

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

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2006**



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

**PRINCIPAL OFFICIALS**

**FOR THE YEAR ENDED JUNE 30, 2006**

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**Board of Trustees**

**Jeff Siegrist, Chairperson  
Joe Gordon, Vice-Chairperson  
Windy Bartee, Secretary  
Steve Brown, Clover LEAF Representative  
Franklin Pendleton, Legislative Liaison  
Bob Magee  
Frank Falls**

**Superintendent**

**Dr. Vickie Phelps**

**Chief Finance and Operations Officer**

**Kenneth Love**



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CLOVER, SOUTH CAROLINA**

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**YEAR ENDED JUNE 30, 2006**

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## INDEPENDENT AUDITORS' REPORT

To 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 ("School District") as of and for the year ended June 30, 2006, 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 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 as of June 30, 2006, and the respective changes in financial position thereof 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 October 27, 2006, on our consideration of the School District's internal control over financial reporting and 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 the 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 management's discussion and analysis and budgetary comparison information on pages 3 through 11 and 38 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 other supplementary information 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 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 and the other supplementary information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Greene, Finney & Horton LLP*

Greene, Finney, and Horton, LLP  
October 27, 2006

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2006**

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This discussion and analysis of Clover School District Number 2 (the "School District") financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2006. 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 2006 are as follows:

- The assets of the School District exceeded its liabilities at the close of the most recent fiscal year by approximately \$52.5 million. Of this amount, approximately \$20.4 million may be used to meet the School District's ongoing obligations to citizens and creditors.
- The School District's total net assets increased by approximately \$9.1 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 \$23.0 million, an increase of \$3.0 million from the prior year ending fund balance, which is primarily attributable to revenues exceeding the normal operating expenditures of the School District. Approximately 40% of the total fund balance amount (unreserved and undesignated fund balance), or approximately \$9.1 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 \$9.1 million, which was approximately 18% of total governmental fund expenditures, excluding the Debt and Food Service funds.
- The School District's total net capital assets increased by approximately \$.1 million (less than 1%) during the current fiscal year. Key factors in this increase were the School District's expenditures for land acquisition and other capital assets of approximately \$1.6 million, partially offset by depreciation expense of approximately \$1.5 million.
- The School District's total debt decreased by approximately \$5.5 million (17%) during the current fiscal year due to scheduled principal payments.
- During the 2006 fiscal year, the School District's governmental fund type revenues were approximately \$61.4 million compared to \$55.9 million in the prior year. This increase of approximately 10% was primarily due to an increasing student population and no state revenue reductions. The School District also increased the operating tax levy by 6 mills.
- The School District had approximately \$52.5 million in expenses related to governmental activities; \$18.8 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues of approximately \$42.8 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 the basic financial statements, management's discussion and analysis, and the combining and individual fund schedules for governmental funds), and the *Compliance Section*.

**Government-wide 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 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, 2006**

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**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 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 financial statements can be found on pages 12 – 13 of this report.

**Fund 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 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 financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. 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 on pages 14 – 20 of this report.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the 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 on page 21 of this report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2006**

**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 financial statements. The notes to the basic financial statements can be found on pages 22 – 37 of this report.

**Other information.** The combining and individual fund schedules referred to earlier can be found beginning on page 39 of this report.

The School District has a legally adopted budget only for its General Fund. A budgetary comparison schedule has been provided as a required supplementary schedule for this fund to demonstrate compliance with its budget. This schedule can be found on page 38 of this report.

Figure A-1 Major Features of the School District's Government-wide and Fund Financial Statements			
	Fund Financial Statements		
	Government-Wide 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"> <li>▪ Statement of net assets</li> <li>▪ Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>▪ Balance sheet</li> <li>▪ Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>▪ Statement of fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
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, 2006**

**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 almost \$52.5 million at the close of the most recent fiscal year.

Table 1 provides a summary of the School District's net assets for 2006 and 2005:

**Table 1**  
Net Assets

	Governmental Activities	
	2006	2005
<b>Assets</b>		
Current and Other Assets	\$ 29,469,595	\$ 25,607,022
Capital Assets	54,106,444	53,978,403
Total Assets	<u>83,576,039</u>	<u>79,585,425</u>
<b>Liabilities</b>		
Other Liabilities	5,115,156	4,727,258
Long-Term Liabilities	26,000,000	31,500,000
Total Liabilities	<u>31,115,156</u>	<u>36,227,258</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	28,126,568	24,983,784
Restricted	3,978,671	2,933,549
Unrestricted	20,355,644	15,440,834
Total Net Assets	<u>\$ 52,460,883</u>	<u>\$ 43,358,167</u>

The School District's current and other assets at June 30, 2006 increased by approximately \$3.9 million from the prior year, primarily due to revenues continuing to exceed the operating expenses of the School District. The School District's capital assets at June 30, 2006 increased by approximately \$.1 million from the prior year. The increase was primarily due to land acquisitions and other additions of approximately \$1.6 million, partially offset by depreciation expense of approximately \$1.5 million. Total liabilities at June 30, 2006 decreased by approximately \$5.1 million from the prior year. The decrease was primarily due to principal payments on long-term debt of approximately \$5.5 million, partially offset by increases in the School District's accruals for salary and wage related expenses.

The School District's net assets increased by approximately \$9.1 million during 2006, 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 by approximately \$52.5 million at the close of the most recent fiscal year. By far the largest portion of the School District's net assets (\$28.1 million or 54%) reflects its investment in capital assets (i.e., land, buildings, furniture and equipment, infrastructure, 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, 2006**

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

An additional portion of the School District's net assets of approximately \$4.0 million (8%) 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) and debt service payments. The remaining balance is unrestricted net assets of approximately \$20.4 million 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 2006 and 2005.

**Table 2**  
Changes in Net Assets

<b>Revenues</b>	<b>Governmental Activities</b>	
	<b>2006</b>	<b>2005</b>
Program Revenues:		
Charges for Services	\$ 2,187,874	\$ 1,955,389
Operating Grants	16,656,276	14,354,921
General Revenue:		
Property Taxes	41,692,483	39,072,989
Other	1,192,440	629,480
<b>Total Revenues</b>	<b>61,729,073</b>	<b>56,012,779</b>
<b>Program Expenses</b>		
Instruction	28,081,254	27,517,790
Support Services	23,112,773	18,141,971
Intergovernmental	93,863	12,084
Interest and Fiscal Charges	1,338,467	1,502,783
<b>Total Program Expenses</b>	<b>52,626,357</b>	<b>47,174,628</b>
Change in Net Assets	9,102,716	8,838,151
Net Assets, Beginning of Year	43,358,167	34,520,016
Net Assets, End of Year	\$ 52,460,883	\$ 43,358,167

**Governmental Activities.** Governmental activities increased the School District's net assets from 2005 to 2006 by approximately \$9.1 million or 21%. Key elements that impacted the change in net assets for 2006 are as follows:

- Operating revenues of 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.

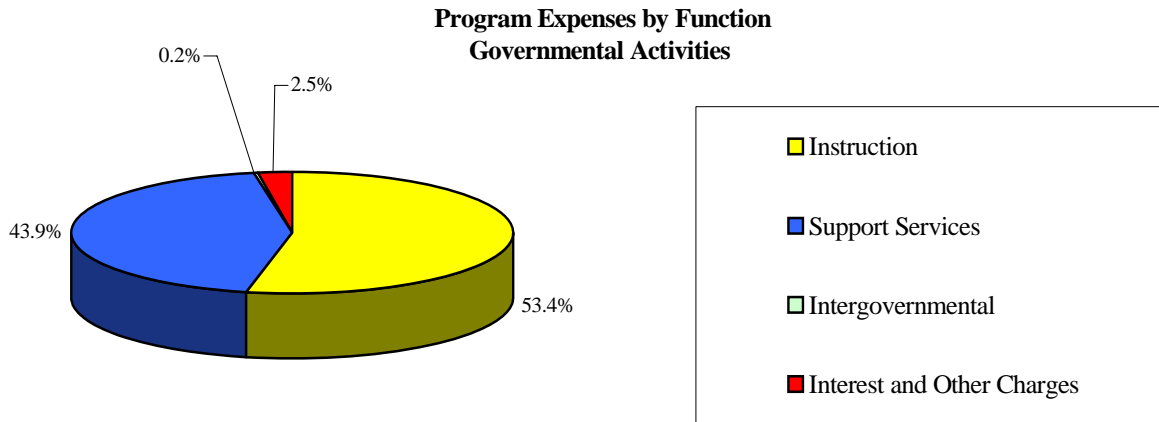
**CLOVER SCHOOL DISTRICT NO. 2  
CLOVER, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2006**

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**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 serve 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, 2006, the School District's governmental funds reported a combined fund balance of \$23.0 million, as compared to \$19.9 million for the prior year. The significant difference is due primarily to the School District's desire to build funds for future construction projects. 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, 2006, the School District's unreserved, undesignated fund balance for all governmental funds was \$9.1 million. The remaining \$13.9 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 \$9.1 million (which was also the total fund balance). The School District's General Fund balance decreased by approximately \$2.5 million (22%) during fiscal year 2006. The primary reasons for this decrease was a \$6.5 million transfer from the General Fund to the Capital Projects Fund for future construction.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2006**

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

**Governmental Funds (Continued)**

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 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 with a small increase of approximately \$41 thousand.

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 School District's Debt Service Fund balance increased by approximately \$.8 million from the prior year's balance primarily due to increased tax assessment and collections. The fiscal year ended 2006 fund balance was approximately \$3.1 million which is reserved for the payment of debt service.

The Capital Projects Fund is utilized to account for the School District's capital project transactions. The School District's Capital Projects Fund increased by approximately \$4.6 million in 2006 to approximately \$9.8 million for the fiscal year ended June 30, 2006. The increase was primarily a result of a \$6.5 million General Fund transfer for future designated construction projects, partially offset by current year 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 2006, no amendments to the School District's General Fund revenue or expense budgets were made. Key highlights are as follows:

- The School District designated \$5,000,000 for the construction and opening of new schools.
- The School District designated an additional \$2,000,000 for new equipment and facility renovations of which \$500,000 had been expended at June 30, 2006.
- There were no significant state revenue shortfalls.
- The School District's assessment was higher than anticipated at budget time.
- Student body growth.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

*Capital Assets*

At the end of 2006, the School District's investment in capital assets was approximately \$54.1 million, net of accumulated depreciation. The total increase in the School District's investment in net capital assets was approximately \$.1 million, or less than 1%. Major capital asset events during the current fiscal year included:

- The purchase of 67 acres of land for approximately \$1.5 million for the purpose of future construction of new schools.
- Depreciation expense of approximately \$1.5 million.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2006**

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

*Capital Assets (Continued)*

Table 3 shows fiscal 2006 and 2005 capital asset balances:

**Table 3**  
Capital Assets  
(Net of Depreciation)

	Governmental Activities	
	June 30, 2006	June 30, 2005
Land	\$ 5,715,091	\$ 4,204,652
Building and Improvements	64,483,748	64,444,105
Machinery and Equipment	2,504,558	2,435,388
Less: Accumulated Depreciation	(18,596,953)	(17,105,742)
Totals	<u>\$ 54,106,444</u>	<u>\$ 53,978,403</u>

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

***Debt Administration***

As shown in Table 4, the School District had outstanding debt of approximately \$26.0 million and \$31.5 million as of June 30, 2006 and 2005, respectively. The School District made principal payments on debt in 2006 of \$5.5 million and interest payments of approximately \$1.4 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 bonded Indebtedness.

**Table 4**  
Long-Term Debt (Excluding Premium)

Long-Term Debt	Governmental Activities	
	June 30, 2006	June 30, 2005
1998 Series General Obligation Bonds *	\$ 2,400,000	\$ 3,600,000
1999 Series General Obligation Bonds *	18,600,000	19,400,000
2001 Series General Obligation Bonds	3,000,000	4,000,000
2004 Series General Obligation Bonds	2,000,000	4,500,000
	<u>\$ 26,000,000</u>	<u>\$ 31,500,000</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, 2006, was approximately \$18.6 million of which the School District had debt of \$5.0 million outstanding against this limit.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2006**

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**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 eight schools and has a total enrollment of 5,660. 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 plant, a plant manufacturing metalworking tools, and several lesser industries.

