

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

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2016**



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

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ROCK HILL, SOUTH CAROLINA**

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**ROCK HILL SCHOOL DISTRICT THREE  
ADMINISTRATIVE CHART  
AS OF 6/30/16**

**Board of Trustees**

Rock Hill School District Three (“District”) is governed by a seven member Board of Trustees elected at large by the registered voters in the 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.

<b><u>Name</u></b>	<b><u>Occupation</u></b>	<b><u>Number of Years of Service</u></b>
Mr. Walter Brown, Sr.	Volunteer	15
Mrs. Mildred Douglas	Retired Educator	15
Mr. Terry Hutchinson	Master Automotive Technician	4
Ms. Elizabeth “Ann” Reid	College Instructor	15
Dr. Jane Sharp	Retired Educator	6
Mrs. Helena Miller	Community Volunteer	2
Mr. Jim Vining (Chair)	Management Consultant	17

**District Personnel**

<b><u>Name</u></b>	<b><u>Position</u></b>
Dr. Kelly 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	Chief Financial Officer

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# Financial Section

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# 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, 2016, 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 \$494,691, \$171,570 and \$804,990, respectively, in assets, net position, and revenues. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Rock Hill School District Three, South Carolina, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

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

### ***Supplementary 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 supplementary information and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Greene, Finney & Horton, LLP  
Mauldin, South Carolina  
November 28, 2016

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

**MANAGEMENT'S DISCUSSION & ANALYSIS**

**YEAR ENDED JUNE 30, 2016**

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**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, 2016 ("2016") compared to the fiscal year ended June 30, 2015 ("2015"). 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 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 2016 are as follows:

- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year yielding a negative net position of approximately (\$1.1) million. Of this amount, approximately (\$132.3) million was a negative unrestricted net position.
- The District's total net position increased by approximately \$7.8 million compared to an approximately \$6.5 million increase in the prior year. This change in net position is primarily due to an increase in revenues.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of approximately \$72.5 million, an increase of approximately \$25.1 million from the prior year, which is attributable primarily to increases in revenues and other financing sources.
- At the end of the current fiscal year, total fund balance for the General Fund was approximately \$30.5 million, which is 22% percent of total General Fund expenditures. Approximately \$27.6 million is unassigned.
- The fund balance for the General Fund increased by approximately \$5.5 million, as revenues and other financing sources of approximately \$143.8 million exceeded expenditures and other financing uses of approximately \$138.3 million.
- The District's total capital assets decreased by approximately \$3.9 million (2%) during the current fiscal year, as depreciation expense and net disposals of approximately \$9.4 million exceeded net additions of approximately \$5.5 million.
- The District's total outstanding indebtedness increased by approximately \$12.8 million (10%) during the current fiscal year, due to principal payments of approximately \$17.2 million, partially offset by new borrowings of approximately \$30.0 million.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

ROCK HILL SCHOOL DISTRICT THREE  
ROCK HILL, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION & ANALYSIS

YEAR ENDED JUNE 30, 2016

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**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

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 ("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.

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.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS**

**YEAR ENDED JUNE 30, 2016**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the 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 District adopts an annual appropriated budget only for its General Fund. A budgetary comparison schedule has been provided as required supplementary for this fund to demonstrate compliance with the budgets. Required pension plan schedules have been included which provide relevant information regarding the District's participation in the South Carolina Retirement System and the South Carolina Police Officers Retirement System. Required supplementary information can be found as listed in the table of contents.

In addition to the financial statements, notes, and required supplementary information, this report includes certain supplementary information. The combining and individual fund financial schedules and the location reconciliation schedule can be found as listed in the table of contents of this report.

Major Features of the District's Government-Wide and Fund Financial Statements				
	Government-Wide Financial Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Fund
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"> <li>Statement of net position.</li> <li>Statement of activities.</li> </ul>	<ul style="list-style-type: none"> <li>Balance sheet.</li> <li>Statement of revenues, expenditures, and changes in fund balances.</li> </ul>	<ul style="list-style-type: none"> <li>Statement of net position.</li> <li>Statement of revenues, expenses, and changes in net position.</li> <li>Statement of cash flows.</li> </ul>	<ul style="list-style-type: none"> <li>Statement of fiduciary net assets and liabilities.</li> </ul>
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 elements, both financial and capital, and short-term and long-term.	All balance sheet elements that come due during the year or shortly thereafter. No capital assets or long-term debt are included.	All balance sheet elements, both financial and capital, and short-term and long-term.	All balance sheet elements, 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, 2016**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by approximately (\$1.1) 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:

	<b>Net Position</b>					
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>June 30, 2016</b>	<b>June 30, 2015</b>	<b>June 30, 2016</b>	<b>June 30, 2015</b>	<b>June 30, 2016</b>	<b>June 30, 2015</b>
<b>Assets</b>						
Current and Other Assets	\$ 101,963,791	71,857,092	3,986,215	3,599,596	105,950,006	\$ 75,456,688
Capital Assets, Net	234,796,481	238,611,725	742,966	867,375	235,539,447	239,479,100
<b>Total Assets</b>	<b>336,760,272</b>	<b>310,468,817</b>	<b>4,729,181</b>	<b>4,466,971</b>	<b>341,489,453</b>	<b>314,935,788</b>
<b>Deferred Outflows of Resources</b>						
Deferred Pension Charges	14,841,130	15,084,449	178,550	170,724	15,019,680	15,255,173
<b>Liabilities</b>						
Other Liabilities	22,072,987	17,530,936	-	-	22,072,987	17,530,936
Net Pension Liability	188,006,609	174,510,892	2,267,098	1,975,729	190,273,707	176,486,621
Long Term Liabilities	141,909,469	130,274,231	-	-	141,909,469	130,274,231
<b>Total Liabilities</b>	<b>351,989,065</b>	<b>322,316,059</b>	<b>2,267,098</b>	<b>1,975,729</b>	<b>354,256,163</b>	<b>324,291,788</b>
<b>Deferred Inflows of Resources</b>						
Deferred Pension Credits	3,349,970	14,714,609	40,421	166,568	3,390,391	14,881,177
<b>Net Position</b>						
Net Investment in						
Capital Assets	113,851,199	109,864,338	742,966	867,375	114,594,165	110,731,713
Restricted	16,521,785	17,544,498	-	-	16,521,785	17,544,498
Unrestricted	(134,110,617)	(138,886,238)	1,857,246	1,628,023	(132,253,371)	(137,258,215)
<b>Total Net Position</b>	<b>\$ (3,737,633)</b>	<b>(11,477,402)</b>	<b>2,600,212</b>	<b>2,495,398</b>	<b>(1,137,421)</b>	<b>\$ (8,982,004)</b>

The District's current and other assets at June 30, 2016 increased by approximately \$30.5 million from the prior year, primarily due to unspent bond proceeds on hand at year end. The District's capital assets at June 30, 2016 decreased by approximately \$3.9 million from the prior year due to depreciation expense and net disposals of approximately \$9.4 million, partially offset by additions of approximately \$5.5 million. The District's total liabilities at June 30, 2016 increased by approximately \$30.0 million from the prior year. This increase was primarily due to an increase in accounts payable related to construction activities and technology upgrades, an increase in the net pension liability, and an increase in long-term obligations due to the issuance of the general obligation bond anticipation notes in the current year partially offset by regularly scheduled principle payments. The changes in the net pension liability and deferred outflows/inflows of resources was primarily due to differences between expected and actual liability/investment experience and changes in the percentage of the District's share of the net pension liability in the State retirement plans.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS**

**YEAR ENDED JUNE 30, 2016**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

The District's net position increased by approximately \$7.8 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 \$114.6 million) 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.

An additional portion of the District's net position (approximately \$16.5 million) 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 negative and is approximately (\$132.3) million primarily due to recording the District's proportionate share of the net pension liability related to the State retirement plans.

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

	<b>Changes in Net Position</b>					
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 2,510,593	2,209,676	1,595,113	1,596,040	4,105,706	\$ 3,805,716
Operating Grants	82,839,843	81,279,476	6,360,118	6,153,807	89,199,961	87,433,283
General Revenues:						
Taxes	69,023,932	67,768,097	-	-	69,023,932	67,768,097
State Revenue in Lieu of Taxes	34,484,145	31,298,297	-	-	34,484,145	31,298,297
Other	2,073,066	922,993	2,173	5,974	2,075,239	928,967
Total Revenues	<u>190,931,579</u>	<u>183,478,539</u>	<u>7,957,404</u>	<u>7,755,821</u>	<u>198,888,983</u>	<u>191,234,360</u>
<b>Program Expenses</b>						
Instruction	103,423,878	103,374,011	-	-	103,423,878	103,374,011
Supporting Services	75,951,957	66,316,182	-	-	75,951,957	66,316,182
Community Services	276,002	267,177	-	-	276,002	267,177
Interest and Other Charges	3,546,519	7,131,817	-	-	3,546,519	7,131,817
Food Service	-	-	7,846,044	7,674,702	7,846,044	7,674,702
Total Program Expenses	<u>183,198,356</u>	<u>177,089,187</u>	<u>7,846,044</u>	<u>7,674,702</u>	<u>191,044,400</u>	<u>184,763,889</u>
Changes in Net Position						
Before Transfers	7,733,223	6,389,352	111,360	81,119	7,844,583	6,470,471
Transfers	<u>6,546</u>	<u>(26,678)</u>	<u>(6,546)</u>	<u>26,678</u>	<u>-</u>	<u>-</u>
Change in Net Position	7,739,769	6,362,674	104,814	107,797	7,844,583	6,470,471
Net Position, Beginning of Year	<u>(11,477,402)</u>	<u>(17,840,076)</u>	<u>2,495,398</u>	<u>2,387,601</u>	<u>(8,982,004)</u>	<u>(15,452,475)</u>
Net Position, End of Year	<u><u>\$ (3,737,633)</u></u>	<u><u>(11,477,402)</u></u>	<u><u>2,600,212</u></u>	<u><u>2,495,398</u></u>	<u><u>(1,137,421)</u></u>	<u><u>\$ (8,982,004)</u></u>

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

**MANAGEMENT'S DISCUSSION & ANALYSIS**

**YEAR ENDED JUNE 30, 2016**

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

*Governmental Activities*

The District's governmental activities net position increased by approximately \$7.7 million in 2016, compared to approximately \$6.4 million in 2015. This increase was due to an increase in revenues of approximately \$7.5 million. The increase in revenues was largely due to an increase in state revenues, property taxes, and miscellaneous revenue.

*Business-Type Activities*

The District's business-type activities increased net position in 2016 and 2015 by approximately \$0.1 million. The increase for both years was primarily due to revenues (including USDA reimbursements) exceeding operating expenses.

**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, 2016, the District's governmental funds reported a combined fund balance of approximately \$72.5 million, compared to approximately \$47.4 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, 2016, the District's unassigned fund balance for all governmental funds was approximately \$27.6 million, which solely represents the General Fund. The remaining fund balance is comprised of approximately \$15.2 million restricted for debt service, approximately \$20.5 million restricted for capital projects, approximately \$0.9 million restricted for special education programs, approximately \$2.8 million in nonspendable fund balance (representing prepaid items and inventories), and approximately \$5.5 million assigned for capital projects.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, total fund balance of the General Fund was approximately \$30.5 million, of which approximately \$27.6 million was unassigned.

The District's General Fund balance increased approximately \$5.5 million from the prior year, a change of approximately \$3.6 million from the prior year's increase of approximately \$1.9 million. Revenues for the current year were approximately \$139.9 million, increasing by approximately \$6.5 million from the prior year. This increase is due primarily to an increase in state funding and local property taxes. The increase in state funding (approximately \$2.6 million) is due primarily to an increase in the base student cost of approximately \$100 to \$2,197 and an increase in fringe benefits employer contributions funding. The increase in local property taxes (approximately \$3.4 million) is due to an increase in assessed values combined with better collections while maintaining an operating millage rate at 147.4 mills. Expenditures for the current year were approximately \$136.7 million, increasing by approximately \$1.5 million from the prior year, due primarily to a "Step" increase for teachers. The unassigned fund balance of approximately \$27.6 million at June 30, 2016 in the General Fund represents 20% of General Fund expenditures for the year ended June 30, 2016.

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.

The Debt Service Fund is used to account for the accumulation of funds for debt service. The District's debt millage rate remained at 52.0 mills. The fund balance in the Debt Service Fund increased approximately \$0.2 million in 2016 to approximately \$15.2 million, as revenues of approximately \$24.2 million and transfers from the Capital Projects Fund of \$2.1 million exceeded expenditures of approximately \$21.1 million and transfers out to the Capital Projects Fund of \$5.0 million. The entire fund balance is restricted for the future payment of debt service.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS**

**YEAR ENDED JUNE 30, 2016**

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**FUND ANALYSIS (CONTINUED)**

*Governmental Funds (Continued)*

The Capital Projects Fund is utilized to account for the District's major capital project expenditures. The Capital Projects Fund increased by approximately \$19.5 million during 2016 to approximately \$26.0 million at June 30, 2016, as other financing sources and uses of approximately \$35.0 million and revenues of approximately \$0.5 million exceeded expenditures for various technology purchases and construction projects of approximately \$16.1 million.

*Proprietary Funds*

The District's only Proprietary Fund is the Food Service Fund. This program had an increase in net position for 2016 of approximately \$0.1 million, as previously discussed.

**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. The Board of Trustees adopted a balanced budget that reflected total revenue sources and total annual appropriations of \$139.3 million. During the course of FY 2016, there was one amendment to the General Fund budget. The amended expenditure budget increased by approximately \$87,000 to provide additional supplies to students.

At the end of FY 2016, the General Fund had a positive total budget vs. actual variance of \$5.6 million. Local revenue, primarily Ad Valorem Taxes and Revenue in Lieu of Taxes, exceeded budget by \$4.1 million due to an increase in assessed values combined with better than expected collection rates. Also, state revenues exceeded budget by \$602,000 primarily due to an increase in state funding for fringe benefits employer contributions. Expenditures were less than budgeted primarily due to savings of the employer portion of employee benefits. The net change in fund balance (an increase of approximately \$5.5 million) was better than the anticipated usage of fund balance of \$0.1 million.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

*Capital Assets*

At the end of 2016, the District had approximately \$235.5 million invested in capital assets, net of depreciation. The total decrease in the District's investment in capital assets was approximately \$3.9 million or 2%. While there was approximately \$5.5 million in additions to capital assets, depreciation expense was approximately \$9.1 million; there were also net disposals of approximately \$0.3 million.

The table below shows capital asset balances as of June 30, 2016 compared to June 30, 2015:

	<b>Capital Assets, Net</b>					
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>June 30, 2016</b>	<b>June 30, 2015</b>	<b>June 30, 2016</b>	<b>June 30, 2015</b>	<b>June 30, 2016</b>	<b>June 30, 2015</b>
Land	\$ 10,398,437	10,550,181	-	-	10,398,437	\$ 10,550,181
Construction in Progress	3,366,328	34,176	-	-	3,366,328	34,176
Buildings and Improvements	217,010,700	224,523,142	-	-	217,010,700	224,523,142
Furniture and Equipment	4,021,016	3,504,226	742,966	867,375	4,763,982	4,371,601
Totals	<u>\$234,796,481</u>	<u>238,611,725</u>	<u>742,966</u>	<u>867,375</u>	<u>235,539,447</u>	<u>\$239,479,100</u>

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

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

**MANAGEMENT'S DISCUSSION & ANALYSIS**

**YEAR ENDED JUNE 30, 2016**

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**CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)**

***Capital Assets (Continued)***

Significant capital asset events during the current fiscal year included the following:

- Construction in progress totaling approximately \$3.7 million
- Purchase of land totaling approximately \$0.2 million
- Purchase of equipment totaling approximately \$1.5 million

The District has outstanding construction commitments of approximately \$10,810,000 at June 30, 2016.

***Debt Administration***

At year-end, the District had approximately \$135.4 million in indebtedness, consisting of general obligation ("GO") bonds, note payable, and a capital lease, compared to approximately \$122.6 million in the prior year. The outstanding indebtedness of the District increased approximately \$12.8 million (10%) in the current year 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 indebtedness.

**Outstanding Indebtedness**

	Governmental Activities	
	June 30, 2016	June 30, 2015
GO Bond - March 14, 2007	\$ 175,000	\$ 515,000
GO Bond - September 23, 2009	15,500,000	15,700,000
GO Bond - October 7, 2010	4,725,000	9,870,000
GO Bond - October 19, 2011	-	5,310,000
GO Bond - September 19, 2012	2,499,000	4,181,000
GO Bond - September 12, 2013	2,912,000	3,498,000
GO Bond - February 19, 2014	15,005,000	16,170,000
GO Bond - October 29, 2014	4,455,000	4,480,000
GOR Bond - March 12, 2015	53,810,000	53,810,000
GOBAN - September 30, 2015	30,000,000	-
Note Payable - Equipment Acquisition and Use Agreement	-	2,095,000
Capital Lease Obligation	6,319,493	6,955,092
Total Outstanding Indebtedness	<u>\$ 135,400,493</u>	<u>\$ 122,584,092</u>

Key highlights related to the District's total indebtedness for 2016 are as follows:

- Principal payments of approximately \$17.2 million were made on the outstanding debt.
- New borrowings of approximately \$30.0 million.

Section 15 of Article X of the South Carolina State Constitution allows Districts to incur a legal debt limit not to exceed 8% of the assessed value of all taxable property in the District, unless approved by a majority vote in a referendum authorized by law. At June 30, 2016, the District's assessed property valuation was approximately \$465.9 million. The District had approximately \$5.6 million in bonded debt subject to the 8% limit of approximately \$37.3 million, resulting in unused legal debt margin of approximately \$31.7 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.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS**

**YEAR ENDED JUNE 30, 2016**

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**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 2017 BUDGETS**

In June 2016, the Board of Trustees approved a balanced General Fund budget of approximately \$147.2 million for FY 2017. This budget represents a 5.6% increase from the FY 2016 General Fund budget of \$139.3 million. The FY 2017 General Fund budget includes a \$153 increase in the Education Finance Act base student cost of \$2,350 per student, a step increase for certified teachers and other eligible staff, a 2% cost of living increase on the state minimum teacher salary schedule, a 2% cost of living increase for other employees, and a revised bus driver salary schedule. The budget does not include an increase in operating tax millage for the allowable increase in consumer price index plus the county's percentage of population growth as determined by the S.C. Revenue and Fiscal Affairs Office.

