

**CLOVER SCHOOL DISTRICT NO. 2
CLOVER, SOUTH CAROLINA**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

**CLOVER SCHOOL DISTRICT NO. 2
CLOVER, SOUTH CAROLINA**

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**CLOVER SCHOOL DISTRICT NO. 2
CLOVER, SOUTH CAROLINA**

PRINCIPAL OFFICIALS

FOR THE YEAR ENDED JUNE 30, 2010

Board of Trustees

Franklin Pendleton, Chairperson

Joe Gordon, Vice-Chairperson

Kathy Cantrell, Secretary

Jack Grier

Bob Magee

Mack McCarter

Melanie Wilson

Superintendent

Dr. Marc Sosne

Assistant Superintendent of Business Services

Kenneth Love



INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Clover School District No. 2
Clover, South Carolina

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clover School District No. 2, South Carolina, (the "School District") as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the School 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall basic 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 Clover School District No. 2, 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 November 9, 2010 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* 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 School District's basic financial statements. The introductory section, combining and individual fund financial schedules, and the supplemental schedule, 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 US 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 School District. The combining and individual fund financial schedules, supplemental schedule, 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, and Horton, LLP
Mauldin, South Carolina
November 9, 2010

**CLOVER SCHOOL DISTRICT NO. 2
CLOVER, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2010

This discussion and analysis of the Clover School District Number No. 2's (the "School District") financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to present the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2010 are as follows:

- The assets of the School District exceeded its liabilities at the close of the most recent fiscal year by approximately \$98.4 million. Of this amount, approximately \$43.7 million may be used to meet the School District's ongoing obligations (unrestricted net assets).
- The School District's total net assets increased by approximately \$9.8 million. Most of this increase in total net assets is due to the School District's desire to build net assets (set aside funds) in anticipation of future building projects and because expenditures for capital assets and bond payments are not considered expenses in the government-wide basic financial statements, partially offset by depreciation expense.
- As of the close of the current fiscal year, the School District's governmental funds reported combined ending fund balances of approximately \$61.4 million, an increase of approximately \$6.0 million from the prior year ending fund balance, which is primarily attributable to increased local taxes offset by state revenue reductions. Approximately 24% of the total fund balance amount (unreserved and undesignated fund balance), or approximately \$14.4 million, is available for spending at the government's discretion.
- At the end of the current fiscal year, unreserved, undesignated fund balance for the General Fund was approximately \$14.2 million, which was approximately 28% of total General Fund expenditures.
- The School District's total net capital assets increased by approximately \$0.6 million (less than 1%) during the current fiscal year. Key factors in this increase were the School District's construction of two new schools and other capital assets additions of approximately \$3.5 million, partially offset by depreciation expense of approximately \$2.9 million.
- The School District's total debt (including premium) decreased by approximately \$2.8 million (4%) during the current fiscal year due to scheduled principal payments and amortization of the premium.
- During the 2010 fiscal year, the School District's governmental fund type revenues were approximately \$82.1 million compared to approximately \$77.6 million in the prior year. This increase of approximately 6% was primarily due to increased local taxes and federal revenue, offset by state and intergovernmental revenue reductions.
- The School District had approximately \$72.8 million in expenses related to governmental activities, as reported under GASB #34 requirements. Approximately \$24.6 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues of approximately \$58.0 million provided remaining funding for these programs.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – *Introductory Section*, *Financial Section* (which includes management's discussion and analysis, the basic financial statements, and the notes to the basic financial statements), and the *Compliance Section*.

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

**CLOVER SCHOOL DISTRICT NO. 2
CLOVER, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2010

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The *Statement of Net Assets* presents information on all of the School 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 School District is improving or deteriorating.

The *Statement of Activities* presents information showing how the School 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 and earned but unused vacation leave).

Both of the government-wide basic financial statements distinguish functions of the School District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the School District include instruction, support services, community services and intergovernmental. The School District does not have any business-type activities.

The governmental-wide basic financial statements can be found as listed on the table of contents of this report.

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

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. All of the funds of the School District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide basic financial statements. However, unlike the government-wide basic financial statements, governmental fund basic 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 basic financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide basic financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

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

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide basic financial statement because the resources of those funds are not available to support the School District's own programs. The School District is the trustee, or fiduciary, for the pupil activity funds of the schools and accounts for this activity in an agency fund. The basic fiduciary fund financial statement can be found as listed on the table of contents of this report.

**CLOVER SCHOOL DISTRICT NO. 2
CLOVER, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2010

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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 basic financial statements. The notes to the basic financial statements can be found as listed on the table of contents of this report.

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

The School District has a legally adopted budget only for its General Fund. A budgetary comparison schedule has been provided as required supplementary information for this fund to demonstrate compliance with its budget. This schedule can be found as listed on the table of contents of this report.

Figure A-1 Major Features of the School District's Government-Wide and Fund Basic Financial Statements			
	Government-Wide Basic Financial Statements	Fund Basic Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire School District government (except fiduciary funds) and the School District's component units	The activities of the School District that are not fiduciary	Instances in which the School District is the trustee or agent for someone else's resources, such as the Pupil Activity Fund
Required financial statements	<ul style="list-style-type: none"> ▪ Statement of net 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 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 School District's funds do not currently contain capital assets, although they can
Type of inflow/outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

**CLOVER SCHOOL DISTRICT NO. 2
CLOVER, 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 School District, assets exceeded liabilities by approximately \$98.4 million at the close of the most recent fiscal year.

Table 1 provides a summary of the School District's net assets for 2010 and 2009:

Table 1
Net Assets

	Governmental Activities	
	June 30, 2010	June 30, 2009
Assets		
Current and Other Assets	\$ 71,400,720	\$ 70,421,913
Capital Assets, Net	107,521,724	106,901,475
Total Assets	<u>178,922,444</u>	<u>177,323,388</u>
Liabilities		
Other Liabilities	8,655,940	14,138,762
Long-Term Liabilities	71,816,934	74,577,930
Total Liabilities	<u>80,472,874</u>	<u>88,716,692</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	43,203,008	41,807,358
Restricted	11,502,595	9,560,878
Unrestricted	43,743,967	37,238,460
Total Net Assets	<u>\$ 98,449,570</u>	<u>\$ 88,606,696</u>

The School District's current and other assets at June 30, 2010 increased by approximately \$1.0 million from the prior year, primarily due to operating revenues exceeding operating expenses. The School District's capital assets at June 30, 2010 increased by approximately \$0.6 million from the prior year. The increase was primarily due to continuing construction in progress on two schools, roof improvements, and other additions of approximately \$3.5 million partially offset by depreciation expense of approximately \$2.9 million. Total liabilities at June 30, 2010 decreased by approximately \$8.2 million from the prior year. This decrease was primarily due to scheduled principal payments on long-term debt and amortization of the premium of approximately \$2.8 million and reduction of accounts payable related to the construction of two schools.

The School District's net assets increased by approximately \$9.8 million during 2010, which is the result of current year revenues exceeding current year expenses. Please see discussion following the next table regarding this increase.

In the case of the School District, assets exceeded liabilities (net assets) by approximately \$98.4 million at the close of the most recent fiscal year. By far the largest portion of the School District's net assets (approximately \$43.2 million or 44%) reflects its investment in net capital assets (i.e., land, buildings, furniture and equipment, etc.) less any related outstanding debt and capital leases used to acquire those assets. The School District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the School District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay these long-term obligations must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**CLOVER SCHOOL DISTRICT NO. 2
CLOVER, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2010

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

An additional portion of the School District's net assets of approximately \$11.5 million (12%) represents resources that are subject to external restrictions on how they may be used. These net assets are restricted for special revenue programs (which are restricted by the revenue source), food service program, and debt service payments. The remaining balance is unrestricted net assets of approximately \$43.7 million (44%) which may be used to meet the government's ongoing obligations to citizens and creditors.

Table 2 shows the changes in net assets for fiscal year 2010 and 2009.

Table 2
Changes in Net Assets

Revenues	Governmental Activities	
	2010	2009
Program Revenues:		
Charges for Services	\$ 2,810,785	\$ 2,624,447
Operating Grants	21,759,885	20,467,773
General Revenue:		
Taxes	57,434,247	53,866,765
Other	596,323	1,026,196
Total Revenues	82,601,240	77,985,181
Program Expenses		
Instruction	36,702,442	37,263,083
Support Services	32,884,022	23,980,735
Community Services	-	468
Intergovernmental	72,000	65,654
Interest and Fiscal Charges	3,099,902	3,560,048
Total Program Expenses	72,758,366	64,869,988
Change in Net Assets	9,842,874	13,115,193
Net Assets, Beginning of Year	88,606,696	75,491,503
Net Assets, End of Year	\$ 98,449,570	\$ 88,606,696

Governmental Activities. The School District's net assets from 2009 to 2010 increased by approximately \$9.8 million or 11%. Key elements that impacted the change in net assets for 2010 are as follows:

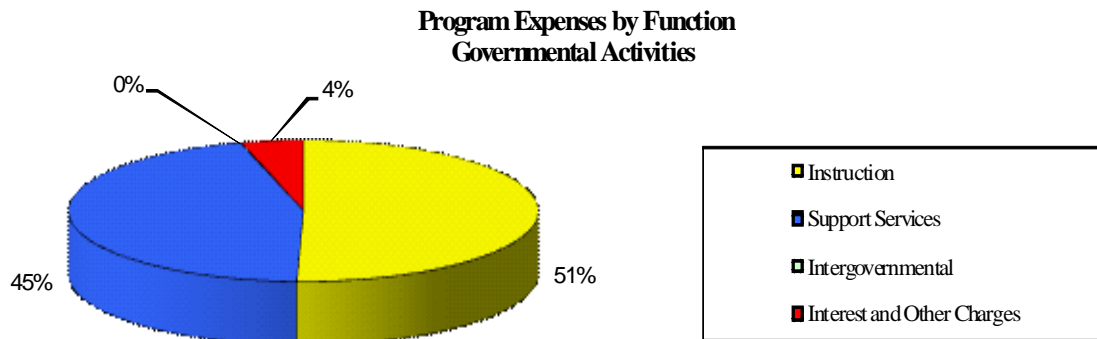
- Operating revenues of the School District continuing to exceed the operating expenses of the School District (as expenditures for capital assets, construction projects and bond payments are not considered expenses in the government-wide statements, partially offset by depreciation).
- The School District's desire to build funds (net assets) for future construction.

**CLOVER SCHOOL DISTRICT NO. 2
CLOVER, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2010

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)



FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

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

Governmental Funds

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

For the year ended June 30, 2010, the School District's governmental funds reported a combined fund balance of approximately \$61.4 million, as compared to approximately \$55.4 million for the prior year. The difference is due primarily to higher than expected local revenues and lower than budgeted expenditures. In particular, unreserved and undesignated fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At June 30, 2010, the School District's unreserved, undesignated fund balance for all governmental funds was approximately \$14.4 million. The remaining \$47.0 million is primarily reserved or designated for inventories, special revenue, capital projects, debt service, and food service.

The General Fund is the chief operating fund of the School District. At the end of the current fiscal year, unreserved, undesignated fund balance of the General Fund totaled approximately \$14.2 million (which was also the total fund balance). The fund balance for the School District's General Fund increased by approximately \$0.1 million (less than 1%) during fiscal year 2010. The School District has a goal of 25% of its subsequent year's operation budget as its unreserved and undesignated fund balance for the General Fund.

The School District's major funds include the General Fund, as described above, Special Revenue Fund, Special Revenue-EIA Fund, Special Revenue – Food Service Fund, Debt Service Fund, and Capital Projects Fund.

The School District's Special Revenue Fund and Special Revenue – EIA Fund, generally are used to account for revenues derived from the State of South Carolina and the Federal Government. In general, these Special Revenue Funds do not have significant fund balances as revenues should be expended, deferred, or returned to the grantor. The Special Revenue – Food Service Fund is used to account for the School District's food service operations. The fund balance remained fairly constant with the prior year.

The Debt Service Fund is shown in the accompanying basic financial statements of the School District. The fund is used to account for debt retirement. The fund balance for the Debt Service Fund increased by approximately \$1.8 million from the prior year's balance, primarily due to increased tax assessment and collections. The fiscal year ended 2010 fund balance was approximately \$11.1 million which is reserved for the payment of debt service.

**CLOVER SCHOOL DISTRICT NO. 2
CLOVER, SOUTH CAROLINA**

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2010

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS (CONTINUED)

Governmental Funds (Continued)

The Capital Projects Fund is utilized to account for the School District’s significant capital project transactions. The fund balance for the Capital Projects Fund increased by approximately \$4.0 million in 2010 to approximately \$34.9 million at June 30, 2010. The increase was primarily due to the transfer from the General Fund, partially offset by construction related expenditures.

General Fund Budgetary Highlights

The School District’s budget is prepared according to South Carolina law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The School District has only one legally adopted budget – the General Fund. During the course of fiscal year 2010 no amendments to the School District’s General Fund revenue or expense budgets were made. Key budget to actual highlights are as follows:

- There were significant state revenue shortfalls.
- The School District's total assessed value for property taxes was higher than anticipated at budget time.
- Student body growth but not as significant as in the past.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2010, the School District’s investment in capital assets was approximately \$107.5 million, net of accumulated depreciation. The total increase in the School District’s investment in net capital assets was approximately \$0.6 million, or 1%.

Table 3 shows fiscal 2010 and 2009 capital asset balances:

Table 3
Capital Assets, Net

	Governmental Activities	
	June 30, 2010	June 30, 2009
Land	\$ 6,237,893	\$ 6,237,893
Construction in Progress	787,868	51,998,169
Building and Improvements	121,820,567	68,298,067
Machinery and Equipment	4,730,619	3,680,491
Less: Accumulated Depreciation	(26,055,223)	(23,313,145)
Totals	\$ 107,521,724	\$ 106,901,475

Major capital asset events during the current fiscal year included:

- Completed construction on two new schools for approximately \$53.5 million.
- New lighting, roofs, vehicles, and equipment of approximately \$0.8 million.
- Depreciation expense of approximately \$2.9 million.

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

**CLOVER SCHOOL DISTRICT NO. 2
CLOVER, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2010

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Debt Administration

As shown in Table 4, the School District had outstanding debt of approximately \$71.8 million and \$74.6 million as of June 30, 2010 and 2009, respectively. During 2010, the School District made scheduled principal payments on debt in 2010 of approximately \$2.6 million, and had amortization of premium of approximately \$0.1 million. All of the School District's debt is backed by the full faith and credit of the School District as is typical with general obligation ("GO") bonded indebtedness.