Duke Power Company has constructed the Catawba Nuclear Station consisting of two nuclear units estimated to cost \$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 60% of the School District's property tax assessment. The depreciation of the plant is the primary cause of the School District's declining tax base (238,136,395 in 2001 to 233,920,433 in 2006). The School District has historically collected 97.5% of the taxes levied.

**FY 07 BUDGETS**

Many factors were considered by the School District's administration during the process of developing the fiscal year 2006-2007 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 the year in order to meet the goal of improving academic achievement. Salary increases for employees range from 2.00% to 3.55% for budget year 2006-2007. 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, 2006**

	<b>PRIMARY GOVERNMENT</b>
	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 10,957,399
Cash and Investments Held by County Treasurer	14,789,267
Property Taxes Receivable, Net	1,934,509
Accounts Receivable, Net	27,439
Due from Other Governments	1,709,104
Inventories and Prepaid Items	31,753
Bond Issuance Costs, Net	20,124
Capital Assets:	
Non-Depreciable	5,715,091
Depreciable, Net	48,391,353
<b>TOTAL ASSETS</b>	<b>83,576,039</b>
<b>LIABILITIES</b>	
Accounts Payable	1,189,999
Accrued Salaries, Fringe & Benefits	2,896,099
Accrued Interest Payable	397,741
Unearned Revenue	631,317
Non-Current Liabilities:	
Due Within One Year	5,600,000
Due in More than One Year	20,400,000
<b>TOTAL LIABILITIES</b>	<b>31,115,156</b>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	28,126,568
Restricted For:	
Debt Service	3,014,314
Special Revenue	271,047
Food Service	693,310
Unrestricted	20,355,644
<b>TOTAL NET ASSETS</b>	<b>\$ 52,460,883</b>

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, 2006**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities
<b>PRIMARY GOVERNMENT:</b>					
Governmental Activities:					
Instruction	\$ 28,081,254	-	11,730,776	-	\$ (16,350,478)
Support Services	23,112,773	2,187,874	4,925,500	-	(15,999,399)
Intergovernmental	93,863	-	-	-	(93,863)
Interest and Other Charges	1,338,467	-	-	-	(1,338,467)
Total Governmental Activities	<u>52,626,357</u>	<u>2,187,874</u>	<u>16,656,276</u>	<u>-</u>	<u>(33,782,207)</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 52,626,357</b>	<b>2,187,874</b>	<b>16,656,276</b>	<b>-</b>	<b>(33,782,207)</b>
<b>GENERAL REVENUES</b>					
General Revenues:					
Property Taxes Levied for General Purposes					31,724,393
Property Taxes Levied for Debt Service					7,476,838
Other Taxes					2,491,252
Investment Earnings					976,845
Miscellaneous					215,595
Total General Revenues					<u>42,884,923</u>
<b>CHANGE IN NET ASSETS</b>					<b>9,102,716</b>
NET ASSETS - Beginning of Year					<u>43,358,167</u>
<b>NET ASSETS - Ending of Year</b>					<b>\$ 52,460,883</b>

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, 2006**

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 10,944,845	-
Cash and Investments Held by County Treasurer	8,281,898	-
Receivables, Net:		
Taxes	1,557,905	-
Accounts	-	27,439
Due From:		
State Agencies	46,266	19,634
Federal Agencies	-	1,637,481
Other Funds	837,306	645,830
Inventories	-	-
<b>TOTAL ASSETS</b>	<b><u>21,668,220</u></b>	<b><u>2,330,384</u></b>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>LIABILITIES:</b>		
Accounts Payable	653,704	21,950
Accrued Salaries, Fringe & Benefits	2,896,099	-
Due To:		
Other Funds	7,605,497	1,472,551
Deferred Revenue	1,416,551	564,836
<b>TOTAL LIABILITIES</b>	<b><u>12,571,851</u></b>	<b><u>2,059,337</u></b>
<b>FUND BALANCES:</b>		
Fund Balances		
Reserved for:		
Inventories	-	-
Debt Service	-	-
Special Revenue	-	271,047
Food Service	-	-
Unreserved:		
Designated for Capital Projects	-	-
Undesignated	9,096,369	-
<b>TOTAL FUND BALANCES</b>	<b><u>9,096,369</u></b>	<b><u>271,047</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 21,668,220</u></b>	<b><u>2,330,384</u></b>

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

<b>SPECIAL REVENUE - EIA</b>	<b>SPECIAL REVENUE - FOOD SERVICE</b>	<b>DEBT SERVICE</b>	<b>CAPITAL PROJECTS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
-	12,554	-	-	\$ 10,957,399
-	-	3,079,339	3,428,030	14,789,267
-	-	376,604	-	1,934,509
-	-	-	-	27,439
3,207	-	-	-	69,107
-	-	-	-	1,637,481
57,782	692,058	-	6,585,743	8,818,719
-	31,753	-	-	31,753
<b>60,989</b>	<b>736,365</b>	<b>3,455,943</b>	<b>10,013,773</b>	<b>38,265,674</b>
2,603	-	-	202,801	881,058
-	-	-	-	2,896,099
3,207	-	43,889	-	9,125,144
55,179	11,302	337,895	-	2,385,763
<b>60,989</b>	<b>11,302</b>	<b>381,784</b>	<b>202,801</b>	<b>15,288,064</b>
-	31,753	-	-	31,753
-	-	3,074,159	-	3,074,159
-	-	-	-	271,047
-	693,310	-	-	693,310
-	-	-	9,810,972	9,810,972
-	-	-	-	9,096,369
-	725,063	3,074,159	9,810,972	22,977,610
<b>60,989</b>	<b>736,365</b>	<b>3,455,943</b>	<b>10,013,773</b>	<b>\$ 38,265,674</b>

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

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

**JUNE 30, 2006**

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<b>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</b>	<b>\$ 22,977,610</b>
Amounts reported for the governmental activities in the Statement of Net Assets are different because:	
Property taxes and other revenues that will be collected in the future, but are not available soon enough to pay for the current year's expenditures are therefore deferred in the funds.	1,754,446
Bond issuance costs are amortized over the lives of the bonds; however, in the governmental funds, bond issuance costs are expenditures the year they are incurred. The bond issuance costs of \$25,103 is shown net of accumulated amortization expense of \$4,979.	20,124
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of these capital assets was \$72,703,397 and the accumulated depreciation was \$18,596,953.	54,106,444
Interest is recorded as an expenditure when it is due and payable in the governmental funds. Interest is recorded in the government-wide statements as it accrues regardless of when it is due and payable. This is the amount of interest that is accrued but unpaid at year end.	(397,741)
Long-term liabilities, including bonds payable, are not due and payable in the current year and therefore are not reported as liabilities in the funds. This is the amount of long-term liabilities at year end.	(26,000,000)
<b>TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 52,460,883</u></b>

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, 2006**

	<b>GENERAL</b>	<b>SPECIAL REVENUE</b>
<b>REVENUES</b>		
Local Sources:		
Taxes	\$ 31,419,414	-
Investment Earnings	330,186	-
Other Local Sources	215,595	362,185
State Sources	12,621,658	609,013
Federal Sources	-	1,888,601
Intergovernmental Revenue	-	-
<b>TOTAL REVENUE ALL SOURCES</b>	<b>44,586,853</b>	<b>2,859,799</b>
<b>EXPENDITURES</b>		
Current:		
Instruction	23,510,736	1,462,136
Support Services	16,868,889	962,201
Intergovernmental	64,490	29,373
Capital Outlay	4,148	-
Debt Service:		
Principal Retirement	-	-
Interest and Fiscal Charges	17,839	-
<b>TOTAL EXPENDITURES</b>	<b>40,466,102</b>	<b>2,453,710</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>4,120,751</b>	<b>406,089</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers In	-	-
Transfers Out	(6,617,640)	(307,683)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(6,617,640)</b>	<b>(307,683)</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>(2,496,889)</b>	<b>98,406</b>
FUND BALANCE, Beginning of Year	11,593,258	172,641
<b>FUND BALANCE, End of Year</b>	<b>\$ 9,096,369</b>	<b>271,047</b>

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

<b>SPECIAL REVENUE - EIA</b>	<b>SPECIAL REVENUE - FOOD SERVICE</b>	<b>DEBT SERVICE</b>	<b>CAPITAL PROJECTS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
-	-	7,407,695	-	\$ 38,827,109
-	-	119,131	527,528	976,845
-	1,245,906	-	-	1,823,686
-	-	123,547	-	13,354,218
-	930,836	-	-	2,819,437
3,550,523	3,133	-	-	3,553,656
<b>3,550,523</b>	<b>2,179,875</b>	<b>7,650,373</b>	<b>527,528</b>	<b>61,354,951</b>
3,533,221	-	-	-	28,506,093
284,195	2,121,029	-	2,112,042	22,348,356
-	-	-	-	93,863
40,790	17,780	-	287,261	349,979
-	-	5,500,000	-	5,500,000
-	-	1,373,403	-	1,391,242
3,858,206	2,138,809	6,873,403	2,399,303	58,189,533
<b>(307,683)</b>	<b>41,066</b>	<b>776,970</b>	<b>(1,871,775)</b>	<b>3,165,418</b>
499,487	-	-	6,500,000	6,999,487
(191,804)	-	-	-	(7,117,127)
307,683	-	-	6,500,000	(117,640)
-	<b>41,066</b>	<b>776,970</b>	<b>4,628,225</b>	<b>3,047,778</b>
-	683,997	2,297,189	5,182,747	19,929,832
-	<b>725,063</b>	<b>3,074,159</b>	<b>9,810,972</b>	<b>\$ 22,977,610</b>

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

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

**YEAR ENDED JUNE 30, 2006**

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<b>TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS</b>	<b>\$ 3,047,778</b>
Amounts reported for governmental activities in the Statement of Activities are different because:	
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the Statement of Activities.	5,500,000
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.	374,122
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.	55,285
Bond issuance costs are expenditures the year they are incurred in governmental funds, but are amortized over the lives of bonds in the Statement of Activities.	(2,510)
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 (\$1,619,252) exceeded depreciation expense (\$1,491,211) in the current year.	128,041
<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 9,102,716</u></b>

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, 2006**

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	<u>AGENCY</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 10,600
Investments	18,422
Due from Other Funds	308,941
<b>TOTAL ASSETS</b>	<u><u>337,963</u></u>
<b>LIABILITIES</b>	
Accounts Payable	828
Due to Other Funds	2,516
Due to Student Organizations	334,619
<b>TOTAL LIABILITIES</b>	<u><u>\$ 337,963</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, 2006**

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*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:

- i) Determine its budget without the School District having the authority to approve or modify that budget;
- ii) Levy taxes or set rates or charges without approval by the School District; and
- iii) 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 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, 2006

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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 financial statements** are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are Fiduciary Fund 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 statements are prepared using a different measurement focus from the manner in which governmental fund financial statements are prepared (see further detail below). Governmental fund financial statements therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

Property taxes, franchise taxes, licenses, 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 financial statements report detailed information about the School District. The focus of Governmental Fund 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, 2006

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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, 2006**

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**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 Local Government Investment Pool ("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 agencies thereof;
- (b) General obligations of the State of South Carolina or any of its political units;
- (c) Savings and Loan Associations to the extent that the same are insured by an agency of the Federal Government;
- (d) Certificates of Deposit and funds in deposit accounts with banking institutions provided that such certificates and funds in deposit accounts 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 or funds in deposit accounts 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;
- (e) Collateralized repurchase agreements when collateralized by securities as set forth in (a) and (b) above and held by the governmental entity or a third party as escrow agent or custodian; and
- (f) 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), and (e) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

The School District's cash investment objectives are preservation of capital, liquidity and yield. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investments Pools," all investments are reported at their fair values (which are normally determined by quoted market prices). The School District has no investments at this time reported at amortized cost.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2006**

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**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 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2006**

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**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. 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 retiring employees is immaterial, no amounts have been recorded in the government-wide financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2006**

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

**7. *Fund Balance***

In the fund 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 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 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.

**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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2006**

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

**C. Assets, Liabilities and Equity (Continued)**

*10. Accounting Estimates*

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

*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.

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 Superintendent and the Finance Director 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 revised budget amounts in the required supplementary schedule are as amended by the administration. All annual appropriations lapse at fiscal year end.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2006**

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

*Deposits*

**Custodial Credit Risk for Deposits:** Custodial credit risk for deposits is the risk that, in the event of a bank failure, the 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, 2006, \$1,229,916 of the School District's total bank balances of \$1,373,603 (with a carrying value of \$114,132) was uninsured and collateralized with securities held by the pledging financial institution, but not in the District's name.