**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 Terri Smith, Chief Financial Officer, at Rock Hill School District Three, 660 N. Anderson Road, PO Drawer 10072, Rock Hill, South Carolina, 29731.

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# Basic Financial Statements

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

**STATEMENT OF NET POSITION**

**JUNE 30, 2016**

	PRIMARY GOVERNMENT			COMPONENT UNIT
	Governmental Activities	Business-Type Activities	Totals	Charter School
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 30,527,058	100	30,527,158	\$ 241,414
Investments	-	-	-	162,288
Cash and Investments Held by County Treasurer	59,930,284	-	59,930,284	-
Property Taxes Receivable, Net	9,516,065	-	9,516,065	-
Accounts Receivable	300,023	-	300,023	6,976
Due from State	164,175	-	164,175	-
Due from Federal	2,662,273	5,915	2,668,188	-
Internal Balances	(3,980,200)	3,980,200	-	-
Inventories and Prepaid Items	2,844,113	-	2,844,113	767
Capital Assets:				
Non-Depreciable	13,764,765	-	13,764,765	-
Depreciable, Net	221,031,716	742,966	221,774,682	83,246
<b>TOTAL ASSETS</b>	<b>336,760,272</b>	<b>4,729,181</b>	<b>341,489,453</b>	<b>494,691</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Pension Charges	14,841,130	178,550	15,019,680	44,813
<b>LIABILITIES</b>				
Accounts Payable and Accrued Expenses	18,379,225	-	18,379,225	40,047
Accrued Interest Payable	1,764,215	-	1,764,215	-
Unearned Revenue	1,929,547	-	1,929,547	21,616
Non-Current Liabilities:				
Net Pension Liability	188,006,609	2,267,098	190,273,707	305,724
Long-Term Obligations - Due Within One Year	45,931,432	-	45,931,432	-
Long-Term Obligations - Due in More than One Year	95,978,037	-	95,978,037	-
<b>TOTAL LIABILITIES</b>	<b>351,989,065</b>	<b>2,267,098</b>	<b>354,256,163</b>	<b>367,387</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Pension Credits	3,349,970	40,421	3,390,391	547
<b>NET POSITION</b>				
Net Investment in Capital Assets	113,851,199	742,966	114,594,165	83,246
Restricted For:				
Debt Service	15,656,524	-	15,656,524	-
Special Educational Programs	865,261	-	865,261	-
Unrestricted	(134,110,617)	1,857,246	(132,253,371)	88,324
<b>TOTAL NET POSITION</b>	<b>\$ (3,737,633)</b>	<b>2,600,212</b>	<b>(1,137,421)</b>	<b>\$ 171,570</b>

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, 2016

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		Total	
					Governmental Activities	Business-Type Activities		
PRIMARY GOVERNMENT:								
Governmental Activities:								
Instruction	\$ 103,423,878	2,510,593	58,226,529	-	(42,686,756)	-	\$ (42,686,756)	
Support Services	75,951,957	-	24,514,501	-	(51,437,456)	-	(51,437,456)	
Community Services	276,002	-	98,813	-	(177,189)	-	(177,189)	
Interest and Other Charges	3,546,519	-	-	-	(3,546,519)	-	(3,546,519)	
Total Governmental Activities	183,198,356	2,510,593	82,839,843	-	(97,847,920)	-	(97,847,920)	
Business-Type Activities:								
Food Services	7,846,044	1,595,113	6,360,118	-	-	109,187	109,187	
Total Business-Type Activities	7,846,044	1,595,113	6,360,118	-	-	109,187	109,187	
TOTAL PRIMARY GOVERNMENT	\$ 191,044,400	4,105,706	89,199,961	-	(97,847,920)	109,187	(97,738,733)	
COMPONENT UNIT								
Charter School	\$ 649,449	-	429,395	-				\$ (220,054)
General Revenues:								
Property Taxes Levied for General Purposes					47,492,722	-	47,492,722	-
Property Taxes Levied for Debt Service					21,531,210	-	21,531,210	-
State Revenue in Lieu of Taxes					34,484,145	-	34,484,145	-
Investment Earnings					519,482	-	519,482	-
Miscellaneous-Not Restricted to Specific Programs					1,553,584	-	1,553,584	375,595
Gain on Disposal of Capital Assets					-	2,173	2,173	-
Transfers					6,546	(6,546)	-	-
Total General Revenues and Transfers					105,587,689	(4,373)	105,583,316	375,595
CHANGE IN NET POSITION					7,739,769	104,814	7,844,583	155,541
NET POSITION - Beginning of Year					(11,477,402)	2,495,398	(8,982,004)	16,029
NET POSITION, End of Year					(3,737,633)	2,600,212	\$ (1,137,421)	\$ 171,570

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, 2016**

	<b>GENERAL</b>	<b>SPECIAL REVENUE</b>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 30,526,958	100
Cash and Investments Held by County Treasurer	11,262,921	-
Receivables, Net:		
Taxes	7,137,164	-
Accounts	12,933	287,090
Due From:		
State	98,342	24,947
Federal	-	2,662,273
Other Funds	9,285,062	-
Prepaid Items	2,482,413	-
Inventories	361,700	-
<b>TOTAL ASSETS</b>	<b>\$ 61,167,493</b>	<b>2,974,410</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>		
<b>LIABILITIES:</b>		
Accounts Payable	\$ 7,587,083	-
Accrued Salaries, Fringe & Benefits	10,738,864	-
Due To:		
Other Funds	5,471,896	1,063,967
Unearned Revenue	-	1,045,182
<b>TOTAL LIABILITIES</b>	<b>23,797,843</b>	<b>2,109,149</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable Revenue - Property Taxes	6,882,469	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>6,882,469</b>	<b>-</b>
<b>FUND BALANCES:</b>		
Fund Balances		
Nonspendable For:		
Prepaid Items	2,482,413	-
Inventories	361,700	-
Restricted For:		
Debt Service	-	-
Capital Projects	-	-
Special Educational Programs	-	865,261
Assigned For:		
Capital Projects	-	-
Unassigned	27,643,068	-
<b>TOTAL FUND BALANCES</b>	<b>30,487,181</b>	<b>865,261</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 61,167,493</b>	<b>2,974,410</b>

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
-	-	-	\$ 30,527,058
-	14,393,621	34,273,742	59,930,284
-	2,378,901	-	9,516,065
-	-	-	300,023
40,886	-	-	164,175
-	-	-	2,662,273
843,479	648,217	-	10,776,758
-	-	-	2,482,413
-	-	-	361,700
<b>884,365</b>	<b>17,420,739</b>	<b>34,273,742</b>	<b>\$ 116,720,749</b>
-	-	53,278	\$ 7,640,361
-	-	-	10,738,864
-	-	8,221,095	14,756,958
884,365	-	-	1,929,547
884,365	-	8,274,373	35,065,730
-	2,242,919	-	9,125,388
-	2,242,919	-	9,125,388
-	-	-	2,482,413
-	-	-	361,700
-	15,177,820	-	15,177,820
-	-	20,468,054	20,468,054
-	-	-	865,261
-	-	5,531,315	5,531,315
-	-	-	27,643,068
-	15,177,820	25,999,369	72,529,631
<b>884,365</b>	<b>17,420,739</b>	<b>34,273,742</b>	<b>\$ 116,720,749</b>

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

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

**JUNE 30, 2016**

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**TOTAL FUND BALANCES - GOVERNMENTAL FUNDS** **\$ 72,529,631**

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. 9,125,388

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 \$360,981,829, and the accumulated depreciation is \$126,185,348. 234,796,481

The District's proportionate shares of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State retirement plans are not recorded in the governmental funds but are recorded in the Statement of Net Position. (176,515,449)

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. (1,764,215)

Long-term liabilities, including bond premiums and capital leases, 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 (including capital leases)	(135,400,493)	
Net Premiums	(6,012,843)	
Compensated Absences	(496,133)	(141,909,469)
	<hr/>	<hr/>

**TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES** **\$ (3,737,633)**

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, 2016**

	<b>GENERAL</b>	<b>SPECIAL REVENUE</b>
<b>REVENUES</b>		
Local Sources:		
Taxes	\$ 50,963,646	-
Investment Earnings	240,234	-
Other Local Sources	847,671	4,097,635
State Sources	87,799,094	2,697,435
Federal Sources	-	8,559,681
Intergovernmental Revenue	-	271,785
<b>TOTAL REVENUES</b>	<b>139,850,645</b>	<b>15,626,536</b>
<b>EXPENDITURES</b>		
Current:		
Instruction	81,803,114	9,318,892
Support Services	53,521,350	5,590,029
Community Services	167,651	108,351
Intergovernmental	302,246	205,049
Capital Outlay	68,374	110,773
Debt Service:		
Principal Retirement	635,599	-
Interest and Fiscal Charges	203,453	-
Other Charges	-	-
<b>TOTAL EXPENDITURES</b>	<b>136,701,787</b>	<b>15,333,094</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>3,148,858</b>	<b>293,442</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Proceeds from the Sale of Capital Assets	40,389	-
Issuance of General Obligation Bonds	-	-
Premium on Issuance of Bonds	-	-
Transfers In	3,893,140	-
Transfers Out	(1,568,154)	(336,982)
<b>CHANGE IN NET POSITION</b>	<b>2,365,375</b>	<b>(336,982)</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>5,514,233</b>	<b>(43,540)</b>
FUND BALANCES, Beginning of Year	24,972,948	908,801
<b>FUND BALANCES, End of Year</b>	<b>\$ 30,487,181</b>	<b>865,261</b>

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
-	22,633,564	-	\$ 73,597,210
-	104,996	174,252	519,482
-	-	322,500	5,267,806
10,072,162	1,426,332	-	101,995,023
-	-	-	8,559,681
-	-	-	271,785
<b>10,072,162</b>	<b>24,164,892</b>	<b>496,752</b>	<b>190,210,987</b>
4,506,532	-	-	95,628,538
2,023,250	-	12,546,438	73,681,067
-	-	-	276,002
185,644	-	-	692,939
-	-	3,308,030	3,487,177
-	16,548,000	-	17,183,599
-	4,529,890	-	4,733,343
-	5,844	206,891	212,735
6,715,426	21,083,734	16,061,359	195,895,400
<b>3,356,736</b>	<b>3,081,158</b>	<b>(15,564,607)</b>	<b>(5,684,413)</b>
-	-	271,240	311,629
-	-	30,000,000	30,000,000
-	-	490,600	490,600
-	2,114,693	6,375,278	12,383,111
(3,356,736)	(5,000,000)	(2,114,693)	(12,376,565)
<b>(3,356,736)</b>	<b>(2,885,307)</b>	<b>35,022,425</b>	<b>30,808,775</b>
-	<b>195,851</b>	<b>19,457,818</b>	<b>25,124,362</b>
-	14,981,969	6,541,551	47,405,269
-	<b>15,177,820</b>	<b>25,999,369</b>	<b>\$ 72,529,631</b>

**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**

**YEAR ENDED JUNE 30, 2016**

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<b>TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS</b>	<b>\$</b>	<b>25,124,362</b>
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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.	720,592
Repayment of debt and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	17,183,599
The issuance of debt 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	(30,000,000)
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the change in accrued interest for the year.	(280,306)
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. This amount is the amortization of the premiums in the current year.	1,189,265
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.	(8,102)
Changes in the District's proportionate shares of the net pension liability, deferred outflows of resources, and deferred inflows of resources for its participation in the State retirement plans for the current year are not reported in the governmental funds but are reported in the Statement of Activities.	(2,374,397)
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.	(353,843)
Governmental funds report capital asset additions as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense of \$8,909,834 was exceeded by capital asset additions of \$5,448,433 during the year.	(3,461,401)

<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b>7,739,769</b>
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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, 2016**

	<b>ENTERPRISE</b>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 100
Due From:	
Federal Agencies	5,915
Other Funds	3,980,200
Total Current Assets	<u>3,986,215</u>
Non-Current Assets:	
Capital Assets	4,390,803
Less: Accumulated Depreciation	(3,647,837)
Total Non-Current Assets	<u>742,966</u>
<b>TOTAL ASSETS</b>	<b><u>4,729,181</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Pension Charges	<u>178,550</u>
<b>LIABILITIES</b>	
Noncurrent Liabilities:	
Net Pension Liability	2,267,098
Total Current Liabilities	<u>2,267,098</u>
<b>NET POSITION</b>	<b><u>2,267,098</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Pension Credits	<u>40,421</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	742,966
Unrestricted	1,857,246
<b>TOTAL NET POSITION</b>	<b><u>\$ 2,600,212</u></b>

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 CHANGE IN FUND NET POSITION**

**PROPRIETARY FUND**

**YEAR ENDED JUNE 30, 2016**

	<b><u>ENTERPRISE</u></b>
<b>OPERATING REVENUES</b>	
Proceeds from Sale of Meals	\$ 1,595,113
<b>OPERATING EXPENSES</b>	
Salaries and Benefits	1,531,945
Purchased Services	5,654,034
Supplies and Materials	497,991
Depreciation	153,874
Other	8,200
TOTAL OPERATING EXPENSES	<u>7,846,044</u>
<b>OPERATING LOSS</b>	<b><u>(6,250,931)</u></b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Commodities Received from USDA	575,574
USDA Reimbursements	5,783,972
Other Revenue	572
Gain on Sale of Capital Assets	2,173
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>6,362,291</u>
<b>INCOME BEFORE TRANSFERS</b>	111,360
Transfer In - From General Fund	192,876
Transfer Out - Food Service Fund Indirect Costs	<u>(199,422)</u>
<b>CHANGE IN NET POSITION</b>	<b>104,814</b>
TOTAL NET POSITION, Beginning of Year,	<u>2,495,398</u>
<b>TOTAL NET POSITION, End of Year</b>	<b><u>\$ 2,600,212</u></b>

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, 2016**

	<b><u>ENTERPRISE</u></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from Meal Sales	\$ 1,671,096
Receipts from Other Revenues	572
Payments to Employees for Services	(1,374,549)
Payments to Suppliers for Goods and Services	(5,531,176)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b><u>(5,234,057)</u></b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
USDA Reimbursement	5,878,771
Transfers From (To) Other Funds	(609,738)
<b>NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES</b>	<b><u>5,269,033</u></b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of Capital Assets	(37,159)
Proceeds from the Sale of Capital Assets	2,173
<b>NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b><u>(34,986)</u></b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(10)</b>
<b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	<b><u>110</u></b>
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<b><u>\$ 100</u></b>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating Loss	\$ (6,250,931)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities	
Depreciation Expense	153,874
Non-Cash USDA Commodities Used	575,574
Other Non-Operating Revenues	8,266
Change In:	
Receivables	75,983
Inventories	45,781
Net Pension Liability	291,369
Deferred Pension Charges	(7,826)
Deferred Pension Credits	(126,147)
<b>Net Cash Used in Operating Activities</b>	<b><u>\$ (5,234,057)</u></b>
Non-Cash Transactions:	
Depreciation	\$ 153,874
Commodities Received from the USDA	\$ 575,574

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, 2016**

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	<b>AGENCY</b>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 5,430
Receivables	1,383,972
<b>TOTAL ASSETS</b>	<b>\$ 1,389,402</b>
<b>LIABILITIES</b>	
Due to Student Organizations	\$ 1,389,402
<b>TOTAL LIABILITIES</b>	<b>\$ 1,389,402</b>

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, 2016**

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*Rock Hill School District Three, South Carolina* (the "District"), established in 1953, is governed by a seven member Board of Trustees ("Board") which has oversight responsibility over public school education in the District. The District provides regular and exceptional education for students from kindergarten through grade twelve. The District receives funding from local, state, and federal government sources and must comply with the related requirements of these funding sources.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"), as applied to governmental units. The 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 ("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's 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, 2016

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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 units* (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.

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

Property taxes, federal and state grant programs, and interest associated with the current fiscal period are all considered to be susceptible to accrual and 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.

ROCK HILL SCHOOL DISTRICT THREE  
ROCK HILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 fund types and major funds are used by the District.

**Governmental Fund Types** are those through which most governmental functions of the District are financed. The District's expendable financial resources and related assets, deferred outflows of resources, liabilities, and deferred inflows of resources (except for those accounted for in the Proprietary Fund) 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 funds:

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

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.

ROCK HILL SCHOOL DISTRICT THREE  
ROCK HILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

*Change in Accounting Principle*

The District implemented GASB Statement No. 72 "*Fair Value Measurement and Application*" ("GASB #72" or "Statement") for the year ended June 30, 2016. The primary objective of this Statement was to address accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The adoption of this Statement had no impact on the District's financial statements but did result in expanded note disclosures. See Note I.C.12 and Note III.A for more information regarding the District's fair value disclosures.

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

1. *Cash, Cash Equivalents, and Investments*

*Cash and Cash Equivalents*

The District considers all highly liquid investments (including restricted assets) with original maturities of three months or less when purchased 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.

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

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2016**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

***Investments***

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.
- (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.

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

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2016**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

***Investments (Continued)***

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 York County Treasurer which are property taxes collected and other funds received 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.
- South Carolina Local Government Investment Pool ("LGIP" or "Pool") investments are invested with the South Carolina State Treasurer's Office, which established the South Carolina Pool pursuant to Section 6-6-10 of the South Carolina Code. The Pool is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any city treasurer or any governing body of a political subdivision of the State, may be deposited. In accordance with GASB Statement No. 31 "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", investments are carried at fair value determined annually based upon quoted market prices for identical or similar investments. 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. Funds may be deposited by Pool participants at any time and may be withdrawn upon 24 hours' notice. Financial statements for the Pool may be obtained by writing the Office of State Treasurer, Local Government Investment Pool, P.O. Box 11778, Columbia, SC 29211-1960.

***2. 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.

***3. 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, 2016, which are stated at fair market values assigned by the USDA.

ROCK HILL SCHOOL DISTRICT THREE  
ROCK HILL, SOUTH CAROLINA  
  
NOTES TO THE FINANCIAL STATEMENTS  
  
YEAR ENDED JUNE 30, 2016

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

4. 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 estimated acquisition value (as estimated by the District) at the date of donation. 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 significant 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.

Interest costs related to Proprietary Fund construction is capitalized as part of the capitalized value of the asset constructed, if material. Interest costs of tax-exempt borrowings are capitalized net of related investment earnings on the proceeds.

