

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

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2014**

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

ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA

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Introductory Section

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ROCK HILL SCHOOL DISTRICT THREE
ADMINISTRATIVE CHART
FY 2013 – 2014

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	13
Mrs. Mildred Douglas	Retired Educator	13
Mr. Terry Hutchinson	Master Automotive Technician	2
Ms. Elizabeth “Ann” Reid	College Instructor	13
Dr. Jane Sharp	Retired Educator	4
Ms. Virginia “Ginny” Moe	Church Musician	4
Mr. Jim Vining (Chair)	Management Consultant	15

District Personnel


<u>Name</u>	<u>Position</u>
Dr. Kelley Pew	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

Board of Trustees




Director of Informational Services
Mrs. Elaine Baker
ebaker@rhmail.org
981-1005




Superintendent
Dr. Kelly Pew
cgammons@rhmail.org
981-1002

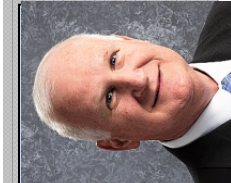
Principals




Associate Superintendent for Instruction & Accountability
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981-1055




Associate Superintendent for Planning & Program Support
Dr. Luanne Kokolis
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981-1045




Associate Superintendent for Administrative Services
Mr. Anthony "Tony" Cox
acox@rhmail.org
981-1009




Executive Director of Secondary Curriculum
Mrs. Judy Mobley
jmobley@rhmail.org
981-1055




Executive Director of Personnel
Ms. Rebecca Partlow
bpartlow@rhmail.org
981-1092




Executive Director of Financial Services
Ms. Elaine Bilton
ebilton@rhmail.org
981-1013



Executive Director of Elementary Curriculum
Mr. Richard Melzer
rmelzer@rhmail.org
985-3002



Executive Director of Technology
Mr. Joel Whitesides
jwhitesides@rhmail.org
981-1030



Executive Director of Student Services
Mr. Keith Wilks
kwilks@rhmail.org
981-1041



November 20, 2014

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, 2014. 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 - STEAM. 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 eight major commercial centers.

1. Celanese Road Corridor – Celanese Road is one of Rock Hill's newest and fastest growing business corridors. Transformed in 2000 from a congested two-lane commuter route into a modern, seven-lane thoroughfare, it is now experiencing a responsible business boom. From the I-77 interchange to India Hook road, new shopping centers, medical offices and restaurants have sprouted up to serve nearby neighborhoods and residents. Many banks and other financial services firms are located here including TD Bank, Citizens South Bank and Wells Fargo Bank and Provident Bank have chosen the Celanese Road corridor due to its proximity to many high net-worth households. More than 30,000 cars per day fuel a great demand for retail, restaurants and consumer services.
2. Cherry Road Corridor – Rock Hill's original commercial corridor from the 1960's and 70's has undergone a dramatic transformation. Public improvements and renewed private investments have re-established Cherry road as a strong and growing business center. Lodging and restaurants predominate near I-77. National retail chains, including Home Depot, Petsmart, Kmart and Office Depot, anchor major shopping centers while neighborhood retailers include four major grocery stores. Yet the strength of this corridor's business community is in its numerous small, locally owned businesses that have chosen a Cherry Road address.
3. College Town Action Plan – Bringing that quintessential "college town" atmosphere to Rock Hill with its interesting mix of coffee houses, live music venues, bookstores, pizzerias, bike shops, artists' studios, and ethnic restaurants, these establishments add a spark of vitality to the city and encourage commerce and diversity while encouraging new business growth.

4. Dave Lyle Boulevard corridor – The City of Rock Hill has as strong history of creating and implementing innovative economic development strategies through public and private initiatives. The Dave Lyle Corridor and the surrounding areas are poised to benefit from the continued application of this successful economic development momentum. The potential for reinvestment and growth in this area of Rock Hill remains very strong and can clearly offer unique opportunities for new growth. Nationally known retail stores and restaurants line the boulevard offering multiple outlets for shopping and dining while hotels and a world-class soccer complex offer quality options for recreation and fun.
5. Medical Corridor – It is only fitting that a city like Rock Hill with world-class amenities and infrastructure would boast of an equally capable healthcare system that is state of the art, reliable and accessible. Piedmont Medical Center’s more than 380 active, courtesy and consulting physicians, 1,400 full and part-time employees and 200 volunteers offer their services while bringing medical care that is increasingly comprehensive, accessible and cost effective to the citizens of York, Chester and the surrounding area.
6. Old Town/Downtown – Old town, the beloved term used to identify the historically significant areas of downtown Rock Hill, is a surprisingly competitive and advantageous place for business and growth. Professional and personal services, back office operations, retail shops, restaurants and other business all prosper in Old Town. The community resides with a strategic location due to its historic architecture and substantial traffic from citizens and tourists alike. Downtown revitalization continues to be a priority for the City of Rock Hill and the Rock Hill Economic Development Corporation. Knowledge Park is the dynamic center of Rock Hill’s new economy. Technologically advanced, yet rooted in the city’s rich history, Knowledge Park is supported by a diverse community of learners and offers an appealing urban lifestyle built upon a model of economic and environmental sustainability. 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,
7. Riverwalk – Riverwalk is a multi-phased mixed-use community village that boasts an unparalleled collection of amenities, including the 3-mile riverfront walk that is part of the greater Carolina Thread Trail system and the Cycling and Outdoor Center of the Carolinas. Idyllically spanning the peaceful banks of the Catawba River, this planned 1,000+ acre village is a natural extension of the historic and revitalized City of Rock Hill. As part of the master plan, the Riverwalk vision includes a YMCA and athletic fields, a Town Center, River District, Professional office space and residential facilities. Also completed within this community is a Velodrome, the East Coasts only bicycle racing track. The development of Riverwalk expects to produce over \$600 million in private investment, increase property taxes by \$4 million annually and increase jobs.
8. Textile Corridor – the City of Rock Hill has designated the former industrial mill area lying between the Winthrop University campus and historic downtown as the Textile Corridor. Approximately 250 acres in size, this area was formerly characterized by abandoned textile mill property, formerly the Rock Hill Printing and Finishing company (locally known as “The Bleachery”) is approximately 24 acres in size and is currently under demolition. Another mill, the Rock Hill Cotton Factory, lying in the southern end of the corridor adjacent to downtown, is the oldest textile mill in the City. Also included are private business, and a portion of the beautiful Winthrop University Campus. In 2003, a community-wide collaborative Textile Corridor Master Plan was developed and adopted by City Council setting a vision for redevelopment as pedestrian friendly, mixed-use urban village. Since that time the historic restoration of the 100,000 square foot Rock Hill Cotton factory in 2007 represented the first major step towards the redevelopment vision. The effort to further revitalize and develop the Textile Corridor continues today.

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 2013-2014 were as follows:

More than 800 students were provided with book bags and school supplies in August through the district’s partnership with The Herald Newspaper.

Rock Hill Schools celebrated its 125th Birthday on November 20.

The District recognized 78 volunteers, business partners and civic organizations at the annual Community Partnership Luncheon. Top awards went to the York County Boys and Girls Clubs, the York County Solicitor’s Office, the York County Department of Juvenile Justice, Claude Burns of Burns Chevrolet-Cadillac, CN2 news staff and Sodexo Food Service.

The Back-The-Pack weekend food program celebrated its 5th anniversary. More than 3,500 students in need have been served by this program, which is sponsored by the Rock Hill School District Foundation.

Rock Hill School received a “Commitment Award” from the SC National Safety Council for supporting the “Alive at 25” program for educating high school drivers on preventing fatalities.

The Rock Hill School District Foundation raised \$85,000 to be used for school and teacher grants, Back-The-Pack, and i-Rock support which served 270 students.

The district won a “Communicator Award” from the Academy of Interactive and Visual Arts for its video series “Safer Schools in Rock Hill.”

The Children’s School at Sylvia Circle, the Rock Hill Flexible Learning Center and Ebenezer Avenue Elementary School were the top winners in the S.C. Recycle Bowl sponsored by “Keep America Beautiful,” the nation’s leading non-profit.

The AdvanceED Review Team recommended on April 2 that the district be accredited as a quality institution.

The PTO at the Children’s School at Sylvia Circle was selected by PTO today as “Honorable Mention” in its search for the Parent Group of the Year.

The Applied Technology Center was selected by the York County Environmental Education Liaison for the York County Environmental School of the Year award for excellence in school waste reduction, recycling and environmental education.

Finley Road, Independence and Oakdale elementary schools were designated as Title I Reward Schools.

Eight schools were selected by S.C.’s Education Oversight Committee as winners in the Palmetto Gold and Silver Awards Program. Winners in the “General Performance” category were: Applied Technology Center, Silver; Dutchman Creek Middle, Gold; Ebinport Elementary, Gold; India Hook Elementary, Gold; M Pt. Gallant, Gold; Northwestern High, Gold; Sunset Park Center for Accelerated Studies, Gold. Ebinport was a Silver winner in the category of “Closing the Achievement Gap.”

Saluda Trail Middle School was selected as one of 35 schools statewide to participate in a pilot program with TransformSC, a collaboration of business leaders, policymakers, educators, parents and students who want to transform education in South Carolina.

Rhonda Hudak, a language arts teacher at Rawlinson Road Middle was selected as the District Teacher of the Year and later as one of the five finalists for the S.C. Teacher of the Year.

April Thornton, art teacher at Richmond Drive Elementary, and Emily Rapposelli, art teacher at Rock Hill High were selected as District Beginning Teachers of The Year.

Laurel Hilton, art teacher at Old Pointe Elementary, was selected to receive Artsonia's Annual Leadership Award, an honor extended to teachers from only 10 schools across the U.S.

Bill Warren, Athletic Director at Rock Hill High, was selected by the National Athletic Trainers Association for an Athletic Trainer Service Award.

Dan Beasley, a math teacher at Rock Hill High School, was named to the 2014 Dream Team to design lessons for LearnZillion. He was chosen from a pool of 4000 applicants.

Wally Blankenship, a science teacher at Rock Hill High, was one of 80 teachers in the nation accepted into the Teachers for Global Classroom Program.

Seventy-eight students from the class of 2014 graduated with Highest Honors, and 83 students graduated with Honors.

The district awarded 291 Gold Seal medallions to members of the Class of 2014 who completed a minimum of 28 units with a GPA of 4.2 or higher and no grade lower than a "C."

Forty-six students were International Baccalaureate diploma candidates, and 72 students were Advanced Placement scholar candidates.

College scholarships (includes academics, athletics and the arts) in the amount of \$33,396,517 were awarded to members of the class of 2014.

SPiN, South Pointe's student newspaper, placed in every category it entered for the fall Excellence in Scholastic Newspaper Awards sponsored by the S.C Press Association, winning five 1st place awards, four 2nd place awards and 3rd in News Features. SPiN made history when both the school's print and on-line versions of the newspaper earned top ratings in the SCSA competition.

Tasia Wilder, Brittany Farrar, Josh Ashworth and Molly Melton, students in the Applied Technology Center's chapter of HOSA, participated in the State Leadership Conference and qualified to compete in the National Leadership Conference.

The Environmental Science Club at Northwestern was selected as the York County Environmental Student Group of The Year for its commitment to the environment and leadership in activities that serve to protect and preserve the environment.

Seventy-nine middle school students were designated as S.C Junior Scholars, and 15 students were designated as Duke TIP scholars.

Riley League (Northwestern) was a National Merit Scholar and Nicole Randolph (Northwestern) was a National Merit semi-finalist. Nathaniel Brown and Kristen Tucker (Rock Hill) were named as National Achievement Scholar semi-finalists.

Members of the Rock Hill High's Business Professionals Association won 35 state awards and 17 national awards.

Grace Mazingo and Rachel Pierce (Saluda Trail) and Joshua Dantzler (South Pointe) were National History Day qualifiers.

The Rock Hill High Band of Distinction placed 1st and the Northwestern Purple Regiment placed 2nd in the 4A Upper-State Marching Championship. In 3A competition, the South Pointe Band of Thunder placed 4th.

South Pointe's production of "Godspell placed 3rd in the state out of 25 schools at the High School Play Festival in Charleston. Justin Norwood brought home an All-Star Cast award for his performances of John the Baptist and Judas and for serving as choreographer.

Forty-Three high school students were selected for SC All-State Choir and 12 students were selected for S.C. All-State Bands and Orchestras.

Gifted and Talented students Carlee Young (Oakdale Elementary) and Kyndell Maree (York Road Elementary) were two of 16 state winners in the Economic Concepts Poster Calendar Competition.

South Pointe received eight Blumey nominations from the Blumenthal Performing Arts Center for the adaptation of the musical "Tarzan." The musical won Blumeys for Best Set Construction and Best Costume Construction.

Kyle Thompson (Northwestern), a four-time member of the SCBDA All-State Concert Band and winner of the Phi Beta Mu Scholarship, was selected to perform with the reigning world champion Carolina Crown Drum and Bugle Corps.

Riley League (Northwestern) won the 200-meter and 100 breaststroke at the Class AAAA State Swimming Championship, setting a state record in the 100 breaststroke event.

Jackson Bagwell (Rock Hill High) finished 2nd at the Class 4AAAA State Swimming Championship in the 100 backstroke and the 50 freestyle.

Northwestern's Football Team won the 4A, Divisions II, State Championship.

The Rock Hill Hill Wrestling Team won the state wrestling championship. Cameron Bell won the individual state wrestling championship in the heavy weight class.

Shelly Restificar (South Pointe) was selected by the SCACA as the 4-A Girls' soccer player of the year.

Northwestern's Track and Field Team won the 4-A State Championship for the fourth time. The following students won state track and field championships: Christina Acker, Chad Rollins, Grayson Boatwright and Chad Fennel in 4x800; Chad Fennel in 800-meter run; Tre Stanley in 400 hurdles; Daniel Bolin in pole vault; Adia Simpkins, Nadia White, Brianna Lewis and Aubrianna Thompson in 4x100; and Brianna Lewis in 400 meter hurdles.

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 \$1.5 million from the prior year. The State increased funding to the District in the form of an increase in Base Student Cost from \$2012 for 2012-13 to \$2,101 in 2013-2014. State aide increased by \$2.6 million or 3% due largely to the increase in Base Student Cost. Student population remained stagnant with virtually no student growth in Average Daily Membership. Actual revenues were slightly more than expenditures by \$ 366 thousand for the fiscal year. The 2013-2014 Budget included a step increase for teachers as well as a 2% year of experience increase for all other employees. Those employees at the maximum of their salary scale received a 1% one-time increase in pay. The budget also included seven technology support positions, two instructional technology staff positions, five custodial positions as well as additional custodial summer days, and two administrative positions in administrative services. 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 district also implemented a one-to-one computing initiative in grades 4-8 and a \$50 per student optional payment for those students who wished to take home their assigned device.

The undesignated fund balance in the general fund at year end was \$21,129,360. (unspendable amount of \$591,363) The administration continues to analyze the projected 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 \$89,046 compared to \$106,723 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, 2014 has been prepared under the financial reporting model required by GASB 34, *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 2014 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 auditor's report on the financial statements is included in the Financial Section of the CAFR. The auditor's 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 as well as the Office of Administrative Services have 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

Kelly U. Pew
Superintendent

Financial Section



Greene Finney & Horton
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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, 2014, 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 \$354,348, \$308,200, and \$569,861, 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.

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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, 2014, 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.

Pending Implementation of Governmental Accounting Standards Board Statement on Pensions

As discussed in Note IV.G, the Governmental Accounting Standards Board issued Statement No. 68, *Accounting and Financial Reporting for Pensions* (“GASB 68”) in 2012. GASB 68, which will be adopted by the District for the fiscal year ended June 30, 2015, will require the District to report a net pension liability on its applicable financial statements for its participation in the South Carolina Retirement System (the “Plan”). Based on recent information provided by the South Carolina Public Employee Benefit Authority, it is anticipated that the District’s share of the net pension liability associated with the Plan will decrease the District’s beginning net position by approximately \$193,595,000. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management’s discussion and analysis and 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*, 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. 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 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 20, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Greene, Finney & Horton, LLP
Mauldin, South Carolina
November 20, 2014

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

MANAGEMENT'S DISCUSSION & ANALYSIS

YEAR ENDED JUNE 30, 2014

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, 2014. 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 2013-2014 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 \$158.5 million. Of this amount, approximately \$37.2 million may be used to meet the District's ongoing obligations (unrestricted net position).
- The District's total net position increased by approximately \$1.6 million compared to an approximately \$10.1 million increase in the prior year. This change in net position is primarily due to an increase in technology purchases and other expenses.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of approximately \$42.1 million, a decrease of approximately \$2.2 million from the prior year, which is attributable primarily to an increase in expenditures.
- At the end of the current fiscal year, total fund balance for the General Fund was approximately \$23.1 million, which is 18% percent of total General Fund expenditures. Approximately \$21.1 million is unassigned.
- The fund balance for the General Fund increased by approximately \$0.4 million, as revenues and other financing sources of approximately \$131.7 million exceeded expenditures and other financing uses of approximately \$131.3 million.
- The District's total capital assets decreased by approximately \$6.8 million (3%) during the current fiscal year, as depreciation expense of approximately \$8.8 million exceeded net additions of approximately \$2.0 million.
- The District's total outstanding indebtedness decreased by approximately \$9.1 million (6%) during the current fiscal year, due to principal payments and defeasements of approximately \$33.3 million, partially offset by new borrowings of approximately \$24.2 million.
- The District implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* ("GASB 65") in 2014. GASB 65 establishes accounting and financial reporting standards that require reclassification of certain items that, in prior years, were properly reported as assets and liabilities. GASB 65 supplements and extends the reach of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which was adopted by the District in 2013. The District's deferred revenue liability (for unavailable property taxes) in its governmental funds Balance Sheet was affected by the implementation of GASB 65, as deferred items that are not available are no longer shown as a liability but are now reclassified and shown as a component of deferred inflows of resources. Also under GASB 65, all bond issuance costs, excluding those related to prepaid insurance costs, are to be expensed in the period incurred rather than capitalized. Any such unamortized bond issuance costs that were incurred and capitalized in a previous year should be written off by a cumulative adjustment to beginning net position. For its government-wide statements, the District wrote off approximately \$470,000 in previously capitalized and unamortized bond issuance costs during 2014 as this was not deemed material to record as a cumulative adjustment to beginning net position.

