

**SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

**SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA**

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EASLEY, SOUTH CAROLINA

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**SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

Board of Trustees

Mr. Jim Shelton, Chairman
Mr. Kevin Kay, Vice-Chairman
Mrs. Judy Edwards, Secretary
Mrs. Shirley Jones
Dr. Herbert Cooper
Dr. B. J. Skelton
Mr. Alex Saitta
Mr. Oscar Thorsland

Senior Administrative Staff

Dr. Henry Hunt, Superintendent
Mrs. Brenda Turner, Asst. Superintendent of Instructional Services
Dr. Kelly Pew, Asst. Superintendent of Human Resources
Mrs. Melissa Campbell, Executive Director of Financial Services
Mr. Tim Newman, Executive Director of Operational and Technology Services
Mrs. Julie Thompson, Director of Communication Services



INDEPENDENT AUDITORS' REPORT

The Board of Trustees
School District of Pickens County
Easley, South Carolina

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of School District of Pickens County, South Carolina (the "District"), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of School District of Pickens County, South Carolina, as of June 30, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2010 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis and budgetary comparison schedule for the General Fund, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section and the combining and individual fund schedules, 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 accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the District. The combining and individual fund schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Greene, Finney & Horton LLP

Greene, Finney & Horton, LLP
Mauldin, South Carolina
September 30, 2010

**SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2010

This discussion and analysis of School District of Pickens County's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2010 are as follows:

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$167,450,698. Of this amount, \$13,779,305 may be used to meet the district's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$324,000,030. Approximately 5% of the total amount, \$15,978,327, is available for spending at the government's discretion.
- At the end of the current fiscal year, unreserved and undesignated fund balance for the General Fund was \$14,978,327, which is 16% percent of total General Fund expenditures for fiscal 2010.
- The District's fund balance for the General Fund increased by \$1,019,232 due in part, to savings achieved through intentional reduction of expenditures via cost saving measures.
- The District had \$149,232,950 in expenses related to governmental activities; \$80,702,448 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes, state revenue in lieu of taxes, and investment earnings) of \$84,519,279 provided remaining funding for these programs.
- The District's total net assets increased approximately \$16.0 million. Most of the increase in total net assets is due to the district's acquisition of capital assets and construction projects which are not considered expenses in the government-wide financial statements, but are capitalized as capital assets in the Statement of Net Assets.
- The District's net capital assets increased by approximately \$45.9 million (28%) during the current fiscal year due primarily to the District's on-going building construction activities.
- During the 2010 fiscal year, the District's governmental fund type revenues were approximately \$166.3 million which is comparable to \$166.1 million in the prior year. This increase is due to an increase in federal revenue offset by a decrease in local and state revenue.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts — *Introductory Section*, *Financial Section* (which includes the basic financial statements, required supplementary information which includes this management's discussion and analysis section, and the combining and individual fund financial schedules) and the *Compliance Section*.

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

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

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

**SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2010

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 governmental activities of the District include instruction, supporting services, community services and intergovernmental. The District does not have a "business-type" activity as the operations of the food service program are reported in a Special Revenue fund.

The SCAGO Educational Facilities Corporation for Pickens County Schools, Inc. (the "EFC") was established by the District during the 2006-2007 fiscal year. The EFC sold \$336,165,000 of installment purchase revenue bonds in December 2006 to fund the acquisition, construction, and equipping of new school facilities for the District, including additions and renovations to the District's existing facilities. The EFC is a blended component unit of the District, and as such, is included in the governmental activities of the District. Separate financial statements for the EFC are not issued.

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

Fund Financial Statements. The remaining basic financial statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in more *detail* than the government-wide statements.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The 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 two categories: governmental funds and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation schedule following each governmental fund financial statement.

The District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Special Projects Fund, Special Revenue - EIA Fund, Debt Service Fund - District, School Building Fund - District and Special Revenue - Food Service Fund, all of which are considered to be major funds. The EFC School Building Fund and the EFC Debt Service Fund are also major funds and therefore shown in separate columns. The basic governmental fund financial statements can be found as listed in the table of contents.

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 activities of the schools and accounts for these activities in an agency fund. The basic fiduciary fund financial statement can be found as listed in the table of contents.

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found as listed in the table of contents. More detailed information regarding long-term debt and capital asset activity can also be found in the notes to the basic financial statements.

**SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA**

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2010

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for this fund to demonstrate compliance with its budget. This statement can be found as listed in the table of contents.

Major Features of School District of Pickens County’s Government-Wide and Fund Financial Statements			
	Government-Wide <u>Statements</u>	Fund Financial Statements	
		<u>Governmental Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire District (except fiduciary funds) and the District’s component unit	The activities of the District that are not proprietary or fiduciary	Instances in which the District is the trustee or agent for someone else’s resources, such as the Pupil Activity Fund
Required Financial Statements	<ul style="list-style-type: none"> ▪ Statement of Net Assets ▪ Statement of Activities 	<ul style="list-style-type: none"> ▪ Balance Sheet ▪ Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> ▪ Statement of Fiduciary Assets and Liabilities
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used and liabilities that come due during the year or soon, thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; the District’s funds do not currently contain capital assets, although they can
Type of inflow/outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

**SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2010

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$167,450,698 at the close of the most recent fiscal year.

A summary of the District's net assets as of June 30, 2010 compared to June 30, 2009 is presented below:

	Net Assets	
	<u>2010</u>	<u>2009 *</u>
Assets		
Current and Other Assets	\$ 360,640,717	\$ 388,045,218
Capital Assets (Net)	212,513,985	166,592,482
Total Assets	<u>573,154,702</u>	<u>554,637,700</u>
Liabilities		
Other Liabilities	28,358,453	21,872,770
Long Term Liabilities	377,345,551	381,303,009
Total Liabilities	<u>405,704,004</u>	<u>403,175,779</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	147,791,973	134,915,946
Restricted	5,879,420	4,582,091
Unrestricted	13,779,305	11,963,884
Total Net Assets	<u>\$ 167,450,698</u>	<u>\$ 151,461,921</u>

* Restated to reflect increases in long-term liabilities for arbitrage and compensated absences; see Note II.M. in the Notes to the Basic Financial Statements.

Net assets of the District's governmental activities increased by 11% (\$167 million in 2010 compared to \$151 million in 2009). This increase in total net assets is due to the District's expenditures for capital assets, construction projects and bond payments which are not considered expenses in the government-wide financial statements. This is partially offset by depreciation which is a non-cash expense on the government-wide financial statements. The differences between the individual categories as compared to prior year are due to the District's continued activity of a major facilities plan funded via installment purchase revenue bonds by the EFC.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements changed from \$11,963,884 at June 30, 2009 to \$13,779,305 at June 30, 2010. This increase is due to the General Fund having a reduction in expenditures to reflect cost saving measures and an increase in property tax deferred revenue, offset by an increase in compensated absences.

**SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA**

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2010

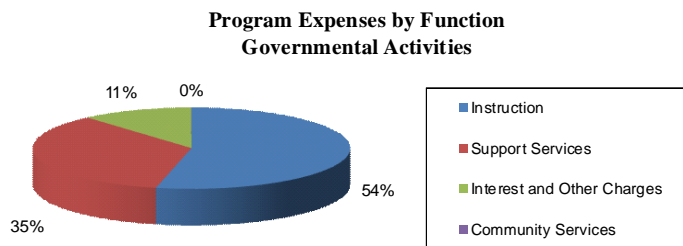
GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The following table shows the changes in net assets for fiscal year 2010 compared to 2009:

Changes in Net Assets		
	<u>2010</u>	<u>2009 *</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 4,834,811	\$ 3,055,044
Operating Grants	75,483,266	75,258,514
Capital Grants	384,371	809,853
General Revenues:		
Property Taxes	50,782,396	50,565,657
Grants and Entitlements	19,457,111	18,832,169
Other	14,279,772	17,857,815
Total Revenues	<u>165,221,727</u>	<u>166,379,052</u>
Program Activities		
Instruction	80,631,014	80,262,439
Support Services	51,550,519	52,313,222
Community Services	48,818	46,061
Interest and Other Charges	17,002,599	16,955,114
Total Expenses	<u>149,232,950</u>	<u>149,576,836</u>
Change in Net Assets	15,988,777	16,802,216
Net Assets, Beginning of Year	<u>151,461,921</u>	<u>134,659,705</u>
Net Assets, End of Year	<u>\$ 167,450,698</u>	<u>\$ 151,461,921</u>

* Beginning net assets have been restated to reflect increases in long-term liabilities for arbitrage and compensated absences; see Note II.M. in the Notes to the Basic Financial Statements.

Governmental Activities. Overall, the District’s financial condition improved in fiscal year 2010, as revenues exceeded program expenses by approximately \$16.0 million, compared to a \$16.8 million increase in the prior year. Total revenues decreased \$1.1 million (0.7%) from 2009 to 2010 due mainly to a decrease in investment earnings resulting from lower cash balances (funds expended by the EFC for the capital program), offset by an increase in charges for services. Program expenses decreased \$0.3 million (0.2%) from 2009 to 2010.



**SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2010

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The analysis of governmental funds serves the purpose of 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, 2010, the District's governmental funds reported a *combined* fund balance of \$324,000,030, as compared to \$359,088,377 for the prior year. The major reason for the decrease is due to the continued activity in the District's large building program.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the unreserved and undesignated fund balance of the General Fund was \$14,978,327. The District's total General Fund balance increased by \$1,019,232 (7%) during the current fiscal year due to savings achieved through intentional reduction of expenditures via cost saving measures.

The District's major funds include the General Fund, as described above, Special Revenue-Special Projects, Special Revenue-EIA, Debt Service-District, Debt Service-Educational Facilities Corporation, capital projects (School Building Fund-District and School Building Fund-Educational Facilities Corporation), and Special Revenue-Food Service.

The School District's special revenue funds (Special Projects, EIA, and Food Service) are used to account for revenues derived from the state of South Carolina and the federal government. The Special Revenue-Special Projects fund balance increased by \$110,779 as revenues associated with the Medicaid program exceeded expenditures for the fiscal year. The Special Revenue-EIA Fund does not have a fund balance as revenues should be expended, deferred, or returned to the grantor. The Special Revenue-Food Service Fund had a fund balance increased of \$706,380, due to management focusing on labor costs, supply costs, food costs within industry standards, more accurate inventorying mechanisms, the introduction of new products and revenue generating activities.

Two debt service funds are shown in the accompanying financial statements of the District, the regular District Debt Service Fund and the EFC Debt Service Fund. Both funds are used to account for the accumulation of funds for debt retirement. The District's Debt Service fund balance at the end of the current fiscal year was \$4,805,309, all of which is reserved for the payment of debt service. The fund balance increased by \$193,309 (4%) during the 2010 fiscal year to \$4,805,309 at June 30, 2010 due to an increase in investment earnings. The District's debt millage rate is 50.0 mills, a decrease of 6.0 mills from the prior year. The Debt Service Fund-Educational Facilities Corporation accounts for the accumulated resources for payment on the installment purchase revenue bonds sold by the non-profit organization. The EFC Debt Service fund balance increased \$313,321 (1%) during the 2010 fiscal year to \$27,372,636 at June 30, 2010 due to an increase in investment earnings.

Two capital projects funds are utilized as well to segregate EFC expenditures from District capital project expenditures. The District's regular capital projects fund, or commonly referred to as the School Building Fund, decreased by \$1,223,405 during the 2010 fiscal year to \$1,195,823 at June 30, 2010 due to capital outlay expenditures. The School Building Fund-Educational Facilities Corporation, known as "the project fund", had a fund balance of \$273,550,077 at June 30, 2010. The fund balance decreased by \$36,207,963 due to construction-related expenditures.

**SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA**

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2010

FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS (CONTINUED)

General Fund Budgetary Highlights

The School District’s budget is prepared according to South Carolina law and is based on accounting for certain transactions on a basis of cash receipts and disbursements. The development of the FY2010 General Fund budget was an especially challenging task due to the District’s anticipation of additional budget cuts from the state during the fiscal year. All areas of the operating budget were reviewed multiple times to find a solution to the reduced revenue stream. A few ways the District addressed the shortfall included: no cost-of-living raise for employees, reduced employee FTE at Central Services, reduction in athletic funding to schools, and other personnel related savings. In addition, through Federal Government Stimulus funding provided via the American Recovery and Reinvestment Act (ARRA), some positions were changed to adapt to a new delivery model of instruction so that federal funding could support the program. The District also budgeted as conservative as possible in order to be proactive in the face of future budget cuts.

During the course of the fiscal year 2010, two formal amendments were made to the operating budget in light of budget cuts passed from the state to the local level. In November 2009, the Administration presented and the Board of Trustees approved a revised FY2010 budget of \$94.5 million due to a 4.04% reduction in EFA revenue. Due to conservative budgeting earlier in the fiscal year and the addition of State Fiscal Stabilization funding, the District was able to balance the budget without further operational cuts.

In January 2010, the Administration presented and the Board of Trustees approved a revised FY2010 budget of \$93.1 million due to additional budget cuts from the state. This represented an additional \$1,946,412 reduction in EFA revenue. The District was able to offset this reduction by approximately \$547,000 in funding flexibility from the Special Revenue Fund.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2010, the District had \$212,513,985 invested in capital assets, net of depreciation.

The net increase in the District’s investment in capital assets was \$45,921,503 or 28%. The primary reason for the increase was due to the construction in progress on several new schools, partially offset by depreciation. The District had approximately \$156.6 million in outstanding commitments at June 30, 2010, primarily related to the on-going construction activities for the Educational Facilities Corporation. Additional information on the District’s capital assets can be found in Note II.C. in the Notes to the Basic Financial Statements.

The following table shows fiscal year end 2010 capital asset balances compared to 2009:

Capital Assets	Capital Assets (Net of Depreciation)	
	Governmental Activities	
	2010	2009
Land	\$ 13,471,382	\$ 13,414,672
Buildings, Improvements, and Construction in Progress	189,849,012	144,950,218
Furniture and Equipment	9,193,591	8,227,592
Capital Assets, Net	<u>\$ 212,513,985</u>	<u>\$ 166,592,482</u>

**SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA**

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2010

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Debt Administration

At the end of the current fiscal year, the District had \$7,895,000 in general obligation bonds outstanding versus \$13,780,000 in the prior year, a decrease of \$5,885,000 as shown in the table below. This decrease is due to principal payments made during 2010. All of the District’s general obligation debt is backed by the full faith and credit of the District as is typical with general obligation bonded indebtedness. The District also had Qualified Zone Academy Bonds and notes payable outstanding at June 30, 2010 of \$4,598,647 and \$183,440, respectively.

General Obligation Outstanding Debt

	Governmental Activities	
	2010	2009
General Obligation Bonds:		
Series 1999	\$ 1,220,000	\$ 1,490,000
Series 2003A	480,000	975,000
Series 2003B	3,340,000	5,395,000
Series 2003C	-	1,010,000
Series 2003E	655,000	1,675,000
Series 2008A	2,200,000	3,235,000
Total	<u>\$ 7,895,000</u>	<u>\$ 13,780,000</u>

The EFC sold \$336,165,000 of installment purchase revenue bonds in December 2006. The District intends to sell on an annual basis short term general obligation debt to make the annual installment payments on the EFC debt. The EFC paid \$470,000 in principal and \$16,459,275 in interest on this indebtedness during 2010. The outstanding principal on the EFC indebtedness was \$335,695,000 at June 30, 2010.

Key highlight related to debt financing for the fiscal year 2010 follows:

- The District issued \$15,615,000 in short term general obligation bonds in August 2009 to provide funds for annual installment payments on the EFC debt. This short term indebtedness was repaid upon maturity in March 2010.

The state limits the amount of general obligation debt that school districts can issue to 8 percent of the assessed value of all taxable property within the District’s corporate limits. The School District is authorized by state statute to exceed the legal debt margin of 8%, if citizens of the District approve such additional debt through a district-wide referendum. The District’s outstanding general obligation debt is below this state imposed limit by approximately \$31 million.

**SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2010

EDUCATIONAL FACILITIES CORPORATION FOR PICKENS COUNTY SCHOOLS, INC. (EFC)

Pursuant to a *School Facilities Purchase and Use Agreement* and a *Base Lease Agreement* between the District and the EFC, dated December 27, 2006, a plan was implemented to finance capital projects of the District through proceeds of the installment purchase revenue bonds. On December 27, 2006, the EFC closed on an installment purchase revenue bond transaction of \$336,165,000. The proceeds will be used for the acquisition, construction, and equipping of new school facilities for the District, including additions and renovations to the District's existing facilities.

Key uses of the funding include the following:

- Construct four new high schools;
- Construct a new state-of-the-art career and technology center;
- Renovate three of the four existing high schools for middle schools;
- Renovate two middle schools with a sizable addition;
- Construct an additional Liberty area elementary school;
- Construct a new Dacusville Elementary School;
- Renovate ancillary projects at other District elementary schools.

Additional detailed information about the District's long-term obligations is presented in Note II.E. in the Notes to the Basic Financial Statements.

ECONOMIC FACTORS

Pickens County, located off the fastest growing corridor (I-85), has a diverse and ample employment base comprised of skilled manufacturing workers in industries such as metalworking, automotive, fibers, ceramics, aviation components, and implant cardio defibrillators. The county is home to Clemson University which is known as *Time Magazine's* 2000 "Public School of the Year" and *U.S. News & World Report's* Top 20 Engineering Schools. The university and its commitment to academic excellence, public service, economic development and innovative research has been a major draw for industry. The community's economic diversity stems in large part from the university's support of industries through applied programs, groundbreaking research and development and by supplying a skilled work force.

Pickens County has celebrated some positive economic events during 2009-2010. These events are highlighted as follows:

- Allegro Industries Inc. has announced that they will construct a 40,000 square foot manufacturing, design, and research and development facility at the Pickens County Commerce Park in Liberty. Allegro will add 45 new jobs to Pickens County. The California based company will produce respirators, air monitoring systems, ventilation systems, confined space support equipment, ergonomic products and cooling systems for the pharmaceutical, industrial cleanup and painting industries.
- Blue Ridge Electric Cooperative will embark on an infrastructure improvement program. Under this program, new power lines will be placed and existing power lines will be upgraded. Power lines that are difficult to access and service will be relocated to bring down maintenance costs and improve reliability. This program will represent a more than \$60 million investment into the four counties the cooperative serves.

**SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2010

FY 2011 BUDGET

The FY2011 original General Fund expenditure budget of \$91.3 million represents a 9% decrease over the FY2010 original expenditure budget. The development of the FY2011 General Fund budget was an especially challenging task due to the District having to absorb continuing budget cuts from the state. All areas of the operating budget were reviewed many times to find a solution to the reduced revenue stream. A few ways the District addressed the shortfall included: no cost-of-living raise for employees, reduced employee FTE at Central Services, buyout of computer laptop lease, and other personnel related savings. In addition, through reduced Federal Government Stimulus funding provided via the American Recovery and Reinvestment Act (ARRA), some positions continue to participate in a new delivery model of instruction so that the program will continue to be supported by federal funding. The District also budgeted as conservative as possible in order to be proactive in the face of future budget cuts.

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 the Executive Director of Financial Services, at the School District of Pickens County, 1348 Griffin Mill Road, Pickens, South Carolina, 29640. In addition, this annual financial report may be found on the District's web site at <http://www.pickens.k12.sc.us>.