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:

Asset Category	Governmental Activities	Business-Type Activities
Buildings and Improvements	50 years	20 years
Furniture and Equipment	3 – 7 years	3 – 12 years

5. 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.

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

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2016**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

***6. 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 enterprise fund and 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 amortized over the life of the bonds using the straight-line method, which approximates the effective interest method, if material. 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.

In the governmental 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.

***7. Deferred Outflows/Inflows of Resources***

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2016**

---

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**8. Fund Balance**

In accordance with GAAP, the 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) 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 (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 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 approximately \$5,531,000 represents unspent amounts that were transferred from the General Fund to the Capital Projects Fund for future capital projects.

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

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

**9. Net Position**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2016**

---

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

***10. Pensions***

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting (see Note IV.A. and the required supplementary information immediately following the notes to the financial statements), regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The District recognizes a net pension liability for each qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, or the District's proportionate share thereof in the case of a cost-sharing multiple-employer plan, measured as of the District's fiscal year-end. Changes in the net pension liability during the period are recorded as pension expense, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

***11. Other Postemployment Benefits***

Other Postemployment Benefits ("OPEB") cost for retiree healthcare and similar, non-pension retiree benefits, is required to be measured and disclosed using the accrual basis of accounting (see Note IV.B), regardless of the amount recognized as OPEB expense on the modified accrual basis of accounting. Annual OPEB cost is equal to the annual required contributions to the OPEB Plan, calculated in accordance with GAAP.

***12. Fair Value***

The fair value measurement and disclosure framework provides for a three-tier fair value hierarchy that gives highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District can access at the measurement date.
- Level 2 – Inputs to the valuation methodology, other than quoted prices included in Level 1, that are observable for an asset or liability either directly or indirectly and include:
  - Quoted prices for similar assets and liabilities in active markets.
  - Quoted prices for identical or similar assets or liabilities in inactive markets.
  - Inputs other than quoted market prices that are observable for the asset or liability.
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 – Inputs to the valuation methodology that are unobservable for an asset or liability and include:
  - Fair value is often based on developed models in which there are few, if any, observable inputs.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

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

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2016**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

***12. Fair Value (Continued)***

The valuation methodologies described above may produce a fair value calculation that may not be indicative of future net realizable values or reflective of future fair values. The District believes that the valuation methods used are appropriate and consistent with GAAP. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no significant changes from the prior year in the methodologies used to measure fair value.

***13. Encumbrances***

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

***14. Use of Estimates***

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

***15. Comparative Data***

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

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary 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 Funds. Special Revenue Funds 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 in 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 approved during the year ended June 30, 2016. 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 originally and in supplementary action. The legal level of control is at the fund level.

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

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2016**

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)**

**A. Budgetary Accounting (Continued)**

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 required supplementary information are as amended and approved by the Board. Only one supplemental appropriation was necessary during the year ended June 30, 2016. 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, 2016, none of the District's bank balances (including fiduciary funds) of approximately \$1,128,000 (which had a negative book balance of approximately \$968,000 due to outstanding checks) were exposed to custodial credit risk.

*Investments*

As of June 30, 2016, the District had the following investments:

Investment Type	Fair Value Level (1)	Credit Rating	Fair Value	Weighted Average Maturity
				Less than One Year
State Local Government Investment Pool	N/A	Unrated	\$ 31,500,174	\$ 31,500,174
Cash and Investments Held by County Treasurer *	N/A	Unrated	59,930,285	59,930,285
Total			<u>\$ 91,430,459</u>	<u>\$ 91,430,459</u>

\* The County Treasurer invests the monies it holds in trust for governmental entities in separate accounts with the Pool. For weighted average maturity ("WAM") purposes, we have included the WAM of the Pool.

(1) See Note I.C.12 for details of the District's fair value hierarchy.

N/A - Not Applicable

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

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2016**

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**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Deposits and Investments (Continued)**

**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, 2016, 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 Receivable, Other Receivables, and Unavailable/Unearned Revenues**

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 and does not necessarily represent actual taxes levied or collected. The property taxes are considered both measurable and available for purposes of recognizing revenue and a receivable from the County at the time they are collected by the County.

Real Property taxes are levied on October 1 on the assessed valuations of property listed as of the preceding December 31 for all real and business personal property located in the District, and are due and payable at that time. All unpaid taxes levied October 1 become delinquent January 15 of the following year, and property taxes attach as an enforceable lien if not paid by March 16 of the following year. Penalties are added to taxes depending on the date paid as follows:

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2016**

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**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B. Property Taxes Receivable, Other Receivables, and Unavailable/Unearned Revenues (Continued)**

For the year ended June 30, 2016, millage for property taxes was set at 147.4 mills (no change from the prior year) to cover the District's general operations. 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 school districts within the County, and an additional County-wide special 1 mill levy for school operation for the school 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 \$7,137,000 in the General Fund and approximately \$2,379,000 in the Debt Service Fund are reported net of an allowance for uncollectible amounts of approximately \$443,000 and \$150,000, respectively. Allowances for uncollectible amounts were not necessary for the other receivable accounts.

Governmental funds report deferred revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period (unavailable revenues). Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned (unearned revenues). At June 30, 2016, unavailable revenue related to property taxes reported in the governmental funds totaled approximately \$6,882,000 and \$2,243,000 in the General Fund and Debt Service Fund, respectively. Unearned revenues in the special revenue funds totaled approximately \$1,930,000 at June 30, 2016.

Intergovernmental receivables at June 30, 2016 consisted of intergovernmental grants and reimbursements. All intergovernmental receivables are considered collectible in full due to the stable condition of State programs and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables at June 30, 2016 were as follows:

Due from Federal Government:	
Food Service	\$ 5,915
Special Revenue Fund	2,662,273
Total Due from Federal Government	<u>2,668,188</u>
Due from State Agencies:	
General Fund	98,342
Special Revenue Fund	24,947
Special Revenue - Education Improvement Act Fund	40,886
Total Due from State Agencies	<u>164,175</u>
Total Intergovernmental Receivables	<u>\$ 2,832,363</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2016**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C. Capital Assets**

Capital asset activity for the District for the year ended June 30, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental Activities:</b>					
Capital Assets, Not Being Depreciated:					
Land	\$ 10,550,181	181,090	(332,834)	-	\$ 10,398,437
Construction in Progress	34,176	3,744,329	-	(412,177)	3,366,328
Total Capital Assets, Not Being Depreciated	<u>10,584,357</u>	<u>3,925,419</u>	<u>(332,834)</u>	<u>(412,177)</u>	<u>13,764,765</u>
Capital Assets, Being Depreciated:					
Buildings and Improvements	333,553,712	-	-	412,177	333,965,889
Furniture and Equipment	14,749,192	1,523,014	(3,021,031)	-	13,251,175
Total Capital Assets Being Depreciated	<u>348,302,904</u>	<u>1,523,014</u>	<u>(3,021,031)</u>	<u>412,177</u>	<u>347,217,064</u>
Less: Accumulated Depreciation For:					
Buildings and Improvements	109,030,570	7,924,619	-	-	116,955,189
Furniture and Equipment	11,244,966	985,215	(3,000,022)	-	9,230,159
Total Accumulated Depreciation	<u>120,275,536</u>	<u>8,909,834</u>	<u>(3,000,022)</u>	<u>-</u>	<u>126,185,348</u>
Total Capital Assets, Being Depreciated, Net	<u>228,027,368</u>	<u>(7,386,820)</u>	<u>(21,009)</u>	<u>412,177</u>	<u>221,031,716</u>
Total Governmental Activities Capital Assets, Net	<u>\$238,611,725</u>	<u>(3,461,401)</u>	<u>(353,843)</u>	<u>-</u>	<u>\$234,796,481</u>
<b>Business-Type Activities:</b>					
Capital Assets, Being Depreciated:					
Equipment	\$ 4,771,734	37,159	(418,090)	-	\$ 4,390,803
Less: Accumulated Depreciation	3,904,359	153,874	(410,396)	-	3,647,837
Total Business-Type Activities Capital Assets, Net	<u>\$ 867,375</u>	<u>(116,715)</u>	<u>(7,694)</u>	<u>-</u>	<u>\$ 742,966</u>

Capital asset additions and depreciation expense were charged to functions/programs of the District as follows:

	Capital Asset Additions	Depreciation Expense
Instruction	\$ -	\$ 5,472,741
Support Services	5,448,433	3,437,093
Total Charged to Governmental Activities	<u>\$ 5,448,433</u>	<u>\$ 8,909,834</u>

The District has outstanding commitments related to construction activities totaling approximately \$10,810,000 at June 30, 2016.

The cost of equipment recorded under the capital lease and related accumulated amortization was approximately \$15,916,000 and \$6,599,000, respectively, at June 30, 2016. Amortization of assets recorded under capital lease obligations has been included with depreciation expense.

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

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2016**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. Long-Term Obligations**

A summary of changes in long-term obligations for the year ended June 30, 2016 is as follows:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
General Obligations Bonds/BAN:					
Series 2007	\$ 515,000	-	340,000	175,000	\$ 175,000
Series 2009A *	15,700,000	-	200,000	15,500,000	950,000
Series 2010B *	9,870,000	-	5,145,000	4,725,000	4,725,000
Series 2011B *	5,310,000	-	5,310,000	-	-
Series 2012	4,181,000	-	1,682,000	2,499,000	2,499,000
Series 2013A	3,498,000	-	586,000	2,912,000	2,912,000
Series 2014A *	16,170,000	-	1,165,000	15,005,000	1,535,000
Series 2014B	4,480,000	-	25,000	4,455,000	1,955,000
Series 2015A GOB Refunding	53,810,000	-	-	53,810,000	-
Series 2015	-	30,000,000	-	30,000,000	30,000,000
Total General Obligation Bonds/BAN	113,534,000	30,000,000	14,453,000	129,081,000	44,751,000
Note Payable:					
Equipment Acquisition and Use Agreement	2,095,000	-	2,095,000	-	-
Capital Lease Obligation	6,955,092	-	635,599	6,319,493	684,299
Sub-total	122,584,092	30,000,000	17,183,599	135,400,493	45,435,299
Unamortized Bond Premiums	7,202,108	-	1,189,265	6,012,843	-
Total Debt	129,786,200	30,000,000	18,372,864	141,413,336	45,435,299
Compensated Absences	488,031	540,880	532,778	496,133	496,133
Total Governmental Activities	\$ 130,274,231	30,540,880	18,905,642	141,909,469	\$ 45,931,432

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.

General obligation bonds consist of the following at June 30, 2016:

<b>Date/Description of Issue</b>	<b>Interest Rate</b>	<b>Payment Dates</b>	<b>Maturity</b>	<b>Original Issue Amount</b>	<b>Outstanding Balance</b>
March 14, 2007 - Series 2007A	3.25 - 5.00%	Mar./Sept.	2032	\$ 63,000,000	\$ 175,000
September 23, 2009 - Series 2009A	2.00 - 5.00%	Mar./Sept.	2029	19,000,000	15,500,000
October 7, 2010 - Series 2010B	5.00%	Mar./Sept.	2017	23,180,000	4,725,000
September 19, 2012 - Series 2012	4.00 - 5.00%	Mar./Sept.	2017	6,000,000	2,499,000
September 12, 2013 - Series 2013A	1.16%	Mar./Sept.	2017	5,000,000	2,912,000
February 19, 2014 - Series 2014A	2.00 - 5.00%	Mar./Sept.	2025	16,170,000	15,005,000
October 29, 2014 - Series 2014B	5.00%	Mar./Sept.	2018	5,000,000	4,455,000
March 12, 2015 - Series 2015A	3.00 - 5.00%	Mar./Sept.	2032	53,810,000	53,810,000
September 30, 2015 - Series 2015	2.00%	Mar./Sept.	2016	30,000,000	30,000,000
Total General Obligation Bonds				\$ 221,160,000	\$ 129,081,000

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

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2016**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. Long-Term Obligations (Continued)**

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 \$6,319,493 over the remaining term of the lease at an interest rate of 3.98%. The lease term ends on October 27, 2023.

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 March 2015, the District issued \$53,810,000 in Series 2015A General Obligation Refunding Bonds, receiving a premium of approximately \$5,691,000, and incurring bond issuance costs of approximately \$209,000. The new bonds provided resources of approximately \$59,292,000 to advance refund \$54,900,000 of the outstanding Series 2007A General Obligation Bonds. As a result, this amount of the Series 2007A General obligation Bonds are considered to be defeased until redemption in March 2017. Accordingly, the liability for the refunded bonds was 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 \$3,452,000. The premium received is being amortized over the life of the new debt. The loss on refunding was recognized immediately in prior years in the Statement of Activities due to its immaterial amount.

In September 2015, the District issued \$30,000,000 in Series 2015 General Obligation Bond Anticipation Notes ("BAN") for capital improvements. Principal and interest (at 2.00%) are due in September 2016. This short-term obligation was not recorded as a fund liability as it was expected and was ultimately refinanced in August 2016 (see Note IV.F for more details).

The following table represents debt service requirements on all outstanding indebtedness through maturity for the District's governmental activities as of June 30, 2016:

Year Ended June 30,	Principal	Interest	Total
2017	\$ 45,435,299	4,781,809	\$ 50,217,108
2018	7,640,542	3,542,175	11,182,717
2019	6,319,443	3,176,684	9,496,127
2020	6,240,402	2,905,707	9,146,109
2021	6,540,334	2,654,085	9,194,419
2022-2026	32,829,473	8,985,153	41,814,626
2027-2031	25,430,000	3,218,650	28,648,650
2032	4,965,000	148,950	5,113,950
Totals	<u>\$ 135,400,493</u>	<u>29,413,213</u>	<u>\$ 164,813,706</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2016**

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**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. Long-Term Obligations (Continued)**

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, 2016, there were no amounts outstanding for arbitrage rebates.

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 \$5,586,000 in outstanding bonded indebtedness that was subject to the 8% debt limit of approximately \$37,272,000 at June 30, 2016; the remaining debt margin available to the District was approximately \$31,686,000 as of June 30, 2016.

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.

**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, 2016:

<b>Governmental Activities:</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
Series 2015 GOB	\$ -	5,000,000	5,000,000	\$ -
Tax Anticipation Note	-	4,941,960	4,941,960	-
Total Governmental Activities	<u>\$ -</u>	<u>9,941,960</u>	<u>9,941,960</u>	<u>\$ -</u>

The District issued a short-term General Obligation Bond, Series 2015B in August 2015 for approximately \$5,000,000 with an interest rate of 1.00%. The Bond was issued to fund capital needs. The Bond plus interest of approximately \$26,000 was repaid in March 2016.

The District issued a short-term Tax Anticipation Note ("Note") in September 2014 for approximately \$4,942,000 with an effective interest rate of 0.20%. This Note was issued to fund on-going operations in the first half of fiscal 2015 until property tax revenues were collected. This Note plus interest of approximately \$28,000 was repaid in March 2016.

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

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2016**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**F. 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, 2016, all of which are expected to be repaid within one year, are summarized as follows:

	Receivables	Payables
<u>Governmental Funds:</u>		
General Fund	\$ 9,285,062	\$ 5,471,896
Special Revenue Fund	-	1,063,967
Special Revenue - EIA Fund	843,479	-
Debt Service Fund	648,217	-
Capital Projects Fund	-	8,221,095
<u>Proprietary Fund:</u>		
Enterprise - Food Service	3,980,200	-
Totals	<u>\$ 14,756,958</u>	<u>\$ 14,756,958</u>

**G. 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 Revenue Funds for future innovative board designated projects and staff development. Funds are transferred from the General Fund to the Capital Projects Fund and Debt Service Fund for capital needs for each school. Funds are transferred from the General Fund to the Food Service Fund for reimbursement of fringe-related costs.

Transfers between funds for the year ended June 30, 2016, consisted of the following:

	Transfers In	Transfers Out
<u>Governmental Funds:</u>		
General Fund	\$ 3,893,140	\$ 1,568,154
Special Projects Fund	-	336,982
Special Revenue - EIA Fund	-	3,356,736
Debt Service Fund	2,114,693	5,000,000
Capital Projects Fund	6,375,278	2,114,693
<u>Proprietary Fund:</u>		
Enterprise - Food Service	192,876	199,422
Totals	<u>\$ 12,575,987</u>	<u>\$ 12,575,987</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2016**

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**IV. OTHER INFORMATION**

**A. Retirement Plans**

The District participates in the State of South Carolina's retirement plan, which is administered by the South Carolina Public Employee Benefit Authority ("PEBA"), which was created on July 1, 2012 and administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors ("PEBA Board"), appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the Budget and Control Board (State Fiscal Accountability Authority effective July 1, 2015), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems ("Systems") and serves as a co-trustee of the Systems in conducting that review.

The PEBA issues a Comprehensive Annual Financial Report ("CAFR") containing financial statements and required supplementary information for the System's Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on the PEBA's website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. The PEBA is considered a division of the primary government of the State of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

*Plan Description*

The South Carolina Retirement System ("SCRS"), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions.

The State Optional Retirement Program ("ORP") is a defined contribution plan that is offered as an alternative to certain newly hired state, public school, and higher education employees. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers.

The South Carolina Police Officers Retirement System ("PORS"), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firemen of the state and its political subdivisions.

*Plan Membership*

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below.

- SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

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

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2016**

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**IV. OTHER INFORMATION (CONTINUED)**

**A. Retirement Plans (Continued)**

*Plan Membership (Continued)*

- State ORP - As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State Optional Retirement Program (State ORP), which is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers. For this reason, State ORP programs are not considered part of the retirement systems for financial statement purposes. Employee and Employer contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employers to the member's account with investment providers for the employee contribution (8.16%) and a portion of the employer contribution (5%). A direct remittance is also required to SCRS for the remaining portion of the employer contribution (5.91%) and an incidental death benefit contribution (0.15%), if applicable, which is retained by SCRS.
- PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

*Plan Benefits*

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of benefit terms for each system is presented below.

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2016**

**IV. OTHER INFORMATION (CONTINUED)**

**A. Retirement Plans (Continued)**

*Plan Benefits (Continued)*

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

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

*Plan Contributions*

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. Upon recommendation by the actuary in the annual actuarial valuation, the PEBA Board may adopt and present to the Budget and Control Board for approval an increase in the SCRS and PORS ("Plans") employer and employee contribution rates, but any such increase may not result in a differential between the employee and total employer contribution rate that exceeds 2.9 percent of earnable compensation for the SCRS and 5 percent for the PORS. An increase in the contribution rates adopted by the PEBA Board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the PEBA Board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the PEBA Board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one-half of one percent per year.