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.

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

MANAGEMENT'S DISCUSSION & ANALYSIS

YEAR ENDED JUNE 30, 2014

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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, 2014

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, 2014

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 balance sheet information	All balance sheet types, both financial and capital, and short-term and long-term.	All balance sheet types that come due during the year or soon, thereafter; no capital assets included.	All balance sheet types, both financial and capital, and short-term and long-term.	All balance sheet types, 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, 2014

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 \$158.5 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	
	2014	2013	2014	2013	2014	2013
Assets						
Current and Other Assets	\$ 65,542,186	\$ 69,754,572	3,348,213	3,462,835	68,890,399	\$ 73,217,407
Capital Assets, Net	246,208,760	253,044,691	987,277	950,842	247,196,037	253,995,533
Total Assets	311,750,946	322,799,263	4,335,490	4,413,677	316,086,436	327,212,940
Liabilities						
Other Liabilities	17,562,539	20,102,310	-	-	17,562,539	20,102,310
Long Term Liabilities	139,975,490	150,151,686	-	-	139,975,490	150,151,686
Total Liabilities	157,538,029	170,253,996	-	-	157,538,029	170,253,996
Net Position						
Net Investment in						
Capital Assets	106,712,350	108,732,888	987,277	950,842	107,699,627	109,683,730
Restricted	13,658,075	12,415,202	-	-	13,658,075	12,415,202
Unrestricted	33,842,492	31,397,177	3,348,213	3,462,835	37,190,705	34,860,012
Total Net Position	\$ 154,212,917	152,545,267	4,335,490	4,413,677	158,548,407	\$ 156,958,944

The District's current and other assets at June 30, 2014 decreased by approximately \$4.3 million from the prior year, primarily due to an increase in expenditures for technology and capital items. The District's capital assets at June 30, 2014 decreased by approximately \$6.8 million from the prior year due to depreciation expense of approximately \$8.8 million, partially offset by additions of approximately \$2.7 million, less disposals of approximately \$0.7 million. The District's total liabilities at June 30, 2014 decreased by approximately \$12.7 million from the prior year primarily due to a net reduction in outstanding indebtedness, which was the result of principal payments and defeasements of approximately \$33.3 million, partially offset by new borrowings of approximately \$24.2 million.

The District's net position increased by approximately \$1.6 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 \$107.7 million or 68%) 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, 2014

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

An additional portion of the District's net position (approximately \$13.7 million or 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 \$37.2 million or 23%) 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	
	2014	2013	2014	2013	2014	2013
Revenues						
Program Revenues:						
Charges for Services	\$ 1,989,878	1,978,291	1,630,650	1,827,360	3,620,528	\$ 3,805,651
Operating Grants	79,184,893	77,144,152	5,939,899	5,879,414	85,124,792	83,023,566
General Revenues:						
Taxes	66,920,714	63,801,992	-	-	66,920,714	63,801,992
State Revenue in Lieu of Taxes	29,053,601	29,344,465	-	-	29,053,601	29,344,465
Other	1,323,904	2,167,030	31,267	12,836	1,355,171	2,179,866
Total Revenues	178,472,990	174,435,930	7,601,816	7,719,610	186,074,806	182,155,540
Program Expenses						
Instruction	102,070,630	99,072,671	-	-	102,070,630	99,072,671
Supporting Services	69,489,646	60,273,955	-	-	69,489,646	60,273,955
Community Services	246,477	253,614	-	-	246,477	253,614
Interest and Other Charges	5,324,113	5,343,649	-	-	5,324,113	5,343,649
Food Service	-	-	7,354,477	7,098,528	7,354,477	7,098,528
Total Program Expenses	177,130,866	164,943,889	7,354,477	7,098,528	184,485,343	172,042,417
Excess (Deficiency)						
Before Transfers	1,342,124	9,492,041	247,339	621,082	1,589,463	10,113,123
Transfers In (Out)	325,526	523,501	(325,526)	(523,501)	-	-
Change in Net Position	1,667,650	10,015,542	(78,187)	97,581	1,589,463	10,113,123
Net Position, Beginning of Year	152,545,267	142,529,725	4,413,677	4,316,096	156,958,944	146,845,821
Net Position, End of Year	\$ 154,212,917	152,545,267	4,335,490	4,413,677	158,548,407	\$ 156,958,944

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

MANAGEMENT'S DISCUSSION & ANALYSIS

YEAR ENDED JUNE 30, 2014

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities

The District's governmental activities net position increased by approximately \$1.7 million in 2014, compared to approximately \$10.0 million in 2013. This decrease was due to an increase in expenses of approximately \$12.2 million, which was partially offset by an increase in revenues of approximately \$4.0 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 an increase in technology equipment purchases that did not meet the District's capitalization criteria and a step increase for teachers.

Business-Type Activities

The District's business-type activities decreased net position in 2014 by approximately \$78 thousand, compared to an increase of approximately \$98 thousand in the prior year. The decrease was primarily due to an increase in expenses (primarily purchased services) of \$256 thousand, combined with a decrease in revenues (primarily sales of meals) of approximately \$118 thousand, which was partially offset by a decrease in transfers to the General Fund of approximately \$198 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, 2014, the District's governmental funds reported a combined fund balance of approximately \$42.1 million, compared to approximately \$44.3 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, 2014, the District's unassigned fund balance for all governmental funds was approximately \$21.1 million, which solely represents the General Fund. The remaining fund balance is comprised of approximately \$13.3 million restricted for debt service, approximately \$0.2 million restricted for special revenue activities, approximately \$0.6 million in nonspendable fund balance (representing prepaid items and inventories), and approximately \$5.5 million assigned for capital projects, and approximately \$1.4 million assigned for future year's expenditures.

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 \$23.1 million, of which approximately \$21.1 million was unassigned.

The District's General Fund balance increased approximately \$0.4 million from the prior year, a change of approximately \$2.1 million from the prior year's increase of approximately \$2.5 million. Revenues for the current year were approximately \$127.5 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 \$3.0 million, primarily due to an increase in the base student funding) and an increase in local property taxes (approximately \$1.5 million – an increase in assessed values combined with better collections, while the millage remained unchanged at 171.4 mills). Expenditures for the current year were approximately \$131.0 million, increasing by approximately \$6.3 million from the prior year, due primarily to increased technology purchases and a step increase for teachers. The unassigned fund balance of approximately \$21.1 million at June 30, 2014 in the General Fund represents 16% of General Fund expenditures for the fiscal year ended June 30, 2014.

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, unearned, or returned to the grantor.

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

MANAGEMENT'S DISCUSSION & ANALYSIS

YEAR ENDED JUNE 30, 2014

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 \$1.4 million in 2014 to approximately \$13.3 million, as revenues of approximately \$22.9 million and transfers from the Capital Projects Fund of \$1.0 million exceeded expenditures of approximately \$22.5 million. The entire fund balance is restricted for the future payment of debt service.

The Capital Projects Fund is utilized to account for the District's major capital project expenditures. The Capital Projects Fund decreased by approximately \$3.4 million during 2014 to approximately \$5.5 million at June 30, 2014, as expenditures for various technology purchases and construction projects of approximately \$10.5 million and a transfer of \$1.0 million to the Debt Service Fund exceeded proceeds from bond proceeds of approximately \$8.1 million.

Proprietary Funds

The District's only Proprietary Fund is the Food Service Fund. This program had a decrease in net position for fiscal 2014 of approximately \$78 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 2014. Local revenue (primarily taxes) exceeded budget due to an increase in assessed values combined with 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 more than budget primarily due to much higher support services. The net change in fund balance (an increase of approximately \$0.4 million) was better than the budgeted break even.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2014, the District had approximately \$247.2 million invested in capital assets, net of depreciation. The total decrease in the District's investment in capital assets was approximately \$6.8 million or 2.7%. While there was approximately \$2.7 million in additions to capital assets, depreciation expense was approximately \$8.8 million; there were also net disposals of approximately \$0.7 million. Significant capital asset events during the current fiscal year included the following:

- Construction in progress for school improvements totaling approximately \$1.0 million
- Purchase of equipment totaling approximately \$1.4 million
- Purchase of land of approximately \$0.3 million

The District has outstanding construction commitments of approximately \$331,000 at June 30, 2014.

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

MANAGEMENT'S DISCUSSION & ANALYSIS

YEAR ENDED JUNE 30, 2014

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Continued)

The table below shows fiscal 2014 balances compared to 2013:

**Capital Assets at June 30, 2014 and June 30, 2013
(Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Land	\$ 10,550,181	\$ 10,301,734	-	-	10,550,181	\$ 10,301,734
Construction in Progress	819,445	2,659,784	-	-	819,445	2,659,784
Buildings and Improvements	231,070,753	235,981,425	-	-	231,070,753	235,981,425
Furniture and Equipment	3,768,381	4,101,748	987,277	950,842	4,755,658	5,052,590
Totals	<u>\$ 246,208,760</u>	<u>253,044,691</u>	<u>987,277</u>	<u>950,842</u>	<u>247,196,037</u>	<u>\$ 253,995,533</u>

For more information regarding the District's capital assets, see Note III. C in the Notes to the Financial Statements.

Debt Administration

At fiscal year-end, the District had approximately \$135.5 million in indebtedness, consisting of General Obligation bonds, note payable and a capital lease, compared to approximately \$144.6 million in the prior year, a decrease of approximately \$9.1 million (6%) 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, 2014 and June 30, 2013

	Governmental Activities	
	2014	2013
GO Bond - November 15, 2005	865,000	18,530,000
GO Bond - March 14, 2007	55,735,000	56,035,000
GO Bond - September 23, 2009	15,900,000	16,900,000
GO Bond - October 7, 2010	575,000	1,320,000
GO Bond - October 7, 2010	14,640,000	19,065,000
GO Bond - October 19, 2011	2,685,000	4,300,000
GO Bond - October 19, 2011	10,635,000	15,495,000
GO Bond - September 19, 2012	4,534,000	4,876,000
GO Bond - September 12, 2013	4,117,000	-
GO Bond - February 19, 2014	16,170,000	-
Note Payable - Equipment Acquisition and Use Agreement	2,145,000	-
Capital Lease Obligations	7,544,436	8,089,848
Total Outstanding Indebtedness	<u>\$ 135,545,436</u>	<u>\$ 144,610,848</u>

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

MANAGEMENT'S DISCUSSION & ANALYSIS

YEAR ENDED JUNE 30, 2014

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Debt Administration (Continued)

Key highlights related to the District's total indebtedness for 2014 are as follows:

- Principal payments and defeasements of approximately \$33.3 million were made on the outstanding debt.
- New borrowings of approximately \$24.2 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, 2014, the District's assessed property valuation was approximately \$443.2 million. The District had approximately \$12.7 million in bonded debt subject to the 8% limit, resulting in unused legal debt margin of approximately \$22.8 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 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's Average Daily Membership remained steady, increasing by only 1 student. During 2010-2011 a state charter school opened in the district 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.

FY 2015 BUDGETS

In preparing the 2014-2015 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 2014-15 anticipating continuing growth and given an increase in base student funding from the state to \$2,120 the district developed a budget with a tax increase of 6 mills. In addition, the 2014-15 budget will contain a step increase for teachers as well as other staff, but administration is continuing to monitor expenses during the year as the budget contains an anticipated shortfall of approximately \$1.4 million.

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 2014-15 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.

Basic Financial Statements

ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2014

	PRIMARY GOVERNMENT			COMPONENT
	Governmental Activities	Business-Type Activities	Totals	UNIT Charter School
ASSETS				
Cash and Cash Equivalents	\$ 34,633,968	1,922	34,635,890	\$ 289,610
Cash and Investments Held by County Treasurer	22,290,008	-	22,290,008	-
Property Taxes Receivable, Net	8,071,749	-	8,071,749	-
Accounts Receivable	102,090	-	102,090	11,012
Due from State	1,407,142	-	1,407,142	-
Due from Federal	1,650,114	96,262	1,746,376	-
Due from Other Governments	-	-	-	19,641
Internal Balances	(3,204,248)	3,204,248	-	-
Inventories and Prepaid Items	591,363	45,781	637,144	-
Capital Assets:				
Non-Depreciable	11,369,626	-	11,369,626	-
Depreciable, Net	234,839,134	987,277	235,826,411	34,085
TOTAL ASSETS	311,750,946	4,335,490	316,086,436	354,348
LIABILITIES				
Accounts Payable and Accrued Expenses	14,359,922	-	14,359,922	46,148
Accrued Interest Payable	1,796,404	-	1,796,404	-
Due to Other Governments	5,178	-	5,178	-
Unearned Revenue	1,401,035	-	1,401,035	-
Non-Current Liabilities:				
Due Within One Year	16,830,423	-	16,830,423	-
Due in More than One Year	123,145,067	-	123,145,067	-
CHANGE IN NET POSITION	157,538,029	-	157,538,029	46,148
NET POSITION				
Net Investment in Capital Assets	106,712,350	987,277	107,699,627	34,085
Restricted For:				
Debt Service	13,418,890	-	13,418,890	-
Special Educational Programs	239,185	-	239,185	-
Unrestricted	33,842,492	3,348,213	37,190,705	274,115
TOTAL NET POSITION	\$ 154,212,917	4,335,490	158,548,407	\$ 308,200

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, 2014

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	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
PRIMARY GOVERNMENT:								
Governmental Activities:								
Instruction	\$ 102,070,630	1,989,878	57,336,990	-	(42,743,762)	-	\$ (42,743,762)	
Support Services	69,489,646	-	21,841,334	-	(47,648,312)	-	(47,648,312)	
Community Services	246,477	-	6,569	-	(239,908)	-	(239,908)	
Interest and Other Charges	5,324,113	-	-	-	(5,324,113)	-	(5,324,113)	
Total Governmental Activities	177,130,866	1,989,878	79,184,893	-	(95,956,095)	-	(95,956,095)	
Business-Type Activities:								
Food Services	7,354,477	1,630,650	5,939,899	-	-	216,072	216,072	
Total Business-Type Activities	7,354,477	1,630,650	5,939,899	-	-	216,072	216,072	
TOTAL PRIMARY GOVERNMENT	\$ 184,485,343	3,620,528	85,124,792	-	(95,956,095)	216,072	(95,740,023)	
COMPONENT UNIT								
Charter School	\$ 450,927	-	251,172	-				(199,755)
GENERAL REVENUES:								
General Revenues:								
Property Taxes Levied for General Purposes					44,064,503	-	44,064,503	-
Property Taxes Levied for Debt Service					21,696,290	-	21,696,290	-
State Revenue in Lieu of Taxes					30,213,522	-	30,213,522	-
Investment Earnings					113,068	15,942	129,010	-
Miscellaneous-Not Restricted to Specific Programs					1,210,836	-	1,210,836	318,689
Gain on Disposal of Capital Assets					-	15,325	15,325	-
Transfers In (Out)					325,526	(325,526)	-	-
Total General Revenues and Transfers					97,623,745	(294,259)	97,329,486	318,689
CHANGE IN NET POSITION					1,667,650	(78,187)	1,589,463	118,934
NET POSITION - Beginning of Year					152,545,267	4,413,677	156,958,944	189,266
NET POSITION					154,212,917	4,335,490	158,548,407	\$ 308,200

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, 2014

	GENERAL	SPECIAL REVENUE
ASSETS		
Cash and Cash Equivalents	\$ 34,633,868	100
Cash and Investments Held by County Treasurer	3,063,358	-
Receivables, Net:		
Taxes	5,967,670	-
Accounts	17,883	84,207
Due From:		
State	261,476	30,811
Federal	-	1,650,114
Other Funds	1,178,613	-
Prepaid Items	192,602	-
Inventories	398,761	-
TOTAL ASSETS	\$ 45,714,231	1,765,232
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
LIABILITIES:		
Accounts Payable	\$ 3,729,049	-
Accrued Salaries, Fringe & Benefits	10,604,501	-
Due To:		
Federal Agencies	-	5,178
Other Funds	2,600,775	1,048,303
Unearned Revenue	-	472,566
TOTAL LIABILITIES	16,934,325	1,526,047
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue - Property Taxes	5,684,097	-
TOTAL DEFERRED INFLOWS OF RESOURCES	5,684,097	-
FUND BALANCES:		
Fund Balances		
Nonspendable For:		
Prepaid Items	192,602	-
Inventories	398,761	-
Restricted For:		
Debt Service	-	-
Special Educational Programs	-	239,185
Assigned For:		
Future Year's Expenditures	1,375,086	-
Capital Projects	-	-
Unassigned	21,129,360	-
TOTAL FUND BALANCES	23,095,809	239,185
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 45,714,231	1,765,232

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
-	-	-	\$ 34,633,968
-	12,479,998	6,746,652	22,290,008
-	2,104,079	-	8,071,749
-	-	-	102,090
1,114,855	-	-	1,407,142
-	-	-	1,650,114
-	631,217	-	1,809,830
-	-	-	192,602
-	-	-	398,761
1,114,855	15,215,294	6,746,652	\$ 70,556,264
-	-	26,372	\$ 3,755,421
-	-	-	10,604,501
-	-	-	5,178
186,386	-	1,178,614	5,014,078
928,469	-	-	1,401,035
1,114,855	-	1,204,986	20,780,213
-	1,945,615	-	7,629,712
-	1,945,615	-	7,629,712
-	-	-	192,602
-	-	-	398,761
-	13,269,679	-	13,269,679
-	-	-	239,185
-	-	-	1,375,086
-	-	5,541,666	5,541,666
-	-	-	21,129,360
-	13,269,679	5,541,666	42,146,339
1,114,855	15,215,294	6,746,652	\$ 70,556,264

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, 2014

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS **\$ 42,146,339**

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 unavailable in the funds. 7,629,712

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 \$357,769,495, and the accumulated depreciation is \$111,560,735. 246,208,760

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. (1,796,404)

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	(135,545,436)	
Net Premium	(3,950,974)	
Compensated Absences	(479,080)	(139,975,490)
	<hr/>	<hr/>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$ 154,212,917**

