

**ANDERSON COUNTY SCHOOL DISTRICT TWO
SOUTH CAROLINA**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2004

**ANDERSON COUNTY SCHOOL DISTRICT TWO
SOUTH CAROLINA**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2004

Established in 1969

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Anderson County School District Two
Honea Path, South Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Anderson County School District Two, South Carolina (the "School District"), as of and for the year ended June 30, 2004, 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. Our responsibility is to express an opinion 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 opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of Anderson County School District Two, South Carolina, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and 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 8, 2004, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying management's discussion and analysis on page 2 through page 10 and budgetary comparison for the General Fund on page 40 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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 Anderson County School District Two's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the 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 statement of the School District. The combining and individual non-major fund financial statements and 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.

Greene, Finney & Horton LLP

Greene, Finney & Horton, LLP
October 8, 2004

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ANDERSON COUNTY SCHOOL DISTRICT TWO, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2004

This discussion and analysis of Anderson County School District Two, South Carolina's (the "School District") financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at 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 2004 are as follows:

- Total net assets of the School District exceeded its liabilities at the close of the most recent fiscal year by \$17,739,595. Of this amount, \$4,216,625 may be used to meet the School District's ongoing obligations to citizens and creditors.
- The School District's total net assets increased by \$1,123,889 in 2004 with \$1,155,326 of the increase coming from governmental activities offset by a decrease in business-type activities of \$31,437.
- As of June 30, 2004, the School District's governmental funds reported combined ending fund balances of \$5,505,149. This was an increase of \$452,781 in comparison with the prior year and is primarily attributable to the completion of current capital projects. Approximately 31% of the total amount, \$1,731,854, is unreserved/undesignated and is available for spending at the government's discretion.
- At the end of 2004, unreserved/undesignated fund balance for the General Fund was \$2,047,265, which is approximately 12% of total General Fund expenditures.
- The School District's total capital assets increased in 2004 by \$548,930, or approximately 13.3%. The key factor in this increase was due to the final stages of new construction and renovations completed in fiscal year 2004.
- The School District's total debt decreased by \$700,000 (2.3%) during 2004. This decrease was due to principal payments to reduce existing debt.
- The School District had \$28,138,339 in expenses related to governmental activities; of these expenses \$18,063,003 were supported by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$11,178,638 provided remaining funding for these programs.
- During 2004, the School District's governmental fund type revenues were \$30,298,148 compared to \$30,188,928 in the prior year. This increase was primarily due to higher local funding (property taxes).
- During 2004, the School District's governmental fund type expenses were \$29,986,909 compared to \$42,350,541 in the prior year. This decrease was primarily due to reduced expenditures for capital projects.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This annual report consists of three parts – *Introductory Section*, the *Financial Section* (which includes the management's discussion and analysis, budgetary comparison schedule and the combining and individual fund schedules for major and nonmajor governmental funds), and the *Compliance Section*.

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

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.

ANDERSON COUNTY SCHOOL DISTRICT TWO, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2004

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS (CONTINUED)

The *Statement of Activities* presents information showing how the government'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 sick leave).

Both of the government-wide basic financial statements distinguish functions of the School District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the School District include instruction, supporting services, community services and intergovernmental.

The governmental-wide basic financial statements can be found on pages 11 – 12 of this report.

Fund Basic Financial Statements. The remaining financial statements are *fund basic 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 three categories: governmental funds, proprietary funds and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide basic financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide basic financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The School District maintains five 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 – Special Projects Fund, Special Revenue – Education Improvement Act ("EIA") Fund, Debt Service Fund and Capital Projects Fund, of which, all are considered to be major funds. The governmental fund basic financial statements can be found on pages 13 – 18 of this report.

Proprietary Fund. The School District maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide basic financial statements. The School District uses an enterprise fund to account for its food service operation. Proprietary Funds provide the same type of information as the government-wide basic financial statements, only in more detail; therefore, the Proprietary Fund basic financial statements provide more detailed information for the food service operation, which is considered a major fund of the School District. The Proprietary Fund basic financial statements can be found on pages 19 – 21 of this report.

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund basic financial statements. The notes to the basic financial statements can be found on pages 23 – 39 of this report.

ANDERSON COUNTY SCHOOL DISTRICT TWO, SOUTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2004

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS (CONTINUED)

Fiduciary Funds. Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the School District’s own programs. The School District is the trustee, or fiduciary, for the pupil activity of the schools and accounts for this activity in an Agency Fund. The basic Fiduciary Fund financial statement can be found on page 22 of this report.

Other Information. The combining statements in connection with major and nonmajor governmental funds and individual fund statements and schedules can be found beginning on page 42 of this report.

The School District adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided in the financial section for this fund to demonstrate compliance its budget. This schedule is found on page 40 of this report.

Figure A-1 Major Features of Anderson County School District Two Government-Wide and Fund Basic Financial Statements				
	Government-Wide Basic Statements	Fund Basic Financial Statements		
		Governmental Funds	Proprietary 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 proprietary or fiduciary	Activities the School District operates similar to private businesses, in the School Districts case, the food service operations.	Instances in which the School District is the trustee or agent for someone else’s resources, such as the Pupil Activity Fund
Required Financial Statements	<ul style="list-style-type: none"> ▪ Statement of Net Assets ▪ Statement of Activities 	<ul style="list-style-type: none"> ▪ Balance Sheet ▪ Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> ▪ Statement of Net Assets ▪ Statement of Revenues, Expenses, and Changes in Net Assets ▪ Statement of Cash Flows 	<ul style="list-style-type: none"> ▪ Statement of Fiduciary Assets and Liabilities ▪ Statement of Changes in fiduciary net assets (excluding agency funds)
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of 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 financial and capital, and short-term and long-term	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	All revenues and expenses during year, regardless of when cash is received or paid

ANDERSON COUNTY SCHOOL DISTRICT TWO, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2004

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the School District, assets exceeded liabilities by approximately \$17.7 million at the close of the most recent fiscal year.

The following table provides a summary of the School District's net assets for 2004 compared to 2003 results:

Table 1 - Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Assets						
Current and Other Assets	\$ 7,598,219	9,724,854	177,951	217,376	7,776,170	\$ 9,942,230
Capital Assets	41,730,295	41,173,228	200,195	208,332	41,930,490	41,381,560
Total Assets	49,328,514	50,898,082	378,146	425,708	49,706,660	51,323,790
Liabilities						
Other Liabilities	1,981,047	3,669,556	-	16,125	1,981,047	3,685,681
Long Term Liabilities	29,986,018	31,022,403	-	-	29,986,018	31,022,403
Total Liabilities	31,967,065	34,691,959	-	16,125	31,967,065	34,708,084
Net Assets						
Invested in Capital Assets, Net of Related Debt	11,744,277	10,150,825	200,195	208,332	11,944,472	10,359,157
Restricted	1,578,498	2,692,676	-	-	1,578,498	2,692,676
Unrestricted	4,038,674	3,362,622	177,951	201,251	4,216,625	3,563,873
Total Net Assets	\$ 17,361,449	16,206,123	378,146	409,583	17,739,595	\$ 16,615,706

- The change in capital assets in 2004 was approximately \$.5 million and was primarily due to the completion of the current construction and remodeling projects of approximately \$1.8 million, partially offset by depreciation of approximately \$1.3 million.
- Total assets decreased by \$1.6 million primarily due to decreases in property taxes receivable and funds due from other governments. This was offset by a \$2.7 million decrease in liabilities, primarily due to decreases in accounts payable/accrued expenses and long term debt. The net effect is a \$1.1 million increase in total net assets for 2004.
- Total net assets of the School District were approximately \$16.6 million in 2003 and \$17.7 million in 2004. Governmental activities unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, increased from \$3.6 million at June 30, 2003, to \$4.2 million at June 30, 2004.

ANDERSON COUNTY SCHOOL DISTRICT TWO, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2004

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS (CONTINUED)

The following table shows the changes in net assets for fiscal year for 2004 compared to 2003 results:

Table II
Statement of Activities

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
Revenues						
Program Revenues:						
Charges for Services	\$ 129,567	151,847	524,789	486,639	654,356	\$ 638,486
Operating Grants	17,701,952	18,034,296	763,027	732,173	18,464,979	18,766,469
Capital Grants	231,484	389,837	-	-	231,484	389,837
General Revenues:						
Taxes	11,318,593	11,460,412	-	-	11,318,593	11,460,412
Grants and Entitlements	-	36,984	-	-	-	36,984
Other	(139,955)	197,994	591	-	(139,364)	197,994
Total Revenues	29,241,641	30,271,370	1,288,407	1,218,812	30,530,048	31,490,182
Program Activities						
Instruction	13,335,470	17,101,527	-	-	13,335,470	17,101,527
Supporting Services	10,389,857	7,973,799	-	-	10,389,857	7,973,799
Community Services	20,000	17,096	-	-	20,000	17,096
Intergovernmental	2,576,107	3,104,756	-	-	2,576,107	3,104,756
Interest and Fiscal Charges	1,816,905	1,735,922	-	-	1,816,905	1,735,922
Food Service	-	-	1,267,820	1,325,097	1,267,820	1,325,097
Total Expenses	28,138,339	29,933,100	1,267,820	1,325,097	29,406,159	31,258,197
Excess/(Deficiency)						
Before Transfers	1,103,302	338,270	20,587	(106,285)	1,123,889	231,985
Transfers	52,024	79,889	(52,024)	(52,409)	-	27,480
Change in Net Assets	1,155,326	418,159	(31,437)	(158,694)	1,123,889	259,465
Net Assets, Beginning of Year	16,206,123	15,787,964	409,583	568,277	16,615,706	16,356,241
Net Assets, End of Year	\$ 17,361,449	16,206,123	378,146	409,583	17,739,595	\$ 16,615,706

- During 2004, the School District's governmental activities revenues decreased by approximately \$1.0 million which was primarily due to decreases in operating grants program revenue and general revenue. The governmental activities revenue loss was offset by a \$1.8 million decrease in program activity expenses. Expenses show a shift from instructional to support services with a decrease also in intergovernmental expenses.
- During 2004, the School District's business-type activities (Food Service) reflected a decrease in net assets of approximately \$31,000. The decrease is primarily due to meal rates for food not being totally sufficient to cover ongoing operating costs (primarily food costs).

ANDERSON COUNTY SCHOOL DISTRICT TWO, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2004

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 looking at what resources came into the funds, how they were spent and what is available for future expenditures. Did the government generate enough revenue to pay for current obligations? What is available for spending at the end of the year?

For the year ended June 30, 2004, the School District's governmental funds reported a *combined* fund balance of \$5,505,149, as compared to \$5,052,368 for the prior year. The increase is primarily due to a decrease in capital outlay expenditures in 2004. In particular, unreserved 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, 2004, the School District's unreserved, undesignated fund balance for all governmental funds was \$1,731,854 with the remainder \$1,843,673 designated for capital projects. The capital projects reservation is for the School Districts future building and capital improvement plan. The School District had a reserved governmental fund balance of \$1,929,622 for debt 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 was \$2,047,265 with the remaining fund balance being designated for capital improvements of \$1,843,673. The School District's fund balance for the General Fund decreased only \$19,435 or .5% during 2004. The primary reason for this decrease was the reduced use of capital improvement funds for construction projects.

The School District's Major Governmental Funds include General Fund, as described above, Special Revenue – Special Projects Fund, Special Revenue – EIA Fund, Debt Service Fund, and Capital Projects Fund.

The School District's Special Revenue Funds (Special Projects and EIA), generally, are used to account for revenues derived from the State of South Carolina and the Federal Government. Special Revenue Funds do not have fund balances as revenues should be expended, deferred, or returned to the grantor.