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

	SCRS and State ORP Rates			PORS Rates		
	2014	2015	2016	2014	2015	2016
Employer Rate: <sup>^</sup>						
Retirement *	10.45%	10.75%	10.91%	12.44%	13.01%	13.34%
Incidental Death Benefit	0.15%	0.15%	0.15%	0.20%	0.20%	0.20%
Accidental Death Contributions	0.00%	0.00%	0.00%	0.20%	0.20%	0.20%
	<u>10.60%</u>	<u>10.90%</u>	<u>11.06%</u>	<u>12.84%</u>	<u>13.41%</u>	<u>13.74%</u>
Employee Rate	<u>7.50%</u>	<u>8.00%</u>	<u>8.16%</u>	<u>7.84%</u>	<u>8.41%</u>	<u>8.74%</u>

<sup>^</sup> Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

\* Of the rate for the State ORP Plan, 5% of earnable compensation must be remitted by the employer directly to the ORP vendor to be allocated to the member's account with the remainder of the employer contribution remitted to the SCRS.

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

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2016**

**IV. OTHER INFORMATION (CONTINUED)**

**A. Retirement Plans (Continued)**

*Plan Contributions (Continued)*

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

Year Ended June 30,	SCRS Contributions		State ORP Contributions		PORS Contributions	
	Required	% Contributed	Required	% Contributed	Required	% Contributed
2016	\$ 9,673,274	100%	\$ 651,705	100%	\$ 9,034	100%
2015	9,629,243	100%	616,327	100%	8,822	100%
2014	\$ 9,324,802	100%	\$ 535,939	100%	\$ 5,273	100%

Eligible payrolls of the District covered under the Plans for the past three years were as follows:

Year Ended June 30,	SCRS Payroll	State ORP Payroll	PORS Payroll	Total Payroll
2016	\$ 87,461,787	10,754,202	65,753	\$ 98,281,742
2015	88,341,683	10,446,227	65,785	98,853,695
2014	\$ 87,969,832	9,570,339	41,065	\$ 97,581,236

*Actuarial Assumptions and Methods*

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Actuarial assumptions and methods used during the annual valuation process are subject to periodic revision, typically with an experience study, as actual results over an extended period of time are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2010, and the next experience study, performed on data through June 30, 2015, is currently underway.

The June 30, 2015 total pension liability, net pension liability, and sensitivity information were determined by the PEBA's consulting actuary, Gabriel, Roeder, Smith and Company ("GRS") and are based on the July 1, 2014 actuarial valuations as adopted by the PEBA Board and Budget and Control Board which utilized membership data as of July 1, 2014. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ended June 30, 2015 using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by GRS.

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2014, valuations for the SCRS and PORS.

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

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2016**

**IV. OTHER INFORMATION (CONTINUED)**

**A. Retirement Plans (Continued)**

*Actuarial Assumptions and Methods (Continued)*

	SCRS	PORS
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:		
Investment Rate of Return*	7.50%	7.50%
Projected Salary Increases*	3.5% to 12.5% (varies by service)	4.0% to 10.0% (varies by service)
Benefit Adjustments	Lesser of 1% or \$500 annually	Lesser of 1% or \$500 annually

\* Includes inflation at 2.75%.

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000. Assumptions used in the July 1, 2014 valuations for the SCRS and PORS are as follows:

Former Job Class	Males	Females
Educators	RP-2000 Males (with White Collar adjustment) multiplied by 110%	RP-2000 Females (with White Collar adjustment) multiplied by 95%
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety and Firefighters	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

*Long-term Expected Rate of Return*

The long-term expected rate of return on pension plan investments, as used in the July 1, 2014 actuarial valuations, was based upon the 30 year capital market outlook at the end of the fourth quarter 2013, as developed by the Retirement Systems Investment Commission ("RSIC") in collaboration with its investment consultant, Aon Hewitt. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. Long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted by the RSIC for fiscal year 2015. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.5 percent assumed annual investment rate of return set in statute and used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

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

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2016**

**IV. OTHER INFORMATION (CONTINUED)**

**A. Retirement Plans (Continued)**

*Long-term Expected Rate of Return (Continued)*

Asset Class	Target Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
<b>Short Term</b>	<b>5.0%</b>		
Cash	2.0%	1.90%	0.04%
Short Duration	3.0%	2.00%	0.06%
<b>Domestic Fixed Income</b>	<b>13.0%</b>		
Core Fixed Income	7.0%	2.70%	0.19%
Mixed Credit	6.0%	3.80%	0.23%
<b>Global Fixed Income</b>	<b>9.0%</b>		
Global Fixed Income	3.0%	2.80%	0.08%
Emerging Markets Debt	6.0%	5.10%	0.31%
<b>Global Public Equity</b>	<b>31.0%</b>	7.10%	2.20%
<b>Global Tactical Asset Allocation</b>	<b>10.0%</b>	4.90%	0.49%
<b>Alternatives</b>	<b>32.0%</b>		
Hedge Funds (Low Beta)	8.0%	4.30%	0.34%
Private Debt	7.0%	9.90%	0.69%
Private Equity	9.0%	9.90%	0.89%
Real Estate (Broad Market)	5.0%	6.00%	0.30%
Commodities	3.0%	5.90%	0.18%
Total Expected Real Return	100.0%		6.00%
Inflation for Actuarial Purposes			2.75%
Total Expected Nominal Return			8.75%

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

The net pension liability ("NPL") is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2015 measurement date, for the SCRS and PORS are presented in the following table:

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 44,097,310,230	25,131,828,101	\$ 18,965,482,129	57.0%
PORS	\$ 6,151,321,222	3,971,824,838	\$ 2,179,496,384	64.6%

The total pension liability is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The net pension liability is disclosed in accordance with the requirements of GASB No. 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.

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

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2016**

**IV. OTHER INFORMATION (CONTINUED)**

**A. Retirement Plans (Continued)**

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

At June 30, 2016, the District reported liabilities of approximately \$190,158,000 and \$116,000 for its proportionate share of the net pension liabilities for the SCRS and PORS, respectively. The net pension liabilities were measured as of June 30, 2015, and the total pension liabilities for the Plans used to calculate the net pension liabilities were determined based on the most recent actuarial valuation report of July 1, 2014 that was projected forward to the measurement date. The District's proportion of the net pension liabilities were based on a projection of the District's long-term share of contributions to the Plans relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At the June 30, 2015 measurement date, the District's SCRS proportion was 1.002653 percent, which was a decrease of 0.022055 from its proportion measured as of June 30, 2014. At the June 30, 2015 measurement date, the District's PORS proportion was 0.00531 percent, which was an increase of 0.00187 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of approximately \$12,849,000 and \$18,000 for the SCRS and PORS, respectively. At June 30, 2016, the District reported deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>SCRS</b>		
Differences Between Expected and Actual Experience	\$ 3,378,458	\$ 340,063
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,272,822	-
Changes in Proportion and Differences Between the District's Contributions and Proportionate Share of Contributions	-	3,050,328
District's Contributions Subsequent to the Measurement Date	10,324,978	-
Total SCRS	<u>14,976,258</u>	<u>3,390,391</u>
<b>PORS</b>		
Differences Between Expected and Actual Experience	2,294	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,266	-
Changes in Proportion and Differences Between the District's Contributions and Proportionate Share of Contributions	30,828	-
District's Contributions Subsequent to the Measurement Date	9,034	-
Total PORS	<u>43,422</u>	<u>-</u>
Total SCRS and PORS	<u>\$ 15,019,680</u>	<u>\$ 3,390,391</u>

Approximately \$10,325,000 and \$9,000 that was reported as deferred outflows of resources related to the District's contributions subsequent to the measurement date to the SCRS and PORS, respectively, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the SCRS and PORS will be recognized as an increase (decrease) in pension expense as follows:

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

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2016**

**IV. OTHER INFORMATION (CONTINUED)**

**A. Retirement Plans (Continued)**

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

Year Ended June 30,	SCRS	PORS	Total
2017	\$ (149,967)	8,481	\$ (141,486)
2018	(149,967)	8,481	(141,486)
2019	(1,310,414)	8,380	(1,302,034)
2020	2,871,237	9,046	2,880,283
Total	<u>\$ 1,260,889</u>	<u>34,388</u>	<u>\$ 1,295,277</u>

*Discount Rate*

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that the funding policy specified in the South Carolina State Code of Laws will remain unchanged in future years. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table presents the sensitivity of the District's proportionate share of the net pension liability of the Plans as of June 30, 2015 to changes in the discount rate, calculated using the discount rate of 7.5 percent, as well as what it would be if it were calculated using a discount rate that is 1% point lower (6.5 percent) or 1% point higher (8.5 percent) than the current rate:

System	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability of the SCRS	\$ 239,734,871	190,157,976	\$ 148,606,234
District's proportionate share of the net pension liability of the PORS	157,653	115,731	78,255
Total Net Pension Liability	<u>\$ 239,892,524</u>	<u>190,273,707</u>	<u>\$ 148,684,489</u>

*Plans Fiduciary Net Position*

Detailed information regarding the fiduciary net position of the Plans administered by the PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for the SCRS and PORS. The CAFR is publicly available through the Retirement Benefits' link on the PEBA's website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960.

*Payable to Plans*

The District reported a payable of approximately \$1,903,000 to the PEBA as of June 30, 2016, representing required employer and employee contributions for the month of June 2016 for the SCRS and PORS. This amount is included in Accounts Payable on the financial statements and was paid in July 2016.

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

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2016**

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**IV. OTHER INFORMATION (CONTINUED)**

**B. Other Postemployment Benefits**

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State of South Carolina ("State") provides health, dental, and long-term disability benefits ("OPEB Plan") to retired State and school district employees and their covered dependents. The OPEB plans have been determined to be cost-sharing multiple-employer defined benefit plans and are administered by the Employee Insurance Program ("EIP"), a part of the State of South Carolina.

Generally, retirees are eligible for the health and dental benefits if they have established 10 years of retirement service credit. For new hires on or after May 2, 2008, retirees are eligible for benefits if they have established 25 years of service for 100% employer funding and 15 – 24 years of service for 50% employer funding. Benefits become effective when the former employee retirees under a state retirement system (i.e. SCRS, PORS, etc.). Basic long-term disability ("BLTD") benefits are provided to active state, school district and participating local government employees approved for disability. Complete financial statements for the OPEB plans may be obtained by writing to the PEBA Retirement Benefits and Insurance Benefits, 202 Arbor Lake Drive, Suite 360, Columbia, SC 29223.

The Code of Laws of the State, as amended, requires these post-employment healthcare and long-term disability benefits be funded through annual appropriation by the General Assembly for active employees to the EIP and participating retirees to the SBCB except for the portion funded through the pension surcharge (retiree surcharge) who are not funded by State General Fund appropriations. Employers participating in the healthcare plan are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget. The EIP sets the employer contribution rate based on a pay-as-you-go basis. The District has no liability beyond the payment of monthly contributions.

The required employer contribution surcharge percentages were 5.33%, 5.00%, and 4.92% for the years ended June 30, 2016, 2015, and 2014, respectively. The actual required employer contribution surcharge amounts were approximately \$5,238,000, \$4,943,000, and \$4,801,000 for the years ended June 30, 2016, 2015, and 2014, respectively. The actual contribution rates and amounts were 100% of the required employer contribution surcharge percentages and amounts for the OPEB Plan for all years presented.

**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 \$484,000 for the year ended June 30, 2016.

**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 District carries commercial insurance. During the year ended June 30, 2015, 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 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.

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

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2016**

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**IV. OTHER INFORMATION (CONTINUED)**

**D. Risk Management (Continued)**

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 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, 2016 were approximately \$213,000. The new lease expires in September 2018, and the remaining commitments under this agreement are approximately \$463,000.

**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.

**G. Subsequent Events**

In August 2016, the District issued its Series 2016 General Obligation Bond Anticipation Notes in the amount of \$50,000,000 to provide funds for capital improvements and to repay the Series 2015 General Obligation Bond Anticipation Note. The District received a premium of approximately \$1,104,000 and incurred issuance costs of approximately \$180,000. The interest rate on these bonds is 3.0%, with a final maturity in September 2017.

In September 2016, the District issued its Series 2016A General Obligation Bonds in the amount of \$7,000,000 for capital improvements. The District received a premium of \$22,000 and incurred issuance costs of \$45,000. The interest rate on these bonds is 1.5% with a final maturity in March 2017.

In September 2016, the District issued its Series 2016B General Obligation Bonds in the amount of \$5,000,000 for capital improvements. The District received a premium of \$29,000 and incurred issuance costs of \$27,000. The interest rate on these bonds is 2.0%, with a final maturity in March 2017.

In September 2016, the District issued its Series 2016C General Obligation Advanced Refunding Bonds in the amount of \$11,665,000 to refund a portion of the 2009A Bonds. The District received a premium of approximately \$1,876,000 and incurred issuance costs of approximately \$132,000. The interest rate on these bonds ranges from 2.0% - 5.0%, with a final maturity in March 2029.

In October 2016, the District sold the District Office building and surrounding land for approximately \$2,700,000. The District also signed a lease agreement with the purchaser allowing the District to lease the building at no cost until August 2017.

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# Required Supplementary Information

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ROCK HILL SCHOOL DISTRICT THREE  
ROCK HILL, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

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

YEAR ENDED JUNE 30, 2016

	BUDGETED AMOUNTS		ACTUAL (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Local Sources:				
Taxes	\$ 46,850,000	46,850,000	50,963,646	\$ 4,113,646
Investment Earnings	80,000	80,000	240,234	160,234
Other Local Sources	832,595	832,595	847,671	15,076
State Sources	87,196,670	87,196,670	87,799,094	602,424
<b>TOTAL REVENUES</b>	<b>134,959,265</b>	<b>134,959,265</b>	<b>139,850,645</b>	<b>4,891,380</b>
<b>EXPENDITURES</b>				
Current:				
Instruction	84,176,524	84,263,109	81,803,114	2,459,995
Support Services	53,499,565	53,499,565	53,521,350	(21,785)
Community Services	169,986	169,986	167,651	2,335
Intergovernmental	405,000	405,000	302,246	102,754
Capital Outlay	48,925	48,925	68,374	(19,449)
Debt Service:				
Principal Retirement	584,814	584,814	635,599	(50,785)
Interest and Fiscal Charges	215,186	215,186	203,453	11,733
<b>TOTAL EXPENDITURES</b>	<b>139,100,000</b>	<b>139,186,585</b>	<b>136,701,787</b>	<b>2,484,798</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(4,140,735)</b>	<b>(4,227,320)</b>	<b>3,148,858</b>	<b>7,376,178</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from the Sale of Capital Assets	50,000	50,000	40,389	(9,611)
Transfers In	4,290,735	4,290,735	3,893,140	(397,595)
Transfers Out	(200,000)	(200,000)	(1,568,154)	(1,368,154)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>4,140,735</b>	<b>4,140,735</b>	<b>2,365,375</b>	<b>(1,775,360)</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>-</b>	<b>(86,585)</b>	<b>5,514,233</b>	<b>5,600,818</b>
FUND BALANCES, Beginning of Year	24,972,948	24,972,948	24,972,948	-
<b>FUND BALANCES, End of Year</b>	<b>\$ 24,972,948</b>	<b>24,886,363</b>	<b>30,487,181</b>	<b>\$ 5,600,818</b>

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.

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

**REQUIRED SUPPLEMENTARY INFORMATION**

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

**LAST THREE FISCAL YEARS**

	Year Ended June 30,		
	2016	2015	2014
District's Proportion of the Net Pension Liability (Asset)	1.002653%	1.024708%	1.024708%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 190,157,976	176,420,746	\$ 183,796,061
District's Covered-Employee Payroll	\$ 87,461,787	88,341,683	\$ 86,661,687
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	217.42%	199.70%	212.08%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	56.99%	59.92%	56.39%

**Notes to Schedule:**

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

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
SOUTH CAROLINA RETIREMENT SYSTEM**

**LAST THREE FISCAL YEARS**

---

	Year Ended June 30,		
	2016	2015	2014
Contractually Required Contribution	\$ 10,324,978	10,245,571	\$ 9,860,741
Contributions in Relation to the Contractually Required Contribution	10,324,978	10,245,571	9,860,741
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
District Covered-Employee Payroll	\$ 87,461,787	88,341,683	\$ 87,969,832
Contributions as a Percentage of Covered-Employee Payroll:	11.81%	11.60%	11.21%

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

**REQUIRED SUPPLEMENTARY INFORMATION**

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

**LAST THREE FISCAL YEARS**

	Year Ended June 30,		
	2016	2015	2014
District's Proportion of the Net Pension Liability (Asset)	0.00531%	0.00344%	0.00344%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 115,731	65,875	\$ 71,331
District's Covered-Employee Payroll	\$ 65,785	41,065	\$ 24,781
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	175.92%	160.42%	287.85%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	64.57%	67.55%	62.98%

**Notes to Schedule:**

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

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
POLICE OFFICERS RETIREMENT SYSTEM**

**LAST THREE FISCAL YEARS**

---

	Year Ended June 30,		
	2016	2015	2014
Contractually Required Contribution	\$ 9,034	8,822	\$ 5,273
Contributions in Relation to the Contractually Required Contribution	9,034	8,822	5,273
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
District Covered-Employee Payroll	\$ 65,753	65,785	\$ 41,065
Contributions as a Percentage of Covered-Employee Payroll:	13.74%	13.41%	12.84%

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# Supplementary Information

## Combining and Individual Fund Financial 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, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**REVISED BUDGET AND ACTUAL**

