	29,576	(8,942)
400 Supplies and Materials	17,355	22,085	(4,730)
600 Other Objects	90	-	90
Total Community Services	155,336	168,625	(13,289)
400 Other Charges:			
410 Intergovernmental Expenditures:			
411 Payments to the SDE			
720 Transits	-	13,272	(13,272)
412 Payments to Other Governmental Units			
720 Transits	105,000	80,784	24,216
413 Payments to Non-Public School			
720 Transits	-	2,836	(2,836)
416 Payments to Public Charter Schools			
720 Transits	122,000	98,915	23,085
Total Intergovernmental Expenditures	227,000	195,807	31,193
500 Debt Service:			
610 Principal Payments - Capital Lease	503,699	503,699	-
620 Interest	332,909	386,911	(54,002)
Total Debt Service	836,608	890,610	(54,002)
TOTAL EXPENDITURES	\$ 124,716,000	124,673,970	\$ 42,030

(Continued)

ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2013

	REVISED BUDGET	ACTUAL	VARIANCE
OTHER FINANCING SOURCES (USES)			
5300 Proceeds from the Sale of Capital Assets	\$ 80,000	57,028	\$ (22,972)
Interfund Transfers, From (To) Other Funds:			
5230 Transfer from Special Revenue EIA Fund	3,390,000	3,529,335	139,335
5280 Transfer from Other Funds Indirect Costs	700,000	1,118,838	418,838
425-710 Transfer to Food Service Fund	(200,000)	(363,727)	(163,727)
TOTAL OTHER FINANCING SOURCES (USES)	<u>3,970,000</u>	<u>4,341,474</u>	<u>371,474</u>
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	(2,400,000)	2,484,067	4,884,067
FUND BALANCES, Beginning of Year	<u>20,246,037</u>	<u>20,246,037</u>	<u>-</u>
FUND BALANCES, End of Year	<u>\$ 17,846,037</u>	<u>22,730,104</u>	<u>\$ 4,884,067</u>

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SPECIAL PROJECTS FUNDS

To account for the operations of federal, state, or local projects which are required to be accounted for in separate funds.

Special Projects (excluding Education Improvement Act) – These funds are used to account for all federal, state, and local projects except for those subject to Education Improvement Act requirements.

Education Improvement Act – These funds are used to account for the District's expenditures as a result of receiving funds subject to the guidelines set by the State of South Carolina.

The following schedules for the Special Revenue Funds have been prepared in the format mandated by the South Carolina Department of Education. The account numbers shown on the schedules are also mandated by the South Carolina Department of Education.

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

SPECIAL REVENUE FUND

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2013

	Title I (BA Projects) (201)	IDEA (CA Projects) (203)
REVENUES		
1000 Revenue from Local Sources:		
1300 Tuition:		
1310 From Patrols for Regular Day School	\$ -	-
1350 Summer School Tuition	-	-
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	<u>-</u>	<u>-</u>
2000 Intergovernmental Revenue:		
2300 Payments from Non-Profit Entities (for First Steps)	-	-
Total Intergovernmental Revenue	<u>-</u>	<u>-</u>
3000 Revenue from State Sources:		
3100 Restricted State Funding:		
3110 Occupational Education:		
3118 EEDA Career Specialist	-	-
3120 General Education:		
3123 Formative Assessment	-	-
3127 Student Health and Fitness - PE Teachers	-	-
3128 High Schools That Work/Making Middle Grades Work (Carryover Only)	-	-
3190 Miscellaneous Restricted State Grants:		
3193 Education License Plates	-	-
3199 Other Restricted State Grants	-	-
3600 Education Lottery Act Revenue:		
3607 6-8 Enhancement (Carryover Provision)	-	-
3610 K-5 Enhancement (Carryover Provision)	-	-
Total Revenue from State Sources	<u>-</u>	<u>-</u>
4000 Revenue from Federal Sources:		
4200 Occupational Education:		
4210 Perkins Aid, Title I	-	-
4310 Title I, Basic State Grant Programs (Carryover Provision)	3,679,169	-
4341 Language Instruction for Limited English Proficient and Immigrant Students, Title III (Carryover Provision)	-	-
4351 Improving Teacher Quality (Carryover Provision)	-	-
4400 Adult Education:		
4410 Basic Adult Education	-	-
4430 State Literacy Resource	\$ -	-

Preschool Handicapped (CG Projects) (205)	CATE (VA Projects) (207)	Adult Education (EA Projects)	Other Designated Restricted State Grants (900s)	Other Special Revenue Programs (200s/800s)	Totals
-	-	-	-	358,909	\$ 358,909
-	-	-	-	37,903	37,903
-	-	106,585	-	61,122	167,707
-	-	-	-	1,714,900	1,714,900
-	-	-	-	1,768,913	1,768,913
-	-	106,585	-	3,941,747	4,048,332
-	-	-	-	272,799	272,799
-	-	-	-	272,799	272,799
-	-	-	428,234	-	428,234
-	-	-	72,059	-	72,059
-	-	-	128,954	-	128,954
-	-	-	7,700	-	7,700
-	-	-	3,368	-	3,368
-	-	-	-	8,875	8,875
-	-	-	65,148	-	65,148
-	-	-	779,226	-	779,226
-	-	-	1,484,689	8,875	1,493,564
-	220,935	-	-	-	220,935
-	-	-	-	160,404	3,839,573
-	-	-	-	86,074	86,074
-	-	-	-	456,148	456,148
-	-	181,253	-	-	181,253
-	-	7,000	-	-	\$ 7,000

(Continued)

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

SPECIAL REVENUE FUND

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2013

	Title I (BA Projects) (201)	IDEA (CA Projects) (203)
4500 Programs for Children with Disabilities:		
4510 Individuals with Disabilities Education Act (IDEA) (Carryover Provision)	\$ -	2,944,320
4520 Preschool Grants (IDEA) (Carryover Provision)	-	-
4900 Other Federal Sources:		
4940 SC School Climate Initiative	-	-
4999 Revenue from Other Federal Sources	-	-
Total Revenue from Federal Sources	<u>3,679,169</u>	<u>2,944,320</u>
TOTAL REVENUE ALL SOURCES	<u>3,679,169</u>	<u>2,944,320</u>

EXPENDITURES

100 Instruction:		
110 General Instruction:		
111 Kindergarten Program:		
100 Salaries	-	-
200 Employee Benefits	-	-
300 Purchased Services	-	-
400 Supplies and Materials	-	-
112 Primary Programs:		
100 Salaries	1,334,946	-
200 Employee Benefits	435,234	-
300 Purchased Services	39,424	-
400 Supplies and Materials	73,773	-
113 Elementary Programs:		
100 Salaries	90,981	-
200 Employee Benefits	45,562	-
300 Purchased Services	-	-
400 Supplies and Materials	-	-
114 High School Programs:		
100 Salaries	-	-
200 Employee Benefits	-	-
300 Purchased Services	-	-
400 Supplies and Materials	-	-
115 Career and Technology Education Program:		
100 Salaries	-	-
200 Employee Benefits	-	-
400 Supplies and Materials	-	-
120 Exceptional Programs:		
121 Educable Mentally Handicapped:		
100 Salaries	-	4,441
200 Employee Benefits	-	1,464
300 Purchased Services	\$ -	5,384

Preschool Handicapped (CG Projects) (205)	CATE (VA Projects) (207)	Adult Education (EA Projects)	Other Designated Restricted State Grants (900s)	Other Special Revenue Programs (200s/800s)	Totals
-	-	-	-	21,729	\$ 2,966,049
108,737	-	-	-	-	108,737
-	-	-	-	96,813	96,813
-	-	-	-	270,583	270,583
<u>108,737</u>	<u>220,935</u>	<u>188,253</u>	<u>-</u>	<u>1,091,751</u>	<u>8,233,165</u>
108,737	220,935	294,838	1,484,689	5,315,172	14,047,860
-	-	-	40,755	60,074	100,829
-	-	-	9,708	22,464	32,172
-	-	-	959	45	1,004
-	-	-	-	2,304	2,304
-	-	-	376,809	1,447,320	3,159,075
-	-	-	123,866	359,687	918,787
-	-	-	4,968	98,526	142,918
-	-	-	-	133,987	207,760
-	-	-	295,988	130,107	517,076
-	-	-	82,534	39,200	167,296
-	-	-	2,036	12,477	14,513
-	-	-	11,990	36,664	48,654
-	-	-	-	275,101	275,101
-	-	-	-	23,505	23,505
-	-	-	72,059	135	72,194
-	-	-	-	27,489	27,489
-	-	-	-	70	70
-	-	-	-	15	15
-	13,215	-	-	1,741	14,956
-	-	-	-	-	4,441
-	-	-	-	-	1,464
-	-	-	-	-	\$ 5,384

(Continued)

ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA

SPECIAL REVENUE FUND

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2013

	Title I (BA Projects) (201)	IDEA (CA Projects) (203)
122 Trainable Mentally Handicapped:		
100 Salaries	\$ -	344,393
200 Employee Benefits	-	138,790
300 Purchased Services	-	-
400 Supplies and Materials	-	-
123 Orthopedically Handicapped:		
100 Salaries	-	44,860
200 Employee Benefits	-	14,368
400 Supplies and Materials	-	-
124 Visually Handicapped:		
300 Purchased Services	-	1,635
400 Supplies and Materials	-	-
125 Hearing Handicapped:		
100 Salaries	-	84,033
200 Employee Benefits	-	35,911
300 Purchased Services	-	1,820
400 Supplies and Materials	-	-
126 Speech Handicapped:		
100 Salaries	-	199,942
200 Employee Benefits	-	66,303
300 Purchased Services	-	3,352
400 Supplies and Materials	-	-
600 Other Objects	-	-
127 Learning Disabilities:		
100 Salaries	-	680,891
200 Employee Benefits	-	223,223
300 Purchased Services	-	1,625
400 Supplies and Materials	-	-
128 Emotionally Handicapped:		
100 Salaries	-	138,585
200 Employee Benefits	-	53,936
300 Purchased Services	-	-
400 Supplies and Materials	-	-
130 Pre-School Programs:		
137 Pre-School Handicapped Self-Contained (3 & 4-Yr. Olds):		
100 Salaries	-	23,145
200 Employee Benefits	-	9,179
300 Purchased Services	-	571
400 Supplies and Materials	-	-
139 Early Childhood Programs:		
100 Salaries	258,327	-
200 Employee Benefits	82,085	-
300 Purchased Services	-	-
400 Supplies and Materials	1,436	-
145 Homebound:		
300 Purchased Services	-	-
149 Other Special Programs:		
100 Salaries	-	7,025
200 Employee Benefits	\$ -	2,342

Preschool Handicapped (CG Projects) (205)	CATE (VA Projects) (207)	Adult Education (EA Projects)	Other Designated Restricted State Grants (900s)	Other Special Revenue Programs (200s/800s)	Totals
-	-	-	-	61,414	\$ 405,807
-	-	-	-	24,314	163,104
-	-	-	-	2,163	2,163
-	-	-	-	5,900	5,900
-	-	-	-	-	44,860
-	-	-	-	-	14,368
-	-	-	-	11,249	11,249
-	-	-	-	553	2,188
-	-	-	-	2,826	2,826
-	-	-	-	3,832	87,865
-	-	-	-	637	36,548
-	-	-	-	25,000	26,820
-	-	-	-	13,336	13,336
-	-	-	-	-	199,942
-	-	-	-	-	66,303
-	-	-	-	39,549	42,901
-	-	-	-	13,982	13,982
-	-	-	-	2,925	2,925
-	-	-	-	24,297	705,188
-	-	-	-	9,458	232,681
-	-	-	-	644	2,269
-	-	-	-	18,792	18,792
-	-	-	-	17,188	155,773
-	-	-	-	5,313	59,249
-	-	-	-	959	959
-	-	-	-	448	448
73,188	-	-	-	34,522	130,855
32,086	-	-	-	11,664	52,929
-	-	-	-	790	1,361
-	-	-	-	4,635	4,635
-	-	-	-	55,784	314,111
-	-	-	-	28,529	110,614
-	-	-	-	2,094	2,094
-	-	-	-	2,325	3,761
-	-	-	-	38,135	38,135
-	-	-	-	-	7,025
-	-	-	-	-	\$ 2,342

(Continued)