The Capital Projects Fund is utilized to account for School District capital project expenditures. The School District's Capital Projects Fund decreased by \$33,114 from 2003 to \$(315,411) for the fiscal year ended 2004. The School District plans to maintain the current level of capital funds and replace any loss in funds by reducing the current rate of project activity to eliminate the deficit in coming years.

The Debt Service Fund has been shown in the accompanying basic financial statements of the School District. The fund is used to account for the accumulation of funds for debt retirement. The School District's fund balance in the Debt Service fund has continued to grow and increased by \$508,881 during 2004. The improvement in the net change in fund balance (over the prior year amount) of approximately \$138,412 was primarily due to a slight increase in revenues of \$94,699 (primarily property taxes) and a small decrease in debt service expenditures of \$43,713. For the fiscal year ended 2004, fund balance was \$1,929,622 which has been reserved for the payment of debt service. The School District's debt millage rate was 66.0 mills for 2004, and should continue to decrease during the coming fiscal years.

ANDERSON COUNTY SCHOOL DISTRICT TWO, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2004

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

Proprietary Funds

The School District's only Proprietary Fund is the Food Service Fund. This program had a net loss of \$31,437 for 2004. The net loss was primarily due to an increase in food and supply cost which was partially offset by an increase in revenues.

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 most significant budgeted fund is the General Fund. During the course of 2004, substantial amendments to the School District's General Fund revenue budget were made. However, net differences between the original budget and the final amended budget for revenues were relatively minor (less than 1%).

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The following table shows the capital asset balances for 2004 and 2003.

Table III
Capital Assets at June 30

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
Capital Assets						
Land	\$ 71,614	71,614	-	-	71,614	\$ 71,614
Building, Improvements and Equipment	49,440,536	45,676,993	493,997	474,993	49,934,533	46,151,986
Construction in Progress	-	1,935,203	-	-	-	1,935,203
Less: Accum. Depreciation	(7,781,855)	(6,510,582)	(293,802)	(266,661)	(8,075,657)	(6,777,243)
Capital Assets, Net	<u>\$ 41,730,295</u>	<u>41,173,228</u>	<u>200,195</u>	<u>208,332</u>	<u>41,930,490</u>	<u>\$ 41,381,560</u>

At the end of 2004, the School District had approximately \$41.9 million invested in capital assets, net of accumulated depreciation. The total increase in the School District's investment in capital assets was approximately \$.5 million or approximately 1.3%. Major capital asset events during the current fiscal year included:

- The completion of construction and remodeling projects primarily at Belton-Honea Path High School.

More detailed information about the School District's capital assets can be found in Note III to the basic financial statements.

ANDERSON COUNTY SCHOOL DISTRICT TWO, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2004

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Debt

At June 30, 2004, the School District had \$29,900,000 in bonds outstanding versus \$31,000,000 in the prior year, a decrease of approximately 3.5% as shown in Table IV. 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 ("GOB").

Table IV
Outstanding Debt, at Year End

	Governmental Activities 2004	Governmental Activities 2003
Series 2000A GOB	\$ 2,000,000	\$ 2,000,000
Series 2000B GOB	27,900,000	28,600,000
Total	<u>\$ 29,900,000</u>	<u>\$ 30,600,000</u>

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 is authorized by state statute to exceed the legal debt margin of 8%, if citizens of the School District approve such additional debt through a district-wide referendum. The School District's outstanding general obligation debt is below this state-imposed limit by approximately \$ 1.5 million.

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

ECONOMIC FACTORS

The School District lies in the southeastern part of Anderson County and covers approximately 147.5 square miles. The School District has an estimated population of 20,933 and contains the City of Belton and the Town of Honea Path. Students from a small area in Greenville County also attend the School District.

Duke Energy is the School District's largest taxpayer, accounting for approximately 4.4% of the School District's total assessed valuation. The largest industrial employers in the School District include Timken Company (screw machine parts – 350 empl.); Hydro Aluminum Wells (lineal lengths aluminum extrusion – 260 empl.); Goodman Conveyer Company (belt conveyor idlers – 150 empl.); and Belton Industries (woven synthetic fabrics – 140 empl.).

The School District's tax base has begun to show moderate increases over the last five years. The Assessed Value in the last five years has increased only 0.057 percent. The School District has experienced moderate retail business and residential growth that has been offset by the reduction in vehicle assessment ratios and depreciation in manufacturing, business and merchants properties.

ANDERSON COUNTY SCHOOL DISTRICT TWO, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2004

FY 05 BUDGETS

The General Fund Budget is receiving more support from the state with an increase in Base Student Cost. The School District has developed goals and strategies to enable it to provide the best educational programs and services to its students. The results of these efforts are being realized through improved PACT and SAT scores that are among the top 10 districts in the State.

Because this is a labor-intensive operation, the largest budgeted expenditure pertains to personnel. The School District currently pays 8.5% above the State salary schedule. This is currently the lowest in the County and an area we hope to improve in the future.

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 Anderson County School District Two, 10990 Belton-Honea Path Highway, Honea Path, South Carolina, 29654.

ANDERSON COUNTY SCHOOL DISTRICT TWO, SOUTH CAROLINA

STATEMENT OF NET ASSETS

JUNE 30, 2004

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and Cash Equivalents	\$ 3,247,876	289,974	\$ 3,537,850
Restricted Cash and Cash Equivalents	7,678		7,678
Cash and Investments Held by County	1,778,417		1,778,417
Property Taxes Receivable, Net	1,192,329	-	1,192,329
Due from Other Governments	1,217,834	12,829	1,230,663
Internal Balances	154,085	(154,085)	-
Inventory and Prepaid Items	-	29,233	29,233
Capital Assets, Net	41,730,295	200,195	41,930,490
TOTAL ASSETS	49,328,514	378,146	49,706,660
LIABILITIES			
Accounts Payable and Accrued Expenses	1,023,328	-	1,023,328
Accrued Interest Payable	569,541	-	569,541
Due to Other Governments	6,626	-	6,626
Deferred Revenues	381,552	-	381,552
Non-Current Liabilities:			
Due Within One Year	1,177,419	-	1,177,419
Due in More than One Year	28,808,599	-	28,808,599
TOTAL LIABILITIES	31,967,065	-	31,967,065
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	11,744,277	200,195	11,944,472
Restricted For:			
Debt Service	1,578,498	-	1,578,498
Unrestricted	4,038,674	177,951	4,216,625
TOTAL NET ASSETS	\$ 17,361,449	378,146	\$ 17,739,595

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

ANDERSON COUNTY SCHOOL DISTRICT TWO, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2004

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET REVENUE (EXPENSE) AND CHANGE IN NET ASSETS		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
PRIMARY GOVERNMENT:							
Governmental Activities:							
Instruction	\$ 13,335,470	35,353	14,268,314	145,466	1,113,663		\$ 1,113,663
Supporting Services	10,389,857	27,568	3,371,131	86,018	(6,905,140)		(6,905,140)
Community Services	20,000	-	62,507	-	42,507		42,507
Intergovernmental	2,576,107	66,646	-	-	(2,509,461)		(2,509,461)
Interest and Other Charges	1,816,905	-	-	-	(1,816,905)		(1,816,905)
Total Governmental Activities	<u>28,138,339</u>	<u>129,567</u>	<u>17,701,952</u>	<u>231,484</u>	<u>(10,075,336)</u>		<u>(10,075,336)</u>
Business-Type Activities:							
Food Services	1,267,820	524,789	763,027	-	-	19,996	19,996
Total Business-Type Activities	<u>1,267,820</u>	<u>524,789</u>	<u>763,027</u>	<u>-</u>	<u>-</u>	<u>19,996</u>	<u>19,996</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 29,406,159</u>	<u>654,356</u>	<u>18,464,979</u>	<u>231,484</u>	<u>(10,075,336)</u>	<u>19,996</u>	<u>(10,055,340)</u>
GENERAL REVENUES AND TRANSFERS:							
General Revenues:							
Property Taxes Levied for General Purposes					6,934,056	-	6,934,056
Property Taxes Levied for Debt Service					2,715,708	-	2,715,708
Other Taxes:							
County Equalization Taxes					1,067,768	-	1,067,768
Other Taxes					601,061	-	601,061
Investment Earnings					34,518	591	35,109
Miscellaneous					55,515	-	55,515
Gain (Loss) on Disposal of Capital Assets					(229,988)	-	(229,988)
Transfers In (Out)					52,024	(52,024)	-
Total General Revenues and Transfers					<u>11,230,662</u>	<u>(51,433)</u>	<u>11,179,229</u>
CHANGE IN NET ASSETS					<u>1,155,326</u>	<u>(31,437)</u>	<u>1,123,889</u>
NET ASSETS - Beginning of Year					<u>16,206,123</u>	<u>409,583</u>	<u>16,615,706</u>
NET ASSETS - Ending of Year					<u>17,361,449</u>	<u>378,146</u>	<u>\$ 17,739,595</u>

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

ANDERSON COUNTY SCHOOL DISTRICT TWO, SOUTH CAROLINA

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2004

	GENERAL	SPECIAL REVENUE - SPECIAL PROJECTS
ASSETS		
Cash and Cash Equivalents	\$ 3,247,876	-
Restricted Cash and Cash Equivalents	-	-
Cash and Investments Held by County	-	-
Property Taxes Receivable, Net	822,707	-
Due From:		
County Treasurer	94,985	9,396
State Agencies	67,080	572,243
Federal Agencies	-	249,621
Other Funds	1,908,281	284,306
TOTAL ASSETS	6,140,929	1,115,566
LIABILITIES AND FUND BALANCES		
LIABILITIES:		
Accounts Payable	791,752	-
Accrued Salaries and Benefits	231,576	-
Due To:		
State Department of Education	-	6,626
Other Funds	763,516	813,558
Deferred Revenues	463,147	295,382
TOTAL LIABILITIES	2,249,991	1,115,566
FUND BALANCES:		
Fund Balances		
Reserved For:		
Debt Service	-	-
Unreserved:		
Designated For:		
Capital Improvements	1,843,673	-
Undesignated	2,047,265	-
TOTAL FUND BALANCES	3,890,938	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,140,929	1,115,566

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

SPECIAL REVENUE - EIA	DEBT SERVICE	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
-	-	-	\$ 3,247,876
-	-	7,678	7,678
-	1,778,417	-	1,778,417
-	369,622	-	1,192,329
-	-	-	104,381
224,509	-	-	863,832
-	-	-	249,621
49,808	-	-	2,242,395
274,317	2,148,039	7,678	9,686,529
-	-	-	791,752
-	-	-	231,576
-	-	-	6,626
188,147	-	323,089	2,088,310
86,170	218,417	-	1,063,116
274,317	218,417	323,089	4,181,380
-	1,929,622	-	1,929,622
-	-	-	1,843,673
-	-	(315,411)	1,731,854
-	1,929,622	(315,411)	5,505,149
274,317	2,148,039	7,678	\$ 9,686,529

ANDERSON COUNTY SCHOOL DISTRICT TWO, SOUTH CAROLINA

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

JUNE 30, 2004

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS **\$ 5,505,149**

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

Property taxes in the funds include revenues that are not considered revenue in the Statement of Net Assets. In addition, property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds. 681,564

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$49,512,150 and the accumulated depreciation is \$7,781,855. 41,730,295

Accrued interest on the bonds in governmental accounting is not due and payable in the current period and therefore is not reported as a liability in the funds. (569,541)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consisted of the following:

Bonds Payable	(29,900,000)	
Capital Lease Payable	(86,018)	(29,986,018)