*Investments*

As of June 30, 2006, 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	\$ 10,843,267	^
Cash and Investments Held by County Treasurer	Unrated	14,789,267	^
Total		<u>\$ 25,632,534</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.

**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, 2006, 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2006**

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

**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, 2006, millage was set at 130.0 mills to cover general School District services and uses. The millage was set at 32.0 mills to cover the School District's scheduled debt service requirements.

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, 2006, this totaled (net of allowance for uncollectible portion) \$1,416,551 for the General Fund and \$337,895 for the Debt Service Fund. These amounts have been recorded as deferred revenue on the fund financial statements because they were not collected within sixty days after the year end.

Delinquent property taxes of \$141,354 in the General Fund, and \$38,709 in the Debt Service Fund, have been recognized as revenue at June 30, 2006, because they were collected within sixty days after year end and are considered measurable and available.

On the government-wide and fund financial statements, taxes receivable are \$1,934,509 (net of an allowance for uncollectibles of \$80,605) at June 30, 2006. Allowances for uncollectibles were not necessary for the other receivable accounts.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2006**

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

**C. Interfund Receivables and Payables**

Interfund receivables (“Due From”) and payables (“Due To”) at June 30, 2006 (all of which are expected to be paid within one year), are summarized as follows:

Fund	Receivables	Payables
General Fund	\$ 837,306	\$ 7,605,497
Special Revenue Funds:		
Special Revenue	645,830	1,472,551
EIA	57,782	3,207
Food Service	692,058	-
Debt Service Fund	-	43,889
Capital Projects Fund	6,585,743	-
Fiduciary Fund - Agency Fund	308,941	2,516
Total	<u>\$ 9,127,660</u>	<u>\$ 9,127,660</u>

Most cash activities are recorded in the General Fund, and as a result, receivable and payables exist at year end that are either due to or due from the General Fund or other funds. Various differences include Special Revenue payments not received from the State Department of Education until after the fiscal year ended, fringe amounts paid by the General Fund for Food Service, a capital project transfer from the General Fund to the Capital Projects Fund of \$6,500,000 that was not completed (paid for) as of year end.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2006**

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

**D. Transfers In and (Out)**

Transfers from (to) other funds for the year ended June 30, 2006, consisted of the following:

<b>General Fund</b>			
Transfers from	Amount	Transfers to	Amount
	\$ -	Pupil Activity	\$ 117,640
	-	Capital Projects	6,500,000
	<u>-</u>		<u>6,617,640</u>
<b>Special Revenue</b>			
Transfers from	Amount	Transfers to	Amount
	<u>-</u>	Special Revenue - EIA	<u>307,683</u>
<b>Special Revenue - EIA</b>			
Transfers from	Amount	Transfers to	Amount
Special Revenue - EIA	191,804	Special Revenue - EIA	191,804
Special Revenue	307,683		-
	<u>499,487</u>		<u>191,804</u>
<b>Capital Projects Funds</b>			
Transfers from	Amount	Transfers to	Amount
General Fund	<u>6,500,000</u>		<u>-</u>
<b>Agency Fund</b>			
Transfers from	Amount	Transfers to	Amount
General Fund	<u>\$ 117,640</u>		<u>\$ -</u>

The funds transferred into the General Fund from the pupil activity funds were to cover school activity costs. The \$6,500,000 transferred from the General Fund to the Capital Projects Fund was to comply with the Board's approval of a \$6,500,000 designation for future capital projects. Transfers between the Special Revenue funds were done only after attaining waivers from the SDE.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2006**

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

**E. Capital Assets**

Capital asset activity for the School District for the year ended June 30, 2006, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets, Non-Depreciable:				
Land	\$ 4,204,652	1,510,439	-	\$ 5,715,091
Total Capital Assets, Non-Depreciable	<u>4,204,652</u>	<u>1,510,439</u>	<u>-</u>	<u>5,715,091</u>
Capital Assets, Depreciable:				
Buildings and Improvements	64,444,105	39,643	-	64,483,748
Machinery and Equipment	2,435,388	69,170	-	2,504,558
Total Capital Assets, Depreciable	<u>66,879,493</u>	<u>108,813</u>	<u>-</u>	<u>66,988,306</u>
Less: Accumulated Depreciation for:				
Buildings and Improvements	15,163,447	1,357,384	-	16,520,831
Machinery and Equipment	1,942,295	133,827	-	2,076,122
Total Accumulated Depreciation	<u>17,105,742</u>	<u>1,491,211</u>	<u>-</u>	<u>18,596,953</u>
Total Capital Assets, Depreciable, Net	49,773,751	(1,382,398)	-	48,391,353
Governmental Activities Capital Assets, Net	<u>\$ 53,978,403</u>	<u>128,041</u>	<u>-</u>	<u>\$ 54,106,444</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental Activities:</b>	
Instruction	\$ 1,126,390
Support Services	364,821
Total Depreciation Expense - Governmental Activities	<u>\$ 1,491,211</u>

The School District had no significant construction commitments outstanding at June 30, 2006.

**F. Short-Term Obligations**

In December 2005, the School District issued a \$3,021,293 tax anticipation note ("TAN") at a rate of 4% that was subsequently repaid in March 2006 for \$3,051,170 (including interest). Following is a summary of the changes in the School District short-term obligations for the year ended June 30, 2006:

Short-Term Obligation	Beginning Balance	Additions	Reductions	Ending Balance
Tax Anticipation Note	\$ -	3,021,293	3,021,293	\$ -
Total	<u>\$ -</u>	<u>3,021,293</u>	<u>3,021,293</u>	<u>\$ -</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2006**

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

**G. Long-Term Obligations**

The general obligation bonds (“GO”) payable at June 30, 2006, were comprised of the following:

<u>1998 Series:</u>	Original issue of \$9,900,000, principal due in annual installments of \$300,000 to \$1,200,000 at March 1 through 2008; interest at 5.75% to 3.75% paid semiannually.
<u>1999 Series:</u>	Original issue of \$22,900,000, principal due in annual installments of \$700,000 to \$5,000,000 at March 1 through 2013; interest at 6.50% to 5.125% paid semiannually.
<u>2001 Series:</u>	Original issue of \$6,500,000, principal due in annual installments of \$1,000,000 to \$1,750,000 at March 1 through 2008; interest at 4.00% paid semiannually.
<u>2004 Series:</u>	Original issue of \$4,500,000, principal due in annual installments of \$2,500,000 to \$2,000,000 at March 1 through 2007; interest at 1.65% to 2.00% paid semiannually.

The following is a summary of changes in the School District long-term obligations for the year ended June 30, 2006:

Long-Term Obligation	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
1998 GO Bonds *	\$ 3,600,000	-	1,200,000	2,400,000	\$ 1,200,000
1999 GO Bonds *	19,400,000	-	800,000	18,600,000	900,000
2001 GO Bonds	4,000,000	-	1,000,000	3,000,000	1,500,000
2004 GO Bonds	4,500,000	-	2,500,000	2,000,000	2,000,000
Total Governmental Activities	<u>\$ 31,500,000</u>	<u>-</u>	<u>5,500,000</u>	<u>26,000,000</u>	<u>\$ 5,600,000</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.

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

Year Ending June 30	Principal	Interest	Total
2007	\$ 5,600,000	1,203,250	\$ 6,803,250
2008	3,700,000	1,012,125	4,712,125
2009	3,000,000	855,875	3,855,875
2010	2,500,000	702,125	3,202,125
2011	3,000,000	574,000	3,574,000
2012-2013	8,200,000	548,375	8,748,375
Total	<u>\$ 26,000,000</u>	<u>4,895,750</u>	<u>\$ 30,895,750</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2006**

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

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

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 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, 2006, was approximately \$18,758,000. School District had debt of \$5,000,000 outstanding against this limit.

**IV. OTHER INFORMATION**

**A. Retirement Plan**

**Plan Description** – Substantially all School District employees are members of the South Carolina Retirement System (“SCRS”). The South Carolina Retirement System is a cost-sharing multi-employer defined benefit pension plan administered by the South Carolina Retirement Systems; a division of the South Carolina State Budget and Control Board. The system offers retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits and survivor benefits. The Plan’s provisions are established under Title 9 of the SC Code of Laws. Comprehensive Annual Financial Reports containing financial statements and required supplementary information for the System is issued and publicly available by writing the South Carolina Retirement System, P.O. Box 11960, Columbia, SC 29211-1960.

The State of South Carolina also provides an optional retirement plan (“State ORP”). It is a governmental plan administered as a qualified plan pursuant to Section 401(a) of the IRC. The State ORP is a defined contribution plan that provides retirement and survivor benefits for certain administrative positions which allows them to participate. As an alternative to the South Carolina Retirement System, employees eligible for the State ORP may choose between the State ORP plan or the SCRS plan.

**Funding Policy** – Both employees and employers are required to contribute to the Plan under authority of Title 9 of the SC Code of Laws. Employee contributions to the Plan are 6.25% of salary. Employers are required to contribute at the following actuarially determined rates: SCRS State Agencies & Public Schools – 7.55%. In addition to the above rates participating employers of the South Carolina Retirement System contribute 3.40% of payroll to provide retiree health and dental insurance and group life insurance benefit for their active participants. All employers contribute at the actuarially required contribution rates.

**Contributions** – The following is a summary of the School District's total wages, member wages, and retirement plan:

SCRS					
Year Ended June 30	Total Wages	Member Wages	Employee Contributions	Employer Contributions	Total Contributions
2006	\$ 30,957,850	28,161,895	1,760,118	3,166,026	\$ 4,926,144
2005	27,825,633	27,152,163	1,400,406	3,026,371	4,426,777
2004	\$ 27,550,235	25,847,486	1,371,750	2,843,224	\$ 4,214,974

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2006**

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**IV. OTHER INFORMATION (CONTINUED)**

**B. 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.

**C. 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.

**D. Fund Balance Designation**

The Board approved an additional designation of fund balance of \$6,500,000 for future school capital projects (the Board designated \$2,700,000 in the prior year). The School District reflected the Board's decision by transferring the designated funds to the Capital Projects Fund.

**E. Concentration of Property Tax Revenue Risk**

The School District receives approximately 60% of its local property tax revenue from one source, the Catawba Nuclear Station.

**F. Subsequent Events**

The Board of Trustees approved a 1 mill decrease (decreased to 129 mills from 130 in the prior year) for the next property tax year for general School District operations. The Board of Trustees also approved a 4 mill decrease (decreased to 28 from 32 in the prior year) for the next property tax year for the School District's debt service requirements.

In September 2006, the School District had a debt referendum approved by voters for \$58.5 million. This money is to be spent to build a new middle school, a new elementary school, to add technology, and other renovations and facility upgrades.