Table 4
Long-Term Debt

Long-Term Debt	Governmental Activities	
	June 30, 2010	June 30, 2009
2007-A GO Bonds*	\$ 58,500,000	\$ 58,500,000
2008 GORB	11,260,000	13,900,000
Premium - 2007-A GO Bonds	2,056,934	2,177,930
	<u>\$ 71,816,934</u>	<u>\$ 74,577,930</u>

* Debt is not subject to the constitutional debt limit of 8%.

The State limits the amount of general obligation debt that school districts can issue to 8% of the assessed value of all taxable property within the School District's corporate limits. The School District's constitutional debt limit at June 30, 2010, was approximately \$23.1 million of which the School District had no debt outstanding against this limit.

The premium on the 2007-A GO Bonds is shown on the government-wide statement of net assets as a deferred long-term obligation and will be amortized over the life of the bonds in accordance with generally accepted accounting principles. The amortization will result in the School District spreading out the additional proceeds received from the premium over the life of the GO bonds.

More detailed information about the School District's debt and other long-term obligations is presented in the notes to the basic financial statements.

ECONOMIC FACTORS

The School District is located in the northern part of York County in the northernmost section of South Carolina and includes the Town of Clover, which is the largest municipality in the School District, with a 2000 population of 4,014. The School District is bordered on the north by the State of North Carolina, the east by Lake Wylie, the south by York School District No. 1 and the west by Cherokee County and encompasses a land area of approximately 142 square miles.

The School District has been in operation since 1915 when one school with an enrollment of 202 was established. Presently, the School District operates nine schools and has a total enrollment of approximately 6,450 students. The School District in its present form was established in 1953 when five former school districts were consolidated into the School District.

Industry in the School District consists of two yarn mills, a carpet yarn plant, a plant making computer components, an automotive brake pads plant, a textile machinery plant, a plant manufacturing rubber gloves and other rubber products, several knit fabrics plants, a plant manufacturing metalworking tools, and several lesser industries.

**CLOVER SCHOOL DISTRICT NO. 2
CLOVER, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2010

ECONOMIC FACTORS (CONTINUED)

Duke Power Company has constructed the Catawba Nuclear Station consisting of two nuclear units estimated to cost approximately \$4 billion. The combined number of employees for the Catawba Nuclear Station and Duke Power Company is approximately 2,441. Unit 1 was placed in commercial operation in June, 1985 and was in the School District's tax base for tax year 1986-87. Commercial operation of Unit 2 commenced in August, 1987, and was in the School District's tax base for tax year 1987-88.

Ownership of the Catawba Nuclear Station is comprised of North Carolina Municipal Power Agency (39%), North Carolina Electric Membership Association (29%), Piedmont Municipal Power Agency (13%), Saluda River Electric Cooperative (10%) and Duke Power (8%). The power agencies are obligated to pay a sum in lieu of taxes to the appropriate taxing authorities equivalent to the taxes that would be due if such property were not exempt from taxation.

The nuclear station comprises approximately 49% of the School District's total property tax assessment. Last year, the station comprised 48% of the total property tax assessment. The depreciation of the station is causing the tax burden to shift away from the nuclear station. The School District has historically collected 97.5% of the taxes levied.

FY 2011 BUDGET

Many factors were considered by the School District's administration during the process of developing the fiscal year 2010-2011 budget which is balanced without using reserve funds. The School District's top two goals were to improve academic achievement and to support its ongoing building program. Curriculum specialists were added during prior years in order to meet the goal of improving academic achievement. Salary increases for employees range from 0% to 2.0% for budget year 2010-2011. Barring unforeseen circumstances, the current budget for operations will allow the School District to maintain its strong financial position.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide those interested with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department, at Clover School District No. 2, 604 Bethel Street, Clover, South Carolina, 29710.

**CLOVER SCHOOL DISTRICT NO. 2
CLOVER, SOUTH CAROLINA**

STATEMENT OF NET ASSETS

JUNE 30, 2010

	PRIMARY GOVERNMENT
	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 13,038,252
Cash and Investments Held by County Treasurer	50,786,472
Property Taxes Receivable, Net	2,694,114
Accounts Receivable, Net	25,923
Other Receivables, Net	202,698
Due from Other Governments	4,603,167
Inventories and Prepaid Items	50,094
Capital Assets:	
Non-Depreciable	7,025,761
Depreciable, Net	100,495,963
TOTAL ASSETS	178,922,444
LIABILITIES	
Accounts Payable	1,470,413
Accrued Salaries, Fringe & Benefits	4,340,276
Accrued Interest Payable	1,044,552
Unearned Revenue	1,800,699
Non-Current Liabilities:	
Due Within One Year	3,085,000
Due in More than One Year	68,731,934
TOTAL LIABILITIES	80,472,874
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	43,203,008
Restricted For:	
Debt Service	10,511,808
Special Revenue	171,704
Food Service	819,083
Unrestricted	43,743,967
TOTAL NET ASSETS	\$ 98,449,570

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

**CLOVER SCHOOL DISTRICT NO. 2
CLOVER, SOUTH CAROLINA**

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2010

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE / CHANGE IN NET ASSETS
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities
PRIMARY GOVERNMENT					
Governmental Activities:					
Instruction	\$ 36,702,442	5,808	16,146,350	-	\$ (20,550,284)
Support Services	32,884,022	2,804,977	5,613,535	-	(24,465,510)
Intergovernmental	72,000	-	-	-	(72,000)
Interest and Other Charges	3,099,902	-	-	-	(3,099,902)
Total Governmental Activities	<u>72,758,366</u>	<u>2,810,785</u>	<u>21,759,885</u>	<u>-</u>	<u>(48,187,696)</u>
TOTAL PRIMARY GOVERNMENT	\$ 72,758,366	2,810,785	21,759,885	-	(48,187,696)
GENERAL REVENUES:					
					33,935,039
					12,509,486
					10,790,718
					199,004
					295,386
					300,937
					<u>58,030,570</u>
					9,842,874
					<u>88,606,696</u>
					\$ 98,449,570

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

**CLOVER SCHOOL DISTRICT NO. 2
CLOVER, SOUTH CAROLINA**

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2010

	GENERAL	SPECIAL REVENUE
ASSETS		
Cash and Cash Equivalents	\$ 13,000,125	-
Cash and Investments Held by County Treasurer	10,056,360	-
Receivables, Net:		
Taxes	2,113,941	-
Accounts	66	25,857
Other	-	-
Due From:		
State Agencies	941,921	37,797
Federal Agencies	-	3,461,671
Other Funds	1,979,797	985,467
Inventories	-	-
TOTAL ASSETS	28,092,210	4,510,792
LIABILITIES AND FUND BALANCES		
LIABILITIES:		
Accounts Payable	1,112,322	21,950
Accrued Salaries, Fringe & Benefits	4,340,276	-
Due To:		
Other Funds	6,568,339	3,032,427
Deferred/Unearned Revenue	1,914,669	993,230
TOTAL LIABILITIES	13,935,606	4,047,607
FUND BALANCES:		
Fund Balances		
Reserved for:		
Inventories	-	-
Debt Service	-	-
Capital Projects	-	-
Special Revenue	-	171,704
Food Service	-	-
Unreserved:		
Designated for Capital Projects	-	-
Undesignated	14,156,604	291,481
TOTAL FUND BALANCES	14,156,604	463,185
TOTAL LIABILITIES AND FUND BALANCES	\$ 28,092,210	4,510,792

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

SPECIAL REVENUE - EIA	SPECIAL REVENUE - FOOD SERVICE	DEBT SERVICE	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
-	38,127	-	-	\$ 13,038,252
-	-	10,976,187	29,753,925	50,786,472
-	-	580,173	-	2,694,114
-	-	-	-	25,923
-	202,698	-	-	202,698
35,340	-	-	-	1,015,058
-	126,438	-	-	3,588,109
727,671	446,184	-	5,461,647	9,600,766
-	50,094	-	-	50,094
763,011	863,541	11,556,360	35,215,572	81,001,486
-	-	-	336,141	1,470,413
-	-	-	-	4,340,276
-	-	-	-	9,600,766
763,011	44,458	495,986	-	4,211,354
763,011	44,458	495,986	336,141	19,622,809
-	50,094	-	-	50,094
-	-	11,060,374	-	11,060,374
-	-	-	7,498,218	7,498,218
-	-	-	-	171,704
-	768,989	-	-	768,989
-	-	-	27,381,213	27,381,213
-	-	-	-	14,448,085
-	819,083	11,060,374	34,879,431	61,378,677
763,011	863,541	11,556,360	35,215,572	\$ 81,001,486

**CLOVER SCHOOL DISTRICT NO. 2
CLOVER, SOUTH CAROLINA**

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

JUNE 30, 2010

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS **\$ 61,378,677**

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

Outstanding property taxes and other revenues which will be collected in the future, but are not available soon enough to pay for the current period's expenditures are therefore deferred in the funds.	2,410,655
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$133,576,947, and the accumulated depreciation is \$26,055,223.	107,521,724
Interest is recorded as an expenditure when due and payable in the governmental funds. Interest is recorded in the government-wide statements when it is due. This amount represents the amount of interest due but unpaid at year-end.	(1,044,552)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities consisted of the following:	
Long-Term Debt	(69,760,000)
Net Premium (Less Deferred Loss on Refunding)	(2,056,934)
	<hr/>
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES	<u><u>\$ 98,449,570</u></u>

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

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**CLOVER SCHOOL DISTRICT NO. 2
CLOVER, SOUTH CAROLINA**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2010

	GENERAL	SPECIAL REVENUE
REVENUES		
Local Sources:		
Taxes	\$ 33,548,591	-
Investment Earnings	100,487	-
Other Local Sources	306,745	334,385
State Sources	23,378,552	991,787
Federal Sources	-	4,632,990
Intergovernmental Revenue	-	-
TOTAL REVENUE ALL SOURCES	57,334,375	5,959,162
EXPENDITURES		
Current:		
Instruction	31,457,485	3,016,222
Support Services	19,631,857	2,777,032
Intergovernmental	30,000	42,000
Capital Outlay	57,049	-
Debt Service:		
Principal Retirement	-	-
Interest and Fiscal Charges	-	-
TOTAL EXPENDITURES	51,176,391	5,835,254
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	6,157,984	123,908
OTHER FINANCING SOURCES (USES)		
Transfers In	-	-
Transfers Out	(6,105,869)	-
TOTAL OTHER FINANCING SOURCES (USES)	(6,105,869)	-
NET CHANGES IN FUND BALANCES	52,115	123,908
FUND BALANCES, Beginning of Year	14,104,489	339,277
FUND BALANCES, End of Year	\$ 14,156,604	463,185

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

SPECIAL REVENUE - EIA	SPECIAL REVENUE - FOOD SERVICE	DEBT SERVICE	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
-	-	12,413,122	-	\$ 45,961,713
-	-	47,759	147,140	295,386
-	1,419,455	-	35,000	2,095,585
-	-	199,004	-	24,569,343
-	1,198,251	-	-	5,831,241
3,362,443	2,717	-	-	3,365,160
3,362,443	2,620,423	12,659,885	182,140	82,118,428
2,916,016	-	-	-	37,389,723
446,427	2,636,457	-	6,773,265	32,265,038
-	-	-	-	72,000
-	-	-	289,903	346,952
-	-	2,640,000	-	2,640,000
-	-	3,247,298	-	3,247,298
3,362,443	2,636,457	5,887,298	7,063,168	75,961,011
-	(16,034)	6,772,587	(6,881,028)	6,157,417
-	-	-	10,903,369	10,903,369
-	-	(5,002,500)	-	(11,108,369)
-	-	(5,002,500)	10,903,369	(205,000)
-	(16,034)	1,770,087	4,022,341	5,952,417
-	835,117	9,290,287	30,857,090	55,426,260
-	819,083	11,060,374	34,879,431	\$ 61,378,677

**CLOVER SCHOOL DISTRICT NO. 2
CLOVER, 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 **\$ 5,952,417**

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

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. They are considered revenue in the Statement of Activities. 482,812

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the Statement of Activities. 2,640,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds only when it is due and payable and thus requires the use of current financial resources. However, in the Statement of Activities interest expense is recognized as the interest accrues, regardless of when it is due and payable. The interest reported in the Statement of Activities is the change in accrued interest. 26,400

Bond premiums are revenues the year they are received in governmental funds, but are amortized over the lives of bonds in the Statement of Activities. 120,996

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets that are considered capital asset additions is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital asset additions (\$3,507,833) exceeded depreciation expense (\$2,887,584) in the current year. 620,249

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 9,842,874**

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

**CLOVER SCHOOL DISTRICT NO. 2
CLOVER, SOUTH CAROLINA**

STATEMENT OF ASSETS AND LIABILITIES

FIDUCIARY FUND

JUNE 30, 2010

	<u>AGENCY</u>
ASSETS	
Cash and Cash Equivalents	\$ 11,100
Investments	18,422
Accounts Receivable	447,832
TOTAL ASSETS	<u><u>477,354</u></u>
LIABILITIES	
Accounts Payable	3,866
Other Payables	66
Due to Student Organizations	473,422
TOTAL LIABILITIES	<u><u>\$ 477,354</u></u>

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

**CLOVER SCHOOL DISTRICT NO. 2
CLOVER, SOUTH CAROLINA**

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

Clover School District No. 2, South Carolina (the “School District”) is controlled by a Board of Trustees (the “Board”), which has oversight responsibility over the public school educational activities in the School District. The School District receives funding from local, state and federal government sources and must comply with the related requirements of these funding source entities. The School District is governed by a seven member Board.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The School District is controlled by a Board of Trustees (the “Board”), which has oversight responsibility over the public school education activities in the School District. The School District is not included in any other governmental “reporting entity” as defined in the GASB Sec. 2100.108 since Board members are elected by the public and have decision making authority, the power to designate management, the ability to significantly influence operations and the primary accountability for fiscal matters. For these reasons, the School District is recognized as a primary government in accordance with GAAP.

All activities, including component units (if applicable), for which the Board exercises oversight responsibility, have been incorporated into the basic financial statements to form the reporting entity. The School District’s basic financial statements include the accounts of all School District operations, including, but not limited to, general operations and support services, food service operations, capital projects, debt service activities, and agency transactions.

The primary criterion for determining inclusion or exclusion of a legally separate entity is financial accountability, which is presumed to exist if the School District both appoints a voting majority of the entity’s governing body, and either 1) the School District is able to impose its will on the entity or, 2) there is a potential for the entity to provide specific financial benefits to, or impose specific financial burdens on, the School District. If either or both of the foregoing conditions are not met, the entity could still be considered a component unit if it is fiscally dependent on the School District. In order to be considered fiscally independent, an entity must have the authority to do all three of the following:

- (1) Determine its budget without the School District having the authority to approve or modify that budget;
- (2) Levy taxes or set rates or charges without approval by the School District; and
- (3) Issue bonded debt without approval by the School District.