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**SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA**

STATEMENT OF NET ASSETS

JUNE 30, 2010

	PRIMARY GOVERNMENT AND TOTAL <u>Governmental Activities</u>
ASSETS	
Cash and Investments, Unrestricted	\$ 6,016,691
Cash and Investments, Restricted	315,440,047
Due From County Treasurer	18,774,248
Property Taxes Receivable, Net	4,508,910
Accounts Receivable	9,837,085
Other Receivables	588,535
Inventory and Prepaid Items	249,771
Bond Issuance Costs, Net	5,225,430
Capital Assets:	
Non-Depreciable	81,306,486
Depreciable, Net	131,207,499
TOTAL ASSETS	<u>573,154,702</u>
LIABILITIES	
Accounts and Retainage Payable	13,094,783
Accrued Salaries, Fringe & Benefits	12,543,582
Accrued Interest Payable	1,452,106
Due to Other Governments	9,397
Unearned Revenue	1,258,585
Non-Current Liabilities:	
Due Within One Year	9,787,563
Due in More than One Year	367,557,988
TOTAL LIABILITIES	<u>405,704,004</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	147,791,973
Restricted for:	
Debt Service	4,822,156
Food Service	706,380
Special Revenue	350,884
Unrestricted	13,779,305
TOTAL NET ASSETS	<u>\$ 167,450,698</u>

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

SCHOOL DISTRICT OF PICKENS COUNTY
 EASLEY, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2010

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government and Total Governmental Activities
PRIMARY GOVERNMENT:					
Governmental Activities:					
Instruction	\$ 80,631,014	227,290	54,176,140	-	\$ (26,227,584)
Support Services	51,550,519	4,607,521	21,307,126	384,371	(25,251,501)
Community Services	48,818	-	-	-	(48,818)
Interest and Other Charges	17,002,599	-	-	-	(17,002,599)
TOTAL PRIMARY GOVERNMENT	\$ 149,232,950	4,834,811	75,483,266	384,371	(68,530,502)

GENERAL REVENUES:

General Revenues:

Property Taxes Levied for General Purposes	29,790,632
Property Taxes Levied for Debt Service	20,991,764
State Revenue in Lieu of Taxes	19,457,111
Unrestricted Grants and Contributions	26,266
Unrestricted Investment Earnings	14,177,117
Miscellaneous	76,389
Total General Revenues	84,519,279

CHANGE IN NET ASSETS

15,988,777

NET ASSETS, Beginning of Year

161,560,764

Prior Period Adjustments

(10,098,843)

NET ASSETS, Beginning of Year, As Restated

151,461,921

NET ASSETS, End of Year

\$ 167,450,698

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

SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2010

	GENERAL	SPECIAL REVENUE	SPECIAL REVENUE - EIA	DEBT SERVICE - DISTRICT	DEBT SERVICE - EFC	SCHOOL BUILDING - DISTRICT	SCHOOL BUILDING - EFC	SPECIAL REVENUE - FOOD SERVICE	TOTAL GOVERNMENTAL FUNDS
ASSETS									
Cash and Investments, Unrestricted	\$ 4,997,647	-	-	-	-	-	-	1,019,044	\$ 6,016,691
Cash and Investments, Restricted	-	-	-	3,599,195	27,372,444	-	284,468,408	-	315,440,047
Due From County Treasurer	16,298,440	-	-	1,185,938	-	1,289,870	-	-	18,774,248
Receivables, Net:									
Taxes	3,039,957	-	-	1,468,953	-	-	-	-	4,508,910
Accounts	1,469,909	7,694,526	25,282	20,176	192	9,454	1,080	616,466	9,837,085
Other	588,535	-	-	-	-	-	-	-	588,535
Due From Other Funds	16,523,979	-	609,431	-	-	-	-	-	17,133,410
Prepaid Items	40,594	1,500	2,632	-	-	-	-	-	44,726
Inventories	-	-	-	-	-	-	-	205,045	205,045
TOTAL ASSETS	42,959,061	7,696,026	637,345	6,274,262	27,372,636	1,299,324	284,469,488	1,840,555	372,548,697
LIABILITIES AND FUND BALANCES									
LIABILITIES:									
Accounts and Retainage Payable	11,356,601	-	-	-	-	37,031	1,701,151	-	13,094,783
Accrued Salaries, Fringe & Benefits	12,543,582	-	-	-	-	-	-	-	12,543,582
Due to State Department of Education	-	5,114	4,283	-	-	-	-	-	9,397
Due to Other Funds	-	6,750,491	-	-	-	66,470	9,218,260	1,098,189	17,133,410
Deferred/Unearned Revenue	3,039,957	589,537	633,062	1,468,953	-	-	-	35,986	5,767,495
TOTAL LIABILITIES	26,940,140	7,345,142	637,345	1,468,953	-	103,501	10,919,411	1,134,175	48,548,667
FUND BALANCES:									
Fund Balances Reserved for:									
Prepaid Items	40,594	1,500	-	-	-	-	-	-	42,094
Inventories	-	-	-	-	-	-	-	205,045	205,045
Debt Service	-	-	-	4,805,309	27,372,636	-	-	-	32,177,945
Capital Projects	-	-	-	-	-	1,195,823	273,550,077	-	274,745,900
Special Revenue	-	349,384	-	-	-	-	-	-	349,384
Food Service	-	-	-	-	-	-	-	501,335	501,335
Unreserved:									
Designated:									
Roof Replacement at Six Mile Elementary	500,000	-	-	-	-	-	-	-	500,000
Computer Upgrades	500,000	-	-	-	-	-	-	-	500,000
Undesignated	14,978,327	-	-	-	-	-	-	-	14,978,327
TOTAL FUND BALANCES	16,018,921	350,884	-	4,805,309	27,372,636	1,195,823	273,550,077	706,380	324,000,030
TOTAL LIABILITIES AND FUND BALANCES	\$ 42,959,061	7,696,026	637,345	6,274,262	27,372,636	1,299,324	284,469,488	1,840,555	\$ 372,548,697

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

**SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA**

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

JUNE 30, 2010

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 324,000,030
Amounts reported for the governmental activities in the Statement of Net Assets are different because:	
Property taxes receivable will be collected in the future but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	4,508,910
Bond issuance costs are amortized over the lives of the bonds in the Statement of Net Assets; however, in the governmental funds, the costs are expenditures in the year they are incurred. The bond issuance costs were \$6,505,039 and the accumulated amortization was \$1,279,609.	5,225,430
Accrued arbitrage, which is included in long-term obligations, is not payable from current financial resources and, therefore, is not reported as a liability in the funds.	(7,811,435)
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 was \$265,405,040 and the accumulated depreciation was \$52,891,055.	212,513,985
Accrued interest on the bonds in governmental accounting is not due and payable in the current period and, therefore, is not reported as a liability in the funds.	(1,452,106)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consisted of the following:	
Bonds and Notes Payable	(348,372,087)
Premium on Bonds Payable	(16,167,760)
Deferred Charges on Advance Refundings	285,304
Compensated Absences	(5,279,573)
	(369,534,116)
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES	<u><u>\$ 167,450,698</u></u>

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

SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2010

REVENUES	GENERAL	SPECIAL REVENUE	SPECIAL REVENUE - EIA	DEBT SERVICE - DISTRICT	DEBT SERVICE - EFC	SCHOOL BUILDING - DISTRICT	SCHOOL BUILDING - EFC	SPECIAL REVENUE - FOOD SERVICE	TOTAL GOVERNMENTAL FUNDS
Local Sources:									
Taxes	\$ 28,659,815	-	-	20,526,904	-	-	-	-	\$ 49,186,719
Investment Earnings	129,636	-	-	339,447	1,606,761	1,198	14,678,585	243	16,755,870
Other Local Sources	454,027	2,038,522	-	-	-	1,200	-	2,703,778	5,197,527
State Sources	60,185,708	2,097,005	8,534,181	1,227,702	-	-	-	7,549	72,052,145
Federal Sources	-	18,416,161	-	-	-	-	-	4,486,290	22,902,451
Intergovernmental Revenue	-	228,325	-	-	-	-	-	-	228,325
TOTAL REVENUE ALL SOURCES	89,429,186	22,780,013	8,534,181	22,094,053	1,606,761	2,398	14,678,585	7,197,860	166,323,037
EXPENDITURES									
Current:									
Instruction	59,601,080	12,428,965	5,789,980	-	-	-	-	-	77,820,025
Support Services	31,403,978	8,449,624	731,758	-	-	15,779	8,572,820	6,099,360	55,273,319
Community Services	36,805	12,013	-	-	-	-	-	-	48,818
Intergovernmental	149,197	339,120	-	-	-	-	-	-	488,317
Capital Outlay	145,810	526,152	66,647	-	-	1,210,024	42,315,704	40,646	44,304,983
Debt Service:									
Principal Retirement	56,012	-	-	5,900,271	470,000	-	-	-	6,426,283
Interest and Fiscal Charges	4,748	-	-	580,616	16,464,275	-	-	-	17,049,639
TOTAL EXPENDITURES	91,397,630	21,755,874	6,588,385	6,480,887	16,934,275	1,225,803	50,888,524	6,140,006	201,411,384
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,968,444)	1,024,139	1,945,796	15,613,166	(15,327,514)	(1,223,405)	(36,209,939)	1,057,854	(35,088,347)
OTHER FINANCING SOURCES (USES)									
Transfers In	3,210,630	-	341,021	222,954	15,642,811	-	1,976	-	19,419,392
Transfers Out	(222,954)	(913,360)	(2,286,817)	(15,642,811)	(1,976)	-	-	(351,474)	(19,419,392)
TOTAL OTHER FINANCING SOURCES (USES)	2,987,676	(913,360)	(1,945,796)	(15,419,857)	15,640,835	-	1,976	(351,474)	-
NET CHANGES IN FUND BALANCES	1,019,232	110,779	-	193,309	313,321	(1,223,405)	(36,207,963)	706,380	(35,088,347)
FUND BALANCES, Beginning of Year	14,999,689	240,105	-	1,552,005	27,059,315	2,419,228	309,758,040	-	356,028,382
Prior Period Adjustment	-	-	-	3,059,995	-	-	-	-	3,059,995
FUND BALANCES, Beginning of Year, Restated	14,999,689	240,105	-	4,612,000	27,059,315	2,419,228	309,758,040	-	359,088,377
FUND BALANCES, End of Year	\$ 16,018,921	350,884	-	4,805,309	27,372,636	1,195,823	273,550,077	706,380	\$ 324,000,030

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

**SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, 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, 2010

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ (35,088,347)
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. This amount represents the change in deferred revenues for the year.	1,595,676
Repayment of bond and note principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Net Assets.	6,426,291
The issuance of debt provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the government-wide statements.	(96,093)
Bond issuance costs are expenditures in the year they are incurred in the governmental funds but are amortized over the lives of the bonds in the Statement of Activities. This amount is the difference between the capitalized issuance costs incurred and the amortization for the current period.	(298,301)
Bond premiums on long term indebtedness are reflected as other financing sources in the governmental funds when they are received but are amortized over the lives of the bonds in the Statement of Activities. This amount is the difference between the premiums received and the amortization for the current period.	764,896
Deferred advance refunding charges are not recognized by the governmental funds but are amortized over the life of the refunding debt in the Statement of Activities. This amount is the amortization for the current year.	(145,471)
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 amount is the net change in accrued interest.	(177,999)
In the Statement of Activities the loss on the sale of capital assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the assets disposed.	(118,234)
Accrued arbitrage is not payable from current financial resources and thus is not reported as a liability in the funds. This amount is the net change in accrued arbitrage for the year.	(2,657,538)
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.	(255,840)
Governmental funds report capital asset additions as expenditures. However, in the Statement Activities, the cost of those assets is allocated over their estimated useful lives as depreciation. This is the amount by which capital additions of \$50,844,848 exceeded depreciation expense of \$4,805,111 in the current period.	46,039,737
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 15,988,777

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

**SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA**

STATEMENT OF ASSETS AND LIABILITIES

FIDUCIARY(AGENCY) FUND

JUNE 30, 2010

	<u>AGENCY</u>
ASSETS	
Cash and Cash Equivalents	\$ 2,353,317
Accounts Receivable	1,935
Prepaid Items	5,473
TOTAL ASSETS	<u><u>2,360,725</u></u>
LIABILITIES	
Accounts Payable	620,319
Due to Student Organizations	1,740,406
TOTAL LIABILITIES	<u><u>\$ 2,360,725</u></u>

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

**SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA**

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

School District of Pickens County (the "District") has oversight responsibility and control over all activities related to public school education in the County of Pickens, South Carolina and is governed by an eight member board of trustees (the "Board"). The District presently operates 15 elementary schools, 5 middle schools, 4 high schools and one career center. The District receives funding from local, state and federal government sources and must comply with the related requirements of these funding source entities. As required by accounting principles generally accepted in the United States of America, these basic financial statements present the District and its component unit, an entity for which the District is considered to be financially accountable or for which exclusion of a component unit would render the basic financial statements incomplete or misleading. Blended component units, although legally separate entities, are in substance part of the government's operations. Data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the basic financial statements to emphasize that they are legally separate from the District. The District does not have any discretely presented component units.

The District has one blended component unit:

SCAGO Educational Facilities Corporation for Pickens County Schools, Inc. (the "Educational Facilities Corporation" or the "EFC") is a not-for-profit 501(c)(3) organization incorporated for the specific charitable purpose of serving as a "support organization" for capital projects of the District. The EFC's board members are appointed by the Board of Directors of the South Carolina Association of Governmental Organizations. Because the EFC exclusively benefits the District, the EFC's financial information is blended with that of the District in these basic financial statements. Separate financial information for the EFC is included in individual columns throughout the financial statements. The EFC does not issue separate financial statements.

The District's financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are required to follow the pronouncements of the Financial Accounting Standards Board ("FASB") issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

B. Basic Financial Statements – Government-wide Statements

The government-wide statements include the statement of net assets and the statement of activities; these statements display information about the District as a whole. These statements are prepared using the economic resources measurement focus and include the financial activities of the primary government, except for fiduciary funds.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District does not report any business-type activities.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the activities of the District. Direct expenses are those that are specifically associated with a service, program or department and, therefore, clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. All taxes and revenues not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

**SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA**

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements – Government-wide Statements (Concluded)

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

C. Basic Financial Statements – Fund Financial Statements

Fund financial statements report detailed information about the District. Their focus is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The District's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific District functions or activities. The operation of each fund is accounted for within a separate set of self-balancing accounts.

Governmental fund types are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's governmental fund types:

The **General Fund** is the District's primary operating fund and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement 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. This is a budgeted fund and any fund balance is considered a resource available for use.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District has three major special revenue funds:

- i.) **The Special Projects Fund** is used to account for financial resources provided by federal, state, and local projects and grants.
- ii.) **Education Improvement Act (EIA) Fund** is used to account for the proceeds of the additional one percent sales and use tax revenues that are legally restricted to expenditures for the Education Improvement Act standards.
- iii.) **Food Service Fund** is used to account for cafeteria operations at school locations. The fund is financed by user charges and subsidized by United States Department of Agriculture ("USDA") school lunch and breakfast programs.

**SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA**

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statements – Fund Financial Statements (Concluded)

The **Debt Service Fund - District**, a major fund, is used to account for the accumulation of resources for and the payment of long-term debt of the District.

The **Debt Service Fund – EFC**, a major fund, is used to account for the accumulation of resources for and the payment of long-term debt of the Educational Facilities Corporation.

The **School Building Fund - District**, a major fund, is used to account for financial resources to be used for the acquisition or construction of major capital facilities for the District except for those financed in the School Building Fund - EFC.

The **School Building Fund - EFC**, a major fund, is used to account for financial resources to be used for the acquisition or construction of major capital facilities for the Educational Facilities Corporation.

Fiduciary Fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The District's only fiduciary fund is an agency fund.

The **Pupil Activity Fund** is used to account for student admissions, organization memberships, bookstore sales and other related receipts and disbursements held by the school in a trustee capacity on behalf of the students and/or District employees. Agency funds do not have a measurement focus.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The Fund financial statements are prepared using the modified accrual basis for governmental funds; the accrual basis is used for fiduciary funds.

Revenues, Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recognized in the accounting period when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period of the District is 60 days after year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

In applying the "susceptible to accrual concept" under the modified accrual basis of accounting, the following revenue sources are deemed both measurable and available: investment earnings, tuition, grants and student fees. All other revenue items are considered to be measurable and available only when cash is received by the District or its fiscal agent.

**SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA**

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting (Concluded)

Unearned Revenue

Governmental funds report deferred and unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. In both the government-wide and governmental fund statements, the District recognizes unearned revenue in connection with resources that have been received, but not yet earned.

Expenditures/Expenses

On the accrual basis of accounting, expenses are recorded at the time they are incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation and sick leave, which are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

E. Budgetary Information

The District adopts an annual budget for the General Fund prior to the beginning of each fiscal year. The legal level of control is at the fund level. To ensure compliance, budgetary controls are established by function and activity. The budget of the District may be amended during the year by preparing an update and submitting it to the Board for approval. All annual appropriations lapse at fiscal year-end. The budget is prepared on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

F. Encumbrance Accounting

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, the Special Revenue Funds, and the School Building Funds.

G. Cash and Investments

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 to be cash equivalents. Securities with an initial maturity of more than three months (from when initially purchased) that are not purchased from the South Carolina Pooled Investment Fund are reported as investments.

The District's investment policy is designed to operate within existing statutes (which are identical for all funds and fund types for governmental entities 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.

**SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA**

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Cash and Investments (Concluded)

- (c) (i) General obligations of the State of South Carolina or any of its political units; or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (d) Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.
- (e) Certificates of deposit where the certificates are collaterally secured by securities of the type described in (a) and (b) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.
- (f) Repurchase agreements when collateralized by securities as set forth in this section.
- (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 made (i) is limited to obligations described in items (a), (b), (c), and (f) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

The 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:

- Obligations of the United States Government and agencies associated with the United States.
- Repurchase agreements are a type of transaction in which a participant acquires immediately available funds by selling securities and simultaneously agreeing to repurchase the same or similar securities after a specified time at a given price, which typically includes interest at an agreed-upon rate.
- Certificates of Deposit ("CD") are bond-type investments issued by a bank when a person or company deposits a certain amount of money for a determined amount of time. The maturity can be up to five years, and interest is paid to the holder of the CD at an agreed upon rate. Money removed before maturity is usually subject to a penalty.
- The EFC also uses an open ended money market mutual fund which invests in short term commercial paper, time deposits, repurchase agreements, certificates of deposit, municipal bonds and other investments.

H. Due from County Treasurer

The Pickens County Treasurer, the fiscal agent for the District, receives monies from local, state and federal sources on behalf of the District. The monies held by the County Treasurer are uninsured but collateralized with government investments held by the pledging institution's agent in the name of Pickens County. These monies are remitted to the District once a claim has been presented to the Pickens County Treasurer.

**SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA**

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Ad Valorem Taxes

The District’s property taxes for real and personal property are levied by the Pickens County Auditor each fall on the assessed valuation of the property located in the District as of the preceding January 1. The tax books are open for collection October 1, with the first penalty of 3% applied to payments made after January 17, the due date. An additional penalty of 7% is charged for payments made after February 1. Uncollected property taxes attach as an enforceable lien on January 1. Uncollected property taxes as of March 16 are transferred to the Pickens County Delinquent Tax Collector at which time an additional 5% penalty is assessed. Pickens County bills and collects the District’s property taxes. The levy date for taxes on motor vehicles is the first day of the month in which the motor vehicle license expires. These taxes are due by the last day of the same month. Property taxes receivable is shown net of an allowance for uncollectible amounts.