**YEAR ENDED JUNE 30, 2016**

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>REVENUES</b>			
1000 Revenues from Local Sources:			
1100 Taxes:			
1110 Ad Valorem Taxes-Including Delinquent (Independent)	\$ 35,000,000	38,373,115	\$ 3,373,115
1140 Penalties & Interest on Taxes (Independent)	1,600,000	420,520	(1,179,480)
1200 Revenue from Local Governmental Units Other than LEAs:			
1210 Ad Valorem Taxes-Including Delinquent (Dependent)	8,000,000	8,112,515	112,515
1240 Penalties & Interest on Taxes (Dependent)	200,000	10,076	(189,924)
1280 Revenue in Lieu of Taxes (Independent and Dependent)	2,050,000	4,047,420	1,997,420
1300 Tuition:			
1310 From Patrons for Regular Day School	10,000	2,820	(7,180)
1320 From Other LEAs for Regular Day School	-	6,644	6,644
1500 Earnings on Investments:			
1510 Interest on Investments	80,000	240,234	160,234
1900 Other Revenue from Local Sources:			
1910 Rentals	400,000	312,914	(87,086)
1920 Contributions & Donations Private Sources	65,000	25,000	(40,000)
1950 Refund of Prior Year's Expenditures	-	5,807	5,807
1990 Miscellaneous Local Revenue:			
1993 Receipt of Insurance Proceeds	-	26,145	26,145
1999 Revenue from Other Local Sources	357,595	468,341	110,746
Total Revenue from Local Sources	<u>47,762,595</u>	<u>52,051,551</u>	<u>4,288,956</u>
3000 Revenue from State Sources:			
3100 Restricted State Funding:			
3130 Special Programs:			
3131 Handicapped Transportation	5,070	7,243	2,173
3160 School Bus Driver's Salary (Includes Hazardous Condition Transportation)	600,000	632,128	32,128
3162 Transportation Workers' Compensation	22,000	52,638	30,638
3180 Fringe Benefits Employer Contributions (No Carryover Provision)	15,953,000	17,127,406	1,174,406
3181 Retiree Insurance (No Carryover Provision)	3,800,000	3,434,850	(365,150)
3300 Education Finance Act:			
3310 Full-Time Programs:			
3311 Kindergarten	2,126,300	1,995,404	(130,896)
3312 Primary	6,013,600	6,055,428	41,828
3313 Elementary	9,417,800	9,197,908	(219,892)
3314 High School	3,583,000	3,752,951	169,951
3315 Trainable Mentally Handicapped	112,000	150,279	38,279
3316 Speech Handicapped (Part-Time Program)	1,873,000	2,062,326	189,326
3317 Homebound	\$ 38,600	46,747	\$ 8,147

(Continued)

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

**GENERAL FUND**

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

**YEAR ENDED JUNE 30, 2016**

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
3320 Part-Time Programs:			
3321 Emotionally Handicapped	\$ 156,000	173,162	\$ 17,162
3322 Educable Mentally Handicapped	77,000	90,254	13,254
3323 Learning Disabilities	4,157,000	3,961,577	(195,423)
3324 Hearing Handicapped	173,000	161,313	(11,687)
3325 Visually Handicapped	143,300	110,063	(33,237)
3326 Orthopedically Handicapped	62,000	58,247	(3,753)
3327 Vocational	4,760,000	4,533,212	(226,788)
3330 Other EFA Programs:			
3331 Autism	744,000	810,323	66,323
3332 High Achieving Students	657,000	690,489	33,489
3334 Limited English Proficiency	274,000	289,822	15,822
3350 Residential Treatment Facilities (RTF)			
3351 Academic Assistance	771,000	733,429	(37,571)
3352 Pupils in Poverty	3,877,000	3,907,950	30,950
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)	18,400,000	18,221,855	(178,145)
3830 Merchant's Inventory Tax	221,000	221,539	539
3840 Manufacturers Depreciation Reimbursement	1,400,000	1,511,763	111,763
3890 Other State Property Tax Revenues (Includes Motor Carrier Vehicle Tax)	80,000	107,398	27,398
Total Revenue from State Sources	<u>87,196,670</u>	<u>87,799,094</u>	<u>602,424</u>
<b>TOTAL REVENUE ALL SOURCES</b>	<b><u>134,959,265</u></b>	<b><u>139,850,645</u></b>	<b><u>4,891,380</u></b>
<b>EXPENDITURES</b>			
100 Instruction:			
110 General Instruction:			
111 Kindergarten Programs:			
100 Salaries	4,420,451	4,440,632	(20,181)
200 Employee Benefits	2,034,496	1,859,404	175,092
300 Purchased Services	101,488	109,110	(7,622)
400 Supplies and Materials	63,571	58,181	5,390
112 Primary Programs:			
100 Salaries	10,903,368	11,016,385	(113,017)
200 Employee Benefits	4,361,500	4,097,577	263,923
300 Purchased Services	212,024	229,028	(17,004)
400 Supplies and Materials	251,747	229,656	22,091
113 Elementary Programs:			
100 Salaries	19,273,692	19,273,065	627
200 Employee Benefits	7,658,695	6,961,812	696,883
300 Purchased Services	337,515	361,837	(24,322)
400 Supplies and Materials	372,195	363,825	8,370
600 Other Objects	\$ 2,254	2,254	\$ -

(Continued)

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

**GENERAL FUND**

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

**YEAR ENDED JUNE 30, 2016**

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
114 High School Programs:			
100 Salaries	\$ 12,552,731	12,489,934	\$ 62,797
200 Employee Benefits	4,991,187	4,687,044	304,143
300 Purchased Services	229,776	243,200	(13,424)
400 Supplies and Materials	370,141	334,974	35,167
600 Other Objects	697	697	-
115 Career and Technology Education Program:			
100 Salaries	2,061,771	2,060,261	1,510
200 Employee Benefits	799,856	745,540	54,316
300 Purchased Services - Other Than Tuition	29,872	30,977	(1,105)
400 Supplies and Materials	118,629	105,546	13,083
500 Capital Outlay	5,500	-	5,500
600 Other Objects	1,545	295	1,250
120 Exceptional Programs:			
121 Educable Mentally-Handicapped:			
100 Salaries	816,343	777,439	38,904
200 Employee Benefits	407,270	320,644	86,626
300 Purchased Services	11,233	12,881	(1,648)
400 Supplies and Materials	1,898	1,838	60
122 Trainable Mentally Handicapped:			
100 Salaries	318,760	352,013	(33,253)
200 Employee Benefits	173,901	140,115	33,786
300 Purchased Services	15,648	16,998	(1,350)
400 Supplies and Materials	2,225	2,049	176
123 Orthopedically Handicapped:			
100 Salaries	44,116	39,902	4,214
200 Employee Benefits	19,653	23,824	(4,171)
300 Purchased Services	4,339	6,250	(1,911)
124 Visually Handicapped:			
100 Salaries	104,775	104,775	-
200 Employee Benefits	46,316	41,246	5,070
300 Purchased Services	400	322	78
125 Hearing Handicapped:			
100 Salaries	364,711	298,046	66,665
200 Employee Benefits	169,024	93,055	75,969
300 Purchased Services	796	1,032	(236)
126 Speech Handicapped:			
100 Salaries	813,292	765,233	48,059
200 Employee Benefits	302,141	268,499	33,642
400 Supplies and Materials	3,972	3,946	26
127 Learning Disabilities:			
100 Salaries	3,861,656	3,683,131	178,525
200 Employee Benefits	1,558,180	1,330,915	227,265
300 Purchased Services	42,884	45,343	(2,459)
400 Supplies and Materials	\$ 39,921	43,952	\$ (4,031)

(Continued)

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

**GENERAL FUND**

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

**YEAR ENDED JUNE 30, 2016**

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
128 Emotionally Handicapped:			
100 Salaries	\$ 306,186	303,885	\$ 2,301
200 Employee Benefits	127,422	115,248	12,174
300 Purchased Services	12,105	14,626	(2,521)
400 Supplies and Materials	584	583	1
130 Pre-School Programs:			
133 Pre-School Handicapped-Self-Contained (5-Yr. Olds)			
100 Salaries	431,489	429,463	2,026
200 Employee Benefits	188,085	166,703	21,382
300 Purchased Services	5,145	5,319	(174)
400 Supplies and Materials	1,700	1,753	(53)
137 Pre-School Handicapped-Self-Contained (3 & 4-Yr. Olds)			
100 Salaries	240,938	235,548	5,390
200 Employee Benefits	123,064	111,842	11,222
300 Purchased Services	6,524	7,559	(1,035)
139 Early Childhood Programs:			
100 Salaries	228,114	227,994	120
200 Employee Benefits	104,543	82,503	22,040
300 Purchased Services	7,659	8,837	(1,178)
140 Special Programs:			
141 Gifted and Talented - Academic:			
100 Salaries	463,620	463,243	377
200 Employee Benefits	184,390	157,884	26,506
400 Supplies and Materials	9,239	8,737	502
143 Advanced Placement:			
400 Supplies and Materials	90,749	58,914	31,835
145 Homebound:			
100 Salaries	300,000	186,572	113,428
200 Employee Benefits	79,408	44,172	35,236
300 Purchased Services	8,400	68,799	(60,399)
148 Gifted and Talented - Artistic:			
100 Salaries	99	99	-
200 Employee Benefits	8	7	1
300 Purchased Services	64,825	64,929	(104)
400 Supplies and Materials	7,295	4,619	2,676
600 Other Objects	94	93	1
149 Other Special Programs:			
100 Salaries	106,084	105,801	283
200 Employee Benefits	43,676	34,780	8,896
300 Purchased Services	554	644	(90)
160 Other Exceptional Programs:			
161 Autism:			
100 Salaries	349,566	343,323	6,243
200 Employee Benefits	160,385	126,064	34,321
300 Purchased Services	6,783	8,252	(1,469)
400 Supplies and Materials	\$ 500	550	\$ (50)

(Continued)

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

**GENERAL FUND**

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

**YEAR ENDED JUNE 30, 2016**

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
170 Summer School Programs:			
172 Elementary Summer School:			
100 Salaries	\$ -	6,488	\$ (6,488)
200 Employee Benefits	-	1,405	(1,405)
173 High School Summer School:			
100 Salaries	-	10,424	(10,424)
200 Employee Benefits	-	2,486	(2,486)
180 Adult/Continuing Educational Programs:			
181 Adult Basic Education Programs:			
100 Salaries	79,856	79,856	-
200 Employee Benefits	31,191	31,017	174
300 Purchased Services	810	300	510
400 Supplies and Materials	5,634	4,565	1,069
600 Other Objects	525	476	49
187 Adult Education - Remedial:			
100 Salaries	10,078	10,078	-
200 Employee Benefits	3,687	3,685	2
188 Parenting/Family Literacy:			
100 Salaries	123,101	114,894	8,207
200 Employee Benefits	55,738	52,912	2,826
300 Purchased Services	11,660	13,801	(2,141)
400 Supplies and Materials	8,941	6,700	2,241
Total Instruction	<u>84,268,609</u>	<u>81,803,114</u>	<u>2,465,495</u>
200 Support Services:			
210 Pupil Services:			
211 Attendance and Social Work Services:			
100 Salaries	753,075	750,406	2,669
140 Terminal Leave	-	1,338	(1,338)
200 Employee Benefits	341,468	310,369	31,099
300 Purchased Services	8,413	7,186	1,227
400 Supplies and Materials	6,992	4,626	2,366
600 Other Objects	387	-	387
212 Guidance Services:			
100 Salaries	2,509,732	2,512,671	(2,939)
200 Employee Benefits	981,426	938,125	43,301
300 Purchased Services	4,870	4,889	(19)
400 Supplies and Materials	34,228	30,268	3,960
600 Other Objects	1,910	1,660	250
213 Health Services:			
100 Salaries	913,540	1,240,558	(327,018)
200 Employee Benefits	379,294	424,560	(45,266)
300 Purchased Services	96,969	281,608	(184,639)
400 Supplies and Materials	31,274	30,983	291
600 Other Objects	\$ 2,775	2,502	\$ 273

(Continued)

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

**GENERAL FUND**

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

**YEAR ENDED JUNE 30, 2016**

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
214 Psychological Services:			
100 Salaries	\$ 849,880	850,992	\$ (1,112)
200 Employee Benefits	318,328	300,843	17,485
300 Purchased Services	25,273	27,891	(2,618)
400 Supplies and Materials	3,464	3,367	97
216 Vocational Placement Services:			
100 Salaries	12,850	8,100	4,750
200 Employee Benefits	3,216	2,019	1,197
300 Purchased Services	19,697	18,401	1,296
400 Supplies and Materials	4,068	5,628	(1,560)
600 Other Objects	321	321	-
220 Instructional Staff Services:			
221 Improvement of Instruction-Curriculum Development:			
100 Salaries	1,267,046	1,290,715	(23,669)
200 Employee Benefits	424,957	412,839	12,118
300 Purchased Services	335,700	264,964	70,736
400 Supplies and Materials	81,361	101,188	(19,827)
500 Capital Outlay	199	-	199
600 Other Objects	82,041	82,325	(284)
222 Library and Media Services:			
100 Salaries	1,509,795	1,508,795	1,000
200 Employee Benefits	587,289	545,528	41,761
300 Purchased Services	13,291	13,820	(529)
400 Supplies and Materials	151,176	149,043	2,133
600 Other Objects	50	50	-
223 Supervision of Special Programs:			
100 Salaries	438,961	489,818	(50,857)
140 Terminal Leave	-	1,380	(1,380)
200 Employee Benefits	170,103	172,926	(2,823)
300 Purchased Services	11,619	11,480	139
400 Supplies and Materials	20,352	15,061	5,291
600 Other Objects	750	706	44
224 Improvement of Instruction-Inservice and Staff Training:			
100 Salaries	274,514	264,503	10,011
200 Employee Benefits	105,740	92,690	13,050
300 Purchased Services	167,825	138,282	29,543
400 Supplies and Materials	500	472	28
600 Other Objects	586	275	311
230 General Administrative Services:			
231 Board of Education:			
100 Salaries	50,400	50,400	-
200 Employee Benefits	53,915	26,565	27,350
300 Purchased Services	105,188	138,699	(33,511)
318 Audit Services	40,008	48,074	(8,066)
400 Supplies and Materials	1,900	367	1,533
600 Other Objects	\$ 51,700	50,205	\$ 1,495

(Continued)

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

**GENERAL FUND**

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

**YEAR ENDED JUNE 30, 2016**

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
232 Office of Superintendent:			
100 Salaries	\$ 288,522	287,839	\$ 683
200 Employee Benefits	97,902	72,568	25,334
300 Purchased Services	48,367	45,653	2,714
400 Supplies and Materials	7,792	1,950	5,842
600 Other Objects	53,450	61,573	(8,123)
233 School Administration:			
100 Salaries	7,455,654	7,368,521	87,133
140 Terminal Leave	-	16,217	(16,217)
200 Employee Benefits	2,883,213	2,677,841	205,372
300 Purchased Services	265,898	238,704	27,194
400 Supplies and Materials	340,580	313,356	27,224
500 Capital Outlay	448	-	448
600 Other Objects	20,840	19,115	1,725
250 Finance and Operations Services:			
251 Student Transportation (Federal/District Mandated):			
100 Salaries	-	64,125	(64,125)
200 Employee Benefits	-	12,553	(12,553)
300 Purchased Services	-	17,760	(17,760)
252 Fiscal Services:			
100 Salaries	520,541	521,717	(1,176)
180 Head of Organizational Unit Salaries	106,338	106,338	-
200 Employee Benefits	238,424	226,199	12,225
300 Purchased Services	77,300	89,681	(12,381)
400 Supplies and Materials	29,000	23,911	5,089
600 Other Objects	2,200	1,924	276
254 Operation and Maintenance of Plant:			
100 Salaries	4,128,602	4,106,083	22,519
140 Terminal Leave	-	4,026	(4,026)
200 Employee Benefits	1,857,852	1,686,757	171,095
300 Purchased Services	4,546,750	4,964,065	(417,315)
400 Supplies and Materials	5,169,250	5,062,970	106,280
500 Capital Outlay	-	21,078	(21,078)
600 Other Objects	6,000	2,068	3,932
255 Student Transportation (State Mandated):			
100 Salaries	2,730,049	2,435,387	294,662
140 Terminal Leave	-	3,267	(3,267)
200 Employee Benefits	1,034,123	1,012,558	21,565
300 Purchased Services	60,513	60,372	141
400 Supplies and Materials	29,150	29,238	(88)
500 Capital Outlay	460	-	460
600 Other Objects	\$ 177	4,723	\$ (4,546)

(Continued)

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

**GENERAL FUND**

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

**YEAR ENDED JUNE 30, 2016**

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
257 Internal Services:			
100 Salaries	\$ 415,527	401,546	\$ 13,981
200 Employee Benefits	157,977	141,889	16,088
300 Purchased Services	479,344	297,002	182,342
400 Supplies and Materials	8,918	7,546	1,372
600 Other Objects	685	2,147	(1,462)
258 Security:			
100 Salaries	116,114	112,028	4,086
200 Employee Benefits	44,300	33,750	10,550
300 Purchased Services	200,286	272,969	(72,683)
400 Supplies and Materials	10,384	12,482	(2,098)
600 Other Objects	1,330	1,330	-
260 Central Support Services:			
262 Planning, Research, Development and Evaluation:			
100 Salaries	203,296	120,848	82,448
180 Head of Organizational Unit Salaries	122,925	122,925	-
200 Employee Benefits	109,977	79,185	30,792
300 Purchased Services	71,829	49,052	22,777
400 Supplies and Materials	47,442	52,393	(4,951)
500 Capital Outlay	6,000	-	6,000
600 Other Objects	1,000	47	953
263 Information Services:			
100 Salaries	23,500	30,859	(7,359)
140 Terminal Leave	-	598	(598)
180 Head of Organizational Unit Salaries	78,407	78,407	-
200 Employee Benefits	36,275	33,922	2,353
300 Purchased Services	8,171	8,105	66
400 Supplies and Materials	4,438	4,635	(197)
500 Capital Outlay	100	-	100
600 Other Objects	9,314	9,221	93
264 Staff Services:			
100 Salaries	235,661	233,875	1,786
180 Head of Organizational Unit Salaries	95,285	95,285	-
200 Employee Benefits	119,872	118,364	1,508
300 Purchased Services	88,969	120,188	(31,219)
400 Supplies and Materials	21,085	21,296	(211)
600 Other Objects	742	730	12
266 Technology and Data Processing Services:			
100 Salaries	1,222,210	1,280,367	(58,157)
140 Terminal Leave	-	4,090	(4,090)
200 Employee Benefits	503,707	493,642	10,065
300 Purchased Services	1,255,517	1,337,489	(81,972)
400 Supplies and Materials	253,394	339,132	(85,738)
500 Capital Outlay	36,666	36,666	-
600 Other Objects	\$ 176	176	\$ -

(Continued)