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES **\$ 17,361,449**

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

ANDERSON COUNTY SCHOOL DISTRICT TWO, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2004

	<u>GENERAL</u>	<u>SPECIAL REVENUE - SPECIAL PROJECTS</u>
REVENUES		
Local Sources:		
Taxes	\$ 7,098,817	-
Investment Earnings	34,269	-
Other Local Sources	106,895	175,624
State Sources	11,288,238	902,389
Federal Sources	-	4,781,507
Intergovernmental Sources	66,646	-
TOTAL REVENUE ALL SOURCES	<u>18,594,865</u>	<u>5,859,520</u>
EXPENDITURES		
Current:		
Instruction	9,829,622	2,543,193
Supporting Services	6,557,086	1,007,856
Community Services	-	20,000
Intergovernmental	258,543	2,317,565
Capital Outlay	144,559	1,550
Debt Service:		
Principal Retirement	-	-
Interest and Fiscal Charges	-	-
TOTAL EXPENDITURES	<u>16,789,810</u>	<u>5,890,164</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,805,055</u>	<u>(30,644)</u>
OTHER FINANCING SOURCES (USES)		
Sale of Capital Assets	3,500	-
Lease Purchase	86,018	-
Transfers In	67,276	42,345
Transfers Out	(1,981,284)	(15,252)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,824,490)</u>	<u>27,093</u>
NET CHANGES IN FUND BALANCES	<u>(19,435)</u>	<u>(3,551)</u>
FUND BALANCES, Beginning of Year	<u>3,910,373</u>	<u>3,551</u>
FUND BALANCES, End of Year	<u>\$ 3,890,938</u>	<u>-</u>

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

SPECIAL REVENUE - EIA	DEBT SERVICE	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
-	3,032,949	-	\$ 10,131,766
-	-	249	34,518
57	11,542	-	294,118
2,314,188	339,312	145,466	14,989,593
-	-	-	4,781,507
-	-	-	66,646
2,314,245	3,383,803	145,715	30,298,148
2,149,150	-	-	14,521,965
165,095	-	90,122	7,820,159
-	-	-	20,000
-	-	-	2,576,108
-	-	2,027,646	2,173,755
-	1,122,403	-	1,122,403
-	1,752,519	-	1,752,519
2,314,245	2,874,922	2,117,768	29,986,909
-	508,881	(1,972,053)	311,239
-	-	-	3,500
-	-	-	86,018
-	-	1,938,939	2,048,560
-	-	-	(1,996,536)
-	-	1,938,939	141,542
-	508,881	(33,114)	452,781
-	1,420,741	(282,297)	5,052,368
-	1,929,622	(315,411)	\$ 5,505,149

ANDERSON COUNTY SCHOOL DISTRICT TWO, 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, 2004

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ 452,781**

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

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. They are considered revenue in the Statement of Activities. In addition, revenues in the funds that provide current financial resources are reported as revenues in the funds. They are considered revenue in the Statement of Activities. (912,537)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 1,122,403

Bond and capital lease proceeds provide current financial resources to governmental funds, but issuing debt or entering into capital leases also increases long term liabilities in the Statement of Net Assets. (86,018)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 21,632

In the Statement of Activities the loss on the disposal of fixed assets is reported, whereas in the governmental funds, proceeds from the disposal of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets disposed. (233,490)

Governmental funds report capital outlay additions as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay additions, \$2,114,489, exceeded depreciation, \$1,323,934 in the current period. 790,555

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 1,155,326**

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

ANDERSON COUNTY SCHOOL DISTRICT TWO, SOUTH CAROLINA

STATEMENT OF NET ASSETS

PROPRIETARY FUND

JUNE 30, 2004

	<u>ENTERPRISE</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 289,974
Due From:	
State Agencies	12,829
Other Funds	389,161
Inventories	29,233
Total Current Assets	<u>721,197</u>
Non-Current Assets:	
Capital Assets	493,997
Less: Accumulated Depreciation	(293,802)
Total Non-Current Assets	<u>200,195</u>
TOTAL ASSETS	<u>921,392</u>
LIABILITIES	
Current Liabilities:	
Due From Other Funds	543,246
Total Current Liabilities	<u>543,246</u>
TOTAL LIABILITIES	<u>543,246</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	200,195
Unrestricted	177,951
TOTAL NET ASSETS	<u>\$ 378,146</u>

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

ANDERSON COUNTY SCHOOL DISTRICT TWO, SOUTH CAROLINA

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

PROPRIETARY FUND

YEAR ENDED JUNE 30, 2004

	<u>ENTERPRISE</u>
OPERATING REVENUES	
Proceeds from Sale of Meals	\$ 524,789
OPERATING EXPENSES	
Salaries	424,184
Employee Benefits	29,355
Purchased Services	27,050
Food Costs and Supplies	682,788
Equipment - Expendable	72,264
Depreciation	27,141
Other	5,038
TOTAL OPERATING EXPENSES	<u>1,267,820</u>
OPERATING LOSS	<u>(743,031)</u>
NON-OPERATING REVENUES (EXPENSES)	
Commodities Received from USDA	83,528
USDA Reimbursements	662,656
Investment Earnings	591
Other Revenues	16,843
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>763,618</u>
INCOME BEFORE TRANSFERS	20,587
Transfer Out	<u>(52,024)</u>
CHANGE IN FUND NET ASSETS	(31,437)
TOTAL FUND NET ASSETS, Beginning of Year	<u>409,583</u>
TOTAL FUND NET ASSETS, End of Year	<u><u>\$ 378,146</u></u>

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

ANDERSON COUNTY SCHOOL DISTRICT TWO, SOUTH CAROLINA

PROPRIETARY FUND

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2004

	<u>ENTERPRISE</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Meal Sales	\$ 566,047
Payments to Employees for Services	(453,539)
Payments to Suppliers for Goods and Services	(709,030)
NET CASH USED IN OPERATING ACTIVITIES	<u>(596,522)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
USDA Reimbursement	649,829
Other Revenues	16,843
Transfers	(80,692)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>585,980</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of Capital Assets	(19,004)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(19,004)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Earnings	591
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>591</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(28,955)
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>318,929</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 289,974</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating Loss	\$ (743,031)
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used in) Operating Activities:	
Depreciation Expense	27,141
Non-Cash USDA Commodities Used	83,528
Change In:	
Accounts Receivable	57,383
Inventories	(5,418)
Deferred Revenue	(16,125)
Net Cash Used in Operating Activities	<u>\$ (596,522)</u>
Non-Cash Transactions:	
Commodities Used - USDA	\$ 83,528
	<u>\$ 83,528</u>

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

ANDERSON COUNTY SCHOOL DISTRICT TWO, SOUTH CAROLINA

STATEMENT OF ASSETS AND LIABILITIES

FIDUCIARY FUND

JUNE 30, 2004

	<u>AGENCY</u>
ASSETS	
Cash and Cash Equivalents	\$ 448,718
Other Receivables	1,590
TOTAL ASSETS	<u><u>450,308</u></u>
 LIABILITIES	
Due to Student Organizations	450,308
TOTAL LIABILITIES	<u><u>\$ 450,308</u></u>

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

ANDERSON COUNTY SCHOOL DISTRICT TWO, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

Anderson County School District Two, South Carolina (the "School District") is a school district created in 1952 by the South Carolina Legislature to provide public education services to students of a specified geographical district of Anderson County, South Carolina. The School District receives funding from local, state and federal sources and must comply with any requirements of the funding source entities.

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.

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 Board 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, 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.

ANDERSON COUNTY SCHOOL DISTRICT TWO, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The government-wide basic financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the School District (the primary government). 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 are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

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

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

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

Property taxes, 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 is received by the government.

ANDERSON COUNTY SCHOOL DISTRICT TWO, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund Basic financial statements report detailed information about the School District. The focus of governmental and Enterprise Fund basic financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single 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. The minimum number of funds are maintained consistent with legal and managerial requirements. The following major funds and fund types are used by the School District.

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 (except for those accounted for in the proprietary and expendable trust funds) are accounted for through governmental funds. Governmental funds are accounted for using a current financial resources measurement focus and the modified accrual basis of accounting. The following are the School District's major and non-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 are legally restricted to expenditures for specified purposes. The School District has two Special Revenue Funds:

- i) **The Special Projects Fund, a major 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**, 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.

The **Debt Service Fund, a major 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.

ANDERSON COUNTY SCHOOL DISTRICT TWO, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The *Capital Projects Fund, a major fund*, is used to account for financial resources to be used for site acquisitions, construction, equipment, and renovation of all major capital facilities except for those financed in the enterprise fund.

Proprietary Fund types are accounted for based on the flow of economic resources measurement focus and use of the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The School District applies all applicable Governmental Accounting Standards Board ("GASB") pronouncements, as well as the requirements of Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board ("APB") Opinions, and Accounting Research Bulletins ("ARBs"), issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The School District has elected not to follow the aforementioned guidance issued after November 30, 1989 as allowed by GAAP.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to students and teachers for breakfast, lunch and special sales. Operating expenses for the enterprise fund include the cost of sales, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non operating revenues and expenses. Proprietary Fund types include the following fund:

The *Enterprise Fund*, an unbudgeted fund, is used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the School District has decided that periodic determination of revenues earned, expenses incurred, and/or net income is necessary for management accountability. The Food Service Fund is the School District's only enterprise fund and is used to account for the United States Department of Agriculture's (USDA) approved school breakfast and lunch programs.

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

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 general operation of the School District. This accounting reflects the agency relationship of the School District with the student activity organizations.

ANDERSON COUNTY SCHOOL DISTRICT TWO, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2004

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 and investments in the South Carolina Pooled Investment Fund (“Pool”) to be cash equivalents. Securities with an initial maturity of more than three months that are not purchased from the pool are reported as investments. Prior to the current year, the School District considered funds invested in the Pool 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 School District or a third party as escrow agent or custodian; and
- (f) South Carolina Pooled Investment Fund established and maintained by the State Treasurer.

The School District’s cash investment objectives are preservation of capital, liquidity and yield. The School District reports its cash and investments at fair value which is normally determined by quoted market prices. The School District in the past year has used the following investments:

- Cash and Investments held by the County which are primarily property taxes collected by the School District’s fiscal agent that have not been remitted to the School District. The County 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 to the respective governments on a periodic basis or are used to make debt service payments.

ANDERSON COUNTY SCHOOL DISTRICT TWO, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Equity (Continued)

1. Cash, Cash Equivalents and Investments (Continued)

- 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.

2. Receivables and Payables

Transactions between funds that are representative of reimbursement arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." On fund basic financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as “internal balances”.

All trade and property taxes receivable are shown net of an allowance for uncollectibles.

3. Inventories and Other Assets

Inventories

Under the system of accounting for inventories, materials and supplies are carried in an inventory account at cost, using the first-in, first-out method of accounting and are subsequently charged to expenditures/expenses when consumed. Inventories include plant maintenance and operating supplies as well as instructional supplies. The Proprietary Fund inventory includes an amount for commodities received from the United States Department of Agriculture (“USDA”), recorded at fair market value, that have not been consumed as of June 30, 2004. In accordance with the State of South Carolina food service accounting guidelines, this amount is included as deferred revenue until the commodities are used.

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.

ANDERSON COUNTY SCHOOL DISTRICT TWO, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Equity (Continued)

4. Capital Assets

General capital assets are those assets not specifically related to activities reported in the Proprietary Funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund basic financial statements. Capital assets utilized by the Proprietary Funds are reported both in the business-type activities column of the government-wide Statement of Net Assets and in the respective fund basic financial statements.