J. Inventory and Prepaid Items

Inventories are carried at cost using the first-in/first-out (“FIFO”) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased. Inventory in the Special Revenue – Food Services Fund includes an amount for commodities received from the USDA that are recorded at fair market value at the time of receipt but have not been consumed as of year-end.

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 is reported in the year in which the service is consumed.

K. Capital Assets and Depreciation

Capital 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 assets but are not reported in the fund financial statements.

All capital assets are recorded at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market value as of the date received. The District maintains a capitalization threshold of \$5,000 for all assets. The District’s infrastructure assets are immaterial and have been reported with the buildings and improvements. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized. Interest incurred during the construction of capital assets is not capitalized.

All reported capital assets except land and construction in progress are depreciated. Construction projects begin being depreciated once they are complete, at which time the total cost of the project is transferred to the appropriate capital asset category. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Useful Life</u>
Land	N/A
Construction in Progress	N/A
Buildings & Improvements	20-40 years
Furniture & Equipment	5-20 years

**SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA**

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Interfund Transactions

Interfund transactions are reported either as loans, services provided, reimbursements, or transfers. Loans are reported as due to/from other funds, as appropriate, and are subject to elimination in the government-wide financial statements. Services provided are treated as revenues and expenditures. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

The District's policy is to remove interfund activity from the government-wide financial statements.

M. Compensated Absences

The District allows employees to accumulate sick leave. Accumulated sick leave is transferable to other school districts. During an illness, an employee continues to receive full pay for each day of accumulated sick leave. After all sick leave is used, the teacher is docked accordingly for days used. Two weeks of vacation is given to all 12-month employees. If an employee with more than four years of continuous employment leaves the District, up to 45 days of unused leave will be paid to the employee at \$50 per day. If an employee with twenty or more years of continuous employment leaves the District, up to 45 days of unused leave will be paid at the employee's regular daily pay rate. The entire compensated absence liability and expense is reported on the government-wide financial statements. Governmental funds will only recognize a liability for compensated absences if they have matured, for example, as a result of employee resignations or retirements.

N. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, accounts payable 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 and compensated absences 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. A liability for compensated absences is reported in the governmental fund only if they have matured, for example, as a result of employee resignations and retirements, and are payable with expendable available resources. In general, payments made within 60 days after year-end are considered to have been made with current available resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Assets. If material, bond premiums and discounts, as well as bond issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Advance refunding costs are deferred and amortized over the life of the refunding bonds, which has the same maturity as the bonds that were refunded. Amortization of premiums, discounts, bond issuance costs and deferred advance refunding costs are included in interest expense. Bonds payable are reported net of the applicable bond premiums, discounts and deferred advance refunding costs. Bond issuance costs are reported as other assets and are amortized over the term of the related debt. Accrued arbitrage payable and compensated absences are also reflected in long-term obligations.

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

**SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA**

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Fund Balance

In the fund financial statements, the District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available spendable resources and, therefore, are not available for appropriation in future periods. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for inventories and prepaid items. Designations of fund balance represent management's tentative plans for future periods. These plans are subject to change and ultimately may not be legally authorized or result in expenditures.

P. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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 asset component as the unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Q. Restricted Assets and Sources

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

The District established certain accounts for assets restricted for specific purposes, typically by outside parties or legal agreement. Certain bond indentures require the establishment of (i) maximum annual principal and interest payments, unless a surety bond was provided; (ii) the next succeeding principal and accrued interest payment; and (iii) bond proceeds to be used for construction purposes as required in the bond agreement.

R. Accounting Estimates

The preparation of basic financial statements in accordance with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

S. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District, along with other school districts within the state, is insured under policies with the South Carolina School Boards Insurance Trust and the State of South Carolina Insurance Reserve Fund, a public entity risk pool currently operating as a common risk management and insurance fund. The District pays annual premiums to the South Carolina School Boards Insurance Trust for its general insurance coverage. The South Carolina School Boards Insurance Trust is self-sustaining through member premiums and by purchases of commercial insurance coverage on a portion of its liabilities.

SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Risk Management (Concluded)

The District continues to carry insurance for other risks of loss including workers compensation under the South Carolina School Boards Insurance Trust and employee health, dental, group life, and accident insurance under the State of South Carolina. The South Carolina School Boards Insurance Trust and the State accumulate assets to cover risks that its members incur in their normal operations. Specifically, the South Carolina School Boards Insurance Trust and the State assume substantially all of the risk for the above. The South Carolina School Boards Insurance Trust net assets from its most recently issued audited financial statements at June 30, 2009 were approximately \$4,784,000.

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years and there has been no significant reduction in insurance coverage.

II. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

A. Deposits and Investments

Deposits

Custodial Credit Risk for Deposits: Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be recovered. The District does not have a policy regarding custodial credit risk for deposits but follows the investment policy statutes of the State of South Carolina. As of June 30, 2010, none of the District's bank balances of \$10,496,253, which had a carrying value of \$7,657,924, were exposed to custodial credit risk.

Investments

As of June 30, 2010, the District had the following investments:

Investment Type	Fair Value	Weighted Average Maturity
Sun Trust Bank Repurchase Agreement	\$ 919,044	Daily
U.S. Treasuries	2,378,181	Ranges from less than 1 year to 14 years
Agencies Associated with the U.S. Government	27,307,794	Less than 1 year
Wells Fargo Advantage Prime Money Market	8,492,323	Less than 1 month
Societe Generale Repurchase Agreement	277,054,789	8/1/2010 *
	<u>\$ 316,152,131</u>	

* Upon the maturity of this agreement, the District invested the funds in a premier money market account at a financial institution.

Interest Rate Risk: Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in the market interest rates. The District has no policy regarding interest rate risk for investments.

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. Investments in U.S. Treasuries are considered to have no credit risk. The investments in agencies associated with the U.S. Government include the following: (1) Federal Home Loan Mortgage Corp Gold Participation Certificate, (2) Federal Home Loan Mortgage Corp Discount Notes, and (3) Federal National Mortgage Association Discount Note; these securities are unrated. The Wells Fargo Advantage Prime Money Market is a money market mutual fund and is rated AAAM by Standard & Poors and Aaa by Moody's Investors Service. The repurchase agreements with Sun Trust Bank and with Societe Generale are unrated.

**SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA**

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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

A. Deposits and Investments (Concluded)

Investments (Concluded)

Custodial Credit Risk for Investments: Custodial credit risk is the risk that, in the event of a failure of the counterparty, the District may not be able to recover the value of 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, 2010, \$919,044 of the District's investments are exposed to custodial credit risk because the securities are uninsured, unregistered and are being held by the counterparty's trust department but not in the District's name.

Concentration of Credit Risk for Investments: Concentration of credit risk is the risk of loss attributable to the magnitude of the District's investment in a single issuer. This risk is mitigated by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The District has no policy regarding concentration of credit risk for investments. Investments issued or explicitly guaranteed by the U.S government and investments in mutual funds and external investment pools are excluded from this disclosure requirement. The Societe Generale Repurchase Agreement and the Federal National Mortgage Association Discount Note represented 88% and 8%, respectively, of the District's total investments as of June 30, 2010. None of the District's other investments exceeded 5% of the total amount invested.

The following table reconciles the carrying amount of deposits and investments to the amounts listed in the Statement of Net Assets and Fiduciary (Agency) Fund:

<u>Financial Statements</u>		<u>Notes</u>	
Statement of Net Assets:		Carrying Amount	
Cash and Investments, Unrestricted	\$ 6,016,691	of Deposits	\$ 7,657,924
Cash and Investments, Restricted	315,440,047		
Total - Statement of Net Assets	<u>321,456,738</u>	Fair Value of	
		Investments	316,152,131
Fiduciary (Agency) Fund	2,353,317		
Total Cash and Investments	<u>\$ 323,810,055</u>		<u>\$ 323,810,055</u>

B. Property Taxes and Other Receivables

At June 30, 2010, total uncollected assessed real and personal property taxes for the District's General Fund and Debt Service Fund were \$3,039,957 and \$1,468,953, respectively, which is net of an allowance for uncollectible amounts of approximately \$77,948 and \$77,313, respectively.

Assessed values for real estate are established annually by the County Tax Assessor based on the assessment ratio applied to the appropriate class of real property. Real and personal property, excluding merchant's inventory, in the District for the 2009 tax levy was assessed at \$429,998,087. Fees in lieu of taxes were billed on an assessed value of \$12,578,692. The District's operating tax rate is currently 109.0 mills with an additional 50.0 mills for debt retirement.

Accounts and other receivables at June 30, 2010 total \$10,425,620 and include \$8,468,678 due from the South Carolina Department of Education, \$980,280 from the South Carolina Department of Revenue for Property Tax Relief (Tier III), \$588,535 from the District's Pupil Activity (Agency) Fund and \$388,127 from other entities. Allowances for uncollectible amounts for the accounts and other receivable balances were not necessary.

**SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA**

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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

C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2010 is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital Assets, Not Being Depreciated:					
Land	\$ 13,414,672	66,100	(9,390)	-	\$ 13,471,382
Construction in Progress	35,607,423	48,944,646	-	(16,716,965)	67,835,104
Total Capital Assets, Not Being Depreciated	<u>49,022,095</u>	<u>49,010,746</u>	<u>(9,390)</u>	<u>(16,716,965)</u>	<u>81,306,486</u>
Capital Assets, Being Depreciated:					
Buildings and Improvements	150,999,499	23,616	(240,337)	16,716,965	167,499,743
Furniture and Equipment	14,926,805	1,810,486	(138,480)	-	16,598,811
Total Capital Assets Being Depreciated	<u>165,926,304</u>	<u>1,834,102</u>	<u>(378,817)</u>	<u>16,716,965</u>	<u>184,098,554</u>
Less: Accumulated Depreciation for:					
Buildings and Improvements	(41,656,704)	(3,975,813)	146,682	-	(45,485,835)
Furniture and Equipment	(6,699,213)	(829,298)	123,291	-	(7,405,220)
Total Accumulated Depreciation	<u>(48,355,917)</u>	<u>(4,805,111)</u>	<u>269,973</u>	<u>-</u>	<u>(52,891,055)</u>
Total Capital Assets, Being Depreciated, Net	<u>117,570,387</u>	<u>(2,971,009)</u>	<u>(108,844)</u>	<u>16,716,965</u>	<u>131,207,499</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 166,592,482</u>	<u>46,039,737</u>	<u>(118,234)</u>	<u>-</u>	<u>\$ 212,513,985</u>

Depreciation expense for governmental activities was charged to functions/programs as follows:

Governmental Activities:	
Instruction	\$ 2,810,990
Support Services	1,994,121
Total Depreciation Expense - Governmental Activities	<u>\$ 4,805,111</u>

D. Short Term Obligations

During the year ended June 30, 2010, the District issued two short term General Obligation Bonds totaling \$15,615,000 to provide funding for the required installment payments on the Series 2006 Series Installment Purchase Revenue Bonds. The District received premiums of \$80,832 and incurred issuance costs of \$73,543 upon issuance of the bonds. The bonds, including interest of \$112,558, were repaid in March 2010 utilizing debt service fund property tax revenues. The premiums have been netted against interest expenditures in the financial statements.

The following is a summary of short term debt activity for the year ended June 30, 2010:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities:				
Series 2009A General Obligation Bond	\$ -	475,000	(475,000)	\$ -
Series 2009B General Obligation Bond	-	15,140,000	(15,140,000)	-
Total Governmental Activities	<u>\$ -</u>	<u>15,615,000</u>	<u>(15,615,000)</u>	<u>\$ -</u>

**SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA**

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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

E. Long Term Obligations

The following is a summary of long-term obligations of the District for the year ended June 30, 2010:

Long-Term Obligations	Beginning Balance *	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Series 2006 Installment Purchase Revenue Bonds	336,165,000	-	470,000	335,695,000	2,370,000
General Obligation Bonds:					
Series 1999 GO Bonds	\$ 1,490,000	-	270,000	1,220,000	\$ 280,000
Series 2003A GO Bonds	975,000	-	495,000	480,000	480,000
Series 2003B GO Bonds	5,395,000	-	2,055,000	3,340,000	2,335,000
Series 2003C GO Bonds	1,010,000	-	1,010,000	-	-
Series 2003E GO Bonds	1,675,000	-	1,020,000	655,000	655,000
Series 2008A GO Bonds	3,235,000	-	1,035,000	2,200,000	1,075,000
Total General Obligation Bonds	<u>13,780,000</u>	<u>-</u>	<u>5,885,000</u>	<u>7,895,000</u>	<u>4,825,000</u>
Qualified Zone Academy Bonds ("QZAB"):					
2001 Issue (QZAB #1)	2,816,647	-	-	2,816,647	-
2003 Issue (QZAB #2)	1,200,000	-	-	1,200,000	-
2004 Issue (QZAB #3)	582,000	-	-	582,000	-
Total QZAB Bonds	<u>4,598,647</u>	<u>-</u>	<u>-</u>	<u>4,598,647</u>	<u>-</u>
Notes Payable:					
Note Payable to US EPA	15,279	-	15,279	-	-
Note Payable to SCOE	-	96,093	-	96,093	-
Note Payable to Central Carolina Bank	143,359	-	56,012	87,347	58,368
Total Notes Payable	<u>158,638</u>	<u>96,093</u>	<u>71,291</u>	<u>183,440</u>	<u>58,368</u>
Deferred Advance Refunding Charges	(430,775)	-	(145,471)	(285,304)	-
Total Premiums - net unamortized amount	16,932,656	-	764,896	16,167,760	-
Estimated Arbitrage Liability	5,153,897	2,657,538	-	7,811,435	-
Compensated Absences	4,944,946	2,734,990	2,400,363	5,279,573	2,534,195
Total Long-Term Obligations	<u>\$ 381,303,009</u>	<u>5,488,621</u>	<u>9,446,079</u>	<u>377,345,551</u>	<u>\$ 9,787,563</u>

* Restated to reflect prior period adjustments for the QZAB bonds, estimated arbitrage liability and compensated absences. See Note II. M. for more details.

**SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA**

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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

E. Long Term Obligations (Continued)

General Fund resources typically have been used in prior years to liquidate compensated absences payable and the notes payable; the Debt Service Funds have been used to liquidate all other long-term obligations.

On December 27, 2006, the Educational Facilities Corporation issued its Series 2006 Installment Purchase Revenue Bonds in the amount of \$336,165,000 to finance the cost of acquiring, constructing, renovating, and installing educational facilities (the "Capital Projects") to be sold by the EFC to the District pursuant to a School Facilities Purchase and Use Agreement and evidence proportionate interests of the owners in certain rental payments to be made by the District under the terms of a Base Lease Agreement between the District and the EFC also dated December 27, 2006. The District will purchase the Capital Projects from the EFC pursuant to the Purchase and Use Agreement, which will obligate the District to make semiannual installment payments of the purchase price to the EFC in amounts calculated to be sufficient to enable the EFC to pay the principal and interest on the outstanding bonds, amounts budgeted as reserves for the repair and replacement of the 2006 facilities and the program administrator fees. The District's obligations under the Purchase and Use Agreement are from year to year only and do not constitute a mandatory payment obligation of the District in any fiscal year in which funds are not appropriated by the District to pay the installment payments due in such fiscal year. However, the District would forfeit possession of the facilities for the remainder of the lease term. It is anticipated that the payments will be funded by the District by the future annual issuance of short-term general obligation bonds.

The Installment Purchase Revenue Bonds are not a debt of the District; however, as the EFC is blended with the operations of the District, the debt of the EFC is included with the District's other obligations as required by generally accepted accounting principles.

Interest paid on the debt issued by the District is exempt from federal income tax. The District sometimes temporarily reinvests the proceeds of such tax-exempt debt in materially higher-yielding taxable securities, especially during construction projects. The federal tax code refers to this practice as arbitrage. The bonds did not meet the six month spend down requirement to have an exception to the arbitrage calculation. Excess earnings (the difference between the interest paid on the debt and the investment earnings received) resulting from arbitrage must be rebated to the United States Treasury on the fifth anniversary of the issuance of the tax-exempt debt and every five years thereafter until the debt has been repaid, in accordance with the arbitrage regulations. The arbitrage liability at June 30, 2010 represented the estimated positive arbitrage for the Series 2006 Installment Purchase Revenue Bonds issue. The fifth anniversary of this bond issue is December 2011, at which time the District will remit to the federal government the amount of positive arbitrage pertaining to this issue, which is estimated to be approximately \$7,811,000 at June 30, 2010. The District does not anticipate positive arbitrage on any of its other indebtedness as of June 30, 2010.

Details for each outstanding debt issue as of June 30, 2010 are as follows:

Installment Purchase Revenue Bonds:

\$336,165,000 Series 2006 Installment Purchase Revenue Bonds due in annual installments ranging from \$470,000 to \$25,135,000 through December 2031, with interest at rates ranging from 4.0% to 5.0%. The bonds are subject to redemption at the Corporation's option beginning in December 2017. A premium of \$18,772,977 was received upon issuance and is being amortized over the life of the bonds.

\$ 335,695,000

**SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA**

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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

E. Long Term Obligations (Continued)

General Obligation Bonds:

\$3,500,000 Series 1999 General Obligation Bonds due in annual installments of \$155,000 to \$330,000 through June 2014; interest at rates ranging from 4.00% to 6.00%.	\$ 1,220,000
\$4,280,000 Series 2003A General Obligation Bonds due in annual installments of \$480,000 to \$625,000 through March 2011; interest at rates ranging from 2.25% to 3.50%.	480,000
\$17,215,000 Series 2003B General Obligation Bonds due in annual installments of \$1,005,000 to \$2,325,000 through March 2012; interest at rates ranging from 2.25% to 3.50%.	3,340,000
\$4,500,000 Series 2003E General Obligation Bonds due in annual installments of \$185,000 to \$1,265,000 through March 2011; interest at rates ranging from 2.00% to 3.25%.	655,000
\$3,300,000 Series 2008 General Obligation Bonds due in annual installments of \$65,000 to \$1,125,000 through March 2012; interest at a rate of 3.75%.	2,200,000
Total General Obligation Bonds	<u>\$ 7,895,000</u>

Qualified Zone Academy Bonds:

Three of the District's long-term obligations are Qualified Zone Academy Bonds ("QZABs"), which were issued pursuant to Section 1397E of the Internal Revenue Code of 1986. The purpose of the QZABs was to purchase equipment through financing leases. As such, tax credits were issued to the lessors and the District is not liable for interest payments. The District entered into Lease Purchase Agreements, receiving proceeds of \$2,816,647 on February 1, 2001 (QZAB #1), \$1,200,000 on December 30, 2003 (QZAB #2), and \$582,000 on December 31, 2004 (QZAB #3). These obligations total \$4,598,647 and are due on January 31, 2014 (QZAB #1), December 30, 2018 (QZAB #2), and December 30, 2020 (QZAB #3). The Lease Purchase Agreements require the District to place cash into sinking fund escrows that are pledged solely for the retirement of the respective QZAB. The District's required annual sinking fund payments along with the fund's accumulated earnings will ultimately liquidate the obligations of the respective QZAB. At maturity, the District will only have to pay the balance in the respective sinking fund escrow in full satisfaction of these obligations. The balances in the escrow sinking fund accounts at June 30, 2010 total \$3,599,195, comprised of \$2,572,393 (QZAB #1), \$607,726 (QZAB #2) and \$419,076 (QZAB #3); these amounts are included in restricted cash and investments that are reported in the District's Debt Service Fund.