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, 2014

	GENERAL	SPECIAL REVENUE
REVENUES		
Local Sources:		
Taxes	\$ 45,510,237	-
Investment Earnings	77,562	-
Other Local Sources	1,005,809	2,853,800
State Sources	80,881,391	1,550,352
Federal Sources	-	8,770,743
Intergovernmental Revenue	-	289,681
TOTAL REVENUE ALL SOURCES	127,474,999	13,464,576
EXPENDITURES		
Current:		
Instruction	77,398,024	10,052,177
Support Services	52,231,663	3,532,090
Community Services	156,700	89,777
Intergovernmental	260,850	213,865
Capital Outlay	30,598	5,840
Debt Service:		
Principal Retirement	545,412	-
Interest and Fiscal Charges	388,642	-
Other Charges	-	-
TOTAL EXPENDITURES	131,011,889	13,893,749
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,536,890)	(429,173)
OTHER FINANCING SOURCES (USES)		
Proceeds from the Sale of Capital Assets	43,933	-
Issuance of General Obligation Bonds	-	-
Issuance of General Obligation Refunding Bonds	-	-
Premium on Issuance of Bonds	-	-
Payment to Refunding Bond Escrow Agent	-	-
Transfers In	4,133,136	-
Transfers Out	(274,474)	(201,323)
CHANGE IN NET POSITION	3,902,595	(201,323)
NET CHANGES IN FUND BALANCES	365,705	(630,496)
FUND BALANCE, Beginning of Year	22,730,104	869,681
FUND BALANCE, End of Year	\$ 23,095,809	239,185

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
-	21,554,444	-	\$ 67,064,681
-	17,897	17,609	113,068
-	-	-	3,859,609
13,953,776	1,298,728	-	97,684,247
-	-	-	8,770,743
-	-	-	289,681
13,953,776	22,871,069	17,609	177,782,029
8,249,536	-	-	95,699,737
2,372,427	-	6,770,369	64,906,549
-	-	-	246,477
-	-	-	474,715
-	-	3,743,619	3,780,057
-	16,305,000	-	16,850,412
-	6,081,309	-	6,469,951
-	139,561	-	139,561
10,621,963	22,525,870	10,513,988	188,567,459
3,331,813	345,199	(10,496,379)	(10,785,430)
-	-	-	43,933
-	-	5,000,000	5,000,000
-	16,170,000	3,100,000	19,270,000
-	1,181,309	-	1,181,309
-	(17,216,235)	-	(17,216,235)
-	964,066	-	5,097,202
(3,331,813)	-	(964,066)	(4,771,676)
(3,331,813)	1,099,140	7,135,934	8,604,533
-	1,444,339	(3,360,445)	(2,180,897)
-	11,825,340	8,902,111	44,327,236
-	13,269,679	5,541,666	\$ 42,146,339

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	\$ (2,180,897)
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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.	690,961
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.	16,850,412
Payment to the refunding debt escrow agent is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Net Position.	17,216,235
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	(24,270,000)
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. This is the change in accrued interest for the year.	287,184
Bond issuance costs are expenditures the year they are incurred in governmental funds; the previously capitalized and unamortized balance was written off for the government-wide financial statements during the year ended June 30, 2014.	(469,863)
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.	286,769
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.	92,780
In the Statement of Activities the gain (loss) on the disposal of capital assets is reported, whereas in the governmental funds, proceeds from the disposal of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the assets disposed.	(648,544)
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 \$2,458,483 was exceeded by depreciation expense of \$8,645,870 during the year.	(6,187,387)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,667,650</u>
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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, 2014

	<u>ENTERPRISE</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 1,922
Due From:	
Federal Agencies	96,262
Other Funds	3,204,248
Inventories	45,781
Total Current Assets	<u>3,348,213</u>
Non-Current Assets:	
Capital Assets	4,720,734
Less: Accumulated Depreciation	(3,733,457)
Total Non-Current Assets	<u>987,277</u>
TOTAL ASSETS	<u>4,335,490</u>
NET POSITION	
Net Investment in Capital Assets	987,277
Unrestricted	3,348,213
TOTAL NET POSITION	<u>\$ 4,335,490</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, 2014

	<u>ENTERPRISE</u>
OPERATING REVENUES	
Proceeds from Sale of Meals	\$ 1,630,650
OPERATING EXPENSES	
Salaries and Benefits	1,622,500
Purchased Services	5,088,483
Supplies and Materials	456,503
Equipment - Expendable	19,379
Depreciation	167,612
TOTAL OPERATING EXPENSES	<u>7,354,477</u>
OPERATING LOSS	<u>(5,723,827)</u>
NON-OPERATING REVENUES (EXPENSES)	
Commodities Received from USDA	392,699
USDA Reimbursements	5,547,200
Interest	15,942
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>5,955,841</u>
INCOME BEFORE TRANSFERS	232,014
Gain on Sale of Capital Assets	15,325
Transfer In - From General Fund	274,474
Transfer Out - Food Service Fund Indirect Costs	<u>(600,000)</u>
CHANGE IN NET POSITION	(78,187)
TOTAL NET POSITION, Beginning of Year	<u>4,413,677</u>
TOTAL NET POSITION, End of Year	<u>\$ 4,335,490</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, 2014

	<u>ENTERPRISE</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Meal Sales	\$ 1,630,650
Payments to Employees for Services	(1,622,500)
Payments to Suppliers for Goods and Services	(5,171,666)
NET CASH USED IN OPERATING ACTIVITIES	<u>(5,163,516)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
USDA Reimbursement	6,227,675
Transfers From (To) Other Funds	(891,454)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>5,336,221</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of Capital Assets	(214,484)
Proceeds from the Sale of Capital Assets	25,762
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(188,722)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Earnings	15,942
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>15,942</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(75)
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>1,997</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 1,922</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating Loss	\$ (5,723,827)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities	
Depreciation Expense	167,612
Non-Cash USDA Commodities Used	392,699
Net Cash Used in Operating Activities	<u>\$ (5,163,516)</u>
Non-Cash Transactions:	
Commodities Received from the USDA	\$ 392,699

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, 2014

	AGENCY
ASSETS	
Cash and Cash Equivalents	\$ 5,339
Receivables	913,828
TOTAL ASSETS	\$ 919,167
LIABILITIES	
Due to Student Organizations	\$ 919,167
TOTAL LIABILITIES	\$ 919,167

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, 2014

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, 2014

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. Likewise, the *primary government* (the District) is reported separately from the legally separate *component unit* (charter school) for which the District is financially accountable.

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* (which exclude fiduciary activities) are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the Proprietary Fund and Fiduciary Fund financial statements. 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 GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* ("GASB 65") in the year ended June 30, 2014. GASB 65 establishes accounting and financial reporting standards that require reclassification of certain items that, in prior years, were properly reported as assets and liabilities. GASB 65 supplements and extends the reach of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which was adopted by the School District in the year ended June 30, 2013. The District's deferred revenue liability (for unavailable property taxes) in its governmental funds Balance Sheet was affected by the implementation of GASB 65, as deferred items that are not available are no longer shown as a liability but are now reclassified and shown as a component of deferred inflows of resources.

Also under GASB 65, all bond issuance costs, excluding those related to prepaid insurance costs, are to be expensed in the period incurred rather than capitalized. Any such unamortized bond issuance costs that were incurred and capitalized in a previous year should be written off by a cumulative adjustment to beginning net position. For its government-wide statements, the District wrote off approximately \$470,000 in previously capitalized and unamortized bond issuance costs during the year ended June 30, 2014 as this was not deemed material to record as a cumulative adjustment to beginning net position.

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

ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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, 2014

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.

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, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, 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, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, 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, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, 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, 2014, 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, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, 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) are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenses. If applicable, accrued arbitrage payable is also reflected in long-term obligations.

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

ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Deferred Outflows/Inflows of Resources

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

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

Fund Balance

In accordance with Governmental Accounting Standards Board 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.).

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 \$5,541,666 represents unspent amounts that were transferred from the General Fund to the Capital Projects Fund for future capital projects.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund Balance (Continued)

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.

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.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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, 2014. 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.
- 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, 2014. 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, 2014, none of the District's bank balances (including fiduciary funds) of approximately \$1,623,000, which had a carrying value of approximately \$1,522,000, were exposed to custodial credit risk.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

Investments

As of June 30, 2014, 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 ^	\$ 33,118,917	\$ 33,118,917
Cash and Investments Held by County Treasurer	Unrated ^	22,290,008	22,290,008
Total		<u>\$ 55,408,925</u>	<u>\$ 55,408,925</u>

^ 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, 2014, 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.

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, Deferred Inflows of Resources, Unearned Revenues 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.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Property Taxes, Deferred Inflows of Resources, Unearned Revenues and Other Receivables (Continued)

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.

For the year ended June 30, 2014, millage for property taxes was set at 141.4 mills (no change from the prior year) to cover the District's general operating services and uses. The millage to cover the District's scheduled debt service requirements was set at 52.0 mills (no change from the prior year). In addition, the District receives a prorated share, based on pupil attendance, of the County-wide 29 mill levy for school operations that is divided between the four Districts within the County, and an additional County-wide special 1 mill levy for school operation for the District having the lowest assessed valuation in the County, which is York School District One.

Receivables for property taxes are reported net of the allowance for uncollectible accounts. Taxes receivable of approximately \$5,968,000 in the General Fund and approximately \$2,104,000 in the Debt Service Fund are reported net of an allowance for uncollectible amounts of approximately \$576,000 and \$188,000, respectively. Allowances for uncollectible amounts were not necessary for the other receivable accounts.

Governmental funds report unavailable 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, 2014, unavailable revenue related to property taxes reported in the governmental funds totaled approximately \$5,684,000 and \$1,946,000 in the General and Debt Service Funds, respectively. Unearned revenues in the special revenue funds totaled approximately \$1,401,000 at June 30, 2014.

Intergovernmental receivables at June 30, 2014 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.

ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Property Taxes, Deferred Inflows of Resources, Unearned Revenues and Other Receivables (Continued)

A summary of the principal items of intergovernmental receivables at June 30, 2014 were as follows:

Due from the federal government:	
Food Service	\$ 96,262
Special Projects	1,650,114
Total due from the federal government	<u>1,746,376</u>
Due from state agencies:	
General fund	261,476
Education Improvement Act	1,114,855
Other special revenue programs	30,811
Total due from state agencies	<u>1,407,142</u>
 Total intergovernmental receivables	 <u><u>\$ 3,153,518</u></u>

C. Capital Assets

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

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Government Activities:					
Capital Assets, Not Being Depreciated:					
Land	\$ 10,301,734	248,447	-	-	\$ 10,550,181
Construction in Progress	2,659,784	1,017,324	-	(2,857,663)	819,445
Total Capital Assets, Not Being Depreciated	<u>12,961,518</u>	<u>1,265,771</u>	<u>-</u>	<u>(2,857,663)</u>	<u>11,369,626</u>
Capital Assets, Being Depreciated:					
Buildings and Improvements	329,368,673	-	-	2,857,663	332,226,336
Furniture and Equipment	14,657,885	1,192,712	(1,677,064)	-	14,173,533
Total Capital Assets Being Depreciated	<u>344,026,558</u>	<u>1,192,712</u>	<u>(1,677,064)</u>	<u>2,857,663</u>	<u>346,399,869</u>
Less: Accumulated Depreciation For:					
Buildings and Improvements	93,387,248	7,768,335	-	-	101,155,583
Furniture and Equipment	10,556,137	877,535	(1,028,520)	-	10,405,152
Total Accumulated Depreciation	<u>103,943,385</u>	<u>8,645,870</u>	<u>(1,028,520)</u>	<u>-</u>	<u>111,560,735</u>
Total Capital Assets, Being Depreciated, Net	<u>240,083,173</u>	<u>(7,453,158)</u>	<u>(648,544)</u>	<u>2,857,663</u>	<u>234,839,134</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 253,044,691</u>	<u>(6,187,387)</u>	<u>(648,544)</u>	<u>-</u>	<u>\$ 246,208,760</u>
 Business-Type Activities:					
Capital Assets, Being Depreciated:					
Equipment	\$ 4,705,273	214,484	(199,023)	-	\$ 4,720,734
Less: Accumulated Depreciation	3,754,431	167,612	(188,586)	-	3,733,457
Total Business-Type Activities Capital Assets, Net	<u>\$ 950,842</u>	<u>46,872</u>	<u>(10,437)</u>	<u>-</u>	<u>\$ 987,277</u>

ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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	\$	5,378,506
Support Services		3,267,364
Total Charged to Governmental Activities	\$	<u>8,645,870</u>

The District has outstanding commitments related to construction activities totaling approximately \$331,000 at June 30, 2014.

D. Long-Term Obligations

A summary of changes in long-term obligations for the year ended June 30, 2014 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General Obligations Bonds					
Series 2005A	\$ 18,530,000	-	17,665,000	865,000	\$ 865,000
Series 2007A	56,035,000	-	300,000	55,735,000	320,000
Series 2009A	16,900,000	-	1,000,000	15,900,000	200,000
Series 2010A	1,320,000	-	745,000	575,000	575,000
Series 2010B	19,065,000	-	4,425,000	14,640,000	4,770,000
Series 2011A	4,300,000	-	1,615,000	2,685,000	2,685,000
Series 2011B	15,495,000	-	4,860,000	10,635,000	5,325,000
Series 2012	4,876,000	-	342,000	4,534,000	353,000
Series 2013A	-	5,000,000	883,000	4,117,000	619,000
Series 2014A	-	16,170,000	-	16,170,000	-
Total General Obligation Bonds	<u>136,521,000</u>	<u>21,170,000</u>	<u>31,835,000</u>	<u>125,856,000</u>	<u>15,712,000</u>
Note Payable					
Equipment Acquisition and Use Agreement	-	3,100,000	955,000	2,145,000	50,000
Capital Lease Obligations	<u>8,089,848</u>	<u>-</u>	<u>545,412</u>	<u>7,544,436</u>	<u>589,343</u>
Sub-total	<u>144,610,848</u>	<u>24,270,000</u>	<u>33,335,412</u>	<u>135,545,436</u>	<u>16,351,343</u>
Unamortized Bond Premiums	<u>4,968,978</u>	<u>-</u>	<u>1,018,004</u>	<u>3,950,974</u>	<u>-</u>
Total Bonds, Note Payable and Capital Lease	<u>149,579,826</u>	<u>24,270,000</u>	<u>34,353,416</u>	<u>139,496,410</u>	<u>16,351,343</u>
Compensated Absences	<u>571,860</u>	<u>400,817</u>	<u>493,597</u>	<u>479,080</u>	<u>479,080</u>
Total Governmental Activities	<u>\$ 150,151,686</u>	<u>24,670,817</u>	<u>34,847,013</u>	<u>139,975,490</u>	<u>\$ 16,830,423</u>

Compensated absences are paid from the fund where the employee's salary is paid. General obligation and note payable 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, 2014

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Long-Term Obligations (Continued)

General obligation bonds consist of the following at June 30, 2014:

Date/Description of Issue	Interest Rate	Payment Dates	Maturity	Original Issue Amount	Outstanding Balance
November 15, 2005 - Series 2005A	4.00 - 5.00%	Mar./Sept.	2025	\$ 23,000,000	\$ 865,000
March 14, 2007 - Series 2007A	3.25 - 5.00%	Mar./Sept.	2032	63,000,000	55,735,000
September 23, 2009 - Series 2009A	2.00 - 5.00%	Mar./Sept.	2029	19,000,000	15,900,000
October 7, 2010 - Series 2010A	3.00 - 4.00%	Mar./Sept.	2015	5,000,000	575,000
October 7, 2010 - Series 2010B	5.00%	Mar./Sept.	2017	23,180,000	14,640,000
October 19, 2011 - Series 2011A	2.00 - 3.00%	Mar./Sept.	2015	5,000,000	2,685,000
October 19, 2011 - Series 2011B	2.00 - 5.00%	Mar./Sept.	2016	15,595,000	10,635,000
September 19, 2012 - Series 2012	4.00 - 5.00%	Mar./Sept.	2017	6,000,000	4,534,000
Septemer 12, 2013 - Series 2013A	1.16%	Mar./Sept.	2017	5,000,000	4,117,000
February 19, 2014 - Series 2014A	2.00 - 5.00%	Mar./Sept.	2025	16,170,000	16,170,000
Total General Obligation Bonds				<u>\$ 180,945,000</u>	<u>\$ 125,856,000</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 \$7,544,000 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 \$3,936,000, respectively, at June 30, 2014. Amortization of assets recorded under capital lease obligations has been included with depreciation expense.

On August 9, 2013, the District entered into an Equipment Acquisition and Use Agreement in the amount of \$3,100,000 with a financial institution. Principal and interest (at 0.9383%) are due on an annual basis on December 1. The District paid \$955,000 in principal on December 1, 2013; the District will pay \$50,000 in principal on December 1, 2014, with a final principal payment of \$2,095,000 on December 1, 2015. The District used the proceeds for technology upgrades. The Agreement is secured by the technology equipment acquired.

In February 2014, the District issued \$16,170,000 in Series 2014A General Obligation Refunding Bonds, receiving a premium of approximately \$1,181,000, and incurring bond issuance costs of approximately \$135,000. The new bonds provided resources of approximately \$17,216,000 to advance refund \$16,485,000 of the outstanding Series 2005A General Obligation Bonds. As a result, this amount of the Series 2005A General obligation Bonds are considered to be defeased until redemption in March 2015. Accordingly, the liability for the refunded bonds has been removed from the governmental activities column of the Statement of Net Position. The reacquisition price was exceeded by the net carrying amount of the old debt by approximately \$687,000. Both the premium received and the loss on refunding were recognized currently in the Statement of Activities due to their immaterial amounts. This advance refunding was undertaken to reduce total debt service payments over the next ten years by approximately \$1,758,000 and resulted in an economic gain of approximately \$1,581,000.

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, 2014, 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, 2014

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, 2014:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 16,351,343	5,628,042	21,979,385
2016	17,158,599	4,920,768	22,079,367
2017	13,480,299	4,267,059	17,747,358
2018	5,530,542	3,725,175	9,255,717
2019	5,789,443	3,465,184	9,254,627
2020-2024	34,595,210	13,252,160	47,847,370
2025-2029	28,585,000	6,511,423	35,096,423
2030-2032	14,055,000	1,428,750	15,483,750
Totals	<u>\$ 135,545,436</u>	<u>43,198,561</u>	<u>178,743,997</u>

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 \$12,646,000 in outstanding bonded indebtedness that was subject to the 8% debt limit at June 30, 2014; the remaining debt margin available to the District was approximately \$22,809,000 as of June 30, 2014.