GENERAL FUND

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

YEAR ENDED JUNE 30, 2006

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Local Sources:				
Taxes	\$ 29,301,770	29,301,770	31,419,414	\$ 2,117,644
Investment Earnings	175,000	175,000	330,186	155,186
Other Local Sources	174,000	174,000	215,595	41,595
State Sources	11,930,091	11,930,091	12,621,658	691,567
<b>TOTAL REVENUE ALL SOURCES</b>	<b>41,580,861</b>	<b>41,580,861</b>	<b>44,586,853</b>	<b>3,005,992</b>
<b>EXPENDITURES</b>				
Current:				
Instruction	25,314,679	25,314,679	23,510,736	1,803,943
Support Services	16,228,182	16,228,182	16,868,889	(640,707)
Intergovernmental	-	-	64,490	(64,490)
Capital Outlay	13,000	13,000	4,148	8,852
Debt Service:				
Interest and Fiscal Charges	25,000	25,000	17,839	7,161
<b>TOTAL EXPENDITURES</b>	<b>41,580,861</b>	<b>41,580,861</b>	<b>40,466,102</b>	<b>1,114,759</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>4,120,751</b>	<b>4,120,751</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	-	-	(6,617,640)	(6,617,640)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>(6,617,640)</b>	<b>(6,617,640)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>(2,496,889)</b>	<b>(2,496,889)</b>
FUND BALANCES, Beginning of Year	11,593,258	11,593,258	11,593,258	-
<b>FUND BALANCES, End of Year</b>	<b>\$ 11,593,258</b>	<b>11,593,258</b>	<b>9,096,369</b>	<b>\$ (2,496,889)</b>

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 BALANCE -  
FINAL BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2006

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>REVENUES</b>			
1000 Revenue from Local Sources:			
1100 Taxes:			
1110 Ad Valorem Taxes-Including Delinquent (Independent)	\$ 26,051,770	27,719,638	\$ 1,667,868
1140 Penalties & Interest on Taxes (Independent)	-	625,827	625,827
1200 Revenue from Local Governmental Units Other than LEAs:			
1210 Ad Valorem Taxes-Including Delinquent (Dependent)	3,150,000	2,811,609	(338,391)
1240 Penalties & Interest on Taxes (Dependent)	100,000	69,156	(30,844)
1280 Revenue in Lieu of Taxes (Independent and Dependent)	-	193,184	193,184
1500 Earnings on Investments:			
1510 Interest on Investments	175,000	330,186	155,186
1900 Other Revenue from Local Sources:			
1910 Rentals	-	12,743	12,743
1930 Medicaid	-	945	945
1990 Miscellaneous Local Revenue:			
1999 Revenue from Other Local Sources	174,000	201,907	27,907
Total Revenue from Local Sources	<u>29,650,770</u>	<u>31,965,195</u>	<u>2,314,425</u>
3000 Revenue from State Sources:			
3100 Restricted State Funding:			
3130 Special Programs:			
3131 Handicapped Transportation	-	765	765
3132 Home Schooling (No Carryover Provision)	-	1,717	1,717
3160 School Bus Driver's Salary	234,520	295,091	60,571
3162 Transportation Workers' Compensation	-	22,043	22,043
3180 Fringe Benefits Employer Contributions (No Carryover Provision)	2,089,850	2,063,376	(26,474)
3181 Retiree Insurance (No Carryover Provision)	476,777	549,189	72,412
3199 Other Restricted State Grants	-	1,654	1,654
3300 Education Finance Act:			
3310 Full-Time Programs:			
3311 Kindergarten	425,177	482,548	57,371
3312 Primary	1,261,327	1,389,000	127,673
3313 Elementary	2,208,212	2,153,110	(55,102)
3314 High School	341,358	363,402	22,044
3315 Trainable Mentally Handicapped	25,933	30,801	4,868
3316 Speech Handicapped (Part-Time Program)	399,048	432,674	33,626
3317 Homebound	\$ 12,589	15,784	\$ 3,195

(Continued)

GENERAL FUND

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

YEAR ENDED JUNE 30, 2006

	FINAL BUDGET	ACTUAL	VARIANCE
3320 Part-Time Programs:			
3321 Emotionally Handicapped	\$ 86,885	68,333	\$ (18,552)
3322 Educable Mentally Handicapped	77,039	68,520	(8,519)
3323 Learning Disabilities	542,174	581,788	39,614
3324 Hearing Handicapped	19,121	17,019	(2,102)
3325 Visually Handicapped	-	5,957	5,957
3326 Orthopedically Handicapped	19,471	23,393	3,922
3327 Vocational	1,498,755	1,673,805	175,050
3330 Other EFA Programs:			
3331 Autism	16,390	13,984	(2,406)
3800 State Revenue in Lieu of Taxes:			
3810 Reimbursement for Local Residential Property Tax Relief	1,805,465	1,655,984	(149,481)
3820 Homestead Exemption	345,000	521,200	176,200
3830 Merchant's Inventory Tax	30,000	36,504	6,504
3840 Manufacturers Depreciation Reimbursement	-	89,722	89,722
3890 Other State Property Tax Revenues (Includes MC Vehicle Tax)	-	64,269	64,269
3900 Other State Revenue:			
3999 Revenue from Other State Sources	15,000	26	(14,974)
Total Revenue from State Sources	<u>11,930,091</u>	<u>12,621,658</u>	<u>691,567</u>
<b>TOTAL REVENUE ALL SOURCES</b>	<b><u>41,580,861</u></b>	<b><u>44,586,853</u></b>	<b><u>3,005,992</u></b>

EXPENDITURES

100 Instruction:			
110 General Instruction:			
111 Kindergarten Programs:			
100 Salaries	997,484	967,376	30,108
200 Employee Benefits	312,736	332,680	(19,944)
300 Purchased Services	1,250	1,220	30
400 Supplies and Materials	35,109	33,594	1,515
600 Other Objects	200	200	-
112 Primary Programs:			
100 Salaries	4,552,850	3,942,429	610,421
200 Employee Benefits	1,077,013	1,185,959	(108,946)
300 Purchased Services	1,598	2,062	(464)
400 Supplies and Materials	92,885	88,983	3,902
600 Other Objects	\$ 940	971	\$ (31)

(Continued)



GENERAL FUND

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

YEAR ENDED JUNE 30, 2006

	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
113 Elementary Programs:			
100 Salaries	\$ 7,248,256	5,660,447	\$ 1,587,809
200 Employee Benefits	1,471,282	1,654,105	(182,823)
300 Purchased Services	103,694	92,749	10,945
400 Supplies and Materials	126,109	157,700	(31,591)
600 Other Objects	400	300	100
114 High School Programs:			
100 Salaries	3,521,835	3,289,238	232,597
200 Employee Benefits	878,467	961,800	(83,333)
300 Purchased Services	22,150	59,590	(37,440)
400 Supplies and Materials	175,516	178,130	(2,614)
115 Vocational Programs:			
100 Salaries	812,873	640,746	172,127
200 Employee Benefits	173,846	201,167	(27,321)
300 Purchased Services - Other Than Tuition	189	85	104
400 Supplies and Materials	30,425	27,631	2,794
120 Exceptional Programs:			
121 Educable Mentally-Handicapped:			
100 Salaries	318,281	369,668	(51,387)
200 Employee Benefits	101,685	125,351	(23,666)
300 Purchased Services	-	6,136	(6,136)
400 Supplies and Materials	6,000	6,000	-
122 Trainable Mentally Handicapped:			
100 Salaries	195,329	192,846	2,483
200 Employee Benefits	78,827	69,793	9,034
123 Orthopedically Handicapped:			
100 Salaries	37,997	46,758	(8,761)
200 Employee Benefits	15,913	19,968	(4,055)
124 Visually Handicapped:			
100 Salaries	-	83,040	(83,040)
200 Employee Benefits	-	25,400	(25,400)
125 Hearing Handicapped:			
100 Salaries	6,622	37,657	(31,035)
200 Employee Benefits	2,648	10,053	(7,405)
126 Speech Handicapped:			
100 Salaries	177,227	228,045	(50,818)
200 Employee Benefits	50,583	65,007	(14,424)
127 Learning Disabilities:			
100 Salaries	924,312	935,641	(11,329)
200 Employee Benefits	\$ 235,056	256,306	\$ (21,250)

(Continued)

GENERAL FUND

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

YEAR ENDED JUNE 30, 2006

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
128 Emotionally Handicapped:			
100 Salaries	\$ 238,785	179,262	\$ 59,523
200 Employee Benefits	71,124	55,510	15,614
130 Pre-School Programs:			
133 Pre-School Handicapped-Self-Contained (5-Yr. Olds)			
100 Salaries	54,673	76,672	(21,999)
200 Employee Benefits	15,812	20,327	(4,515)
135 Pre-School Handicapped-Speech (3 & 4-Yr. Olds)			
100 Salaries	4,768	-	4,768
200 Employee Benefits	1,191	-	1,191
136 Pre-School Handicapped-Itinerant (3 & 4-Yr. Olds)			
100 Salaries	55,760	8	55,752
200 Employee Benefits	16,335	2	16,333
137 Pre-School Handicapped-Self-Contained (3 & 4-Yr. Olds):			
100 Salaries	64,078	67,351	(3,273)
200 Employee Benefits	20,866	26,505	(5,639)
300 Purchased Services	-	(70)	70
139 Early Childhood Programs:			
100 Salaries	391,960	637,703	(245,743)
200 Employee Benefits	127,791	140,060	(12,269)
300 Purchased Services	160	150	10
400 Supplies and Materials	8,100	7,951	149
600 Other Objects	200	200	-
140 Special Programs:			
141 Gifted and Talented - Academic:			
100 Salaries	18,710	16,761	1,949
200 Employee Benefits	8,216	3,743	4,473
300 Purchased Services	9,400	-	9,400
400 Supplies and Materials	9,618	-	9,618
600 Other Objects	240	240	-
145 Homebound:			
100 Salaries	-	30,954	(30,954)
200 Employee Benefits	-	5,677	(5,677)
300 Purchased Services	25,000	3,804	21,196
149 Other Special Programs:			
100 Salaries	196,872	128,331	68,541
200 Employee Benefits	49,152	29,352	19,800
300 Purchased Services	\$ -	2,477	\$ (2,477)

(Continued)

GENERAL FUND

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

YEAR ENDED JUNE 30, 2006

	FINAL BUDGET	ACTUAL	VARIANCE
160 Other Exceptional Programs:			
161 Autism:			
100 Salaries	\$ 34,412	40,846	\$ (6,434)
200 Employee Benefits	12,371	14,806	(2,435)
300 Purchased Services	-	1,550	(1,550)
170 Summer School Programs:			
172 Elementary Summer School:			
100 Salaries	31,996	11,650	20,346
200 Employee Benefits	5,967	3,835	2,132
173 High School Summer School:			
100 Salaries	21,100	6,031	15,069
200 Employee Benefits	3,935	1,110	2,825
180 Adult/Continuing Educational Programs:			
181 Adult Basic Education Programs:			
400 Supplies and Materials	20,000	20,000	-
188 Parenting/Family Literacy:			
100 Salaries	-	10,123	(10,123)
200 Employee Benefits	-	5,070	(5,070)
300 Purchased Services	4,500	3,642	858
400 Supplies and Materials	4,000	2,272	1,728
Total Instruction	<u>25,314,679</u>	<u>23,510,736</u>	<u>1,803,943</u>
200 Support Services:			
210 Pupil Services:			
211 Attendance and Social Work Services:			
100 Salaries	164,340	205,077	(40,737)
200 Employee Benefits	45,194	55,756	(10,562)
300 Purchased Services	1,500	-	1,500
400 Supplies and Materials	1,700	370	1,330
212 Guidance Services:			
100 Salaries	703,458	674,058	29,400
200 Employee Benefits	195,940	183,317	12,623
300 Purchased Services	1,125	1,122	3
400 Supplies and Materials	1,423	1,427	(4)
600 Other Objects	100	100	-
213 Health Services:			
100 Salaries	252,009	265,340	(13,331)
200 Employee Benefits	66,532	60,601	5,931
300 Purchased Services	1,000	1,411	(411)
400 Supplies and Materials	\$ 39,000	10,804	\$ 28,196

(Continued)

GENERAL FUND

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

YEAR ENDED JUNE 30, 2006

	FINAL BUDGET	ACTUAL	VARIANCE
214 Psychological Services:			
100 Salaries	\$ 242,157	202,542	\$ 39,615
200 Employee Benefits	65,274	51,416	13,858
600 Other Objects	-	705	(705)
220 Instructional Staff Services:			
221 Improvement of Instruction-Curriculum Development:			
100 Salaries	638,468	655,425	(16,957)
200 Employee Benefits	81,669	153,709	(72,040)
300 Purchased Services	31,000	34,170	(3,170)
400 Supplies and Materials	114,000	98,793	15,207
600 Other Objects	4,500	2,058	2,442
222 Library and Media Services:			
100 Salaries	641,900	664,461	(22,561)
200 Employee Benefits	200,504	202,181	(1,677)
300 Purchased Services	1,294	1,197	97
400 Supplies and Materials	87,181	95,326	(8,145)
223 Supervision of Special Programs:			
100 Salaries	73,130	75,955	(2,825)
200 Employee Benefits	19,239	20,047	(808)
300 Purchased Services	6,100	3,056	3,044
224 Improvement of Instruction-Inservice and Staff Training:			
100 Salaries	46,930	8,327	38,603
200 Employee Benefits	8,006	1,709	6,297
300 Purchased Services	46,336	32,728	13,608
400 Supplies and Materials	-	3,232	(3,232)
230 General Administrative Services:			
231 Board of Education:			
300 Purchased Services	51,000	97,326	(46,326)
318 Audit Services	33,000	29,450	3,550
400 Supplies and Materials	4,000	4,333	(333)
600 Other Objects	6,000	17,157	(11,157)
232 Office of Superintendent:			
100 Salaries	317,480	227,105	90,375
200 Employee Benefits	365,931	407,202	(41,271)
300 Purchased Services	40,283	45,153	(4,870)
400 Supplies and Materials	31,000	26,088	4,912
600 Other Objects	\$ 14,000	17,414	\$ (3,414)