Finally, an entity could be a component unit even if it met all the conditions described above if excluding it would cause the School District’s basic financial statements to be misleading or incomplete. There were no component units required to be included in the School District’s basic financial statements.

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

The government-wide basic financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the School District (the “Primary Government”) and its component units. For the most part, the effect of interfund activity has been removed from these statements.

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

CLOVER SCHOOL DISTRICT NO. 2
CLOVER, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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 detail below). Governmental fund basic financial statements therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide basic financial statements and the statements for governmental funds.

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

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

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

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

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. There are a minimum number of funds maintained to keep the accounts consistent with legal and managerial requirements. The following major funds and fund types are used by the School District.

CLOVER SCHOOL DISTRICT NO. 2
CLOVER, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Governmental Fund Types are those through which most governmental functions of the School District are financed. The School District's expendable financial resources and related assets and liabilities are accounted for through governmental funds. Governmental funds are accounted for using a current financial resources measurement focus and the modified accrual basis of accounting.

The following are the School District's major governmental fund types:

The *General Fund - a major fund*, is the general operating fund of the School District and accounts for all revenues and expenditures of the School District except those required to be accounted for in another fund. 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 in general are legally restricted to expenditures for specified purposes. The School District has the following Special Revenue Funds:

- i) **The Special Revenue Fund, a major fund** and an unbudgeted fund, is used to account for financial resources provided by federal, state and local projects and grants.
- ii) **The Education Improvement Act ("EIA") Fund, a major fund** and an unbudgeted fund, is used to account for the revenue from the South Carolina Education Improvement Act of 1984 which is legally required by the state to be accounted for as a specific revenue source.
- iii) **The Food Service Fund, a major fund** and an unbudgeted fund, is used to account for the United States Department of Agriculture's ("USDA") approved school breakfast and lunch programs.

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

The *Capital Projects Fund - a major fund* and an unbudgeted fund, is used to account for financial resources to be used for site acquisitions, construction, equipment, and renovation of all major capital facilities.

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

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

**CLOVER SCHOOL DISTRICT NO. 2
CLOVER, SOUTH CAROLINA**

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity

1. Cash, Cash Equivalents, and Investments

Cash and Cash Equivalents

The School District considers all highly liquid investments (including restricted assets) with original maturities of three months or less when purchased and investments in the South Carolina Pooled Investment Fund ("Pool") to be cash equivalents. Securities with an initial maturity of more than three months (from when initially purchased) that are not purchased from the pool are reported as investments.

Investments

The School District's investment policy is designed to operate within existing statutes (which are identical for all funds, fund types and component units within the State of South Carolina) that authorize the School District to invest in the following:

- (a) Obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States.
- (b) Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (c) (i) General obligations of the State of South Carolina or any of its political units; or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (d) Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.
- (e) Certificates of deposit where the certificates are collaterally secured by securities of the type described in (a) and (b) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.
- (f) Repurchase agreements when collateralized by securities as set forth in this section.
- (g) No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (a), (b), (c), and (f) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

**CLOVER SCHOOL DISTRICT NO. 2
CLOVER, SOUTH CAROLINA**

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

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

Investments (Continued)

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

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

- South Carolina Local Government Investment Pool ("Pool") investments are invested with the South Carolina State Treasurer's Office, which established the South Carolina Pool pursuant to Section 6-6-10 of the South Carolina Code. The Pool is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any city treasurer or any governing body of a political subdivision of the State, may be deposited. The Pool is a 2a 7-like pool which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but has a policy that it will operate in a manner consistent with the SEC's Rule 2a 7 of the Investment Company Act of 1940. In accordance with GASB Statement No. 31, "*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*", investments are carried at fair value determined annually based upon quoted market prices. The total fair value of the Pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.00.
- Cash and Investments held by the County Treasurer which are property taxes collected by the School District's fiscal agent that have not been remitted to the School District. The County Treasurer invests these funds in investments authorized by state statute as outlined above. All interest and other earnings gained are added back to the fund and are paid out by the County Treasurer to the respective governments on a periodic basis.

2. Interfund Receivables and Payables

Transactions between funds that are representative of reimbursement arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds."

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the statement of net assets.

3. Inventories and Other Assets

Inventories

Inventories in the Food Service Fund consist of purchased goods, supplies and United States Department of Agriculture ("USDA") commodities, which are stated at values assigned by the USDA. Under the system for accounting for inventories, materials and supplies are carried in an inventory account at cost, using the first-in, first-out method of accounting, and are subsequently charged to expenditures/expenses when consumed (consumption method).

**CLOVER SCHOOL DISTRICT NO. 2
CLOVER, SOUTH CAROLINA**

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

3. Inventories and Other Assets (Continued)

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items using the consumption method (if material). A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

4. Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Assets but are not reported in the fund financial statements. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$5,000. However, all land will be capitalized regardless of cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets is not capitalized for governmental activities as allowed by GAAP. The School District does not maintain ownership of any public domain ("infrastructure") general capital assets. All reported capital assets except land and construction in progress are depreciated. Construction projects begin being depreciated once they are completed and placed in service, at which time the complete costs of the project are transferred to the appropriate capital asset category.

Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Capital Asset Category</u>	<u>Useful Life Range</u>
Buildings and Improvements	30–50 years
Machinery and Equipment	3–10 years

5. Compensated Absences

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." School District employees are granted vacation and sick leave in varying amounts. Upon retirement 12-month employees are reimbursed for accumulated vacation days not to exceed 10 days. Unused sick leave is not reimbursed. Because the compensated absences liability for vacation pay is immaterial, no amounts have been recorded in the government-wide basic financial statements.

**CLOVER SCHOOL DISTRICT NO. 2
CLOVER, SOUTH CAROLINA**

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Equity (Continued)

6. *Accrued Liabilities and Long-Term Obligations*

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

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

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

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

7. *Fund Balance*

In the fund basic financial statements, the School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods.

In the governmental fund basic financial statements, the School District's use of the term "*reserve*" relative to the fund balance of its governmental funds is limited to indicating that portion of fund balance that is not appropriable for expenditure or is legally segregated for some specific future use. Fund balance reserves can be established for, but not limited to the following: prepaids, inventory, non-current receivables, prior year appropriations, grant projects, debt service, capital projects and special revenue programs.

In the governmental fund basic financial statements, the School District can establish "*designations*" of fund balance which are to reflect tentative plans for financial resource utilization in future periods. Designations of fund balance represent tentative management plans that are subject to change and ultimately may not be legally authorized or result in an expenditure.

**CLOVER SCHOOL DISTRICT NO. 2
CLOVER, SOUTH CAROLINA**

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Equity (Continued)

8 Net Assets

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

9. Encumbrances

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

10. Accounting Estimates

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

11. Comparative Data

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Budgetary Practices – The General Fund budget is presented as required supplementary information. The budget is presented on the modified accrual basis of accounting which is consistent with accounting principles generally accepted in the United States of America.

The budget is prepared by function and object as dictated by the State of South Carolina adopted Program Oriented Budgeting and Accounting System and for management control purposes. The School District's policies allow funds to be transferred between functions. However, the total budget cannot be increased beyond that level without approval of the Board in a supplementary action. The legal level of control is at the fund level. During the year, the Board did not revise the budget.

**CLOVER SCHOOL DISTRICT NO. 2
CLOVER, SOUTH CAROLINA**

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

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

- (1) In the spring the School District begins its budget process for the next succeeding fiscal year.
- (2) The School District's leadership team reviews all requests and allocation requirements and related revenue.
- (3) The School District Administration then presents a proposed budget to the Board of Trustees which reviews it in a series of workshops and makes any additions or deletions it deems necessary.
- (4) Prior to July 1, the budget is legally enacted through passage of a resolution by the Board.

The administration has discretionary authority to make transfers between appropriation accounts. The final budget amounts in the budgetary comparison schedule are as amended (if any) by the administration. All annual appropriations lapse at fiscal year end.

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

A. Deposits and Investments

Deposits

Custodial Credit Risk for Deposits: Custodial credit risk for deposits is the risk that, in the event of a bank failure, the School District's deposits might not be recovered. The School District does not have a deposit policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of June 30, 2010, none of the School District's total bank balances (including fiduciary funds) of approximately \$815,000, with a carrying value of approximately (\$464,000), was exposed to custodial credit risk.

Investments

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

Investment Type	Credit Rating	Fair Value	Weighted Average Maturity (In Years)
State Local Government Investment Pool	Unrated	\$ 13,532,012	^
Cash and Investments Held by County Treasurer	Unrated	50,786,472	*
Total		<u>\$ 64,318,484</u>	

^ Investments in 2a 7-like funds are not required to disclose interest rate risk.

* The County Treasurer invests the monies it holds in trust for governmental entities in separate accounts with the State Local Government Investment Pool. Thus, we have characterized this investment as a 2a 7-like fund.

Interest Rate Risk: The School District does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates. However, the School District primarily uses the South Carolina Local Government Investment Pool or the County Treasurer (York County) for its investments. The balances invested in these pools are subject to withdrawals on a daily basis.

**CLOVER SCHOOL DISTRICT NO. 2
CLOVER, SOUTH CAROLINA**

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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

A. Deposits and Investments (Continued)

Investments (Continued)

Custodial Credit Risk for Investments: Custodial credit risk for investments is the risk that, in the event of a bank failure, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District does not have an investment policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of June 30, 2010, none of the School District's investments were exposed to custodial credit risk.

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

Concentration of Credit Risk for Investments: The School District places no limit on the amount the School District may invest in any one issuer. Investments issued by or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools and other pooled investments are exempt from concentration of credit risk disclosures.

B. Property Taxes and Other Receivables

Real Property taxes are levied on October 1 for the assessed valuations of property located in York County as of the preceding January 1, and are due and payable at that time. All unpaid taxes levied October 1 become delinquent January 15 of the following year, and property taxes attach as an enforceable lien if not paid by March 16 of the following year.

Penalties are added to taxes depending on the date paid as follows:

January 16 through February 1	3% of Tax
February 2 through March 16	10% of Tax
March 17 and Thereafter	15 % of Tax Plus Collection Costs

Motor vehicle taxes are levied on the first day of the month in which the motor vehicle license expires and is due by the end of the month. Property taxes are billed and collected by York County. Property tax revenue is recognized when collected by the County Treasurer's Office. Real property taxes collected within 60 days after fiscal year end are also recognized as revenue for the year.

For the year ended June 30, 2010, the operating millage rate was set at 147 mills (141 mills in the prior year) to cover the general operations of the School District and the debt service millage rate was set at 44 mills (no change from the prior year) to cover the scheduled debt service requirements of the School District.

On the government-wide and fund basic financial statements, taxes receivable are \$2,694,114 (which is net of an allowance for uncollectibles of \$112,255) at June 30, 2010. Allowances for uncollectibles were not necessary for the other receivable accounts.

Delinquent property taxes of \$199,272 in the General Fund, and \$84,187 in the Debt Service Fund, have been recognized as revenue at June 30, 2010, because they were collected within sixty days after year end as they were considered measurable and available.

**CLOVER SCHOOL DISTRICT NO. 2
CLOVER, SOUTH CAROLINA**

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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

B. Property Taxes and Other Receivables (Continued)

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At June 30, 2010, the various components of deferred/unearned revenue reported in the governmental funds were as follows:

Delinquent Property Taxes Receivable - General Fund	\$ 1,914,669
Delinquent Property Taxes Receivable - Debt Service Fund	495,986
Unearned Revenue from Special Revenue and Special Revenue - EIA Funds	1,756,241
Unearned Revenue from Special Revenue - Food Service Fund	44,458
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 4,211,354</u>

C. Interfund Receivables and Payables

Interfund receivables and payables at June 30, 2010 (all of which are expected to be repaid within one year), are summarized in accordance to generally accepted accounting principles as disclosure requirements, as follows:

Fund	Receivables	Payables
General Fund	\$ 1,979,797	\$ 6,568,339
Special Revenue Funds:		
Special Revenue	985,467	3,032,427
EIA	727,671	-
Food Service	446,184	-
Capital Projects Fund	5,461,647	-
Total	<u>\$ 9,600,766</u>	<u>\$ 9,600,766</u>

Most cash activities are recorded in the General Fund, and as a result, receivables and payables exist at year end that are either due to or due from the General Fund or other funds. Various differences include Special Revenue payments not received from the State Department of Education until after the fiscal year ends, fringe amounts paid by the General Fund for Food Service, and capital project transfers from the General Fund to the Capital Projects Fund in the amount of approximately \$5,901,000.

D. Transfers In and (Out)

Transfers in (out) from funds for the year ended June 30, 2010, consisted of the following:

Fund	Transfers In	Transfers Out
General Fund	\$ -	\$ 6,105,869
Debt Service	-	5,002,500
Capital Projects Fund	10,903,369	-
Agency Fund	205,000	-
	<u>\$ 11,108,369</u>	<u>\$ 11,108,369</u>

**CLOVER SCHOOL DISTRICT NO. 2
CLOVER, SOUTH CAROLINA**

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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

D. Transfers In and (Out) (Continued)

Transfers are routinely made for school activity costs between the General Fund and the pupil activity funds. The School District made transfers from the General Fund (as in the prior year) to the Capital Projects Fund for approximately \$5,901,000 for designated future capital projects. The School District also made a transfer from the Debt Service Fund to the Capital Projects Fund for approximately \$5,003,000 to retire the short term debt.

E. Capital Assets

Capital asset activity for the School District for the year ended June 30, 2010, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital Assets, Non-Depreciable:					
Land	\$ 6,237,893	-	-		\$ 6,237,893
Construction in Progress	51,998,169	3,123,699	-	(54,334,000)	787,868
Total Capital Assets, Non-Depreciable	58,236,062	3,123,699	-	(54,334,000)	7,025,761
Capital Assets, Depreciable:					
Buildings and Improvements	68,298,067	-	-	53,522,500	121,820,567
Machinery and Equipment	3,680,491	384,134	145,506	811,500	4,730,619
Total Capital Assets, Depreciable	71,978,558	384,134	145,506	54,334,000	126,551,186
Less: Accumulated Depreciation for:					
Buildings and Improvements	20,864,998	2,591,490	-		23,456,488
Machinery and Equipment	2,448,147	1,512,263	145,506		3,814,904
Total Accumulated Depreciation	23,313,145	4,103,753	145,506	-	27,271,392
Total Capital Assets, Depreciable, Net	48,665,413	(3,719,619)	-	-	99,279,794
Governmental Activities Capital Assets, Net	\$ 106,901,475	(595,920)	-	-	\$ 106,305,555

Depreciation expense and capital asset additions were charged to functions/programs of the primary government as follows:

	Depreciation	Additions
Governmental Activities:		
Instruction	\$ 2,411,235	\$ 3,388,419
Support Services	476,349	119,414
Total - Governmental Activities	\$ 2,887,584	\$ 3,507,833

**CLOVER SCHOOL DISTRICT NO. 2
CLOVER, SOUTH CAROLINA**

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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

F. Short-Term Obligations

The following is a summary of the changes in the School District's short-term obligations for 2010:

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance
2009 General Obligation Bond	\$ -	5,000,000	5,000,000	\$ -
Total Governmental Activities	<u>\$ -</u>	<u>5,000,000</u>	<u>5,000,000</u>	<u>\$ -</u>

The School District issued the 2009 General Obligation Bond ("Bond") in September 2009 for \$5,000,000. This Bond was issued for various construction projects related to renovation. The School District repaid the Bond in March 2010 along with interest of \$36,042.