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

**GENERAL FUND**

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

**YEAR ENDED JUNE 30, 2016**

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
270 Support Services Pupil Activity:			
271 Pupil Services Activities:			
100 Salaries (Optional)	\$ 1,493,940	1,480,924	\$ 13,016
140 Terminal Leave	-	1,473	(1,473)
200 Employee Benefits (Optional)	413,522	377,439	36,083
300 Purchased Services (Optional)	40,203	108,815	(68,612)
400 Supplies and Materials (Optional)	180,612	344,094	(163,482)
500 Capital Outlay (Optional)	-	10,629	(10,629)
600 Other Objects (Optional)	174,079	121,546	52,533
Total Support Services	<u>53,542,990</u>	<u>53,589,724</u>	<u>(46,734)</u>
300 Community Services:			
390 Other Community Services:			
100 Salaries	94,858	84,140	10,718
140 Terminal Leave	-	598	(598)
200 Employee Benefits	30,362	26,299	4,063
300 Purchased Services	20,634	28,217	(7,583)
400 Supplies and Materials	17,342	19,440	(2,098)
600 Other Objects	6,790	8,957	(2,167)
Total Community Services	<u>169,986</u>	<u>167,651</u>	<u>2,335</u>
400 Other Charges:			
410 Intergovernmental Expenditures:			
411 Payments to the SDE			
720 Transits	-	8,713	(8,713)
412 Payments to Other Governmental Units			
720 Transits	105,000	70,062	34,938
416 Payments to Public Charter Schools			
720 Transits	300,000	223,471	76,529
Total Intergovernmental Expenditures	<u>405,000</u>	<u>302,246</u>	<u>102,754</u>
500 Debt Service:			
610 Redemption of Principal	584,814	635,599	(50,785)
620 Interest	215,186	203,453	11,733
Total Debt Service	<u>800,000</u>	<u>839,052</u>	<u>(39,052)</u>
<b>TOTAL EXPENDITURES</b>	<b><u>\$ 139,186,585</u></b>	<b><u>136,701,787</u></b>	<b><u>\$ 2,484,798</u></b>

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

**GENERAL FUND**

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

**YEAR ENDED JUNE 30, 2016**

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
5300 Proceeds from the Sale of Capital Assets	\$ 50,000	40,389	\$ (9,611)
Interfund Transfers, From (To) Other Funds:			
5230 Transfer from Special Revenue EIA Fund	3,440,735	3,356,736	(83,999)
5280 Transfer from Other Funds Indirect Costs	850,000	536,404	(313,596)
424-710 Transfer to Capital Projects Fund	-	(1,375,278)	(1,375,278)
425-710 Transfer to Food Service Fund	(200,000)	(192,876)	7,124
426-710 Transfer to Pupil Activity Fund	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>4,140,735</u>	<u>2,365,375</u>	<u>(1,775,360)</u>
<b>EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>(86,585)</b>	<b>5,514,233</b>	<b>5,600,818</b>
FUND BALANCES, Beginning of Year	<u>24,972,948</u>	<u>24,972,948</u>	<u>-</u>
<b>FUND BALANCES, End of Year</b>	<b><u>\$ 24,886,363</u></b>	<b><u>30,487,181</u></b>	<b><u>\$ 5,600,818</u></b>

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# **SPECIAL REVENUE FUNDS**

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

Special Revenue Fund (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 (“EIA”) – 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 Fund and the Special Revenue – EIA Fund 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, 2016**

	<b>Title I (BA Projects) (201)</b>	<b>IDEA (CA Projects) (203)</b>
<b>REVENUES</b>		
1000 Revenue from Local Sources:		
1900 Other Revenue from Local Sources:		
1920 Contributions and Donations Private Sources	\$ -	-
1930 Special Needs Transportation	-	-
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:		
3118 EEDA Career Specialist	-	-
3120 General Education:		
3127 Student Health and Fitness - PE Teachers	-	-
3130 Special Programs:		
3135 Reading Coaches	-	-
3155 DSS SNAP & E&T Program	-	-
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)	-	-
3620 Digital Instructional Materials	-	-
3630 K-12 Technology Initiative	-	-
Total Revenue from State Sources	-	-
4000 Revenue from Federal Sources:		
4200 Occupational Education:		
4210 Perkins Aid, Title I - Career and Technical Education - Basic Grants to States	-	-
4300 Elementary and Secondary Education Act of 1965 (ESEA):		
4310 Title I, Basic State Grant Programs (Carryover Provision)	3,554,857	-
4325 Mathematics and Science Partnerships Program,		
Title II (Carryover Provision)	-	-
4341 Language Instruction for Limited English Proficient		
and Immigrant Students, Title III (Carryover Provision)	-	-
4351 Improving Teacher Quality	-	-
4400 Adult Education:		
4410 Basic Adult Education	-	-
4430 State Literacy Resource	\$ -	-

Preschool Handicapped (CG Projects) (205)	CATE (VA Projects) (207)	Adult Education (EA Projects)	Other Designated Restricted State Grants (900s)	Other Special Revenue Programs (200s/800s)	Totals
-	-	18,196	-	59,981	\$ 78,177
-	-	-	-	784,746	784,746
-	-	-	-	3,234,712	3,234,712
-	-	18,196	-	4,079,439	4,097,635
-	-	-	-	271,785	271,785
-	-	-	-	271,785	271,785
-	-	-	767,755	-	767,755
-	-	-	237,400	-	237,400
-	-	-	958,274	-	958,274
-	-	-	9,782	-	9,782
-	-	-	98,373	-	98,373
-	-	-	2,560	-	2,560
-	-	-	-	28,214	28,214
-	-	-	44,278	-	44,278
-	-	-	31,613	-	31,613
-	-	-	519,186	-	519,186
-	-	-	2,669,221	28,214	2,697,435
-	216,054	-	-	-	216,054
-	-	-	-	215,585	3,770,442
-	-	-	-	49,588	49,588
-	-	-	-	71,418	71,418
-	-	-	-	461,211	461,211
-	-	134,656	-	-	134,656
-	-	7,187	-	-	\$ 7,187

(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, 2016**

	<b>Title I (BA Projects) (201)</b>	<b>IDEA (CA Projects) (203)</b>
4500 Programs for Children with Disabilities:		
4510 Individuals with Disabilities Education Act (IDEA) (Carryover Provision)	\$ -	3,418,267
4520 Preschool Grants (IDEA) (Carryover Provision)	-	-
4900 Other Federal Sources:		
4940 SC School Climate Initiative (Safe and Supportive Schools)	-	-
4999 Revenue from Other Federal Sources	-	-
Total Revenue from Federal Sources	<u>3,554,857</u>	<u>3,418,267</u>
<b>TOTAL REVENUE ALL SOURCES</b>	<u><b>3,554,857</b></u>	<u><b>3,418,267</b></u>
<b>EXPENDITURES</b>		
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	792,243	-
200 Employee Benefits	327,382	-
300 Purchased Services	43,931	-
400 Supplies and Materials	84,689	-
113 Elementary Programs:		
100 Salaries	100,226	-
200 Employee Benefits	46,015	-
300 Purchased Services	1,095	-
400 Supplies and Materials	23,606	-
114 High School Programs:		
100 Salaries	-	-
200 Employee Benefits	-	-
300 Purchased Services	-	-
400 Supplies and Materials	-	-
500 Capital Outlay	-	-
115 Career and Technology Education Program:		
100 Salaries	-	-
200 Employee Benefits	-	-
300 Purchased Services - Other Than Tuition	-	-
400 Supplies and Materials	-	-
120 Exceptional Programs:		
121 Educable Mentally Handicapped:		
100 Salaries	-	4,640
200 Employee Benefits	-	1,502
300 Purchased Services	\$ -	3,218

<b>Preschool Handicapped (CG Projects) (205)</b>	<b>CATE (VA Projects) (207)</b>	<b>Adult Education (EA Projects)</b>	<b>Other Designated Restricted State Grants (900s)</b>	<b>Other Special Revenue Programs (200s/800s)</b>	<b>Totals</b>
-	-	-	-	56,433	\$ 3,474,700
115,955	-	-	-	-	115,955
-	-	-	-	9,460	9,460
-	-	-	-	249,010	249,010
115,955	216,054	141,843	-	1,112,705	8,559,681
<b>115,955</b>	<b>216,054</b>	<b>160,039</b>	<b>2,669,221</b>	<b>5,492,143</b>	<b>15,626,536</b>
-	-	-	-	98,153	98,153
-	-	-	-	43,720	43,720
-	-	-	-	180	180
-	-	-	-	2,596	2,596
-	-	-	166,117	1,553,209	2,511,569
-	-	-	57,591	364,254	749,227
-	-	-	-	132,153	176,084
-	-	-	-	53,604	138,293
-	-	-	9,578	205,210	315,014
-	-	-	4,114	73,419	123,548
-	-	-	-	7,060	8,155
-	-	-	45,250	62,213	131,069
-	-	-	-	188,823	188,823
-	-	-	-	7,040	7,040
-	-	-	-	3,435	3,435
-	-	-	-	15,042	15,042
-	-	-	-	5,259	5,259
-	-	-	-	411	411
-	-	-	-	95	95
-	1,100	-	-	-	1,100
-	5,688	-	-	415	6,103
-	-	-	-	50,362	55,002
-	-	-	-	13,460	14,962
-	-	-	-	99	\$ 3,317

(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, 2016**

	<b>Title I (BA Projects) (201)</b>	<b>IDEA (CA Projects) (203)</b>
122 Trainable Mentally Handicapped:		
100 Salaries	\$ -	636,436
200 Employee Benefits	-	287,627
300 Purchased Services	-	-
400 Supplies and Materials	-	-
123 Orthopedically Handicapped:		
100 Salaries	-	43,325
200 Employee Benefits	-	18,511
300 Purchased Services	-	-
400 Supplies and Materials	-	-
124 Visually Handicapped:		
100 Salaries	-	56,791
200 Employee Benefits	-	18,501
300 Purchased Services	-	1,843
125 Hearing Handicapped:		
100 Salaries	-	80,522
200 Employee Benefits	-	46,630
300 Purchased Services	-	-
400 Supplies and Materials	-	-
126 Speech Handicapped:		
100 Salaries	-	197,293
200 Employee Benefits	-	69,881
300 Purchased Services	-	3,235
400 Supplies and Materials	-	-
600 Other Objects	-	-
127 Learning Disabilities:		
100 Salaries	-	694,752
200 Employee Benefits	-	269,620
300 Purchased Services	-	2,994
400 Supplies and Materials	-	-
128 Emotionally Handicapped:		
100 Salaries	-	139,500
200 Employee Benefits	-	66,410
400 Supplies and Materials	-	-
130 Pre-School Programs:		
137 Pre-School Handicapped Self-Contained (3 & 4-Yr. Olds):		
100 Salaries	-	19,959
200 Employee Benefits	-	9,300
300 Purchased Services	-	1,293
400 Supplies and Materials	-	-
139 Early Childhood Programs:		
100 Salaries	371,570	-
200 Employee Benefits	141,411	-
300 Purchased Services	-	-
400 Supplies and Materials	\$ 11,422	-

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
-	-	-	-	19,045	\$ 655,481
-	-	-	-	4,410	292,037
-	-	-	-	653	653
-	-	-	-	15,899	15,899
-	-	-	-	-	43,325
-	-	-	-	-	18,511
-	-	-	-	95,547	95,547
-	-	-	-	2,052	2,052
-	-	-	-	-	56,791
-	-	-	-	-	18,501
-	-	-	-	-	1,843
-	-	-	-	-	80,522
-	-	-	-	-	46,630
-	-	-	-	25,130	25,130
-	-	-	-	637	637
-	-	-	-	4,981	202,274
-	-	-	-	1,243	71,124
-	-	-	-	208,821	212,056
-	-	-	-	2,899	2,899
-	-	-	-	3,375	3,375
-	-	-	-	-	694,752
-	-	-	-	-	269,620
-	-	-	-	-	2,994
-	-	-	-	17,485	17,485
-	-	-	-	-	139,500
-	-	-	-	-	66,410
-	-	-	-	1,221	1,221
74,983	-	-	-	7,269	102,211
35,873	-	-	-	1,742	46,915
-	-	-	-	-	1,293
-	-	-	-	2,412	2,412
-	-	-	-	55,651	427,221
-	-	-	-	26,524	167,935
-	-	-	-	1,946	1,946
-	-	-	-	1,750	\$ 13,172

(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, 2016**

	<b>Title I (BA Projects) (201)</b>	<b>IDEA (CA Projects) (203)</b>
140 Special Programs:		
145 Homebound:		
300 Purchased Services	\$ -	-
149 Other Special Programs:		
100 Salaries	-	21,750
200 Employee Benefits	-	8,830
160 Other Exceptional Programs:		
161 Autism:		
100 Salaries	-	39,120
200 Employee Benefits	-	14,428
300 Purchased Services	-	1,734
170 Summer School Programs:		
171 Primary Summer School:		
100 Salaries	-	-
200 Employee Benefits	-	-
300 Purchased Services	-	-
400 Supplies and Materials	-	-
172 Elementary Summer School:		
100 Salaries	-	-
200 Employee Benefits	-	-
400 Supplies and Materials	-	-
173 High School Summer School:		
100 Salaries	-	-
200 Employee Benefits	-	-
175 Instructional Programs Beyond Regular School Day:		
100 Salaries	34,764	-
200 Employee Benefits	4,950	-
180 Adult/Continuing Educational Programs:		
181 Adult Basic Education Programs:		
100 Salaries	-	-
200 Employee Benefits	-	-
400 Supplies and Materials	-	-
182 Adult Secondary Education Programs:		
100 Salaries	-	-
200 Employee Benefits	-	-
400 Supplies and Materials	-	-
183 Adult English Literacy (ESL):		
100 Salaries	-	-
200 Employee Benefits	-	-
300 Purchased Services	-	-
400 Supplies and Materials	\$ -	-

Preschool Handicapped (CG Projects) (205)	CATE (VA Projects) (207)	Adult Education (EA Projects)	Other Designated Restricted State Grants (900s)	Other Special Revenue Programs (200s/800s)	Totals
-	-	-	-	69,144	\$ 69,144
-	-	-	-	-	21,750
-	-	-	-	-	8,830
-	-	-	-	-	39,120
-	-	-	-	-	14,428
-	-	-	-	-	1,734
-	-	-	37,727	6,086	43,813
-	-	-	9,337	1,134	10,471
-	-	-	17,602	4,056	21,658
-	-	-	33,706	-	33,706
-	-	-	-	9,705	9,705
-	-	-	-	2,262	2,262
-	-	-	1,588	-	1,588
-	-	-	-	30,882	30,882
-	-	-	-	7,551	7,551
-	-	-	-	52,397	87,161
-	-	-	-	11,215	16,165
-	-	56,187	-	-	56,187
-	-	12,383	-	-	12,383
-	-	10,219	-	-	10,219
-	-	31,997	6,719	-	38,716
-	-	7,915	2,467	-	10,382
-	-	7,247	-	5,099	12,346
-	-	17,403	-	-	17,403
-	-	1,484	-	-	1,484
-	-	73	-	-	73
-	-	4,963	-	-	\$ 4,963

(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, 2016**

	<b>Title I (BA Projects) (201)</b>	<b>IDEA (CA Projects) (203)</b>
188 Parenting/Family Literacy:		
100 Salaries	\$ 125,908	-
200 Employee Benefits	69,882	-
300 Purchased Services	1,120	-
400 Supplies and Materials	23,747	-
Total Instruction	<u>2,203,961</u>	<u>2,759,645</u>
200 Support Services:		
210 Pupil Services:		
211 Attendance and Social Work Services:		
400 Supplies and Materials	-	-
212 Guidance Services:		
100 Salaries	-	-
200 Employee Benefits	-	-
400 Supplies and Materials	-	-
213 Health Services:		
100 Salaries	-	181,238
200 Employee Benefits	-	62,840
300 Purchased Services	-	4,437
400 Supplies and Materials	-	-
214 Psychological Services:		
100 Salaries	-	102,698
200 Employee Benefits	-	27,241
300 Purchased Services	-	3,999
215 Exceptional Program Services:		
100 Salaries	-	-
200 Employee Benefits	-	-
300 Purchased Services	-	-
216 Vocational Placement Services:		
100 Salaries	-	-
200 Employee Benefits	-	-
300 Purchased Services	-	-
400 Supplies and Materials	-	-
220 Instructional Staff Services:		
221 Improvement of Instruction - Curriculum Development:		
100 Salaries	-	-
200 Employee Benefits	-	-
300 Purchased Services	-	-
400 Supplies and Materials	-	-
222 Library and Media:		
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
-	-	-	-	83,376	\$ 209,284
-	-	-	-	37,066	106,948
-	-	-	-	-	1,120
-	-	-	-	357	24,104
<u>110,856</u>	<u>6,788</u>	<u>149,871</u>	<u>391,796</u>	<u>3,701,234</u>	<u>9,324,151</u>
-	-	-	-	3,250	3,250
-	118,373	-	566,643	-	685,016
-	42,192	-	201,112	-	243,304
-	501	-	-	2,285	2,786
-	2,603	-	-	-	183,841
-	222	-	-	-	63,062
-	-	-	-	-	4,437
-	-	-	-	610	610
-	-	-	-	51,489	154,187
-	-	-	-	17,571	44,812
-	-	-	-	-	3,999
-	-	-	-	63,376	63,376
-	-	-	-	20,162	20,162
-	-	-	-	1,721	1,721
-	-	-	-	39,540	39,540
-	-	-	-	11,862	11,862
-	-	-	-	2,955	2,955
-	-	-	-	1,125	1,125
-	-	-	-	115,308	115,308
-	-	-	-	47,493	47,493
-	-	-	-	730	730
-	-	-	422	-	422
-	-	-	-	1,005	1,005
-	-	-	-	2,108	\$ 2,108