(Continued)

GENERAL FUND

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

YEAR ENDED JUNE 30, 2006

	FINAL BUDGET	ACTUAL	VARIANCE
233 School Administration:			
100 Salaries	\$ 2,502,532	2,365,537	\$ 136,995
200 Employee Benefits	630,775	657,695	(26,920)
300 Purchased Services	24,687	23,011	1,676
400 Supplies and Materials	40,675	45,702	(5,027)
500 Capital Outlay	10,600	10,600	-
600 Other Objects	6,344	6,079	265
250 Finance and Operations Services:			
252 Fiscal Services:			
100 Salaries	269,753	271,232	(1,479)
200 Employee Benefits	70,937	72,026	(1,089)
300 Purchased Services	34,750	16,263	18,487
400 Supplies and Materials	40,000	15,279	24,721
600 Other Objects	1,000	605	395
254 Operation and Maintenance of Plant:			
100 Salaries	2,036,884	1,639,759	397,125
200 Employee Benefits	506,192	506,189	3
300 Purchased Services	786,500	1,569,351	(782,851)
321 Public Utilities (Excludes Gas, Oil, Elec. & Other Heating Fuels)	170,000	117,464	52,536
400 Supplies and Materials	548,100	862,163	(314,063)
470 Energy (Includes Gas, Oil, Elec. & Other Heating Fuels)	1,116,500	1,130,826	(14,326)
600 Other Objects	1,400	1,540	(140)
255 Student Transportation (State Mandated):			
100 Salaries	689,071	606,410	82,661
200 Employee Benefits	163,637	172,493	(8,856)
300 Purchased Services	120,500	112,883	7,617
400 Supplies and Materials	9,500	42,734	(33,234)
256 Food Service:			
200 Employee Benefits	-	70,234	(70,234)
258 Security:			
300 Purchased Services	85,000	89,898	(4,898)
400 Supplies and Materials	-	34,675	(34,675)
260 Central Support Services:			
263 Information Services:			
300 Purchased Services	-	237	(237)
264 Staff Services:			
100 Salaries	280,111	172,617	107,494
200 Employee Benefits	46,686	45,426	1,260
300 Purchased Services	25,500	28,465	(2,965)
400 Supplies and Materials	14,000	18,920	(4,920)
600 Other Objects	\$ 2,000	2,215	\$ (215)

(Continued)

GENERAL FUND

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

YEAR ENDED JUNE 30, 2006

	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
266 Technology and Data Processing Services:			
100 Salaries	\$ 104,192	172,638	\$ (68,446)
200 Employee Benefits	34,027	45,815	(11,788)
300 Purchased Services	143,000	118,402	24,598
400 Supplies and Materials	605,650	827,087	(221,437)
500 Capital Outlay	11,350	11,329	21
270 Support Services Pupil Activity:			
271 Pupil Services Activities:			
100 Salaries (Optional)	266,324	253,505	12,819
200 Employee Benefits (Optional)	49,662	44,812	4,850
300 Purchased Services (Optional)	5,000	5,015	(15)
400 Supplies and Materials (Optional)	144,640	48,258	96,382
Total Support Services	<u>16,241,182</u>	<u>16,873,037</u>	<u>(631,855)</u>
400 Other Charges:			
410 Intergovernmental Expenditures:			
411 Payments to the SDE			
720 Transits	-	34,490	(34,490)
412 Payments to Other Governmental Units			
720 Transits	-	30,000	(30,000)
Total Intergovernmental Expenditures	<u>-</u>	<u>64,490</u>	<u>(64,490)</u>
500 Debt Service:			
620 Interest	25,000	17,839	7,161
Total Debt Service	<u>25,000</u>	<u>17,839</u>	<u>7,161</u>
<b>TOTAL EXPENDITURES</b>	<b><u>41,580,861</u></b>	<b><u>40,466,102</u></b>	<b><u>1,114,759</u></b>
<b>OTHER FINANCING SOURCES (USES)</b>			
424-710 Transfer to Capital Projects Fund	-	(6,500,000)	(6,500,000)
426-710 Transfer to Pupil Activity Fund	-	(117,640)	(117,640)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(6,617,640)</u>	<u>(6,617,640)</u>
<b>EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>-</b>	<b>(2,496,889)</b>	<b>(2,496,889)</b>
FUND BALANCE, Beginning of Year	<u>11,593,258</u>	<u>11,593,258</u>	<u>-</u>
<b>FUND BALANCE, End of Year</b>	<b><u>\$ 11,593,258</u></b>	<b><u>9,096,369</u></b>	<b><u>\$ (2,496,889)</u></b>

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

**SPECIAL REVENUE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**

**YEAR ENDED JUNE 30, 2006**

	<b>Title I (BA Projects) (201)</b>	<b>IDEA (CA Projects) (203)</b>
<b>REVENUES</b>		
1000 Revenue from Local Sources:		
1900 Other Revenue from Local Sources:		
1930 Medicaid	\$ -	-
1931 Therapy Adjustment - 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:		
3120 General Education:		
3121 EAA Summer School/Comprehensive Remediation	-	-
3126 Refurbishment of K-8 Science Kits	-	-
3130 Special Programs:		
3161 EAA Bus Driver Salary and Fringe	-	-
3190 Miscellaneous Restricted State Grants:		
3193 Education License Plates	-	-
3198 School Technology Initiative (Carryover from 2004-05 Only)	-	-
3199 Other Restricted State Grants	-	-
3600 Education Lottery Act Revenue:		
3607 6-8 Enhancement	-	-
3608 High School that Works	-	-
3610 K-5 Enhancement	-	-
3699 Other State Lottery Programs	-	-
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 Vocational Aid, Title I	-	-
4300 Elementary and Secondary Education Act of 1965 (ESEA):		
4310 Title I, Basic State Grant Programs (Carryover Provision)	549,698	-
4331 Enhancing Education through Technology (E2T2), Title II (Carryover Provision)	-	-
4340 Promoting Informed Parental Choice & Innovative Education Program Strategies, Title V (Carryover Provision)	-	-
4341 Language Instruction for Limited English Proficient and Immigrant Students, Title III (Carryover Provision)	\$ -	-



<b>Preschool Handicapped (CG Projects) (205)</b>	<b>Occupational Education (VA Projects) (207)</b>	<b>Drug Free (FP/FQ Projects) (209)</b>	<b>Adult Education* (EA Projects) (918)</b>	<b>Other Designated Restricted State Grants* (900s)</b>	<b>Other Special Revenue Programs* (200s/800s)</b>	<b>Totals</b>
-	-	-	-	-	162,463	\$ 162,463
-	-	-	-	-	32,825	32,825
-	-	-	-	-	28,300	28,300
-	-	-	138,597	-	-	138,597
-	-	-	138,597	-	223,588	362,185
-	-	-	-	307,683	-	307,683
-	-	-	-	22,139	-	22,139
-	-	-	-	7,999	-	7,999
-	-	-	-	1,531	-	1,531
-	-	-	-	14,685	-	14,685
-	-	-	-	21,614	-	21,614
-	-	-	-	2,350	-	2,350
-	-	-	-	4,667	-	4,667
-	-	-	-	171,061	-	171,061
-	-	-	-	3,800	-	3,800
-	-	-	-	12,655	-	12,655
-	-	-	-	38,829	-	38,829
-	-	-	-	609,013	-	609,013
-	71,848	-	-	-	-	71,848
-	-	-	-	-	-	549,698
-	-	-	-	-	1,457	1,457
-	-	-	-	-	11,465	11,465
-	-	-	-	-	13,244	\$ 13,244

(Continued)

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

**SPECIAL REVENUE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**

**YEAR ENDED JUNE 30, 2006**

	<b>Title I (BA Projects) (201)</b>	<b>IDEA (CA Projects) (203)</b>
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)	-	873,996
4520 Pre-School Grants (Carryover Provision)	-	-
4900 Other Federal Sources:		
4920 Drug and Violence Prevention, Title IV	-	-
4990 Other Federal Revenue	-	-
Total Revenue from Federal Sources	549,698	873,996
<b>TOTAL REVENUE ALL SOURCES</b>	<b>549,698</b>	<b>873,996</b>

**EXPENDITURES**

100 Instruction:		
110 General Instruction:		
111 Kindergarten Program:		
100 Salaries	-	-
200 Employee Benefits	-	-
300 Purchased Services	579	-
400 Supplies and Materials	25,904	-
112 Primary Programs:		
100 Salaries	214,596	-
200 Employee Benefits	68,739	-
300 Purchased Services	3,789	-
400 Supplies and Materials	25,372	-
113 Elementary Programs:		
100 Salaries	1,500	-
200 Employee Benefits	280	-
300 Purchased Services	578	-
400 Supplies and Materials	26,814	7,083
114 High School Programs:		
100 Salaries	-	-
200 Employee Benefits	-	-
300 Purchased Services	-	-
400 Supplies and Materials	-	-
115 Vocational Programs:		
100 Salaries	-	-
200 Employee Benefits	-	-
300 Purchased Services - Other Than Tuition	-	-
400 Supplies and Materials	-	-
	\$ -	-

<b>Preschool Handicapped (CG Projects) (205)</b>	<b>Occupational Education (VA Projects) (207)</b>	<b>Drug Free (FP/FQ Projects) (209)</b>	<b>Adult Education* (EA Projects) (918)</b>	<b>Other Designated Restricted State Grants* (900s)</b>	<b>Other Special Revenue Programs* (200s/800s)</b>	<b>Totals</b>
-	-	-	-	-	159,146	\$ 159,146
-	-	-	-	-	61,447	61,447
-	-	-	-	-	5,886	879,882
67,055	-	-	-	-	-	67,055
-	-	23,162	-	-	-	23,162
-	-	-	-	-	50,197	50,197
<b>67,055</b>	<b>71,848</b>	<b>23,162</b>	<b>-</b>	<b>-</b>	<b>302,842</b>	<b>1,888,601</b>
<b>67,055</b>	<b>71,848</b>	<b>23,162</b>	<b>138,597</b>	<b>609,013</b>	<b>526,430</b>	<b>2,859,799</b>
-	-	-	-	100	-	100
-	-	-	-	17	-	17
-	-	-	-	-	-	579
-	-	-	-	-	-	25,904
-	-	-	-	2,200	-	216,796
-	-	-	-	403	-	69,142
-	-	-	-	-	-	3,789
-	-	-	-	-	-	25,372
-	-	-	-	3,811	-	5,311
-	-	-	-	785	-	1,065
-	-	-	-	587	-	1,165
-	-	-	-	99,370	10,032	143,299
-	-	1,200	-	3,200	43,657	48,057
-	-	222	-	584	6,540	7,346
-	-	5,920	-	4,301	-	10,221
-	-	14,261	-	97	1,433	15,791
-	18,434	-	-	3,114	-	21,548
-	3,310	-	-	164	-	3,474
-	11,400	-	-	-	-	11,400
-	37,204	-	-	-	-	\$ 37,204

(Continued)

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

**SPECIAL REVENUE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**

**YEAR ENDED JUNE 30, 2006**

	<b>Title I (BA Projects) (201)</b>	<b>IDEA (CA Projects) (203)</b>
120 Exceptional Programs:		
121 Educable Mentally Handicapped:		
100 Salaries	\$ -	21,984
200 Employee Benefits	-	7,752
300 Purchased Services	-	1,444
400 Supplies and Materials	-	11,941
122 Trainable Mentally Handicapped:		
100 Salaries	-	6,396
200 Employee Benefits	-	769
300 Purchased Services	-	452
400 Supplies and Materials	-	7,245
123 Orthopedically Handicapped:		
400 Supplies and Materials	-	602
124 Visually Handicapped:		
400 Supplies and Materials	-	6,081
125 Hearing Handicapped:		
100 Salaries	-	57,700
200 Employee Benefits	-	9,112
300 Purchased Services	-	2,758
400 Supplies and Materials	-	74
126 Speech Handicapped:		
100 Salaries	-	44,301
200 Employee Benefits	-	11,640
300 Purchased Services	-	1,314
400 Supplies and Materials	-	2,382
127 Learning Disabilities:		
100 Salaries	22,090	38,682
200 Employee Benefits	6,852	7,132
300 Purchased Services	-	2,100
400 Supplies and Materials	-	19,872
128 Emotionally Handicapped:		
100 Salaries	-	20,538
200 Employee Benefits	-	3,170
300 Purchased Services	-	2,655
400 Supplies and Materials	-	7,476
130 Pre-School Programs:		
137 Pre-School Handicapped Self-Contained (3 & 4-Yr. Olds):		
100 Salaries	-	35,205
200 Employee Benefits	-	4,647
300 Purchased Services	-	598
400 Supplies and Materials	\$ -	5,697