G. Long-Term Obligations

The general obligation bonds ("GO") payable at June 30, 2010, were comprised of the following:

2007-A Series: Original issue of 58,500,000, principal due in annual installments of \$25,000 to \$5,725,000 on March 1 beginning in 2012 through 2027; interest at 4.0% to 5.00% paid semiannually. A premium on the issuance of these bonds was received of \$2,359,424.

2008 Series: Original issue of 14,100,000, principal due in annual installments of \$200,000 to \$4,950,000 on March 1 beginning in 2009 through 2013; interest at 3.0% to 3.50% paid semiannually. Issuance costs, the premium, and the deferred loss related to this issuance were not significant and thus have not been recorded on the government-wide financial statements.

Following is a summary of changes in the School District long-term obligations for the year ended June 30, 2010:

Long-Term Obligation	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
2007-A GO Bonds *	\$ 58,500,000	-	-	58,500,000	\$ -
2008 GORB *	13,900,000	-	2,640,000	11,260,000	3,085,000
Premium-2007-A GO Bonds	2,177,930	-	120,996	2,056,934	-
Total Governmental Activities	<u>\$ 74,577,930</u>	<u>-</u>	<u>2,760,996</u>	<u>71,816,934</u>	<u>\$ 3,085,000</u>

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

Resources primarily from the Debt Service Fund have been used to liquidate the long-term obligations of the School District.

**CLOVER SCHOOL DISTRICT NO. 2
CLOVER, SOUTH CAROLINA**

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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

G. Long-Term Obligations (Continued)

The governmental activities annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30	Principal	Interest	Total
2011	\$ 3,085,000	3,133,656	\$ 6,218,656
2012	3,250,000	3,041,106	6,291,106
2013	4,975,000	2,935,294	7,910,294
2014	2,960,000	2,761,044	5,721,044
2015	3,120,000	2,613,044	5,733,044
2016-2020	18,125,000	10,563,220	28,688,220
2021-2025	23,050,000	5,715,863	28,765,863
2026-2027	11,195,000	761,396	11,956,396
Total	<u>\$ 69,760,000</u>	<u>31,524,623</u>	<u>\$ 101,284,623</u>

The School District has authority to issue general obligation bonds each calendar year, subject to a constitutional debt limit equal to 8% of the assessed value of all taxable property in the School District. The debt limitation does not apply to certain certificates of participation, debt approved through a School District-wide referendum, and original or refunding debt for obligations issued on or before November 30, 1982. The School District's constitutional debt limit at June 30, 2010, was approximately \$23,111,000. The School District had no debt outstanding against this limit.

IV. OTHER INFORMATION

A. South Carolina Retirement System Retirement Plans

The School District participates in a retirement plan under authorization of Title 9 of the SC Code of Laws, State of South Carolina which covers substantially all of the School District's full-time employees. The plan, the South Carolina Retirement System ("SCRS"), is a cost-sharing multiple employer defined benefit pension system that benefits employees of public schools, the State, and its political subdivisions, and is administered by the Retirement Division of the State Budget and Control Board of South Carolina. Only the State of South Carolina has the authority to establish and amend benefits and funding policy. Membership is required as a condition of employment and both employees and employers must contribute the required amount. A Comprehensive Annual Financial Report containing financial statements and required supplementary information for the South Carolina Retirement System is issued and publicly available by writing the South Carolina Retirement System, P.O. Box 11960, Columbia, SC 29211-1960.

Benefits vest after five years of service, and vested members who retire at age sixty-five or with twenty eight years of service at any age, receive an annual benefit, payable monthly for life. The benefit is based on the length of service and on average final compensation, an annualized average of the employee's highest twelve consecutive quarters' compensation. Reduced benefits are payable as early as age sixty.

The employee required contribution rates to the SCRS plan was 6.50%, 6.50%, and 6.50% of covered salary for the years ended June 30, 2010, 2009, and 2008, respectively. The employer required contribution rate to the SCRS plan was 9.24%, 9.24%, and 9.06% for the year ended June 30, 2010, 2009, and 2008, respectively. Because the contribution rates to the SCRS are required, they are also actual contributions as well. Thus, the actual contribution rate and amount is 100% of the required contribution rate and amount for the plan for all years presented.

**CLOVER SCHOOL DISTRICT NO. 2
CLOVER, SOUTH CAROLINA**

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

IV. OTHER INFORMATION (CONTINUED)

A. South Carolina Retirement System Retirement Plans (Continued)

The State of South Carolina also provides an optional retirement plan (“State ORP”). It is a governmental plan administered as a qualified plan pursuant to Section 401(a) of the IRC. The State ORP is a defined contribution plan that provides retirement and survivor benefits. As an alternative to the South Carolina Retirement System, employees eligible for the State ORP may choose between the State ORP plan or the SCRS plan. Employee required contribution rates to the State ORP were 6.50%, 6.50%, and 6.50% of covered salary for the year ended June 30, 2010, 2009, and 2008, respectively. The employer required contribution rates are 9.24%, 9.24%, and 9.06% for the years ended June 30, 2010, 2009, and 2008. For which in 2010, 2009, and 2008, 5% of the employer required contribution is remitted to the employees authorized investment providers with the balance being remitted to the South Carolina Retirement System. Because the contribution rates to the State ORP are required, they are also actual contributions as well. Thus, the actual contribution rate and amount is 100% of the required contribution rate and amount for the State ORP for all years presented.

In addition to the above rates, participating employers have contributed (a) .15% of payroll for the SCRS and State ORP to provide a group life insurance benefit for their participants (for the current and preceding two years) and (b) 3.50%, 3.50%, and 3.42% surcharge on payroll for retiree health and dental insurance and group life insurance benefit for their active participants for the years ended June 30, 2010, 2009, and 2008, respectively. All employers contribute at the actuarially required contribution rates.

The School District had total wages of approximately \$40,399,000, \$38,333,000, and \$35,614,000 for the years ended June 30, 2010, 2009, and 2008, respectively. The following is a summary of the School District's member wages and employee and employer contributions for the retirement plans:

Year Ended June 30th	Member Wages	Employee Contributions	Employer Contributions	Total Contributions
<u>SCRS</u>				
2010	\$ 35,146,477	2,284,524	4,613,173	\$ 6,897,697
2009	34,070,230	2,164,163	4,661,223	6,825,386
2008	\$ 30,183,044	1,961,898	4,017,820	\$ 5,979,718
<u>State ORP</u>				
2010	\$ 3,568,616	231,960	281,564	\$ 513,524
2009	3,416,610	222,080	269,541	491,621
2008	\$ 2,795,779	181,726	213,318	\$ 395,044

B. Post-Employment Health Care Benefits

In addition to the pension benefits, and in accordance with provisions of the State Appropriations Act, an employer contribution surcharge (3.50% for 2010, 3.50% for 2009, and 3.42% for 2008) percent of covered payroll was added to State and Public School entities covered by the State Health Insurance Program. This assessment is for the purpose of providing retiree health insurance coverage on a pay-as-you-go basis, and is remitted to the Division of Insurance Services. No additional employee contributions are required. The annual contribution rate is determined based on a state-wide estimate of annual premiums and covered payroll. The expenditure recognized by the employer for the year ended June 30, 2010 was approximately \$1,253,000. There were on average 85 participants eligible to receive retiree health insurance coverage during June 30, 2010.

**CLOVER SCHOOL DISTRICT NO. 2
CLOVER, SOUTH CAROLINA**

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

IV. OTHER INFORMATION (CONTINUED)

B. Post-Employment Health Care Benefits (Continued)

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

C. Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The School District continues to carry commercial insurance for property and casualty insurance. There has been no reduction in insurance coverage as compared to the prior year. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

D. Grants

The School District participates in a number of federally assisted grant programs. These programs are subject to financial and compliance audits of major program requirements under the Office of Management and Budgets' Circular A-133 *Audits of States, Local Governments, and Non-profit Organizations*. Any disallowed claims, including amounts already collected, could become a liability of the School District. However, the School District expects such amounts, if any, to be immaterial.

E. Fund Balance Designation

An additional designation of fund balance of approximately \$5,901,000 for future school capital projects was made as of June 30, 2010. The School District reflected the Board's policy by transferring the designated funds from the General Fund to the Capital Projects Fund. Therefore, as of June 30, 2010 the Board has remaining approximately \$27,381,000 (including earned interest) in total funds designated for future construction projects.

F. Concentration of Property Tax Revenue Risk

The School District receives approximately 66% of its local property tax revenue, not considering owner-occupied values, from one source, the Catawba Nuclear Station.

G. Commitments and Contingencies

The School District had a significant construction commitment outstanding at year end for a roof replacement at Crowder's Creek Elementary of approximately \$327,000.

H. Subsequent Events

Millage Increase

The Board of Trustees approved a 5 mill increase (increased to 152 mills from 147 mills) for the next property tax year for the general operations of the School District. The Board of Trustees did not change the mills for the next property tax year for the scheduled debt service requirements of the School District. Debt service remains at 44 mills.

**CLOVER SCHOOL DISTRICT NO. 2
CLOVER, SOUTH CAROLINA**

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

IV. OTHER INFORMATION (CONTINUED)

H. Subsequent Events (Continued)

Debt Issuance

The School District issued series 2010A General Obligation Bonds on September 15, 2010. This debt was entered into with SCAGO with a par amount of \$10,000,000 and premium and issuance costs of \$152,462. The School District will pay back the debt over a year and a half time period, with the first \$5,000,000 payment in March 2011, and the second and final payment in March 2012.

Land Purchase

In November 2010, the School District purchased approximately 172 acres for a future school at a cost to the School District of approximately \$6,900,000.

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETS AND ACTUAL
YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
REVENUES				
Local Sources:				
Taxes	\$ 31,472,421	31,472,421	33,548,591	\$ 2,076,170
Investment Earnings	225,000	225,000	100,487	(124,513)
Other Local Sources	75,000	75,000	306,745	231,745
State Sources	24,580,632	24,580,632	23,378,552	(1,202,080)
TOTAL REVENUE ALL SOURCES	56,353,053	56,353,053	57,334,375	981,322
EXPENDITURES				
Current:				
Instruction	33,988,076	33,988,076	31,457,485	2,530,591
Support Services	22,254,477	22,254,477	19,631,857	2,622,620
Intergovernmental	30,000	30,000	30,000	-
Capital Outlay	80,500	80,500	57,049	23,451
TOTAL EXPENDITURES	56,353,053	56,353,053	51,176,391	5,176,662
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	6,157,984	6,157,984
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	-	(6,105,869)	(6,105,869)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(6,105,869)	(6,105,869)
NET CHANGE IN FUND BALANCES	-	-	52,115	52,115
FUND BALANCES, Beginning of Year	14,104,489	14,104,489	14,104,489	-
FUND BALANCES, End of Year	\$ 14,104,489	14,104,489	14,156,604	\$ 52,115

Note to the Required Supplementary Information:

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

GENERAL FUND

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

YEAR ENDED JUNE 30, 2010

	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
1000 Revenue from Local Sources:			
1100 Taxes:			
1110 Ad Valorem Taxes-Including Delinquent (Independent)	\$ 27,951,421	30,051,073	\$ 2,099,652
1140 Penalties & Interest on Taxes (Independent)	500,000	471,716	(28,284)
1200 Revenue from Local Governmental Units Other than LEAs:			
1210 Ad Valorem Taxes-Including Delinquent (Dependent)	2,871,000	2,895,973	24,973
1240 Penalties & Interest on Taxes (Dependent)	150,000	129,829	(20,171)
1300 Tuition:			
1310 From Patrons for Regular Day School	-	5,808	5,808
1350 From Patrons for Summer School	-	25,714	25,714
1500 Earnings on Investments:			
1510 Interest on Investments	225,000	100,487	(124,513)
1900 Other Revenue from Local Sources:			
1910 Rentals	25,000	21,898	(3,102)
1930 Medicaid	-	3,306	3,306
1990 Miscellaneous Local Revenue:			
1999 Revenue from Other Local Sources	50,000	250,019	200,019
Total Revenue from Local Sources	<u>31,772,421</u>	<u>33,955,823</u>	<u>2,183,402</u>
3000 Revenue from State Sources:			
3100 Restricted State Funding:			
3130 Special Programs:			
3131 Handicapped Transportation	-	662	662
3160 School Bus Driver's Salary (Includes Hazardous Condition Transportation)	252,773	288,550	35,777
3162 Transportation Workers' Compensation	-	23,051	23,051
3180 Fringe Benefits Employer Contributions (No Carryover Provision)	3,505,728	3,505,728	-
3181 Retiree Insurance (No Carryover Provision)	701,289	722,120	20,831
3199 Other Restricted State Grants	-	28,195	28,195
3310 Full-Time Programs:			
3311 Kindergarten	682,510	554,652	(127,858)
3312 Primary	1,968,037	1,704,950	(263,087)
3313 Elementary	4,250,326	2,358,183	(1,892,143)
3314 High School	615,868	629,071	13,203
3315 Trainable Mentally Handicapped	40,470	25,291	(15,179)
3316 Speech Handicapped (Part-Time Program)	500,363	392,421	(107,942)
3317 Homebound	\$ 23,133	24,124	\$ 991

(Continued)