(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, 2016**

	<b>Title I (BA Projects) (201)</b>	<b>IDEA (CA Projects) (203)</b>
223 Supervision of Special Programs:		
100 Salaries	\$ 102,833	94,449
200 Employee Benefits	39,143	23,677
300 Purchased Services	128,502	1,718
400 Supplies and Materials	16,514	6,000
600 Other Objects	-	-
224 Improvement of Instruction - Inservice and Staff Training:		
100 Salaries	658,812	-
200 Employee Benefits	215,273	-
300 Purchased Services	25,748	-
400 Supplies and Materials	7,739	-
230 General Administration Services:		
233 School Administration:		
100 Salaries	-	-
200 Employee Benefits	-	-
300 Purchased Services	-	-
400 Supplies and Materials	-	-
250 Finance and Operations Services:		
251 Student Transportation (Federal/District Mandated):		
100 Salaries	-	-
200 Employee Benefits	-	-
300 Purchased Services	-	-
600 Other Objects	-	-
252 Fiscal Services:		
100 Salaries	-	-
200 Employee Benefits	-	-
253 Facilities Acquisition and Construction:		
300 Purchased Services	-	-
400 Supplies and Materials	-	-
255 Student Transportation (State Mandated):		
300 Purchased Services	-	-
258 Security:		
300 Purchased Services	-	-
400 Supplies and Materials	-	-
260 Central Support Services:		
266 Technology and Data Processing Services:		
300 Purchased Services	-	-
400 Supplies and Materials	-	-
500 Capital Outlay	\$ -	-

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
-	-	-	-	168,538	\$ 365,820
-	9,902	-	-	60,131	132,853
-	-	5,000	365	49,853	185,438
-	-	-	230	16,966	39,710
-	-	-	-	2,463	2,463
-	-	-	681,219	35,241	1,375,272
-	-	-	277,054	8,430	500,757
-	9,864	-	-	102,496	138,108
-	-	-	-	11,224	18,963
-	-	-	-	315	315
-	-	-	-	78	78
-	-	-	-	13,239	13,239
-	-	-	-	2,645	2,645
-	-	-	-	54,389	54,389
-	-	-	-	9,135	9,135
-	-	-	-	35,568	35,568
-	-	-	-	10,567	10,567
-	-	-	-	20,332	20,332
-	-	-	-	8,352	8,352
-	-	-	-	1,600	1,600
-	-	-	-	419,844	419,844
-	-	-	-	7,157	7,157
-	-	-	-	27,984	27,984
-	-	-	-	9,622	9,622
-	-	-	20,700	24,947	45,647
-	-	-	424,166	-	424,166
-	-	-	105,514	-	\$ 105,514

(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, 2016**

	<b>Title I (BA Projects) (201)</b>	<b>IDEA (CA Projects) (203)</b>
270 Support Services - Pupil Activity:		
271 Pupil Services Activities:		
100 Salaries (Optional)	\$ -	-
200 Employee Benefits (Optional)	-	-
300 Purchased Services (Optional)	-	-
600 Other Objects (Optional)	-	-
Total Support Services	<u>1,194,564</u>	<u>508,297</u>
300 Community Services:		
360 Welfare Services:		
400 Supplies and Materials	-	-
370 Non-Public School Services:		
100 Salaries	-	-
200 Employee Benefits	-	-
300 Purchased Services	-	-
400 Supplies and Materials	-	-
390 Other Community Services:		
100 Salaries	-	-
200 Employee Benefits	-	-
600 Other Objects	-	-
Total Community Services	<u>-</u>	<u>-</u>
410 Intergovernmental Expenditures:		
411 Payments to SDE		
720 Transits	-	-
Total Intergovernmental Expenditures	<u>-</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u><b>3,398,525</b></u>	<u><b>3,267,942</b></u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Interfund Transfers, From (To) Other Funds:		
431-791 Special Revenue Fund Indirect Costs (Use Only for Transfer of Indirect Costs to General Fund)	(156,332)	(150,325)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u><b>(156,332)</b></u>	<u><b>(150,325)</b></u>
<b>EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	-	-
<b>FUND BALANCES, Beginning of Year</b>	<u>-</u>	<u>-</u>
<b>FUND BALANCES, End of Year</b>	<u><u>\$ -</u></u>	<u><u>-</u></u>

<b>Preschool Handicapped (CG Projects) (205)</b>	<b>CATE (VA Projects) (207)</b>	<b>Adult Education (EA Projects)</b>	<b>Other Designated Restricted State Grants (900s)</b>	<b>Other Special Revenue Programs (200s/800s)</b>	<b>Totals</b>
-	137	-	-	4,105	\$ 4,242
-	10	-	-	691	701
-	-	-	-	2,000	2,000
-	15,961	-	-	19,990	35,951
-	199,765	5,000	2,277,425	1,510,492	5,695,543
-	-	-	-	59,499	59,499
-	-	-	-	7,683	7,683
-	-	-	-	655	655
-	-	-	-	1,000	1,000
-	-	-	-	2,722	2,722
-	-	-	-	4,203	4,203
-	-	-	-	610	610
-	-	-	-	31,979	31,979
-	-	-	-	108,351	108,351
-	-	-	-	205,049	205,049
-	-	-	-	205,049	205,049
<b>110,856</b>	<b>206,553</b>	<b>154,871</b>	<b>2,669,221</b>	<b>5,525,126</b>	<b>15,333,094</b>
(5,099)	(9,501)	(5,168)	-	(10,557)	(336,982)
(5,099)	(9,501)	(5,168)	-	(10,557)	(336,982)
-	-	-	-	(43,540)	(43,540)
-	-	-	-	908,801	908,801
-	-	-	-	865,261	\$ 865,261

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

**SPECIAL REVENUE FUND**

**SUPPLEMENTAL LISTING OF LEA SUBFUND CODES AND TITLES**

**YEAR ENDED JUNE 30, 2016**

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**OTHER DESIGNATED RESTRICTED STATE GRANTS**

919	Education License Plates
926	Summer Reading Camps
928	EEDA Career Specialists
935	Reading Coaches
937	Student Health and Fitness - PE Teachers
955	DSS SNAP & E&T Program
963	K-12 Technology Initiative
965	Digital Instructional Materials
967	6-8 Enhancement (Carryover Provision)

**OTHER SPECIAL REVENUE PROGRAMS**

221	Title I (Neglected and Delinquent)
225	Math & Science Partnership
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	Medicaid
291	Attendance Make-Up
292	Adult Education Local
295	ROTC
298	ATC House Project
801	After School Program
802	Sylvia Circle Tuition
822	Extended School Year
826	Summer School High School
827	JSCG Grant
832	Professional Development
833	Arts in Education - Northside
854	Info Ave. - Tech Knowledge Park
858	Toolbox for Education
861	Great Outdoors
862	York County First Steps
864	Community Services - Transportation
866	Misc State Restricted
869	Back the Pack
870	First Steps Parent Smart Grant
873	Sisters of Mercy of N.C. Foundation
879	Special Needs Transportation
880	Profoundly Mentally Disabled
881	NIST
882	E-Rate
883	Level Data Reimbursement
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, 2016

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	\$ 2,560	2,560	-	-	\$ -
926	3177	Summer Reading Camp	98,373	98,373	-	-	-
928	3118	EEDA Career Specialists	767,755	767,755	-	-	11,591
935	3135	Reading Coaches	958,274	958,274	-	-	284,136
937	3127	Student Health and Fitness - PE Teachers	237,400	237,400	-	-	22,184
955	3155	DSS SNAP & E&T Program	9,782	9,782	-	-	7,989
963	3630	K-12 Technology Initiative	519,186	519,186	-	-	424,010
965	3620	Digital Instructional Materials	31,613	31,613	-	-	-
967	3607	6-8 Enhancement (Carryover Provision)	44,278	44,278	-	-	-
<b>Totals</b>			<b>\$ 2,669,221</b>	<b>2,669,221</b>	<b>-</b>	<b>-</b>	<b>\$ 749,910</b>

**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, 2016**

	<b>ACTUAL</b>
<b>REVENUES</b>	
3000 Revenue from State Sources:	
3500 Education Improvement Act:	
3502 ADEPT	\$ 15,776
3504 Level Data Reimbursement	3,000
3505 Technology Support	10,000
3509 Arts in Education	17,088
3511 Professional Development	120,806
3512 Technology Professional Development	69,532
3518 Formative Assessment	80,000
3525 Career and Technology Education Equipment	187,364
3526 Refurbishment of K-8 Science Kits	20,739
3532 National Board Salary Supplement (No Carryover Provision)	1,578,166
3533 Teacher of the Year Awards	1,077
3538 Student at Risk of School Failure	1,813,750
3540 Early Childhood Program (4K Programs Serving Four-Year-Old Children)	812,070
3550 Teacher Salary Increase (No Carryover Provision)	2,918,955
3555 Teacher Salary Fringe (No Carryover Provision)	437,781
3556 Adult Education	442,198
3557 Summer Reading Program	57,860
3558 Reading	96,899
3571 Technical Assistance - State Priority Schools (No Carryover Provision)	185,644
3577 Teacher Supplies (No Carryover Provision)	299,744
3578 High Schools That Work / Making Middle Grades Work	38,481
3581 Student Health and Fitness - Nurses	501,974
3592 Work-Based Learning	62,556
3594 EEDA Supplemental Programs	38,653
3595 EEDA - Supplies and Materials	44,506
3597 Aid to Districts	217,543
Total Revenue from State Sources	<u>10,072,162</u>
<b>TOTAL REVENUE ALL SOURCES</b>	<u><b>10,072,162</b></u>
<b>EXPENDITURES</b>	
100 Instruction:	
110 General Instruction:	
111 Kindergarten Programs:	
100 Salaries	66,569
200 Employee Benefits	15,952
112 Primary Programs:	
100 Salaries	509,156
200 Employee Benefits	166,367
300 Purchased Services	56,448
400 Supplies and Materials	\$ 302,807
	(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, 2016**

	<u>ACTUAL</u>
113 Elementary Programs:	
100 Salaries	\$ 568,715
200 Employee Benefits	156,234
300 Purchased Services	61,530
400 Supplies and Materials	57,770
600 Other Objects	130
114 High School Programs:	
100 Salaries	555,506
200 Employee Benefits	164,603
300 Purchased Services	266,503
400 Supplies and Materials	9
115 Career and Technology Education Program:	
100 Salaries	74,961
200 Employee Benefits	17,803
400 Supplies and Materials	189,164
120 Exceptional Programs:	
121 Educable Mentally Handicapped:	
100 Salaries	25,371
200 Employee Benefits	7,243
125 Hearing Handicapped:	
100 Salaries	7,302
200 Employee Benefits	1,759
126 Speech Handicapped:	
100 Salaries	52,497
200 Employee Benefits	17,546
127 Learning Disabilities:	
100 Salaries	88,514
200 Employee Benefits	21,028
130 Pre-School Programs:	
139 Early Childhood Programs:	
100 Salaries	500,517
200 Employee Benefits	200,124
300 Purchased Services	18,630
400 Supplies and Materials	59,922
140 Special Programs:	
141 Gifted and Talented - Academic:	
100 Salaries	18,000
200 Employee Benefits	4,266
170 Summer School Programs:	
171 Primary Summer School:	
100 Salaries	46,197
200 Employee Benefits	\$ 11,663

(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, 2016**

	<u>ACTUAL</u>
175 Instructional Programs Beyond Regular School Day:	
100 Salaries	\$ 23,121
200 Employee Benefits	5,540
180 Adult/Continuing Educational Programs:	
181 Adult Basic Education Programs:	
100 Salaries	23,480
200 Employee Benefits	5,839
400 Supplies and Materials	981
182 Adult Secondary Education Programs:	
100 Salaries	15,110
200 Employee Benefits	3,764
400 Supplies and Materials	301
188 Parenting/Family Literacy:	
100 Salaries	84,919
200 Employee Benefits	32,671
Total Instruction	<u>4,506,532</u>
200 Support Services:	
210 Pupil Services:	
211 Attendance and Social Work Services:	
100 Salaries	82,243
200 Employee Benefits	32,400
212 Guidance Services:	
100 Salaries	187,785
200 Employee Benefits	64,014
300 Purchased Services	18,375
400 Supplies and Materials	26,471
213 Health Services:	
100 Salaries	360,251
200 Employee Benefits	141,723
300 Purchased Services	15,000
220 Instructional Staff Services:	
221 Improvement of Instruction-Curriculum Development:	
100 Salaries	274,999
200 Employee Benefits	97,926
400 Supplies and Materials	4,986
600 Other Objects	176
222 Library and Media:	
100 Salaries	15,000
200 Employee Benefits	\$ 3,581

(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, 2016**

	<b>ACTUAL</b>
223 Supervision of Special Programs:	
100 Salaries	\$ 306,186
200 Employee Benefits	85,551
300 Purchased Services	6,473
400 Supplies and Materials	270
224 Improvement of Instruction-Curriculum Development:	
100 Salaries	39,946
200 Employee Benefits	9,815
300 Purchased Services	210,507
400 Supplies and Materials	4,490
230 General Administration Services:	
233 School Administration:	
300 Purchased Services	688
250 Finance and Operations Services:	
251 Student Transportation (Federal/District Mandated):	
100 Salaries	8,210
200 Employee Benefits	766
300 Purchased Services	4,288
600 Other Objects	272
260 Central Support Services:	
266 Technology and Data Processing Services:	
300 Purchased Services	13,000
270 Support Services - Pupil Activity:	
271 Pupil Services Activities:	
300 Purchased Services (Optional)	6,000
600 Other Objects (Optional)	1,858
Total Support Services	<u>2,023,250</u>
410 Intergovernmental Expenditures:	
416 Payments to Public Charter Schools	
720 Transits	185,644
Total Intergovernmental Expenditures	<u>185,644</u>
<b>TOTAL EXPENDITURES</b>	<b><u>6,715,426</u></b>
<b>OTHER FINANCING SOURCES (USES)</b>	
Interfund Transfers, From (To) Other Funds:	
420-710 Transfer to General Fund (Exclude Indirect Costs)	(3,356,736)
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ (3,356,736)</u>

(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, 2016**

---

	<u><b>ACTUAL</b></u>
<b>EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	\$ -
FUND BALANCE, Beginning of Year	<u>-</u>
<b>FUND BALANCE, End of Year</b>	<u><b>\$ -</b></u>

ROCK HILL SCHOOL DISTRICT THREE  
ROCK HILL, SOUTH CAROLINA

EDUCATION IMPROVEMENT ACT

SUMMARY SCHEDULE BY PROGRAM

YEAR ENDED JUNE 30, 2016

Program	Revenues	Expenditures	EIA Interfund Transfers In/(Out)	Other Fund Transfers In/(Out)	EIA Fund Unearned Revenue
3500 Education Improvement Act:					
3502 ADEPT	\$ 15,776	15,776	-	-	\$ -
3504 Level Data Reimbursement	3,000	3,000	-	-	-
3505 Technology Support	10,000	10,000	-	-	-
3509 Arts in Education	17,088	17,088	-	-	-
3511 Professional Development	120,806	120,806	-	-	24,801
3512 Technology Professional Development	69,532	69,532	-	-	24,628
3518 Formative Assessment	80,000	80,000	-	-	5,156
3525 Career and Technology Education Equipment	187,364	187,364	-	-	20,196
3526 Refurbishment of K-8 Science Kits	20,739	20,739	-	-	40,225
3532 National Board Salary Supplement (No Carryover Provision)	1,578,166	1,578,166	-	-	-
3533 Teacher of the Year Awards (No Carryover Provision)	1,077	1,077	-	-	-
3535 Reading Coaches	-	-	-	-	8,000
3538 Student at Risk of School Failure	1,813,750	1,813,750	-	-	359,058
3540 Early Childhood Programs (4K Programs Serving Four-Year Old Children)	812,070	812,070	-	-	198,788
3550 Teacher Salary Increase (No Carryover Provision)	2,918,955	-	-	(2,918,955)	-
3555 Teacher Salary Fringe (No Carryover Provision)	437,781	-	-	(437,781)	-
3556 Adult Education	442,198	442,198	-	-	55,886
3557 Summer Reading Camp	57,860	57,860	-	-	85,730
3558 Reading	96,899	96,899	-	-	20,897
3571 Technical Assistance - State Priority Schools (No Carryover Provision)	185,644	185,644	-	-	-
3577 Teacher Supplies (No Carryover Provision)	299,744	299,744	-	-	-
3578 High Schools That Work / Making Middle Grades Work	38,481	38,481	-	-	36,641
3581 Student Health and Fitness - Nurses	501,974	501,974	-	-	-
3592 Work-Based Learning	62,556	62,556	-	-	-
3594 EEDA Supplemental Programs	38,653	38,653	-	-	-
3595 EEDA Career Awareness	44,506	44,506	-	-	4,359
3597 Aid to Districts	217,543	217,543	-	-	-
<b>Totals</b>	<b>\$ 10,072,162</b>	<b>6,715,426</b>	<b>-</b>	<b>(3,356,736)</b>	<b>\$ 884,365</b>

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

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

**YEAR ENDED JUNE 30, 2016**

<b>Program</b>	<b>Project/ Grant Number</b>	<b>Revenue &amp; Subfund Code</b>	<b>Description</b>	<b>Amount Due to State Dept. of Education or Federal Government</b>	<b>Status of Amount Due to Grantors</b>
None					

# 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, 2016**

	<u><b>ACTUAL</b></u>
<b>REVENUES</b>	
1000 Revenue from Local Sources:	
1100 Taxes:	
1110 Ad Valorem Taxes-Including Delinquent (Fiscally Independent LEA)	\$ 21,290,483
1140 Penalties & Interest on Taxes (Independent)	96,632
1200 Revenue from Local Governmental Units Other than LEAs:	
1280 Revenue in Lieu of Taxes (Dependent and Independent)	1,246,449
1500 Earnings on Investments:	
1510 Interest on Investments	104,996
Total Revenue from Local Sources	<u>22,738,560</u>
3000 Revenue from State Sources:	
3800 State Revenue in Lieu of Taxes:	
3820 Homestead Exemption	793,228
3830 Merchant's Inventory Tax	107,676
3840 Manufacturers Depreciation Reimbursement	485,354
3890 Other State Property Tax Revenues (Includes Motor Carrier Vehicle Tax)	40,074
Total Revenue from State Sources	<u>1,426,332</u>
<b>TOTAL REVENUE ALL SOURCES</b>	<u><b>24,164,892</b></u>
<b>EXPENDITURES</b>	
500 Debt Service:	
610 Redemption of Principal	16,548,000
620 Interest	4,529,890
690 Other Objects (Includes Fees for Servicing Bonds)	5,844
Total Debt Service	<u>21,083,734</u>
<b>TOTAL EXPENDITURES</b>	<u><b>21,083,734</b></u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Interfund Transfers, From (To) Other Funds:	
5250 Transfer from Capital Projects Fund	2,114,693
424-710 Transfer to Capital Projects Fund	(5,000,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,885,307)</u>
<b>EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>195,851</b>
FUND BALANCE, Beginning of Year	<u>14,981,969</u>
<b>FUND BALANCE, End of Year</b>	<u><b>\$ 15,177,820</b></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, 2016**

	<b>ACTUAL</b>
<b>REVENUES</b>	
1000 Revenue from Local Sources:	
1500 Earnings on Investments:	
1510 Interest on Investments	\$ 174,252
1900 Other Revenue from Local Sources:	
1993 Receipt of Insurance Proceeds	57,500
1994 Receipt of Legal Settlements	265,000
Total Revenue from Local Sources	<u>496,752</u>
<b>TOTAL REVENUE ALL SOURCES</b>	<b><u>496,752</u></b>
<b>EXPENDITURES</b>	
250 Finance and Operations:	
253 Facilities Acquisition & Construction:	
100 Salaries	50,134
200 Employee Benefits	14,929
300 Purchased Services	2,804,675
400 Supplies and Materials	9,676,701
500 Capital Outlay:	
510 Land	181,090
520 Construction Services	1,675,985
530 Improvements Other Than Buildings	307,506
540 Equipment	431,848
545 Technology, Equipment and Software	214,825
550 Vehicles	496,775
Total Support Services	<u>15,854,468</u>
500 Debt Service:	
690 Other Objects	206,891
Total Debt Service	<u>206,891</u>
<b>TOTAL EXPENDITURES</b>	<b><u>16,061,359</u></b>
<b>OTHER FINANCING SOURCES (USES)</b>	
5110 Premium on Bonds Sold	490,600
5120 Issuance of General Obligation Bonds	30,000,000
5300 Sale of Capital Assets	271,240
Interfund Transfers, From (To) Other Funds:	
5210 Transfer from General Fund (Exclude Indirect Costs)	1,375,278
5240 Transfer from Debt Service Fund	5,000,000
423-710 Transfer to Debt Service Fund	(2,114,693)
TOTAL OTHER FINANCING SOURCES (USES)	<u>35,022,425</u>
<b>EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>19,457,818</b>
FUND BALANCE, Beginning of Year	<u>6,541,551</u>
<b>FUND BALANCE, End of Year</b>	<b><u>\$ 25,999,369</u></b>

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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.