ROCK HILL SCHOOL DISTRICT THREE
 ROCK HILL, SOUTH CAROLINA

SPECIAL REVENUE FUND

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2013

	Title I (BA Projects) (201)	IDEA (CA Projects) (203)
160 Other Exceptional Programs:		
161 Autism:		
100 Salaries	\$ -	43,446
200 Employee Benefits	-	19,511
300 Purchased Services	-	2,187
400 Supplies and Materials	-	-
170 Summer School Programs:		
172 Elementary Summer School:		
100 Salaries	-	-
200 Employee Benefits	-	-
300 Purchased Services	-	-
400 Supplies and Materials	-	-
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:		
181 Adult Basic Education Programs:		
100 Salaries	-	-
200 Employee Benefits	-	-
300 Purchased Services	-	-
400 Supplies and Materials	-	-
182 Adult Secondary Education Programs:		
100 Salaries	-	-
200 Employee Benefits	-	-
300 Purchased Services	-	-
400 Supplies and Materials	-	-
183 Adult English Literacy (ESL):		
100 Salaries	-	-
200 Employee Benefits	-	-
400 Supplies and Materials	-	-
188 Parenting/Family Literacy:		
100 Salaries	112,020	-
200 Employee Benefits	48,720	-
300 Purchased Services	2,452	-
400 Supplies and Materials	18,136	-
Total Instruction	<u>\$ 2,543,096</u>	<u>2,152,362</u>

Preschool Handicapped (CG Projects) (205)	CATE (VA Projects) (207)	Adult Education (EA Projects)	Other Designated Restricted State Grants (900s)	Other Special Revenue Programs (200s/800s)	Totals
-	-	-	-	31,599	\$ 75,045
-	-	-	-	7,878	27,389
-	-	-	-	3,321	5,508
-	-	-	-	8,269	8,269
-	-	-	-	19,051	19,051
-	-	-	-	4,359	4,359
-	-	-	8,000	-	8,000
-	-	-	6,938	-	6,938
-	-	-	-	12,386	12,386
-	-	-	-	2,755	2,755
-	-	-	-	6,295	6,295
-	-	-	-	1,413	1,413
-	-	126,609	-	-	126,609
-	-	30,868	-	-	30,868
-	-	4,200	-	-	4,200
-	-	13,497	-	-	13,497
-	-	31,434	-	-	31,434
-	-	7,543	-	-	7,543
-	-	7,299	-	900	8,199
-	-	16,146	-	24,557	40,703
-	-	11,862	-	-	11,862
-	-	1,067	-	-	1,067
-	-	4,487	-	-	4,487
-	-	-	-	132,061	244,081
-	-	-	-	54,299	103,019
-	-	-	-	-	2,452
-	-	-	-	916	19,052
<u>105,274</u>	<u>13,215</u>	<u>255,012</u>	<u>1,036,610</u>	<u>3,444,227</u>	<u>\$ 9,549,796</u>

(Continued)

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

SPECIAL REVENUE FUND

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2013

	Title I (BA Projects) (201)	IDEA (CA Projects) (203)
200 Support Services:		
210 Pupil Services:		
212 Guidance Services:		
100 Salaries	\$ -	-
200 Employee Benefits	-	-
400 Supplies and Materials	-	-
213 Health Services:		
100 Salaries	-	337,828
200 Employee Benefits	-	112,109
300 Purchased Services	-	1,983
400 Supplies and Materials	-	-
214 Psychological Services:		
100 Salaries	-	99,361
200 Employee Benefits	-	27,315
300 Purchased Services	-	2,621
400 Supplies and Materials	-	-
215 Exceptional Program Services:		
100 Salaries	-	-
200 Employee Benefits	-	-
300 Purchased Services	-	-
216 Vocational Placement Services:		
100 Salaries	-	-
200 Employee Benefits	-	-
300 Purchased Services	-	-
400 Supplies and Materials	-	-
220 Instructional Staff Services:		
221 Improvement of Instruction - Curriculum Development:		
100 Salaries	-	-
200 Employee Benefits	-	-
300 Purchased Services	-	-
223 Supervision of Special Programs:		
100 Salaries	103,587	91,537
200 Employee Benefits	33,451	23,920
300 Purchased Services	227,255	1,501
400 Supplies and Materials	12,359	-
224 Improvement of Instruction - Inservice and Staff Training:		
100 Salaries	493,505	-
200 Employee Benefits	145,723	-
300 Purchased Services	942	-
400 Supplies and Materials	1,778	-
230 General Administration Services:		
233 School Administration:		
100 Salaries	-	-
200 Employee Benefits	-	-
300 Purchased Services	-	-
400 Supplies and Materials	\$ -	-

Preschool Handicapped (CG Projects) (205)	CATE (VA Projects) (207)	Adult Education (EA Projects)	Other Designated Restricted State Grants (900s)	Other Special Revenue Programs (200s/800s)	Totals
-	115,740	-	325,631	-	\$ 441,371
-	38,259	-	102,603	-	140,862
-	5,073	-	-	670	5,743
-	-	-	-	119,855	457,683
-	-	-	-	42,948	155,057
-	-	-	-	135,377	137,360
-	-	-	-	192	192
-	-	-	-	-	99,361
-	-	-	-	-	27,315
-	-	-	-	9,674	12,295
-	-	-	-	30,944	30,944
-	-	-	-	61,765	61,765
-	-	-	-	18,277	18,277
-	-	-	-	1,016	1,016
-	-	-	-	39,540	39,540
-	-	-	-	11,862	11,862
-	-	-	-	2,314	2,314
-	-	-	-	1,815	1,815
-	-	-	-	86,789	86,789
-	-	-	-	33,806	33,806
-	-	-	-	4,203	4,203
-	-	-	-	107,251	302,375
-	-	-	-	23,571	80,942
-	-	3,000	-	40,808	272,564
-	-	3,400	-	1,826	17,585
-	-	-	73	-	493,578
-	-	-	6	-	145,729
-	4,312	16,500	17,777	48,485	88,016
-	-	13,500	1,825	4,562	21,665
-	-	-	-	48,725	48,725
-	-	-	-	11,747	11,747
-	-	-	-	9,946	9,946
-	-	-	-	410	\$ 410

(Continued)

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

SPECIAL REVENUE FUND

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2013

	Title I (BA Projects) (201)	IDEA (CA Projects) (203)
250 Finance and Operations Services:		
254 Operation and Maintenance of Plant:		
300 Purchased Services	\$ -	-
255 Student Transportation (State Mandated):		
300 Purchased Services	-	-
258 Security:		
400 Supplies and Materials	-	-
260 Central Support Services:		
263 Information Services:		
400 Supplies and Materials	-	-
270 Support Services - Pupil Activity:		
271 Pupil Services Activities:		
100 Salaries (Optional)	-	-
200 Employee Benefits (Optional)	-	-
500 Capital Outlay (Optional)	-	-
600 Other Objects (Optional)	-	-
Total Support Services	<u>1,018,600</u>	<u>698,175</u>
300 Community Services:		
360 Welfare Services:		
400 Supplies and Materials	-	-
390 Other Community Services:		
200 Employee Benefits	-	-
Total Community Services	<u>-</u>	<u>-</u>
410 Intergovernmental Expenditures:		
411 Payments to SDE		
720 Transits	-	-
Total Intergovernmental Expenditures	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>3,561,696</u>	<u>2,850,537</u>
OTHER FINANCING SOURCES (USES)		
Interfund Transfers, From (To) Other Funds:		
5220 Transfer from Special Revenue Fund (Exclude Indirect Costs)	-	-
421-710 Transfer to Special Revenue Fund	-	-
431-791 Special Revenue Fund Indirect Costs (Use Only for Transfer of Indirect Costs to General Fund)	(117,473)	(93,783)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(117,473)</u>	<u>(93,783)</u>
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	-	-
FUND BALANCES, Beginning of Year	<u>-</u>	<u>-</u>
FUND BALANCES, End of Year	<u>\$ -</u>	<u>-</u>

Preschool Handicapped (CG Projects) (205)	CATE (VA Projects) (207)	Adult Education (EA Projects)	Other Designated Restricted State Grants (900s)	Other Special Revenue Programs (200s/800s)	Totals
-	-	-	-	2,654	\$ 2,654
-	-	-	-	15,000	15,000
-	-	-	-	3,200	3,200
-	-	-	-	32,700	32,700
-	-	-	-	1,629	1,629
-	-	-	-	163	163
-	-	-	-	5,017	5,017
-	37,336	-	164	14,513	52,013
-	<u>200,720</u>	<u>36,400</u>	<u>448,079</u>	<u>973,254</u>	<u>3,375,228</u>
-	-	-	-	60,949	60,949
-	-	-	-	23,798	23,798
-	-	-	-	<u>84,747</u>	<u>84,747</u>
-	-	-	-	224,155	224,155
-	-	-	-	<u>224,155</u>	<u>224,155</u>
105,274	213,935	291,412	1,484,689	4,726,383	13,233,926
-	-	-	-	51,095	51,095
-	-	-	-	(51,095)	(51,095)
(3,463)	(7,000)	(3,426)	-	(6,464)	(231,609)
<u>(3,463)</u>	<u>(7,000)</u>	<u>(3,426)</u>	<u>-</u>	<u>(6,464)</u>	<u>(231,609)</u>
-	-	-	-	582,325	582,325
-	-	-	-	287,356	287,356
-	-	-	-	869,681	\$ 869,681

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

SPECIAL REVENUE FUND

SUPPLEMENTAL LISTING OF LEA SUBFUND CODES AND TITLES

YEAR ENDED JUNE 30, 2013

OTHER DESIGNATED RESTRICTED STATE GRANTS

919	Education License Plates
928	EEDA Career Specialists
933	Formative Assessment (Carryover Only)
937	Student Health and Fitness - PE Teachers
938	High Schools That Work/Making Middle Grades Work
960	K-5 Enhancement (Carryover Provision)
967	6-8 Enhancement (Carryover Provision)

OTHER SPECIAL REVENUE PROGRAMS

221	Title I (Neglected and Delinquent)
237	Title I School Improvement
240	SC School Climate Initiative
264	Language Instruction for Limited English Proficient and Immigrant Students, Title III
267	Improving Teacher Quality (Carryover Provision)
280	Meidcaid
291	Attendance Make-Up
295	ROTC
298	ATC House Project
801	After School Program
802	Sylvia Circle Tuition
822	Extended School Year
825	Virtual High School
826	Summer School High School
827	JSCG Grant
832	Professional Development
833	Arts in Education - Northside
852	Extended School Year
858	Toolbox for Education
861	Great Outdoors Project - Sunset Park Elementary
862	York County First Steps
864	Community Services - Transportation
866	Misc State Restricted
867	Misc Federal
869	Back the Pack
870	First Steps Parent Smart Grant
873	Sisters of Mercy of N.C. Foundation
875	SC Alliance for Children
880	Profoundly Mentally Disabled
886	Computer Based Testing - Adult Ed
891	Testing - PSAT
894	Title VII
897	Credit Recovery
899	Local School Projects

ROCK HILL SCHOOL DISTRICT THREE
 ROCK HILL, SOUTH CAROLINA

SPECIAL REVENUE FUND

SUMMARY SCHEDULE FOR OTHER DESIGNATED RESTRICTED STATE GRANTS

YEAR ENDED JUNE 30, 2013

Subfund	Revenue	Programs	Revenues	Expenditures	Special Revenue		Special Revenue Fund Deferred
					Interfund Transfers In (Out)	Other Fund Transfers In (Out)	
919	3193	Education License Plates	\$ 3,368	3,368	-	-	\$ -
928	3118	EEDA Career Specialists	428,234	428,234	-	-	161,947
933	3123	Formative Assessment	72,059	72,059	-	-	-
937	3127	Student Health and Fitness - PE Teachers	128,954	128,954	-	-	131,308
938	3128	High Schools That Work/Making Middle Grades Work (Carryover Only)	7,700	7,700	-	-	-
960	3610	K-5 Enhancement	779,226	779,226	-	-	90,615
967	3607	6-8 Enhancement	65,148	65,148	-	-	2,866
Totals			\$ 1,484,689	1,484,689	-	-	\$ 386,736