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, 2014:

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance
Tax Anticipation Notes	\$ -	7,916,924	7,916,924	\$ -
Total Governmental Activities	<u>\$ -</u>	<u>7,916,924</u>	<u>7,916,924</u>	<u>\$ -</u>

The District issued a short-term Tax Anticipation Note in July 2013 for approximately \$7,917,000 with an effective interest rate of 0.16%. This Note was issued to fund on-going operations in the first half of fiscal 2014 until property tax revenues were collected. This Note plus interest of approximately \$75,000 was repaid in March 2014.

ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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. Also, during 2014, the Capital Project Fund transferred approximately \$964,000 to the Debt Service Fund to pay for the first installment of the Equipment Acquisition and Use Agreement Note Payable.

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

	Transfers In	Transfers Out
<u>Governmental Funds:</u>		
General Fund	\$ 4,133,136	\$ 274,474
Special Projects Fund	-	201,323
Special Revenue - EIA Fund	-	3,331,813
Debt Service Fund	964,066	-
Capital Projects Fund	-	964,066
<u>Proprietary Fund:</u>		
Enterprise - Food Service	274,474	600,000
Totals	<u>\$ 5,371,676</u>	<u>\$ 5,371,676</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, 2014, all of which are expected to be repaid within one year, are summarized as follows:

	Receivables	Payables
<u>Governmental Funds:</u>		
General Fund	\$ 1,178,613	\$ 2,600,775
Special Revenue Fund	-	1,048,303
Special Revenue - EIA Fund	-	186,386
Debt Service Fund	631,217	-
Capital Projects Fund	-	1,178,614
<u>Proprietary Fund:</u>		
Enterprise - Food Service	3,204,248	-
Totals	<u>\$ 5,014,078</u>	<u>\$ 5,014,078</u>

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

IV. OTHER INFORMATION

A. Retirement Plan

South Carolina Retirement System Retirement Plans

The District participates in a retirement plan under authorization of Title 9 of the SC Code of Laws, State of South Carolina which covers a majority of the District's full-time employees. The South Carolina Retirement System ("SCRS") is a cost-sharing multi-employer defined benefit pension plan that is administered by the South Carolina Public Employee Benefit Authority ("PEBA"). The PEBA has the authority to establish and amend benefits and funding policy. The Plan offers retirement and disability benefits, cost of living adjustments on an ad-hoc basis, group life ("GL") insurance benefits and survivor benefits. A Comprehensive Annual Financial Report containing financial statements and required supplementary information for the South Carolina Retirement System is issued and publicly available by writing the South Carolina Public 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 7.5%, 7.0% and 6.5% of covered salary for the years ended June 30, 2014, 2013 and 2012, respectively. The employer required contribution rate to the SCRS plan was 10.45%, 10.45%, and 9.385% for the years ended June 30, 2014, 2013, and 2012, respectively. The District's contributions to the SCRS, including life insurance, for the years ended June 30, 2014, 2013, and 2012 were approximately \$9,330,000, \$9,189,000, and \$7,977,000, 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 7.5%, 7.0% and 6.5% of covered salary for the years ended June 30, 2014, 2013, and 2012, respectively. The employer required contribution rates are 10.45%, 10.45%, and 9.385% for the years ended June 30, 2014, 2013, and 2012. For which in 2014, 2013, and 2012, 5.0% 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, 2014, 2013, and 2012 to the ORP and other investment providers were approximately \$1,014,000, \$912,000, and \$763,000, 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 to provide a group life insurance benefit for their participants (for the current and preceding two years), (b) and 4.92%, 4.55%, and 4.3% surcharge on payroll for retiree health and dental insurance and group life insurance benefit for their active participants for the years ended June 30, 2014, 2013, and 2012, respectively.

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 (4.92% for 2014) 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 \$4,801,000, \$4,353,000, and \$3,947,000 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2014, 2013 and 2012.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

IV. OTHER INFORMATION (CONTINUED)

B. Post-Employment Health Care Benefits (Continued)

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 \$517,000 for the year ended June 30, 2014.

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, 2014, 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. This new lease replaces the existing lease that the District had in place during 2013 which was under similar terms. Lease payments for the year ended June 30, 2014 were approximately \$213,000. The new lease expires in September 2018, and the remaining commitments under this agreement are approximately \$891,000.

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.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

IV. OTHER INFORMATION (CONTINUED)

G. Pending Implementation of GASB Statement on Pensions

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* ("GASB 68"), was issued by the GASB in June 2012; it is required to be implemented by the District in its fiscal year ending June 30, 2015. The primary objective of GASB 68 is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that are provided by other entities. In addition, state and local governments who participate in a cost-sharing multiple employer plan will now be required to recognize a liability for its proportionate share of the net pension liability of that plan. It is GASB's intention that GASB 68 will provide citizens and other users of the financial statements with a clearer picture of the size and nature of the District's financial obligations to current and former employees for past services rendered.

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

The District has been in communications with the PEBA on the effect of implementing GASB 68 as it relates to the SCRS. Based on recent information provided by PEBA, it is estimated that the District's proportionate share of the net pension liability associated with the SCRS will decrease the District's beginning unrestricted net position for the year ended June 30, 2015 by approximately \$193,595,000.

H. Subsequent Events

In conjunction with approving the Fiscal Year 2015 General Fund budget, the Board approved an increase of six mills in the property tax rates applicable for general operations, effective for calendar year 2014 (fiscal year 2015 for the District).

In September 2014, the District entered into a Tax Anticipation Note ("TAN") program with the South Carolina Association of Governmental Organizations ("SCAGO") in the amount of \$10,484,000 to provide financial resources for operations. The District has drawn down \$5,000,000 as of the date of issuance of the financial statements. The TAN, including interest at an effective rate of 0.09%, is due in full at maturity in the spring of 2015.

In October 2014, the District issued its Series 2014B General Obligation Bonds in the amount of \$5,000,000 to provide funds for capital improvements. The District received a premium of approximately \$576,000 and incurred issuance costs of approximately \$82,000. The interest rate on these bonds is 5.0%, with annual principal payments ranging from \$25,000 to approximately \$2,500,000 and a final maturity in March 2018.

In October 2014, the Board approved the extension of the Intergovernmental Agreement Relating to Red River Area Redevelopment Plan, Downtown Redevelopment Plan and Manchester village Redevelopment Plan, and Textile Corridor Redevelopment Plan. This was an extension of the current TIF District that was already in place.

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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.

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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, 2014

	BUDGETED AMOUNTS		ACTUAL (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Local Sources:				
Taxes	\$ 43,225,000	43,225,000	45,510,237	\$ 2,285,237
Investment Earnings	170,000	170,000	77,562	(92,438)
Other Local Sources	871,554	871,554	1,005,809	134,255
State Sources	80,493,446	80,493,446	80,881,391	387,945
Intergovernmental Revenue	200,000	200,000	-	(200,000)
TOTAL REVENUE ALL SOURCES	124,960,000	124,960,000	127,474,999	2,514,999
EXPENDITURES				
Current:				
Instruction	77,279,023	77,279,023	77,398,024	(119,001)
Support Services	50,441,180	50,441,180	52,231,663	(1,790,483)
Community Services	157,647	157,647	156,700	947
Intergovernmental	205,000	205,000	260,850	(55,850)
Capital Outlay	17,150	17,150	30,598	(13,448)
Debt Service:				
Principal Retirement	800,000	800,000	545,412	254,588
Interest and Fiscal Charges	-	-	388,642	(388,642)
TOTAL EXPENDITURES	128,900,000	128,900,000	131,011,889	(2,111,889)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,940,000)	(3,940,000)	(3,536,890)	403,110
OTHER FINANCING SOURCES (USES)				
Proceeds from the Sale of Capital Assets	50,000	50,000	43,933	(6,067)
Transfers In	4,090,000	4,090,000	4,133,136	43,136
Transfers Out	(200,000)	(200,000)	(274,474)	(74,474)
TOTAL OTHER FINANCING SOURCES (USES)	3,940,000	3,940,000	3,902,595	(37,405)
NET CHANGES IN FUND BALANCES	-	-	365,705	365,705
FUND BALANCES, Beginning of Year	22,730,104	22,730,104	22,730,104	-
FUND BALANCES, End of Year	\$ 22,730,104	22,730,104	23,095,809	\$ 365,705

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, 2014

	REVISED BUDGET	ACTUAL	VARIANCE
REVENUES			
1000 Revenues from Local Sources:			
1100 Taxes:			
1110 Ad Valorem Taxes-Including Delinquent (Independent)	\$ 31,500,000	33,530,497	\$ 2,030,497
1140 Penalties & Interest on Taxes (Independent)	1,900,000	1,645,195	(254,805)
1200 Revenue from Local Governmental Units Other than LEAs:			
1210 Ad Valorem Taxes-Including Delinquent (Dependent)	7,425,000	8,090,610	665,610
1240 Penalties & Interest on Taxes (Dependent)	500,000	249,086	(250,914)
1280 Revenue in Lieu of Taxes (Independent and Dependent)	1,900,000	1,994,849	94,849
1300 Tuition:			
1310 From Patrons for Regular Day School	62,000	4,625	(57,375)
1320 From Other LEAs for Regular Day School	-	5,740	5,740
1500 Earnings on Investments:			
1510 Interest on Investments	170,000	77,562	(92,438)
1900 Other Revenue from Local Sources:			
1910 Rentals	-	335,613	335,613
1920 Contributions & Donations Private Sources	200,000	-	(200,000)
1950 Refund of Prior Year's Expenditures	-	178,435	178,435
1990 Miscellaneous Local Revenue:			
1999 Revenue from Other Local Sources	609,554	481,396	(128,158)
Total Revenue from Local Sources	<u>44,266,554</u>	<u>46,593,608</u>	<u>2,327,054</u>
2000 Intergovernmental Revenue:			
2100 Payments from Other Governmental Units	200,000	-	(200,000)
Total Intergovernmental Revenue	<u>200,000</u>	<u>-</u>	<u>(200,000)</u>
3000 Revenue from State Sources:			
3100 Restricted State Funding:			
3130 Special Programs:			
3131 Handicapped Transportation	-	9,788	9,788
3160 School Bus Driver's Salary (Includes Hazardous Condition Transportation)	475,000	717,044	242,044
3162 Transportation Workers' Compensation	25,000	52,249	27,249
3180 Fringe Benefits Employer Contributions (No Carryover Provision)	14,225,826	15,110,148	884,322
3181 Retiree Insurance (No Carryover Provision)	\$ 3,646,620	3,646,620	\$ -

(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, 2014

	REVISED BUDGET	ACTUAL	VARIANCE
3300 Education Finance Act:			
3310 Full-Time Programs:			
3311 Kindergarten	\$ 2,820,000	2,665,824	\$ (154,176)
3312 Primary	7,225,000	7,051,654	(173,346)
3313 Elementary	9,175,300	8,905,342	(269,958)
3314 High School	4,575,000	4,437,321	(137,679)
3315 Trainable Mentally Handicapped	121,000	116,825	(4,175)
3316 Speech Handicapped (Part-Time Program)	1,580,000	1,635,536	55,536
3317 Homebound	86,700	113,811	27,111
3320 Part-Time Programs:			
3321 Emotionally Handicapped	177,000	175,615	(1,385)
3322 Educable Mentally Handicapped	113,000	91,054	(21,946)
3323 Learning Disabilities	4,000,000	3,975,609	(24,391)
3324 Hearing Handicapped	153,000	160,072	7,072
3325 Visually Handicapped	118,000	113,823	(4,177)
3326 Orthopedically Handicapped	81,000	70,699	(10,301)
3327 Vocational	4,200,000	4,311,927	111,927
3330 Other EFA Programs:			
3331 Autism	500,000	600,486	100,486
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)	18,000,000	17,448,081	(551,919)
3830 Merchant's Inventory Tax	221,000	221,539	539
3840 Manufacturers Depreciation Reimbursement	1,200,000	1,467,890	267,890
3890 Other State Property Tax Revenues (Includes Motor Carrier Vehicle Tax)	75,000	81,044	6,044
Total Revenue from State Sources	<u>80,493,446</u>	<u>80,881,391</u>	<u>387,945</u>
TOTAL REVENUE ALL SOURCES	<u>\$ 124,960,000</u>	<u>127,474,999</u>	<u>\$ 2,514,999</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, 2014

	REVISED BUDGET	ACTUAL	VARIANCE
EXPENDITURES			
100 Instruction:			
110 General Instruction:			
111 Kindergarten Programs:			
100 Salaries	\$ 4,607,564	4,561,739	\$ 45,825
200 Employee Benefits	1,850,771	1,764,473	86,298
300 Purchased Services	114,375	125,780	(11,405)
400 Supplies and Materials	56,662	54,215	2,447
112 Primary Programs:			
100 Salaries	10,970,580	11,158,705	(188,125)
200 Employee Benefits	3,954,773	3,902,445	52,328
300 Purchased Services	204,631	254,572	(49,941)
400 Supplies and Materials	192,953	181,956	10,997
113 Elementary Programs:			
100 Salaries	18,628,788	18,811,182	(182,394)
200 Employee Benefits	6,681,503	6,541,200	140,303
300 Purchased Services	363,264	390,337	(27,073)
400 Supplies and Materials	329,162	317,961	11,201
600 Other Objects	410	410	-
114 High School Programs:			
100 Salaries	11,905,814	12,095,064	(189,250)
200 Employee Benefits	4,254,225	4,249,424	4,801
300 Purchased Services	246,614	252,188	(5,574)
400 Supplies and Materials	355,139	328,684	26,455
600 Other Objects	2,281	2,131	150
115 Career and Technology Education Program:			
100 Salaries	2,204,345	2,224,380	(20,035)
200 Employee Benefits	795,218	772,603	22,615
300 Purchased Services - Other Than Tuition	31,676	35,842	(4,166)
400 Supplies and Materials	116,437	101,499	14,938
500 Capital Outlay	5,500	-	5,500
600 Other Objects	1,383	578	805
120 Exceptional Programs:			
121 Educable Mentally-Handicapped:			
100 Salaries	709,698	662,515	47,183
200 Employee Benefits	272,025	231,764	40,261
300 Purchased Services	9,076	10,177	(1,101)
400 Supplies and Materials	1,580	1,571	9
122 Trainable Mentally Handicapped:			
100 Salaries	105,901	106,883	(982)
200 Employee Benefits	55,381	47,405	7,976
300 Purchased Services	18,203	54,052	(35,849)
400 Supplies and Materials	\$ 2,174	17,239	\$ (15,065)

(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, 2014

	REVISED BUDGET	ACTUAL	VARIANCE
123 Orthopedically Handicapped:			
100 Salaries	\$ 27,320	27,328	\$ (8)
200 Employee Benefits	11,057	9,353	1,704
300 Purchased Services	6,167	7,227	(1,060)
400 Supplies and Materials	-	5,797	(5,797)
124 Visually Handicapped:			
100 Salaries	130,125	110,407	19,718
200 Employee Benefits	52,895	36,644	16,251
300 Purchased Services	400	-	400
125 Hearing Handicapped:			
100 Salaries	176,101	164,601	11,500
200 Employee Benefits	72,609	51,094	21,515
300 Purchased Services	956	110,940	(109,984)
400 Supplies and Materials	-	18,754	(18,754)
126 Speech Handicapped:			
100 Salaries	159,697	234,538	(74,841)
200 Employee Benefits	51,506	69,003	(17,497)
300 Purchased Services	85,000	220,871	(135,871)
400 Supplies and Materials	3,564	15,304	(11,740)
127 Learning Disabilities:			
100 Salaries	3,385,851	3,283,049	102,802
200 Employee Benefits	1,219,045	1,113,865	105,180
300 Purchased Services	46,417	49,381	(2,964)
400 Supplies and Materials	11,942	39,181	(27,239)
128 Emotionally Handicapped:			
100 Salaries	269,040	291,473	(22,433)
200 Employee Benefits	101,379	99,663	1,716
300 Purchased Services	8,220	9,723	(1,503)
400 Supplies and Materials	1,206	1,233	(27)
130 Pre-School Programs:			
133 Pre-School Handicapped-Self-Contained (5-Yr. Olds)			
100 Salaries	287,444	275,709	11,735
200 Employee Benefits	108,142	96,887	11,255
300 Purchased Services	5,186	5,397	(211)
400 Supplies and Materials	1,750	273	1,477
137 Pre-School Handicapped-Self-Contained (3 & 4-Yr. Olds)			
100 Salaries	142,105	134,085	8,020
200 Employee Benefits	66,350	43,926	22,424
300 Purchased Services	4,578	7,133	(2,555)
400 Supplies and Materials	-	2,258	(2,258)
139 Early Childhood Programs:			
100 Salaries	273,797	274,325	(528)
200 Employee Benefits	110,104	102,818	7,286
300 Purchased Services	\$ 6,375	6,690	\$ (315)

(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, 2014

	REVISED BUDGET	ACTUAL	VARIANCE
140 Special Programs:			
141 Gifted and Talented - Academic:			
100 Salaries	\$ 167,032	167,682	\$ (650)
200 Employee Benefits	57,342	52,040	5,302
400 Supplies and Materials	405	404	1
143 Advanced Placement:			
400 Supplies and Materials	1,503	1,502	1
145 Homebound:			
100 Salaries	300,000	196,752	103,248
200 Employee Benefits	72,480	47,102	25,378
300 Purchased Services	8,400	3,178	5,222
160 Other Exceptional Programs:			
161 Autism:			
100 Salaries	335,452	325,023	10,429
200 Employee Benefits	134,540	104,019	30,521
300 Purchased Services	5,841	6,295	(454)
400 Supplies and Materials	597	582	15
170 Summer School Programs:			
172 Elementary Summer School:			
100 Salaries	-	4,365	(4,365)
200 Employee Benefits	-	1,017	(1,017)
173 High School Summer School:			
100 Salaries	5,638	6,017	(379)
200 Employee Benefits	1,362	1,400	(38)
175 Instructional Programs Beyond Regular School Day:			
100 Salaries	858	858	-
200 Employee Benefits	193	199	(6)
180 Adult/Continuing Educational Programs:			
181 Adult Basic Education Programs:			
100 Salaries	86,144	86,101	43
200 Employee Benefits	29,723	29,420	303
300 Purchased Services	810	745	65
400 Supplies and Materials	5,634	4,961	673
600 Other Objects	525	491	34
188 Parenting/Family Literacy:			
100 Salaries	118,053	105,659	12,394
200 Employee Benefits	56,956	53,427	3,529
300 Purchased Services	10,600	12,161	(1,561)
400 Supplies and Materials	10,001	8,720	1,281
Total Instruction	<u>\$ 77,284,523</u>	<u>77,398,024</u>	<u>\$ (113,501)</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, 2014