GENERAL FUND

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

YEAR ENDED JUNE 30, 2010

	FINAL BUDGET	ACTUAL	VARIANCE
3320 Part-Time Programs:			
3321 Emotionally Handicapped	\$ 67,516	58,789	\$ (8,727)
3322 Educable Mentally Handicapped	40,062	30,898	(9,164)
3323 Learning Disabilities	585,129	492,625	(92,504)
3324 Hearing Handicapped	10,109	13,383	3,274
3325 Visually Handicapped	12,596	8,030	(4,566)
3326 Orthopedically Handicapped	19,922	12,748	(7,174)
3327 Vocational	1,976,453	1,657,860	(318,593)
3330 Other EFA Programs:			
3331 Autism	62,006	56,503	(5,503)
3800 State Revenue in Lieu of Taxes:			
3810 Reimbursement for Local Residential Property Tax Relief (Tier 1)	8,666,342	10,586,780	1,920,438
3820 Homestead Exemption (Tier 2)	550,000	-	(550,000)
3830 Merchant's Inventory Tax	35,000	135,755	100,755
3890 Other State Property Tax Revenues (Includes MC Vehicle Tax)	-	68,183	68,183
3900 Other State Revenue:			
3999 Revenue from Other State Sources	15,000	-	(15,000)
Total Revenue from State Sources	<u>24,580,632</u>	<u>23,378,552</u>	<u>(1,202,080)</u>
TOTAL REVENUE ALL SOURCES	<u>56,353,053</u>	<u>57,334,375</u>	<u>981,322</u>
EXPENDITURES			
100 Instruction:			
110 General Instruction:			
111 Kindergarten Programs:			
100 Salaries	1,593,807	1,813,092	(219,285)
200 Employee Benefits	552,043	515,480	36,563
300 Purchased Services - Other Than Tuition	1,773	1,454	319
400 Supplies and Materials	28,190	28,403	(213)
112 Primary Programs:			
100 Salaries	5,575,156	5,369,011	206,145
200 Employee Benefits	1,725,657	1,628,053	97,604
300 Purchased Services - Other Than Tuition	3,328	2,771	557
400 Supplies and Materials	88,455	82,233	6,222
113 Elementary Programs:			
100 Salaries	8,347,303	7,149,761	1,197,542
200 Employee Benefits	2,457,071	2,105,351	351,720
300 Purchased Services - Other Than Tuition	106,928	143,623	(36,695)
400 Supplies and Materials	176,430	132,198	44,232
114 High School Programs:			
100 Salaries	5,611,862	4,944,829	667,033
200 Employee Benefits	1,615,099	1,466,599	148,500
300 Purchased Services	89,200	103,974	(14,774)
400 Supplies and Materials	160,407	183,567	(23,160)
600 Other Objects	\$ -	236	\$ (236)

(Continued)

GENERAL FUND

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

YEAR ENDED JUNE 30, 2010

	FINAL BUDGET	ACTUAL	VARIANCE
115 Career and Technology Education Program:			
100 Salaries	\$ 832,552	880,170	\$ (47,618)
200 Employee Benefits	251,087	268,810	(17,723)
300 Purchased Services - Other Than Tuition	3,700	3,484	216
400 Supplies and Materials	32,355	24,908	7,447
120 Exceptional Programs:			
121 Educable Mentally-Handicapped:			
100 Salaries	355,192	414,317	(59,125)
200 Employee Benefits	119,484	129,570	(10,086)
122 Trainable Mentally Handicapped:			
100 Salaries	196,949	139,093	57,856
200 Employee Benefits	76,503	63,286	13,217
123 Orthopedically Handicapped:			
100 Salaries	19,207	41,416	(22,209)
200 Employee Benefits	11,020	13,996	(2,976)
124 Visually Handicapped:			
	82,111	64,617	17,494
	24,016	16,658	7,358
125 Hearing Handicapped:			
100 Salaries	90,617	45,474	45,143
200 Employee Benefits	28,181	13,452	14,729
126 Speech Handicapped:			
100 Salaries	243,613	291,063	(47,450)
200 Employee Benefits	73,530	82,184	(8,654)
127 Learning Disabilities:			
100 Salaries	1,107,994	1,183,719	(75,725)
200 Employee Benefits	359,309	354,045	5,264
128 Emotionally Handicapped:			
100 Salaries	337,135	277,177	59,958
200 Employee Benefits	109,647	87,827	21,820
130 Pre-School Programs:			
133 Pre-School Handicapped-Self-Contained (5-Yr. Olds)			
100 Salaries	65,137	44,641	20,496
200 Employee Benefits	21,454	13,153	8,301
137 Pre-School Handicapped-Self-Contained (3 & 4-Yr. Olds):			
100 Salaries	76,715	32,265	44,450
200 Employee Benefits	23,832	17,164	6,668
139 Early Childhood Programs:			
100 Salaries	578,354	660,278	(81,924)
200 Employee Benefits	199,309	203,058	(3,749)
300 Purchased Services	200	212	(12)
400 Supplies and Materials	\$ 6,200	5,859	\$ 341

(Continued)

GENERAL FUND

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

YEAR ENDED JUNE 30, 2010

	FINAL BUDGET	ACTUAL	VARIANCE
140 Special Programs:			
141 Gifted and Talented - Academic:			
100 Salaries	\$ 18,529	22,341	\$ (3,812)
200 Employee Benefits	8,676	4,741	3,935
300 Purchased Services	10,000	6,676	3,324
400 Supplies and Materials	9,750	8,551	1,199
600 Other Objects	250	135	115
145 Homebound:			
100 Salaries	-	27,093	(27,093)
200 Employee Benefits	-	5,503	(5,503)
300 Purchased Services	30,000	5,770	24,230
149 Other Special Programs:			
100 Salaries	157,816	150,512	7,304
200 Employee Benefits	42,956	35,774	7,182
300 Purchased Services	-	1,820	(1,820)
400 Supplies and Materials	55,000	-	55,000
160 Other Exceptional Programs:			
161 Autism:			
100 Salaries	118,899	63,579	55,320
200 Employee Benefits	39,654	18,335	21,319
300 Purchased Services	2,500	-	2,500
400 Supplies and Materials	2,000	2,000	-
170 Summer School Programs:			
172 Elementary Summer School:			
100 Salaries	-	11,200	(11,200)
200 Employee Benefits	-	2,301	(2,301)
173 High School Summer School:			
100 Salaries	21,100	18,325	2,775
200 Employee Benefits	4,334	3,289	1,045
180 Adult/Continuing Educational Programs:			
181 Adult Basic Education Programs:			
400 Supplies and Materials	-	19,699	(19,699)
188 Parenting/Family Literacy:			
300 Purchased Services	4,500	3,896	604
400 Supplies and Materials	4,000	3,414	586
Total Instruction	<u>33,988,076</u>	<u>31,457,485</u>	<u>2,530,591</u>
200 Support Services:			
210 Pupil Services:			
211 Attendance and Social Work Services:			
100 Salaries	242,090	242,090	-
200 Employee Benefits	72,015	68,884	3,131
300 Purchased Services	11,000	-	11,000
400 Supplies and Materials	\$ 1,708	801	\$ 907

(Continued)

GENERAL FUND

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

YEAR ENDED JUNE 30, 2010

	FINAL BUDGET	ACTUAL	VARIANCE
212 Guidance Services:			
100 Salaries	\$ 861,053	546,645	\$ 314,408
200 Employee Benefits	250,900	160,607	90,293
300 Purchased Services	1,125	1,125	-
400 Supplies and Materials	3,248	3,152	96
600 Other Objects	600	100	500
213 Health Services:			
100 Salaries	420,132	299,225	120,907
200 Employee Benefits	123,616	85,295	38,321
300 Purchased Services	-	1,545	(1,545)
400 Supplies and Materials	16,050	13,915	2,135
214 Psychological Services:			
100 Salaries	155,596	155,596	-
200 Employee Benefits	43,886	43,307	579
220 Instructional Staff Services:			
221 Improvement of Instruction-Curriculum Development:			
100 Salaries	907,263	914,030	(6,767)
200 Employee Benefits	244,477	233,498	10,979
300 Purchased Services	57,315	33,989	23,326
400 Supplies and Materials	246,841	193,177	53,664
600 Other Objects	4,500	927	3,573
222 Library and Media Services:			
100 Salaries	622,997	642,292	(19,295)
200 Employee Benefits	200,089	202,764	(2,675)
300 Purchased Services	1,122	504	618
400 Supplies and Materials	95,750	106,337	(10,587)
223 Supervision of Special Programs:			
100 Salaries	100,141	106,665	(6,524)
200 Employee Benefits	28,404	28,108	296
300 Purchased Services	-	1,856	(1,856)
400 Supplies and Materials	4,500	4,216	284
224 Improvement of Instruction-Inservice and Staff Training:			
100 Salaries	-	1,358	(1,358)
200 Employee Benefits	-	280	(280)
300 Purchased Services	78,725	2,055	76,670
230 General Administrative Services:			
231 Board of Education:			
300 Purchased Services	43,000	20,823	22,177
318 Audit Services	38,000	38,000	-
400 Supplies and Materials	4,500	1,893	2,607
600 Other Objects	8,500	300	8,200
232 Office of Superintendent:			
100 Salaries	222,963	244,172	(21,209)
200 Employee Benefits	59,247	59,509	(262)
300 Purchased Services	481,500	345,045	136,455
400 Supplies and Materials	35,500	23,084	12,416
600 Other Objects	\$ 19,500	40,216	\$ (20,716)

(Continued)

GENERAL FUND

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

YEAR ENDED JUNE 30, 2010

	FINAL BUDGET	ACTUAL	VARIANCE
233 School Administration:			
100 Salaries	\$ 2,859,360	3,073,445	\$ (214,085)
200 Employee Benefits	834,853	849,668	(14,815)
300 Purchased Services	15,238	8,338	6,900
400 Supplies and Materials	58,368	56,123	2,245
600 Other Objects	5,781	7,713	(1,932)
250 Finance and Operations Services:			
300 Purchased Services	-	7,065	(7,065)
400 Supplies and Materials	1,544	1,544	-
252 Fiscal Services:			
100 Salaries	399,420	392,977	6,443
200 Employee Benefits	104,286	104,788	(502)
300 Purchased Services	19,000	1,661	17,339
400 Supplies and Materials	61,000	42,680	18,320
600 Other Objects	1,000	771	229
254 Operation and Maintenance of Plant:			
100 Salaries	2,239,712	2,393,533	(153,821)
200 Employee Benefits	731,775	778,835	(47,060)
300 Purchased Services	2,169,300	1,555,250	614,050
400 Supplies and Materials	2,770,074	1,251,382	1,518,692
500 Capital Outlay	80,500	57,049	23,451
600 Other Objects	5,000	2,224	2,776
255 Student Transportation (State Mandated):			
100 Salaries	604,596	818,180	(213,584)
200 Employee Benefits	338,989	281,629	57,360
300 Purchased Services	150,500	69,177	81,323
400 Supplies and Materials	40,925	61,887	(20,962)
256 Food Service:			
200 Employee Benefits	128,438	145,779	(17,341)
258 Security:			
100 Salaries	-	14,148	(14,148)
300 Purchased Services	161,000	195,302	(34,302)
400 Supplies and Materials	9,951	10,055	(104)
260 Central Support Services:			
263 Information Services:			
100 Salaries	109,180	54,888	54,292
200 Employee Benefits	30,501	14,229	16,272
300 Purchased Services	3,500	1,305	2,195
400 Supplies and Materials	11,500	10,352	1,148
264 Staff Services:			
100 Salaries	227,912	204,978	22,934
200 Employee Benefits	67,053	61,210	5,843
300 Purchased Services	40,000	25,356	14,644
400 Supplies and Materials	15,500	12,750	2,750
600 Other Objects	\$ 2,000	1,931	\$ 69

(Continued)

GENERAL FUND

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

YEAR ENDED JUNE 30, 2010

	FINAL BUDGET	ACTUAL	VARIANCE
266 Technology and Data Processing Services:			
100 Salaries	\$ 481,832	486,062	\$ (4,230)
200 Employee Benefits	148,058	143,550	4,508
300 Purchased Services	207,650	197,841	9,809
400 Supplies and Materials	900,100	897,940	2,160
600 Other Objects	-	236	(236)
270 Support Services Pupil Activity:			
271 Pupil Services Activities:			
100 Salaries (Optional)	291,794	410,646	(118,852)
200 Employee Benefits (Optional)	59,934	77,194	(17,260)
300 Purchased Services (Optional)	5,000	-	5,000
400 Supplies and Materials (Optional)	200,000	39,850	160,150
600 Other Objects (Optional)	35,000	-	35,000
Total Support Services	<u>22,334,977</u>	<u>19,688,906</u>	<u>2,646,071</u>
400 Other Charges:			
412 Payments to Other Governmental Units			
720 Transits	30,000	30,000	-
Total Intergovernmental Expenditures	<u>30,000</u>	<u>30,000</u>	<u>-</u>
TOTAL EXPENDITURES	<u>56,353,053</u>	<u>51,176,391</u>	<u>5,176,662</u>
OTHER FINANCING SOURCES (USES)			
Interfund Transfers, From (To) Other Funds:			
424-710 Transfer to Capital Projects Fund	-	(5,900,869)	(5,900,869)
426-710 Transfer to Pupil Activity Fund	-	(205,000)	(205,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(6,105,869)</u>	<u>(6,105,869)</u>
EXCESS/DEFICIENCY OF REVENUES OVER EXPENSES	-	52,115	52,115
FUND BALANCES, Beginning of Year	14,104,489	14,104,489	-
FUND BALANCES, End of Year	<u>\$ 14,104,489</u>	<u>14,156,604</u>	<u>\$ 52,115</u>

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**CLOVER SCHOOL DISTRICT NO. 2
CLOVER, SOUTH CAROLINA**

SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2010

	Title I (BA Projects) (201)	IDEA (CA Projects) (203)
REVENUES		
1000 Revenue from Local Sources:		
1900 Other Revenue from Local Sources:		
1930 Medicaid	\$ -	-
1990 Miscellaneous Local Revenue:		
1992 Canteen Operations	-	-
1999 Revenue from Other Local Sources	-	-
Total Revenue from Local Sources	<u>-</u>	<u>-</u>
3000 Revenue from State Sources:		
3100 Restricted State Funding:		
3110 Occupational Education:		
3118 EEDA Career Specialist	-	-
3120 General Education:		
3123 Formative Assessment	-	-
3126 Refurbishment of K-8 Science Kits	-	-
3127 Student Health and Fitness -PE Teachers	-	-
3130 Special Programs:		
3136 Student Health and Fitness - Nurses	-	-
3150 Adult Education:		
3154 Young Adult Education	-	-
3190 Miscellaneous Restricted State Grants:		
3199 Other Restricted State Grants	-	-
3600 Education Lottery Act Revenue:		
3607 6-8 Enhancement (Carryover Provision)	-	-
3610 K-5 Enhancement (Carryover Provision)	-	-
3900 Other State Revenue:		
3991 ADEPT (Assisting, Developing, and Evaluating Professional Teaching)	-	-
3999 Revenue from Other State Sources	-	-
Total Revenue from State Sources	<u>-</u>	<u>-</u>
4000 Revenue from Federal Sources:		
4200 Occupational Education:		
4210 Perkins Aid, Title I	-	-
4300 Elementary and Secondary Education Act of 1965 (ESEA):		
4310 Title I, Basic State Grant Programs (Carryover Provision)	577,719	-
4315 American Recovery and Reinvestment Act (ARRA), Title I Basic State Grant Programs (Carryover Provision)	\$ -	-