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

EDUCATION IMPROVEMENT ACT

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

YEAR ENDED JUNE 30, 2013

	<u>ACTUAL</u>
REVENUES	
3000 Revenue from State Sources:	
3500 Education Improvement Act:	
3502 Assisting, Developing, and Evaluative Professional Teaching (ADEPT)	\$ 11,755
3509 Arts in Education	42,010
3511 Professional Development	117,442
3518 Formative Assessment	60,268
3525 Career and Technology Education Equipment	212,715
3526 Refurbishment of K- Science Kits	48,942
3532 National Board Certification (NBC) Salary Supplement (No Carryover Provision)	1,798,027
3533 Teacher of the Year Awards	10,765
3538 Student at Risk of School Failure	3,406,818
3540 Early Childhood Program (4K Programs Serving Four-Year-Old Children)	498,286
3544 High Achieving Students	570,700
3550 Teacher Salary Increase (No Carryover Provision)	1,667,787
3551 Teacher Salary Supplement State Share	1,206,264
3555 School Employer Contributions (No Carryover Provision)	655,284
3556 Adult Education	415,184
3558 Reading	186,623
3577 Teacher Supplies (No Carryover Provision)	318,789
3578 High Schools That Work/Making Middle Grades Work	8,872
3581 Student Health and Fitness - Nurses	634,448
3585 Aid to School Districts - Special Education	1,185,918
3592 Work-Based Learning	66,651
3594 EEDA Supplemental Program	12,051
3597 Aid to Districts	163,893
3598 Cost Savings Allocations	37,157
3599 Other EIA	85,931
Total Revenue from State Sources	<u>13,422,580</u>
TOTAL REVENUE ALL SOURCES	<u>13,422,580</u>

EXPENDITURES

100 Instruction:	
110 General Instruction:	
111 Kindergarten Programs:	
100 Salaries	55,688
200 Employee Benefits	21,493
300 Purchased Services	2,263
400 Supplies and Materials	\$ 1,000

(Continued)

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

EDUCATION IMPROVEMENT ACT

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

YEAR ENDED JUNE 30, 2013

	<u>ACTUAL</u>
112 Primary Programs:	
100 Salaries	\$ 512,813
200 Employee Benefits	140,182
300 Purchased Services	78,027
400 Supplies and Materials	259,647
113 Elementary Programs:	
100 Salaries	1,374,838
200 Employee Benefits	413,267
300 Purchased Services	24,468
400 Supplies and Materials	398,638
114 High School Programs:	
100 Salaries	919,410
200 Employee Benefits	268,603
300 Purchased Services	86,757
400 Supplies and Materials	81,551
115 Career and Technology Education Program:	
100 Salaries	108,629
200 Employee Benefits	27,108
400 Supplies and Materials	211,500
500 Capital Outlay	10,964
120 Exceptional Programs:	
121 Educable Mentally Handicapped:	
100 Salaries	32,719
200 Employee Benefits	12,232
300 Purchased Services	193
400 Supplies and Materials	1,500
122 Trainable Mentally Handicapped:	
100 Salaries	490,585
200 Employee Benefits	170,771
300 Purchased Services	445
400 Supplies and Materials	1,500
123 Orthopedically Handicapped:	
100 Salaries	60,296
200 Employee Benefits	26,030
124 Visually Handicapped:	
100 Salaries	59,355
200 Employee Benefits	21,139
400 Supplies and Materials	\$ 2,000

(Continued)

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

EDUCATION IMPROVEMENT ACT

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

YEAR ENDED JUNE 30, 2013

	<u>ACTUAL</u>
125 Hearing Handicapped:	
400 Supplies and Materials	\$ 250
126 Speech Handicapped:	
100 Salaries	240,446
200 Employee Benefits	77,609
400 Supplies and Materials	5,250
127 Learning Disabilities:	
100 Salaries	102,773
200 Employee Benefits	27,122
300 Purchased Services	1,235
400 Supplies and Materials	15,500
128 Emotionally Handicapped:	
100 Salaries	7,500
200 Employee Benefits	1,696
400 Supplies and Materials	750
133 Preschool Handicapped Self- Contained (5Yr. Olds)	
400 Supplies and Materials	500
137 Preschool Handicapped Self-Contained (3-and 4-Yr.Olds):	
400 Supplies and Materials	750
139 Early Childhood Programs:	
100 Salaries	335,257
200 Employee Benefits	120,022
300 Purchased Services	13,043
400 Supplies and Materials	28,916
140 Special Programs:	
141 Gifted and Talented - Academic:	
100 Salaries	298,130
200 Employee Benefits	93,952
300 Purchased Services	1,058
400 Supplies and Materials	40,423
143 Advanced Placement:	
400 Supplies and Materials	81,272
148 Gifted and Talented - Artistic:	
300 Purchased Services	63,220
400 Supplies and Materials	965
149 Other Special Programs:	
100 Salaries	118,464
200 Employee Benefits	35,278
300 Purchased Services	\$ 614

(Continued)

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

EDUCATION IMPROVEMENT ACT

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

YEAR ENDED JUNE 30, 2013

	<u>ACTUAL</u>
160 Other Exceptional Programs:	
161 Autism:	
100 Salaries	\$ 7,500
200 Employee Benefits	1,699
400 Supplies and Materials	1,000
170 Summer School Programs:	
172 Elementary Summer School:	
100 Salaries	12,532
200 Employee Benefits	2,623
400 Supplies and Materials	4,565
600 Other Objects	200
173 High School Summer School:	
100 Salaries	6,765
200 Employee Benefits	1,542
180 Adult/Continuing Educational Programs:	
181 Adult Basic Education Programs:	
100 Salaries	23,819
200 Employee Benefits	5,394
400 Supplies and Materials	3,012
182 Adult Secondary Education Programs:	
100 Salaries	7,942
200 Employee Benefits	1,843
300 Purchased Services	106
400 Supplies and Materials	2,027
187 Adult Education - Remedial:	
100 Salaries	11,928
200 Employee Benefits	3,494
188 Parenting/Family Literacy:	
100 Salaries	86,609
200 Employee Benefits	35,111
Total Instruction	<u>7,807,317</u>
200 Support Services:	
210 Pupil Services:	
211 Attendance and Social Work Services:	
100 Salaries	8,303
200 Employee Benefits	4,706
212 Guidance Services:	
100 Salaries	160,949
200 Employee Benefits	45,590
400 Supplies and Materials	\$ 12,250

(Continued)

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

EDUCATION IMPROVEMENT ACT

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

YEAR ENDED JUNE 30, 2013

	<u>ACTUAL</u>
213 Health Services:	
100 Salaries	\$ 479,987
200 Employee Benefits	154,461
216 Vocational Placement Services:	
300 Purchased Services	34,191
400 Supplies and Materials	460
220 Instructional Staff Services:	
221 Improvement of Instruction-Curriculum Development:	
100 Salaries	274,193
200 Employee Benefits	88,995
400 Supplies and Materials	734
222 Library and Media:	
100 Salaries	30,000
200 Employee Benefits	6,781
400 Supplies and Materials	6,750
223 Supervision of Special Programs:	
100 Salaries	308,870
200 Employee Benefits	90,473
300 Purchased Services	1,248
400 Supplies and Materials	8,176
224 Improvement of Instruction-Curriculum Development:	
100 Salaries	30,296
200 Employee Benefits	7,168
300 Purchased Services	172,203
400 Supplies and Materials	7,185
230 General Administration Services:	
233 School Administration:	
100 Salaries	86,293
200 Employee Benefits	25,843
300 Purchased Services	1,316
400 Supplies and Materials	2,240
250 Finance and Operations Services:	
252 Fiscal Services:	
300 Purchased Services	27,280
400 Supplies and Materials	533
257 Internal Services:	
400 Supplies and Materials	\$ 640

(Continued)

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

EDUCATION IMPROVEMENT ACT

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

YEAR ENDED JUNE 30, 2013

	<u>ACTUAL</u>
260 Central Support Services:	
262 Planning:	
264 Staff Services:	
400 Supplies and Materials	\$ 5,501
270 Support Services - Pupil Activity:	
271 Pupil Services Activities:	
100 Salaries (Optional)	89
200 Employee Benefits (Optional)	7
300 Purchased Services (Optional)	154
600 Other Objects (Optional)	1,814
Total Support Services	<u>2,085,679</u>
300 Community Services:	
390 Other Community Services:	
400 Supplies and Materials	249
Total Community Services	<u>249</u>
TOTAL EXPENDITURES	<u>9,893,245</u>
OTHER FINANCING SOURCES (USES)	
Interfund Transfers, From (To) Other Funds:	
420-710 Transfer to General Fund (Exclude Indirect Costs)	(3,529,335)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,529,335)</u>
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	-
FUND BALANCE, Beginning of Year	<u>-</u>
FUND BALANCE, End of Year	<u>\$ -</u>

ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA

EDUCATION IMPROVEMENT ACT

SUMMARY SCHEDULE BY PROGRAM

YEAR ENDED JUNE 30, 2013

Program	Revenues	Expenditures	EIA Interfund Transfers In/(Out)	Other Fund Transfers In/(Out)	EIA Fund Deferred Revenue
3500 Education Improvement Act:					
3502 Assisting, Developing, and Evaluative Professional Teaching (ADEPT)	\$ 11,755	11,755	-	-	\$ -
3509 Arts in Education	42,010	42,010	-	-	-
3511 Professional Development	117,442	117,442	-	-	98,302
3518 Formative Assessment	60,268	60,268	-	-	18,236
3525 Career and Technology Education Equipment	212,715	212,715	-	-	13,664
3526 Refurbishment of K-8 Science Kits	48,942	48,942	-	-	68,199
3532 National Board Certified (No Carryover Provision)	1,798,027	1,798,027	-	-	-
3533 Teacher of the Year Awards (No Carryover Provision)	10,765	10,765	-	-	-
3538 At Risk Student Learning	3,406,818	3,406,818	-	-	1,069,216
3540 Early Childhood Program	498,286	498,286	-	-	391,628
3544 Academic/Artistically Advance	570,700	570,700	-	-	202,588
3550 Teacher Salary Increase (No Carryover Provision)	1,667,787	-	-	(1,667,787)	-
3551 Teacher Salary Supplement State Share	1,206,264	-	-	(1,206,264)	-
3555 School Employer Contributions (No Carryover Provision)	655,284	-	-	(655,284)	-
3556 EAA Adult Education (Carryover Only)	415,184	415,184	-	-	91,366
3558 Reading	186,623	186,623	-	-	-
3577 Teacher Supplies (No Carryover Provision)	318,789	318,789	-	-	-
3578 High Schools That Work	8,872	8,872	-	-	26,435
3581 Student Health and Fitness - Nurses	634,448	634,448	-	-	14,308
3585 Aid to School Districts - Special Education	1,185,918	1,185,918	-	-	653,871
3592 School-to-Work Transition Act	66,651	66,651	-	-	-
3594 EEDA Supplemental Programs	12,051	12,051	-	-	6,132
3597 Aid to Districts	163,893	163,893	-	-	145,320
3598 Cost Savings Allocations	37,157	37,157	-	-	-
3599 Other EIA	85,931	85,931	-	-	175
Totals	\$ 13,422,580	9,893,245	-	(3,529,335)	\$ 2,799,440

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

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

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

Program	Project/ Grant Number	Revenue & Subfund Code	Description	Amount Due to State Dept. of Education or Federal Government	Status of Amount Due to Grantors
----------------	--------------------------------------	-------------------------------------------	--------------------	-------------------------------------------------------------------------------------	-------------------------------------------------

No funds are due to state/federal government at June 30, 2013.

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DEBT SERVICE FUND

To accumulate monies for payment of interest and principal on long-term General Obligations Bonds.

The following schedule has been prepared in the format mandated by the South Carolina State Department of Education. The account numbers shown on the schedule are also mandated by the South Carolina Department of Education.