<b>Preschool Handicapped (CG Projects) (205)</b>	<b>Occupational Education (VA Projects) (207)</b>	<b>Drug Free (FP/FQ Projects) (209)</b>	<b>Adult Education* (EA Projects) (918)</b>	<b>Other Designated Restricted State Grants* (900s)</b>	<b>Other Special Revenue Programs* (200s/800s)</b>	<b>Totals</b>
-	-	-	-	16,587	-	\$ 38,571
-	-	-	-	2,813	-	10,565
-	-	-	-	-	-	1,444
-	-	-	-	-	-	11,941
-	-	-	-	-	-	6,396
-	-	-	-	-	-	769
-	-	-	-	-	-	452
-	-	-	-	-	-	7,245
-	-	-	-	-	-	602
-	-	-	-	-	-	6,081
-	-	-	-	-	-	57,700
-	-	-	-	-	-	9,112
-	-	-	-	-	-	2,758
-	-	-	-	-	-	74
-	-	-	-	-	-	44,301
-	-	-	-	-	-	11,640
-	-	-	-	-	-	1,314
-	-	-	-	-	-	2,382
-	-	-	-	-	-	60,772
-	-	-	-	-	-	13,984
-	-	-	-	-	-	2,100
-	-	-	-	-	-	19,872
-	-	-	-	-	-	20,538
-	-	-	-	-	-	3,170
-	-	-	-	-	-	2,655
-	-	-	-	-	-	7,476
27,640	-	-	-	-	-	62,845
8,093	-	-	-	-	-	12,740
-	-	-	-	-	-	598
3,186	-	-	-	-	-	\$ 8,883

(Continued)

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

**SPECIAL REVENUE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**

**YEAR ENDED JUNE 30, 2006**

	<b>Title I (BA Projects) (201)</b>	<b>IDEA (CA Projects) (203)</b>
139 Early Childhood Programs:		
100 Salaries	\$ -	-
200 Employee Benefits	-	-
300 Purchased Services	-	-
400 Supplies and Materials	-	-
140 Special Programs:		
148 Gifted and Talented - Artistic:		
100 Salaries	31,193	-
200 Employee Benefits	12,719	-
149 Other Special Programs:		
300 Purchased Services	-	-
160 Other Exceptional Programs:		
161 Autism:		
100 Salaries	-	9,017
200 Employee Benefits	-	2,360
300 Purchased Services	-	1,148
400 Supplies and Materials	-	24,099
180 Adult/Continuing Educational Programs:		
181 Adult Basic Education Programs:		
100 Salaries	-	-
200 Employee Benefits	-	-
400 Supplies and Materials	-	-
182 Adult Secondary Education Programs:		
100 Salaries	-	-
200 Employee Benefits	-	-
400 Supplies and Materials	-	-
183 Adult English Literacy (ESL):		
100 Salaries	-	-
200 Employee Benefits	-	-
184 Post Secondary Education Programs:		
100 Salaries	-	-
200 Employee Benefits	-	-
188 Parenting/Family Literacy:		
100 Salaries	-	-
200 Employee Benefits	-	-
300 Purchased Services	-	-
400 Supplies and Materials	7,360	-
Total Instruction	<u>\$ 448,365</u>	<u>385,426</u>

<b>Preschool Handicapped (CG Projects) (205)</b>	<b>Occupational Education (VA Projects) (207)</b>	<b>Drug Free (FP/FQ Projects) (209)</b>	<b>Adult Education* (EA Projects) (918)</b>	<b>Other Designated Restricted State Grants* (900s)</b>	<b>Other Special Revenue Programs* (200s/800s)</b>	<b>Totals</b>
-	-	-	-	20,043	6,238	\$ 26,281
-	-	-	-	1,531	898	2,429
-	-	-	-	3,191	3,146	6,337
-	-	-	-	-	250	250
-	-	-	-	-	-	31,193
-	-	-	-	-	-	12,719
-	-	-	-	-	8,605	8,605
-	-	-	-	-	32,900	41,917
-	-	-	-	-	14,865	17,225
-	-	-	-	-	-	1,148
-	-	-	-	-	-	24,099
-	-	-	70,264	-	17,852	88,116
-	-	-	26,188	-	5,176	31,364
-	-	-	-	-	2,000	2,000
-	-	-	13,465	-	9,630	23,095
-	-	-	-	-	2,426	2,426
-	-	-	-	-	10,000	10,000
-	-	-	870	-	13,050	13,920
-	-	-	48	-	1,313	1,361
-	-	-	1,694	-	-	1,694
-	-	-	313	-	-	313
-	-	-	-	8,205	17,660	25,865
-	-	-	-	1,309	-	1,309
-	-	-	-	1,486	-	1,486
-	-	-	-	3,064	-	10,424
<b>38,919</b>	<b>70,348</b>	<b>21,603</b>	<b>112,842</b>	<b>176,962</b>	<b>207,671</b>	<b>\$ 1,462,136</b>

(Continued)

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

**SPECIAL REVENUE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**

**YEAR ENDED JUNE 30, 2006**

	<b>Title I (BA Projects) (201)</b>	<b>IDEA (CA Projects) (203)</b>
200 Support Services:		
210 Pupil Services:		
211 Attendance and Social Work Services:		
300 Purchased Services	\$ -	595
400 Supplies and Materials	-	295
213 Health Services:		
100 Salaries	21,146	98,149
200 Employee Benefits	1,618	28,729
300 Purchased Services	-	60,592
400 Supplies and Materials	-	5,835
214 Psychological Services:		
100 Salaries	-	55,415
200 Employee Benefits	-	13,888
300 Purchased Services	-	13,043
400 Supplies and Materials	-	2,743
215 Exceptional Program Services:		
400 Supplies and Materials	-	3,569
220 Instructional Staff Services:		
221 Improvement of Instruction - Curriculum Development:		
300 Purchased Services	-	-
222 Library and Media:		
100 Salaries	11,091	-
200 Employee Benefits	5,384	-
400 Supplies and Materials	-	-
223 Supervision of Special Programs:		
100 Salaries	-	65,549
200 Employee Benefits	-	19,175
300 Purchased Services	4,030	3,164
400 Supplies and Materials	55	9,706
600 Other Objects	-	660
224 Improvement of Instruction - Inservice and Staff Training:		
100 Salaries	-	9,497
200 Employee Benefits	-	1,725
300 Purchased Services	55,043	89,627
400 Supplies and Materials	2,966	1,181
250 Finance and Operations Services:		
254 Operation and Maintenance of Plant:		
300 Purchased Services	-	-
321 Public Utilities (Excludes Gas, Oil, Elec. & Other Heating Fuels)	-	-
470 Energy (Includes Gas, Oil, Elec. & Other Heating Fuels)	-	-
255 Student Transportation (State Mandated):		
100 Salaries	-	-
300 Purchased Services	\$ -	5,433



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
-	-	-	-	-	-	\$ 595
-	-	-	-	-	-	295
-	-	-	-	-	-	119,295
-	-	-	-	-	-	30,347
-	-	-	-	-	32,554	93,146
-	-	-	-	-	-	5,835
-	-	-	-	-	-	55,415
-	-	-	-	-	-	13,888
-	-	-	-	-	-	13,043
-	-	-	-	-	-	2,743
-	-	-	-	-	-	3,569
-	-	1,559	85	-	-	1,644
-	-	-	-	-	-	11,091
-	-	-	-	-	-	5,384
-	-	-	-	98,639	-	98,639
22,210	-	-	-	-	-	87,759
5,926	-	-	289	-	-	25,390
-	-	-	28	-	-	7,222
-	-	-	-	1,514	-	11,275
-	-	-	-	-	-	660
-	-	-	-	4,472	33,282	47,251
-	-	-	-	748	4,639	7,112
-	1,500	-	-	-	114,956	261,126
-	-	-	-	-	26,959	31,106
-	-	-	320	-	-	320
-	-	-	402	-	-	402
-	-	-	3,221	-	-	3,221
-	-	-	-	7,999	-	7,999
-	-	-	-	-	-	\$ 5,433

(Continued)

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

**SPECIAL REVENUE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**

**YEAR ENDED JUNE 30, 2006**

	<b>Title I (BA Projects) (201)</b>	<b>IDEA (CA Projects) (203)</b>
260 Central Support Services:		
266 Technology and Data Processing Services:		
400 Supplies and Materials	\$ -	-
Total Support Services	<u>101,333</u>	<u>488,570</u>
410 Intergovernmental Expenditures:		
414 Medicaid Payments to SDE		
720 Transits	-	-
Total Intergovernmental Expenditures	<u>-</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<b><u>549,698</u></b>	<b><u>873,996</u></b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Interfund Transfers, From (To) Other Funds:		
422-710 Transfer to Special Revenue EIA Fund	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>
<b>EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>-</b>	<b>-</b>
FUND BALANCE, Beginning of Year	<u>-</u>	<u>-</u>
<b>FUND BALANCE, End of Year</b>	<b><u>\$ -</u></b>	<b><u>-</u></b>

<b>Preschool Handicapped (CG Projects) (205)</b>	<b>Occupational Education (VA Projects) (207)</b>	<b>Drug Free (FP/FQ Projects) (209)</b>	<b>Adult Education* (EA Projects) (918)</b>	<b>Other Designated Restricted State Grants* (900s)</b>	<b>Other Special Revenue Programs* (200s/800s)</b>	<b>Totals</b>
-	-	-	-	10,996	-	\$ 10,996
28,136	1,500	1,559	4,345	124,368	212,390	962,201
-	-	-	-	-	29,373	29,373
-	-	-	-	-	29,373	29,373
<b>67,055</b>	<b>71,848</b>	<b>23,162</b>	<b>117,187</b>	<b>301,330</b>	<b>449,434</b>	<b>2,453,710</b>
-	-	-	-	(307,683)	-	(307,683)
-	-	-	-	(307,683)	-	(307,683)
-	-	-	<b>21,410</b>	-	<b>76,996</b>	<b>98,406</b>
-	-	-	-	-	172,641	172,641
-	-	-	<b>21,410</b>	-	<b>249,637</b>	<b>\$ 271,047</b>

SPECIAL REVENUE FUND

SUPPLEMENTAL LISTING OF LEA SUBFUND CODES AND TITLES

YEAR ENDED JUNE 30, 2006

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**OTHER DESIGNATED RESTRICTED  
STATE GRANTS**

212	12 Month Agricultural Program
278	Other Restricted State Grants
284	First Steps
908	Refurbishment of K-8 Science Kits (No Carryover Provision)
909	Technology Professional Development
911	School Technology Initiative (Carryover from 2004-05 Only)
916	ADEPT (Assisting, Developing, and Evaluating Professional Teaching)
919	Education License Plates
931	EAA Summer School
960	K-5 Lottery Enhancement
961	EAA Bus Driver Salary and Fringe
965	High School That Works
967	6-8 Enhancement
968	High School That Works

**OTHER SPECIAL REVENUE  
PROGRAMS**

201	Title I
203	IDEA
205	Preschool Grants
207	Vocational Aid
209	Drug and Violence Prevention Program
213	Personnel Development
214	Individuals with Disabilities Education Act (IDEA-CE Projects Only Current Year (84.027))
241	Promoting Informed Parental Choice and Innovative Programs, Title V
242	Even Start Family Literacy
243	Adult Education - Federal
244	Eisenhower Fund
253	Enhancing Education Through Technology (E2T2), Title II (84.318) (Carryover Provision)
264	Title III
267	Improving Teacher Quality (84.367A) (Carryover Provision)
277	ROTC
801	SAT Improvement