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

All reported capital assets except land and construction in progress are depreciated. Construction projects begin being depreciated once they are complete, at which time the complete costs of the project are transferred to the appropriate fixed 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:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings and Improvements	15-40 years	N/A
Furniture and Equipment	10 years	12 years
Vehicles	10 years	N/A

5. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable resources has been reported as an expenditure and a fund liability of the governmental fund that pays for it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available resources are reported as liabilities in the government-wide basic financial statements. The School District's policy is to pay all accumulated vacation and sick leave by June 30 of each year. Therefore, there is no liability for compensated absences at June 30, 2004.

6. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide basic financial statements, and all payables, accrued liabilities and long-term obligations payable from Proprietary Funds are reported on the Proprietary Fund basic financial statements.

ANDERSON COUNTY SCHOOL DISTRICT TWO, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Equity (Continued)

6. *Accrued Liabilities and Long-Term Obligations (Continued)*

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

7. *Fund Equity*

In the fund basic financial statements, the School District reserves those portions of fund equity 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. Fund equity reserves have been established for inventories of supplies and materials and prepaid items. Designations of fund equity represent tentative management plans that are subject to change.

8. *Net Assets*

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

9. *Accounting Estimates*

The preparation of basic financial statements in accordance with accounting principles generally accepted in the United States of America requires the School District's management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

ANDERSON COUNTY SCHOOL DISTRICT TWO, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2004

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

In May of each year, the School District's management submits a proposed budget to the Board for the General Fund. The School District prepares its budget on a basis to conform with accounting principles generally accepted in the United States of America. The budget includes proposed expenditures and the means of financing the expenditures. After modifications are made that result from discussions between the Board and the School District's management, the Board recommends the budget to the Anderson County Board of Education. The School District's policies allow funds to be transferred between functions, but the total budget may not be increased without approval of the Board. The legal level of budgetary control is at the fund level. During the year, the Board made insignificant revisions to the budget.

The School District's management has the authority to overspend the budget within percentages established by the South Carolina State Department of Education for most state and federally funded projects. The School District may overspend in certain funds as long as funds are available from other areas.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

All bank deposits as of the balance sheet date are entirely insured or collateralized with securities held by the School District's agent in the School District's name. The recorded value of deposits was \$1,074,098 and the bank balance was \$1,878,318 as of June 30, 2004. The difference is primarily due to outstanding checks.

Deposits were either fully insured or collateralized with securities held by its agent in the School District's name (Category 1) at June 30, 2004

Investments are categorized into these categories of credit risk:

- (1) Insured or registered, with securities held by the School District or its agent in the School District's name.
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the School District's name.
- (3) Uninsured and unregistered, with securities held by the counterparty, or its trust department or agent but not in the School District's name.

ANDERSON COUNTY SCHOOL DISTRICT TWO, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2004

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

At June 30, 2004, the School District's investment balances were as follows:

Description	Category			Carrying Amount	Fair Value
	(1)	(2)	(3)		
None	\$ -	-	-	-	\$ -
Totals	\$ -	-	-	-	-

Investments not subject to categories:

Cash and Investments Held by County	1,778,417	1,778,417
Investment in State Investment Pool	2,471,430	2,471,430
Total Investments	<u>4,249,847</u>	<u>\$ 4,249,847</u>

B. Property Taxes and Other Receivables

Anderson County, South Carolina (the "County") is responsible for levying and collecting sufficient property taxes to meet its funding obligation for the School District. This obligation is established each year by the Anderson County Board of Education and does not necessarily represent actual taxes levied or collected. The property taxes are considered both measurable and available for purposes of recognizing revenue and a receivable from the County at the time they are collected by the County.

Property taxes are levied and billed by the County on real and personal properties on October 1 based on an assessed value of approximately \$47.5 million at rates of 150.8 mills and 66.0 mills for the General Fund and Debt Service Fund, respectively. These taxes are due without penalty through January 15. Penalties are added to taxes depending on the date paid as follows:

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

Current year real and personal taxes become delinquent on March 16. Unpaid property taxes become a lien against the property as of June 1, of the calendar year following the levy date. The levy date for motor vehicles is the first day of the month in which the motor vehicle license expires. These taxes are due by the last day of the same month.

Taxes receivable include an allowance for uncollectibles of \$281,255 at June 30, 2004. Allowances for uncollectibles were not necessary for the other receivable accounts.

ANDERSON COUNTY SCHOOL DISTRICT TWO, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2004

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Deferred Revenue

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, 2004, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

Delinquent Property Taxes Receivable (General Fund)	\$	463,147
Delinquent Property Taxes Receivable (Debt Service Fund)		218,417
Carryover from Special Revenue Funds (EIA and Special Projects)		381,552
Total Deferred Revenue for Governmental Funds	<u>\$</u>	<u>1,063,116</u>

D. Capital Assets

Capital asset activity for the School District for the year ended June 30, 2004, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 71,614	-	-	\$ 71,614
Construction in Progress	1,935,203	2,114,489	4,049,692	-
Total Capital Assets, Not Being Depreciated	<u>2,006,817</u>	<u>2,114,489</u>	<u>4,049,692</u>	<u>71,614</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	44,304,320	4,049,692	135,900	48,218,112
Furniture, Equipment and Vehicles	615,931	-	135,164	480,767
Capital Lease	756,742	135,164	150,249	741,657
Total Capital Assets Being Depreciated	<u>45,676,993</u>	<u>4,184,856</u>	<u>421,313</u>	<u>49,440,536</u>
Less: Accumulated Depreciation for:				
Buildings and Improvements	6,212,391	1,200,692	52,661	7,360,422
Furniture, Equipment and Vehicles	243,363	54,901	-	298,264
Capital Lease	54,828	68,341		123,169
Total Accumulated Depreciation	<u>6,510,582</u>	<u>1,323,934</u>	<u>52,661</u>	<u>7,781,855</u>
Total Capital Assets, Being Depreciated, Net	<u>39,166,411</u>	<u>2,860,922</u>	<u>368,652</u>	<u>41,658,681</u>
Governmental Activities Capital Assets, Net	<u>\$ 41,173,228</u>	<u>4,975,411</u>	<u>4,418,344</u>	<u>\$ 41,730,295</u>

ANDERSON COUNTY SCHOOL DISTRICT TWO, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2004

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital Assets, Being Depreciated:				
Furniture and Equipment	\$ 474,993	19,004	-	\$ 493,997
Less: Accumulated Depreciation	266,661	27,141	-	293,802
Business-Type Activities Capital Assets, Net	<u>\$ 208,332</u>	<u>(8,137)</u>	<u>-</u>	<u>\$ 200,195</u>

Amortization of assets under capital lease obligations is included with depreciation expense.

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

Governmental Activities:

Instruction	\$ 803,628
Supporting Services	520,306
Total Depreciation Expense - Governmental Activities	<u>\$ 1,323,934</u>

E. Interfund Receivables and Payables

Interfund balances at June 30, 2004 (which are expected to be paid or received within one year), consisted of the following individual fund receivables and payables:

Fund	Receivables	Payables
General Fund	\$ 1,908,281	\$ 763,516
Special Revenue Funds:		
Special Projects Fund	284,306	813,558
Education Improvement Act	49,808	188,147
Capital Projects Fund	-	323,089
Enterprise Fund	389,161	543,246
	<u>\$ 2,631,556</u>	<u>\$ 2,631,556</u>

The net General Fund receivable and the Special Revenue Funds, Capital Projects Fund and Enterprise Fund net payables is a result of the general fund cash account paying the majority of the disbursements for the School District's various funds.

ANDERSON COUNTY SCHOOL DISTRICT TWO, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2004

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Operating Transfers In and (Out)

Transfers from (to) other funds for the year ended June 30, 2004, consisted of the following:

General Fund			
Transfers from	Amount	Transfers to	Amount
Proprietary Fund - Indirect Costs	\$ 52,024	Special Revenue - Special Projects	\$ 42,345
Special Revenue - Indirect Costs	<u>15,252</u>	Capital Projects Fund - Improvements	<u>1,938,939</u>
	<u>67,276</u>		<u>1,981,284</u>

Special Revenue Funds			
<u>Special Projects</u>			
Transfers from	Amount	Transfers to	Amount
General Fund	<u>42,345</u>	General Fund- Indirect Costs	<u>15,252</u>
			<u>15,252</u>

Proprietary Fund			
Transfers from	Amount	Transfers to	Amount
		General Fund- Indirect Costs	<u>\$ 52,024</u>

Capital Projects Fund			
Transfers from	Amount	Transfers to	Amount
General Fund - Improvements	<u>\$ 1,938,939</u>		

Interfund transfers include funding allowed for indirect costs, required matches, supplemental funding, state cuts, and accounting practice. The transfers for the year ended June 30, 2004, consisted of the following:

General Fund

Transfers from:

Funds are transferred into General Fund from other funds to cover indirect costs for federal programs and food service, and the required Medicaid match.

Transfers to:

Funds are transferred from General Fund into other funds to cover the required match for State Reduce Class Size Funding, supplemental funding for the preschool handicapped and child development programs, extracurricular funding for schools and capital project expenditures.

Special Revenue Fund

Transfers from:

Funds are transferred into the Special Revenue/EIA funds from other funds to cover the School District's Match for Reduce Class Size, supplemental funding for Preschool Handicapped and Child Development.

ANDERSON COUNTY SCHOOL DISTRICT TWO, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2004

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Operating Transfers In and (Out) (Continued)

Special Revenue Fund (Continued)

Transfers to:

Funds are transferred from Special Revenue/EIA funds into other funds to cover Medicaid match, indirect cost on federal programs and extracurricular funding for schools.

Proprietary Fund

Transfers to:

Funds are transferred from the Food Service Fund into the General Fund for indirect costs.

Agency Fund

The majority of the funds transferred into the agency fund was for extracurricular funding for schools.

Capital Projects Fund

Transfer from:

Funds were transferred from the School District's capital projects fund to the general fund related to an expenditures paid for out of the general fund that was funded with revenue from the capital projects fund.

G. Long-Term Obligations

The School District's long-term debt at June 30, 2004, was comprised of:

- Series 2000A—original issue of \$3,500,000, principal due in annual installments of \$300,000 to \$400,000 through March 1, 2009; interest at 4.750 to 6.500% paid semiannually.
- Series 2000B—original issue of \$29,900,000, principal due in annual installments of \$625,000 to \$7,920,000 through March 1, 2025; interest at 5.125 to 7.125%.

The School District's capital lease obligations at June 30, 2004, was comprised of:

- The School District leases energy management equipment under a capital lease in September 1993. The economic substance of the lease is that the School District is financing the acquisition of the equipment through the lease over the estimated economic life of the equipment. The lease term was for ten years and requires monthly payments of \$7,521 (which includes principal and interest) with interest at 8.5%.
- The School District also entered into a lease purchase agreement with Hewlett Packard in June 2004 for computers and computer equipment. The economic substance of the lease purchase agreement is that the School District is financing the acquisition of the equipment through the lease over a period of five years with the option to purchase the equipment at the end of the lease term. Annual rent payments are \$29,010 (which includes principal and interest) with interest 4.4%.