	REVISED BUDGET	ACTUAL	VARIANCE
200 Support Services:			
210 Pupil Services:			
211 Attendance and Social Work Services:			
100 Salaries	\$ 354,360	345,908	\$ 8,452
200 Employee Benefits	137,656	130,974	6,682
300 Purchased Services	9,108	7,081	2,027
400 Supplies and Materials	6,162	5,868	294
600 Other Objects	388	-	388
212 Guidance Services:			
100 Salaries	2,398,459	2,381,572	16,887
200 Employee Benefits	818,608	784,960	33,648
300 Purchased Services	5,425	4,257	1,168
400 Supplies and Materials	32,822	31,265	1,557
600 Other Objects	786	554	232
213 Health Services:			
100 Salaries	737,358	824,459	(87,101)
200 Employee Benefits	269,020	277,444	(8,424)
300 Purchased Services	66,961	190,794	(123,833)
400 Supplies and Materials	33,623	33,473	150
600 Other Objects	2,195	2,109	86
214 Psychological Services:			
100 Salaries	729,042	724,285	4,757
200 Employee Benefits	236,441	234,619	1,822
300 Purchased Services	33,023	7,244	25,779
400 Supplies and Materials	2,064	1,461	603
216 Vocational Placement Services:			
100 Salaries	131,135	143,985	(12,850)
200 Employee Benefits	45,438	47,951	(2,513)
300 Purchased Services	3,396	3,598	(202)
400 Supplies and Materials	1,819	1,980	(161)
600 Other Objects	360	360	-
220 Instructional Staff Services:			
221 Improvement of Instruction-Curriculum Development:			
100 Salaries	1,116,274	1,155,833	(39,559)
200 Employee Benefits	349,567	360,658	(11,091)
300 Purchased Services	382,890	261,279	121,611
400 Supplies and Materials	88,900	87,943	957
600 Other Objects	82,231	90,740	(8,509)
222 Library and Media Services:			
100 Salaries	1,550,692	1,544,557	6,135
200 Employee Benefits	541,718	522,731	18,987
300 Purchased Services	19,487	20,072	(585)
400 Supplies and Materials	\$ 149,592	142,301	\$ 7,291

(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, 2014

	REVISED BUDGET	ACTUAL	VARIANCE
223 Supervision of Special Programs:			
100 Salaries	\$ 64,584	70,301	\$ (5,717)
140 Terminal Leave	-	1,598	(1,598)
200 Employee Benefits	23,665	32,576	(8,911)
300 Purchased Services	60,587	47,755	12,832
400 Supplies and Materials	9,383	12,204	(2,821)
600 Other Objects	250	450	(200)
224 Improvement of Instruction-Inservice and Staff Training:			
100 Salaries	410,089	423,240	(13,151)
200 Employee Benefits	130,984	130,208	776
300 Purchased Services	151,942	104,361	47,581
400 Supplies and Materials	1,463	1,503	(40)
600 Other Objects	597	597	-
230 General Administrative Services:			
231 Board of Education:			
100 Salaries	51,600	50,600	1,000
200 Employee Benefits	77,151	63,051	14,100
300 Purchased Services	100,188	107,199	(7,011)
318 Audit Services	40,008	48,000	(7,992)
400 Supplies and Materials	1,900	674	1,226
600 Other Objects	6,500	41,630	(35,130)
232 Office of Superintendent:			
100 Salaries	142,242	166,524	(24,282)
140 Terminal Leave	-	2,924	(2,924)
200 Employee Benefits	61,444	48,285	13,159
300 Purchased Services	171,769	200,573	(28,804)
400 Supplies and Materials	7,792	1,305	6,487
600 Other Objects	53,450	27,200	26,250
233 School Administration:			
100 Salaries	7,865,629	7,840,088	25,541
140 Terminal Leave	-	7,186	(7,186)
200 Employee Benefits	2,807,404	2,721,956	85,448
300 Purchased Services	223,227	181,785	41,442
400 Supplies and Materials	335,200	311,358	23,842
500 Capital Outlay	5,194	5,194	-
600 Other Objects	21,258	18,658	2,600
250 Finance and Operations Services:			
251 Student Transportation (Federal/District Mandated):			
100 Salaries	-	42,705	(42,705)
200 Employee Benefits	-	3,318	(3,318)
600 Other Objects	-	112,986	(112,986)
252 Fiscal Services:			
100 Salaries	608,975	573,401	35,574
200 Employee Benefits	207,477	186,202	21,275
300 Purchased Services	105,322	89,724	15,598
400 Supplies and Materials	29,000	16,289	12,711
600 Other Objects	\$ 2,200	1,356	\$ 844

(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, 2014

	REVISED BUDGET	ACTUAL	VARIANCE
254 Operation and Maintenance of Plant:			
100 Salaries	\$ 4,337,851	4,231,957	\$ 105,894
140 Terminal Leave	-	6,744	(6,744)
200 Employee Benefits	1,697,502	1,632,210	65,292
300 Purchased Services	3,779,000	4,721,226	(942,226)
400 Supplies and Materials	4,642,050	5,726,745	(1,084,695)
500 Capital Outlay	6,350	30,598	(24,248)
600 Other Objects	6,000	6,218	(218)
255 Student Transportation (State Mandated):			
100 Salaries	2,653,800	2,672,568	(18,768)
200 Employee Benefits	989,212	939,570	49,642
300 Purchased Services	58,140	46,885	11,255
400 Supplies and Materials	15,624	23,381	(7,757)
500 Capital Outlay	3,000	-	3,000
600 Other Objects	9,800	8,932	868
257 Internal Services:			
100 Salaries	365,963	389,078	(23,115)
200 Employee Benefits	119,637	122,420	(2,783)
300 Purchased Services	251,157	281,589	(30,432)
400 Supplies and Materials	6,918	6,677	241
600 Other Objects	685	989	(304)
258 Security:			
100 Salaries	79,200	85,360	(6,160)
200 Employee Benefits	25,064	24,828	236
300 Purchased Services	185,600	234,080	(48,480)
400 Supplies and Materials	5,000	27,236	(22,236)
600 Other Objects	500	385	115
260 Central Support Services:			
262 Planning, Research, Development and Evaluation:			
100 Salaries	392,546	402,596	(10,050)
140 Terminal Leave	-	2,801	(2,801)
200 Employee Benefits	118,686	118,935	(249)
300 Purchased Services	90,619	82,260	8,359
400 Supplies and Materials	25,488	20,417	5,071
500 Capital Outlay	2,300	-	2,300
600 Other Objects	1,800	1,736	64
263 Information Services:			
100 Salaries	107,486	107,805	(319)
200 Employee Benefits	31,684	31,508	176
300 Purchased Services	6,521	6,189	332
400 Supplies and Materials	2,143	2,115	28
600 Other Objects	\$ 17,706	17,615	\$ 91

(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, 2014

	REVISED BUDGET	ACTUAL	VARIANCE
264 Staff Services:			
100 Salaries	\$ 413,033	410,877	\$ 2,156
200 Employee Benefits	142,968	141,616	1,352
300 Purchased Services	110,348	136,697	(26,349)
400 Supplies and Materials	31,472	30,775	697
600 Other Objects	1,078	1,078	-
266 Technology and Data Processing Services:			
100 Salaries	1,162,812	1,145,473	17,339
200 Employee Benefits	445,957	425,797	20,160
300 Purchased Services	572,471	481,014	91,457
400 Supplies and Materials	1,115,612	1,111,506	4,106
500 Capital Outlay	152,877	152,876	1
600 Other Objects	175	176	(1)
270 Support Services Pupil Activity:			
271 Pupil Services Activities:			
100 Salaries (Optional)	1,456,954	1,484,793	(27,839)
200 Employee Benefits (Optional)	385,031	350,874	34,157
300 Purchased Services (Optional)	22,726	65,906	(43,180)
400 Supplies and Materials (Optional)	134,948	129,246	5,702
600 Other Objects (Optional)	153,862	112,625	41,237
Total Support Services	<u>50,452,830</u>	<u>52,262,261</u>	<u>(1,809,431)</u>
300 Community Services:			
390 Other Community Services:			
100 Salaries	91,433	91,647	(214)
200 Employee Benefits	28,136	28,028	108
300 Purchased Services	23,860	23,881	(21)
400 Supplies and Materials	14,218	13,144	1,074
Total Community Services	<u>157,647</u>	<u>156,700</u>	<u>947</u>
400 Other Charges:			
410 Intergovernmental Expenditures:			
411 Payments to the SDE			
720 Transits	-	9,065	(9,065)
412 Payments to Other Governmental Units			
720 Transits	105,000	53,397	51,603
416 Payments to Public Charter Schools			
720 Transits	100,000	198,388	(98,388)
Total Intergovernmental Expenditures	<u>\$ 205,000</u>	<u>260,850</u>	<u>\$ (55,850)</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, 2014

	REVISED BUDGET	ACTUAL	VARIANCE
500 Debt Service:			
610 Principal Payments - Capital Lease	\$ 800,000	545,412	\$ 254,588
620 Interest	-	388,642	(388,642)
Total Debt Service	800,000	934,054	(134,054)
TOTAL EXPENDITURES	\$ 128,900,000	131,011,889	\$ (2,111,889)
OTHER FINANCING SOURCES (USES)			
5300 Proceeds from the Sale of Capital Assets	50,000	43,933	(6,067)
Interfund Transfers, From (To) Other Funds:			
5230 Transfer from Special Revenue EIA Fund	3,390,000	3,331,813	(58,187)
5280 Transfer from Other Funds Indirect Costs	700,000	801,323	101,323
425-710 Transfer to Food Service Fund	(200,000)	(274,474)	(74,474)
TOTAL OTHER FINANCING SOURCES (USES)	3,940,000	3,902,595	(37,405)
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	-	365,705	365,705
FUND BALANCES, Beginning of Year	22,730,104	22,730,104	-
FUND BALANCES, End of Year	\$ 22,730,104	23,095,809	\$ 365,705

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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, 2014

	Title I (BA Projects) (201)	IDEA (CA Projects) (203)
REVENUES		
1000 Revenue from Local Sources:		
1900 Other Revenue from Local Sources:		
1920 Contributions and Donations Private Sources	\$ -	-
1930 Medicaid	-	-
1999 Revenue from Other Local Sources	-	-
Total Revenue from Local Sources	-	-
2000 Intergovernmental Revenue:		
2300 Payments from Non-Profit Entities (for First Steps)	-	-
Total Intergovernmental Revenue	-	-
3000 Revenue from State Sources:		
3100 Restricted State Funding:		
3110 Occupational Education:		
3118 EEDA Career Specialist	-	-
3120 General Education:		
3127 Student Health and Fitness - PE Teachers	-	-
3177 Summer Reading Camp	-	-
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)	-	-
3620 Digital Instructional Materials	-	-
Total Revenue from State Sources	-	-
4000 Revenue from Federal Sources:		
4200 Occupational Education:		
4210 Perkins Aid, Title I	-	-
4310 Title I, Basic State Grant Programs (Carryover Provision)	3,903,176	-
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	-	-
4500 Programs for Children with Disabilities:		
4510 Individuals with Disabilities Education Act (IDEA) (Carryover Provision)	\$ -	3,298,581
4520 Preschool Grants (IDEA) (Carryover Provision)	-	-

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
-	-	25,470	-	59,076	\$ 84,546
-	-	-	-	564,984	564,984
-	-	-	-	2,204,270	2,204,270
-	-	25,470	-	2,828,330	2,853,800
-	-	-	-	289,681	289,681
-	-	-	-	289,681	289,681
-	-	-	482,263	-	482,263
-	-	-	223,075	-	223,075
-	-	-	6,499	-	6,499
-	-	-	2,859	-	2,859
-	-	-	57,208	2,472	59,680
-	-	-	27,188	-	27,188
-	-	-	653,187	-	653,187
-	-	-	95,601	-	95,601
-	-	-	1,547,880	2,472	1,550,352
-	218,080	-	-	-	218,080
-	-	-	-	195,167	4,098,343
-	-	-	-	103,820	103,820
-	-	-	-	476,621	476,621
-	-	117,214	-	-	117,214
-	-	6,000	-	-	6,000
-	-	-	-	35,483	\$ 3,334,064
110,323	-	-	-	-	110,323

(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, 2014

	Title I (BA Projects) (201)	IDEA (CA Projects) (203)
4900 Other Federal Sources:		
4940 SC School Climate Initiative	\$ -	-
4999 Revenue from Other Federal Sources	-	-
Total Revenue from Federal Sources	<u>3,903,176</u>	<u>3,298,581</u>
TOTAL REVENUE ALL SOURCES	<u>3,903,176</u>	<u>3,298,581</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	1,208,426	-
200 Employee Benefits	427,110	-
300 Purchased Services	33,088	-
400 Supplies and Materials	41,927	-
113 Elementary Programs:		
100 Salaries	76,369	-
200 Employee Benefits	34,138	-
300 Purchased Services	500	-
400 Supplies and Materials	11,194	-
500 Capital Outlay	-	-
114 High School Programs:		
100 Salaries	-	-
200 Employee Benefits	-	-
400 Supplies and Materials	-	-
115 Career and Technology Education Program:		
100 Salaries	-	-
200 Employee Benefits	-	-
300 Purchased Services - Other Than Tuition	-	-
400 Supplies and Materials	-	-
600 Other Objects	-	-
120 Exceptional Programs:		
121 Educable Mentally Handicapped:		
100 Salaries	-	25,419
200 Employee Benefits	-	8,379
300 Purchased Services	-	3,719
122 Trainable Mentally Handicapped:		
100 Salaries	-	446,510
200 Employee Benefits	-	191,124
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
-	-	-	-	62,471	\$ 62,471
-	-	-	-	243,807	243,807
110,323	218,080	123,214	-	1,117,369	8,770,743
110,323	218,080	148,684	1,547,880	4,237,852	13,464,576
-	-	-	35,222	91,437	126,659
-	-	-	12,537	41,052	53,589
-	-	-	-	76	76
-	-	-	-	614	614
-	-	-	351,062	1,525,732	3,085,220
-	-	-	110,502	362,436	900,048
-	-	-	886	111,515	145,489
-	-	-	-	124,899	166,826
-	-	-	273,363	159,914	509,646
-	-	-	92,743	48,335	175,216
-	-	-	10,000	1,449	11,949
-	-	-	109,625	32,392	153,211
-	-	-	-	5,840	5,840
-	-	-	-	238,961	238,961
-	-	-	-	25,760	25,760
-	-	-	-	8,181	8,181
-	-	-	-	336	336
-	-	-	-	56	56
-	-	-	-	70	70
-	29,327	-	-	774	30,101
-	-	-	-	2,000	2,000
-	-	-	-	-	25,419
-	-	-	-	-	8,379
-	-	-	-	8,817	12,536
-	-	-	-	9,158	455,668
-	-	-	-	2,127	193,251
-	-	-	-	2,209	2,209
-	-	-	-	3,038	\$ 3,038

(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, 2014

	Title I (BA Projects) (201)	IDEA (CA Projects) (203)
123 Orthopedically Handicapped:		
100 Salaries	\$ -	44,987
200 Employee Benefits	-	14,842
300 Purchased Services	-	-
124 Visually Handicapped:		
300 Purchased Services	-	1,672
125 Hearing Handicapped:		
100 Salaries	-	138,087
200 Employee Benefits	-	53,187
300 Purchased Services	-	-
126 Speech Handicapped:		
100 Salaries	-	190,221
200 Employee Benefits	-	65,485
300 Purchased Services	-	2,693
600 Other Objects	-	-
127 Learning Disabilities:		
100 Salaries	-	700,951
200 Employee Benefits	-	257,953
300 Purchased Services	-	3,307
400 Supplies and Materials	-	7,767
128 Emotionally Handicapped:		
100 Salaries	-	153,656
200 Employee Benefits	-	67,246
300 Purchased Services	-	-
130 Pre-School Programs:		
133 Pre-School Handicapped Self-Contained (5-Yr. Olds):		
100 Salaries	-	-
200 Employee Benefits	-	-
300 Purchased Services	-	-
137 Pre-School Handicapped Self-Contained (3 & 4-Yr. Olds):		
100 Salaries	-	23,481
200 Employee Benefits	-	9,617
300 Purchased Services	-	729
139 Early Childhood Programs:		
100 Salaries	391,957	-
200 Employee Benefits	131,915	-
300 Purchased Services	-	-
400 Supplies and Materials	27,447	-
140 Special Programs:		
143 Advanced Placement:		
400 Supplies and Materials	-	-
145 Homebound:		
300 Purchased Services	-	-
149 Other Special Programs:		
100 Salaries	-	20,768
200 Employee Benefits	\$ -	6,923

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
-	-	-	-	-	\$ 44,987
-	-	-	-	-	14,842
-	-	-	-	34,360	34,360
-	-	-	-	-	1,672
-	-	-	-	-	138,087
-	-	-	-	-	53,187
-	-	-	-	142	142
-	-	-	-	120,825	311,046
-	-	-	-	43,361	108,846
-	-	-	-	79	2,772
-	-	-	-	3,070	3,070
-	-	-	-	-	700,951
-	-	-	-	-	257,953
-	-	-	-	976	4,283
-	-	-	-	-	7,767
-	-	-	-	-	153,656
-	-	-	-	-	67,246
-	-	-	-	1,105	1,105
-	-	-	-	18,575	18,575
-	-	-	-	8,463	8,463
-	-	-	-	1,229	1,229
73,967	-	-	-	47,756	145,204
33,502	-	-	-	20,945	64,064
-	-	-	-	1,742	2,471
-	-	-	-	59,220	451,177
-	-	-	-	31,441	163,356
-	-	-	-	2,708	2,708
-	-	-	-	-	27,447
-	-	-	-	3,414	3,414
-	-	-	-	93,896	93,896
-	-	-	-	-	20,768
-	-	-	-	-	\$ 6,923