SPECIAL REVENUE FUND

SUMMARY SCHEDULE FOR OTHER DESIGNATED STATE RESTRICTED GRANTS

YEAR ENDED JUNE 30, 2006

SUBFUND	REVENUE CODE	PROGRAMS	REVENUES	EXPENDITURES	SPECIAL REVENUE		Special Revenue Fund Deferred
					INTERFUND TRANSFERS IN (OUT)	OTHER FUND TRANSFERS IN (OUT)	
212	3199	12 Month Agricultural Program	\$ 2,214	2,214	-	-	\$ -
278	3199	Other Restricted State Grants	19,400	19,400	-	-	-
284	3999	First Steps	38,829	38,829	-	-	3,735
908	3126	Refurbishment of K-8 Science Kits (No Carryover Provision)	22,139	22,139	-	-	-
909	N/A	Technology Professional Development	-	-	-	-	10,237
911	3198	School Technology Initiative (Carryover from 2004-05 Only)	14,685	14,685	-	-	-
916	3991	ADEPT (Assisting, Developing, and Evaluating Professional Teaching)	12,655	12,655	-	-	-
919	3193	Education License Plates	1,531	1,531	-	-	-
931	3121	EAA Summer School	307,683	-	-	(307,683)	-
960	3610	K-5 Enhancement	174,861	174,861	-	-	333,105
961	3161	EAA Bus Driver Salary	7,999	7,999	-	-	-
965	3605	EAA Palmetto Gold and Silver Awards (Carryover from 2004-05 Only)	-	-	-	-	1,438
967	3607	6-8 Enhancement	2,350	2,350	-	-	11,050
968	3608	6-8 Enhancement	4,667	4,667	-	-	4,650
<b>Totals</b>			<b>\$ 609,013</b>	<b>301,330</b>	<b>-</b>	<b>(307,683)</b>	<b>\$ 364,215</b>

EDUCATION IMPROVEMENT ACT

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

YEAR ENDED JUNE 30, 2006

	<b>ACTUAL</b>
<b>REVENUES</b>	
3500 Education Improvement Act:	
3501 Increase High School Diploma Requirements	\$ 175,107
3509 Arts in Education	5,000
3513 Parenting/Family Literacy	50,415
3515 Advanced Placement Courses	2,900
3520 Gifted and Talented - Academic	248,554
3522 Gifted and Talented - Artistic	23,202
3523 Junior Scholars Program	783
3525 Career and Technology Education Equipment	105,629
3526 EAA Teacher Specialist (No Carryover Provision)	93,203
3527 Critical Teaching Needs	3,615
3530 Trainable & Profoundly Mentally Disabled Student Services	21,880
3532 National Board Certification (NBC) Salary Supplement (No Carryover Provision)	346,905
3533 Teacher of the Year Awards	1,077
3534 Professional Development on Standards	20,482
3540 Early Childhood Program (4K Programs Serving Four-Year-Old Children)	86,834
3542 Preschool Programs for Children with Disabilities	24,017
3546 Academic Assistance K-3	215,331
3548 Academic Assistance 4-12	256,159
3549 Academic Assistance Reading Recovery	32,608
3550 Teacher Salary Increase (No Carryover Provision)	1,081,796
3553 Adult Education - Remedial	4,206
3562 Adult Education, Basic (Includes Rural and Workforce Initiative)	103,550
3564 Adult Education, Young Adult Initiative	21,601
3575 Competitive Teacher Grants	5,852
3577 Teacher Supplies (No Carryover Provision)	100,500
3582 Principal Salary/Fringe Increase (No Carryover Provision)	23,374
3583 EAA Summer School/Comprehensive Remediation	191,804
3588 EAA Palmetto Gold and Silver Awards	24,285
3591 Excellence In Middle Schools	20,500
3592 School-to-Work Transition Act	15,201
3593 EAA Reduce Class Size Grades 1 - 3	128,426
3596 EAA Alternative Schools Program	112,520
3598 Bus Driver Salary Supplement (No Carryover Provision)	3,207
Total Revenue from State Sources	3,550,523
<b>TOTAL REVENUE ALL SOURCES</b>	<b>3,550,523</b>

**EXPENDITURES**

100 Instruction:	
110 General Instruction:	
111 Kindergarten Programs:	
100 Salaries	69,748
200 Employee Benefits	\$ 13,575

(Continued)

EDUCATION IMPROVEMENT ACT

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

YEAR ENDED JUNE 30, 2006

	<u>ACTUAL</u>
112 Primary Programs:	
100 Salaries	\$ 443,287
200 Employee Benefits	96,770
300 Purchased Services	4,832
400 Supplies and Materials	50,149
600 Other Objects	350
113 Elementary Programs:	
100 Salaries	662,162
200 Employee Benefits	142,336
300 Purchased Services	5,000
400 Supplies and Materials	50,880
114 High School Programs:	
100 Salaries	550,767
200 Employee Benefits	96,377
400 Supplies and Materials	30,900
115 Vocation Programs:	
100 Salaries	58,093
200 Employee Benefits	8,149
300 Purchased Services - Other Than Tuition	350
400 Supplies and Materials	65,953
500 Capital Outlay	40,790
120 Exceptional Programs:	
121 Educable Mentally Handicapped:	
100 Salaries	10,444
200 Employee Benefits	1,895
122 Trainable Mentally Handicapped:	
100 Salaries	28,663
200 Employee Benefits	1,243
125 Hearing Handicapped:	
100 Salaries	1,833
200 Employee Benefits	336
126 Speech Handicapped:	
100 Salaries	7,697
200 Employee Benefits	1,387
127 Learning Disabilities:	
100 Salaries	33,907
200 Employee Benefits	6,091
128 Emotionally Handicapped:	
100 Salaries	4,802
200 Employee Benefits	882
130 Pre-School Programs:	
137 Preschool Hanicapped Self Contained (3 & 4 Yr. Olds):	
100 Salaries	26,628
200 Employee Benefits	\$ 479

(Continued)

EDUCATION IMPROVEMENT ACT

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

YEAR ENDED JUNE 30, 2006

	<u>ACTUAL</u>
139 Early Childhood Programs:	
100 Salaries	\$ 465,526
200 Employee Benefits	120,279
140 Special Programs:	
141 Gifted and Talented - Academic:	
100 Salaries	223,352
200 Employee Benefits	62,086
300 Purchased Services	27,406
400 Supplies and Materials	7,806
149 Other Special Programs:	
100 Salaries	222
200 Employee Benefits	40
180 Adult/Continuing Educational Programs:	
181 Adult Basic Education Programs:	
100 Salaries	1,950
200 Employee Benefits	551
400 Supplies and Materials	2,000
182 Adult Secondary Education Programs:	
100 Salaries	34,146
200 Employee Benefits	8,380
300 Purchased Services	1,000
400 Supplies and Materials	5,601
183 Adult Education Literacy (ESL):	
400 Supplies and Materials	1,500
187 Adult Education - Remedial:	
100 Salaries	3,673
200 Employee Benefits	533
188 Parenting/Family Literacy:	
100 Salaries	39,666
200 Employee Benefits	10,749
Total Instruction	<u>3,533,221</u>
200 Support Services:	
210 Pupil Services:	
212 Guidance Services:	
100 Salaries	63,255
200 Employee Benefits	7,872
214 Psychological Services:	
100 Salaries	7,500
200 Employee Benefits	1,394
220 Instructional Staff Services:	
221 Improvement of Instruction-Curriculum Development:	
100 Salaries	32,174
200 Employee Benefits	\$ 5,961

(Continued)



EDUCATION IMPROVEMENT ACT

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

YEAR ENDED JUNE 30, 2006

	<u>ACTUAL</u>
222 Library and Media:	
100 Salaries	\$ 5,169
200 Employee Benefits	936
400 Supplies and Materials	4,790
223 Supervision of Special Programs:	
100 Salaries	115,016
200 Employee Benefits	17,540
300 Purchased Services	10,200
400 Supplies and Materials	2,500
224 Improvement of Instruction - Inservice and Staff Training:	
100 Salaries	20,392
200 Employee Benefits	2,930
300 Purchased Services	775
230 General Administration Services:	
233 School Administration:	
100 Salaries	23,374
250 Finance and Operations Services:	
255 Student Transportation (State Mandated):	
100 Salaries	3,207
Total Support Services	<u>324,985</u>
<b>TOTAL EXPENDITURES</b>	<b><u>3,858,206</u></b>
<b>OTHER FINANCING SOURCES (USES)</b>	
Interfund Transfers, From (To) Other Funds:	
5230 Transfer from Special Revenue EIA Fund	499,487
422-710 Transfer to EIA Fund	(191,804)
TOTAL OTHER FINANCING SOURCES (USES)	<u>307,683</u>
<b>EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>-</b>
FUND BALANCE, Beginning of Year	<u>-</u>
<b>FUND BALANCE, End of Year</b>	<b><u>\$ -</u></b>

EDUCATION IMPROVEMENT ACT

SUMMARY SCHEDULE BY PROGRAM

YEAR ENDED JUNE 30, 2006

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	\$ 175,107	175,107	-	-	\$ -
3505 School Technology Initiative	-	-	-	-	12,940
3509 Arts in Education	5,000	5,000	-	-	-
3513 Parenting/Family Literacy (Carryover from 2004-05 Only)	50,415	50,415	-	-	-
3515 Advanced Placement Courses	2,900	2,900	-	-	-
3520 Gifted and Talented - Academic	248,554	288,554	40,000	-	-
3522 Gifted and Talented - Artistic	23,202	23,202	-	-	-
3523 Junior Scholars Programs	783	783	-	-	-
3525 Career and Technology Education Equipment	105,629	105,629	-	-	-
3526 EAA Teacher Specialist (No Carryover Provision)	93,203	93,203	-	-	-
3527 Critical Teaching Needs	3,615	3,615	-	-	602
3530 Trainable & Profoundly Mentally Disabled Student Services	21,880	21,880	-	-	-
3532 National Board Certification (NBC) Salary Supplement (No Carryover Provision)	346,905	346,905	-	-	-
3533 Teacher of the Year Awards (No Carryover Provision)	1,077	1,077	-	-	-
3534 Professional Development on Standard	20,482	20,482	-	-	33,859
3540 Early Childhood Program (4K Programs Serving Four-Year-Old Children)	86,834	546,321	459,487	-	-
3542 Preschool Programs for Children with Disabilities	24,017	24,017	-	-	-
3546 Academic Assistance K-3 (No Carryover Provision)	215,331	215,331	-	-	-
3548 Academic Assistance 4-12 (No Carryover Provision)	256,159	256,159	-	-	-
3549 Academic Assistance Reading Recovery	32,608	32,608	-	-	-
3550 Teacher Salary Increase (No Carryover Provision)	1,081,796	1,081,796	-	-	-
3553 Adult Education - Remedial	4,206	4,206	-	-	-
3562 Adult Education, (Includes Rural and Workforce Initiative)	103,550	103,550	-	-	-
3564 Adult Education, Young Adult Initiative	21,601	21,601	-	-	-
3575 Competitive Teacher Grants	5,852	5,852	-	-	778
3577 Teacher Supplies (No Carryover Provision)	100,500	100,500	-	-	-
3578 High Schools That Work	-	-	-	-	7,000
3582 Principal Salary/Fringe Increase (No Carryover Provision)	23,374	23,374	-	-	-
3583 EAA Summer School/Comprehensive Remediation	191,804	-	-	(191,804)	-
3588 EAA Palmetto Gold and Silver Awards	24,285	24,285	-	-	-
3591 Excellence In Middle Schools	20,500	20,500	-	-	-
3592 School-to-Work Transition Act	15,201	15,201	-	-	-
3593 EAA Reduce Class Size Grades 1 - 3	128,426	128,426	-	-	-
3596 EAA Alternative Schools Program	112,520	112,520	-	-	-
3598 Bus Driver Salary Supplement (No Carryover Provision)	3,207	3,207	-	-	-
<b>Totals</b>	<b>\$ 3,550,523</b>	<b>3,858,206</b>	<b>499,487</b>	<b>(191,804)</b>	<b>\$ 55,179</b>

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

YEAR ENDED JUNE 30, 2006

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<u>Program</u>	<u>Project/Grant Number</u>	<u>Revenue &amp; 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, 2006**