Preschool Handicapped (CG Projects) (205)	Occupational Education (VA Projects) (207)	Drug Free (FP/FQ Projects) (209)	Adult Education (EA Projects) (918)	Other Designated Restricted State Grants (900s)	Other Special Revenue Programs (200s/800s)	Totals
-	-	-	-	-	236,068	\$ 236,068
-	-	-	-	-	8,997	8,997
-	-	-	89,320	-	-	89,320
-	-	-	89,320	-	245,065	334,385
-	-	-	-	203,739	-	203,739
-	-	-	-	25,930	-	25,930
-	-	-	-	28,388	-	28,388
-	-	-	-	65,689	-	65,689
-	-	-	-	184,553	-	184,553
-	-	-	-	71,664	-	71,664
-	-	-	-	-	5,509	5,509
-	-	-	-	19,804	-	19,804
-	-	-	-	320,218	-	320,218
-	-	-	-	10,116	-	10,116
-	-	-	-	-	56,177	56,177
-	-	-	-	930,101	61,686	991,787
-	88,593	-	-	-	-	88,593
-	-	-	-	-	-	577,719
-	-	-	-	-	411,205	\$ 411,205

(Continued)

**CLOVER SCHOOL DISTRICT NO. 2
CLOVER, SOUTH CAROLINA**

SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2010

	Title I (BA Projects) (201)	IDEA (CA Projects) (203)
4341 Language Instruction for Limited English Proficient and Immigrant Students, Title III (Carryover Provision)	\$ -	-
4344 McKinney-Vento Homeless Educational Assistance Act (ARRA 09)	-	-
4350 State Fiscal Stabilization Fund (ARRA)	-	-
4351 Improving Teacher Quality (Carryover Provision)	-	-
4400 Adult Education:		
4410 Basic Adult Education	-	-
4500 Programs for Children with Disabilities:		
4510 Individuals with Disabilities Education Act (IDEA) (Carryover Provision)	-	1,234,850
4520 Preschool Grants (IDEA) (Carryover Provision)	-	-
4540 IDEA (ARRA 611)	-	-
4550 IDEA Preschool (ARRA 619)	-	-
4900 Other Federal Sources:		
4920 Drug and Violence Prevention Program (Title IV, 21st Century Schools)	-	-
4990 Other Federal Revenue	-	-
Total Revenue from Federal Sources	<u>577,719</u>	<u>1,234,850</u>
TOTAL REVENUE ALL SOURCES	<u>577,719</u>	<u>1,234,850</u>

EXPENDITURES

100 Instruction:		
110 General Instruction:		
300 Purchased Services	2,131	-
400 Supplies and Materials	9,474	-
112 Primary Programs:		
100 Salaries	92,116	-
200 Employee Benefits	35,886	-
300 Purchased Services	9,319	-
400 Supplies and Materials	131,068	-
113 Elementary Programs:		
100 Salaries	-	-
200 Employee Benefits	-	-
300 Purchased Services	37,180	-
400 Supplies and Materials	50,742	-
114 High School Programs:		
100 Salaries	-	-
200 Employee Benefits	-	-
300 Purchased Services	\$ -	-

Preschool Handicapped (CG Projects) (205)	Occupational Education (VA Projects) (207)	Drug Free (FP/FQ Projects) (209)	Adult Education (EA Projects) (918)	Other Designated Restricted State Grants (900s)	Other Special Revenue Programs (200s/800s)	Totals
-	-	-	-	-	8,748	\$ 8,748
-	-	-	-	-	2,421	2,421
-	-	-	-	-	1,377,304	1,377,304
-	-	-	-	-	65,107	65,107
-	-	-	-	-	125,429	125,429
-	-	-	-	-	16,460	1,251,310
46,426	-	-	-	-	-	46,426
-	-	-	-	-	535,610	535,610
-	-	-	-	-	58,321	58,321
-	-	19,889	-	-	-	19,889
-	-	-	-	-	64,908	64,908
46,426	88,593	19,889	-	-	2,665,513	4,632,990
46,426	88,593	19,889	89,320	930,101	2,972,264	5,959,162
-	-	-	-	-	-	2,131
-	-	-	-	-	6,014	15,488
-	-	-	-	-	403,745	495,861
-	-	-	-	-	104,233	140,119
-	-	-	-	-	-	9,319
-	-	-	-	-	78,225	209,293
-	-	-	-	72,389	-	72,389
-	-	-	-	1,351	-	1,351
-	-	-	-	8,678	-	45,858
-	-	-	-	382,150	18,177	451,069
-	-	-	-	2,065	56,141	58,206
-	-	-	-	-	8,768	8,768
-	-	658	-	-	-	\$ 658

(Continued)

**CLOVER SCHOOL DISTRICT NO. 2
CLOVER, SOUTH CAROLINA**

SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2010

	Title I (BA Projects) (201)	IDEA (CA Projects) (203)
115 Career and Technology Education Program:		
100 Salaries	\$ -	-
300 Purchased Services	-	-
400 Supplies and Materials	-	-
120 Exceptional Programs:		
121 Educable Mentally Handicapped:		
100 Salaries	-	68,719
200 Employee Benefits	-	22,537
300 Purchased Services	-	591
400 Supplies and Materials	-	12,324
122 Trainable Mentally Handicapped:		
100 Salaries	-	7,281
200 Employee Benefits	-	1,439
300 Purchased Services	-	1,179
400 Supplies and Materials	-	7,511
123 Orthopedically Handicapped:		
100 Salaries	-	20,363
200 Employee Benefits	-	7,638
300 Purchased Services	-	105
400 Supplies and Materials	-	38
124 Visually Handicapped:		
100 Salaries	-	20,894
200 Employee Benefits	-	11,858
300 Purchased Services	-	3,297
400 Supplies and Materials	-	1,458
125 Hearing Handicapped:		
100 Salaries	-	93,096
200 Employee Benefits	-	24,264
300 Purchased Services	-	1,754
400 Supplies and Materials	-	7,653
126 Speech Handicapped:		
100 Salaries	-	43,367
200 Employee Benefits	-	9,842
300 Purchased Services	-	3,312
400 Supplies and Materials	-	8,696
600 Other Objects	\$ -	1,400

Preschool Handicapped (CG Projects) (205)	Occupational Education (VA Projects) (207)	Drug Free (FP/FQ Projects) (209)	Adult Education (EA Projects) (918)	Other Designated Restricted State Grants (900s)	Other Special Revenue Programs (200s/800s)	Totals
-	-	-	-	-	5,509	\$ 5,509
-	40,753	-	-	-	-	40,753
-	41,640	-	-	-	7,928	49,568
-	-	-	-	-	-	68,719
-	-	-	-	-	-	22,537
-	-	-	-	-	-	591
-	-	-	-	-	-	12,324
-	-	-	-	-	-	7,281
-	-	-	-	-	-	1,439
-	-	-	-	-	-	1,179
-	-	-	-	-	-	7,511
-	-	-	-	-	-	20,363
-	-	-	-	-	-	7,638
-	-	-	-	-	-	105
-	-	-	-	-	-	38
-	-	-	-	-	-	20,894
-	-	-	-	-	-	11,858
-	-	-	-	-	-	3,297
-	-	-	-	-	-	1,458
-	-	-	-	-	-	93,096
-	-	-	-	-	-	24,264
-	-	-	-	-	-	1,754
-	-	-	-	-	-	7,653
-	-	-	-	-	46,754	90,121
-	-	-	-	-	9,592	19,434
-	-	-	-	-	-	3,312
-	-	-	-	-	867	9,563
-	-	-	-	-	-	\$ 1,400

(Continued)

**CLOVER SCHOOL DISTRICT NO. 2
CLOVER, SOUTH CAROLINA**

SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2010

	Title I (BA Projects) (201)	IDEA (CA Projects) (203)
127 Learning Disabilities:		
100 Salaries	\$ -	27,625
200 Employee Benefits	636	5,151
300 Purchased Services	-	3,381
400 Supplies and Materials	-	13,907
128 Emotionally Handicapped:		
100 Salaries	-	65,570
200 Employee Benefits	-	18,045
300 Purchased Services	-	3,068
400 Supplies and Materials	-	6,130
600 Other Objects	-	200
130 Pre-School Programs:		
137 Pre-School Handicapped Self-Contained (3 & 4-Yr. Olds):		
100 Salaries	-	11,049
200 Employee Benefits	-	1,242
300 Purchased Services	-	579
400 Supplies and Materials	-	5,653
139 Early Childhood Programs:		
100 Salaries	-	-
200 Employee Benefits	-	-
300 Purchased Services	-	-
400 Supplies and Materials	-	-
140 Special Programs:		
141 Gifted and Talented - Academic:		
300 Purchased Services	-	-
148 Gifted and Talented - Artistic:		
100 Salaries	37,216	-
200 Employee Benefits	16,466	-
149 Other Special Programs:		
300 Purchased Services	-	-
160 Other Exceptional Programs:		
161 Autism:		
100 Salaries	-	196,092
200 Employee Benefits	-	55,189
300 Purchased Services	-	568
400 Supplies and Materials	\$ -	13,889

Preschool Handicapped (CG Projects) (205)	Occupational Education (VA Projects) (207)	Drug Free (FP/FQ Projects) (209)	Adult Education (EA Projects) (918)	Other Designated Restricted State Grants (900s)	Other Special Revenue Programs (200s/800s)	Totals
-	-	-	-	-	3,000	\$ 30,625
-	-	-	-	-	613	6,400
-	-	-	-	-	-	3,381
-	-	-	-	-	15,154	29,061
-	-	-	-	-	16,480	82,050
-	-	-	-	-	6,850	24,895
-	-	-	-	-	-	3,068
-	-	-	-	-	11,198	17,328
-	-	-	-	-	-	200
-	-	-	-	-	48,221	59,270
-	-	-	-	-	10,100	11,342
-	-	-	-	-	-	579
-	-	-	-	-	-	5,653
-	-	-	-	-	39,699	39,699
-	-	-	-	-	6,208	6,208
-	-	-	-	-	2,152	2,152
-	-	-	-	-	1,309	1,309
-	-	-	-	-	8,250	8,250
-	-	-	-	-	-	37,216
-	-	-	-	-	-	16,466
-	-	-	-	-	9,658	9,658
26,000	-	-	-	-	20,012	242,104
10,926	-	-	-	-	7,908	74,023
-	-	-	-	-	-	568
-	-	-	-	-	4,255	\$ 18,144

(Continued)

**CLOVER SCHOOL DISTRICT NO. 2
CLOVER, SOUTH CAROLINA**

SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2010

	Title I (BA Projects) (201)	IDEA (CA Projects) (203)
170 Summer School Programs:		
171 Primary Summer School:		
100 Salaries	\$ 30,938	-
200 Employee Benefits	6,355	-
180 Adult/Continuing Educational Programs:		
181 Adult Basic Education Programs:		
100 Salaries	-	-
200 Employee Benefits	-	-
300 Purchased Services	-	-
400 Supplies and Materials	-	-
182 Adult Secondary Education Programs:		
100 Salaries	-	-
200 Employee Benefits	-	-
300 Purchased Services	-	-
400 Supplies and Materials	-	-
183 Adult English Literacy (ESL):		
100 Salaries	-	-
200 Employee Benefits	-	-
300 Purchased Services	-	-
400 Supplies and Materials	-	-
188 Parenting/Family Literacy:		
100 Salaries	4,242	-
200 Employee Benefits	853	-
300 Purchased Services	9,698	-
400 Supplies and Materials	6,453	-
Total Instruction	<u>480,773</u>	<u>807,954</u>
200 Support Services:		
210 Pupil Services:		
211 Attendance and Social Work Services:		
300 Purchased Services	-	1,597
400 Supplies and Materials	-	248
212 Guidance Services:		
100 Salaries	-	-
200 Employee Benefits	\$ -	-

Schedule B-1

Preschool Handicapped (CG Projects) (205)	Occupational Education (VA Projects) (207)	Drug Free (FP/FQ Projects) (209)	Adult Education (EA Projects) (918)	Other Designated Restricted State Grants (900s)	Other Special Revenue Programs (200s/800s)	Totals
-	-	-	-	-	-	\$ 30,938
-	-	-	-	-	-	6,355
-	-	-	6,855	-	25,375	32,230
-	-	-	12,568	-	6,061	18,629
-	-	-	580	-	-	580
-	-	-	1,235	-	3,000	4,235
-	-	-	-	29,278	48,403	77,681
-	-	-	-	3,639	11,206	14,845
-	-	-	-	1,337	-	1,337
-	-	-	375	1,679	1,427	3,481
-	-	-	-	-	16,086	16,086
-	-	-	-	-	3,600	3,600
-	-	-	-	-	2,000	2,000
-	-	-	-	-	2,000	2,000
-	-	-	-	-	-	4,242
-	-	-	-	-	-	853
-	-	-	-	-	191	9,889
-	-	-	-	-	6,970	13,423
36,926	82,393	658	21,613	502,566	1,083,339	3,016,222
-	-	-	-	-	-	1,597
-	-	-	-	-	-	248
-	-	-	-	165,782	61,380	227,162
-	-	-	-	67,557	12,733	\$ 80,290

(Continued)

**CLOVER SCHOOL DISTRICT NO. 2
CLOVER, SOUTH CAROLINA**

SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2010

	Title I (BA Projects) (201)	IDEA (CA Projects) (203)
213 Health Services:		
100 Salaries	\$ -	84,971
200 Employee Benefits	-	25,079
300 Purchased Services	-	19,731
400 Supplies and Materials	-	9,702
600 Other Objects	-	195
214 Psychological Services:		
100 Salaries	-	59,548
200 Employee Benefits	-	16,558
300 Purchased Services	-	2,985
400 Supplies and Materials	-	7,365
600 Other Objects	-	520
215 Exceptional Program Services:		
400 Supplies and Materials	-	6,090
220 Instructional Staff Services:		
221 Improvement of Instruction - Curriculum Development:		
100 Salaries	-	-
200 Employee Benefits	-	-
300 Purchased Services	-	-
400 Supplies and Materials	-	-
223 Supervision of Special Programs:		
100 Salaries	-	116,166
200 Employee Benefits	-	34,344
300 Purchased Services	7,525	389
400 Supplies and Materials	215	9,907
600 Other Objects	-	388
224 Improvement of Instruction - Inservice and Staff Training:		
100 Salaries	-	10,549
200 Employee Benefits	-	1,994
300 Purchased Services	77,977	8,565
400 Supplies and Materials	4,919	1,728
250 Finance and Operations Services:		
251 Student Transportation (Federal/District Mandated):		
100 Salaries	1,065	935
200 Employee Benefits	219	162
300 Purchased Services	5,026	2,247
254 Operation and Maintenance of Plant:		
300 Purchased Services	-	-
400 Supplies and Materials	\$ -	-