(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, 2014

	Title I (BA Projects) (201)	IDEA (CA Projects) (203)
160 Other Exceptional Programs:		
161 Autism:		
100 Salaries	\$ -	43,215
200 Employee Benefits	-	13,084
300 Purchased Services	-	1,899
170 Summer School Programs:		
171 Primary Summer School:		
100 Salaries	38,733	-
200 Employee Benefits	8,875	-
400 Supplies and Materials	1,048	-
172 Elementary Summer School:		
100 Salaries	-	-
200 Employee Benefits	-	-
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	123,857	-
200 Employee Benefits	52,159	-
300 Purchased Services	92	-
400 Supplies and Materials	21,742	-
Total Instruction	<u>\$ 2,630,577</u>	<u>2,496,921</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
-	-	-	-	37,137	\$ 80,352
-	-	-	-	9,491	22,575
-	-	-	-	1,849	3,748
-	-	-	-	-	38,733
-	-	-	-	-	8,875
-	-	-	-	-	1,048
-	-	-	5,274	14,335	19,609
-	-	-	1,226	3,346	4,572
-	-	-	-	22,740	22,740
-	-	-	-	5,298	5,298
-	-	-	-	2,302	2,302
-	-	-	-	514	514
-	-	34,237	-	-	34,237
-	-	7,789	-	-	7,789
-	-	4,706	-	-	4,706
-	-	24,720	-	-	24,720
-	-	22,775	43,217	-	65,992
-	-	5,479	12,591	-	18,070
-	-	3,868	-	-	3,868
-	-	16,532	1,371	7,899	25,802
-	-	11,099	-	-	11,099
-	-	959	-	-	959
-	-	5,942	-	-	5,942
-	-	-	-	128,048	251,905
-	-	-	-	55,464	107,623
-	-	-	-	7,090	7,182
-	-	-	-	-	21,742
107,469	29,327	138,106	1,059,619	3,595,998	\$ 10,058,017

(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, 2014

	Title I (BA Projects) (201)	IDEA (CA Projects) (203)
200 Support Services:		
210 Pupil Services:		
212 Guidance Services:		
100 Salaries	\$ -	-
200 Employee Benefits	-	-
300 Purchased Services	-	-
400 Supplies and Materials	-	-
213 Health Services:		
100 Salaries	-	341,258
200 Employee Benefits	-	116,611
300 Purchased Services	-	3,043
214 Psychological Services:		
100 Salaries	-	100,929
200 Employee Benefits	-	28,348
300 Purchased Services	-	3,907
400 Supplies and Materials	-	-
215 Exceptional Program Services:		
100 Salaries	-	-
200 Employee Benefits	-	-
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	-	-
400 Supplies and Materials	-	-
223 Supervision of Special Programs:		
100 Salaries	105,659	93,368
200 Employee Benefits	35,013	22,546
300 Purchased Services	408,275	7,274
400 Supplies and Materials	18,383	-
224 Improvement of Instruction - Inservice and Staff Training:		
100 Salaries	418,451	-
200 Employee Benefits	127,788	-
300 Purchased Services	16,413	-
400 Supplies and Materials	32,666	-
230 General Administration Services:		
233 School Administration:		
300 Purchased Services	-	-
250 Finance and Operations Services:		
251 Student Transportation (Federal/District Mandated):		
100 Salaries	3,244	-
200 Employee Benefits	672	-
300 Purchased Services	\$ 6,012	-

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
-	116,972	-	366,915	-	\$ 483,887
-	39,753	-	115,348	-	155,101
-	-	-	1,480	-	1,480
-	3,964	-	-	-	3,964
-	-	-	-	106,909	448,167
-	-	-	-	38,134	154,745
-	-	-	-	17,426	20,469
-	-	-	-	49,201	150,130
-	-	-	-	17,090	45,438
-	-	-	-	7,250	11,157
-	-	-	-	1,739	1,739
-	-	-	-	45,966	45,966
-	-	-	-	14,082	14,082
-	-	-	-	39,540	39,540
-	-	-	-	11,862	11,862
-	-	-	-	1,809	1,809
-	-	-	-	1,302	1,302
-	-	-	-	99,031	99,031
-	-	-	-	36,180	36,180
-	-	-	-	132	132
-	-	-	-	182,702	381,729
-	-	-	-	56,890	114,449
-	-	4,500	-	35,068	455,117
-	-	-	30	33,654	52,067
-	-	-	-	22,957	441,408
-	-	-	-	5,471	133,259
-	5,259	3,563	3,475	55,176	83,886
-	-	-	-	17,348	50,014
-	-	-	-	9,209	9,209
-	-	-	-	-	3,244
-	-	-	-	-	672
-	-	-	-	-	\$ 6,012

(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, 2014

	Title I (BA Projects) (201)	IDEA (CA Projects) (203)
254 Operation and Maintenance of Plant:		
300 Purchased Services	\$ -	-
255 Student Transportation (State Mandated):		
300 Purchased Services	-	-
258 Security:		
300 Purchased Services	-	-
400 Supplies and Materials	-	-
260 Central Support Services:		
263 Information Services:		
400 Supplies and Materials	-	-
264 Staff Services:		
300 Purchased Services	-	-
400 Supplies and Materials	-	-
270 Support Services - Pupil Activity:		
271 Pupil Services Activities:		
100 Salaries (Optional)	-	-
200 Employee Benefits (Optional)	-	-
600 Other Objects (Optional)	-	-
Total Support Services	<u>1,172,576</u>	<u>717,284</u>
300 Community Services:		
360 Welfare Services:		
400 Supplies and Materials	-	-
390 Other Community Services:		
100 Salaries	-	-
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>3,803,153</u>	<u>3,214,205</u>
OTHER FINANCING SOURCES (USES)		
Interfund Transfers, From (To) Other Funds:		
431-791 Special Revenue Fund Indirect Costs		
(Use Only for Transfer of Indirect Costs to General Fund)	(100,023)	(84,376)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(100,023)</u>	<u>(84,376)</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
-	-	-	-	2,666	\$ 2,666
-	-	-	-	8,116	8,116
-	-	-	-	2,951	2,951
-	-	-	-	2,049	2,049
-	-	-	-	14,191	14,191
-	-	-	-	717	717
-	-	-	-	1,943	1,943
-	-	-	307	1,640	1,947
-	-	-	23	283	306
-	17,417	-	683	21,857	39,957
-	183,365	8,063	488,261	962,541	3,532,090
-	-	-	-	58,711	58,711
-	-	-	-	8,730	8,730
-	-	-	-	22,336	22,336
-	-	-	-	89,777	89,777
-	-	-	-	213,865	213,865
-	-	-	-	213,865	213,865
107,469	212,692	146,169	1,547,880	4,862,181	13,893,749
(2,854)	(5,388)	(2,515)	-	(6,167)	(201,323)
(2,854)	(5,388)	(2,515)	-	(6,167)	(201,323)
-	-	-	-	(630,496)	(630,496)
-	-	-	-	869,681	869,681
-	-	-	-	239,185	\$ 239,185

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

SPECIAL REVENUE FUND

SUPPLEMENTAL LISTING OF LEA SUBFUND CODES AND TITLES

YEAR ENDED JUNE 30, 2014

OTHER DESIGNATED RESTRICTED STATE GRANTS

919	Education License Plates
926	Summer Reading Camp
928	EEDA Career Specialists
937	Student Health and Fitness - PE Teachers
955	Other Restricted State Grants
960	K-5 Enhancement (Carryover Provision)
965	Digital Instructional Materials
967	6-8 Enhancement (Carryover Provision)

OTHER SPECIAL REVENUE PROGRAMS

221	Title I (Neglected and Delinquent)
237	Title I Focus Schools
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
815	Carroll School
822	Extended School Year
826	Summer School High School
827	JSCG Grant
833	Arts in Education - Northside
858	Toolbox for Education
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
880	Profoundly Mentally Disabled
890	Winthrop Program
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, 2014

Subfund	Revenue	Programs	Revenues	Expenditures	Special Revenue		Special Revenue Fund Unearned
					Interfund Transfers In (Out)	Other Fund Transfers In (Out)	
919	3193	Education License Plates	\$ 2,859	2,859	-	-	\$ -
926	3177	Summer Reading Camp	6,499	6,499	-	-	22,548
928	3118	EEDA Career Specialists	482,263	482,263	-	-	168,660
937	3127	Student Health and Fitness - PE Teachers	223,075	223,075	-	-	39,850
955	3199	Other Restricted State Grants	57,208	57,208	-	-	1,169
960	3610	K-5 Enhancement (Carryover Provision)	653,187	653,187	-	-	-
965	3620	Digital Instructional Materials	95,601	95,601	-	-	-
967	3607	6-8 Enhancement (Carryover Provision)	27,188	27,188	-	-	18,007
Totals			<u>\$ 1,547,880</u>	<u>1,547,880</u>	<u>-</u>	<u>-</u>	<u>\$ 250,234</u>

**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, 2014

	ACTUAL
REVENUES	
3000 Revenue from State Sources:	
3500 Education Improvement Act:	
3502 ADEPT	\$ 14,672
3505 Technology Support	30,525
3509 Arts in Education	29,710
3511 Professional Development	124,963
3518 Formative Assessment	58,545
3525 Career and Technology Education Equipment	166,807
3526 Refurbishment of K- Science Kits	88,378
3532 National Board Certification (NBC) Salary Supplement (No Carryover Provision)	1,732,461
3533 Teacher of the Year Awards	10,765
3538 Student at Risk of School Failure	4,014,393
3540 Early Childhood Program (4K Programs Serving Four-Year-Old Children)	603,401
3544 High Achieving Students	604,548
3550 Teacher Salary Increase (No Carryover Provision)	2,940,799
3555 School Employer Contributions (No Carryover Provision)	391,014
3556 Adult Education	498,507
3558 Reading	78,727
3577 Teacher Supplies (No Carryover Provision)	348,425
3578 High Schools That Work / Making Middle Grades Work	34,686
3581 Student Health and Fitness - Nurses	540,060
3585 Aid to School Districts - Special Education	719,676
3592 Work-Based Learning	63,022
3594 EEDA At Risk Supplemental Programs	21,320
3597 Aid to Districts	838,197
3599 Other EIA	175
Total Revenue from State Sources	<u>13,953,776</u>
TOTAL REVENUE ALL SOURCES	<u>13,953,776</u>

EXPENDITURES

100 Instruction:	
110 General Instruction:	
111 Kindergarten Programs:	
100 Salaries	71,616
200 Employee Benefits	26,033
300 Purchased Services	2,490
400 Supplies and Materials	\$ 1,749

(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, 2014

	<u>ACTUAL</u>
112 Primary Programs:	
100 Salaries	\$ 607,092
200 Employee Benefits	181,824
300 Purchased Services	66,979
400 Supplies and Materials	166,144
113 Elementary Programs:	
100 Salaries	1,355,609
200 Employee Benefits	426,235
300 Purchased Services	31,421
400 Supplies and Materials	265,525
114 High School Programs:	
100 Salaries	976,946
200 Employee Benefits	292,871
300 Purchased Services	262,626
400 Supplies and Materials	137,297
115 Career and Technology Education Program:	
100 Salaries	99,109
200 Employee Benefits	26,775
400 Supplies and Materials	170,447
120 Exceptional Programs:	
121 Educable Mentally Handicapped:	
100 Salaries	33,084
200 Employee Benefits	13,789
400 Supplies and Materials	1,397
122 Trainable Mentally Handicapped:	
100 Salaries	409,723
200 Employee Benefits	144,028
400 Supplies and Materials	836
123 Orthopedically Handicapped:	
100 Salaries	59,484
200 Employee Benefits	27,035
124 Visually Handicapped:	
100 Salaries	60,464
200 Employee Benefits	22,183
400 Supplies and Materials	1,683
126 Speech Handicapped:	
100 Salaries	391,143
200 Employee Benefits	128,617
400 Supplies and Materials	\$ 6,164

(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, 2014

	<u>ACTUAL</u>
127 Learning Disabilities:	
100 Salaries	\$ 141,591
200 Employee Benefits	37,163
400 Supplies and Materials	17,344
128 Emotionally Handicapped:	
100 Salaries	7,500
200 Employee Benefits	1,722
400 Supplies and Materials	841
130 Pre-School Programs:	
133 Preschool Handicapped Self- Contained (5Yr. Olds)	
400 Supplies and Materials	280
137 Preschool Handicapped Self-Contained (3-and 4-Yr.Olds):	
400 Supplies and Materials	275
139 Early Childhood Programs:	
100 Salaries	382,037
200 Employee Benefits	134,290
300 Purchased Services	16,457
400 Supplies and Materials	43,586
140 Special Programs:	
141 Gifted and Talented - Academic:	
100 Salaries	308,396
200 Employee Benefits	99,612
300 Purchased Services	166
400 Supplies and Materials	39,364
143 Advanced Placement:	
400 Supplies and Materials	79,538
148 Gifted and Talented - Artistic:	
100 Salaries	80
200 Employee Benefits	14
300 Purchased Services	62,122
400 Supplies and Materials	8,432
149 Other Special Programs:	
100 Salaries	104,063
200 Employee Benefits	32,784
160 Other Exceptional Programs:	
161 Autism:	
100 Salaries	7,500
200 Employee Benefits	\$ 1,727

(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, 2014

	<u>ACTUAL</u>
170 Summer School Programs:	
171 Primary Summer School:	
400 Supplies and Materials	\$ 5,080
172 Elementary Summer School:	
100 Salaries	13,387
200 Employee Benefits	2,769
300 Purchased Services	1,520
400 Supplies and Materials	309
600 Other Objects	1,120
173 High School Summer School:	
400 Supplies and Materials	2,285
180 Adult/Continuing Educational Programs:	
181 Adult Basic Education Programs:	
100 Salaries	51,446
200 Employee Benefits	11,928
400 Supplies and Materials	233
182 Adult Secondary Education Programs:	
100 Salaries	13,337
200 Employee Benefits	3,221
400 Supplies and Materials	6,089
187 Adult Education - Remedial:	
100 Salaries	11,934
200 Employee Benefits	3,593
188 Parenting/Family Literacy:	
100 Salaries	88,924
200 Employee Benefits	37,059
Total Instruction	<u>8,249,536</u>
200 Support Services:	
210 Pupil Services:	
211 Attendance and Social Work Services:	
100 Salaries	76,112
200 Employee Benefits	30,606
300 Purchased Services	344
212 Guidance Services:	
100 Salaries	206,233
200 Employee Benefits	61,719
300 Purchased Services	11,250
400 Supplies and Materials	15,117
213 Health Services:	
100 Salaries	398,980
200 Employee Benefits	141,080
400 Supplies and Materials	\$ 280

(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, 2014

	<u>ACTUAL</u>
220 Instructional Staff Services:	
221 Improvement of Instruction-Curriculum Development:	
100 Salaries	\$ 353,903
200 Employee Benefits	117,342
300 Purchased Services	176
400 Supplies and Materials	2,395
222 Library and Media:	
100 Salaries	30,000
200 Employee Benefits	6,898
400 Supplies and Materials	60,536
223 Supervision of Special Programs:	
100 Salaries	347,818
200 Employee Benefits	91,894
300 Purchased Services	2,607
400 Supplies and Materials	1
224 Improvement of Instruction-Curriculum Development:	
100 Salaries	43,740
200 Employee Benefits	10,458
300 Purchased Services	184,290
400 Supplies and Materials	27,302
230 General Administration Services:	
233 School Administration:	
100 Salaries	72,276
200 Employee Benefits	24,660
300 Purchased Services	1,591
400 Supplies and Materials	281
250 Finance and Operations Services:	
252 Fiscal Services:	
300 Purchased Services	175
400 Supplies and Materials	18,134
254 Operation and Maintenance of Plant:	
300 Purchased Services	154
260 Central Support Services:	
266 Technology and Data Processing Services:	
400 Supplies and Materials	\$ 30,525

(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, 2014

	ACTUAL
270 Support Services - Pupil Activity:	
271 Pupil Services Activities:	
100 Salaries (Optional)	\$ 430
200 Employee Benefits (Optional)	74
300 Purchased Services (Optional)	400
600 Other Objects (Optional)	2,646
Total Support Services	<u>2,372,427</u>
TOTAL EXPENDITURES	<u>10,621,963</u>
OTHER FINANCING SOURCES (USES)	
Interfund Transfers, From (To) Other Funds:	
420-710 Transfer to General Fund (Exclude Indirect Costs)	(3,331,813)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,331,813)</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, 2014

Program	Revenues	Expenditures	EIA Interfund Transfers In/(Out)	Other Fund Transfers In/(Out)	EIA Fund Unearned Revenue
3500 Education Improvement Act:					
3502 ADEPT	\$ 14,672	14,672	-	-	\$ -
3505 Technology Support	30,525	30,525	-	-	-
3509 Arts in Education	29,710	29,710	-	-	-
3511 Professional Development	124,963	124,963	-	-	72,050
3518 Formative Assessment	58,545	58,545	-	-	-
3525 Career and Technology Education Equipment	166,807	166,807	-	-	3,088
3526 Refurbishment of K-8 Science Kits	88,378	88,378	-	-	50,802
3532 National Board Certification (No Carryover Provision)	1,732,461	1,732,461	-	-	-
3533 Teacher of the Year Awards	10,765	10,765	-	-	-
3538 Student at Risk of School Failure	4,014,393	4,014,393	-	-	85,259
3540 Early Childhood Programs (4K Programs Serving Four-Year Old Children)	603,401	603,401	-	-	284,585
3544 High Achieving Students	604,548	604,548	-	-	193,184
3550 Teacher Salary Increase (No Carryover Provision)	2,940,799	-	-	(2,940,799)	-
3555 School Employer Contributions (No Carryover Provision)	391,014	-	-	(391,014)	-
3556 Adult Education	498,507	498,507	-	-	33,348
3558 Reading	78,727	78,727	-	-	-
3577 Teacher Supplies (No Carryover Provision)	348,425	348,425	-	-	-
3578 High Schools That Work / Making Middle Grades Work	34,686	34,686	-	-	24,470
3581 Student Health and Fitness - Nurses	540,060	540,060	-	-	-
3585 Aid to School Districts - Special Education	719,676	719,676	-	-	-
3592 Work-Based Learning	63,022	63,022	-	-	-
3594 EEDA At Risk Supplemental Programs	21,320	21,320	-	-	45,929
3597 Aid to Districts	838,197	838,197	-	-	135,754
3599 Other EIA	175	175	-	-	-
Totals	\$ 13,953,776	10,621,963	-	(3,331,813)	\$ 928,469