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**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

Schedule C-1

DEBT SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2013

	<u>ACTUAL</u>
REVENUES	
1000 Revenue from Local Sources:	
1100 Taxes:	
1110 Ad Valorem Taxes-Including Delinquent (Fiscally Independent LEA)	\$ 20,732,056
1140 Penalties & Interest on Taxes (Independent)	163,225
1500 Earnings on Investments:	
1510 Interest on Investments	24,007
Total Revenue from Local Sources	<u>20,919,288</u>
2000 Intergovernmental Revenue:	
2100 Payments from Other Governmental Units	17,000
Total Intergovernmental Revenue	<u>17,000</u>
3000 Revenue from State Sources:	
3100 Restricted State Funding:	
3800 State Revenue in Lieu of Taxes:	
3820 Homestead Exemption	740,907
3830 Merchant's Inventory Tax	107,676
3840 Manufacturers Depreciation Reimbursement	391,713
3890 Other State Property Tax Revenues (Includes Motor Carrier Vehicle Tax)	29,482
Total Revenue from State Sources	<u>1,269,778</u>
TOTAL REVENUE ALL SOURCES	<u>22,206,066</u>
EXPENDITURES	
500 Debt Service:	
610 Redemption of Principal	14,664,000
620 Interest	6,552,030
690 Other Objects (Includes Fees for Servicing Bonds)	2,997
Total Debt Service	<u>21,219,027</u>
TOTAL EXPENDITURES	<u>21,219,027</u>
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	987,039
FUND BALANCE, Beginning of Year	<u>10,838,301</u>
FUND BALANCE, End of Year	<u>\$ 11,825,340</u>

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CAPITAL PROJECTS FUND

To account for financial resources to be used for the acquisition and construction of major capital facilities.

The following individual fund schedule has been prepared in the format mandated by the South Carolina State Department of Education. The account numbers shown on the schedule are also mandated by the South Carolina Department of Education.

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**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

CAPITAL PROJECTS FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2013

	<u>ACTUAL</u>
REVENUES	
1000 Revenue from Local Sources:	
1500 Earnings on Investments:	
1510 Interest on Investments	\$ 34,446
1900 Other Revenue from Local Sources:	
1950 Refund of Prior Year's Expenditures (Include Only if Expenditure Occurred Last Year and the refund this year.)	238,701
Total Revenue from Local Sources	<u>273,147</u>
TOTAL REVENUE ALL SOURCES	<u>273,147</u>
EXPENDITURES	
250 Finance and Operations:	
253 Facilities Acquisition & Construction:	
300 Purchased Services	1,084,714
400 Supplies and Materials	3,956,168
500 Capital Outlay:	
520 Construction Services	2,197,821
525 Buildings	96,400
530 Improvements Other Than Buildings	995,513
540 Equipment	51,293
545 Technology, Equipment and Software	231,423
550 Vehicles	183,086
Total Support Services	<u>8,796,418</u>
500 Debt Service:	
690 Other Objects	54,275
Total Debt Service	<u>54,275</u>
TOTAL EXPENDITURES	<u>8,850,693</u>
OTHER FINANCING SOURCES (USES)	
5110 Premium on Bonds Sold	761,444
5120 Issuance of General Obligation Bonds	6,000,000
5300 Sale of Fixed Assets	920,053
TOTAL OTHER FINANCING SOURCES (USES)	<u>7,681,497</u>
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	(896,049)
FUND BALANCE, Beginning of Year	<u>9,798,160</u>
FUND BALANCE, End of Year	<u>\$ 8,902,111</u>

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PROPRIETARY FUND

To account for the activities of food services. All activities necessary to provide such services are accounted for in these funds.

The following individual fund schedule has been prepared in the format mandated by the South Carolina State Department of Education. The account numbers shown on the schedule are also mandated by the South Carolina Department of Education.

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**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

ENTERPRISE FUND - FOOD SERVICE FUND

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

YEAR ENDED JUNE 30, 2013

	<u>ACTUAL</u>
REVENUES	
1000 Revenues from Local Sources:	
1500 Earnings on Investments:	
1510 Interest on Investments	\$ 12,836
1600 Food Service:	
1610 Lunch Sales to Pupils	1,186,700
1620 Breakfast Sales to Pupils	155,614
1630 Special Sales to Pupils	356,502
1640 Lunch Sales to Adults	102,477
1650 Breakfast Sales to Adults	7,460
1660 Special Sales to Adults	18,607
1900 Other Revenue from Local Sources:	
1999 Revenue from Other Local Sources	85
Total Revenue from Local Sources	<u>1,840,281</u>
3000 Revenue from State Sources:	
3100 Restricted State Funding:	
3140 School Lunch:	
3142 Program Aid	580
Total Revenue from State Sources	<u>580</u>
4000 Revenue from Federal Sources:	
4800 USDA Reimbursement:	
4810 School Lunch and After School Snacks Program	4,223,061
4830 School Breakfast Program	1,216,669
4900 Other Federal Sources:	
4991 USDA Commodities (Food Distribution Program) (Carryover Provision)	427,129
4999 Revenue from Other Federal Sources	11,890
Total Revenue from Federal Sources	<u>5,878,749</u>
TOTAL REVENUE ALL SOURCES	<u>\$ 7,719,610</u>

(Continued)

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

ENTERPRISE FUND - FOOD SERVICE FUND

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

YEAR ENDED JUNE 30, 2013

	<u>ACTUAL</u>
EXPENSES	
256 Food Service:	
100 Salaries	\$ 1,671,274
140 Terminal Leave	2,299
200 Employee Benefits	617,270
300 Purchased Services (Exclude Gas, Oil, Electricity and Other Heating Fuels)	4,262,038
400 Supplies and Materials (Include Gas, Oil, Electricity and Other Heating Fuels)	393,748
500 Capital Outlay	145,863
600 Other Objects	6,036
Total Food Services Expenses	<u>7,098,528</u>
TOTAL EXPENSES	<u>7,098,528</u>
OTHER FINANCING SOURCES (USES)	
Interfund Transfers, From (To) Other Funds:	
5210 Transfer from General Fund (Excludes Indirect Costs)	363,727
432-791 Food Service Fund Indirect Costs	(887,228)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(523,501)</u>
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	97,581
FUND NET POSITION, Beginning of Year	<u>4,316,096</u>
FUND NET POSITION, End of Year	<u>\$ 4,413,677</u>

FIDUCIARY FUND

Agency Fund – to account for the collection and payment of pupil activity receipts and disbursements from and on the behalf of the School District’s students.

The following individual fund schedules have been prepared in the format mandated by the South Carolina State Department of Education. The account numbers shown on the schedule are also mandated by the South Carolina Department of Education.

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**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

AGENCY FUND - PUPIL ACTIVITY FUND

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

YEAR ENDED JUNE 30, 2013

	<u>ACTUAL</u>
RECEIPTS	
1000 Receipts from Local Sources:	
1700 Pupil Activities:	
1710 Admissions	\$ 158,806
1730 Pupil Organization Membership Dues and Fees	17,177
1740 Student Fees	141,931
1790 Other	2,898,249
1900 Other Revenue from Local Sources	
1920 Contributions & Donations Private Sources	964
Total Receipts from Local Sources	<u>3,217,127</u>
TOTAL RECEIPTS ALL SOURCES	<u>3,217,127</u>
DISBURSEMENTS	
190 Instructional Pupil Activity:	
400 Supplies and Materials (Optional)	39,144
600 Other Objects (Optional)	165
Total Instruction	<u>39,309</u>
270 Support Services Pupil Activity:	
271 Pupil Service Activities:	
100 Salaries (Optional)	208,716
200 Employee Benefits (Optional)	42,040
300 Purchased Services (Optional)	393,396
400 Supplies and Materials (Optional)	2,022,718
660 Pupil Activity	549,402
Total Pupil Activity Expenditures	<u>3,216,272</u>
TOTAL DISBURSEMENTS	<u>3,255,581</u>
EXCESS/DEFICIENCY OF RECEIPTS OVER DISBURSEMENTS	(38,454)
DUE TO STUDENT ORGANIZATIONS, Beginning of Year	<u>1,053,222</u>
DUE TO STUDENT ORGANIZATIONS, End of Year	<u>\$ 1,014,768</u>

ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA

AGENCY FUND - PUPIL ACTIVITY FUND

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES IN DUE TO STUDENT ORGANIZATIONS

YEAR ENDED JUNE 30, 2013

	Balance at July 1, 2012	Additions	Deductions	Balance at June 30, 2013
ASSETS				
Cash and Cash Equivalents	\$ 11,602	-	(4,372)	\$ 7,230
Receivables	1,182,166	-	(174,628)	1,007,538
TOTAL ASSETS	\$ 1,193,768	-	(179,000)	\$ 1,014,768
LIABILITIES				
Due to Student Organizations	\$ 1,193,768	-	(179,000)	\$ 1,014,768
TOTAL LIABILITIES	\$ 1,193,768	-	(179,000)	\$ 1,014,768

Location Reconciliation

As Requested by the South Carolina
Department of Education

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**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

LOCATION RECONCILIATION SCHEDULE

YEAR ENDED JUNE 30, 2013

LOCATION ID	LOCATION DESCRIPTION	EDUCATION LEVEL	COST TYPE	TOTAL EXPENDITURES
00	District Office	Non-Schools	Central	\$ 27,769,317
02	Belleview Elementary	Elementary Schools	School	3,465,588
04	Castle Heights Middle	Middle Schools	School	5,394,281
05	Central Child Dev. Center	Other Schools	School	1,444,041
06	Ebenezer Elementary	Elementary Schools	School	2,792,926
07	Dutchman Creek Middle	Middle Schools	School	5,394,844
08	Ebinport Elementary	Elementary Schools	School	3,416,833
10	Edgewood Elementary	Elementary Schools	School	3,210
14	Finley Road Elementary	Elementary Schools	School	3,111,889
16	Independence Elementary	Elementary Schools	School	3,212,202
18	India Hook Elementary	Elementary Schools	School	3,321,954
20	Leslie Elementary	Elementary Schools	School	3,844,603
22	Mt. Gallant Elementary	Elementary Schools	School	3,021,645
23	Mt. Holly Elementary	Elementary Schools	School	3,131,693
24	Northside Elementary	Elementary Schools	School	3,582,245
26	Northwestern High	High Schools	School	10,953,830
28	Oakdale Elementary	Elementary Schools	School	3,199,170
29	Old Pointe Elementary	Elementary Schools	School	3,426,841
30	Rawlinson Road Middle	Middle Schools	School	5,173,393
31	Renaissance Academy	Other Schools	School	361,588
32	Richmond Drive Elementary	Elementary Schools	School	3,241,971
33	T-3	Other Schools	School	212,711
34	ParentSmart	Other Schools	School	554,721
36	Applied Technology Center	Other Schools	School	3,023,454
38	Rock Hill High	High Schools	School	11,808,159
40	Rosewood Elementary	Elementary Schools	School	3,803,340
41	South Pointe High	High Schools	School	8,901,886
42	Sullivan Middle	Middle Schools	School	5,427,054
44	Sunset Park Elementary	Elementary Schools	School	3,335,535
46	The Children's School	Other Schools	School	2,761,380
48	York Road Elementary	Elementary Schools	School	2,834,480
49	Phoenix Academy	Other School	School	1,403,838
50	Saluda Trail Middle	Middle Schools	School	5,754,708
60	Office of Superintendent	Non-Schools	Central	449,643
65	Health Services	Non-Schools	Central	28,362
66	Facilities Services	Non-Schools	Central	4,918,938
68	Food Service	Non-Schools	Central	4,313,094
70	Transportation	Non-Schools	Central	3,856,053
72	Purchasing	Non-Schools	Central	191,854
76	Adult Education	Other Schools	School	814,924
78	Personnel	Non-Schools	Central	965,643
80	Finance	Non-Schools	Central	2,554,837
81	Administrative Services	Non-Schools	Central	359,923
82	Information Services	Non-Schools	Central	162,745

(Continued)

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

LOCATION RECONCILIATION SCHEDULE

YEAR ENDED JUNE 30, 2013

LOCATION ID	LOCATION DESCRIPTION	EDUCATION LEVEL	COST TYPE	TOTAL EXPENDITURES
83	Student Services	Non-Schools	Central	328,566
84	Planning	Non-Schools	Central	5,419,342
85	Community Partnerships	Non-Schools	Central	168,625
86	Exceptional Student Education	Non-Schools	Central	6,939,915
88	District 3 Stadium South	Non-Schools	Central	37,997
89	Stadium	Non-Schools	Central	375,990
90	Board of Trustees	Non-Schools	Central	1,199,556
92	Rock Hill School District	Non-Schools	Central	533,414
95	Flexible Learning Center	Other Schools	School	342,701
219	Rebound	Other Schools	School	683,008
660	Instruction/Accountability	Non-Schools	Central	4,494,510
TOTAL EXPENDITURES / EXPENSES / DISBURSEMENTS FOR ALL FUNDS				\$ 188,224,970