ANDERSON COUNTY SCHOOL DISTRICT TWO, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2004

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-Term Obligations (Continued)

The following is a summary of changes in long-term obligations for the year ended June 30, 2004:

Long-Term Obligations	June 30, 2003	Additions	Reductions	June 30, 2004	Due Within One Year
Governmental Activities:					
Debt:					
Series 2000A GOB	\$ 2,400,000	-	400,000	2,000,000	\$ 400,000
Series 2000B GOB	28,600,000	-	700,000	27,900,000	750,000
Total Debt	31,000,000	-	1,100,000	29,900,000	1,150,000
Capital Lease Obligations	22,403	86,018	22,403	86,018	27,419
Total Governmental Activities	<u>\$ 31,022,403</u>	<u>86,018</u>	<u>1,122,403</u>	<u>29,986,018</u>	<u>\$ 1,177,419</u>

The annual requirements to amortize all long-term obligations outstanding as of June 30, 2004, are as follows:

Years Ending June 30	General Obligation Bonds		Capital Lease Obligations		Totals
	Principal	Interest	Principal	Interest	
2005	\$ 1,150,000	1,704,644	27,419	1,591	\$ 2,883,654
2006	1,175,000	1,631,206	26,375	2,636	2,835,217
2007	1,225,000	1,555,988	27,561	1,449	2,809,998
2008	1,275,000	1,477,206	4,663	210	2,757,079
2009	1,325,000	1,394,863	-	-	2,719,863
2010-2014	5,430,000	5,880,181	-	-	11,310,181
2015-2019	7,020,000	4,106,388	-	-	11,126,388
2020-2024	9,160,000	2,012,056	-	-	11,172,056
2025	2,140,000	109,675	-	-	2,249,675
Totals	<u>\$ 29,900,000</u>	<u>19,872,207</u>	<u>86,018</u>	<u>5,886</u>	<u>\$ 49,864,111</u>

Section 15 of Article X of the South Carolina State Constitution allows school districts to incur a legal debt limit not to exceed 8 percent of the assessed value of all property in the School District, unless approved by a majority vote in a referendum authorized by law. At June 30, 2004, the School District's outstanding general obligation debt is below the state imposed limit by approximately \$1,500,000.

The full faith, credit, resources and taxing power of the School District is irrevocably pledged for the payment of the obligation bonds.

ANDERSON COUNTY SCHOOL DISTRICT TWO, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2004

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Food Service

Federal Guidelines

The School District's Food Service Fund administers the lunch programs in accordance with United States Department of Agriculture ("USDA") guidelines. Revenues are provided from USDA reimbursements and cash collections. The meals served to pupils are classified as regular, reduced or free lunches by the Food Service Fund. The type of meal served determines the amount of reimbursement from the USDA. Reimbursements may be in the form of cash or commodities. The food service expenses are inclusive of \$83,528 of commodities consumed during the year ended June 30, 2004. Ending inventories include USDA commodities of \$16,105 at June 30, 2004.

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.

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% 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 .15% of payroll to provide a group life insurance benefit for their participants. There is also an insurance surcharge of 3.30% paid by the employer on all eligible wages for the purpose of covering health and dental insurance of retirees. All employers contribute at the actuarially required contribution rates. The School District contributed amounts equal to the required contribution to the SCRS of \$1,621,659, \$1,560,304, and \$1,544,792, for the years ended June 30, 2004, 2003, and 2002, respectively.

ANDERSON COUNTY SCHOOL DISTRICT TWO, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2004

IV. OTHER INFORMATION

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 general liability and workers' compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years and there has been no significant reduction in insurance coverage. Because of the high cost of insurance purchased from commercial insurers, the School District has chosen to participate with other school districts in the State in the South Carolina School Boards Insurance Trust/Workers' Compensation Pool ("SCSBIT", "WCP"), as well as in its Property and Casualty Pool ("SCSBIT", "PCP"). This public entity risk pool operates as a common risk management and insurance program for member school districts.

The School District pays annual premiums to the public entity risk pools for its workers' compensation and property liability insurance coverage based upon the total payroll of the School District for each plan year. The annual premiums for the fiscal year ended June 30, 2004 were \$60,627 and \$79,742 for the SCSBIT/WCP and SCSBIT/PCP, respectively. The agreement for formation of the public entity risk pools provides that SCSBIT/WCP and SCSBIT/PCP will be self-sustaining through member premiums and any deficiencies can be charged back to the member school districts in the event that a fund deficit arises. As of the latest available audited financial statements, June 30, 2003, the SCSBIT/WCP had a fund balance in excess of \$634,000 and the SCSBIT/PCP had a fund balance of approximately \$3,100,000. There were no reductions in insurance coverage as compared to the previous year. There were no insurance settlements that exceeded insurance coverage in any of the past three years.

C. Contingencies

The School District participates in a number of federal and state assisted grant programs that are governed by various rules and regulations of grantor agencies. These programs are subject to financial and compliance audits by the grantors or their representatives. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. The School District believes it has substantially complied with the contract/grant provisions. Based on prior experience, the School District's management believes such disallowances, if any, would not be significant; therefore no provision has been recorded in the accompanying basic financial statements for such contingencies. In addition, the School District must apply for annual renewals of contracts and grants. Funding is subject to both increases and reductions at the discretion of the contractors and grantors.

D. Deficit Fund Balance

At June 30, 2004, the Capital Projects Fund has a deficit fund balance of \$315,411. The School District plans to eliminate the deficit fund balance by ongoing revenues and transfers from the General Fund, if necessary.

GENERAL FUND

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

YEAR ENDED JUNE 30, 2004

	GENERAL FUND			
	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	VARIANCE
REVENUES				
Local Sources:				
Taxes	\$ 6,552,612	6,552,612	7,098,817	\$ 546,205
Investment Earnings	65,000	65,000	34,269	(30,731)
Other Local Sources	31,110	31,110	106,895	75,785
Intergovernmental Sources	28,000	28,000	66,646	38,646
State Sources	10,817,692	10,817,692	11,288,238	470,546
TOTAL REVENUES ALL SOURCES	17,494,414	17,494,414	18,594,865	1,100,451
EXPENDITURES				
Current:				
Instruction	10,347,947	10,394,074	9,829,622	564,452
Supporting Services	6,771,238	6,725,110	6,557,086	168,024
Community Services	7,797	7,998	-	7,998
Intergovernmental	273,526	273,526	258,543	14,983
Capital Outlay	94,128	94,128	144,559	(50,431)
TOTAL EXPENDITURES	17,494,636	17,494,836	16,789,810	705,026
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(222)	(422)	1,805,055	1,805,477
OTHER FINANCING SOURCES (USES)				
Sale of Fixed Assets	-	-	3,500	3,500
Lease Purchase	-	-	86,018	86,018
Operating Transfers In	-	-	67,276	67,276
Operating Transfers Out	-	(43,000)	(1,981,284)	(1,938,284)
TOTAL OTHER FINANCING SOURCES (USES)	-	(43,000)	(1,824,490)	(1,781,490)
NET CHANGE IN FUND BALANCE	(222)	(43,422)	(19,435)	23,987
FUND BALANCES, Beginning of Year	3,910,373	3,910,373	3,910,373	-
FUND BALANCES, End of Year	\$ 3,910,151	3,866,951	3,890,938	\$ 23,987

ANDERSON COUNTY SCHOOL DISTRICT TWO, SOUTH CAROLINA

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2004

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 -
REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES			
1000 Revenues from Local Sources:			
1200 Revenue from Local Governmental Units Other than LEAs:			
1210 Ad Valorem Taxes-Including Delinquent (Dependent)	\$ 5,353,867	5,417,763	\$ 63,896
1240 Penalties & Interest on Taxes (Dependent)	205,000	516,668	311,668
1280 Revenue in Lieu of Taxes (Independent and Dependent)	54,000	98,653	44,653
1290 Other Taxes (Dependent)	939,745	1,065,733	125,988
1300 Tuition:			
1310 From Patrons for Regular Day School	2,500	14,670	12,170
1320 From Other LEAs for Regular Day School	15,000	20,683	5,683
1500 Earnings on Investments:			
1510 Interest on Investments	65,000	34,269	(30,731)
1900 Other Revenue from Local Sources:			
1910 Rentals	-	720	720
1920 Contributions & Donations Private Sources	-	36,281	36,281
1930 Medicaid	-	3,521	3,521
1990 Miscellaneous Local Revenue:			
1999 Revenue from Other Local Sources	13,610	31,020	17,410
Total Local Sources	<u>6,648,722</u>	<u>7,239,981</u>	<u>591,259</u>
2000 Intergovernmental Revenue:			
2100 Payments from Other Governmental Units	28,000	66,646	38,646
Total Intergovernmental Sources	<u>28,000</u>	<u>66,646</u>	<u>38,646</u>
3000 Revenue from State Sources:			
3100 Restricted State Funding:			
3130 Special Programs:			
3131 Handicapped Transportation	-	10,019	10,019
3160 School Bus Driver's Salary	172,827	206,060	33,233
3180 Fringe Benefits Employer Contributions	2,367,100	2,366,894	(206)
3181 Retiree Insurance	255,716	249,987	(5,729)
3199 Other Restricted State Grants	-	871	871
3300 Education Finance Act:			
3310 Full-Time Programs:			
3311 Kindergarten	429,172	393,727	(35,445)
3312 Primary	1,198,787	1,132,893	(65,894)
3313 Elementary	1,596,596	1,585,977	(10,619)
3314 High School	248,794	263,684	14,890
3315 Trainable Mentally Handicapped	13,668	23,075	9,407
3316 Speech Handicapped (Part-Time Program)	624,524	919,195	294,671
3317 Homebound	\$ 13,599	24,318	\$ 10,719

(Continued)

GENERAL FUND

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

YEAR ENDED JUNE 30, 2004

	REVISED BUDGET	ACTUAL	VARIANCE
3320 Part-Time Programs:			
3321 Emotionally Handicapped	\$ 106,824	78,119	\$ (28,705)
3322 Educable Mentally Handicapped	171,161	137,548	(33,613)
3323 Learning Disabilities	723,957	737,594	13,637
3324 Hearing Handicapped	7,205	3,710	(3,495)
3325 Visually Handicapped	3,602	11,897	8,295
3326 Orthopedically Handicapped	17,156	12,597	(4,559)
3327 Vocational	1,346,754	1,359,550	12,796
3330 Other EFA Programs:			
3331 Autism	-	10,471	10,471
3800 State Revenue in Lieu of Taxes:			
3810 Reimbursement for Local Residential Property Tax Relief	950,000	958,028	8,028
3820 Homestead Exemption	430,000	583,452	153,452
3830 Merchant's Inventory Tax	55,250	55,206	(44)
3840 Manufacturers Depreciation Reimbursement	80,000	135,251	55,251
3890 Other State Property Tax Revenues (Includes Motor Carrier Vehicle Tax)	5,000	28,115	23,115
Total State Sources	<u>10,817,692</u>	<u>11,288,238</u>	<u>470,546</u>
TOTAL REVENUES ALL SOURCES	<u>17,494,414</u>	<u>18,594,865</u>	<u>1,100,451</u>

EXPENDITURES

100 Instruction:			
110 General Instruction:			
111 Kindergarten Programs:			
100 Salaries	453,374	455,084	(1,710)
200 Employee Benefits	161,493	156,656	4,837
300 Purchased Services	200	-	200
400 Supplies and Materials	9,638	262	9,376
112 Primary Programs:			
100 Salaries	1,400,675	1,358,265	42,410
200 Employee Benefits	425,020	392,010	33,010
300 Purchased Services	27,636	29,545	(1,909)
400 Supplies and Materials	55,823	59,614	(3,791)
500 Capital Outlay	1,840	24,085	(22,245)
113 Elementary Programs:			
100 Salaries	2,730,938	2,623,262	107,676
200 Employee Benefits	825,546	764,244	61,302
300 Purchased Services	53,681	58,012	(4,331)
400 Supplies and Materials	70,072	70,617	(545)
500 Capital Outlay	1,834	31,827	(29,993)
114 High School Programs:			
100 Salaries	1,516,508	1,413,206	103,302
200 Employee Benefits	469,788	423,216	46,572
300 Purchased Services	34,100	35,316	(1,216)
400 Supplies and Materials	224,177	219,868	4,309
500 Capital Outlay	\$ 2,493	21,764	\$ (19,271)