The District made its last required payment to the sinking fund for QZAB #1 in 2010 and its last required payment to the sinking fund for QZAB #3 in 2009. The District is required to make payments of \$105,918 annually for the next three years (2011 through 2013) to the sinking fund escrow account for QZAB #2.

Notes payable:

\$96,093 payable to the South Carolina Energy Office, representing 25% of the total grant received in fiscal 2010 to be paid back from energy savings recognized from the grant award. This note is to be repaid with three annual payments of \$32,031 (at June 30, 2010) at zero percent interest, with the first payment due November 1, 2011.	\$ 96,093
\$501,283 note payable - financing lease to Central Carolina Bank, due in monthly installments of \$5,063, which includes interest at 3.95%, maturing in December 2011.	87,347
Total Notes Payable	<u>\$ 183,440</u>

**SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA**

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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

E. Long Term Obligations (Concluded)

Annual debt service requirements to maturity for all long-term debt as of June 30, 2010 are as follows:

Year Ending June 30,	Installment Purchase Revenue Bonds	General Obligation Bonds	QZAB	Notes Payable	Total Principal	Interest	Total
2011	\$ 2,370,000	4,825,000	-	58,368	7,253,368	16,685,313	\$ 23,938,681
2012	5,655,000	2,425,000	-	61,010	8,141,010	16,330,062	24,471,072
2013	8,800,000	315,000	-	32,031	9,147,031	15,878,125	25,025,156
2014	9,995,000	330,000	2,816,647	32,031	13,173,678	15,395,650	28,569,328
2015	10,905,000	-	-	-	10,905,000	14,859,950	25,764,950
2016-2020	63,505,000	-	1,200,000	-	64,705,000	65,315,500	130,020,500
2021-2025	81,540,000	-	582,000	-	82,122,000	47,275,125	129,397,125
2026-2030	103,880,000	-	-	-	103,880,000	24,936,738	128,816,738
2031-2032	49,045,000	-	-	-	49,045,000	2,482,875	51,527,875
Totals	\$ 335,695,000	7,895,000	4,598,647	183,440	348,372,087	219,159,338	\$ 567,531,425

The District is subject to a statutory millage limit on the amount of ad valorem taxes it may annually levy to fund operations and does not presently have sufficient unused capacity under its operating millage limit to levy additional ad valorem taxes to fund the installment payments of purchase price due under the School Facilities Purchase and Use Agreement. The District is authorized, however, to levy an unlimited ad valorem tax to pay its general obligation debt and has covenanted and agreed in the Facilities Agreement to exercise its best efforts to issue its general obligation debt from time to time to provide funds to make installment payments of purchase price due under the School Facilities Purchase and Use Agreement as well as base payments.

The District has continuous authority to issue general obligation bonds each calendar year, subject to a constitutional debt limit equal to 8% of the assessed valuation of property subject to levy by the School District, applicable to debt issued subsequent to November 30, 1982. As of November 30, 1982, the constitutional debt limit was decreased from 20% to 8% of the assessed valuation under the provisions of Section 15, Article X of the South Carolina Constitution. The District had a total of \$7,895,000 in general obligation debt outstanding at June 30, 2010 that is subject to the 8% limitation. See Note II.N. for general obligation debt issued subsequent to June 30, 2010.

F. Retirement Plans

South Carolina Retirement System

Plan Description

The District is a member of the South Carolina Retirement System (“SCRS”), one of four defined benefit retirement systems maintained by the Retirement Division of the State Budget and Control Board of South Carolina. Each system publishes its own component unit financial report.

The systems provide retirement, death, and disability benefits to State employees, public school employees, and employees of counties, municipalities, and certain other State political subdivisions. Each system is independent. Assets may not be transferred from one system to another or used for any purpose other than to benefit each system’s participants.

A comprehensive annual financial report containing financial statement and required supplementary information for the South Carolina Retirement System and Police Officers' Retirement System is issued and publicly available by writing the South Carolina Retirement System, Post Office Box 11960, Columbia, South Carolina 29211-1960.

**SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA**

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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

F. Retirement Plans (Concluded)

South Carolina Retirement System (Concluded)

Funding and Benefit Policies

SCRS is a cost-sharing multiple-employer defined benefit pension system that benefits employees of public schools, the State, and its political subdivisions. Both employers and employees must contribute under authority of Title 9 of the SC Code of Laws. Employees contribute at 6.50% and employers at 9.24%. In addition to the above rates, participating employers of the South Carolina Retirement System contribute 0.15% of payroll to provide a group life insurance benefit for their participants. Only the South Carolina State Budget and Control Board has the authority to establish and amend funding policy. All employers contribute at the actuarially required contribution rates. The District contributed amounts equal to the required contribution to the SCRS of approximately \$7,137,166; \$7,341,001; and \$7,068,077 for the years ended 2010, 2009, and 2008, respectively.

Other Retirement Plan

The State of South Carolina also provides an optional retirement plan (the "State ORP"), which is a governmental plan administered as a qualified plan pursuant to Section 401(a) of the IRC. The State ORP is a defined contribution plan that provides retirement and survivor benefits as an alternative to the SCRS. Employees may choose between the State ORP plan, the SCRS, or the SCPORS plan. Employee contributions to the plan are 6.50% of salary. Employers contribute 9.39% of salary for active participants.

G. Postemployment Benefits

In addition to providing retirement plan benefits, the state currently provides its retired employees with health care benefits through a cost-sharing multiple-employer plan. All postemployment benefits paid to the District's retired members are made from the SCRS and from South Carolina's General Fund (Health Care). An employer contribution surcharge of 3.50% of covered payroll was added to the contribution rate to State and Public school entities covered by the State Health Insurance Program. This assessment is for the purpose of providing retiree health insurance coverage and is not a part of the actuarially established contribution rates. The District has no liability beyond the payment of monthly contributions. The District contributed amounts equal to the required contribution to the SCRS of approximately \$2,827,710; \$2,871,239; and \$2,723,962 for the years ended 2010, 2009 and 2008, respectively.

H. Deferred Compensation Plans

Several optional deferred compensation plans are available to the District's employees. The multiple-employer plans, created under Internal Revenue Code Sections 457 and 401(k) are accounted for by the State of South Carolina. Employees may withdraw the current value of their contributions when they terminate employment. With approval of the State's Deferred Compensation Commission, employees may also withdraw the current value of their contributions prior to termination of employment if they meet certain requirements. These requirements differ among the three plans. Compensation deferred under the Section 457 and 401(k) plans is placed in trust for the contributing employees. Neither the State nor the District has any liability for losses under the plans.

**SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA**

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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

I. Interfund Receivables and Payables

The following is a summary of interfund balances as of June 30, 2010, all of which are expected to be paid or received within one year:

	Interfund Receivables	Interfund Payables
General Fund	\$ 16,523,979	\$ -
Special Revenue Fund-Special Projects	-	6,750,491
Special Revenue Fund-EIA	609,431	-
Special Revenue Fund-Food Services	-	1,098,189
School Building Fund-EFC	-	9,218,260
School Building Fund	-	66,470
	<u>\$ 17,133,410</u>	<u>\$ 17,133,410</u>

The General Fund receivable is a result of financing salaries and other expenditures for Special Revenue Funds and accrued accounts payable to contractors for the School Building Funds.

The Special Revenue Fund – Special Projects payables are a result of payments made by the General Fund for salaries and other expenditure incurred by the Special Projects Fund.

The Special Revenue Fund – EIA receivable is a result of grants received but unspent as of year-end (deferred revenue).

The Special Revenue Fund – Food Service payable is a result of payments made by the General Fund for salaries, food purchases and other expenditures. Reimbursement to the General Fund is from lunch/breakfast sales and USDA reimbursements when received.

The School Building Fund – EFC payable is a result of accrued accounts payable reported in the General Fund. The liability is released upon reimbursement from the trustee for the capital projects.

The School Building Fund – District payable is a result of accrued accounts payable reported in the General Fund. The liability is released upon payment made for the capital projects.

**SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA**

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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

J. Interfund Transfers

Transfers from (to) other funds for the year ended June 30, 2010 consist of the following:

Transfers from	Amount	Transfers to	Amount
General Fund			
Special Revenue - Food Service	\$ 351,474	Debt Service - District	\$ 222,954
Special Revenue - Special Projects	913,360		-
Special Revenue - EIA	1,945,796		-
	<u>3,210,630</u>		<u>222,954</u>
Special Revenue Funds			
Special Revenue - EIA	341,021	Special Revenue - EIA	341,021
	-	General Fund	351,474
	-	General Fund	913,360
	-	General Fund	1,945,796
	<u>341,021</u>		<u>3,551,651</u>
Debt Service Funds			
General Fund	222,954	School Building - EFC	1,976
Debt Service - District	15,642,811	Debt Service - EFC	15,642,811
	<u>15,865,765</u>		<u>15,644,787</u>
School Building Funds			
Debt Service -EFC	1,976		-
	<u>1,976</u>		<u>-</u>
	<u>\$ 19,419,392</u>		<u>\$ 19,419,392</u>

Interfund transfers typically include funding allowed for indirect costs, required matches, and supplemental funding. During the year ended June 30, 2010, the following transfers were made:

General Fund

Transfers from: Funds were transferred from Special Revenue and Food Service Funds to cover indirect costs. Funds were also transferred from Special Revenue to cover the state mandated teacher salary supplement and related benefits.

Transfers to: Funds were transferred to the Debt Service – District Fund to make the required QZAB sinking fund deposits for fiscal 2010.

Special Revenue Funds

Transfers from: Funds were transferred from the Special Revenue to cover funding flexibility approved by the State Department of Education.

Transfer to: Funds were transferred to the Special Revenue to cover funding flexibility approved by the State Department of Education.

**SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA**

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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

J. Interfund Transfers (Concluded)

Special Revenue Funds (Concluded)

Transfer to: Funds were transferred from Special Revenue into the General Fund to cover the state mandated EIA teacher salary supplement and relating benefits.

Debt Service Funds

Transfer from: Funds were transferred from the Debt Service – District Fund to the Debt Service-EFC to provide funds to pay for principal and interest payments on the Installment Purchase Revenue Bonds. Funds were transferred from the General Fund to the Debt Service – District Fund to make the required QZAB sinking fund deposits for fiscal 2010.

Transfer to: Funds were transferred from Debt Service-EFC to the School Building Fund - EFC for the required reserve of the Repair and Replacement Fund.

School Building Funds

Transfer from: Funds were transferred from Debt Service-EFC to the School Building Fund - EFC for the required reserve of the Repair and Replacement Fund.

K. Operating Leases

The District has entered into several operating leases for classroom technology equipment and camera equipment with terms in excess of one year. None of these lease agreements contains purchase options. The rent expended related to these leases for the fiscal year ended June 30, 2010 was \$1,952,706. Future minimum payments for these leases are as follows:

	<u>Year Ending June 30,</u>	
	2011	\$ 896,550
	2012	591,921
	2013	263,362
	2014	53,718
	2015	3,766
		<u>\$ 1,809,317</u>

L. Summary Disclosure of Significant Contingencies and Commitments

Various claims and lawsuits are pending against the District. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the District's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the District.

The District has received proceeds from Federal and State grants and/or entitlements. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds that may result from such audits will not have a material adverse effect on the financial condition of the District. No provision has been made in the accompanying financial statements for the refund of grant monies.

The District has several ongoing construction projects as of June 30, 2010, consisting primarily of capital projects for the Educational Facilities Corporation. The projects include renovation of existing schools as well as construction of new facilities. Total outstanding commitments at June 30, 2010 were approximately \$156,602,000.

**SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA**

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

II. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONCLUDED)

M. Prior Period Adjustments

During the year ended June 30, 2010, the District discovered three items that were not properly accounted for as of June 30, 2009: (1) Net assets on the government-wide statement of net assets were overstated by \$10,098,843, as estimated arbitrage on the Series 2006 Installment Purchase Revenue Bonds in the amount of \$5,153,897 and accrued compensated absences in the amount of \$4,944,946 were not included as long-term liabilities; and (2) the District determined that it had not met the criteria for recognizing an in-substance defeasance related to previous required annual payments made to sinking funds related to its QZAB indebtedness, thus understating its restricted cash and related reserved fund balance in the Debt Service Fund in the amount of \$3,059,995.

The District adjusted these items in 2010. None of these adjustments impacted the General Fund or the cash flows of the District. In addition, these adjustments had an immaterial effect on the Statement of Activities and the Statement of Revenues, Expenditures and Changes in Fund Balances for the year ended June 30, 2009.

N. Subsequent Events

In July 2010, the District entered into a Tax Anticipation Note ("TAN") program with the South Carolina Association of Governmental Organizations ("SCAGO") in the amount of \$4,895,000. This TAN program was entered into by the District to help provide financial resources for operations. The District has not drawn down any funds under this program as of the date of issuance of the financial statements. Any outstanding obligation, including interest at 2.0%, is due in full in the spring of 2011.

On September 15, 2010, the District issued its \$2,380,000 Series 2010A Taxable General Obligation Bonds, its \$15,145,000 Series 2010B General Obligation Bonds, and its \$1,240,000 Series 2010C General Obligation Refunding Bonds.

The Series 2010A and Series 2010B issues are to fund fiscal year 2011 debt service payments pursuant to the Installment Purchase and Use Agreement with the Educational Facilities Corporation (See Note II.E); these bonds, including interest at 0.75% (Series 2010A) and 2.0% (Series 2010B) are due in full in March 2011.

The Series 2010C issue is to refund the outstanding balance on the Series 1999 General Obligation Bonds; this issue has semi-annual interest payments due in March and September (rates range from 2.0% to 2.5%), with principal payments due in annual installments ranging from \$297,000 to \$323,000, beginning in March 2011 and continuing through March 2014.

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

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

YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
REVENUES				
Local Sources:				
Taxes	\$ 29,271,888	29,271,888	28,659,815	\$ (612,073)
Investment Earnings	229,000	229,000	129,636	(99,364)
Other Local Sources	302,533	302,533	454,027	151,494
State Sources	68,253,759	60,350,171	60,185,708	(164,463)
TOTAL REVENUE ALL SOURCES	98,057,180	90,153,592	89,429,186	(724,406)
EXPENDITURES				
Current:				
Instruction	64,312,738	59,716,259	59,601,080	115,179
Support Services	35,418,213	32,832,809	31,403,978	1,428,831
Community Services	-	-	36,805	(36,805)
Intergovernmental	129,821	129,821	149,197	(19,376)
Capital Outlay	145,285	145,285	145,810	(525)
Debt Service:				
Principal Retirement	439,887	265,357	56,012	209,345
Interest and Fiscal Charges	18,356	18,356	4,748	13,608
TOTAL EXPENDITURES	100,464,300	93,107,887	91,397,630	1,710,257
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,407,120)	(2,954,295)	(1,968,444)	985,851
OTHER FINANCING SOURCES (USES)				
Transfers In	2,407,120	2,954,295	3,210,630	256,335
Transfers Out	-	-	(222,954)	(222,954)
TOTAL OTHER FINANCING SOURCES (USES)	2,407,120	2,954,295	2,987,676	33,381
NET CHANGE IN FUND BALANCE	-	-	1,019,232	1,019,232
FUND BALANCE, Beginning of Year	14,999,689	14,999,689	14,999,689	-
FUND BALANCES, End of Year	\$ 14,999,689	14,999,689	16,018,921	\$ 1,019,232

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

**SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA**

Schedule A-2

GENERAL FUND

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

YEAR ENDED JUNE 30, 2010

	REVISED BUDGET	ACTUAL	VARIANCE
REVENUES			
1000 Revenue from Local Sources:			
1100 Taxes:			
1110 Ad Valorem Taxes-Including Delinquent (Independent)	\$ 29,045,964	28,194,459	\$ (851,505)
1140 Penalties & Interest on Taxes (Independent)	181,748	416,473	234,725
1190 Other Taxes (Independent)	2,500	7,637	5,137
1200 Revenue from Local Governmental Units Other than LEAs:			
1280 Revenue in Lieu of Taxes (Independent and Dependent)	41,676	41,246	(430)
1300 Tuition:			
1310 From Patrons for Regular Day School	126,361	133,273	6,912
1320 From Other LEAs for Regular Day School	100,910	47,970	(52,940)
1350 From Patrons for Summer School	-	46,048	46,048
1500 Earnings on Investments:			
1510 Interest on Investments	229,000	129,636	(99,364)
1900 Other Revenue from Local Sources:			
1910 Rentals	20,000	33,838	13,838
1920 Contributions & Donations Private Sources	10,000	15,023	5,023
1990 Miscellaneous Local Revenue:			
1993 Receipt of Insurance Proceeds	-	42,390	42,390
1999 Revenue from Other Local Sources	45,262	135,485	90,223
Total Revenue from Local Sources	<u>29,803,421</u>	<u>29,243,478</u>	<u>(559,943)</u>
3000 Revenue from State Sources:			
3100 Restricted State Funding:			
3130 Special Programs:			
3131 Handicapped Transportation	15,000	25,340	10,340
3132 Home Schooling (No Carryover Provision)	3,500	878	(2,622)
3160 School Bus Driver's Salary (Includes Hazardous Condition Transportation)	781,845	877,974	96,129
3162 Transportation Workers' Compensation	62,380	61,873	(507)
3180 Fringe Benefits Employer Contributions (No Carryover Provision)	12,003,297	12,003,297	-
3181 Retiree Insurance (No Carryover Provision)	1,691,810	1,657,005	(34,805)
3199 Other Restricted State Grants	-	100,956	100,956
3200 Unrestricted Grants:			
3250 Medicaid Match Reimbursement	-	58,616	58,616
3300 Education Finance Act:			
3310 Full-Time Programs:			
3311 Kindergarten	1,937,516	1,871,137	(66,379)
3312 Primary	5,522,432	5,436,542	(85,890)
3313 Elementary	7,594,306	7,501,202	(93,104)
3314 High School	3,161,132	3,106,381	(54,751)
3315 Trainable Mentally Handicapped	88,842	84,781	(4,061)
3316 Speech Handicapped (Part-Time Program)	1,241,721	1,330,903	89,182
3317 Homebound	\$ 219,876	264,787	\$ 44,911

(Continued)

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2010

	REVISED BUDGET	ACTUAL	VARIANCE
3320 Part-Time Programs:			
3321 Emotionally Handicapped	\$ 163,448	159,380	\$ (4,068)
3322 Educable Mentally Handicapped	197,272	184,725	(12,547)
3323 Learning Disabilities	2,870,926	2,832,711	(38,215)
3324 Hearing Handicapped	77,915	105,344	27,429
3325 Visually Handicapped	59,664	60,689	1,025
3326 Orthopedically Handicapped	94,107	91,422	(2,685)
3327 Vocational	4,159,047	3,979,254	(179,793)
3330 Other EFA Programs:			
3331 Autism	130,104	127,096	(3,008)
3350 Residential Treatment Facility	-	27,122	27,122
3800 State Revenue in Lieu of Taxes:			
3810 Reimbursement for Local Residential Property Tax Relief (Tier 1)	5,897,452	5,897,452	-
3820 Homestead Exemption (Tier 2)	1,844,109	1,872,786	28,677
3825 Reimbursement for Property Tax Relief (Tier 3)	9,717,297	9,730,913	13,616
3830 Merchant's Inventory Tax	265,173	265,173	-
3840 Manufacturers Depreciation Reimbursement	300,000	247,685	(52,315)
3890 Other State Property Tax Revenues (Includes Motor Carrier Vehicle Tax)	250,000	215,400	(34,600)
3900 Other State Revenue:			
3999 Revenue from Other State Sources	-	6,884	6,884
Total Revenue from State Sources	<u>60,350,171</u>	<u>60,185,708</u>	<u>(164,463)</u>
TOTAL REVENUE ALL SOURCES	<u>90,153,592</u>	<u>89,429,186</u>	<u>(724,406)</u>