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

General Fund	\$ 124,673,970
Special Revenue Fund	13,233,926
Special Revenue - EIA Fund	9,893,245
Debt Service Fund	21,219,027
Capital Projects Fund	8,850,693
Food Service - Enterprise Fund	7,098,528
Pupil Activity Fund	3,255,581
TOTAL EXPENDITURES / EXPENSES / DISBURSEMENTS FOR ALL FUNDS	\$ 188,224,970

Charter School Combining Schedule

As Requested by the South Carolina
Department of Education

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COMPONENT UNIT - THE PALMETTO SCHOOL AT THE CHILDREN'S ATTENTION HOME

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2013

	General Fund	Title I (BA Projects) (201)	Total
REVENUES			
1000 Revenues from Local Sources:			
1900 Other Revenue from Local Sources:			
1999 Revenue from Other Local Sources	\$ 258,763	-	\$ 258,763
Total Revenue from Local Sources	<u>258,763</u>	<u>-</u>	<u>258,763</u>
3300 Education Finance Act:			
3310 Full-Time Programs:			
3312 Primary	96,915	-	96,915
Total Revenue from State Sources	<u>96,915</u>	<u>-</u>	<u>96,915</u>
4000 Revenue from Federal Sources:			
4300 Elementary and Secondary Education Act of 1965 (ESEA):			
4310 Title I, Basic State Grant Programs (Carryover Provision)	-	75,677	75,677
Total Revenue from Federal Sources	<u>-</u>	<u>75,677</u>	<u>75,677</u>
TOTAL REVENUE ALL SOURCES	<u>355,678</u>	<u>75,677</u>	<u>431,355</u>
EXPENDITURES			
100 Instruction:			
110 General Instruction:			
112 Primary Programs:			
100 Salaries	83,320	40,092	123,412
200 Employee Benefits	24,839	9,772	34,611
400 Supplies and Materials	26,184	-	26,184
500 Capital Outlay	6,002	-	6,002
Total Instruction	<u>140,345</u>	<u>49,864</u>	<u>190,209</u>
200 Support Services:			
230 General Administration Services:			
231 Board of Education:			
318 Audit Services	10,250	-	10,250
233 School Administration:			
100 Salaries	95,443	-	95,443
200 Employee Benefits	19,793	-	19,793
300 Purchased Services	5,106	-	5,106
400 Supplies and Materials	6,934	13,409	20,343
600 Other Objects	7,332	-	7,332
250 Finance and Operations Services:			
252 Fiscal Services:			
300 Purchased Services	2,100	-	2,100
260 Central Support Services:			
264 Staff Services:			
300 Purchased Services	-	9,283	9,283
270 Support Services - Pupil Activity:			
271 Pupil Services Activities:			
660 Pupil Activity	-	3,121	3,121
Total Support Services	<u>146,958</u>	<u>25,813</u>	<u>172,771</u>
TOTAL EXPENDITURES	<u>287,303</u>	<u>75,677</u>	<u>362,980</u>
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>68,375</u>	<u>-</u>	<u>68,375</u>
FUND BALANCE, Beginning of Year	<u>95,486</u>	<u>-</u>	<u>95,486</u>
FUND BALANCE, End of Year	<u>\$ 163,861</u>	<u>-</u>	<u>\$ 163,861</u>

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STATISTICAL SECTION

(UNAUDITED)

This part of Rock Hill School District Three's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

	<u>Page Number</u>
<i>Financial Trends</i> These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	126
<i>Revenue Capacity</i> These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	133
<i>Debt Capacity</i> These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	136
<i>Demographic and Economic Information</i> These schedules offer demographic and economic indicators to help the reader understand the environment within the District's financial activities take place.	140
<i>Operating Information</i> These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report related to the services the city provides and the activities it performs.	142

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA

TABLE 1

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental Activities										
Net Investment in Capital Assets	\$ 42,577,446	66,812,958	86,285,668	86,716,022	85,685,189	87,780,196	88,224,652	95,244,369	102,400,301	\$ 108,732,888
Restricted	41,165,324	23,493,394	8,869,209	14,447,991	12,952,545	9,082,727	9,433,836	8,943,308	10,914,842	12,415,202
Unrestricted	14,527,897	17,836,604	18,170,074	19,673,014	26,553,037	20,720,602	18,795,495	22,941,366	29,214,582	31,397,177
Total Governmental Activities Net Position	\$ 98,270,667	108,142,956	113,324,951	120,837,027	125,190,771	117,583,525	116,453,983	127,129,043	142,529,725	\$ 152,545,267
Business-Type Activities										
Net Investment in Capital Assets	\$ 1,701,202	1,686,119	1,749,790	1,589,337	1,466,828	1,593,752	1,376,906	1,093,505	775,227	\$ 950,842
Unrestricted	1,251,686	1,473,688	1,712,777	1,468,962	1,008,287	1,307,308	2,233,559	3,093,024	3,540,869	3,462,835
Total Business-Type Activities Net Position	\$ 2,952,888	3,159,807	3,462,567	3,058,299	2,475,115	2,901,060	3,610,465	4,186,529	4,316,096	\$ 4,413,677
Primary Government										
Net Investment in Capital Assets	\$ 44,278,648	68,499,077	88,035,458	88,305,359	87,152,017	89,373,948	89,601,558	96,337,874	103,175,528	\$ 109,683,730
Restricted	41,165,324	23,493,394	8,869,209	14,447,991	12,952,545	9,082,727	9,433,836	8,943,308	10,914,842	12,415,202
Unrestricted	15,779,583	19,310,292	19,882,851	21,141,976	27,561,324	22,027,910	21,029,054	26,034,390	32,755,451	34,860,012
Total Primary Government Net Position	\$ 101,223,555	111,302,763	116,787,518	123,895,326	127,665,886	120,484,585	120,064,448	131,315,572	146,845,821	\$ 156,958,944

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ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA

TABLE 2

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental Activities:										
Instruction	\$ 67,243,820	70,222,924	74,320,757	80,471,063	88,423,628	94,336,452	84,793,118	80,763,678	93,925,184	\$ 99,072,671
Support Services	36,299,500	41,293,263	47,532,876	51,424,008	60,792,209	64,760,530	67,133,418	50,139,830	54,518,963	60,273,955
Community Services	174,611	143,103	100,842	122,819	228,669	227,383	155,787	271,863	170,605	253,614
Intergovernmental	1,684,752	2,060,147	2,249,568	835,277	715,125	618,141	443,738	-	-	-
Interest and Other Charges	5,546,681	5,894,985	5,881,577	6,391,797	7,484,011	7,017,571	7,374,066	19,520,721	6,714,098	5,343,649
Depreciation	3,636,190	4,297,929	5,311,817	5,876,110	6,309,334	7,812,007	7,626,426	-	-	-
Total Governmental Activities Expenses	114,585,554	123,912,351	135,397,437	145,121,074	163,952,976	174,772,084	167,526,553	150,696,092	155,328,850	164,943,889
Business-Type Activities:										
Food Services	4,907,458	5,341,024	5,745,087	6,390,272	7,634,765	7,767,516	6,937,690	6,873,305	7,395,976	7,098,528
Total Business-Type Activities Expenses	4,907,458	5,341,024	5,745,087	6,390,272	7,634,765	7,767,516	6,937,690	6,873,305	7,395,976	7,098,528
Total Primary Government Expenses	\$ 119,493,012	129,253,375	141,142,524	151,511,346	171,587,741	182,539,600	174,464,243	157,569,397	162,724,826	\$ 172,042,417
Program Revenues										
Governmental Activities:										
Charges for Services:										
Instruction	\$ 1,278,314	1,377,246	1,520,761	1,990,488	2,187,263	2,031,407	1,505,540	1,970,442	1,903,326	\$ 1,978,291
Operating Grants and Contributions	57,912,163	62,895,700	70,188,964	73,960,271	81,227,036	78,078,355	78,070,395	71,165,212	72,616,868	77,144,152
Capital Grants and Contributions	6,161,974	2,901,214	187,900	-	517,685	366,835	-	-	-	-
Total Governmental Activities Program Revenues	65,352,451	67,174,160	71,897,625	75,950,759	83,931,984	80,476,597	79,575,935	73,135,654	74,520,194	79,122,443
Business-Type Activities:										
Charges for Services:										
Food Service	2,331,159	2,321,683	2,434,865	2,347,399	2,389,487	2,617,644	2,297,979	1,991,665	2,014,405	1,827,360
Operating Grants and Contributions	2,788,285	3,032,923	3,345,185	3,638,605	4,092,600	4,736,659	4,889,165	5,234,300	5,430,499	5,879,414
Capital Grants and Contributions	77,049	193,337	267,797	-	138,845	415,754	-	-	-	-
Total Business-Type Activities Program Revenues	5,196,493	5,547,943	6,047,847	5,986,004	6,620,932	7,770,057	7,187,144	7,225,965	7,444,904	7,706,774
Total Primary Government Program Revenues	\$ 70,548,944	72,722,103	77,945,472	81,936,763	90,552,916	88,246,654	86,763,079	80,361,619	81,965,098	\$ 86,829,217
Net (Expense)/Revenue										
Governmental Activities	\$ (49,233,103)	(56,738,191)	(63,499,812)	(69,170,315)	(80,020,992)	(94,295,487)	(87,950,618)	(77,560,438)	(80,808,656)	\$ (85,821,446)
Business-Type Activities	289,035	206,919	302,760	(404,268)	(1,013,833)	2,541	249,454	352,660	48,928	608,246
Total Primary Government Net (Expense)/Revenue	\$ (48,944,068)	(56,531,272)	(63,197,052)	(69,574,583)	(81,034,825)	(94,292,946)	(87,701,164)	(77,207,778)	(80,759,728)	\$ (85,213,200)

(Continued)

ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA

TABLE 2

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes by Source:										
Property Tax - General Operations	\$ 39,485,538	40,780,553	41,054,206	45,707,761	38,514,743	39,794,450	40,698,245	41,423,095	44,283,872	\$ 42,689,482
Property Tax - Debt Service	13,380,824	14,058,798	14,709,219	16,076,102	18,617,043	21,262,897	19,719,989	19,856,556	21,736,059	21,112,510
Unrestricted Grants and Contributions	8,987,749	10,423,802	10,468,863	10,359,416	24,916,292	25,727,814	26,710,106	27,078,578	28,638,186	29,344,465
Unrestricted Investment Earnings	1,047,317	1,128,341	2,400,664	3,715,398	2,749,129	501,762	127,474	100,673	168,407	147,499
Miscellaneous	178,629	218,986	48,855	823,714	8,178	2,068	25,213	-	1,448,639	2,019,531
Transfers	-	-	-	-	(430,649)	(423,404)	(459,951)	(223,404)	(65,825)	523,501
Total Governmental Activities	63,080,057	66,610,480	68,681,807	76,682,391	84,374,736	86,865,587	86,821,076	88,235,498	96,209,338	95,836,988
Business-Type activities:										
Unrestricted Investment Earnings	-	-	-	-	-	-	-	-	14,814	12,836
Transfers	-	-	-	-	430,649	423,404	459,951	223,404	65,825	(523,501)
Total Business-Type Activities	-	-	-	-	430,649	423,404	459,951	223,404	80,639	(510,665)
Special Items - Loss on Disposal of Assets	-	-	-	-	-	(37,342)	-	-	-	-
Total Primary Government	\$ 63,080,057	66,610,480	68,681,807	76,682,391	84,805,385	87,251,649	87,281,027	88,458,902	96,289,977	\$ 95,326,323
Change in Net Position:										
Governmental Activities	\$ 13,846,954	9,872,289	5,181,995	7,512,076	4,353,744	(7,467,242)	(1,129,542)	10,675,060	15,400,682	\$ 10,015,542
Business-Type Activities	289,035	206,919	302,760	(404,268)	(583,184)	425,945	709,405	576,064	129,567	97,581
Total Primary Government	\$ 14,135,989	10,079,208	5,484,755	7,107,808	3,770,560	(7,041,297)	(420,137)	11,251,124	15,530,249	\$ 10,113,123

ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA

TABLE 3

FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(Modified Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Non-Spendable	\$ -	-	-	-	-	-	-	326,039	435,929	\$ 2,663,073
Assigned	-	-	-	-	-	-	-	1,010,612	2,400,000	-
Unassigned	15,025,796	17,375,313	17,512,981	19,133,030	23,269,504	19,505,507	17,413,749	20,212,709	17,410,108	20,067,031
Total General Fund	\$ 15,025,796	17,375,313	17,512,981	19,133,030	23,269,504	19,505,507	17,413,749	21,549,360	20,246,037	\$ 22,730,104
All Other Governmental Funds										
Restricted	\$ 41,165,324	24,638,450	33,455,362	65,404,955	14,556,761	10,299,086	11,374,650	14,327,356	15,923,817	\$ 16,597,132
Assigned	-	-	-	-	-	-	-	-	5,000,000	5,000,000
Total All Other Governmental Funds	\$ 41,165,324	24,638,450	33,455,362	65,404,955	14,556,761	10,299,086	11,374,650	14,327,356	20,923,817	\$ 21,597,132

Note 1: The District implemented GASB #54 "Fund Balance Reporting and Governmental Fund Type Definitions" ("GASB #54") in 2011. GASB #54 established new fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. The District has elected to apply GASB #54 retrospectively - and thus has provided fund balance information as if GASB #54 had been implemented.

ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA

TABLE 4

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(Modified Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Local Sources:										
Property Taxes	\$ 52,707,540	55,032,357	55,651,621	61,626,855	53,862,883	58,110,853	58,518,958	59,698,617	64,304,412	\$ 64,908,601
Interest	1,047,317	1,128,341	2,400,664	3,715,398	2,749,128	501,762	127,474	203,005	168,407	147,499
Other Local Sources	1,726,594	1,796,341	2,355,499	3,711,546	5,973,112	5,286,328	4,620,805	4,825,930	3,628,414	4,860,739
State Sources	64,305,093	67,025,317	71,271,100	75,439,597	97,540,514	94,244,262	85,784,015	81,855,760	88,735,502	94,076,358
Federal Sources	8,061,601	7,930,062	8,111,416	7,650,094	8,179,389	8,928,066	17,352,189	14,990,331	9,840,734	8,233,220
Intergovernmental Revenue	246,999	880,784	677,328	332,652	309,937	311,689	511,829	501,949	526,294	539,799
Total Revenues	\$ 128,095,144	133,793,202	140,467,628	152,476,142	168,614,963	167,382,960	166,915,270	162,075,592	167,203,763	\$ 172,766,216
Expenditures										
Current:										
Instruction	\$ 66,986,194	70,187,466	74,328,960	80,381,295	88,343,708	94,966,427	92,907,957	85,374,336	88,593,255	\$ 93,128,533
Support Services	34,780,135	38,580,924	43,230,315	47,175,271	52,705,725	55,546,705	53,895,636	50,506,284	53,042,042	58,128,464
Community Services	174,611	143,103	100,842	122,819	228,669	227,383	155,787	271,863	170,606	253,621
Intergovernmental	1,684,752	2,060,147	2,249,568	676,787	373,736	618,141	443,738	399,247	483,744	419,962
Debt Service:										
Principal	14,635,000	10,025,000	10,290,000	12,630,000	11,345,000	12,975,000	17,265,000	12,405,000	14,649,115	15,167,699
Interest and Fiscal Charges	5,372,956	5,926,332	5,509,659	5,871,438	8,012,189	7,798,410	7,550,454	7,235,624	7,437,698	6,938,941
Other Charges	1,435	2,229	2,175	2,474	2,300	2,432	1,342	119,939	319,966	57,272
Capital Outlay	36,220,933	26,575,593	18,884,918	48,134,159	53,543,320	15,039,230	19,175,728	4,014,746	2,826,662	3,776,369
Total Expenditures	159,856,016	153,500,794	154,596,437	194,994,243	214,554,647	187,173,728	191,395,642	160,327,039	167,523,088	177,870,861
Excess of Revenues Over (Under) Expenditures	(31,760,872)	(19,707,592)	(14,128,809)	(42,518,101)	(45,939,684)	(19,790,768)	(24,480,372)	1,748,553	(319,325)	(5,104,645)
Other Financing Sources (Uses)										
Issuance of General Obligation Bond Anticipation Note	-	-	-	-	-	12,500,000	24,221,529	-	-	-
Premium on Bonds Sold	2,114,140	30,235	313,249	1,401,390	-	-	-	3,877,503	2,030,774	761,444
Issuance of Refunding Bonds	-	-	23,015,000	1,500,000	-	-	-	23,180,000	15,595,000	-
Payment to Refunded Debt Escrow Agent	-	-	(23,244,860)	10,344,843	-	-	-	(26,611,428)	(17,005,514)	-
Issuance of General Obligation Bonds	44,625,000	5,500,000	23,000,000	63,000,000	-	-	-	5,000,000	5,000,000	6,000,000
Proceeds from the sale of capital assets	-	-	-	-	-	-	-	121,072	58,028	977,081
Transfers In	8,109,109	8,031,846	6,498,386	6,236,815	5,106,058	5,978,544	7,599,990	2,975,498	7,900,234	4,648,173
Transfers Out	(8,350,784)	(8,031,846)	(6,498,386)	(6,236,815)	(5,878,095)	(6,709,448)	(8,357,341)	(3,198,902)	(7,966,059)	(4,124,671)
Total Other Financing Sources (Uses)	46,497,465	5,530,235	23,083,389	76,246,233	(772,037)	11,769,096	23,464,178	5,343,743	5,612,463	8,262,027
Net Change in Fund Balances	\$ 14,736,593	(14,177,357)	8,954,580	33,728,132	(46,711,721)	(8,021,672)	(1,016,194)	7,092,296	5,293,138	\$ 3,157,382
Capital Asset Expenditures	\$ 34,091,420	23,228,447	14,569,660	43,885,422	45,456,836	6,385,204	1,086,302	1,138,778	4,423,707	\$ 5,050,057
Debt Service as a Percentage of Noncapital ¹ Expenditures	15.9%	12.2%	11.3%	12.2%	11.4%	11.5%	13.0%	0	13.5%	12.8%

Note 1: Noncapital expenditures are total expenditures less capital outlay (to the extent capitalized for the government-wide statement of net position) and expenditures for capitalized assets included within the functional expenditure categories. The formula adds "functional" and "principal" and divides them by the "total expenditures" minus the "capital outlay."

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

TABLE 5

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	Assessed Real Property		Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Tax Value	Assessed Value as a Percentage of Actual Value
	Real Property	Personal Property				
2004	\$ 272,570,935	51,519,854	324,090,789	164.50	\$ 6,523,993,436	5.0%
2005	280,241,469	49,482,501	329,723,970	170.50	6,537,960,149	5.0%
2006	281,774,107	47,473,262	329,247,369	172.30	6,852,831,060	5.7%
2007	282,297,550	46,772,151	329,069,701	169.60	6,635,971,754	5.0%
2008	324,339,756	46,430,670	370,770,426	179.00	6,997,510,437	5.3%
2009	347,078,632	43,718,911	390,797,543	188.40	7,225,655,968	5.4%
2010	361,996,207	43,031,135	405,027,342	188.90	7,396,553,942	5.5%
2011	368,221,886	37,712,545	405,934,431	193.40	7,493,918,559	5.4%
2012	390,796,823	39,727,295	430,524,118	193.40	8,030,801,776	5.4%
2013	\$ 390,008,847	43,190,179	433,199,026	193.40	\$ 8,256,042,536	5.2%

Source: York County Auditor's and Assessor's Offices

Note: York County tax records reflect assessed value net of tax-exempt property.

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

TABLE 6

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	Tax Year	Rock Hill School District Three Millage	Overlapping Rates¹		Total Direct and Overlapping Rates
			City of Rock Hill Millage (1)	York County Millage (2)	
2004	2003	164.5	98.0	58.0	320.5
2005	2004	170.5	102.0	62.2	334.7
2006	2005	172.3	102.0	66.8	341.1
2007	2006	169.6	95.0	62.6	327.2
2008	2007	179.0	95.0	66.0	340.0
2009	2008	188.4	95.0	66.0	349.4
2010	2009	188.9	95.0	66.0	349.9
2011	2010	193.4	95.0	66.0	354.4
2012	2011	193.4	93.5	62.5	349.4
2013	2012	193.4	93.5	62.5	349.4

Source: (1) Tax schedules published by the York County Auditor's Office.

(2) Millage is for years ended December 31 - provided by City of Rock Hill Finance Department

Note 1: Overlapping rates are those of local and county governments that apply to property owners within Rock Hill School District Three. Not all overlapping rates apply to all of the Rock Hill School District Three property owners (i.e., the rates for special districts apply only to the proportion of the Rock Hill School District Three's property owners whose property is located within the geographic boundaries of the special district).

ROCK HILL SCHOOL DISTRICT THREE
 ROCK HILL, SOUTH CAROLINA

TABLE 7

PRINCIPAL PROPERTY TAXPAYERS

JUNE 30, 2013

UNAUDITED

Taxpayer	2013			2004		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Resolute FP US Inc./Bowater Inc.*	\$ 21,992,828	1	5.1%	\$ 28,496,425	1	8.8%
Rock Hill Telephone Company	7,766,050	2	1.8%	6,645,964	2	2.1%
Amisub of SC Inc.	3,482,658	3	0.8%	3,638,034	4	1.1%
Duke Energy Corporation	2,677,258	4	0.6%	2,259,618	5	0.7%
Tyco Electronics Corporation*	2,150,979	5	0.5%	1,551,027	6	0.5%
Atotech USA Inc.*	1,953,701	6	0.5%	1,228,711	9	0.4%
Piedmont Medical Center	1,901,910	7	0.4%	1,156,390	10	0.4%
York Electric Coop. Inc.	1,860,180	8	0.4%	1,445,380	7	0.4%
Transaxle Manufacturing of*	1,108,030	9	0.3%	-		
TTP South Brookstone LLC Etal	1,055,340	10	0.2%	-		
Hoechst Celanese Corp	-			6,278,826	3	1.9%
Inchem Corp.				1,334,202	8	0.4%
Totals	<u>\$ 45,948,934</u>		<u>10.6%</u>	<u>\$ 54,034,577</u>		<u>16.7%</u>

Source: York County Auditor

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

TABLE 8

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2004	\$ 66,349,748	\$ 60,221,007	90.8%	\$ 1,424,735	\$ 61,645,742	92.9%
2005	66,408,876	63,652,835	95.8%	1,389,260	65,042,095	97.9%
2006	68,424,744	64,940,073	94.9%	1,140,384	66,080,457	96.6%
2007	74,113,224	70,067,798	94.5%	1,065,704	71,133,502	96.0%
2008	83,040,915	80,179,252	96.6%	21,067	80,200,319	96.6%
2009	87,358,630	84,378,226	96.6%	94,810	84,473,036	96.7%
2010	88,652,889	84,529,097	95.3%	406,084	84,935,181	95.8%
2011	90,229,762	85,649,832	94.9%	2,370,148	88,019,980	97.6%
2012	92,842,158	88,620,871	95.5%	1,527,246	90,148,117	97.1%
2103	\$ 94,553,305	\$ 90,327,448	95.5%	\$ -	\$ 90,327,448	95.5%

Source: York County Government

Note: The above table includes all County, District, and other taxing entity taxes levied and collected on taxpayers of the District.

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

TABLE 9

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	Governmental Activities General Obligation Bonds	Percentage of Personal Income	Per Capita
2004	\$ 121,420,000	2.48%	681
2005	116,895,000	2.26%	636
2006	129,975,000	2.40%	684
2007	181,845,000	3.06%	914
2008	170,500,000	2.71%	816
2009	157,525,000	2.39%	724
2010	163,990,000	2.24%	722
2011	154,775,000	2.21%	685
2012	145,185,000	1.94%	630
2013	\$ 136,521,000	1.74%	582

Source: District records and totals for York County obtained from the South Carolina Division of Research and Statistical Services.

Note: Details regarding the District's outstanding debt can be found in the notes to the financial statements. See the Schedule of Demographic and Economic Statistics for personal income and population data.