**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, 2016**

	<b>ACTUAL</b>
<b>REVENUES</b>	
1000 Revenues from Local Sources:	
1600 Food Service:	
1610 Lunch Sales to Pupils	\$ 962,667
1620 Breakfast Sales to Pupils	106,040
1630 Special Sales to Pupils	456,551
1640 Lunch Sales to Adults	56,676
1650 Breakfast Sales to Adults	4,137
1660 Special Sales to Adults	9,042
Total Revenue from Local Sources	<u>1,595,113</u>
3000 Revenue from State Sources:	
3100 Restricted State Funding:	
3140 School Lunch:	
3142 Program Aid	572
Total Revenue from State Sources	<u>572</u>
4000 Revenue from Federal Sources:	
4800 USDA Reimbursement:	
4810 School Lunch and After School Snacks Program	4,405,533
4830 School Breakfast Program	1,378,439
4900 Other Federal Sources:	
4991 USDA Commodities (Food Distribution Program) (Carryover Provision)	575,574
Total Revenue from Federal Sources	<u>6,359,546</u>
<b>TOTAL REVENUE ALL SOURCES</b>	<u><b>7,955,231</b></u>
<b>EXPENSES</b>	
256 Food Service:	
100 Salaries	964,937
200 Employee Benefits	567,008
300 Purchased Services (Exclude Gas, Oil, Electricity and Other Heating Fuels)	5,654,034
400 Supplies and Materials (Include Gas, Oil, Electricity and Other Heating Fuels)	497,991
500 Capital Outlay	153,874
600 Other Objects	8,200
Total Food Services Expenses	<u>7,846,044</u>
<b>TOTAL EXPENSES</b>	<u><b>\$ 7,846,044</b></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, 2016**

	<b>ACTUAL</b>
<b>OTHER FINANCING SOURCES (USES)</b>	
5300 Sale of Capital Assets	\$ 2,173
Interfund Transfers, From (To) Other Funds:	
5210 Transfer from General Fund (Excludes Indirect Costs)	192,876
432-791 Food Service Fund Indirect Costs	(199,422)
TOTAL OTHER FINANCING SOURCES (USES)	<u><b>(4,373)</b></u>
<b>EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>104,814</b>
FUND NET POSITION, Beginning of Year,	<u>2,495,398</u>
<b>FUND NET POSITION, End of Year</b>	<u><b>\$ 2,600,212</b></u>

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# 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.

**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, 2016**

	<b>ACTUAL</b>
<b>RECEIPTS</b>	
1000 Receipts from Local Sources:	
1700 Pupil Activities:	
1710 Admissions	\$ 535,033
1730 Pupil Organization Membership Dues and Fees	156,435
1740 Student Fees	199,187
1790 Other	2,495,355
1900 Other Revenue from Local Sources	
1920 Contributions & Donations Private Sources	(462)
Total Receipts from Local Sources	<u>3,385,548</u>
<b>TOTAL RECEIPTS ALL SOURCES</b>	<b><u>3,385,548</u></b>
<b>DISBURSEMENTS</b>	
190 Instructional Pupil Activity:	
400 Supplies and Materials (Optional)	34,123
Total Instruction	<u>34,123</u>
270 Support Services Pupil Activity:	
271 Pupil Service Activities:	
100 Salaries (Optional)	241,516
200 Employee Benefits (Optional)	47,331
300 Purchased Services (Optional)	380,646
400 Supplies and Materials (Optional)	1,824,904
500 Capital Outlay (Optional)	28,028
660 Pupil Activity	678,670
Total Pupil Activity Expenditures	<u>3,201,095</u>
<b>TOTAL DISBURSEMENTS</b>	<b><u>3,235,218</u></b>
<b>OTHER FINANCING SOURCES (USES)</b>	
Interfund Transfers, From (To) Other Funds:	
5210 Transfer from General Fund (Excludes Indirect Costs)	77,777
TOTAL OTHER FINANCING SOURCES (USES)	<u>77,777</u>
<b>EXCESS/DEFICIENCY OF RECEIPTS OVER DISBURSEMENTS</b>	<b>228,107</b>
<b>DUE TO STUDENT ORGANIZATIONS, Beginning of Year</b>	<u>1,161,295</u>
<b>DUE TO STUDENT ORGANIZATIONS, End of Year</b>	<b><u>\$ 1,389,402</u></b>

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

**AGENCY FUND - PUPIL ACTIVITY FUND**

**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES**

**YEAR ENDED JUNE 30, 2016**

	<b>Balance at June 30, 2015</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance at June 30, 2016</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 11,058	-	(5,628)	\$ 5,430
Receivables	1,150,237	-	233,735	1,383,972
<b>TOTAL ASSETS</b>	<b>\$ 1,161,295</b>	<b>-</b>	<b>228,107</b>	<b>\$ 1,389,402</b>
<b>LIABILITIES</b>				
Due to Student Organizations	\$ 1,161,295	-	228,107	\$ 1,389,402
<b>TOTAL LIABILITIES</b>	<b>\$ 1,161,295</b>	<b>-</b>	<b>228,107</b>	<b>\$ 1,389,402</b>

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# Location Reconciliation

As Requested by the South Carolina  
Department of Education

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

**LOCATION RECONCILIATION SCHEDULE**

**YEAR ENDED JUNE 30, 2016**

<b>LOCATION ID</b>	<b>LOCATION DESCRIPTION</b>	<b>EDUCATION LEVEL</b>	<b>COST TYPE</b>	<b>TOTAL EXPENDITURES</b>
00	District Office	Non-Schools	Central	\$ 28,178,859
02	Bellevue Elementary	Elementary Schools	School	3,693,179
04	Castle Heights Middle	Middle Schools	School	5,831,139
05	Central Child Dev. Center	Other Schools	School	1,840,086
06	Ebenezer Elementary	Elementary Schools	School	2,867,398
07	Dutchman Creek Middle	Middle Schools	School	5,995,457
08	Ebinport Elementary	Elementary Schools	School	4,581,509
10	Edgewood Elementary	Elementary Schools	School	13,840
14	Finley Road Elementary	Elementary Schools	School	3,416,046
16	Independence Elementary	Elementary Schools	School	3,503,882
18	India Hook Elementary	Elementary Schools	School	3,678,934
20	Leslie Elementary	Elementary Schools	School	2,724,874
22	Mt. Gallant Elementary	Elementary Schools	School	3,190,421
23	Mt. Holly Elementary	Elementary Schools	School	3,538,130
24	Northside Elementary	Elementary Schools	School	4,297,503
26	Northwestern High	High Schools	School	11,690,233
28	Oakdale Elementary	Elementary Schools	School	3,116,206
29	Old Pointe Elementary	Elementary Schools	School	3,553,449
30	Rawlinson Road Middle	Middle Schools	School	5,579,430
31	Renaissance Academy	Other Schools	School	270,236
32	Richmond Drive Elementary	Elementary Schools	School	4,502,251
33	T-3	Other Schools	School	284,697
34	ParentSmart	Other Schools	School	650,257
36	Applied Technology Center	Other Schools	School	3,259,957
38	Rock Hill High	High Schools	School	13,299,966
40	Rosewood Elementary	Elementary Schools	School	3,942,299
41	South Pointe High	High Schools	School	9,605,079
42	Sullivan Middle	Middle Schools	School	6,415,302
44	Sunset Park Elementary	Elementary Schools	School	3,154,869
46	The Children's School	Other Schools	School	2,499,528
48	York Road Elementary	Elementary Schools	School	3,318,447
49	Phoenix Academy	Other School	School	1,379,433
50	Saluda Trail Middle	Middle Schools	School	6,077,641
60	Office of Superintendent	Non-Schools	Central	480,504
65	Health Services	Non-Schools	Central	36,261
66	Facilities Services	Non-Schools	Central	6,493,903
68	Food Service	Non-Schools	Central	5,688,084
70	Transportation	Non-Schools	Central	3,656,611
72	Purchasing	Non-Schools	Central	204,952
76	Adult Education	Other Schools	School	734,548
78	Personnel	Non-Schools	Central	812,044
80	Finance	Non-Schools	Central	1,342,383
81	Administrative Services	Non-Schools	Central	646,348
82	Information Services	Non-Schools	Central	\$ 165,746

(Continued)

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

**LOCATION RECONCILIATION SCHEDULE**

**YEAR ENDED JUNE 30, 2016**

<b>LOCATION ID</b>	<b>LOCATION DESCRIPTION</b>	<b>EDUCATION LEVEL</b>	<b>COST TYPE</b>	<b>TOTAL EXPENDITURES</b>
83	Student Services	Non-Schools	Central	\$ 233,178
84	Planning	Non-Schools	Central	12,610,123
85	Community Partnerships	Non-Schools	Central	167,648
86	Exceptional Student Education	Non-Schools	Central	5,833,995
88	District 3 Stadium South	Non-Schools	Central	13,848
89	Stadium	Non-Schools	Central	141,173
90	Board of Trustees	Non-Schools	Central	1,492,026
92	Rock Hill School District	Non-Schools	Central	737,298
95	Flexible Learning Center	Other Schools	School	964,639
219	Rebound	Other Schools	School	572,614
660	Instruction/Accountability	Non-Schools	Central	3,998,199
<b>TOTAL EXPENDITURES / EXPENSES / DISBURSEMENTS FOR ALL FUNDS</b>				<b>\$ 206,976,662</b>

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

General Fund	\$ 136,701,787
Special Revenue Fund	15,333,094
Special Revenue - EIA Fund	6,715,426
Debt Service Fund	21,083,734
Capital Projects Fund	16,061,359
Food Service - Enterprise Fund	7,846,044
Pupil Activity Fund	3,235,218
<b>TOTAL EXPENDITURES / EXPENSES / DISBURSEMENTS FOR ALL FUNDS</b>	<b>\$ 206,976,662</b>

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# Compliance Section

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**YEAR ENDED JUNE 30, 2016**

<b>LEA Subfund Code</b>	<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Grantor's Number</b>	<b>Federal Expenditures</b>
<b>US Department of Agriculture</b>				
Pass-through State Department of Education:				
600	National School Breakfast Program	10.553	N/A	\$ 1,378,439
600	National School Lunch Program - Cash Assistance	10.555	N/A	4,405,533
600	National School Lunch Program - Non-Cash Assistance	10.555	N/A	575,574
Total 10.553 & 10.555 Cluster				<u>6,359,546</u>
Total Passed Through State Department of Education				<u>6,359,546</u>
<b>Total US Department of Agriculture</b>				<u><b>6,359,546</b></u>
<b>US Department of Education</b>				
Pass-through State Department of Education:				
201	Title I	84.010	Title I - 15	698,550
201	Title I	84.010	Title I - 16	2,856,307
221	Title I - Neglected and Delinquent	84.010	Title I N&D - 15	34,497
221	Title I - Neglected and Delinquent	84.010	Title I N&D - 16	118,134
237	Title I - School Improvement	84.010A	Title I - Focus - 15	62,954
Total 84.010 & 84.010A				<u>3,770,442</u>
Individuals with Disabilities Education Act:				
203	IDEA	84.027A	IDEA - 15	445,035
203	IDEA	84.027A	IDEA - 16	2,973,232
205	IDEA - Preschool Handicapped	84.173	IDEA Pre-School Grants - 16	115,955
822	Extended School Year	84.027	Extended School Year - 16	56,433
Total 84.027A, 84.173, & 84.027 Cluster				<u>3,590,655</u>
207	Occupational Education	84.048A	Perkins Aid, Title I - 16	216,054
225	Title II - Mathematics & Science	84.366B	Title II - 16	49,588
240	SC School Climate Initiative (SCSCI)	84.184Y	SCSCI - 16	9,460
243	Adult Education	84.002	Adult Education - 16	141,843
264	Title III - English Language Acquisition	84.365A	Language Instruction Title III - 15	4,806
264	Title III - English Language Acquisition	84.365A	Language Instruction Title III - 16	66,612
267	Title II - Improving Teacher Quality	84.367A	Title II - 15	16,218
267	Title II - Improving Teacher Quality	84.367A	Title II - 16	444,993
881	NIST	11.609	NIST - 15	3,497
894	Title VII	84.060A	Title VII - 16	18,110
Total Passed Through State Department of Education				<u>8,332,278</u>
<b>Total US Department of Education</b>				<u><b>8,332,278</b></u>
<b>US Department of Defense</b>				
Direct Programs:				
295	JROTC	12.000	N/A	166,325
<b>Total US Department of Defense</b>				<u><b>166,325</b></u>
<b>US Department of Labor</b>				
Direct Programs:				
827	Jobs for America's Graduates	17.278	N/A	61,078
<b>Total US Department of Labor</b>				<u><b>61,078</b></u>
<b>TOTAL FEDERAL ASSISTANCE EXPENDED</b>				<u><u><b>\$ 14,919,227</b></u></u>

Note: The District did not have any expenditures to subrecipients.

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, 2016**

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**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, 2016. 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 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.

**E – Indirect Cost Rate**

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

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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 School District Three, South Carolina (the "District") as of and for the year ended June 30, 2016, 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 28, 2016. 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 auditor'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2016-001 and 2016-002 that we consider to be significant deficiencies.

## **Compliance and Other Matters**

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

## **The District's Responses to the Findings**

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

## **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 28, 2016



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

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on Compliance for Each Major Federal Program**

We have audited Rock Hill School District Three, South Carolina's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

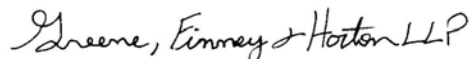
## Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Greene, Finney & Horton, LLP  
Mauldin, South Carolina  
November 28, 2016

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**YEAR ENDED JUNE 30, 2016**

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**2015-001: INTERNAL CONTROLS FOR PUPIL ACTIVITIES**

**Condition:** 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 the 2015 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.

**Criteria:** 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.

**Context, Cause and Effect:** Not following the District's policy regarding pupil activities.

**Status:** The District is continuing to monitor their pupil activities.

**Response:** The District has increased its training and monitoring activities related to its pupil activities at the schools over the past few years to achieve better compliance with the District's policies and procedures.

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ROCK HILL SCHOOL DISTRICT THREE  
ROCK HILL, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2016

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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 the Uniform Guidance?	<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	Title I

Dollar threshold used to distinguish between type A and type B programs:	<u>    \$    </u> <u>    750,000    </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, 2016**

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**Section II – Current Year Financial Statement Findings**

**2016-001: INTERNAL CONTROLS FOR PUPIL ACTIVITIES**

**Finding in Prior Year:** Yes

**Condition:** Overall, the District appears to have designed appropriate policies and procedures over Pupil Activities at the schools. However, during visits that were made during the year, it was noted in 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.

**Criteria:** 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.

**Context, Cause and Effect:** Not following board policy regarding pupil activities.

**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 or internal audit function visit the schools and audit the Pupil Activity accounts on a regular basis.

**Response:** The District administration concurs with the recommendation. The Finance department is in the process of revising its procedures manual which will assist bookkeepers and other school personnel in complying with District's policies and procedures regarding pupil activities. The Finance department will be conducting an in-depth bookkeeper training workshop to review the new procedures manual. The bookkeeper training workshop will be conducted annually with on-going training with bookkeepers as needed. The pupil activity audit findings have been shared with principals and bookkeepers. The District will continue to contract with an independent consultant to perform internal auditing services of its pupil activities accounts.

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**2016-002: FOOD SERVICE ACCRUALS**

**Finding in Prior Year:** No

**Condition:** The District while reviewing, its accounts receivable balance for the Food Service Fund inadvertently doubled the accounts receivable balance when it should have been written off.

**Criteria:** An effective system of internal controls should be operating as planned to provide reasonable assurance that transactions are being recorded timely and accurately.

**Context, Cause and Effect:** The District inadvertently doubled an entry and subsequent monitoring did not detect the error.

**Recommendation:** We recommend that the District take the necessary steps to ensure that all transactions are properly recorded and that adequate monitoring takes place to ensure that year end balances are materially correct.

**Response:** The District administration concurs with the recommendation. The Chief Financial Officer will continue to provide necessary resources and training to finance staff to ensure all transactions are recorded accurately and timely. The District will continue to monitor year end balances to ensure balances are materially correct.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2016**

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**Section III – Current Year Findings and Questioned Costs - Major Federal Awards Programs Audit**

No matters to report.