EXPENDITURES

100 Instruction:			
110 General Instruction:			
111 Kindergarten Programs:			
100 Salaries	3,763,075	3,754,681	8,394
200 Employee Benefits	1,275,522	1,249,002	26,520
400 Supplies and Materials	67,893	67,469	424
112 Primary Programs:			
100 Salaries	7,711,189	7,700,018	11,171
200 Employee Benefits	2,279,916	2,291,116	(11,200)
400 Supplies and Materials	204,686	230,453	(25,767)
113 Elementary Programs:			
100 Salaries	14,616,184	14,602,142	14,042
200 Employee Benefits	4,321,830	4,349,825	(27,995)
300 Purchased Services	1,924,238	2,153,228	(228,990)
400 Supplies and Materials	\$ 332,838	332,982	\$ (144)

(Continued)

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2010

	REVISED BUDGET	ACTUAL	VARIANCE
114 High School Programs:			
100 Salaries	\$ 8,916,075	8,581,471	\$ 334,604
200 Employee Benefits	2,469,223	2,549,562	(80,339)
300 Purchased Services	578	1,032	(454)
400 Supplies and Materials	238,675	252,006	(13,331)
115 Career and Technology Education Program:			
100 Salaries	2,297,306	2,243,129	54,177
200 Employee Benefits	678,865	669,297	9,568
400 Supplies and Materials	108,515	95,163	13,352
600 Other Objects	-	160	(160)
117 Driver Education Program:			
100 Salaries	-	5,649	(5,649)
200 Employee Benefits	-	1,150	(1,150)
300 Purchased Services	3,000	212	2,788
400 Supplies and Materials	6,212	313	5,899
120 Exceptional Programs:			
121 Educable Mentally-Handicapped:			
100 Salaries	666,031	657,234	8,797
200 Employee Benefits	217,212	220,699	(3,487)
122 Trainable Mentally Handicapped:			
100 Salaries	245,849	237,697	8,152
200 Employee Benefits	98,624	92,319	6,305
300 Purchased Services	864	-	864
123 Orthopedically Handicapped:			
100 Salaries	258,553	212,149	46,404
200 Employee Benefits	100,845	89,825	11,020
124 Visually Handicapped:			
100 Salaries	59,790	59,790	-
200 Employee Benefits	16,894	16,781	113
400 Supplies and Materials	262	-	262
125 Hearing Handicapped:			
100 Salaries	138,141	139,478	(1,337)
200 Employee Benefits	46,115	45,283	832
126 Speech Handicapped:			
100 Salaries	399,839	373,329	26,510
200 Employee Benefits	130,397	125,381	5,016
127 Learning Disabilities:			
100 Salaries	2,299,098	2,250,288	48,810
200 Employee Benefits	687,136	675,247	11,889
128 Emotionally Handicapped:			
100 Salaries	402,274	407,162	(4,888)
200 Employee Benefits	134,191	133,031	1,160
400 Supplies and Materials	\$ -	100	\$ (100)

(Continued)

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2010

	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
130 Pre-School Programs:			
136 Pre-School Handicapped-Itinerant (3 & 4-Yr. Olds)			
100 Salaries	\$ 101,662	101,662	\$ -
200 Employee Benefits	30,555	30,406	149
137 Pre-School Handicapped-Self-Contained (3 & 4-Yr. Olds):			
100 Salaries	9,224	9,224	-
200 Employee Benefits	5,074	4,948	126
139 Early Childhood Programs:			
100 Salaries	413,459	395,275	18,184
200 Employee Benefits	140,600	139,266	1,334
140 Special Programs:			
141 Gifted and Talented - Academic:			
100 Salaries	681,487	714,384	(32,897)
200 Employee Benefits	204,923	207,315	(2,392)
145 Homebound:			
100 Salaries	422,636	449,278	(26,642)
200 Employee Benefits	93,490	104,266	(10,776)
300 Purchased Services	15,000	5,080	9,920
148 Gifted and Talented - Artistic:			
100 Salaries	224,326	223,536	790
200 Employee Benefits	68,661	67,889	772
300 Purchased Services	2,450	2,662	(212)
400 Supplies and Materials	3,375	3,239	136
160 Other Exceptional Programs:			
161 Autism:			
100 Salaries	22,686	87,682	(64,996)
200 Employee Benefits	6,966	20,235	(13,269)
170 Summer School Programs:			
173 High School Summer School:			
100 Salaries	-	21,267	(21,267)
200 Employee Benefits	-	4,400	(4,400)
300 Purchased Services	-	2,580	(2,580)
400 Supplies and Materials	-	2,877	(2,877)
180 Adult/Continuing Educational Programs:			
181 Adult Basic Education Programs:			
100 Salaries	4,247	4,247	-
200 Employee Benefits	9,732	872	8,860
400 Supplies and Materials	3,000	1,912	1,088
182 Adult Secondary Education Programs:			
100 Salaries	1,795	1,795	-
200 Employee Benefits	369	361	8
300 Purchased Services	50	36	14
400 Supplies and Materials	\$ 2,295	152	\$ 2,143

(Continued)

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2010

	REVISED BUDGET	ACTUAL	VARIANCE
188 Parenting/Family Literacy:			
100 Salaries	\$ 85,564	85,375	\$ 189
200 Employee Benefits	35,023	34,013	1,010
300 Purchased Services	675	-	675
400 Supplies and Materials	1,500	1,493	7
190 Instructional Pupil Activity:			
300 Purchased Services	7,500	7,500	-
Total Instruction	<u>59,716,259</u>	<u>59,601,080</u>	<u>115,179</u>
200 Support Services:			
210 Pupil Services:			
211 Attendance and Social Work Services:			
100 Salaries	106,948	106,948	-
200 Employee Benefits	28,595	28,384	211
300 Purchased Services	22,593	17,071	5,522
400 Supplies and Materials	1,833	1,189	644
212 Guidance Services:			
100 Salaries	1,995,654	1,992,930	2,724
200 Employee Benefits	572,863	566,077	6,786
300 Purchased Services	17,500	17,500	-
213 Health Services:			
100 Salaries	-	44,773	(44,773)
200 Employee Benefits	-	16,575	(16,575)
300 Purchased Services	11,265	5,423	5,842
400 Supplies and Materials	20,315	17,497	2,818
214 Psychological Services:			
100 Salaries	20,310	20,310	-
200 Employee Benefits	7,352	7,131	221
220 Instructional Staff Services:			
221 Improvement of Instruction-Curriculum Development:			
100 Salaries	626,086	607,152	18,934
200 Employee Benefits	174,203	170,664	3,539
300 Purchased Services	18,854	2,653	16,201
400 Supplies and Materials	18,000	5,308	12,692
222 Library and Media Services:			
100 Salaries	1,852,663	1,822,567	30,096
200 Employee Benefits	542,309	532,557	9,752
300 Purchased Services	32,411	12,298	20,113
400 Supplies and Materials	146,318	154,492	(8,174)
223 Supervision of Special Programs:			
100 Salaries	105,132	115,041	(9,909)
200 Employee Benefits	32,810	31,588	1,222
300 Purchased Services	-	428	(428)
400 Supplies and Materials	\$ 8,588	8,499	\$ 89

(Continued)

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2010

	REVISED BUDGET	ACTUAL	VARIANCE
224 Improvement of Instruction-Inservice and Staff Training:			
300 Purchased Services	\$ 53,893	9,437	\$ 44,456
400 Supplies and Materials	13,525	552	12,973
600 Other Objects	450	675	(225)
230 General Administrative Services:			
231 Board of Education:			
100 Salaries	2,530	1,576	954
200 Employee Benefits	470	321	149
300 Purchased Services	107,000	107,117	(117)
318 Audit Services	40,700	45,380	(4,680)
400 Supplies and Materials	2,697	2,310	387
600 Other Objects	33,285	25,232	8,053
232 Office of Superintendent:			
100 Salaries	156,501	159,363	(2,862)
200 Employee Benefits	55,051	55,910	(859)
300 Purchased Services	12,135	10,011	2,124
400 Supplies and Materials	12,000	2,173	9,827
600 Other Objects	4,690	1,526	3,164
233 School Administration:			
100 Salaries	5,030,348	5,051,511	(21,163)
200 Employee Benefits	1,524,582	1,531,209	(6,627)
300 Purchased Services	357,661	349,448	8,213
400 Supplies and Materials	69,630	85,262	(15,632)
600 Other Objects	800	325	475
250 Finance and Operations Services:			
252 Fiscal Services:			
100 Salaries	465,310	461,910	3,400
200 Employee Benefits	145,496	142,035	3,461
300 Purchased Services	30,592	19,401	11,191
400 Supplies and Materials	17,956	14,626	3,330
500 Capital Outlay	10,000	-	10,000
600 Other Objects	12,143	3,124	9,019
254 Operation and Maintenance of Plant:			
100 Salaries	3,626,804	3,576,606	50,198
200 Employee Benefits	1,363,500	1,345,761	17,739
300 Purchased Services	1,635,201	1,083,132	552,069
321 Public Utilities (Excludes Gas, Oil, Elec. & Other Heating Fuels)	284,725	232,328	52,397
400 Supplies and Materials	978,552	1,217,990	(239,438)
470 Energy (Includes Gas, Oil, Elec. & Other Heating Fuels)	2,400,818	2,439,919	(39,101)
500 Capital Outlay	11,814	31,522	(19,708)
600 Other Objects	-	751	(751)
255 Student Transportation (State Mandated):			
100 Salaries	1,971,582	1,956,151	15,431
200 Employee Benefits	888,340	770,059	118,281
300 Purchased Services	59,395	36,742	22,653
400 Supplies and Materials	\$ 14,000	5,439	\$ 8,561

(Continued)

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2010

	REVISED BUDGET	ACTUAL	VARIANCE
256 Food Service:			
200 Employee Benefits	\$ 715,361	669,572	\$ 45,789
257 Internal Services:			
100 Salaries	46,521	46,521	-
200 Employee Benefits	15,915	15,393	522
300 Purchased Services	27,857	25,631	2,226
400 Supplies and Materials	10,200	41,169	(30,969)
600 Other Objects	-	175	(175)
258 Security:			
300 Purchased Services	48,842	56,023	(7,181)
259 Internal Auditing Services:			
100 Salaries	1,720	1,720	-
200 Employee Benefits	341	341	-
300 Purchased Services	1,950	-	1,950
400 Supplies and Materials	500	42	458
260 Central Support Services:			
262 Planning, Research, Development and Evaluation:			
300 Purchased Services	12,725	13,750	(1,025)
263 Information Services:			
100 Salaries	109,397	111,086	(1,689)
200 Employee Benefits	32,144	32,019	125
300 Purchased Services	64,732	21,485	43,247
400 Supplies and Materials	4,102	9,315	(5,213)
600 Other Objects	10,000	10,718	(718)
264 Staff Services:			
100 Salaries	272,949	273,788	(839)
140 Terminal Leave	350,000	368,568	(18,568)
200 Employee Benefits	871,954	519,518	352,436
300 Purchased Services	85,948	43,610	42,338
400 Supplies and Materials	24,636	9,008	15,628
600 Other Objects	125	-	125
266 Technology and Data Processing Services:			
100 Salaries	512,353	508,836	3,517
200 Employee Benefits	176,279	157,127	19,152
300 Purchased Services	270,564	316,328	(45,764)
400 Supplies and Materials	300,801	196,923	103,878
500 Capital Outlay	116,511	107,328	9,183
270 Support Services Pupil Activity:			
271 Pupil Services Activities:			
100 Salaries	677,524	554,413	123,111
200 Employee Benefits	117,735	96,961	20,774
300 Purchased Services	106,415	116,662	(10,247)
400 Supplies and Materials	124,055	31,909	92,146
500 Capital Outlay	6,960	6,960	-
600 Other Objects	104,200	105,000	(800)
Total Support Services	<u>\$ 32,978,094</u>	<u>31,549,788</u>	<u>\$ 1,428,306</u>

(Continued)

**SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA**

Schedule A-2

GENERAL FUND

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

YEAR ENDED JUNE 30, 2010

	REVISED BUDGET	ACTUAL	VARIANCE
300 Community Services:			
390 Other Community Services:			
100 Salaries	\$ -	25,188	\$ (25,188)
200 Employee Benefits	-	5,117	(5,117)
300 Purchased Services	-	6,500	(6,500)
Total Community Services	<u>-</u>	<u>36,805</u>	<u>(36,805)</u>
400 Other Charges:			
410 Intergovernmental Expenditures:			
412 Payments to Other Governmental Units			
720 Transits	97,821	83,910	13,911
414 Medicaid Payments to SDE			
720 Transits	32,000	65,287	(33,287)
Total Intergovernmental Expenditures	<u>129,821</u>	<u>149,197</u>	<u>(19,376)</u>
500 Debt Service:			
610 Principal	265,357	56,012	209,345
620 Interest	18,356	4,748	13,608
Total Debt Service	<u>283,713</u>	<u>60,760</u>	<u>222,953</u>
TOTAL EXPENDITURES	<u>93,107,887</u>	<u>91,397,630</u>	<u>1,710,257</u>
OTHER FINANCING SOURCES (USES)			
Interfund Transfers, From (To) Other Funds:			
5220 Transfer from Special Revenue Fund (Excludes Indirect Cost)	-	500,000	500,000
5230 Transfer from Special Revenue EIA Fund	2,704,295	1,945,796	(758,499)
5280 Transfer from Other Funds Indirect Costs	250,000	764,834	514,834
423-710 Transfer to Debt Service Fund	-	(222,954)	(222,954)
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,954,295</u>	<u>2,987,676</u>	<u>33,381</u>
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	-	1,019,232	1,019,232
FUND BALANCE, Beginning of Year	14,999,689	14,999,689	-
FUND BALANCE, End of Year	<u>\$ 14,999,689</u>	<u>16,018,921</u>	<u>\$ 1,019,232</u>

(Concluded)

SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA

Schedule B-1

SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2010

	Title I (BA Projects) (201/202)	IDEA (CA Projects) (203/204)	Preschool Handicapped (CG Projects) (205/206)	CATE (VA Projects) (207/208)	Drug Free (FP/FQ Projects) (209/210)	Adult Education	Other Designated Restricted State Grants	Other Special Revenue Programs	Totals
REVENUES									
1000 Revenue from Local Sources:									
1900 Other Revenue from Local Sources:									
1920 Contributions and Donations Private Sources	\$ -	-	-	-	-	-	-	15,934	\$ 15,934
1930 Medicaid	-	-	-	-	-	-	-	1,851,399	1,851,399
1999 Revenue from Other Local Sources	-	-	-	-	-	59,332	-	111,857	171,189
Total Revenue from Local Sources	-	-	-	-	-	59,332	-	1,979,190	2,038,522
2000 Intergovernmental Revenue:									
2100 Payments from Other Governmental Units	-	-	-	-	-	53,432	-	30,893	84,325
2300 Payments from Non-Profit Entities (for First Steps)	-	-	-	-	-	-	-	144,000	144,000
Total Intergovernmental Revenue	-	-	-	-	-	53,432	-	174,893	228,325
3000 Revenue from State Sources:									
3100 Restricted State Funding:									
3110 Occupational Education:									
3116 EEDA Miscellaneous	-	-	-	-	-	-	19,865	-	19,865
3117 EEDA Middle and High School Career Awareness	-	-	-	-	-	-	9,980	-	9,980
3118 EEDA Career Specialist	-	-	-	-	-	-	489,668	-	489,668
3120 General Education:									
3123 Formative Assessment	-	-	-	-	-	-	94,260	-	94,260
3126 Refurbishment of K-8 Science Kits	-	-	-	-	-	-	25,003	-	25,003
3127 Student Health and Fitness - PE Teachers	-	-	-	-	-	-	119,946	-	119,946
3128 High Schools That Work/Making Middle Grades Work	-	-	-	-	-	-	28,563	-	28,563
3130 Special Programs:									
3136 Student Health and Fitness - Nurses	-	-	-	-	-	-	455,565	-	455,565
3150 Adult Education:									
3151 Adult Education, Vocational Rehabilitation and Career Readiness	-	-	-	-	-	12,519	-	-	12,519
3154 Young Adult Education	-	-	-	-	-	119,297	-	-	119,297
3190 Miscellaneous Restricted State Grants:									
3193 Education License Plates	-	-	-	-	-	-	2,073	-	2,073
3199 Other Restricted State Grants	-	-	-	-	-	5,059	368	-	5,427
3600 Education Lottery Act Revenue:									
3607 6-8 Enhancement (Carryover Provision)	-	-	-	-	-	-	28,249	-	28,249
3610 K-5 Enhancement (Carryover Provision)	-	-	-	-	-	-	646,570	-	646,570
3900 Other State Revenue:									
3991 ADEPT (Assisting, Developing, and Evaluating Professional Teaching	-	-	-	-	-	-	33,800	-	33,800
3999 Revenue from Other State Sources	-	-	-	-	-	5,220	1,000	-	6,220
Total Revenue from State Sources	-	-	-	-	-	142,095	1,954,910	-	2,097,005

SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA

Schedule B-1

SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2010

	Title I (BA Projects) (201/202)	IDEA (CA Projects) (203/204)	Preschool Handicapped (CG Projects) (205/206)	CATE (VA Projects) (207/208)	Drug Free (FP/FQ Projects) (209/210)	Adult Education	Other Designated Restricted State Grants	Other Special Revenue Programs	Totals
4000 Revenue from Federal Sources:									
4100 Federally Impacted Areas:									
4200 Occupational Education:				294,369					\$ 294,369
4210 Perkins Aid, Title I									
4300 Elementary and Secondary Education Act of 1965 (ESEA):									
4310 Title I, Basic State Grant Programs (Carryover Provision)	3,480,584								
4315 American Recovery and Reinvestment Act (ARRA), Title I Basic State Grant Programs							56,762		3,537,346
4331 Enhancing Education through Technology (E2T2), Title II (Carryover Provision)							1,877,175		1,877,175
4341 Language Instruction for Limited English Proficient and Immigrant Students, Title III							34,358		34,358
4344 McKinney-Vento Homeless Educational Assistance Act (ARRA 09)							70,035		70,035
4350 State Fiscal Stabilization Fund (ARRA)							25,026		25,026
4351 Improving Teacher Quality (Carryover Provision)							4,601,705		4,601,705
							594,867		594,867
4400 Adult Education:									
4410 Basic Adult Education						127,155			127,155
4430 State Literacy Resource						10,500			10,500
4500 Programs for Children with Disabilities:									
4510 Individuals with Disabilities Education Act (IDEA) (Carryover Provision)		3,763,550							3,763,550
4520 Preschool Grants (IDEA) (Carryover Provision)			83,411						83,411
4540 IDEA (ARRA 611)							2,151,523		2,151,523
4550 IDEA Preschool (ARRA 619)							5,874		5,874
4900 Other Federal Sources:									
4920 Drug and Violence Prevention Program (Title IV 21st Century Schools)					33,227				33,227
4924 21st Century Community Learning Center Program (Title IV, 21st Century Schools)								380,635	380,635
4930 Workforce Investment Act								13,400	13,400
4999 Revenue from Other Federal Sources								812,005	812,005
Total Revenue from Federal Sources	3,480,584	3,763,550	83,411	294,369	33,227	137,655		10,623,365	18,416,161
TOTAL REVENUE ALL SOURCES	3,480,584	3,763,550	83,411	294,369	33,227	392,514	1,954,910	12,777,448	22,780,013
EXPENDITURES									
100 Instruction:									
110 General Instruction:									
111 Kindergarten Program:									
100 Salaries	76,107								76,107
200 Employee Benefits	22,753								22,753
400 Supplies and Materials	1,778								1,778
	\$							\$	

SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA

Schedule B-1

SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2010

	Title I (BA Projects) (201/202)	IDEA (CA Projects) (203/204)	Preschool Handicapped (CG Projects) (205/206)	CATE (VA Projects) (207/208)	Drug Free (FP/FQ Projects) (209/210)	Adult Education	Other Designated Restricted State Grants	Other Special Revenue Programs	Totals
112 Primary Programs:									
100 Salaries	\$ 722,645	-	-	-	-	-	19,770	1,111,090	\$ 1,853,505
200 Employee Benefits	210,254	-	-	-	-	-	7,318	329,070	546,642
300 Purchased Services	1,048	-	-	-	-	-	53,396	317	54,761
400 Supplies and Materials	105,600	-	-	-	-	-	41,871	83,985	231,456
113 Elementary Programs:									
100 Salaries	223,804	-	-	55	-	-	67,642	234,408	525,909
200 Employee Benefits	73,667	-	-	-	-	-	25,383	97,889	196,939
300 Purchased Services	-	-	-	-	-	-	28,249	2,737	30,986
400 Supplies and Materials	2,705	-	-	-	-	-	124,281	54,444	181,430
114 High School Programs:									
100 Salaries	-	-	-	-	-	-	2,500	1,334,417	1,336,917
200 Employee Benefits	-	-	-	-	-	-	527	322,682	323,209
300 Purchased Services	-	-	-	-	-	-	738	366	1,104
400 Supplies and Materials	-	-	-	-	-	-	30,361	12,683	43,044
115 Career and Technology Education Program:									
100 Salaries	-	-	-	-	-	-	-	9,820	9,820
200 Employee Benefits	-	-	-	-	-	-	-	2,100	2,100
300 Purchased Services - Other Than Tuition	-	-	-	9,697	-	-	-	-	9,697
400 Supplies and Materials	-	-	-	61,387	-	-	-	9,201	70,588
500 Capital Outlay	-	-	-	75,154	-	-	-	-	75,154
120 Exceptional Programs:									
121 Educable Mentally Handicapped:									
100 Salaries	-	240,740	-	-	-	-	-	-	240,740
200 Employee Benefits	-	112,634	-	-	-	-	-	-	112,634
300 Purchased Services	-	2,618	-	-	-	-	-	592	3,210
400 Supplies and Materials	-	303	-	-	-	-	-	15,816	16,119
122 Trainable Mentally Handicapped:									
100 Salaries	-	168,216	-	-	-	-	-	-	168,216
200 Employee Benefits	-	61,003	-	-	-	-	-	-	61,003
300 Purchased Services	-	665	-	-	-	-	-	307	972
400 Supplies and Materials	-	454	-	-	-	-	-	24,511	24,965
123 Orthopedically Handicapped:									
100 Salaries	-	88,997	-	-	-	-	-	450	89,447
200 Employee Benefits	-	40,267	-	-	-	-	-	95	40,362
300 Purchased Services	-	-	-	-	-	-	-	675	675
400 Supplies and Materials	-	-	-	-	-	-	-	5,776	5,776
124 Visually Handicapped:									
100 Salaries	-	52,533	-	-	-	-	-	1,167	53,700
200 Employee Benefits	-	18,330	-	-	-	-	-	131	18,461
300 Purchased Services	-	12,568	-	-	-	-	-	2,951	15,519
400 Supplies and Materials	-	-	-	-	-	-	-	2,871	2,871
125 Hearing Handicapped:									
300 Purchased Services	-	-	-	-	-	-	-	2,467	2,467
400 Supplies and Materials	\$ -	-	-	-	-	-	-	10,790	\$ 10,790

SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA

Schedule B-1

SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2010

	Title I (BA Projects) (201/202)	IDEA (CA Projects) (203/204)	Preschool Handicapped (CG Projects) (205/206)	CATE (VA Projects) (207/208)	Drug Free (FP/FQ Projects) (209/210)	Adult Education	Other Designated Restricted State Grants	Other Special Revenue Programs	Totals
126 Speech Handicapped:									
100 Salaries	\$ -	142,035	-	-	-	-	-	251,566	\$ 393,601
200 Employee Benefits	-	42,325	-	-	-	-	-	68,784	111,109
300 Purchased Services	-	3,084	-	-	-	-	-	2,114	5,198
400 Supplies and Materials	-	340	-	-	-	-	-	62,780	63,120
127 Learning Disabilities:									
100 Salaries	-	1,134,084	-	-	-	-	131	73,009	1,207,224
200 Employee Benefits	-	369,595	-	-	-	-	27	18,327	387,949
300 Purchased Services	-	2,921	-	-	-	-	-	2,411	5,332
400 Supplies and Materials	-	86	-	-	-	-	-	144,612	144,698
128 Emotionally Handicapped:									
100 Salaries	-	192,563	-	-	-	-	-	1,262	193,825
200 Employee Benefits	-	76,965	-	-	-	-	-	265	77,230
300 Purchased Services	-	200	-	-	-	-	-	4,211	4,411
400 Supplies and Materials	-	24	-	-	-	-	-	32,359	32,383
129 Coordinated Early Intervening Services (CEIS):									
100 Salaries	-	-	-	-	-	-	-	851,911	851,911
200 Employee Benefits	-	-	-	-	-	-	-	250,082	250,082
300 Purchased Services	-	-	-	-	-	-	-	1,145	1,145
400 Supplies and Materials	-	-	-	-	-	-	-	145	145
130 Pre-School Programs:									
132 Pre-School Handicapped Itinerant (5-Yr. Olds):									
300 Purchased Services	-	-	639	-	-	-	-	-	639
400 Supplies and Materials	-	-	1,061	-	-	-	-	89	1,150
133 Pre-School Handicapped Self-Contained (5-Yr. Olds):									
100 Salaries	-	38,463	-	-	-	-	-	-	38,463
200 Employee Benefits	-	13,425	-	-	-	-	-	-	13,425
400 Supplies and Materials	-	-	-	-	-	-	-	7,889	7,889
136 Pre-School Handicapped Itinerant (3 & 4-Yr. Olds):									
300 Purchased Services	-	-	1,962	-	-	-	-	-	1,962
400 Supplies and Materials	-	-	-	-	-	-	-	4,382	4,382
160 Other Exceptional Programs:									
161 Autism:									
100 Salaries	-	82,604	-	-	-	-	-	-	82,604
200 Employee Benefits	-	38,409	-	-	-	-	-	-	38,409
400 Supplies and Materials	-	-	-	-	-	-	-	6,430	6,430
170 Summer School Programs:									
171 Primary Summer School:									
100 Salaries	209,956	-	-	-	-	-	-	-	209,956
200 Employee Benefits	48,626	-	-	-	-	-	-	-	48,626
300 Purchased Services	1,169	-	-	-	-	-	-	-	1,169
400 Supplies and Materials	65,298	-	-	-	-	-	-	-	65,298
173 High School Summer School:									
100 Salaries	-	-	-	-	-	-	-	8,320	8,320
200 Employee Benefits	-	-	-	-	-	-	-	1,777	1,777
300 Purchased Services	-	-	-	-	-	-	-	130	130
	\$ -							\$ -	

(Continued)

SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA

Schedule B-1

SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2010

	Title I (BA Projects) (201/202)	IDEA (CA Projects) (203/204)	Preschool Handicapped (CG Projects) (205/206)	CATE (VA Projects) (207/208)	Drug Free (FP/FQ Projects) (209/210)	Adult Education	Other Designated Restricted State Grants	Other Special Revenue Programs	Totals
175 Instructional Programs Beyond Regular School Day:									
100 Salaries	\$ -	-	-	-	-	-	-	124,428	\$ 124,428
200 Employee Benefits	-	-	-	-	-	-	-	23,438	23,438
300 Purchased Services	100,412	-	-	-	-	-	-	129,800	230,212
400 Supplies and Materials	-	-	-	-	-	-	-	52,512	52,512
500 Capital Outlay	-	-	-	-	-	-	-	6,628	6,628
180 Adult/Continuing Educational Programs:									
181 Adult Basic Education Programs:									
100 Salaries	-	-	-	-	-	102,935	-	-	102,935
200 Employee Benefits	-	-	-	-	-	20,314	-	-	20,314
400 Supplies and Materials	-	-	-	-	-	10,250	-	-	10,250
182 Adult Secondary Education Programs:									
100 Salaries	-	-	-	-	-	93,986	-	-	93,986
200 Employee Benefits	-	-	-	-	-	21,270	-	-	21,270
300 Purchased Services	-	-	-	-	-	8,799	-	-	8,799
400 Supplies and Materials	-	-	-	-	-	10,390	-	-	10,390
183 Adult English Literacy (ESL):									
100 Salaries	-	-	-	-	-	8,711	-	-	8,711
200 Employee Benefits	-	-	-	-	-	1,789	-	-	1,789
400 Supplies and Materials	-	-	-	-	-	3,000	-	-	3,000
188 Parenting/Family Literacy:									
100 Salaries	84,694	-	-	-	-	-	-	664,017	748,711
200 Employee Benefits	22,812	-	-	-	-	-	-	238,639	261,451
300 Purchased Services	4,317	-	-	-	-	-	-	12,833	17,150
400 Supplies and Materials	34,342	-	-	-	-	-	-	8,612	42,954
Total Instruction	2,011,987	2,936,451	3,662	146,293	-	281,444	402,194	6,728,715	12,510,746
200 Support Services:									
210 Pupil Services:									
211 Attendance and Social Work Services:									
100 Salaries	143,482	-	-	-	17,289	-	-	31,122	191,893
200 Employee Benefits	41,616	-	-	-	6,209	-	-	9,408	57,233
300 Purchased Services	11,692	-	-	-	8,621	-	-	440	20,753
400 Supplies and Materials	14,712	-	-	-	-	-	-	1,466	16,178
212 Guidance Services:									
100 Salaries	-	-	-	-	-	-	379,661	163,855	543,516
200 Employee Benefits	-	-	-	-	-	-	110,980	69,270	180,250
300 Purchased Services	-	520	-	-	-	-	9,135	-	9,655
400 Supplies and Materials	-	-	-	-	-	-	10,229	-	10,229
213 Health Services:									
100 Salaries	-	43,379	50,821	-	-	-	332,960	461,965	889,125
200 Employee Benefits	-	13,701	21,211	-	-	-	122,605	151,363	308,880
300 Purchased Services	-	-	-	-	-	-	-	56,413	56,413
400 Supplies and Materials	-	-	-	-	-	-	-	4,842	4,842

(Continued)

SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA

Schedule B-1

SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2010

	Title I (BA Projects) (201/202)	IDEA (CA Projects) (203/204)	Preschool Handicapped (CG Projects) (205/206)	CATE (VA Projects) (207/208)	Drug Free (FP/FQ Projects) (209/210)	Adult Education	Other Designated Restricted State Grants	Other Special Revenue Programs	Totals
214 Psychological Services:									
100 Salaries	\$ -	304,744	-	-	-	-	-	29,293	\$ 334,037
200 Employee Benefits	-	90,008	-	-	-	-	-	5,847	95,855
300 Purchased Services	-	899	-	-	-	-	-	6,643	7,542
400 Supplies and Materials	-	1,225	-	-	-	-	-	28,290	29,515
220 Instructional Staff Services:									
221 Improvement of Instruction - Curriculum Development:									
100 Salaries	335,231	-	-	11,675	-	-	14,455	1,345,901	1,707,262
200 Employee Benefits	98,416	-	-	2,347	-	-	5,545	411,791	518,099
300 Purchased Services	50	-	-	-	-	-	-	2,184	2,234
400 Supplies and Materials	4,484	-	-	-	-	-	-	766	5,250
223 Supervision of Special Programs:									
100 Salaries	87,674	126,094	3,188	66,306	-	63,508	-	98,972	445,742
200 Employee Benefits	25,750	46,189	1,747	17,699	-	15,767	-	25,201	132,353
300 Purchased Services	13,006	33,365	-	280	-	-	-	36,123	82,774
400 Supplies and Materials	4,876	1,317	-	220	-	-	-	57,249	63,662
224 Improvement of Instruction - In-service and Staff Training:									
100 Salaries	242,846	-	-	-	-	1,838	22,475	122,827	389,986
200 Employee Benefits	78,322	-	-	-	-	392	4,442	29,082	112,238
300 Purchased Services	118,463	-	-	28,987	-	17,771	25,214	276,435	466,870
400 Supplies and Materials	100,301	-	-	-	-	3,276	10,680	51,360	165,617
600 Other Objects	-	3,957	-	-	-	-	-	-	3,957
230 General Administration Services:									
233 School Administration:									
100 Salaries	-	-	-	-	-	-	-	617,011	617,011
200 Employee Benefits	-	-	-	-	-	-	-	176,312	176,312
250 Finance and Operations Services:									
251 Student Transportation (Federal/District Mandated):									
100 Salaries	11,619	-	-	-	-	-	-	124,766	136,385
200 Employee Benefits	2,474	-	-	-	-	-	-	17,979	20,453
300 Purchased Services	18,424	-	-	-	-	-	-	30,282	48,706
400 Supplies and Materials	-	36,304	-	-	-	-	-	32,058	68,362
252 Fiscal Services:									
100 Salaries	-	-	-	-	-	5,767	-	500	6,267
200 Employee Benefits	-	-	-	-	-	1,233	-	107	1,340
254 Operation and Maintenance of Plant:									
400 Supplies and Materials	-	-	-	-	-	-	-	91	91
500 Capital Outlay	-	-	-	-	-	-	-	444,371	444,371
255 Student Transportation (State Mandated):									
300 Purchased Services	-	-	-	-	-	-	-	24,561	24,561
256 Food Service:									
400 Supplies and Materials (Include Energy)	-	-	-	-	-	-	-	1,500	1,500
258 Security:									
300 Purchased Services	-	-	-	-	-	-	-	326,621	326,621
	\$ -							\$	

SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA

Schedule B-1

SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2010

	Title I (BA Projects) (201/202)	IDEA (CA Projects) (203/204)	Preschool Handicapped (CG Projects) (205/206)	CATE (VA Projects) (207/208)	Drug Free (FP/FQ Projects) (209/210)	Adult Education	Other Designated Restricted State Grants	Other Special Revenue Programs	Totals
260 Central Support Services:									
264 Staff Services:									
100 Salaries	\$ -	-	-	-	-	-	-	81,812	\$ 81,812
200 Employee Benefits	-	-	-	-	-	-	-	24,553	24,553
300 Purchased Services	-	-	-	-	-	-	-	11,686	11,686
400 Supplies and Materials	-	-	-	-	-	-	-	5,064	5,064
270 Support Services - Pupil Activity:									
271 Pupil Services Activities:									
300 Purchased Services (Optional)	-	-	-	20,562	-	-	4,335	17,011	41,908
400 Supplies and Materials (Optional)	-	-	-	-	-	-	-	5,032	5,032
Total Support Services	1,353,438	701,702	76,967	148,076	32,119	109,552	1,052,716	5,419,425	8,893,995
300 Community Services:									
390 Other Community Services:									
300 Purchased Services	-	-	-	-	-	-	-	281	281
400 Supplies and Materials	-	-	-	-	-	-	-	732	732
600 Other Objects	-	-	-	-	-	-	-	11,000	11,000
Total Community Services	-	-	-	-	-	-	-	12,013	12,013
410 Intergovernmental Expenditures:									
411 Payments to SDE									
720 Transits	-	-	-	-	-	-	-	7,568	7,568
414 Medicaid Payments to SDE	-	-	-	-	-	-	-	331,552	331,552
720 Transits	-	-	-	-	-	-	-	339,120	339,120
Total Intergovernmental Expenditures	-	-	-	-	-	-	-	7,568	7,568
TOTAL EXPENDITURES	3,365,425	3,638,153	80,629	294,369	32,119	390,996	1,454,910	12,499,273	21,755,874
OTHER FINANCING SOURCES (USES)									
Interfund Transfers, From (To) Other Funds:									
420-710 Transfer to General Fund (Exclude Indirect Costs)	-	-	-	-	-	-	(500,000)	-	(500,000)
431-791 Special Revenue Fund Indirect Costs (Use Only for Transfer of Indirect Costs to General Fund)	(115,159)	(125,397)	(2,782)	-	(1,108)	(1,518)	-	(167,396)	(413,360)
TOTAL OTHER FINANCING SOURCES (USES)	(115,159)	(125,397)	(2,782)	-	(1,108)	(1,518)	(500,000)	(167,396)	(913,360)
EXCESS OF REVENUES OVER EXPENDITURES	-	-	-	-	-	-	-	110,779	110,779
FUND BALANCE, Beginning of Year	-	-	-	-	-	-	-	240,105	240,105
FUND BALANCE, End of Year	-	-	-	-	-	-	-	350,884	\$ 350,884

Note: Revenue code 4999 includes \$384,371 received from the South Carolina Energy Office. In accordance with the terms of the grant, the District will repay 25% of the grant amount in a zero-interest bearing loan over 3 years.