**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
ROTC	N/A	4270 / 295	JROTC	5,178	Will be paid after year-end

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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, 2014

	ACTUAL
REVENUES	
1000 Revenue from Local Sources:	
1100 Taxes:	
1110 Ad Valorem Taxes-Including Delinquent (Fiscally Independent LEA)	\$ 20,599,871
1140 Penalties & Interest on Taxes (Independent)	954,573
1500 Earnings on Investments:	
1510 Interest on Investments	17,897
Total Revenue from Local Sources	<u>21,572,341</u>
3000 Revenue from State Sources:	
3800 State Revenue in Lieu of Taxes:	
3820 Homestead Exemption	764,197
3830 Merchant's Inventory Tax	107,676
3840 Manufacturers Depreciation Reimbursement	395,724
3890 Other State Property Tax Revenues (Includes Motor Carrier Vehicle Tax)	31,131
Total Revenue from State Sources	<u>1,298,728</u>
TOTAL REVENUE ALL SOURCES	<u>22,871,069</u>
EXPENDITURES	
500 Debt Service:	
610 Redemption of Principal	16,305,000
620 Interest	6,081,309
690 Other Objects (Includes Fees for Servicing Bonds)	139,561
Total Debt Service	<u>22,525,870</u>
TOTAL EXPENDITURES	<u>22,525,870</u>
OTHER FINANCING SOURCES (USES)	
5110 Premium on Bonds Sold	1,181,309
5130 Issuance of General Obligation Refunding Bonds	16,170,000
441-720 Payment to Refunded Debt Escrow Agent	(17,216,235)
Interfund Transfers, From (To) Other Funds:	
5250 Transfer from Capital Projects Fund	964,066
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,099,140</u>
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>1,444,339</u>
FUND BALANCE, Beginning of Year	<u>11,825,340</u>
FUND BALANCE, End of Year	<u>\$ 13,269,679</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, 2014

	<u>ACTUAL</u>
REVENUES	
1000 Revenue from Local Sources:	
1500 Earnings on Investments:	
1510 Interest on Investments	\$ 17,609
Total Revenue from Local Sources	<u>17,609</u>
TOTAL REVENUE ALL SOURCES	<u>17,609</u>
EXPENDITURES	
250 Finance and Operations:	
253 Facilities Acquisition & Construction:	
300 Purchased Services	1,790,757
400 Supplies and Materials	4,979,611
500 Capital Outlay:	
510 Land	239,747
520 Construction Services	1,502,810
530 Improvements Other Than Buildings	507,371
540 Equipment	172,591
545 Technology, Equipment and Software	1,183,835
550 Vehicles	137,266
Total Support Services	<u>10,513,988</u>
TOTAL EXPENDITURES	<u>10,513,988</u>
OTHER FINANCING SOURCES (USES)	
5120 Issuance of General Obligation Bonds	5,000,000
5400 Proceeds from Long-Term Notes	3,100,000
Interfund Transfers, From (To) Other Funds:	
423-710 Transfer to Debt Service Fund	(964,066)
TOTAL OTHER FINANCING SOURCES (USES)	<u>7,135,934</u>
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	(3,360,445)
FUND BALANCE, Beginning of Year	<u>8,902,111</u>
FUND BALANCE, End of Year	<u>\$ 5,541,666</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, 2014

	ACTUAL
REVENUES	
1000 Revenues from Local Sources:	
1500 Earnings on Investments:	
1510 Interest on Investments	\$ 15,942
1600 Food Service:	
1610 Lunch Sales to Pupils	1,064,990
1620 Breakfast Sales to Pupils	105,730
1630 Special Sales to Pupils	361,440
1640 Lunch Sales to Adults	82,806
1650 Breakfast Sales to Adults	5,183
1660 Special Sales to Adults	10,501
Total Revenue from Local Sources	<u>1,646,592</u>
4000 Revenue from Federal Sources:	
4800 USDA Reimbursement:	
4810 School Lunch and After School Snacks Program	4,270,684
4830 School Breakfast Program	1,276,516
4900 Other Federal Sources:	
4991 USDA Commodities (Food Distribution Program) (Carryover Provision)	392,699
Total Revenue from Federal Sources	<u>5,939,899</u>
TOTAL REVENUE ALL SOURCES	<u>7,586,491</u>
EXPENSES	
256 Food Service:	
100 Salaries	1,157,799
200 Employee Benefits	464,701
300 Purchased Services (Exclude Gas, Oil, Electricity and Other Heating Fuels)	5,088,483
400 Supplies and Materials (Include Gas, Oil, Electricity and Other Heating Fuels)	456,503
500 Capital Outlay	186,991
Total Food Services Expenses	<u>7,354,477</u>
TOTAL EXPENSES	<u>\$ 7,354,477</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, 2014

	ACTUAL
OTHER FINANCING SOURCES (USES)	
5300 Sale of Fixed Assets	\$ 15,325
Interfund Transfers, From (To) Other Funds:	
5210 Transfer from General Fund (Excludes Indirect Costs)	274,474
432-791 Food Service Fund Indirect Costs	(600,000)
TOTAL OTHER FINANCING SOURCES (USES)	(310,201)
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	(78,187)
FUND NET POSITION, Beginning of Year	4,413,677
FUND NET POSITION, End of Year	\$ 4,335,490

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, 2014

	ACTUAL
RECEIPTS	
1000 Receipts from Local Sources:	
1700 Pupil Activities:	
1710 Admissions	\$ 263,751
1720 Bookstore Sales	578
1730 Pupil Organization Membership Dues and Fees	39,447
1740 Student Fees	146,754
1790 Other	2,710,432
1900 Other Revenue from Local Sources	
1920 Contributions & Donations Private Sources	349
Total Receipts from Local Sources	<u>3,161,311</u>
TOTAL RECEIPTS ALL SOURCES	<u>3,161,311</u>
DISBURSEMENTS	
190 Instructional Pupil Activity:	
300 Purchased Services (Optional)	272
400 Supplies and Materials (Optional)	32,483
600 Other Objects (Optional)	145
Total Instruction	<u>32,900</u>
270 Support Services Pupil Activity:	
271 Pupil Service Activities:	
100 Salaries (Optional)	248,509
200 Employee Benefits (Optional)	45,520
300 Purchased Services (Optional)	409,024
400 Supplies and Materials (Optional)	1,973,401
500 Capital Outlay (Optional)	16,903
660 Pupil Activity	537,704
Total Pupil Activity Expenditures	<u>3,231,061</u>
TOTAL DISBURSEMENTS	<u>3,263,961</u>
OTHER FINANCING SOURCES (USES)	
Interfund Transfers, From (To) Other Funds:	
5210 Transfer from General Fund (Excludes Indirect Costs)	7,049
TOTAL OTHER FINANCING SOURCES (USES)	<u>7,049</u>
EXCESS/DEFICIENCY OF RECEIPTS OVER DISBURSEMENTS	(95,601)
DUE TO STUDENT ORGANIZATIONS, Beginning of Year	<u>1,014,768</u>
DUE TO STUDENT ORGANIZATIONS, End of Year	<u>\$ 919,167</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, 2014

	Balance at July 1, 2013	Additions	Deductions	Balance at June 30, 2014
ASSETS				
Cash and Cash Equivalents	\$ 11,602	-	(6,263)	\$ 5,339
Receivables	1,182,166	-	(268,338)	913,828
TOTAL ASSETS	\$ 1,193,768	-	(274,601)	\$ 919,167
LIABILITIES				
Due to Student Organizations	\$ 1,193,768	-	(274,601)	\$ 919,167
TOTAL LIABILITIES	\$ 1,193,768	-	(274,601)	\$ 919,167

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, 2014

LOCATION ID	LOCATION DESCRIPTION	EDUCATION LEVEL	COST TYPE	TOTAL EXPENDITURES
00	District Office	Non-Schools	Central	\$ 29,050,683
02	Bellevue Elementary	Elementary Schools	School	3,302,624
04	Castle Heights Middle	Middle Schools	School	5,544,002
05	Central Child Dev. Center	Other Schools	School	1,685,013
06	Ebenezer Elementary	Elementary Schools	School	2,590,289
07	Dutchman Creek Middle	Middle Schools	School	5,690,431
08	Ebinport Elementary	Elementary Schools	School	3,589,344
10	Edgewood Elementary	Elementary Schools	School	6,301
14	Finley Road Elementary	Elementary Schools	School	3,240,774
16	Independence Elementary	Elementary Schools	School	3,293,625
18	India Hook Elementary	Elementary Schools	School	3,582,446
20	Leslie Elementary	Elementary Schools	School	2,735,653
22	Mt. Gallant Elementary	Elementary Schools	School	3,010,670
23	Mt. Holly Elementary	Elementary Schools	School	3,268,594
24	Northside Elementary	Elementary Schools	School	4,140,002
26	Northwestern High	High Schools	School	11,256,239
28	Oakdale Elementary	Elementary Schools	School	3,286,920
29	Old Pointe Elementary	Elementary Schools	School	3,494,567
30	Rawlinson Road Middle	Middle Schools	School	5,104,450
31	Renaissance Academy	Other Schools	School	426,136
32	Richmond Drive Elementary	Elementary Schools	School	3,740,655
33	T-3	Other Schools	School	264,409
34	ParentSmart	Other Schools	School	629,404
36	Applied Technology Center	Other Schools	School	2,873,716
38	Rock Hill High	High Schools	School	12,548,041
40	Rosewood Elementary	Elementary Schools	School	3,847,538
41	South Pointe High	High Schools	School	9,309,449
42	Sullivan Middle	Middle Schools	School	5,763,618
44	Sunset Park Elementary	Elementary Schools	School	3,045,788
46	The Children's School	Other Schools	School	2,738,402
48	York Road Elementary	Elementary Schools	School	2,736,734
49	Phoenix Academy	Other School	School	1,405,122
50	Saluda Trail Middle	Middle Schools	School	6,458,513
60	Office of Superintendent	Non-Schools	Central	397,224
65	Health Services	Non-Schools	Central	33,100
66	Facilities Services	Non-Schools	Central	5,782,005
68	Food Service	Non-Schools	Central	5,182,963
70	Transportation	Non-Schools	Central	4,161,377
72	Purchasing	Non-Schools	Central	164,852
76	Adult Education	Other Schools	School	872,608
78	Personnel	Non-Schools	Central	1,089,813
80	Finance	Non-Schools	Central	2,742,640
81	Administrative Services	Non-Schools	Central	375,962
82	Information Services	Non-Schools	Central	\$ 165,233

(Continued)

ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA

LOCATION RECONCILIATION SCHEDULE

YEAR ENDED JUNE 30, 2014

LOCATION ID	LOCATION DESCRIPTION	EDUCATION LEVEL	COST TYPE	TOTAL EXPENDITURES
83	Student Services	Non-Schools	Central	\$ 297,065
84	Planning	Non-Schools	Central	8,124,929
85	Community Partnerships	Non-Schools	Central	156,697
86	Exceptional Student Education	Non-Schools	Central	7,321,097
88	District 3 Stadium South	Non-Schools	Central	54,670
89	Stadium	Non-Schools	Central	254,929
90	Board of Trustees	Non-Schools	Central	1,609,895
92	Rock Hill School District	Non-Schools	Central	612,302
95	Flexible Learning Center	Other Schools	School	424,556
219	Rebound	Other Schools	School	716,927
660	Instruction/Accountability	Non-Schools	Central	4,984,901
TOTAL EXPENDITURES / EXPENSES / DISBURSEMENTS FOR ALL FUNDS				\$ 199,185,897

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

General Fund	\$ 131,011,889
Special Revenue Fund	13,893,749
Special Revenue - EIA Fund	10,621,963
Debt Service Fund	22,525,870
Capital Projects Fund	10,513,988
Food Service - Enterprise Fund	7,354,477
Pupil Activity Fund	3,263,961
TOTAL EXPENDITURES / EXPENSES / DISBURSEMENTS FOR ALL FUNDS	\$ 199,185,897

Statistical Section

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.

Page Number

Financial Trends

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

124

Revenue Capacity

These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.

131

Debt Capacity

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.

134

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within the District's financial activities take place.

138

Operating Information

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.

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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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental Activities										
Net Investment in Capital Assets	\$ 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	\$ 106,712,350
Restricted	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	13,658,075
Unrestricted	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	33,842,492
Total Governmental Activities Net Position	\$ 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	\$ 154,212,917
Business-Type Activities										
Net Investment in Capital Assets	\$ 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	\$ 987,277
Unrestricted	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	3,348,213
Total Business-Type Activities Net Position	\$ 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	\$ 4,335,490
Primary Government										
Net Investment in Capital Assets	\$ 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	\$ 107,699,627
Restricted	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	13,658,075
Unrestricted	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	37,190,705
Total Primary Government Net Position	\$ 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	\$ 158,548,407

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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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental Activities:										
Instruction	\$ 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	\$ 102,070,630
Support Services	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	69,489,646
Community Services	143,103	100,842	122,819	228,669	227,383	155,787	271,863	170,605	253,614	246,477
Intergovernmental	2,060,147	2,249,568	835,277	715,125	618,141	443,738	-	-	-	-
Interest and Other Charges	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	5,324,113
Depreciation	4,297,929	5,311,817	5,876,110	6,309,334	7,812,007	7,626,426	-	-	-	-
Total Governmental Activities Expenses	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	177,130,866
Business-Type Activities:										
Food Services	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	7,354,477
Total Business-Type Activities Expenses	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	7,354,477
Total Primary Government Expenses	\$ 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	\$ 184,485,343
Program Revenues										
Governmental Activities:										
Charges for Services:										
Instruction	\$ 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	\$ 1,989,878
Operating Grants and Contributions	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	79,184,893
Capital Grants and Contributions	2,901,214	187,900	-	517,685	366,835	-	-	-	-	-
Total Governmental Activities Program Revenues	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	81,174,771
Business-Type Activities:										
Charges for Services:										
Food Service	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	1,630,650
Operating Grants and Contributions	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	5,939,899
Capital Grants and Contributions	193,337	267,797	-	138,845	415,754	-	-	-	-	-
Total Business-Type Activities Program Revenues	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	7,570,549
Total Primary Government Program Revenues	\$ 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	\$ 88,745,320
Net (Expense)/Revenue										
Governmental Activities	\$ (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)	\$ (95,956,095)
Business-Type Activities	206,919	302,760	(404,268)	(1,013,833)	2,541	249,454	352,660	48,928	608,246	216,072
Total Primary Government Net (Expense)/Revenue	\$ (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)	\$ (95,740,023)

(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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes by Source:										
Property Tax - General Operations	\$ 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	\$ 44,064,503
Property Tax - Debt Service	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	22,856,211
Unrestricted Grants and Contributions	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	29,053,601
Unrestricted Investment Earnings	1,128,341	2,400,664	3,715,398	2,749,129	501,762	127,474	100,673	168,407	147,499	113,068
Miscellaneous	218,986	48,855	823,714	8,178	2,068	25,213	-	1,448,639	2,019,531	1,210,836
Transfers	-	-	-	(430,649)	(423,404)	(459,951)	(223,404)	(65,825)	523,501	325,526
Total Governmental Activities	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	97,623,745
Business-Type activities:										
Unrestricted Investment Earnings	-	-	-	-	-	-	-	14,814	12,836	15,942
Transfers	-	-	-	430,649	423,404	459,951	223,404	65,825	(523,501)	(325,526)
Total Business-Type Activities	-	-	-	430,649	423,404	459,951	223,404	80,639	(510,665)	(309,584)
Special Items - Loss on Disposal of Assets	-	-	-	-	(37,342)	-	-	-	-	-
Total Primary Government	\$ 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	\$ 97,314,161
Change in Net Position:										
Governmental Activities	\$ 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	\$ 1,667,650
Business-Type Activities	206,919	302,760	(404,268)	(583,184)	425,945	709,405	576,064	129,567	97,581	(93,512)
Total Primary Government	\$ 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	\$ 1,574,138

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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Non-Spendable	\$ -	-	-	-	-	-	326,039	435,929	2,663,073	\$ 591,363
Assigned	-	-	-	-	-	-	1,010,612	2,400,000	-	1,375,086
Unassigned	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	21,129,360
Total General Fund	\$ 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	\$ 23,095,809
All Other Governmental Funds										
Restricted	\$ 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	\$ 13,508,864
Assigned	-	-	-	-	-	-	-	5,000,000	5,000,000	5,541,666
Total All Other Governmental Funds	\$ 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	\$ 19,050,530

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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Local Sources:										
Property Taxes	\$ 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	\$ 68,224,602
Interest	1,128,341	2,400,664	3,715,398	2,749,128	501,762	127,474	203,005	168,407	147,499	113,068
Other Local Sources	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	3,859,609
State Sources	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	96,524,326
Federal Sources	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	8,770,743
Intergovernmental Revenue	880,784	677,328	332,652	309,937	311,689	511,829	501,949	526,294	539,799	289,681
Total Revenues	\$ 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	\$ 177,782,029
Expenditures										
Current:										
Instruction	\$ 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	\$ 95,699,737
Support Services	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	64,906,549
Community Services	143,103	100,842	122,819	228,669	227,383	155,787	271,863	170,606	253,621	246,477
Intergovernmental	2,060,147	2,249,568	676,787	373,736	618,141	443,738	399,247	483,744	419,962	474,715
Debt Service:										
Principal	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	16,850,412
Interest and Fiscal Charges	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	6,469,951
Other Charges	2,229	2,175	2,474	2,300	2,432	1,342	119,939	319,966	57,272	139,561
Capital Outlay	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	3,780,057
Total Expenditures	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	188,567,459
Excess of Revenues Over (Under) Expenditures	(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)	(10,785,430)
Other Financing Sources (Uses)										
Issuance of General Obligation Bond Anticipation Note	-	-	-	-	12,500,000	24,221,529	-	-	-	-
Premium on Bonds Sold	30,235	313,249	1,401,390	-	-	-	3,877,503	2,030,774	761,444	1,181,309
Issuance of Refunding Bonds	-	23,015,000	1,500,000	-	-	-	23,180,000	15,595,000	-	19,270,000
Payment to Refunded Debt Escrow Agent	-	(23,244,860)	10,344,843	-	-	-	(26,611,428)	(17,005,514)	-	(17,216,235)
Issuance of General Obligation Bonds	5,500,000	23,000,000	63,000,000	-	-	-	5,000,000	5,000,000	6,000,000	5,000,000
Proceeds from the sale of capital assets	-	-	-	-	-	-	121,072	58,028	977,081	43,933
Transfers In	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	5,097,202
Transfers Out	(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)	(4,771,676)
Total Other Financing Sources (Uses)	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	8,604,533
Net Change in Fund Balances	\$ (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	\$ (2,180,897)
Capital Asset Expenditures	\$ 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	\$ 5,050,057
Debt Service as a Percentage of Noncapital ¹ Expenditures	12.2%	11.3%	12.2%	11.4%	11.5%	13.0%	0	13.5%	12.8%	12.7%