Preschool Handicapped (CG Projects) (205)	Occupational Education (VA Projects) (207)	Drug Free (FP/FQ Projects) (209)	Adult Education (EA Projects) (918)	Other Designated Restricted State Grants (900s)	Other Special Revenue Programs (200s/800s)	Totals
-	-	-	-	154,954	104,631	\$ 344,556
-	-	-	-	-	26,271	51,350
-	-	-	-	-	99,416	119,147
-	-	-	-	-	2,386	12,088
-	-	-	-	-	-	195
-	-	-	-	-	-	59,548
-	-	-	-	-	-	16,558
-	-	-	-	-	-	2,985
-	-	-	-	-	-	7,365
-	-	-	-	-	-	520
-	-	-	-	-	-	6,090
-	-	5,000	-	-	-	5,000
-	-	1,025	-	-	-	1,025
-	-	12,951	-	-	-	12,951
-	-	255	-	-	-	255
7,500	-	-	-	-	6,271	129,937
2,000	-	-	-	-	-	36,344
-	-	-	-	35,730	200	43,844
-	-	-	206	-	-	10,328
-	-	-	-	-	-	388
-	-	-	-	-	-	10,549
-	-	-	-	-	-	1,994
-	6,200	-	-	3,512	96,677	192,931
-	-	-	-	-	647	7,294
-	-	-	-	-	-	2,000
-	-	-	-	-	-	381
-	-	-	-	-	-	7,273
-	-	-	994	-	-	994
-	-	-	1,607	-	1,377,305	\$ 1,378,912

(Continued)

**CLOVER SCHOOL DISTRICT NO. 2
CLOVER, SOUTH CAROLINA**

SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2010

	Title I (BA Projects) (201)	IDEA (CA Projects) (203)
255 Student Transportation (State Mandated):		
100 Salaries	\$ -	164
200 Employee Benefits	-	34
300 Purchased Services	-	561
270 Support Services - Pupil Activity:		
271 Pupil Services Activities:		
300 Purchased Services (Optional)	-	4,174
Total Support Services	<u>96,946</u>	<u>426,896</u>
410 Intergovernmental Expenditures:		
414 Medicaid Payments to SDE		
720 Transits	-	-
Total Intergovernmental Expenditures	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>577,719</u>	<u>1,234,850</u>
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	-	-
FUND BALANCES, Beginning of Year	<u>-</u>	<u>-</u>
FUND BALANCES, End of Year	<u>\$ -</u>	<u>-</u>

Preschool Handicapped (CG Projects) (205)	Occupational Education (VA Projects) (207)	Drug Free (FP/FQ Projects) (209)	Adult Education (EA Projects) (918)	Other Designated Restricted State Grants (900s)	Other Special Revenue Programs (200s/800s)	Totals
-	-	-	-	-	-	\$ 164
-	-	-	-	-	-	34
-	-	-	-	-	-	561
-	-	-	-	-	-	4,174
<u>9,500</u>	<u>6,200</u>	<u>19,231</u>	<u>2,807</u>	<u>427,535</u>	<u>1,787,917</u>	<u>2,777,032</u>
-	-	-	-	-	42,000	42,000
-	-	-	-	-	42,000	42,000
<u>46,426</u>	<u>88,593</u>	<u>19,889</u>	<u>24,420</u>	<u>930,101</u>	<u>2,913,256</u>	<u>5,835,254</u>
-	-	-	64,900	-	59,008	123,908
-	-	-	106,804	-	232,473	339,277
-	-	-	171,704	-	291,481	\$ 463,185

SPECIAL REVENUE FUND

SUPPLEMENTAL LISTING OF LEA SUBFUND CODES AND TITLES

YEAR ENDED JUNE 30, 2010

OTHER DESIGNATED RESTRICTED STATE GRANTS

908	Refurbishment of K-8 Science Kits (No Carryover Provision)
916	ADEPT (Assisting, Developing, and Evaluating Professional Teaching)
920	Adult Education, Young Adult Initiative
926	EEDA Miscellaneous
927	EEDA Middle and High School Career Awareness
928	EEDA Career Awareness
932	Compensation Remedial Bus Driver Supplement
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
945	South Carolina Reading Initiative
960	K-5 Enhancement (Carryover Provision)
967	6-8 Enhancement (Carryover Provision)
968	High School That Works

OTHER SPECIAL REVENUE PROGRAMS

204	Recycling Education Grant
212	Ag Teacher
213	Personnel Development
214	Medicaid
215	IDEA (ARRA 811) (84.391A)
216	IDEA Preschool (ARRA 619) (84.392A)
217	McKinney-Vento Homeless Educational Assistance Act (ARRA 10), Title VII
222	American Recovery and Reinvestment Act (ARRA), Title I Basic State Grant (84.389) (Carryover Provision)
227	McKinney-Vento Homeless Educational Assistance Act (ARRA 09), Title VII
241	Title V
242	Even Start Family Literacy
243	Adult Education - Federal
244	Eisenhower Fund
250	State Fiscal Stabilization Fund (ARRA) (84.394)
264	Title III
267	Improving Teacher Quality (84.367A) (Carryover Provision)
277	ROTC
284	First Steps
801	SAT Improvement
807	Professional Development - Gifted

SPECIAL REVENUE FUND

SUMMARY SCHEDULE FOR OTHER DESIGNATED RESTRICTED STATE GRANTS

YEAR ENDED JUNE 30, 2010

SUBFUND	REVENUE CODE	PROGRAMS	REVENUES	EXPENDITURES	SPECIAL REVENUE		Special Revenue Fund Deferred
					INTERFUND TRANSFERS IN (OUT)	OTHER FUND TRANSFERS IN (OUT)	
908	3126	Refurbishment of K-8 Science Kits (No Carryover Provision)	\$ 28,388	28,388	-	-	\$ 1,050
916	3991	ADEPT (Assisting, Developing, and Evaluating Professional Teaching)	10,116	10,116	-	-	-
920	3154	Young Adult Education	71,664	71,664	-	-	26,231
926	3116	EEDA 9th Grade Awareness	-	-	-	-	2,483
927	3117	EEDA 8th Grade Awareness	-	-	-	-	12,723
928	3118	EEDA Career Specialist	203,739	203,739	-	-	-
932	3161	EAA Bus Driver Salary and Fringe	-	-	-	-	4,276
933	3123	Formative Assessment	25,930	25,930	-	-	-
936	3136	Student Health and Fitness - Nurses	184,553	184,553	-	-	-
937	3127	Student Health and Fitness - PE Teachers	65,689	65,689	-	-	-
938	3128	High Schools That Work	-	-	-	-	11,462
945	3195	South Carolina Reading Initiative	-	-	-	-	65,000
960	3610	K-5 Enhancement	320,218	320,218	-	-	365,764
967	3607	6-8 Enhancement	19,804	19,804	-	-	6,262
968	3608	High Schools That Work	-	-	-	-	3,060
Totals			\$ 930,101	930,101	-	-	\$ 498,311

EDUCATION IMPROVEMENT ACT

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

YEAR ENDED JUNE 30, 2010

	ACTUAL
REVENUES	
3000 Revenue from State Sources:	
3500 Education Improvement Act:	
3501 Increase High School Diploma Requirements	\$ 148,963
3505 School Technology Initiative	47,029
3509 Arts in Education	3,500
3511 Professional Development	15,677
3520 Gifted and Talented Academic (Carryover Only)	108,912
3522 Gifted and Talented Artistic (Carryover Only)	11,866
3525 Career and Technology Education Equipment	68,313
3530 Trainable & Profoundly Mentally Disabled Student Services	17,532
3532 National Board Certification (NBC) Salary Supplement (No Carryover Provision)	784,807
3533 Teacher of the Year Awards	1,077
3534 Professional Development Standards (PDSI) (Carryover Only)	35,167
3538 Student at Risk of School Failure	386,157
3540 Early Childhood Program (4K Programs Serving Four-Year-Old Children)	91,405
3542 Preschool Programs for Children with Disabilities	15,801
3544 High Achieving Students	73,016
3548 Academic Assistance 4-12 (Carryover Only)	137,147
3550 Teacher Salary Increase (No Carryover Provision)	923,057
3553 Adult Education Remedial (Carryover Only)	22,370
3558 Reading	24,799
3562 Adult Education, Basic (Includes Rural and Workforce Initiatives)	103,225
3564 Adult Education, Young Adult Initiative	6,728
3565 Adult Education, Literacy	45,900
3577 Teacher Supplies (No Carryover Provision)	130,900
3578 High Schools That Work/Making Middle Grades Work	6,923
3582 Principal Salary/Fringe Increase (No Carryover Provision)	20,144
3583 EAA Summer School/Comprehensive Remediation (Carryover Only)	42,631
3588 EAA Palmetto Gold and Silver Awards	21,388
3592 Work-Based Learning	17,544
3593 EAA Reduce Class Size Grades 1 - 3 (Carryover Only)	50,465
Total Revenue from State Sources	3,362,443
 TOTAL REVENUE ALL SOURCES	 3,362,443

EXPENDITURES

100 Instruction:	
110 General Instruction:	
111 Kindergarten Programs:	
100 Salaries	101,263
200 Employee Benefits	\$ 20,654

(Continued)

**CLOVER SCHOOL DISTRICT NO. 2
CLOVER, 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>
112 Primary Programs:	
100 Salaries	\$ 595,536
200 Employee Benefits	118,557
300 Purchased Services	7,551
400 Supplies and Materials	67,818
600 Other Objects	480
113 Elementary Programs:	
100 Salaries	556,050
200 Employee Benefits	117,060
400 Supplies and Materials	30,083
114 High School Programs:	
100 Salaries	383,950
200 Employee Benefits	74,215
300 Purchased Services	5,006
400 Supplies and Materials	56,709
115 Career and Technology Education Program:	
100 Salaries	64,180
200 Employee Benefits	7,895
300 Purchased Services - Other Than Tuition	314
400 Supplies and Materials	60,320
120 Exceptional Programs:	
121 Educable Mentally Handicapped:	
100 Salaries	24,904
200 Employee Benefits	5,035
122 Trainable Mentally Handicapped:	
100 Salaries	18,957
200 Employee Benefits	288
124 Visually Handicapped:	
100 Salaries	2,105
200 Employee Benefits	427
125 Hearing Handicapped:	
100 Salaries	857
200 Employee Benefits	172
126 Speech Handicapped:	
100 Salaries	10,960
200 Employee Benefits	2,220
127 Learning Disabilities:	
100 Salaries	65,450
200 Employee Benefits	13,232
128 Emotionally Handicapped:	
100 Salaries	22,091
200 Employee Benefits	\$ 4,454

(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 Hanicapped Self Contained (3 & 4 Yr. Olds):	
100 Salaries	\$ 17,725
200 Employee Benefits	384
139 Early Childhood Programs:	
100 Salaries	80,779
200 Employee Benefits	26,601
140 Special Programs:	
141 Gifted and Talented - Academic:	
100 Salaries	129,049
200 Employee Benefits	40,633
300 Purchased Services	24,111
148 Gifted and Talented - Artistic:	
100 Salaries	1,212
200 Employee Benefits	238
160 Other Exceptional Programs:	
161 Autism:	
100 Salaries	1,864
200 Employee Benefits	374
180 Adult/Continuing Educational Programs:	
181 Adult Basic Education Programs:	
100 Salaries	17,941
300 Purchased Services	45,900
400 Supplies and Materials	671
183 Adult Education Literacy (ESL):	
400 Supplies and Materials	208
187 Adult Education - Remedial:	
100 Salaries	3,674
200 Employee Benefits	755
188 Parenting/Family Literacy:	
100 Salaries	67,993
200 Employee Benefits	17,111
Total Instruction	<u>2,916,016</u>
200 Support Services:	
210 Pupil Services:	
212 Guidance Services:	
100 Salaries	60,897
200 Employee Benefits	12,392
220 Instructional Staff Services:	
221 Improvement of Instruction-Curriculum Development:	
100 Salaries	33,264
200 Employee Benefits	\$ 6,777

(Continued)

**CLOVER SCHOOL DISTRICT NO. 2
CLOVER, 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>
222 Library and Media:	
100 Salaries	\$ 6,960
200 Employee Benefits	1,402
223 Supervision of Special Programs:	
100 Salaries	156,151
200 Employee Benefits	41,401
300 Purchased Services	9,166
224 Improvement of Instruction - Inservice and Staff Training:	
100 Salaries	42,293
200 Employee Benefits	8,639
300 Purchased Services	694
400 Supplies and Materials	46,247
230 General Administration Services:	
233 School Administration:	
100 Salaries	16,787
200 Employee Benefits	3,357
Total Support Services	<u>446,427</u>
TOTAL EXPENDITURES	<u>3,362,443</u>
OTHER FINANCING SOURCES (USES)	
Interfund Transfers, From (To) Other Funds:	
5230 Transfer from Special Revenue EIA Fund	42,631
422-710 Transfer to EIA Fund	(42,631)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	-
FUND BALANCE, Beginning of Year	<u>-</u>
FUND BALANCE, End of Year	<u>\$ -</u>