(Concluded)

SPECIAL REVENUE FUND

SUPPLEMENTAL LISTING OF LEA SUBFUND CODES AND TITLES

YEAR ENDED JUNE 30, 2010

ADULT EDUCATION

243	Adult Education - Federal
842	WIA Adult and Dislocated
860	SCDOC Workforce
862	Palmeto Youth Connections
863	One Stop Tri-County
865	Pickens County Prison Computer Classes
866	RAETAC (Adult Learning Center)
868	Vocational Rehabilitation Expansion
918	Adult Education, Vocational Rehabilitation
920	Adult Education, Young Adult Initiative
921	Career Readiness

OTHER DESIGNATED RESTRICTED STATE GRANTS

818	Farm-to-School Mini Grant
821	Extended School Year
846	SCEENS/EIC
908	Refurbishment of K-8 Science Kits (No Carryover Provision)
916	ADEPT (Assisting, Developing, and Evaluating Professional Teaching)
919	Education License Plates
926	EEDA High School At Risk
927	EEDA 8th Grade Awareness
928	EEDA Career Specialists
933	Formative Assessment
936	Student Health and Fitness - Nurses
937	Student Health and Fitness - PE Teachers
938	High Schools That Work/Making Middle Grades Work
960	K-5 Enhancement (Carryover Provision)
967	6-8 Enhancement (Carryover Provision)

OTHER SPECIAL REVENUE PROGRAMS

143	Arts in Education
196	Medicaid
215	IDEA (ARRA 611) (84.391A) Stimulus
216	IDEA Preschool (ARRA 619) (84.392A) Stimulus
221	Title I (Neglected and Delinquent)
222	American Recovery and Reinvestment Act (ARRA), Title I Basic State Grant (84.389) (Carryover Provision)
224	21st Century Community Learning Centers Program (Title IV, 21st Century Schools) (84.287)
227	McKinney-Vento Homeless Educational Assistance Act (ARRA 09), Title VII
229	Neglected and Delinquent (ARRA), Title I (84.389)
230	Workforce Investment Act
237	Title I - School Improvement - Part A
250	State Fiscal Stabilization Fund (ARRA) (84.394)
253	Enhancing Education Through Technology (E2T2)

(Continued)

SPECIAL REVENUE FUND

SUPPLEMENTAL LISTING OF LEA SUBFUND CODES AND TITLES

YEAR ENDED JUNE 30, 2010

OTHER SPECIAL REVENUE PROGRAMS (CONTINUED)

264	English Language Acquisition Title III
267	Improving Teacher Quality (84.367A) Title III
270	ROTC
299	SCEO Energy Stimulus (ARRA)
801	Adolescent Pregnancy Prevention
805	NASPE / ING Community Fund
806	Exxon / Mobile Educational Alliance
807	Medicaid PPEP
808	Sudia Breakfast in the Classroom
809	SC Automobile Dealers Association
810	WIA Summer Employment
816	Champions of the Environment
820	GE Volunteers Foundation
833	Teacher Forum
837	EPA - Project Indigo
838	Challenge for the Environment
847	Advance SC - Virtual CNC Training
850	Duke Energy Beautification Project
851	McKinney-Vento Homeless Grant
853	Voc Agricultural Education - Clemson
857	Knights of Columbus - Operation Hope
859	Teen Lead
864	First Robotics
867	SES Tutoring Program
869	Medicaid Special Needs Transportation
990	First Steps

(Concluded)

SPECIAL REVENUE FUND

SUMMARY SCHEDULE FOR OTHER DESIGNATED RESTRICTED STATE GRANTS

YEAR ENDED JUNE 30, 2010

Subfund	Revenue	Programs	Revenues	Expenditures	Special Revenue		Special Revenue Fund Deferred Revenue
					Interfund Transfers In (Out)	Other Fund Transfers Sources (Uses)	
818	3999	Farm-to-School Mini Grant	\$ 1,000	1,000	-	-	\$ -
821	3199	Extended School Year	158	158	-	-	-
846	3199	SCEENS/EIC	210	210	-	-	-
908	3126	Refurbishment of K-8 Science Kits	25,003	25,003	-	-	51,340
916	3991	ADEPT (Assisting, Developing and Evaluating Professional Teaching)	33,800	33,800	-	-	17,784
919	3193	Education License Plates	2,073	2,073	-	-	1,643
926	3116	EEDA Miscellaneous	19,865	19,865	-	-	11,330
927	3117	EEDA 8th Grade Awareness	9,980	9,980	-	-	7,689
928	3118	EEDA Career Specialists	489,668	489,668	-	-	17,006
933	3123	Formative Assessment	94,260	94,260	-	-	-
936	3136	Student Health and Fitness - Nurses	455,565	455,565	-	-	-
937	3127	Student Health and Fitness - PE Teachers	119,946	119,946	-	-	50,395
938	3128	High Schools That Work	28,563	28,563	-	-	-
960	3610	K-5 Enhancement	646,570	146,570	-	(500,000)	330,374
967	3607	6-8 Enhancement	28,249	28,249	-	-	33,728
Totals			\$ 1,954,910	1,454,910	-	(500,000)	\$ 521,289

**SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA**

Schedule B-4

EDUCATION IMPROVEMENT ACT

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

YEAR ENDED JUNE 30, 2010

REVENUES	<u>ACTUAL</u>
3000 Revenue from State Sources:	
3500 Education Improvement Act:	
3501 Increase High School Diploma Requirements	\$ 391,022
3511 Professional Development	27,078
3513 Parenting/Family Literacy (Carryover Only)	55,208
3515 Advanced Placement Courses (Carryover Only)	2,327
3517 Advanced Placement Singleton (Subfund 315) (Carryover Only)	1,842
3520 Gifted and Talented Academic (Carryover Only)	5,803
3522 Gifted and Talented Artistic (Carryover Only)	51,720
3525 Career and Technology Education Equipment	153,787
3530 Trainable & Profoundly Mentally Disabled Student Services	35,629
3532 National Board Certification (NBC) Salary Supplement (No Carryover Provision)	1,142,526
3533 Teacher of the Year Awards	1,077
3534 Professional Development Standards (PDSI) (Carryover Only)	44,338
3538 Student at Risk of School Failure	2,664,269
3540 Early Childhood Program (4K Programs Serving Four-Year-Old Children)	409,388
3542 Preschool Programs for Children with Disabilities	54,441
3544 High Achieving Students	536,646
3549 Academic Assistance Reading Recovery (Carryover Only)	27,801
3550 Teacher Salary Increase (No Carryover Provision)	1,575,096
3553 Adult Education Remedial (Carryover Only)	6,590
3555 School Employer Contributions (No Carryover Provision)	323,525
3558 Reading	42,085
3562 Adult Education, Basic (Includes Rural and Workforce Initiatives)	157,650
3565 Adult Education, Literacy	30,608
3568 EAA Technical Assistance	186,880
3577 Teacher Supplies (No Carryover Provision)	311,575
3578 High Schools That Work/Making Middle Grades Work	7,688
3582 Principal Salary/Fringe Increase (No Carryover Provision)	52,436
3588 EAA Palmetto Gold and Silver Awards	844
3591 Excellence In Middle Schools	41,101
3592 Work-Based Learning	96,220
3596 EAA Alternative Schools Program (Carryover Only)	96,981
Total Revenue from State Sources	<u>8,534,181</u>
TOTAL REVENUE ALL SOURCES	<u>\$ 8,534,181</u>

(Continued)

EDUCATION IMPROVEMENT ACT

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

YEAR ENDED JUNE 30, 2010

	<u>ACTUAL</u>
EXPENDITURES	
100 Instruction:	
110 General Instruction:	
111 Kindergarten Programs:	
100 Salaries	\$ 30,000
200 Employee Benefits	6,099
112 Primary Programs:	
100 Salaries	825,886
200 Employee Benefits	222,130
400 Supplies and Materials	143,544
113 Elementary Programs:	
100 Salaries	1,436,261
200 Employee Benefits	428,613
300 Purchased Services	5,705
400 Supplies and Materials	153,045
114 High School Programs:	
100 Salaries	749,118
200 Employee Benefits	204,576
300 Purchased Services	4,500
400 Supplies and Materials	97,147
115 Career and Technology Education Program:	
100 Salaries	13,727
200 Employee Benefits	2,815
400 Supplies and Materials	94,536
500 Capital Outlay	66,647
120 Exceptional Programs:	
122 Trainable Mentally Handicapped:	
100 Salaries	23,916
200 Employee Benefits	6,406
400 Supplies and Materials	392
123 Orthopedically Handicapped:	
100 Salaries	7,500
200 Employee Benefits	1,529
127 Learning Disabilities:	
100 Salaries	30,000
200 Employee Benefits	6,094
128 Emotionally Handicapped:	
100 Salaries	7,500
200 Employee Benefits	\$ 1,466

(Continued)

EDUCATION IMPROVEMENT ACT

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

YEAR ENDED JUNE 30, 2010

	<u>ACTUAL</u>
130 Pre-School Programs:	
137 Preschool Handicapped Self-Contained (3- and 4- Yr. Olds):	
100 Salaries	\$ 41,897
200 Employee Benefits	11,900
400 Supplies and Materials	645
139 Early Childhood Programs:	
100 Salaries	370,352
200 Employee Benefits	109,843
300 Purchased Services	5,349
400 Supplies and Materials	7,715
140 Special Programs:	
141 Gifted and Talented - Academic:	
100 Salaries	434,635
200 Employee Benefits	119,917
143 Advanced Placement:	
400 Supplies and Materials	27,333
170 Summer School Programs:	
175 Instructional Programs Beyond Regular School Day:	
100 Salaries	3,503
200 Employee Benefits	734
300 Purchased Services	121
400 Supplies and Materials	2,124
180 Adult/Continuing Educational Programs:	
181 Adult Basic Education Programs:	
100 Salaries	30,186
200 Employee Benefits	5,429
400 Supplies and Materials	1,427
182 Adult Secondary Education Programs:	
100 Salaries	15,375
200 Employee Benefits	4,962
400 Supplies and Materials	819
183 Adult Education Literacy (ESL):	
100 Salaries	7,458
200 Employee Benefits	1,600
400 Supplies and Materials	200
187 Adult Education - Remedial:	
100 Salaries	5,499
200 Employee Benefits	\$ 1,091

(Continued)

EDUCATION IMPROVEMENT ACT

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

YEAR ENDED JUNE 30, 2010

	<u>ACTUAL</u>
188 Parenting/Family Literacy:	
100 Salaries	\$ 41,340
200 Employee Benefits	11,361
300 Purchased Services	17,893
400 Supplies and Materials	6,767
Total Instruction	<u>5,856,627</u>
200 Support Services:	
210 Pupil Services:	
212 Guidance Services:	
100 Salaries	54,855
200 Employee Benefits	11,472
300 Purchased Services	765
220 Instructional Staff Services:	
221 Improvement of Instruction-Curriculum Development:	
100 Salaries	95,759
200 Employee Benefits	24,624
300 Purchased Services	1,002
600 Other Objects	83
222 Library and Media:	
100 Salaries	15,000
200 Employee Benefits	3,066
223 Supervision of Special Programs:	
100 Salaries	190,156
200 Employee Benefits	57,494
300 Purchased Services	736
400 Supplies and Materials	4,928
224 Improvement of Instruction - Inservice and Staff Training:	
100 Salaries	439
200 Employee Benefits	90
300 Purchased Services	96,895
400 Supplies and Materials	16,048
230 General Administration Services:	
233 School Administration:	
100 Salaries	80,074
200 Employee Benefits	21,952
250 Finance and Operations Services:	
255 Student Transportation (State Mandated):	
100 Salaries	6,787
200 Employee Benefits	\$ 2,726

(Continued)

**SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA**

Schedule B-4

EDUCATION IMPROVEMENT ACT

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

YEAR ENDED JUNE 30, 2010

	<u>ACTUAL</u>
258 Security:	
300 Purchased Services	\$ 41,101
270 Support Services - Pupil Activity:	
271 Pupil Services Activities:	
300 Purchased Services (Optional)	791
600 Other Objects (Optional)	4,915
Total Support Services	<u>731,758</u>
TOTAL EXPENDITURES	<u>6,588,385</u>
OTHER FINANCING SOURCES (USES)	
Interfund Transfers, From (To) Other Funds:	
5230 Transfer from Special Revenue EIA Fund	341,021
420-710 Transfer to General Fund (Exclude Indirect Costs)	(1,945,796)
422-710 Transfer to EIA Fund	(341,021)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,945,796)</u>
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	-
FUND BALANCE, Beginning of Year	<u>-</u>
FUND BALANCE, End of Year	<u>\$ -</u>

(Concluded)

EDUCATION IMPROVEMENT ACT

SUMMARY SCHEDULE BY PROGRAM

YEAR ENDED JUNE 30, 2010

Program	Revenues	Expenditures	EIA Interfund Transfers In/(Out)	Other Fund Transfers In/(Out)	EIA Fund Deferred Revenue
3100 Restricted State Funding:					
3501 Increase High School Diploma Requirements	\$ 391,022	391,022	-	-	\$ -
3511 Professional Development	27,078	71,416	44,338	-	110,439
3513 Parenting/Family Literacy (Carryover from 2004-05 Only)	55,208	-	(55,208)	-	-
3515 Advanced Placement Courses	2,327	-	(2,327)	-	-
3517 Advanced Placement - Singleton (Subfund 315)	1,842	-	(1,842)	-	-
3520 Gifted and Talented - Academic	5,803	-	(5,803)	-	-
3522 Gifted and Talented - Artistic	51,720	-	(51,720)	-	-
3525 Career and Technology Education Equipment	153,787	153,787	-	-	9,538
3530 Trainable & Profoundly Mentally Disabled Student Services	35,629	35,629	-	-	4,027
3532 National Board Certification (NBC) Salary Supplement (No Carryover Provision)	1,142,526	1,142,526	-	-	-
3533 Teacher of the Year Awards (No Carryover Provision)	1,077	1,077	-	-	-
3534 Professional Development on Standards	44,338	-	(44,338)	-	-
3538 EAA Principal Leader	2,664,269	2,752,283	135,189	(47,175)	174,020
3540 Early Childhood Program (4K Programs Serving Four-Year-Old Children)	409,388	492,189	82,801	-	3,515
3542 Preschool Programs for Children with Disabilities	54,441	54,441	-	-	-
3544 High Achieving Students	536,646	598,338	61,692	-	121,297
3549 Academic Assistance Reading Recovery	27,801	-	(27,801)	-	-
3550 Teacher Salary Increase (No Carryover Provision)	1,575,096	-	-	(1,575,096)	-
3553 Adult Education - Remedial	6,590	6,590	-	-	-
3555 School Employer Contributions (No Carryover Provision)	323,525	-	-	(323,525)	-
3558 Reading	42,085	4,085	(38,000)	-	26,128
3562 Adult Education, Basic (Includes Rural And Workforce Initiative)	157,650	157,650	-	-	99,322
3565 Adult Education, Literacy	30,608	30,608	-	-	4,033
3568 EAA Technical Assistance	186,880	186,880	-	-	16,602
3577 Teacher Supplies (No Carryover Provision)	311,575	311,575	-	-	-
3578 High Schools That Work	7,688	7,688	-	-	20,612
3582 Principal Salary/Fringe Increase (No Carryover Provision)	52,436	52,436	-	-	-
3588 EAA Palmetto Gold and Silver Award	844	844	-	-	-
3591 Excellence In Middle Schools	41,101	41,101	-	-	32,199
3592 School-to-Work Transition Act	96,220	96,220	-	-	11,330
3596 EAA Alternative Schools Program	96,981	-	(96,981)	-	-
Totals	\$ 8,534,181	6,588,385	-	(1,945,796)	\$ 633,062

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

YEAR ENDED JUNE 30, 2010

<u>Program</u>	<u>Project/Grant Number</u>	<u>Revenue & Subfund Code</u>	<u>Description</u>	<u>Amount Due to State Department of Education or Federal Government</u>	<u>Status of Amount Due to Grantors</u>
English Language Acquisition	10BP074	4341 / 264	Unexpended Funds	\$ 5,114	Will be repaid in FY2011
National Board Certification	N/A	3532 / 332	Unexpended Funds	\$ 4,283	Will be repaid in FY2011

**SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA**

Schedule C-1

DEBT SERVICE FUND - DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2010

	<u>ACTUAL</u>
REVENUES	
1000 Revenue from Local Sources:	
1100 Taxes:	
1110 Ad Valorem Taxes-Including Delinquent (Fiscally Independent LEA)	\$ 20,226,649
1140 Penalties & Interest on Taxes (Independent)	281,382
1200 Revenue from Local Governmental Units Other than LEAs:	
1280 Revenue in Lieu of Taxes (Dependent and Independent)	18,873
1500 Earnings on Investments:	
1510 Interest on Investments	339,447
Total Revenue from Local Sources	<u>20,866,351</u>
3000 Revenue from State Sources:	
3800 State Revenue in Lieu of Taxes:	
3820 Homestead Exemption	928,718
3830 Merchant's Inventory Tax	80,705
3840 Manufacturers Depreciation Reimbursement	107,615
3890 Other State Property Tax Revenues (Includes Motor Carrier Vehicle Tax)	110,664
Total Revenue from State Sources	<u>1,227,702</u>
TOTAL REVENUE ALL SOURCES	<u>22,094,053</u>
EXPENDITURES	
500 Debt Service:	
610 Redemption of Principal	5,900,271
620 Interest	497,922
690 Other Objects (Includes Fees for Servicing Bonds)	82,694
Total Debt Service	<u>6,480,887</u>
TOTAL EXPENDITURES	<u>6,480,887</u>
OTHER FINANCING SOURCES (USES)	
Interfund Transfers, From (To) Other Funds:	
5210 Transfer from General Fund	222,954
423-710 Transfer to Debt Service - EFC Fund	(15,642,811)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(15,419,857)</u>
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>193,309</u>
FUND BALANCE, Beginning of Year	1,552,005
Prior Period Adjustment	3,059,995
FUND BALANCE, Beginning of Year, Restated	<u>4,612,000</u>
FUND BALANCE, End of Year	<u>\$ 4,805,309</u>

Note 1 - The District issued two short-term General Obligation Bonds in August 2009 totaling \$15,615,000 to fund the annual EFC debt service. As these bonds are short-term in nature, the proceeds received and the related principal payments are not reflected in the financial statements, in accordance with generally accepted accounting principles. The District received premiums of \$80,832 and incurred issuance costs of \$73,543 upon the issuance of these Bonds. These Bonds, including interest of \$112,558, were repaid in March 2010 with the revenues received from property taxes. The premiums received have been netted against the interest paid for financial statement presentation.