(Continued)

GENERAL FUND

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

YEAR ENDED JUNE 30, 2004

	REVISED BUDGET	ACTUAL	VARIANCE
115 Vocational Programs:			
100 Salaries	\$ 214,869	229,031	\$ (14,162)
200 Employee Benefits	64,987	69,026	(4,039)
300 Purchased Services - Other Than Tuition	280	1,039	(759)
400 Supplies and Materials	29,130	48	29,082
500 Capital Outlay	1,834	-	1,834
120 Exceptional Programs:			
121 Educable Mentally-Handicapped:			
100 Salaries	225,133	224,530	603
200 Employee Benefits	67,785	74,655	(6,870)
300 Purchased Services	607	-	607
122 Trainable Mentally Handicapped:			
100 Salaries	18,588	19,386	(798)
200 Employee Benefits	18,722	10,227	8,495
300 Purchased Services	992	-	992
400 Supplies and Materials	4,518	-	4,518
123 Orthopedically Handicapped:			
100 Salaries	63,820	61,451	2,369
200 Employee Benefits	19,179	16,882	2,297
300 Purchased Services	1,500	1,500	-
124 Visually Handicapped:			
100 Salaries	11,577	7,915	3,662
200 Employee Benefits	2,501	432	2,069
400 Supplies and Materials	-	1,171	(1,171)
125 Hearing Handicapped:			
100 Salaries	30,242	4,382	25,860
200 Employee Benefits	17,122	1,095	16,027
300 Purchased Services	1,000	1,000	-
126 Speech Handicapped:			
100 Salaries	189,490	161,153	28,337
200 Employee Benefits	59,104	51,345	7,759
300 Purchased Services	807	809	(2)
400 Supplies and Materials	500	-	500
127 Learning Disabilities:			
100 Salaries	442,464	447,462	(4,998)
200 Employee Benefits	150,699	137,754	12,945
300 Purchased Services	2,107	75	2,032
400 Supplies and Materials	500	-	500
128 Emotionally Handicapped:			
100 Salaries	142,658	136,533	6,125
200 Employee Benefits	42,462	48,810	(6,348)
300 Purchased Services	2,000	2,000	-
130 Pre-School Programs:			
137 Pre-School Handicapped-Self-Contained (3 & 4 year olds):			
100 Salaries	-	1,512	(1,512)
200 Employee Benefits	\$ 12,004	2,178	\$ 9,826

(Continued)

GENERAL FUND

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

YEAR ENDED JUNE 30, 2004

	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
140 Special Programs:			
142 Disadvantaged:			
200 Employee Benefits	\$ 2,200	-	\$ 2,200
145 Homebound:			
100 Salaries	-	19,168	(19,168)
200 Employee Benefits	33,326	6,079	27,247
300 Purchased Services	650	5,165	(4,515)
160 Other Exceptional Programs:			
161 Autism:			
100 Salaries	10,487	8,389	2,098
200 Employee Benefits	2,950	2,369	581
170 Summer School Programs:			
171 Primary Summer School:			
100 Salaries	20,000	-	20,000
200 Employee Benefits	4,223	-	4,223
172 Elementary Summer School:			
100 Salaries	14,207	10,683	3,524
200 Employee Benefits	4,274	1,247	3,027
173 High School Summer School:			
100 Salaries	5,000	3,325	1,675
200 Employee Benefits	-	618	(618)
175 Instructional Programs Beyond Regular School Day:			
100 Salaries	-	-	-
200 Employee Benefits	740	-	740
Total Instruction	<u>10,402,074</u>	<u>9,907,297</u>	<u>494,777</u>
200 Supporting Services:			
210 Pupil Services:			
211 Attendance and Social Work Services:			
100 Salaries	5,540	-	5,540
200 Employee Benefits	4,075	-	4,075
300 Purchased Services	200	-	200
400 Supplies and Materials	96	-	96
212 Guidance Services:			
100 Salaries	437,835	420,462	17,373
200 Employee Benefits	119,700	115,840	3,860
300 Purchased Services	1,750	1,000	750
400 Supplies and Materials	12,265	9,793	2,472
213 Health Services:			
100 Salaries	2,602	6,182	(3,580)
200 Employee Benefits	1,754	837	917
300 Purchased Services	3,100	3,165	(65)
400 Supplies and Materials	1,436	1,210	226
500 Capital Outlay	250	-	250
214 Psychological Services:			
300 Purchased Services	\$ 3,000	2,000	\$ 1,000

(Continued)

GENERAL FUND

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

YEAR ENDED JUNE 30, 2004

	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
220 Instructional Staff Services:			
221 Improvement of Instruction-Curriculum Development:			
100 Salaries	\$ 103,352	96,096	\$ 7,256
200 Employee Benefits	37,724	23,138	14,586
300 Purchased Services	14,503	2,033	12,470
400 Supplies and Materials	50,275	46,634	3,641
222 Library and Media Services:			
100 Salaries	344,205	346,772	(2,567)
200 Employee Benefits	98,139	100,434	(2,295)
300 Purchased Services	6,500	2,370	4,130
400 Supplies and Materials	39,290	35,694	3,596
500 Capital Outlay	-	715	(715)
223 Supervision of Special Programs:			
100 Salaries	95,445	70,663	24,782
200 Employee Benefits	23,509	21,982	1,527
300 Purchased Services	1,000	990	10
400 Supplies and Materials	2,100	17	2,083
224 Improvement of Instruction-Inservice and Staff Training:			
100 Salaries	-	1,350	(1,350)
200 Employee Benefits	-	251	(251)
300 Purchased Services	75,279	47,196	28,083
400 Supplies and Materials	957	524	433
230 General Administrative Services:			
231 Board of Education:			
200 Employee Benefits	7,126	16,616	(9,490)
300 Purchased Services	26,000	14,283	11,717
318 Audit Services	30,000	35,965	(5,965)
400 Supplies and Materials	7,500	4,322	3,178
600 Other Objects	8,200	4,537	3,663
232 Office of Superintendent:			
100 Salaries	324,648	337,446	(12,798)
200 Employee Benefits	69,193	69,160	33
300 Purchased Services	44,532	19,919	24,613
400 Supplies and Materials	35,102	29,851	5,251
500 Capital Outlay	5,000	-	5,000
600 Other Objects	6,611	2,394	4,217
233 School Administration:			
100 Salaries	1,084,372	1,062,926	21,446
200 Employee Benefits	296,277	280,016	16,261
300 Purchased Services	25,400	25,158	242
400 Supplies and Materials	5,882	16	5,866
600 Other Objects	4,000	5,425	(1,425)
250 Finance and Operations Services:			
252 Fiscal Services:			
100 Salaries	154,974	155,554	(580)
200 Employee Benefits	45,376	44,488	888
300 Purchased Services	21,825	17,561	4,264
400 Supplies and Materials	\$ 18,850	18,909	\$ (59)

(Continued)

GENERAL FUND

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

YEAR ENDED JUNE 30, 2004

	REVISED BUDGET	ACTUAL	VARIANCE
254 Operation and Maintenance of Plant:			
100 Salaries	\$ 447,519	445,957	\$ 1,562
200 Employee Benefits	153,341	148,124	5,217
300 Purchased Services	456,026	453,354	2,672
321 Public Utilities (Excludes Gas, Oil, Elec. & Other Heating Fuels)	53,881	46,893	6,988
400 Supplies and Materials	226,822	197,780	29,042
470 Energy (Includes Gas, Oil, Elec. & Other Heating Fuels)	370,421	492,272	(121,851)
500 Capital Outlay	58,367	44,209	14,158
600 Other Objects	7,636	-	7,636
255 Student Transportation:			
100 Salaries	389,134	366,229	22,905
200 Employee Benefits	96,930	84,975	11,955
300 Purchased Services	13,000	22,673	(9,673)
400 Supplies and Materials	4,250	19,664	(15,414)
256 Food Service:			
200 Employee Benefits	146,965	132,429	14,536
258 Security:			
300 Purchased Services	24,000	20,981	3,019
260 Central Support Services:			
262 Planning, Research, Development and Evaluation:			
100 Salaries	37,375	37,375	-
200 Employee Benefits	7,007	6,891	116
264 Staff Services:			
100 Salaries	200	458	(258)
200 Employee Benefits	100	88	12
300 Purchased Services	250	-	250
400 Supplies and Materials	500	-	500
266 Technology and Data Processing Services:			
100 Salaries	151,773	152,013	(240)
200 Employee Benefits	43,459	43,388	71
300 Purchased Services	62,365	62,673	(308)
400 Supplies and Materials	40,900	38,400	2,500
500 Capital Outlay	9,016	8,602	414
270 Supporting Services Pupil Activity:			
271 Pupil Services Activities:			
100 Salaries	196,171	194,118	2,053
200 Employee Benefits	37,722	40,222	(2,500)
300 Purchased Services	44,164	43,034	1,130
400 Supplies and Materials	10,500	5,916	4,584
500 Capital Outlay	13,495	13,358	137
600 Other Objects	1,200	-	1,200
Total Supporting Services	<u>\$ 6,811,238</u>	<u>6,623,970</u>	<u>\$ 187,268</u>

(Continued)

GENERAL FUND

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

YEAR ENDED JUNE 30, 2004

	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
300 Community Services:			
390 Other Community Services:			
100 Salaries	\$ 375	-	\$ 375
200 Employee Benefits	1,918	-	1,918
300 Purchased Services	5,455	-	5,455
400 Supplies and Materials	250	-	250
Total Community Services	<u>7,998</u>	<u>-</u>	<u>7,998</u>
400 Other Charges:			
410 Intergovernmental Expenditures:			
412 Payments to Other Governmental Units			
720 Transits	273,526	258,543	14,983
Total Intergovernmental Expenditures	<u>273,526</u>	<u>258,543</u>	<u>14,983</u>
TOTAL EXPENDITURES	<u>17,494,836</u>	<u>16,789,810</u>	<u>705,026</u>
OTHER FINANCING SOURCES (USES)			
5300 Sale of Fixed Assets	-	3,500	3,500
5600 Lease Purchase	-	86,018	86,018
Interfund Transfers, From (To) Other Funds:			
5280 Transfer from Other Funds Indirect Costs	-	67,276	67,276
421-710 Transfer to Special Revenue Fund	(43,000)	(42,345)	655
424-710 Transfer to Capital Projects Fund	-	(1,938,939)	(1,938,939)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(43,000)</u>	<u>(1,824,490)</u>	<u>(1,781,490)</u>
NET CHANGE IN FUND BALANCE	(43,422)	(19,435)	23,987
FUND BALANCE, Beginning of Year	<u>3,910,373</u>	<u>3,910,373</u>	<u>-</u>
FUND BALANCE, End of Year	<u>\$ 3,866,951</u>	<u>3,890,938</u>	<u>\$ 23,987</u>