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 Real Property	Assessed Real Property Personal Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Tax Value	Assessed Value as a Percentage of Actual Value
2005	280,241,469	49,482,501	329,723,970	172.30	6,537,960,149	5.0%
2006	281,774,107	47,473,262	329,247,369	169.60	6,852,831,060	5.7%
2007	282,297,550	46,772,151	329,069,701	179.00	6,635,971,754	5.0%
2008	324,339,756	46,430,670	370,770,426	188.40	6,997,510,437	5.3%
2009	347,078,632	43,718,911	390,797,543	188.90	7,225,655,968	5.4%
2010	361,996,207	43,031,135	405,027,342	193.40	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	389,201,717	40,163,412	429,365,129	193.40	7,654,352,043	5.6%
2013	390,008,847	43,190,179	433,199,026	193.40	7,892,696,945	5.5%
2014	396,460,826	48,187,492	444,648,318	193.40	8,052,593,118	5.5%

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 Rates ¹		Total Direct and Overlapping Rates
			City of Rock Hill Millage (1)	York County Millage (2)	
2005	2004	170.500	102.000	62.200	334.700
2006	2005	172.300	102.000	66.800	341.100
2007	2006	169.600	95.000	62.600	327.200
2008	2007	179.000	95.000	66.000	340.000
2009	2008	188.400	95.000	66.000	349.400
2010	2009	188.900	95.000	66.000	349.900
2011	2010	193.400	95.000	66.000	354.400
2012	2011	193.400	93.500	62.500	349.400
2013	2012	193.400	93.500	62.500	349.400
2014	2013	193.400	93.500	64.500	351.400

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, 2014

UNAUDITED

Taxpayer	2014			2005		
	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.*	\$ 22,856,770	1	5.1%	\$ 32,288,051	1	9.8%
Rock Hill Telephone Company	7,648,020	2	1.7%	6,145,124	2	1.9%
Amisub of SC Inc.	3,484,038	3	0.8%	3,187,668	4	1.0%
Duke Energy Corporation/Duke Power Company	2,777,858	4	0.6%	1,727,578	7	0.5%
Tyco Electronics Corporation*	2,090,230	5	0.5%	1,753,581	6	0.5%
Atotech USA Inc.*	2,037,051	6	0.5%	1,888,502	5	0.6%
Piedmont Medical Center	1,928,806	7	0.4%			
York Electric Coop. Inc.	1,867,520	8	0.4%	1,521,340	8	0.5%
Inchem Corp.	1,114,440	9	0.3%	1,253,882	10	0.4%
FPRO 401 LCC Etal	1,018,500	10	0.2%	-		
Celanese Acetate LLC	-			5,909,208	3	1.8%
Transaxle Manufacturing*				1,431,915	9	0.4%
Totals	<u>\$ 46,823,233</u>		<u>10.5%</u>	<u>\$ 57,106,849</u>		<u>17.3%</u>

Source: York County Auditor

*Denotes FILOT

**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
2005	\$ 66,408,876	\$ 63,652,835	95.8%	\$ 1,390,761	\$ 65,043,596	97.9%
2006	68,424,744	64,940,073	94.9%	1,143,280	66,083,353	96.6%
2007	74,113,224	70,067,798	94.5%	1,069,189	71,136,987	96.0%
2008	83,040,915	80,179,252	96.6%	26,271	80,205,523	96.6%
2009	87,358,630	84,378,226	96.6%	117,775	84,496,001	96.7%
2010	88,652,889	84,529,097	95.3%	502,074	85,031,171	95.9%
2011	90,229,762	85,649,832	94.9%	2,500,575	88,150,407	97.7%
2012	92,842,158	88,620,871	95.5%	1,787,383	90,408,254	97.4%
2013	94,553,305	90,327,448	95.5%	1,439,117	91,766,565	97.1%
2014	\$ 97,353,775	\$ 93,321,631	95.9%	\$ -	\$ 93,321,631	95.9%

Source: York County Government

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		Percentage of Personal Income	Per Capita
	General Obligation Bonds			
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
2014	\$	125,856,000	1.50%	526

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
2005	\$ 116,895,000	3,499,617	\$ 113,395,383	1.7%	\$ 617
2006	129,975,000	3,696,239	126,278,761	1.9%	664
2007	181,845,000	5,213,386	176,631,614	2.5%	887
2008	170,500,000	5,818,538	164,681,462	2.3%	789
2009	157,525,000	7,334,465	150,190,535	2.0%	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	1.5%	583
2013	136,521,000	11,825,340	124,695,660	1.5%	531
2014	\$ 125,856,000	13,269,679	\$ 112,586,321	1.5%	470

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, 2014

UNAUDITED

Governmental Unit	Governmental Activities Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt Repaid with Property Taxes:			
City of Rock Hill	\$ 17,375,000	100.0%	\$ 17,375,000
York County Government	\$ 49,816,918	100.0%	49,816,918
Subtotal, Overlapping Debt			67,191,918
Rock Hill School District Three Debt			125,856,000
Total Direct and Overlapping Debt			\$ 193,047,918

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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt Limit	26,339,790	27,235,860	29,661,634	31,263,803	32,402,187	32,474,754	33,294,163	\$ 35,571,865	\$ 34,655,922	\$ 35,571,865
Total Net Debt Applicable to Debt Limit	6,117,350	7,498,765	14,118,450	12,620,000	11,000,000	11,000,000	13,365,000	12,646,000	12,331,000	12,646,000
Legal Debt Margin	20,222,440	19,737,095	15,543,184	18,643,803	21,402,187	21,474,754	19,929,163	\$ 22,925,865	\$ 22,324,922	\$ 22,925,865
Total Net Debt Applicable to Debt Limit as a Percentage of Debt Limit	23.2%	27.5%	47.6%	40.4%	33.9%	33.9%	40.1%	35.6%	35.6%	35.6%

Legal Debt Margin Calculation for Fiscal Year 2014

Total Assessed Value	\$ 444,648,318
Debt Limit (8% of Total Assessed Value)	35,571,865
Amount of Debt Applicable to Debt Limit:	
Total Bonded Debt	125,856,000
Less: Debt Issued Through Referendum	(113,210,000)
Total Amount of Debt Applicable to Debt Limit	12,646,000
Legal Debt Margin	\$ 22,925,865

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
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%
2014	239,363	\$ 8,364,650	35,649	17,545	7.2%

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 SIX YEARS AGO

UNAUDITED

Employer	2014			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	14,319		14.43%	11,809		12.08%

Source: York County Government and South Carolina Virtual Onestop.

Note: These figures represent Top County Employers. Information for the 2005 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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental Activities										
Instruction	1,320	1,387	1,492	1,664	1,660	1,607	1,453	1,381	1,464	1,450
Support Services	497	548	568	610	614	632	644	648	581	754
Community Services	2	2	2	3	3	1	1	1	1	1
Business-Type Activities										
Food Services	117	128	124	183	184	139	132	128	118	2
Total	1,936	2,065	2,186	2,460	2,461	2,379	2,230	2,158	2,164	2,207

**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			
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%
2014	17,545	\$ 161,327,478	\$ 9,195	5.8%	1,326	13	58.9%

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)
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
2014	33,544	73,489	50,760	48,375

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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<u>Elementary Schools</u>										
Bellview (1955)										
Square Feet	58,797	58,797	58,797	58,797	58,797	58,797	58,797	58,797	74,311	74,311
Capacity		600	600	600	600	600	600	600	690	690
Enrollment	564	557	572	587	460	465	429	465	476	443
Ebenezer (1987)										
Square Feet	47,162	47,162	47,162	47,162	47,162	47,162	47,162	47,162	45,189	45,189
Capacity		340	340	340	340	340	340	340	391	391
Enrollment	351	353	360	354	317	316	293	337	353	307
Ebinport (1949)										
Square Feet	58,271	58,271	58,271	58,271	58,271	58,271	58,271	58,271	63,795	63,795
Capacity		500	500	500	500	500	500	500	600	600
Enrollment	443	496	509	490	533	549	506	574	576	606
Finley Road (1957)										
Square Feet	55,837	55,837	55,837	55,837	55,837	55,837	55,837	55,837	64,140	64,140
Capacity		560	560	560	560	560	560	560	644	644
Enrollment	433	458	481	552	495	507	461	420	411	411
Independence (1978)										
Square Feet	58,485	58,485	58,485	58,485	58,485	58,485	58,485	58,485	61,690	61,690
Capacity		540	540	540	540	540	540	540	621	621
Enrollment	501	494	531	484	501	523	517	557	574	538
India Hook (2007)										
Square Feet	-	-	-	74,979	74,979	74,979	74,979	74,979	75,979	75,979
Capacity		-	-	600	600	600	600	600	690	690
Enrollment	-	-	-	446	506	514	538	598	602	615

(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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<u>Elementary Schools (continued)</u>										
Lesslie (1954)										
Square Feet	44,264	44,264	44,264	44,264	44,264	44,264	44,264	44,264	56,762	56,762
Capacity		520	520	520	520	520	520	520	598	598
Enrollment	527	519	511	512	490	489	446	379	381	370
Mt. Gallant (1978)										
Square Feet	58,782	58,782	58,782	58,782	58,782	58,782	58,782	58,782	69,307	69,307
Capacity		560	560	560	560	560	560	560	567	567
Enrollment	545	565	602	554	501	489	457	459	464	474
Mt. Holly (2008)										
Square Feet	-	-	-	-	74,979	74,979	74,979	74,979	75,979	75,979
Capacity		-	-	-	600	600	600	600	644	644
Enrollment	-	-	-	-	500	510	522	490	494	486
Northside (1951)										
Square Feet	50,951	51,719	51,719	51,719	51,719	51,719	51,719	50,951	59,407	59,407
Capacity		480	480	480	480	480	480	480	552	552
Enrollment	428	445	485	484	353	376	405	510	510	533
Oakdale (1949)										
Square Feet	59,045	59,045	59,045	59,045	59,045	59,045	59,045	59,045	58,019	58,019
Capacity		540	540	540	540	540	540	540	621	621
Enrollment	591	610	615	663	476	478	396	387	393	397
Old Pointe (2002)										
Square Feet	78,975	91,215	91,215	91,215	91,215	91,215	91,215	91,215	88,534	88,534
Capacity		600	600	600	600	600	600	600	690	690
Enrollment	584	596	687	690	615	611	565	550	569	577

(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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<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	70,072	70,072
Capacity		520	520	520	520	520	520	520	598	598
Enrollment	505	519	582	524	524	504	464	535	529	595
Rosewood (1960)										
Square Feet	57,493	56,011	56,011	56,011	56,011	56,011	56,011	56,011	69,639	69,639
Capacity		600	600	600	600	600	600	600	690	690
Enrollment	586	620	707	586	604	589	557	604	615	613
Sunset Park (1954)										
Square Feet	58,203	58,203	58,203	58,203	58,203	58,203	58,203	58,203	74,452	74,452
Capacity		560	560	560	560	560	560	560	644	644
Enrollment	303	323	293	264	444	444	460	478	477	449
Sylvia Circle (1950)										
Square Feet	48,453	48,453	48,453	48,453	48,453	48,453	48,453	48,453	54,442	54,442
Capacity		400	400	400	400	400	400	400	460	460
Enrollment	265	286	256	304	389	389	382	411	463	361
York Road (1971)										
Square Feet	60,708	60,726	60,726	60,726	60,726	60,726	60,726	60,726	58,546	58,546
Capacity		520	520	520	520	520	520	520	598	598
Enrollment	528	484	511	474	489	326	450	385	388	365
<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	1,144
Enrollment	936	921	900	871	788	783	817	763	757	799

(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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<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	1,144	1,144
Enrollment	-	-	-	-	875	876	893	929	929	909
Rawlinson Road (1972)										
Square Feet	99,101	129,471	139,401	139,401	139,401	139,401	139,401	139,401	126,471	126,471
Capacity		975	1,150	1,150	1,150	1,150	1,150	1,150	1,196	1,196
Enrollment	1,050	1,070	1,077	1,075	704	708	724	644	646	624
Saluda Trail (1999)										
Square Feet	161,419	161,419	161,419	161,419	161,419	161,419	161,419	161,419	162,919	162,919
Capacity		1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,040	1,040
Enrollment	873	846	868	907	866	864	799	818	818	766
Sullivan (1959)										
Square Feet	150,790	150,790	150,790	150,790	150,790	150,790	150,790	150,790	150,790	150,790
Capacity		1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,352	1,352
Enrollment	1,111	1,063	1,060	975	751	723	765	784	781	824
<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
Capacity		1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,976	1,976
Enrollment	2,443	2,089	1,844	1,701	1,791	1,721	1,734	1,743	1,731	1,780
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
Capacity		2,075	2,075	2,075	2,075	2,075	2,075	2,075	2,158	2,158
Enrollment	2,370	2,172	2,121	2,050	1,998	1,932	1,952	1,959	1,965	1,930

(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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
High Schools (continued)										
Southe Pointe (2005)										
Square Feet	-	364,448	364,448	364,448	364,448	364,448	364,448	364,448	354,424	354,424
Capacity		1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,872	1,872
Enrollment	-	744	1,060	1,289	1,415	1,386	1,467	1,417	1,407	1,305

Sources: School District Facilities Office

Note: Year of original constructions is shown in parentheses. Increases in square footage and capacity are thr 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.

Compliance Section

ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2014

LEA Subfund Code	Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass Through Grantor's Number	Federal Expenditures
US Department of Agriculture				
Pass-through State Department of Education:				
600	National School Breakfast Program	10.553	N/A	\$ 1,276,516
600	National School Lunch Program - Cash Assistance	10.555	N/A	4,270,684
600	National School Lunch Program - Non-Cash Assistance	10.555	N/A	392,699
Total 10.553 & 10.555				5,939,899
Total Passed Through State Department of Education				5,939,899
Total US Department of Agriculture				5,939,899
US Department of Education				
Pass-through State Department of Education:				
201	Title I	84.010	13BA091	3,903,176
221	Title I - Neglected and Delinquent	84.010	13ND091	77,507
221	Title I - Neglected and Delinquent	84.010	14ND091	66,278
237	Title I - School Improvement	84.010A	13FO091	51,382
Total 84.010 & 84.010A				4,098,343
Individuals with Disabilities Education Act:				
203	IDEA	84.027A	13CA091	935,513
203	IDEA	84.027A	14CA091	2,363,068
205	IDEA - Preschool Handicapped	84.173	13CG091	4,250
205	IDEA - Preschool Handicapped	84.173	14CG091	106,073
280	Private School Placement	84.027	14CE091	14,430
822	Extended School Year	84.027	14CE091	21,053
Total 84.027A, 84.173, & 84.027				3,444,387
207	Occupational Education	84.048A	14VA091	218,080
240	SC School Climate Initiative (SCSCI)	84.184Y	13CP091	11,342
240	SC School Climate Initiative (SCSCI)	84.184Y	14CP091	51,129
243	Adult Education	84.002	13EA091	7,731
243	Adult Education	84.002	14EA091	109,483
243	Adult Education	84.002	14ED091	6,000
243	Adult Education	84.002	13EZ091	-
264	Title III - English Language Acquisition	84.365A	13BP091	52,044
264	Title III - English Language Acquisition	84.365A	14BP091	51,776
267	Title II - Improving Teacher Quality	84.367A	13TQ091	32,960
267	Title II - Improving Teacher Quality	84.367A	14TQ091	443,661
894	Title VII	84.060A	S060A132454	17,553
867	Advanced Placement Test Fee Program	84.330B	N/A	3,414
Total Passed Through State Department of Education				8,547,903
Total US Department of Education				\$ 8,547,903

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, 2014

LEA Subfund Code	Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass Through Grantor's Number	Federal Expenditures
US Department of Defense				
295	Direct Programs: JROTC	12.000	N/A	\$ 164,093
	Total US Department of Defense			164,093
US Department of Labor				
827	Direct Programs: Jobs for America's Graduates	17.278	13JAG110	58,747
	Total US Department of Labor			58,747
	TOTAL FEDERAL ASSISTANCE EXPENDED			\$ 14,710,642

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, 2014

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, 2014. All federal awards received directly from the federal agencies, as well as those passed through other government agencies, are included on the Schedule.

B – Basis of Accounting

The accompanying Schedule is presented using the modified accrual basis of accounting, which is described in the notes to the 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, 2014, 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 20, 2014. Our report includes a reference to another auditor who audited the financial statements of the discretely presented component unit, as described in our report on the District's financial statements. This report does not include the results of the other audit's testing of internal control over financial reporting or compliance and other matters that are reported on separately by that auditor.

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 item 2014-001, that we consider to be a significant deficiency.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's Response to the Finding

The District's response to the finding identified in our audit is 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 the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Greene, Finney & Horton, LLP
Mauldin, South Carolina
November 20, 2014

**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, 2014. 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, 2014.

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 20, 2014

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2014

There were no federal award related findings in the prior year.

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

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

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010 and 84.010A	Title I Cluster
84.027, 84.027A and 84.173	Individuals with Disabilities Education Act Cluster

Dollar threshold used to distinguish between type A and type B programs:	<u> </u> \$ <u> 441,319 </u>
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Auditee qualified as low-risk auditee?	<u> X </u> Yes	<u> </u> No
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**ROCK HILL SCHOOL DISTRICT THREE
ROCK HILL, SOUTH CAROLINA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2014

Section II – Current Year Financial Statement Findings

2014-001: 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 five 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 contained an additional accounting staff member hired during the year. In addition, an internal audit function will be added to the 2014-2015 budget and goals have been established by the superintendent that involve a new focus on finances. An integral part of a principal's evaluation will be the financial management at their school and the Executive Director of Finance will be a part of the evaluation process with each school.

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2014

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

No matters to report.