DEBT SERVICE FUND - EDUCATIONAL FACILITIES CORPORATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2010

	<u>ACTUAL</u>
REVENUES	
1000 Revenue from Local Sources:	
1500 Earnings on Investments:	
1510 Interest on Investments	\$ 1,606,761
Total Revenue from Local Sources	<u>1,606,761</u>
TOTAL REVENUE ALL SOURCES	<u>1,606,761</u>
EXPENDITURES	
500 Debt Service:	
610 Redemption of Principal	470,000
620 Interest	16,459,275
690 Other Objects (Includes Fees for Servicing Bonds)	5,000
Total Debt Service	<u>16,934,275</u>
TOTAL EXPENDITURES	<u>16,934,275</u>
OTHER FINANCING SOURCES (USES)	
Interfund Transfers, From (To) Other Funds:	
5240 Transfer from Debt Service - District	15,642,811
424-710 Transfer to School Building Fund - EFC	(1,976)
TOTAL OTHER FINANCING SOURCES (USES)	<u>15,640,835</u>
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	313,321
FUND BALANCE, Beginning of Year	<u>27,059,315</u>
FUND BALANCE, End of Year	<u>\$ 27,372,636</u>

**SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA**

Schedule D-1

SCHOOL BUILDING FUND - DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2010

	<u>ACTUAL</u>
REVENUES	
1000 Revenue from Local Sources:	
1500 Earnings on Investments:	
1510 Interest on Investments	\$ 1,198
1900 Other Revenue from Local Sources:	
1999 Revenue from Other Local Sources	1,200
Total Revenue from Local Sources	<u>2,398</u>
TOTAL REVENUE ALL SOURCES	<u>2,398</u>
 EXPENDITURES	
250 Finance and Operations:	
253 Facilities Acquisition & Construction:	
400 Supplies and Materials	15,537
500 Capital Outlay:	
530 Improvements Other Than Buildings	1,069,540
545 Technology, Equipment and Software	140,484
600 Other Objects:	
690 Other Objects	242
Total Support Services	<u>1,225,803</u>
TOTAL EXPENDITURES	<u>1,225,803</u>
 EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	 (1,223,405)
 FUND BALANCE, Beginning of Year	 <u>2,419,228</u>
 FUND BALANCE, End of Year	 <u><u>\$ 1,195,823</u></u>

SCHOOL BUILDING FUND - EDUCATIONAL FACILITIES CORPORATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2010

	<u>ACTUAL</u>
REVENUES	
1000 Revenue from Local Sources:	
1500 Earnings on Investments:	
1510 Interest on Investments	\$ 14,678,585
Total Revenue from Local Sources	<u>14,678,585</u>
TOTAL REVENUE ALL SOURCES	<u>14,678,585</u>
EXPENDITURES	
250 Finance and Operations:	
253 Facilities Acquisition & Construction:	
100 Salaries	514,596
200 Employee Benefits	153,476
300 Purchased Services	6,660,412
400 Supplies and Materials	1,197,898
500 Capital Outlay:	
510 Land	66,100
520 Construction Services	34,493,984
530 Improvements Other Than Buildings	6,626,989
540 Equipment	18,284
545 Technology, Equipment and Software	1,084,469
550 Vehicles	15,729
590 Other Capital Outlay	10,150
600 Other Objects:	
690 Other Objects	46,437
Total Support Services	<u>50,888,524</u>
TOTAL EXPENDITURES	<u>50,888,524</u>
OTHER FINANCING SOURCES (USES)	
Interfund Transfers, From (To) Other Funds:	
5240 Transfer from Debt Service Fund - EFC	1,976
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,976</u>
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	(36,207,963)
FUND BALANCE, Beginning of Year	<u>309,758,040</u>
FUND BALANCE, End of Year	<u>\$ 273,550,077</u>

SPECIAL REVENUE - FOOD SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2010

	<u>ACTUAL</u>
REVENUES	
1000 Revenue from Local Sources:	
1500 Earnings on Investments:	
1510 Interest on Investments	\$ 243
1600 Food Service:	
1610 Lunch Sales to Pupils	1,543,474
1620 Breakfast Sales to Pupils	162,936
1630 Special Sales to Pupils	777,572
1640 Lunch Sales to Adults	129,558
1650 Breakfast Sales to Adults	6,781
1660 Special Sales to Adults	46,827
1900 Other Revenue from Local Sources:	
1999 Revenue from Other Local Sources	36,630
Total Revenue from Local Sources	<u>2,704,021</u>
3000 Revenue from State Sources:	
3100 Restricted State Funding:	
3140 School Lunch:	
3142 Program Aid	7,549
Total Revenue from State Sources	<u>7,549</u>
4000 Revenue from Federal Sources:	
4800 USDA Reimbursement:	
4810 School Lunch and After School Snacks Program	3,068,388
4830 School Breakfast Program	910,066
4860 Fresh Fruit and Vegetable Program (FFVP) (Carryover Provision)	12,400
4870 School Food Service (Equipment) - ARRA	23,451
4900 Other Federal Sources:	
4991 USDA Commodities (Food Distribution Program) (Carryover Provision)	471,985
Total Revenue from Federal Sources	<u>4,486,290</u>
TOTAL REVENUE ALL SOURCES	<u>7,197,860</u>
EXPENDITURES	
256 Food Service:	
100 Salaries	2,316,971
200 Employee Benefits	351,052
300 Purchased Services (Exclude Gas, Oil, Electricity and Other Heating Fuels)	52,644
400 Supplies and Materials (Include Gas, Oil, Electricity and Other Heating Fuels)	3,364,940
500 Capital Outlay	40,646
600 Other Objects	13,753
Total Food Service Expenditures	<u>6,140,006</u>
TOTAL EXPENDITURES	<u>\$ 6,140,006</u>

(Continued)

**SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA**

Schedule E-1

SPECIAL REVENUE - FOOD SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2010

	<u>ACTUAL</u>
OTHER FINANCING SOURCES (USES)	
Interfund Transfers, From (To) Other Funds:	
432-791 Food Service Fund Indirect Costs	\$ (351,474)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(351,474)</u>
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	706,380
FUND BALANCE, Beginning of Year	<u>-</u>
FUND BALANCE, End of Year	<u>\$ 706,380</u>

(Concluded)

FIDUCIARY FUND - PUPIL ACTIVITY FUND

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

YEAR ENDED JUNE 30, 2010

	<u>ACTUAL</u>
RECEIPTS	
1000 Receipts from Local Sources:	
1500 Earnings on Investments:	
1510 Interest on Investments	\$ 21,087
1700 Pupil Activities:	
1710 Admissions	1,172,397
1720 Bookstore Sales	1,660
1730 Pupil Organization Membership Dues and Fees	547,967
1740 Student Fees	1,013,058
1790 Other	1,277,309
1900 Other Revenue from Local Sources:	
1910 Rentals	3,846
1920 Contributions & Donations Private Sources	196,022
1999 Revenue from Other Local Sources	76,853
Total Receipts from Local Sources	<u>4,310,199</u>
TOTAL RECEIPTS ALL SOURCES	<u>4,310,199</u>
DISBURSEMENTS	
190 Instructional Pupil Activity:	
400 Supplies and Materials	29,524
Total Instruction	<u>29,524</u>
270 Support Services Pupil Activity:	
271 Pupil Service Activities:	
660 Pupil Activity	1,913,824
272 Enterprise Activities:	
660 Pupil Activity	242,727
273 Trust and Agency Activities:	
660 Enterprise Activities	1,953,672
Total Pupil Activity Expenditures	<u>4,110,223</u>
400 Intergovernmental Expenditures:	
411 Payments to SDE	
720 Transits	23,302
Total Intergovernmental Expenditures	<u>23,302</u>
TOTAL DISBURSEMENTS	<u>4,163,049</u>
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	147,150
DUE TO STUDENT ORGANIZATIONS, Beginning of Year	<u>1,593,256</u>
DUE TO STUDENT ORGANIZATIONS, End of Year	<u>\$ 1,740,406</u>

SCHOOL DISTRICT OF PICKENS COUNTY
 EASLEY, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2010

LEA Subfund Code	Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass Through Grantor's Number	Federal Expenditures
US DEPARTMENT OF AGRICULTURE				
Pass-through State Department of Education:				
600	Food Distribution - Non-Cash Assistance	10.555	N/A	\$ 471,985
600	National School Breakfast Program	10.553	N/A	910,066
600	National School Lunch Program	10.555	N/A	3,068,388
Total 10.553 & 10.555				<u>4,450,439</u>
630	Fresh Fruit & Vegetables Program	10.582	10-FV074	12,400
643	ARRA - 2009 School Food Equipment Assistance	10.579	09-SE074	23,451
TOTAL US DEPARTMENT OF AGRICULTURE				<u>4,486,290</u>
US DEPARTMENT OF EDUCATION				
Pass-through State Department of Education:				
201	Title I	84.010	09/10-BA074	3,480,584
221	Title I - Part D Neglected & Delinquent	84.010	10-ND074	52,769
237	Title I - School Improvement	84.010A	08/09/10-BJ074	3,993
222	ARRA - Title I	84.389A	09-SA074	1,866,936
229	ARRA - Title I Neglected & Delinquent	84.389A	09-SN074	10,239
Total 84.010 & 83.389A				<u>5,414,521</u>
Individuals with Disabilities Education Act				
203	Special Education--Grants to States	84.027	09/10-CA074	3,763,550
205	Handicapped Preschool Grant	84.173	09/10-CG074	83,411
215	ARRA - IDEA 611	84.391A	09/10-SC074	2,151,523
216	ARRA - IDEA Preschool 619	84.392A	09/10-SG074	5,874
Total 84.027, 84173, 84.391 & 84.392				<u>6,004,358</u>
207	Vocational Education - Basic	84.048	10VA074	55
207	Vocational Education - Basic (Subprogram 01)	84.048	10VA074	9,330
207	Vocational Education - Basic (Subprogram 02)	84.048	10VA074	13,490
207	Vocational Education - Basic (Subprogram 03)	84.048	10VA075	5,000
207	Vocational Education - Basic (Subprogram 04)	84.048	10VA074	18,174
207	Vocational Education - Basic (Subprogram 06)	84.048	10VA074	130,817
207	Vocational Education - Basic (Subprogram 08)	84.048	10VA074	71,015
207	Vocational Education - Basic (Subprogram 10)	84.048	10VA074	15,088
207	Vocational Education - Basic (Subprogram 12)	84.048	10VA074	3,500
207	Vocational Education - Basic (Subprogram 15)	84.048	10VA074	14,022
207	Vocational Education - Basic (Subprogram 23)	84.048	09/10VA074	8,878
207	Vocational Education - Basic (Subprogram 48)	84.048	10VA074	5,000
Total 84.048				<u>294,369</u>
224	21st Century Learning	84.287	10CL074-02	185,432
224	21st Century Learning	84.287	10CL074-01	195,203
Total 84.287				<u>\$ 380,635</u>

(Continued)

SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2010

LEA Subfund Code	Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass Through Grantor's Number	Federal Expenditures
209	Safe and Drug Free Schools and Communities	84.186	10-FQ074	\$ 33,227
227	ARRA - McKinney Vento Homeless Asst Act	84.387	10-SM074	25,026
243	Adult Education - State - Administered Basic Grant Program	84.002	10-EA074	127,155
243	Adult Education - State - Administered English Literacy	84.002	10-ED074	10,500
250	ARRA - State Fiscal Stabilization Fund	84.394	10-SF074	4,601,705
253	Enhancing Education through Technology	84.318X	10-ET074	34,358
264	English Language Acquisition - State Formula Grant	84.365A	09/10-BP074	70,035
267	Title II - Improving Teacher Quality	84.367	09/10-TQ074-01	510,134
267	South Carolina Teacher Advancement - TAP	84.367A	09/10-TQ074-02	84,733
		Total 84.367		<u>594,867</u>
859	TEEN LEAD	84.215	09/10-FL074	7,720
851	McKinney-Vento Homeless Grant	84.196	10-FH074	60,000
	TOTAL US DEPARTMENT OF EDUCATION			<u>17,658,476</u>
	US DEPARTMENT OF ENERGY			
	Pass-through South Carolina Energy Office:			
299	ARRA - SCEO Energy Grant	81.041	S09-0116	384,371
	TOTAL US DEPARTMENT OF ENERGY			<u>384,371</u>
	US DEPARTMENT OF DEFENSE			
	Direct Programs:			
270	JROTC	12.000	N/A	318,066
	TOTAL US DEPARTMENT OF DEFENSE			<u>318,066</u>
	US DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY			
	Pass-through State Department of Education:			
837	EPA Project Indigo Pickens Middle	66.951	10-FC074-01	2,876
	TOTAL US DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY			<u>2,876</u>
	US DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Pass-through County of Pickens, South Carolina			
801	Adolescent Pregnancy Prevention	93.558	G80034T	38,972
	TOTAL US DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>\$ 38,972</u>

(Continued)

SCHOOL DISTRICT OF PICKENS COUNTY
 EASLEY, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2010

LEA Subfund Code	Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass Through Grantor's Number	Federal Expenditures
US DEPARTMENT OF LABOR				
230	Pass-through State Department of Education: WIA Summer Program	17.259	09-SW074	\$ 13,400
TOTAL US DEPARTMENT OF LABOR				13,400
TOTAL FEDERAL ASSISTANCE EXPENDED				\$ 22,902,451

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

(Concluded)

**SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2010

A. – General

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) presents the activity of all federal award programs of School District of Pickens County, South Carolina (the “District”) for the year ended June 30, 2010. 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 Note I to the District’s basic financial statements.

C. – Relationship to Basic Financial Statements

Federal award expenditures are reported in the District’s basic financial statements as expenditures in the Special Revenue Funds.

D. – Relationship to Federal Financial Reports

Amounts reported in the accompanying Schedule agree with the amounts reported in the related federal financial reports except for timing differences relating to expenditures made subsequent to the filing of the federal financial reports.

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

The Board of Trustees
School District of Pickens County
Easley, South Carolina

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of School District of Pickens County, South Carolina (the "District") as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and a deficiency that we consider to be a significant deficiency.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2010-1 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2010-2 to be a significant deficiency.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the District in a separate letter dated September 30, 2010.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

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

Greene, Finney & Horton LLP

Greene, Finney & Horton, LLP
Mauldin, South Carolina
September 30, 2010

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

The Board of Trustees
School District of Pickens County
Easley, South Carolina

Compliance

We have audited School District of Pickens County, South Carolina's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2010. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2010-3 and 2010-4.

Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2010-3 and 2010-4. 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.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on the responses.

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

Greene, Finney & Horton LLP

Greene, Finney & Horton, LLP
Mauldin, South Carolina
September 30, 2010

**SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2010

FINDINGS - 2009 FINANCIAL STATEMENTS AUDIT

NONE

**SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2010

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

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

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	<u> X </u> Yes	<u> </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; 84.010A; 84.389A	Title I cluster, including Neglected and Delinquent and ARRA programs
84.027; 84.173; 84.391A; 84.392A	IDEA Cluster, including Handicapped Preschool and ARRA programs
84.394	ARRA - State Fiscal Stabilization Fund
81.041	ARRA - SCOE Energy Grant

Dollar threshold used to distinguish between type A and type B programs:	<u> \$687,074 </u>
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Auditee qualified as low-risk auditee?	<u> X </u> Yes	<u> </u> No
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(Continued)

**SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2010

Section II – Findings – 2010 Financial Statements Audit

2010-1: RECORDING OF CERTAIN LONG-TERM OBLIGATIONS

Condition: During the year ended June 30, 2010, the District discovered three items that were not properly accounted for as of June 30, 2009: (1) Net assets on the government-wide statement of net assets were overstated by \$10,098,843, as estimated arbitrage on the Series 2006 Installment Purchase Revenue Bonds in the amount of \$5,153,897 and accrued compensated absences in the amount of \$4,944,946 were not included as long-term liabilities, as required by the AICPA's State and Local Government Guide, Chapter 5.06 and FASB Statement No. 5 (arbitrage) and GASB Statement No. 16 (compensated absences); and (2) the District determined that it had not met the criteria for recognizing an in-substance defeasance related to previous required annual payments made to sinking funds established for its QZAB indebtedness, as required by GASB Statement No. 7, thus understating its restricted cash and related reserved fund balance in the Debt Service Fund in the amount of \$3,059,995.

The District adjusted these items for the year ended June 30, 2010. None of these adjustments impacted the General Fund or the cash flows of the District.

Criteria, Context and Effect:

Transactions involving long-term obligations should be recognized when incurred, which has now been done.

Recommendation:

The District has corrected these items for the year ended June 30, 2010.

Response:

The District has corrected these items for the year ended June 30, 2010.

2010-2: INTERNAL CONTROLS

Condition:

We noted the following opportunities for the District to further improve its internal controls:

- a) **Reconciliations for all bank accounts are being prepared on a timely basis.** The reconciliations for the District's main accounts (payroll, accounts payable, food services, etc) are being reviewed and approved by appropriate accounting supervisory personnel, but there is no evidence of this review and approval process. The reconciliations for all other accounts (pupil activity and the EFC accounts, for example) are not being reviewed by an appropriate supervisor.
- b) **Pupil Activities:**
 1. We visited six schools and noted that cash collected from various sources is not being deposited on a timely basis. Some of the teachers that collect money do not always bring the cash to the bookkeeper on a daily basis.
 2. We noted that some of the bookkeepers are not documenting the date they receive money from the teachers. They are not always noting the receipt range from the teachers' receipt books nor are they ensuring that the teachers have receipts totaling the amount given to the bookkeeper.

Criteria:

An effective system of internal controls appears to be in place that provides reasonable assurance that transactions are being recorded timely and accurately and to prevent fraud or misuse of District assets. However, there could be additional enhancements as noted above.

Context and Effect:

Even with an effective system of internal controls, there is the possibility that transactions may not be recorded timely or accurately and that the misuse of assets could occur without detection.

(Continued)

SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2010

Section II – Findings – 2010 Financial Statements Audit (Continued)

2010-2: INTERNAL CONTROLS (CONTINUED)

Recommendation: We recommend that the District consider the following:

- a) Bank account reconciliations for all bank accounts should be signed and dated by the preparer. These reconciliations should also be reviewed and approved by appropriate supervisory personnel; this review/approval should be evidenced by the signature and date of the reviewer.
- b) Pupil Activities: we recommend that funds collected be turned in to the bookkeepers on a timely basis, with deposits made on a daily basis. We also recommend that the bookkeepers note the range of receipts and document the date the money is received. The bookkeepers should spot check the teachers’ receipt books to ensure the teachers have proper support for all of the money they collect and turn in.

Response: Management believes in and upholds a strong internal control system. We do review bank reconciliations but did not evidence such review by affixing a signature on the document. We concur and will implement such evidence. In addition, we have reminded staff and will continue to remind school level staff of the importance of timely deposits in order to safeguard cash.

Section III – Federal Awards Findings and Questions Costs

Major Program

QUESTIONED COSTS

Federal Agency: US Department of Education
South Carolina Department of Education: Pass-Through Agency
Title I Cluster: CFDA # 84.010, Title 1; CFDA # 84.010A, Title 1; CFDA # 84.389A, ARRA-Title 1
Pass-Through Grantor’s Award Number and Year: 09/10-BA074, 10-ND074, 08/09/10-BJ074, 09-SA074, 09-SN074

2010-3: PROCUREMENT, SUSPENSION AND DEBARMENT - PURCHASE ORDERS

Condition: We noted in our testing of procurement three instances involving Title I transactions in which the District failed to comply with its procurement policy, as the expenditure was incurred prior to the purchase order or check requisition being issued and approved. \$ -0-

Criteria: The District should follow its procurement policy for all purchases.

Context: We sampled a total of 113 transactions, including 53 for the Title I cluster. We noted two transactions that totaled \$530 in which the expenditure was incurred prior to the purchase order being approved and one transaction for \$405 in which the District did not create and approve a check requisition.

Effect: There was no material financial effect to the District as a result of the items noted.

Cause: Insufficient monitoring for the three transactions as noted above.

Recommendation: We recommend that monitoring efforts be improved, and reminders be included in training sessions, to ensure that expenditures are not incurred prior to the issuance of purchase orders or check requisition.

Response: We concur. We will remind staff of the importance of following procurement policies and procedures. We believe this was the result of human error.

(Continued)

SCHOOL DISTRICT OF PICKENS COUNTY
EASLEY, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2010

Section III – Federal Awards Findings and Questions Costs (Continued)

Federal Agency: US Department of Education

South Carolina Department of Education: Pass-Through Agency

IDEA Cluster: CFDA # 84.027, IDEA; CFDA # 84.173, Handicapped Preschool Grant; CFDA # 84.391A, ARRA-IDEA; and CFDA # 84.392A, ARRA-Preschool

Pass-Through Grantor’s Award Number and Year: 09/10-CA074, 09/10-CG074, 09/10-SC074, 09/10-SG074

2010-4: ALLOWABLE COSTS – TIME AND REPORTING REQUIREMENTS

Condition: The District was not fully complying with the South Carolina State Department of Education’s (“SDE”) requirements for support for federal salaries and wages for this program. Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications. These certifications are to be prepared at least semi-annually and will be signed by the employee or the supervisory official having first-hand knowledge of the work performed by the employee. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports. The District was complying with the semi-annual certifications for this program; however, it was not preparing the monthly personnel activity reports for four employees who worked on multiple activities or cost objectives.

\$ -0-

Criteria, Context and Effect:

The distribution of wages for four of the District’s employees who had split time or different cost objectives or functions for the IDEA program was not supported by monthly personnel activity reports, which was not in compliance with the SDE’s time and reporting requirements.

Cause:

The District was not fully aware of the SDE’s requirements. We understand that continual changes were being made by the SDE, making it difficult for the District to keep up with the SDE’s requirements.

Recommendation:

We understand that the District is implementing procedures to ensure compliance with the SDE’s requirements.

Response:

The District will implement procedures to ensure that monthly personnel activity reports or similar supporting documentation is prepared for those employees who work on multiple activities or cost objectives for federal programs.

(Concluded)