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
3500 Education Improvement Act:					
3501 Increase High School Diploma Requirements	\$ 148,963	148,963	-	-	\$ -
3505 School Technology Initiative	47,029	47,029	-	-	-
3509 Arts in Education	3,500	3,500	-	-	1,125
3511 Professional Development	15,677	15,677	-	-	36,593
3520 Gifted and Talented - Academic	108,912	108,912	-	-	-
3522 Gifted and Talented - Artistic	11,866	11,866	-	-	-
3525 Career and Technology Education Equipment	68,313	68,313	-	-	-
3530 Trainable & Profoundly Mentally Disabled Student Services	17,532	17,532	-	-	-
3532 National Board Certification (NBC) Salary Supplement (No Carryover Provision)	784,807	784,807	-	-	-
3533 Teacher of the Year Awards (No Carryover Provision)	1,077	1,077	-	-	-
3534 Professional Development on Standard	35,167	35,167	-	-	-
3538 Student at Risk of School Failure	386,157	428,788	42,631	-	410,771
3540 Early Childhood Program (4K Programs Serving Four-Year-Old Children)	91,405	91,405	-	-	-
3542 Preschool Programs for Children with Disabilities	15,801	15,801	-	-	-
3544 High Achieving Students	73,016	73,016	-	-	169,499
3548 Academic Assistance 4-12	137,147	137,147	-	-	-
3550 Teacher Salary Increase (No Carryover Provision)	923,057	923,057	-	-	-
3553 Adult Education - Remedial	22,370	22,370	-	-	-
3558 Reading	24,799	24,799	-	-	-
3562 Adult Education, (Includes Rural and Workforce Initiative)	103,225	103,225	-	-	89,900
3564 Adult Education, Young Adult Initiative	6,728	6,728	-	-	-
3565 Adult Education, Literacy	45,900	45,900	-	-	-
3575 Competitive Teacher Grants	-	-	-	-	1,174
3577 Teacher Supplies (No Carryover Provision)	130,900	130,900	-	-	-
3578 High Schools That Work	6,923	6,923	-	-	-
3582 Principal Salary/Fringe Increase (No Carryover Provision)	20,144	20,144	-	-	-
3583 EAA Summer School/Comprehensive Remediation	42,631	-	(42,631)	-	-
3588 EAA Palmetto Gold and Silver Awards	21,388	21,388	-	-	21,824
3591 Excellence In Middle Schools	-	-	-	-	29,320
3592 School-to-Work Transition Act	17,544	17,544	-	-	-
3593 EAA Reduce Class Size Grades 1 - 3	50,465	50,465	-	-	-
3596 EAA Alternative Schools Program	-	-	-	-	2,805
Totals	\$ 3,362,443	3,362,443	-	-	\$ 763,011

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>
None					

**CLOVER SCHOOL DISTRICT NO. 2
CLOVER, SOUTH CAROLINA**

Schedule C-1

DEBT 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:	
1100 Taxes:	
1110 Ad Valorem Taxes-Including Delinquent (Fiscally Independent LEA)	\$ 12,120,377
1140 Penalties & Interest on Taxes (Independent)	292,745
1500 Earnings on Investments:	
1510 Interest on Investments	47,759
Total Revenue from Local Sources	<u>12,460,881</u>
3000 Revenue from State Sources:	
3800 State Revenue in Lieu of Taxes:	
3820 Homestead Exemption (Tier 2)	178,523
3830 Merchant's Inventory Tax	20,481
Total Revenue from State Sources	<u>199,004</u>
TOTAL REVENUE ALL SOURCES	<u>12,659,885</u>
EXPENDITURES	
500 Debt Service:	
610 Redemption of Principal	2,640,000
620 Interest	3,248,898
690 Other Objects (Includes Fees for Servicing Bonds)	(1,600)
Total Debt Service	<u>5,887,298</u>
TOTAL EXPENDITURES	<u>5,887,298</u>
OTHER FINANCING SOURCES (USES)	
424-710 Transfer to Capital Projects Fund (See Note III.D. of the notes to the basic financial statements)	(5,002,500)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(5,002,500)</u>
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	1,770,087
FUND BALANCE, Beginning of Year	<u>9,290,287</u>
FUND BALANCE, End of Year	<u>\$ 11,060,374</u>

CAPITAL PROJECTS 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	\$ 147,140
1900 Other Revenue from Local Sources:	
1999 Revenue from Other Local Sources	35,000
Total Revenue from Local Sources	<u>182,140</u>
TOTAL REVENUE ALL SOURCES	<u>182,140</u>
EXPENDITURES	
250 Finance and Operations:	
253 Facilities Acquisition & Construction:	
300 Purchased Services	3,811,848
400 Supplies and Materials	2,961,417
500 Capital Outlay:	
540 Equipment	264,703
545 Technology, Equipment and Software	25,200
Total Finance and Operations	<u>7,063,168</u>
TOTAL EXPENDITURES	<u>7,063,168</u>
OTHER FINANCING SOURCES (USES)	
Interfund Transfers, From (To) Other Funds:	
5210 Transfer from General Fund (Exclude Indirect Costs)	5,900,869
5240 Transfer from Debt Service Fund (See Note III.D. of the notes to the basic financial statements)	5,002,500
TOTAL OTHER FINANCING SOURCES (USES)	<u>10,903,369</u>
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	4,022,341
FUND BALANCE, Beginning of Year	<u>30,857,090</u>
FUND BALANCE, End of Year	<u>\$ 34,879,431</u>

FOOD SERVICE FUND

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

YEAR ENDED JUNE 30, 2010

	<u>ACTUAL</u>
REVENUES	
1000 Revenue from Local Sources:	
1500 Earnings on Investments:	
1510 Interest on Investments	\$ 883
1600 Food Service:	
1610 Lunch Sales to Pupils	729,644
1620 Breakfast Sales to Pupils	29,479
1630 Special Sales to Pupils	321,166
1640 Lunch Sales to Adults	37,533
1650 Breakfast Sales to Adults	2,236
1660 Special Sales to Adults	24,021
1999 Revenue from Other Local Sources	274,493
Total Revenue from Local Sources	<u>1,419,455</u>
3000 Revenue from State Sources:	
3100 Restricted State Funding:	
3140 School Lunch:	
3142 Program Aid	2,717
Total Revenue from State Sources	<u>2,717</u>
4000 Revenue from Federal Sources:	
4800 USDA Reimbursement:	
4810 School Lunch and After School Snacks Program	888,710
4830 School Breakfast Program	172,216
4900 Other Federal Sources:	
4991 USDA Commodities (Food Distribution Program) (Carryover Provision)	137,325
Total Revenue from Federal Sources	<u>1,198,251</u>
TOTAL REVENUE ALL SOURCES	<u>2,620,423</u>
EXPENSES	
256 Food Service:	
100 Salaries	888,164
200 Employee Benefits	125,583
300 Purchased Services (Exclude Gas, Oil, Electricity and Other Heating Fuels)	1,343,203
400 Supplies and Materials (Include Gas, Oil, Electricity and Other Heating Fuels)	271,822
600 Other Objects	7,685
Total Food Services Expenses	<u>2,636,457</u>
TOTAL EXPENSES	<u>2,636,457</u>
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	(16,034)
FUND NET ASSETS, Beginning of Year	<u>835,117</u>
FUND NET ASSETS, End of Year	<u>\$ 819,083</u>

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	\$ 89
1700 Pupil Activities:	
1710 Admissions	136,876
1720 Bookstore Sales	6,164
1740 Student Fees	344,652
1790 Other	772,808
1900 Other Revenue from Local Sources	
1920 Contributions & Donations Private Sources	7,025
1990 Miscellaneous Local Revenue	149
Total Receipts from Local Sources	<u>1,267,763</u>
TOTAL RECEIPTS ALL SOURCES	<u>1,267,763</u>
DISBURSEMENTS	
190 Instructional Pupil Activity:	
100 Salaries (Optional)	922
200 Employee Benefits (Optional)	189
400 Supplies and Materials (Optional)	91,060
660 Pupil Activity	23,192
Total Instruction	<u>115,363</u>
270 Support Services Pupil Activity:	
271 Pupil Service Activities:	
100 Salaries (Optional)	19,491
200 Employee Benefits (Optional)	6,382
300 Purchased Services (Optional)	38,648
400 Supplies and Materials (Optional)	111,183
500 Capital Outlay (Optional)	215
660 Pupil Activity	1,121,977
Total Pupil Activity Expenditures	<u>1,297,896</u>
TOTAL DISBURSEMENTS	<u>1,413,259</u>
OTHER FINANCING SOURCES (USES)	
Interfund Transfers, From (To) Other Funds:	
5210 Transfer from General Fund (Excludes Indirect Costs)	205,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>205,000</u>
EXCESS/DEFICIENCY OF REVENUES OVER EXPENSES	59,504
DUE TO STUDENT ORGANIZATIONS, Beginning of Year	<u>413,918</u>
DUE TO STUDENT ORGANIZATIONS, End of Year	<u>\$ 473,422</u>

**CLOVER SCHOOL DISTRICT NO. 2
CLOVER, SOUTH CAROLINA**

LOCATION RECONCILIATION SCHEDULE

YEAR ENDED JUNE 30, 2010

Location ID	Location Description	Education Level	Cost Type	Total Expenditures
10	Clover High School	High School	School	\$ 15,296,198
11	Bethany Elementary	Elementary School	School	3,749,082
12	Bethel Elementary	Elementary School	School	4,166,702
13	Clover Middle	Middle School	School	5,546,149
14	Kinard Elementary	Elementary School	School	3,875,771
16	Larne Elementary	Middle School	School	9,381,742
18	Oakridge Middle	Middle School	Central	7,394,730
47	Griggs Road	Elementary School	School	4,706,362
51	Crowders Creek Elementary	Middle School	School	7,415,494
All Others	Clover School District	Non-Schools	Central	15,842,040
				<u>\$ 77,374,270</u>

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

Fund	Amount
General Fund	\$ 51,176,391
Special Revenue Fund	5,835,254
Special Revenue - EIA Fund	3,362,443
Special Revenue - Food Service Fund	2,636,457
Debt Service Fund	5,887,298
Capital Projects Fund	7,063,168
Pupil Activity Fund	1,413,259
	<u>\$ 77,374,270</u>

**CLOVER SCHOOL DISTRICT NO. 2
CLOVER, 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	National School Breakfast Program	10.553	N/A	\$ 172,216
600	National School Lunch Program - Cash Assistance	10.555	N/A	888,710
600	National School Lunch Program - Non-Cash Assistance	10.555	N/A	137,325
TOTAL US DEPARTMENT OF AGRICULTURE				1,198,251
US DEPARTMENT OF EDUCATION				
Pass-through State Department of Education:				
201	Title I	84.010	10-BA090	577,719
222	ARRA - Title I	84.389A	09-SA090	411,205
Total 84.010 & 84.389A				988,924
Individuals with Disabilities Education Act				
203	Special Education - Grants to States	84.027	10-CA090	1,234,850
205	Special Education - Preschool Grants	84.173	10-CG090	46,426
213	Personnel Development	84.027A	10-CR092-01	16,460
215	ARRA - IDEA 611	84.391A	09-SC090	535,610
216	ARRA - IDEA Preschool 619	84.392A	10-SG090	58,321
Total 84.027, 84.173, 84.027A, 84.391A & 84.392A				1,891,667
207	Occupational Education	84.048A	10-VA090	88,593
209	Safe and Drug Free Schools and Communities	84.186	10-FQ010	19,889
227	ARRA - McKinney-Vento Homeless Educational Assistance Act	84.387	10-SM090	2,421
243	Adult Education - Basic	84.002	10-EA090	125,429
250	ARRA - State Fiscal Stabilization Fund	84.394A	10-SF090	1,377,304
264	ESOL - Title III	84.365	10-BP090	8,748
267	Improving Teacher Quality	84.367	10-TQ090	65,107
TOTAL US DEPARTMENT OF EDUCATION				4,568,082
US DEPARTMENT OF DEFENSE				
Direct Programs:				
271	JROTC	12.000	N/A	64,908
TOTAL FEDERAL ASSISTANCE EXPENDED				\$ 5,831,241

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

**CLOVER SCHOOL DISTRICT NO. 2
CLOVER, 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 Clover School District No. 2, South Carolina (the “School 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 the notes to the School District’s basic financial statements.

C – Relationship to Basic Financial Statements

Federal award expenditures are reported in the School District’s basic financial statements as expenditures in the Special Revenue Fund and in the Special Revenue – Food Service Fund.

D – Relationship to Federal Financial Reports

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

**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
Clover School District No. 2
Clover, South Carolina

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clover School District No. 2, South Carolina (the "School District") as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated November 9, 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 School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School 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*.

This report is intended solely for the information and use of management, the Board of Trustees, others within the School 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, and Horton, LLP
Mauldin, South Carolina
November 9, 2010

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**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
Clover School District No. 2
Clover, South Carolina

Compliance

We have audited Clover School District No. 2, South Carolina's (the "School District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2010. The School 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 School District's management. Our responsibility is to express an opinion on the School 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 School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School District's compliance with those requirements.

In our opinion, the School 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 an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2010-1.

Internal Control Over Compliance

Management of the School 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 School 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 School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be 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 a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2010-1. 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 School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the School District's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of management, the Board of Trustees, others within the School 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
Mauldin, South Carolina
November 9, 2010

**CLOVER SCHOOL DISTRICT NO. 2
CLOVER, SOUTH CAROLINA**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2010

There were no audit findings in the prior year.

**CLOVER SCHOOL DISTRICT NO. 2
CLOVER, 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?	_____ Yes	_____ <u>X</u> No
Significant deficiency(s) identified that are not considered to be material weaknesses?	_____ Yes	_____ <u>X</u> None Reported
Noncompliance material to financial statements noted?	_____ Yes	_____ <u>X</u> No

Federal Awards

Internal control over major programs:

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>ame of Federal Program or Cluster</u>
84.010, 84.389A	Title I Cluster, including ARRA program
84.027, 84.027A, 84.173, 84.391A, 84.392A	IDEA Cluster, including Handicapped Preschool and ARRA programs
84.394A	ARRA - State Fiscal Stabilization Fund

Dollar threshold used to distinguish between type A and type B programs:	_____ \$300,000 _____
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Auditee qualified as low-risk auditee?	_____ <u>X</u> Yes	_____ No
--	--------------------	----------

**CLOVER SCHOOL DISTRICT NO. 2
CLOVER, SOUTH CAROLINA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2010

Section II – Financial Statement Findings

NONE

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 #84.389A, ARRA – Title 1

Pass-Through Grantor’s Award Number and Year: 10-BA090, 09-SA090

IDEA Cluster: CFDA #84.027, IDEA; CFDA #84.027A, Personnel Development; CFDA #84.173, Special Education

– Preschool Grants; CFDA # 84.391A, ARRA – IDEA 611; and CFDA #84.392A, ARRA – IDEA Preschool 619

Pass-Through Grantor’s Award Number and Year: 10-CA090, 10-CR092-01; 10-CG090, 09-SC090, 10-SG090

2010-1: ALLOWABLE COSTS – TIME AND REPORTING REQUIREMENTS

Condition: The School 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 School District had reasonable supporting documentation for the payroll charged to IDEA and Title I programs, but was not complying with the formal certifications as required by the SDE.

\$ -0-

Criteria, Context and Effect:

The distribution of wages for the School District’s employees who had split time or different cost objectives or functions for the Title I and IDEA programs were not supported by either semi-annual certifications or monthly personnel activity reports, which was not in compliance with the SDE’s time and reporting requirements.

Cause:

The School 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 School District to keep up with the SDE’s requirements.

Recommendation:

We would encourage the School District to implement procedures to ensure compliance with the SDE’s requirements.

Response:

The School District acknowledges that it was not using the form prescribed by the SDE Audit Guide. However, it does believe that its system of payroll time sheets being approved by the employee’s supervisor resulted in accurate costs being recorded. After learning of the requirement, it has implemented a system to utilize the proper form and will continue to do so.