N/A = Not Available

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

TABLE 10

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	General Obligation Bonds	Less: Amounts Available in Debt Service Funds	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2004	\$ 121,420,000	4,217,513	\$ 117,202,487	1.8%	\$ 657
2005	116,895,000	3,499,617	113,395,383	1.7%	617
2006	129,975,000	3,696,239	126,278,761	1.8%	664
2007	181,845,000	5,213,386	176,631,614	2.7%	887
2008	170,500,000	5,818,538	164,681,462	2.4%	789
2009	157,525,000	7,334,465	150,190,535	2.1%	691
2010	163,990,000	8,296,312	155,693,688	2.1%	686
2011	154,775,000	9,859,184	144,915,816	1.9%	641
2012	145,185,000	10,838,301	134,346,699	1.7%	583
2013	\$ 136,521,000	11,825,340	\$ 124,695,660	1.5%	531

Note: Details regarding the Rock Hill School District Three's outstanding debt can be found in the notes to the financial statements.

See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.

See the Schedule of Demographic and Economic Statistics for population data.

N/A = Not Available

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

Table 11

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

AS OF JUNE 30, 2013

UNAUDITED

Governmental Unit	Governmental Activities Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt Repaid with Property Taxes:			
City of Rock Hill	\$ 17,185,000	100.0%	\$ 17,185,000
York County Government	\$ 58,229,462	100.0%	58,229,462
Subtotal, Overlapping Debt			75,414,462
Rock Hill School District Three Debt			136,521,000
Total Direct and Overlapping Debt			<u>\$ 211,935,462</u>

Sources: Assessed value data used to estimate applicable percentages and amount of debt outstanding provided by the applicable County and City.

- Note 1: The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the Rock Hill School District three taxable assessed value that is within the government's boundaries and dividing it by York County's total taxable assessed value.
- 2: Overlapping rates are those of local and county governments that apply to property owners within Rock Hill School District Three. Not all overlapping rates apply to all of the Rock Hill School District Three's property owners (i.e., the rates for special districts apply only to the proportion of the Rock Hill School District Three's property owners whose property is located within the geographic boundaries of the special district).

ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA

TABLE 12

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS

UNAUDITED

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt Limit	\$ 26,377,918	26,339,790	27,235,860	29,661,634	31,263,803	32,402,187	32,474,754	33,294,163	\$ 34,655,922	\$ 34,655,922
Total Net Debt Applicable to Debt Limit	2,826,575	6,117,350	7,498,765	14,118,450	12,620,000	11,000,000	11,000,000	13,365,000	12,331,000	12,331,000
Legal Debt Margin	\$ 23,551,343	20,222,440	19,737,095	15,543,184	18,643,803	21,402,187	21,474,754	19,929,163	\$ 22,324,922	\$ 22,324,922
Total Net Debt Applicable to Debt Limit as a Percentage of Debt Limit	10.7%	23.2%	27.5%	47.6%	40.4%	33.9%	33.9%	40.1%	35.6%	35.6%

Legal Debt Margin Calculation for Fiscal Year 2013

Total Assessed Value	\$ 433,199,026
Debt Limit (8% of Total Assessed Value)	34,655,922
Amount of Debt Applicable to Debt Limit:	
Total Bonded Debt	136,521,000
Less: Debt Issued Through Referendum	(124,190,000)
Total Amount of Debt Applicable to Debt Limit	12,331,000
Legal Debt Margin	\$ 22,324,922

Note: Article Eight (8), Section Seven (7) of the South Carolina Constitution of 1895, as amended, provides that no government shall incur any bonded debt which shall exceed eight percent (8%) of the assessed value of the property therein without voter approval.

Assessed value obtained from York County Auditor's Office.

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

TABLE 13

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	(1) Population	(2) Personal Income*	(2) Per Capita Personal Income	(3) School Enrollment	(4) Unemployment Rate
2004	178,344	\$ 4,887,804	27,407	15,537	7.6%
2005	183,762	5,175,845	28,166	15,936	6.5%
2006	190,097	5,416,459	28,493	16,230	6.9%
2007	199,035	5,951,943	29,904	16,655	5.7%
2008	208,827	6,281,780	30,081	16,836	6.1%
2009	217,448	6,595,869	30,333	17,718	15.7%
2010	227,003	7,305,787	32,184	17,072	14.2%
2011	226,073	7,008,481	31,001	17,353	15.4%
2012	230,528	7,468,372	32,397	17,318	13.6%
2013	234,635	\$ 7,850,232	33,457	17,485	9.1%

Data Sources:

- (1) South Carolina Division of Research and Statistics. This number represents the County population.
- (2) U.S. Department of Commerce, Bureau of the Census.
These numbers represent the County personal income and per capita income.
- (3) Rock Hill School District Three
- (4) South Carolina Employment Security Commission.
This number represents the County unemployment rate.
- * In Thousands.

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

TABLE 14

PRINCIPAL EMPLOYERS

CURRENT YEAR AND FIVE YEARS AGO

UNAUDITED

Employer	2013			2007		
	Number of Employees	Rank	Percentage of Total County Employment	Number of Employees	Rank	Percentage of Total County Employment
Wells Fargo Home Mortgage	2,335	1	2.35%	1,500	3	1.53%
Rock Hill School District	2,158	2	2.17%	2,282	1	2.33%
Ross Distribution	1,790	3	1.80%	852	7	0.87%
Piedmont Medical Center	1,531	4	1.54%	1,550	2	1.59%
Fort Mill School District	1,240	5	1.25%	804	8	0.82%
Duke Power-Catawba Nuclear Station	1,228	6	1.24%	1,071	5	1.10%
Citi Financial	1,100	7	1.11%	N/A	N/A	N/A
Clover School District	1,002	8	1.01%	N/A	N/A	N/A
Schaeffler	968	9	0.98%	N/A	N/A	N/A
York County Government	967	10	0.97%	N/A	N/A	N/A
Winthrop University	N/A	N/A	N/A	1,111	4	1.14%
Bowater, Inc.	N/A	N/A	N/A	1,039	6	1.06%
Staceys	N/A	N/A	N/A	800	9	0.82%
US Food Service	N/A	N/A	N/A	800	10	0.82%
Totals	<u>14,319</u>		<u>14.43%</u>	<u>11,809</u>		<u>12.08%</u>

Source: York County Government and South Carolina Virtual Onestop.

Note: These figures represent Top County Employers. Information for the 2004 year is not readily available. The last information available is for the 2007 year.

ROCK HILL SCHOOL DISTRICT THREE
 ROCK HILL, SOUTH CAROLINA

TABLE 15

FULL-TIME EQUIVALENT ROCK HILL SCHOOL DISTRICT THREE EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS

UNAUDITED

Function	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental Activities										
Instruction	1,280	1,320	1,387	1,492	1,664	1,660	1,607	1,453	1,381	1,464
Support Services	408	497	548	568	610	614	632	644	648	581
Community Services	2	2	2	2	3	3	1	1	1	1
Business-Type Activities										
Food Services	120	117	128	124	183	184	139	132	128	118
Total	<u>1,810</u>	<u>1,936</u>	<u>2,065</u>	<u>2,186</u>	<u>2,460</u>	<u>2,461</u>	<u>2,379</u>	<u>2,230</u>	<u>2,158</u>	<u>2,164</u>

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

TABLE 16

OPERATING INDICATORS BY FUNCTION

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	Pupil Enrollment	Modified Accrual Basis of Accounting			Teaching Staff	Pupil/ Teacher Ratio	Percentage of Students Receiving Free or Reduced Meals
		Operating Expenditures	Cost per Pupil	Percentage Change			
2004	15,537	\$ 103,625,692	\$ 6,670	0.5%	1,059	15	43.0%
2005	15,936	110,971,640	6,964	4.4%	1,063	15	42.0%
2006	16,230	119,909,685	7,388	6.1%	1,084	15	44.0%
2007	16,655	128,356,172	7,707	4.3%	1,183	14	43.0%
2008	16,836	141,651,838	8,414	9.2%	1,351	12	38.0%
2009	17,718	151,358,656	8,543	1.5%	1,387	13	46.0%
2010	17,072	147,403,118	8,634	1.1%	1,329	13	51.0%
2011	17,353	136,551,730	7,869	-8.9%	1,292	13	52.0%
2012	17,318	142,289,647	8,216	4.4%	1,282	14	56.4%
2013	17,485	\$ 151,937,075	\$ 8,690	5.8%	1,242	14	55.6%

Sources: Nonfinancial information provided by the District's personnel and planning bureaus.

Note: Operating expenditures are total expenditures in the governmental funds less debt service and capital outlay.

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

TABLE 17

TEACHER SALARIES

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	Minimum Salary (1)	Maximum Salary (1)	District Average Salary (2)	Statewide Average Salary (2)
2004	28,802	63,099	43,209	41,162
2005	29,397	64,403	44,186	42,189
2006	29,870	65,439	44,722	43,011
2007	30,649	67,146	45,664	44,335
2008	31,665	69,371	46,398	45,479
2009	32,885	72,045	49,492	47,304
2010	32,885	72,045	49,968	47,304
2011	32,161	72,045	49,566	47,421
2012	32,161	72,045	49,107	47,421
2013	33,544	73,489	50,920	47,428

Sources: (1) District records
(2) South Carolina Department of Education Office of
Research and Statistics

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ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA

TABLE 18

CAPITAL ASSET STATISTICS BY FUNCTION

LAST TEN FISCAL YEARS

UNAUDITED

School	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Elementary Schools										
Bellview (1955)										
Square Feet	58,797	58,797	58,797	58,797	58,797	58,797	58,797	58,797	58,797	74,311
Capacity			600	600	600	600	600	600	600	690
Enrollment	511	564	557	572	587	460	465	429	465	476
Ebenezer (1987)										
Square Feet	47,162	47,162	47,162	47,162	47,162	47,162	47,162	47,162	47,162	45,189
Capacity			340	340	340	340	340	340	340	391
Enrollment	317	351	353	360	354	317	316	293	337	353
Ebinport (1949)										
Square Feet	58,271	58,271	58,271	58,271	58,271	58,271	58,271	58,271	58,271	63,795
Capacity			500	500	500	500	500	500	500	600
Enrollment	483	443	496	509	490	533	549	506	574	576
Finley Road (1957)										
Square Feet	55,837	55,837	55,837	55,837	55,837	55,837	55,837	55,837	55,837	64,140
Capacity			560	560	560	560	560	560	560	644
Enrollment	436	433	458	481	552	495	507	461	420	411
Independence (1978)										
Square Feet	58,485	58,485	58,485	58,485	58,485	58,485	58,485	58,485	58,485	61,690
Capacity			540	540	540	540	540	540	540	621
Enrollment	486	501	494	531	484	501	523	517	557	574
India Hook (2007)										
Square Feet	-	-	-	-	74,979	74,979	74,979	74,979	74,979	75,979
Capacity			-	-	600	600	600	600	600	690
Enrollment	-	-	-	-	446	506	514	538	598	602

(Continued)

ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA

TABLE 18

CAPITAL ASSET STATISTICS BY FUNCTION (CONTINUED)

LAST TEN FISCAL YEARS

UNAUDITED

School	Fiscal Year										
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	
Elementary Schools (continued)											
Lesslie (1954)											
Square Feet	44,264	44,264	44,264	44,264	44,264	44,264	44,264	44,264	44,264	44,264	56,762
Capacity	520	527	520	520	520	520	520	520	520	520	598
Enrollment	520	527	519	511	512	490	489	446	379	381	
Mt. Gallant (1978)											
Square Feet	58,782	58,782	58,782	58,782	58,782	58,782	58,782	58,782	58,782	58,782	69,307
Capacity	560	545	560	560	560	560	560	560	560	560	567
Enrollment	522	545	565	602	554	501	489	457	459	464	
Mt. Holly (2008)											
Square Feet	-	-	-	-	-	74,979	74,979	74,979	74,979	74,979	75,979
Capacity	-	-	-	-	-	600	600	600	600	600	644
Enrollment	-	-	-	-	-	500	510	522	490	494	
Northside (1951)											
Square Feet	50,951	50,951	51,719	51,719	51,719	51,719	51,719	51,719	50,951	50,951	59,407
Capacity	480	428	480	480	480	480	480	480	480	480	552
Enrollment	406	428	445	485	484	353	376	405	510	510	
Oakdale (1949)											
Square Feet	59,045	59,045	59,045	59,045	59,045	59,045	59,045	59,045	59,045	59,045	58,019
Capacity	548	591	540	540	540	540	540	540	540	540	621
Enrollment	548	591	610	615	663	476	478	396	387	393	
Old Pointe (2002)											
Square Feet	75,975	78,975	91,215	91,215	91,215	91,215	91,215	91,215	91,215	91,215	88,534
Capacity	600	584	600	600	600	600	600	600	600	600	690
Enrollment	596	584	596	687	690	615	611	565	550	550	