ANDERSON COUNTY SCHOOL DISTRICT TWO, SOUTH CAROLINA

SPECIAL REVENUE FUNDS - SPECIAL PROJECTS FUNDS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2004

	Title I (BA Projects) (201/202)	IDEA (CA Projects) (203/204)
REVENUES		
1000 Revenue from Local Sources:		
1900 Other Revenue from Local Sources:		
1920 Contributions and Donations Private Sources	\$ -	-
1930 Medicaid	-	-
1999 Revenue from Other Local Sources	-	-
Total Local Sources	-	-
3000 Revenue from State Sources:		
3100 Restricted State Funding:		
3110 Occupational Education:		
3113 12-Months (Ag.) Program	-	-
3120 General Education:		
3121 EAA Summer School/Comprehensive Remediation	-	-
3122 Increase High School Diploma Requirements	-	-
3123 EAA Alternative Schools Program	-	-
3126 Refurbishment of K-8 Science Kits	-	-
3129 EAA Reduce Class Size Grades 1-3	-	-
3130 Special Programs:		
3135 Preschool Program for Children with Disabilities	-	-
3150 Adult Education:		
3161 EAA Bus Driver Salary and Fringe	-	-
3185 National Board Certification (NBC) Salary Supplement	-	-
3190 Miscellaneous Restricted State Grants:		
3191 Excellence in Middle Schools	-	-
3192 School Safety Officers	-	-
3193 Education License Plates	-	-
3199 Other Restricted State Grants	-	-
3600 Education Lottery Act Revenue:		
3605 EAA Palmetto Gold and Silver Awards	-	-
3610 K-5 Enhancement	-	-
3900 Other State Revenue:		
3991 ADEPT (Assisting, Developing, and Evaluating Professional Teaching) (Carryover Provision)	-	-
3999 Revenue from Other State Sources	-	-
Total State Sources	-	-
4000 Revenue from Federal Sources:		
4200 Occupational Education:		
4210 Vocational Aid, Title I	-	-
4240 Schools-to-Work Implementation Grant (Carryover Provision)	\$ -	-

Preschool Handicapped (CG Projects) (205/206)	Occupational Education (VA Projects) (207/208)	Drug Free (FP/FQ Projects) (209/210)	Other Designated State Restricted Grants*	Other Special Revenue Programs*	Totals
-	-	-	-	12,891	\$ 12,891
-	-	-	-	106,291	106,291
-	-	-	-	56,442	56,442
-	-	-	-	175,624	175,624
-	-	-	-	7,755	7,755
-	-	-	6,544	-	6,544
-	-	-	127,035	-	127,035
-	-	-	14,509	21,695	36,204
-	-	-	14,462	-	14,462
-	-	-	159,297	-	159,297
-	-	-	31,684	-	31,684
-	-	-	5,637	-	5,637
-	-	-	162,451	-	162,451
-	-	-	41,000	-	41,000
-	-	-	34,500	-	34,500
-	-	-	1,279	-	1,279
-	-	-	-	3,218	3,218
-	-	-	225	-	225
-	-	-	215,860	-	215,860
-	-	-	2,463	-	2,463
-	-	-	-	52,775	52,775
-	-	-	816,946	85,443	902,389
-	18,304	-	-	-	18,304
-	-	-	-	496	\$ 496

(Continued)

ANDERSON COUNTY SCHOOL DISTRICT TWO, SOUTH CAROLINA

SPECIAL REVENUE FUNDS - SPECIAL PROJECTS FUNDS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2004

	Title I (BA Projects) (201/202)	IDEA (CA Projects) (203/204)
4300 Elementary and Secondary Education Act of 1965 (ESEA):		
4310 Title I	\$ 524,489	-
4331 Enhancing Education through Technology (E2T2), Title II	-	-
4340 Promoting Informed Parental Choice and Innovative Education Program Strategies, Title V	-	-
4341 Language Instruction for Limited English Proficient and Immigrant Students, Title III	-	-
4351 Improving Teacher Quality	-	-
4500 Programs for Children with Disabilities:		
4510 Individuals with Disabilities Education Act (IDEA) (Carryover Provision)	-	613,561
4520 Pre-School Grants (Carryover Provision)	-	-
4900 Other Federal Sources:		
4920 Drug and Violence Prevention, Title IV	-	-
4950 School Renovation, IDEA, and Technology Grants:		
4952 IDEA	-	-
4996 Learn and Serve America	-	-
4999 Revenue from Other Federal Sources	-	-
Total Federal Sources	<u>524,489</u>	<u>613,561</u>
TOTAL REVENUES ALL SOURCES	<u>524,489</u>	<u>613,561</u>

EXPENDITURES

100 Instruction:		
110 General Instruction:		
111 Kindergarten Program:		
400 Supplies and Materials	-	-
112 Primary Programs:		
100 Salaries	71,063	-
200 Employee Benefits	31,810	-
300 Purchased Services	-	-
400 Supplies and Materials	43,353	-
113 Elementary Programs:		
100 Salaries	183,115	-
200 Employee Benefits	64,940	-
300 Purchased Services	-	-
400 Supplies and Materials	29,280	-
114 High School Programs:		
100 Salaries	-	-
200 Employee Benefits	-	-
300 Purchased Services	-	-
400 Supplies and Materials	\$ -	-

Preschool Handicapped (CG Projects) (205/206)	Occupational Education (VA Projects) (207/208)	Drug Free (FP/FQ Projects) (209/210)	Other Designated State Restricted Grants*	Other Special Revenue Programs*	Totals
-	-	-	-	-	\$ 524,489
-	-	-	-	2,145	2,145
-	-	-	-	16,440	16,440
-	-	-	-	886	886
-	-	-	-	141,224	141,224
-	-	-	-	23,922	637,483
31,294	-	-	-	-	31,294
-	-	20,138	-	-	20,138
-	-	-	-	42,500	42,500
-	-	-	-	20,000	20,000
-	-	-	-	3,326,108	3,326,108
31,294	18,304	20,138	-	3,573,721	4,781,507
31,294	18,304	20,138	816,946	3,834,788	5,859,520

-	-	-	4,317	-	4,317
-	-	-	309,863	48,458	429,384
-	-	-	84,790	14,589	131,189
-	-	-	500	-	500
-	-	-	22,600	5,434	71,387
-	-	-	44,994	32,590	260,699
-	-	-	8,365	8,758	82,063
-	-	-	14,509	7,865	22,374
-	-	-	4,846	7,624	41,750
-	-	-	151,369	51,257	202,626
-	-	-	40,255	5,595	45,850
-	-	-	-	1,982	1,982
-	-	-	1,279	5,110	\$ 6,389

(Continued)

ANDERSON COUNTY SCHOOL DISTRICT TWO, SOUTH CAROLINA

SPECIAL REVENUE FUNDS - SPECIAL PROJECTS FUNDS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2004

	Title I (BA Projects) (201/202)	IDEA (CA Projects) (203/204)
115 Vocational Programs:		
100 Salaries	\$ -	-
200 Employee Benefits	-	-
300 Purchased Services - Other Than Tuition	-	-
500 Capital Outlay	-	-
120 Exceptional Programs:		
121 Educable Mentally Handicapped:		
100 Salaries	-	10,550
200 Employee Benefits	-	2,135
300 Purchased Services	-	7,215
400 Supplies and Materials	-	4,701
122 Trainable Mentally Handicapped:		
100 Salaries	-	12,000
200 Employee Benefits	-	9,319
400 Supplies and Materials	-	-
123 Orthopedically Handicapped:		
400 Supplies and Materials	-	-
124 Visually Handicapped:		
100 Salaries	-	17,575
200 Employee Benefits	-	7,320
400 Supplies and Materials	-	577
125 Hearing Handicapped:		
100 Salaries	-	17,159
200 Employee Benefits	-	9,499
126 Speech Handicapped:		
100 Salaries	-	55,772
200 Employee Benefits	-	10,099
300 Purchased Services	-	-
400 Supplies and Materials	-	471
127 Learning Disabilities:		
100 Salaries	-	-
400 Supplies and Materials	-	2,708
128 Emotionally Handicapped:		
100 Salaries	-	115,062
200 Employee Benefits	-	31,859
300 Purchased Services	-	8,281
130 Pre-School Programs:		
137 Pre-School Handicapped-Self-Contained (3 & 4 year olds):		
100 Salaries	-	-
200 Employee Benefits	-	-
300 Purchased Services	\$ -	-

Preschool Handicapped (CG Projects) (205/206)	Occupational Education (VA Projects) (207/208)	Drug Free (FP/FQ Projects) (209/210)	Other Designated State Restricted Grants*	Other Special Revenue Programs*	Totals
-	-	-	-	7,322	\$ 7,322
-	-	-	-	433	433
-	500	-	-	-	500
-	1,550	-	-	-	1,550
-	-	-	-	-	10,550
-	-	-	-	-	2,135
-	-	-	-	-	7,215
-	-	-	-	-	4,701
-	-	-	-	-	12,000
-	-	-	-	-	9,319
-	-	-	-	6,482	6,482
-	-	-	-	642	642
-	-	-	-	-	17,575
-	-	-	-	-	7,320
-	-	-	-	27,856	28,433
-	-	-	-	-	17,159
-	-	-	-	-	9,499
-	-	-	-	17,785	73,557
-	-	-	-	3,271	13,370
-	-	-	-	3,131	3,131
-	-	-	-	368	839
-	-	-	-	886	886
-	-	-	-	17,539	20,247
-	-	-	-	-	115,062
-	-	-	-	-	31,859
-	-	-	-	-	8,281
21,814	-	-	25,173	-	46,987
4,090	-	-	2,956	-	7,046
-	-	-	3,554	-	\$ 3,554

(Continued)

ANDERSON COUNTY SCHOOL DISTRICT TWO, SOUTH CAROLINA

SPECIAL REVENUE FUNDS - SPECIAL PROJECTS FUNDS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2004

	Title I (BA Projects) (201/202)	IDEA (CA Projects) (203/204)
140 Special Programs:		
148 Gifted and Talented - Artistic:		
300 Purchased Services	\$ -	-
400 Supplies and Materials	-	-
160 Other Exceptional Programs:		
161 Autism:		
300 Purchased Services	-	-
170 Summer School Programs:		
172 Elementary Summer School:		
100 Salaries	-	-
200 Employee Benefits	-	-
300 Purchased Services	-	-
400 Supplies and Materials	-	-
173 High School Summer School:		
100 Salaries	-	-
200 Employee Benefits	-	-
175 Instructional Programs Beyond Regular School Day:		
100 Salaries	-	-
200 Employee Benefits	-	-
300 Purchased Services	-	-
400 Supplies and Materials	-	-
180 Adult/Continuing Educational Programs:		
188 Parenting/Family Literacy:		
100 Salaries	-	-
200 Employee Benefits	-	-
300 Purchased Services	10,700	-
400 Supplies and Materials	-	-
Total Instruction	<u>434,261</u>	<u>322,302</u>
200 Supporting Services:		
210 Pupil Services:		
212 Guidance Services:		
100 Salaries	-	-
200 Employee Benefits	-	-
400 Supplies and Materials	-	-
213 Health Services:		
100 Salaries	-	27,450
200 Employee Benefits	-	7,528
300 Purchased Services	-	66,219
400 Supplies and Materials	\$ -	232

Preschool Handicapped (CG Projects) (205/206)	Occupational Education (VA Projects) (207/208)	Drug Free (FP/FQ Projects) (209/210)	Other Designated State Restricted Grants*	Other Special Revenue Programs*	Totals
-	-	-	-	11,964	\$ 11,964
-	-	-	-	864	864
-	-	-	-	43,362	43,362
-	-	-	-	129,663	129,663
-	-	-	-	24,310	24,310
-	-	-	10,684	16,386	27,070
-	-	-	998	18,972	19,970
-	-	-	-	11,875	11,875
-	-	-	-	2,225	2,225
-	-	-	-	204,742	204,742
-	-	-	-	37,167	37,167
-	-	-	-	64,545	64,545
-	-	-	-	135,347	135,347
-	-	-	-	42,000	42,000
-	-	-	-	10,539	10,539
-	-	-	-	-	10,700
-	-	-	-	236	236
25,904	2,050	-	731,052	1,029,174	2,544,743
-	-	-	34,343	-	34,343
-	-	-	6,657	-	6,657
-	4,254	-	-	3,000	7,254
-	-	-	-	26,868	54,318
-	-	-	-	8,774	16,302
-	-	19,000	-	-	85,219
-	-	-	-	-	\$ 232