	<u><b>ACTUAL</b></u>
<b>REVENUES</b>	
1000 Revenue from Local Sources:	
1100 Taxes:	
1110 Ad Valorem Taxes-Including Delinquent (Fiscally Independent LEA)	\$ 7,407,695
1500 Earnings on Investments:	
1510 Interest on Investments	119,131
Total Revenue from Local Sources	<u>7,526,826</u>
3000 Revenue from State Sources:	
3800 State Revenue in Lieu of Taxes:	
3820 Homestead Exemption	104,596
3830 Merchant's Inventory Tax	4,111
3890 Other State Property Tax Revenues (Includes Motor Carrier Vehicle Tax)	14,840
Total Revenue from State Sources	<u>123,547</u>
<b>TOTAL REVENUE ALL SOURCES</b>	<u><b>7,650,373</b></u>
<b>EXPENDITURES</b>	
500 Debt Service:	
610 Redemption of Principal	5,500,000
620 Interest	1,370,500
690 Other Objects (Includes Fees for Servicing Bonds)	2,903
Total Debt Service	<u>6,873,403</u>
<b>TOTAL EXPENDITURES</b>	<u><b>6,873,403</b></u>
<b>EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>776,970</b>
FUND BALANCE, Beginning of Year	<u>2,297,189</u>
<b>FUND BALANCE, End of Year</b>	<u><b>\$ 3,074,159</b></u>

**CAPITAL PROJECTS FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**

**YEAR ENDED JUNE 30, 2006**

	<u><b>ACTUAL</b></u>
<b>REVENUES</b>	
1000 Revenue from Local Sources:	
1500 Earnings on Investments:	
1510 Interest on Investments	\$ 527,528
Total Revenue from Local Sources	<u>527,528</u>
<b>TOTAL REVENUE ALL SOURCES</b>	<u><b>527,528</b></u>
<b>EXPENDITURES</b>	
250 Finance and Operations:	
253 Facilities Acquisition & Construction:	
300 Purchased Services	418,674
400 Supplies and Materials	194,589
500 Capital Outlay:	
510 Land	1,498,779
520 Construction Services	287,261
Total Support Services	<u>2,399,303</u>
<b>TOTAL EXPENDITURES</b>	<u><b>2,399,303</b></u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Interfund Transfers, From (To) Other Funds:	
5210 Transfer from General Fund (Exclude Indirect Costs)	6,500,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u><b>6,500,000</b></u>
<b>EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>4,628,225</b>
FUND BALANCE, Beginning of Year	<u>5,182,747</u>
<b>FUND BALANCE, End of Year</b>	<u><b>\$ 9,810,972</b></u>

FOOD SERVICE FUND

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

YEAR ENDED JUNE 30, 2006

	<u>ACTUAL</u>
<b>REVENUES</b>	
1000 Revenue from Local Sources:	
1500 Earnings on Investments:	
1510 Interest on Investments	\$ 1,626
1600 Food Service:	
1610 Lunch Sales to Pupils	724,869
1620 Breakfast Sales to Pupils	37,741
1630 Special Sales to Pupils	355,567
1640 Lunch Sales to Adults	37,631
1650 Breakfast Sales to Adults	1,612
1660 Special Sales to Adults	28,112
1900 Other Revenue from Local Sources:	
1999 Revenue from Other Local Sources	58,748
Total Revenue from Local Sources	<u>1,245,906</u>
3000 Revenue from State Sources:	
3100 Restricted State Funding:	
3140 School Lunch:	
3142 Program Aid	3,133
Total Revenue from State Sources	<u>3,133</u>
4000 Revenue from Federal Sources:	
4800 USDA Reimbursement:	
4810 School Lunch and After School Snacks Program	663,973
4830 School Breakfast Program	155,282
4900 Other Federal Sources:	
4991 USDA Commodities (Food Distribution Program) (Carryover Provision)	111,581
Total Revenue from Federal Sources	<u>930,836</u>
<b>TOTAL REVENUE ALL SOURCES</b>	<b><u>2,179,875</u></b>
<b>EXPENSES</b>	
256 Food Service:	
100 Salaries	713,992
200 Employee Benefits	138,150
300 Purchased Services (Exclude Gas, Oil, Electricity and Other Heating Fuels)	43,894
400 Supplies and Materials (Include Gas, Oil, Electricity and Other Heating Fuels)	1,221,308
500 Capital Outlay	17,780
600 Other Objects	3,685
Total Food Services Expenses	<u>2,138,809</u>
<b>TOTAL EXPENSES</b>	<b><u>2,138,809</u></b>
<b>EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>41,066</b>
FUND NET ASSETS, Beginning of Year	<u>683,997</u>
<b>FUND NET ASSETS, End of Year</b>	<b><u>\$ 725,063</u></b>

PUPIL ACTIVITY FUND

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

YEAR ENDED JUNE 30, 2006

	<u>ACTUAL</u>
<b>RECEIPTS</b>	
1000 Receipts from Local Sources:	
1500 Earnings on Investments:	
1510 Interest on Investments	\$ 7,089
1700 Pupil Activities:	
1710 Admissions	138,223
1720 Bookstore Sales	13,573
1740 Student Fees	222,191
1790 Other	514,847
1900 Other Revenue from Local Sources:	
1920 Contributions & Donations Private Sources	575
1950 Refund of Prior Year's Expenditures (Include Only if Expenditure Occurred Last Year)	
1990 Miscellaneous Local Revenue	271
Total Receipts from Local Sources	<u>896,769</u>
<b>TOTAL RECEIPTS ALL SOURCES</b>	<b><u>896,769</u></b>
<b>DISBURSEMENTS</b>	
190 Instructional Pupil Activity:	
100 Salaries (Optional)	2,991
200 Employee Benefits (Optional)	501
400 Supplies and Materials (Optional)	39,915
500 Capital Outlay (Optional)	1,681
660 Pupil Activity	105,381
Total Instruction	<u>150,469</u>
270 Support Services Pupil Activity:	
271 Pupil Service Activities:	
100 Salaries (Optional)	15,481
200 Employee Benefits (Optional)	2,605
300 Purchased Services (Optional)	28,140
400 Supplies and Materials (Optional)	12,623
500 Capital Outlay (Optional)	2,955
660 Pupil Activity	791,071
Total Pupil Activity Expenditures	<u>852,875</u>
<b>TOTAL DISBURSEMENTS</b>	<b><u>1,003,344</u></b>
<b>OTHER FINANCING SOURCES (USES)</b>	
Interfund Transfers, From (To) Other Funds:	
5210 Transfer from General Fund (Excludes Indirect Costs)	117,640
TOTAL OTHER FINANCING SOURCES (USES)	<u>117,640</u>
<b>EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>11,065</b>
DUE TO STUDENT ORGANIZATIONS, Beginning of Year	<u>323,554</u>
<b>DUE TO STUDENT ORGANIZATIONS, End of Year</b>	<b><u>\$ 334,619</u></b>

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

**LOCATION RECONCILIATION SCHEDULE**

**YEAR ENDED JUNE 30, 2006**

<b>Location ID</b>	<b>Location Description</b>	<b>Education Level</b>	<b>Cost Type</b>	<b>Total Expenditures</b>
10	Clover High School	High School	School	\$ 11,729,802
11	Bethany Elementary	Elementary School	School	2,881,523
12	Bethel Elementary	Elementary School	School	3,445,012
13	Clover Middle	Middle School	School	4,713,596
14	Kinard Elementary	Elementary School	School	3,801,389
15	Clover Jr. High	Middle School	School	6,016,596
47	Griggs Road	Elementary School	School	4,040,523
51	Crowders Creek	Elementary School	School	6,815,314
All Others	Clover School District	Non-Schools	Central	15,749,122
				<u>\$ 59,192,877</u>

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

<b>Fund</b>	<b>Amount</b>
General Fund	\$ 40,466,102
Special Revenue Fund	2,453,710
Special Revenue - EIA Fund	3,858,206
Special Revenue - Food Service Fund	2,138,809
Debt Service Fund	6,873,403
Capital Projects Fund	2,399,303
Pupil Activity Fund	1,003,344
	<u>\$ 59,192,877</u>



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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**YEAR ENDED JUNE 30, 2006**

<b>LEA Subfund Code</b>	<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Grantor's Number</b>	<b>Federal Expenditures</b>
<b>US Department of Agriculture</b>				
Pass-through State Department of Education:				
600	Food Distribution	10.550	N/A	\$ 111,581
600	National School Breakfast Program	10.553	N/A	155,282
600	National School Lunch Program	10.555	N/A	663,973
<b>Total US Department of Agriculture</b>				<b>930,836</b>
<b>US Department of Education</b>				
Pass-through State Department of Education:				
201	Title I Individuals with Disabilities Education Act	84.010	05-BA048	549,698
203	Special Education--Grants to States	84.027	05-CA048	873,996
213	Personal Development	84.027A	05-CR048	5,886
Total 84.027				879,882
240	Special Education--Preschool Grants	84.173	05-CG089	67,055
210	Safe and Drug Free Schools and Communities	84.186	05-FQ089	23,162
202	Title VI- Chapter II	84.151	05-BB089	11,465
243	Adult Education - Basic	84.002	05EK090	61,447
253	Title II - Ed Tech	84.318	05-ET089	1,457
207	Occupational Education (subprogram 16)	84.048	05-VA089	71,848
264	Title III- English Language Acquisition	84.365A	05-BP089	13,244
267	Improving Teacher Quality	84.367A	05-TQ089	159,146
<b>Total US Department of Education</b>				<b>1,838,404</b>
<b>US Department of Defense</b>				
Direct Programs:				
271	JROTC	12.000	N/A	50,197
<b>Total US Department of Defense</b>				<b>50,197</b>
<b>TOTAL FEDERAL ASSISTANCE EXPENDED</b>				<b>\$ 2,819,437</b>

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, 2006**

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**A – General**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) presents the activity of all federal award programs of Clover School District No. 2, South Carolina (the “School District”) for the year ended June 30, 2006. 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 Fund – Food Service.

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

To 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 ("School District"), as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 27, 2006. 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

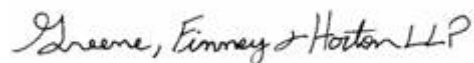
In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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*.

We noted certain other matters that we reported to management of the School District in a separate letter dated October 27, 2006.

This report is intended solely for the information and use of the Board of Trustees, management, the South Carolina Department of Education, and 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.  
October 27, 2006

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of Clover School District No. 2 ("School District"), with the types of compliance requirements described in the U. S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. The School District's major federal programs are identified in the summary of auditor's 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 on the School District's compliance with those requirements.

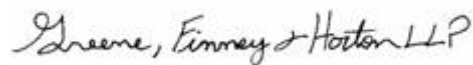
In our opinion, Clover School District No. 2, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with 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 requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Trustees, management, the South Carolina Department of Education, and 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  
October 27, 2006

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**YEAR ENDED JUNE 30, 2006**

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**FINDINGS – 2005 FINANCIAL STATEMENTS**

**2005-1: TWO FREE AND REDUCED APPLICATIONS COULD NOT BE LOCATED**

**Federal Agency: US Department of Agriculture**

**CFDA # 10.555, School Lunch Program**

**Award Year: July 1, 2004 through June 30, 2005**

**Questioned Costs**

Condition: The School District was unable to locate two out of forty free and reduced applications selected for testing.

None

Status: Corrective actions have been taken.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2006**

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**Section I - Summary of Auditors' Results**

***Financial Statements***

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> No
Reportable condition(s) identified that are not considered to be material weaknesses?	_____ Yes	_____ <input checked="" type="checkbox"/> None Reported
Noncompliance material to financial statements noted?	_____ Yes	_____ <input checked="" type="checkbox"/> No

***Federal Awards***

Internal control over major programs:

Material weakness(es) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> No
Reportable condition(s) identified that are not considered to be material weaknesses?	_____ Yes	_____ <input checked="" type="checkbox"/> 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?	_____ Yes	_____ <input checked="" type="checkbox"/> No
--	-----------	--

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.550	Food Distribution
10.553	School Breakfast Program
10.555	School Lunch Program

Dollar threshold used to distinguish between type A and type B programs:	_____ \$300,000 _____
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Auditee qualified as low-risk auditee?	_____ <input checked="" type="checkbox"/> Yes	_____ No
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**Section II - Findings - Current Year Financial Statements Audit**

NONE

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

NONE