(Continued)

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

TABLE 18

CAPITAL ASSET STATISTICS BY FUNCTION (CONTINUED)

LAST TEN FISCAL YEARS

UNAUDITED

School	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<u>Elementary Schools (continued)</u>										
Richmond Drive (1949)										
Square Feet	54,738	54,738	54,738	54,738	54,738	54,738	54,738	54,738	54,738	70,072
Capacity			520	520	520	520	520	520	520	598
Enrollment	519	505	519	582	524	524	504	464	535	529
Rosewood (1960)										
Square Feet	57,493	57,493	56,011	56,011	56,011	56,011	56,011	56,011	56,011	69,639
Capacity			600	600	600	600	600	600	600	690
Enrollment	551	586	620	707	586	604	589	557	604	615
Sunset Park (1954)										
Square Feet	58,203	58,203	58,203	58,203	58,203	58,203	58,203	58,203	58,203	74,452
Capacity			560	560	560	560	560	560	560	644
Enrollment	294	303	323	293	264	444	444	460	478	477
Sylvia Circle (1950)										
Square Feet	48,453	48,453	48,453	48,453	48,453	48,453	48,453	48,453	48,453	54,442
Capacity			400	400	400	400	400	400	400	460
Enrollment	262	265	286	256	304	389	389	382	411	463
York Road (1971)										
Square Feet	59,958	60,708	60,726	60,726	60,726	60,726	60,726	60,726	60,726	58,546
Capacity			520	520	520	520	520	520	520	598
Enrollment	511	528	484	511	474	489	326	450	385	388
<u>Middle Schools</u>										
Castle Heights (1957)										
Square Feet	160,151	160,151	160,151	160,151	160,151	160,151	160,151	160,151	160,151	160,151
Capacity			1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,144
Enrollment	889	936	921	900	871	788	783	817	763	757

(Continued)

ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA

TABLE 18

CAPITAL ASSET STATISTICS BY FUNCTION (CONTINUED)

LAST TEN FISCAL YEARS

UNAUDITED

School	Fiscal Year										
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	
<u>Middle Schools (continued)</u>											
Dutchman Creek (2008)											
Square Feet	-	-	-	-	-	160,151	160,151	160,151	160,151	160,151	160,151
Capacity	-	-	-	-	-	1,100	1,100	1,100	1,100	1,100	1,144
Enrollment	-	-	-	-	-	875	876	893	929	929	929
Rawlinson Road (1972)											
Square Feet	99,101	99,101	129,471	139,401	139,401	139,401	139,401	139,401	139,401	139,401	126,471
Capacity	1,003	1,050	975	1,150	1,150	1,150	1,150	1,150	1,150	1,150	1,196
Enrollment	1,003	1,050	1,070	1,077	1,075	704	708	724	644	644	646
Saluda Trail (1999)											
Square Feet	161,419	161,419	161,419	161,419	161,419	161,419	161,419	161,419	161,419	161,419	162,919
Capacity	899	873	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,040
Enrollment	899	873	846	868	907	866	864	799	818	818	818
Sullivan (1959)											
Square Feet	150,790	150,790	150,790	150,790	150,790	150,790	150,790	150,790	150,790	150,790	150,790
Capacity	1,071	1,111	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,352
Enrollment	1,071	1,111	1,063	1,060	975	751	723	765	784	784	781
<u>High Schools:</u>											
Northwestern (1971)											
Square Feet	282,575	282,575	282,575	282,575	282,575	282,575	282,575	282,575	282,575	282,575	282,575
Capacity	2,404	2,443	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,976
Enrollment	2,404	2,443	2,089	1,844	1,701	1,791	1,721	1,734	1,743	1,743	1,731
Rock Hill (1977)											
Square Feet	288,260	288,260	288,260	288,260	288,260	288,260	288,260	288,260	288,260	288,260	288,260
Capacity	2,310	2,370	2,075	2,075	2,075	2,075	2,075	2,075	2,075	2,075	2,158
Enrollment	2,310	2,370	2,172	2,121	2,050	1,998	1,932	1,952	1,959	1,959	1,965

(Continued)

ROCK HILL SCHOOL DISTRICT THREE
 ROCK HILL, SOUTH CAROLINA

TABLE 18

CAPITAL ASSET STATISTICS BY FUNCTION (CONTINUED)

LAST TEN FISCAL YEARS

UNAUDITED

School	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
High Schools (continued)										
Southe Pointe (2005)										
Square Feet	-	-	364,448	364,448	364,448	364,448	364,448	364,448	364,448	354,424
Capacity			1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,872
Enrollment	-	-	744	1,060	1,289	1,415	1,386	1,467	1,417	1,407

Sources: School District Facilities Office

Note: Year of original constructions is shown in parentheses. Increases in square footage and capacity are the result of renovations and additions, except in the case of Castle Heights Middle School. An entirely new facility was built in 2004. Information on capacity only available beginning in 2006.

ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2013

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	\$ 1,216,669
600	National School Lunch Program - Cash Assistance	10.555	N/A	4,223,061
600	National School Lunch Program - Non-Cash Assistance	10.555	N/A	427,129
		Total 10.553 & 10.555		5,866,859
600	Lunch Program Aid	10.560	N/A	11,890
Total Passed Through State Department of Education				5,878,749
Total US Department of Agriculture				5,878,749
US Department of Education				
Direct Programs:				
100	Impact Aid	84.041	N/A	55
Pass-through State Department of Education:				
201	Title I	84.010	12BA091	72,505
201	Title I	84.010	13BA091	3,606,664
221	Title I - Neglected and Delinquent	84.010	12ND091	24,768
221	Title I - Neglected and Delinquent	84.010	13ND091	121,628
237	Title I - School Improvement	84.010A	13FO091	14,008
		Total 84.010 & 84.010A		3,839,573
Individuals with Disabilities Education Act:				
203	IDEA	84.027A	12CA091	726,662
203	IDEA	84.027A	13CA091	2,217,658
205	IDEA - Preschool Handicapped	84.173	12CG091	1,699
205	IDEA - Preschool Handicapped	84.173	13CG091	107,038
822	Extended School Year	84.027	13CE091	21,729
		Total 84.027A, 84.173, & 84.027		3,074,786
207	Occupational Education	84.048A	13VA091	220,935
240	SC School Climate Initiative (SCSCI)	84.184Y	12CP091	31,293
240	SC School Climate Initiative (SCSCI)	84.184Y	13CP091	65,520
243	Adult Education	84.002	12EA091	24,301
243	Adult Education	84.002	13EA091	126,952
243	Adult Education	84.002	13ED091	7,000
243	Adult Education	84.002	13EZ091	30,000
264	Title III - English Language Acquisition	84.365A	12BP091	26,807
264	Title III - English Language Acquisition	84.365A	13BP091	59,267
267	Title II - Improving Teacher Quality	84.367A	12TQ091	4,360
267	Title II - Improving Teacher Quality	84.367A	13TQ091	451,788
849	Title VII	84.060A	S060A122454	20,063
867	Youth Risk Behavior Survey	93.938	N/A	210
Total Passed Through State Department of Education				7,982,855
Total US Department of Education				7,982,910

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

ROCK HILL SCHOOL DISTRICT THREE
 ROCK HILL, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2013

LEA Subfund Code	Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass Through Grantor's Number	Federal Expenditures
US Department of Defense				
Direct Programs:				
295	JROTC	12.000	N/A	189,380
Total US Department of Defense				189,380
US Department of Labor				
Direct Programs:				
827	Jobs for America's Graduates	17.278	12JAG110	60,930
Total US Department of Labor				60,930
TOTAL FEDERAL ASSISTANCE EXPENDED				\$ 14,111,969

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

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2013

A – General

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) presents the activity of all federal award programs of Rock Hill School District Three, Rock Hill, South Carolina (the “District”) for the year ended June 30, 2013. All federal awards received directly from the federal agencies, as well as those passed through other government agencies, are included on the Schedule.

B – Basis of Accounting

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

C – Relationship to Financial Statements

Federal award expenditures are reported in the District’s financial statements as expenditures in the General Fund and the Special Revenue Funds and non-operating expenses in the Enterprise 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
Rock Hill School District Three
Rock Hill, 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, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Rock Hill County School District Three, South Carolina (the "District") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 21, 2013.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2013-1 and 2013-2, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 2013-2.

District's Response to Findings

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

Purpose of this Report

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



Greene, Finney & Horton, LLP
Mauldin, South Carolina
November 21, 2013

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

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Rock Hill School District Three
Rock Hill, South Carolina

Report on Compliance for Each Major Federal Program

We have audited Rock Hill School District, South Carolina's (the "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 District's major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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 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 District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 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 21, 2013

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2013

Major Program

QUESTIONED COSTS

**Federal Agency: US Department of Agriculture
Pass-Through Agency: South Carolina Department of Education
National School Breakfast and Lunch Cluster: CFDA # 10.553, 10.555
Pass-Through Grantor's Award Number and Year: N/A**

2012-2: ELIGIBILITY

Condition: Controls over the processing of applications and the maintenance of the roster for Free and Reduced students are not as effective as they should be, resulting in students being improperly classified as to their eligibility to participate in the program.

\$ - 0 -

We selected a sample of 43 students from the roster of "Free, Reduced and Denied" maintained by the District to test controls over the process of recording these students in the Fast Lane System and to ensure that the District is properly recording the students based on their eligibility for the program. We discovered two exceptions as a result of our testing: one of the exceptions was for an application that was classified as free when it should have been classified as reduced, as the application had two students on it and the District only considered one student in its determination of the status; the other exception was for an application that was classified as reduced when it should have been free. In quantifying these exceptions, the total extrapolated questioned costs were below the \$10,000 reporting threshold.

Status: The District has taken steps to ensure compliance in the future.

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2013

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

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No
Significant deficiency(s) identified that are not considered to be material weaknesses?	_____ 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?	_____ Yes	_____ <u>X</u> No
--------------------------------------------------------------------------------------------------------------------	-----------	-------------------

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555 84.367A	National School Breakfast and Lunch Cluster Title II - Improving Teacher Quality

Dollar threshold used to distinguish between type A and type B programs:	\$ _____	402,874
--------------------------------------------------------------------------	----------	---------

Auditee qualified as low-risk auditee?	_____ <u>X</u> Yes	_____ No
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**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2013

Section II – Current Year Financial Statement Findings

2013-1: INTERNAL CONTROLS FOR PUPIL ACTIVITIES

Condition: An effective system of internal controls should be operating as planned to provide reasonable assurance that transactions are being recorded timely and accurately and to prevent fraud or misuse of District assets. This includes not only the design of policies and procedures but also their implementation.

Overall, the District appears to have designed appropriate policies and procedures over Pupil Activities at the schools. However, during our visits to six schools during this year’s audit, we noted several areas in which the schools are not always following the District’s policies and procedures, specifically in the areas of cash receipts, procurement cards, and purchase orders.

Recommendation: We recommend that the District provide additional training to the bookkeepers and others at the schools so that the District’s policies and procedures will be followed. We also recommend that the District consider implementing additional monitoring and reviewing procedures at the schools by having a member of the District’s Finance Department visit the schools and audit the Pupil Activity accounts on a regular basis.

Response: Management continuously strives to ensure that the schools are following all policies and procedures of the District as well as requirements of all regulatory agencies by providing a Policies and Procedures Manual to all schools and locations, conducting trainings for all employees during the year and communicating this message whenever possible. The Financial Services Department has suffered staff reductions along with all departments in the District and has streamlined processes whenever possible. Although the financial situation remains uncertain, the 2013-2014 Budget contains an additional accounting staff member to be hired during the year. Communication and training will be continued and internal auditing of schools will be increased when possible.

2013-2: COMPLIANCE WITH STATE LAW

Condition: During our testing we noted the District was not remitting to the State reports relating to usage of State buses.

Recommendation: We recommend that the District ensure that they are complying with all State laws and regulations.

Response: Due to an unexpected change in leadership in the Transportation Department some processes were inadvertently overlooked during the transition process. The current Transportation Director has been made aware of the current issues and will continue to work with District administration to ensure that all required information and reports are being remitted in a timely and correct manner.

**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2013

Section III - Findings and Questioned Costs - Major Federal Awards Programs Audit

No matters to report.