(Continued)

ANDERSON COUNTY SCHOOL DISTRICT TWO, SOUTH CAROLINA

SPECIAL REVENUE FUNDS - SPECIAL PROJECTS FUNDS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2004

	Title I (BA Projects) (201/202)	IDEA (CA Projects) (203/204)
214 Psychological Services:		
100 Salaries	\$ -	25,775
200 Employee Benefits	-	7,267
300 Purchased Services	-	7,176
400 Supplies and Materials	-	3,164
215 Exceptional Program Services:		
300 Purchased Services	-	-
220 Instructional Staff Services:		
221 Improvement of Instruction - Curriculum Development:		
100 Salaries	-	-
200 Employee Benefits	-	-
300 Purchased Services	5,164	-
400 Supplies and Materials	2,200	-
223 Supervision of Special Programs:		
100 Salaries	42,511	110,205
200 Employee Benefits	12,268	30,387
300 Purchased Services	1,029	5,556
400 Supplies and Materials	2,100	300
224 Improvement of Instruction - Inservice and Staff Training:		
300 Purchased Services	9,704	-
400 Supplies and Materials	-	-
250 Finance and Operations Services:		
255 Student Transportation:		
100 Salaries	-	-
200 Employee Benefits	-	-
256 Food Service:		
400 Supplies and Materials (Include Energy)	-	-
258 Security:		
300 Purchased Services	-	-
400 Supplies and Materials	-	-
Total Supporting Services	74,976	291,259
300 Community Services:		
390 Other Community Services:		
300 Purchased Services	-	-
400 Supplies and Materials	-	-
Total Community Services	\$ -	-

Preschool Handicapped (CG Projects) (205/206)	Occupational Education (VA Projects) (207/208)	Drug Free (FP/FQ Projects) (209/210)	Other Designated State Restricted Grants*	Other Special Revenue Programs*	Totals
-	-	-	-	-	\$ 25,775
-	-	-	-	-	7,267
-	-	-	-	-	7,176
-	-	-	-	-	3,164
5,390	-	-	-	38,608	43,998
-	-	-	200	2,000	2,200
-	-	-	37	-	37
-	3,800	-	13,252	39,175	61,391
-	-	1,138	18,473	19,244	41,055
-	6,200	-	-	162,069	320,985
-	-	-	-	36,976	79,631
-	-	-	-	53,595	60,180
-	-	-	-	77	2,477
-	2,000	-	17,771	30,541	60,016
-	-	-	2,507	3,386	5,893
-	-	-	464	8,351	8,815
-	-	-	35	849	884
-	-	-	-	21,476	21,476
-	-	-	34,107	-	34,107
-	-	-	393	-	393
<u>5,390</u>	<u>16,254</u>	<u>20,138</u>	<u>128,239</u>	<u>471,600</u>	<u>1,007,856</u>
-	-	-	-	3,534	3,534
-	-	-	-	16,466	16,466
-	-	-	-	20,000	\$ 20,000

(Continued)

ANDERSON COUNTY SCHOOL DISTRICT TWO, SOUTH CAROLINA

SPECIAL REVENUE FUNDS - SPECIAL PROJECTS FUNDS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2004

	Title I (BA Projects) (201/202)	IDEA (CA Projects) (203/204)
410 Intergovernmental Expenditures:		
412 Payments to Other Governmental Units		
720 Transits	\$ -	-
414 Medicaid Payments to State Department of Education		
720 Transits	-	-
Total Intergovernmental Expenditures	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>509,237</u>	<u>613,561</u>
OTHER FINANCING SOURCES (USES)		
Interfund Transfers, From (To) Other Funds:		
5210 Transfer from General Fund (Exclude Indirect Costs)	-	-
426-710 Transfer to Pupil Activity Fund	-	-
431-791 Special Revenue Fund Indirect Costs (Use Only for Transfer of Indirect Costs to General Fund)	(15,252)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(15,252)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	-	-
FUND BALANCES, Beginning of Year	<u>-</u>	<u>-</u>
FUND BALANCES, End of Year	<u>\$ -</u>	<u>-</u>

Preschool Handicapped (CG Projects) (205/206)	Occupational Education (VA Projects) (207/208)	Drug Free (FP/FQ Projects) (209/210)	Other Designated State Restricted Grants*	Other Special Revenue Programs*	Totals
-	-	-	-	2,316,386	\$ 2,316,386
-	-	-	-	1,179	1,179
-	-	-	-	2,317,565	2,317,565
31,294	18,304	20,138	859,291	3,838,339	5,890,164
-	-	-	42,345	-	42,345
-	-	-	-	-	-
-	-	-	-	-	(15,252)
-	-	-	42,345	-	27,093
-	-	-	-	(3,551)	(3,551)
-	-	-	-	3,551	3,551
-	-	-	-	-	-

SPECIAL REVENUE FUNDS - SPECIAL PROJECTS FUNDS

SUPPLEMENTAL LISTING OF LEA SUBFUND CODES AND TITLES

YEAR ENDED JUNE 30, 2004

OTHER RESTRICTED STATE GRANTS

901	High School Diploma Credit
908	Refurbished Science Kits
911	School Technology Initiative
916	ADEPT (Assisting, Developing, and Evaluating Professional Teaching)
917	Preschool Programs for Children with Disabilities
919	Education License Plates
923	EAA Alternative Schools Grant
929	EAA Reduce Class Size Grades 1-3
931	EAA Summer School/Comprehensive Remediation
933	School Safety Officers
934	Excellence in Middle Schools
935	National Board Certified
960	K-5 Enhancement
965	Palmetto Gold & Silver Awards

OTHER SPECIAL REVENUE PROGRAMS

211	IDEA Capacity Building
213	Library & Media Resources
241	Title VI
244	Eisenhower Professional Development
249	Learn and Serve America
253	Character Education
261	School-To-Work Implementation
264	Title III - ESOL
266	RIT IDEA Project
267	Title II Part A
277	ROTC
279	12-Month Agricultural Program
287	First Steps
292	SC Medicaid
802	Anderson County Arts
804	21st Century Community Learning
805	ALPHA Grant
806	JUMP Grant
807	SC Cares (Small Learning Communities)
808	SAT Improvement
809	Tech Initiative
811	Webbcraft
812	Success by Six
813	SHIP
814	Private Contributions
823	Local Alternative School

SPECIAL REVENUE FUNDS - SPECIAL PROJECTS FUNDS

SUMMARY SCHEDULE FOR DESIGNATED STATE RESTRICTED GRANTS

YEAR ENDED JUNE 30, 2004

Subfund	Revenue	Programs	Revenues	Expenditures	State Restricted Grants Interfund Transfers In (Out)	Other Financing Sources (Uses)	State Restricted Grants Deferred Revenue
901	3122	Increase High School Diploma Requirements	\$ 127,035	127,035	-	-	\$ -
908	3126	Refurbished Science Kits	14,462	14,462	-	-	-
911	3198	School Technology Initiative	-	-	-	-	9,572
916	3991	ADEPT (Assisting, Developing and Evaluating Professional Teaching)	2,463	2,463	-	-	2,900
917	3135	Preschool Programs for Children with Disabilities	31,684	31,684	-	-	-
919	3193	Education License Plates	1,279	1,279	-	-	-
923	3123	Alternative Schools Program	14,509	14,509	-	-	-
929	3129	EAA Reduce Class Size Grades 1-3	159,297	201,642	42,345	-	-
931	3121	EAA Summer School/Comprehensive Remediation	12,181	12,181	-	-	60,850
933	3192	School Safety Officer	34,500	34,500	-	-	-
934	3191	Excellence in Middle Schools	41,000	41,000	-	-	-
935	3185	National Board Certification (NBC) Salary Supplement	162,451	162,451	-	-	-
960	3610	K-5 Enhancement	215,860	215,860	-	-	-
965	3605	EAA Palmetto Gold and Silver Awards	225	225	-	-	-
Totals			\$ 816,946	859,291	42,345	-	\$ 73,322

SPECIAL REVENUE FUNDS - EDUCATION IMPROVEMENT ACT

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

YEAR ENDED JUNE 30, 2004

	<u>ACTUAL</u>
REVENUES	
1000 Revenue from Local Sources:	
1900 Other Revenue from Local Sources:	
1999 Revenue from Other Local Sources	\$ 57
Total Local Sources	<u>57</u>
3000 Revenue from State Sources:	
3500 Education Improvement Act:	
3507 School Innovation Funds	113,242
3513 Parenting/Family Literacy	52,831
3515 Advanced Placement Courses	2,372
3517 Advanced Placement - Singleton (Subfund 315)	1,920
3520 Gifted and Talented - Academic	169,706
3522 Gifted and Talented - Artistic	18,031
3523 Junior Scholars Program	241
3525 Career and Technology Education Equipment	58,169
3527 Critical Teaching Needs	2,870
3530 Trainable & Profoundly Mentally Disabled Student Services	7,465
3533 Teacher of the Year Awards	1,077
3534 Professional Development on Standards	29,600
3540 Four-Year Old Early Childhood Program	121,934
3546 Academic Assistance K-3	233,769
3548 Academic Assistance 4-12	264,770
3550 Teacher Salary Increase	958,107
3555 School Employer Contributions	178,687
3575 Competitive Teacher Grants	1,677
3577 Teacher Supplies	46,200
3582 Principal Salary/Fringe Increase	16,976
3588 EAA Palmetto Gold and Silver Awards	9,707
3592 School-to-Work Transition	22,305
3598 Bus Driver Salary Supplement	2,532
Total State Sources	<u>2,314,188</u>
TOTAL REVENUES ALL SOURCES	<u>\$ 2,314,245</u>

(Continued)

SPECIAL REVENUE FUNDS - EDUCATION IMPROVEMENT ACT

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

YEAR ENDED JUNE 30, 2004

	<u>ACTUAL</u>
EXPENDITURES	
100 Instruction:	
110 General Instruction:	
111 Kindergarten Programs:	
100 Salaries	\$ 112,393
200 Employee Benefits	29,146
400 Supplies and Materials	57
112 Primary Programs:	
100 Salaries	300,068
200 Employee Benefits	71,331
300 Purchased Services	750
400 Supplies and Materials	29,957
113 Elementary Programs:	
100 Salaries	377,376
200 Employee Benefits	82,110
400 Supplies and Materials	22,440
114 High School Programs:	
100 Salaries	307,524
200 Employee Benefits	70,169
400 Supplies and Materials	135,137
115 Vocation Programs:	
100 Salaries	27,834
200 Employee Benefits	5,172
400 Supplies and Materials	58,725
120 Exceptional Programs:	
121 Educable Mentally Handicapped:	
100 Salaries	19,390
200 Employee Benefits	3,607
126 Speech Handicapped:	
100 Salaries	19,444
200 Employee Benefits	3,625
127 Learning Disabilities:	
100 Salaries	62,913
200 Employee Benefits	11,691
128 Emotionally Handicapped:	
100 Salaries	11,942
200 Employee Benefits	\$ 2,213

(Continued)

SPECIAL REVENUE FUNDS - EDUCATION IMPROVEMENT ACT

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

YEAR ENDED JUNE 30, 2004

	<u>ACTUAL</u>
130 Pre-School Programs:	
139 Early Childhood Programs:	
100 Salaries	\$ 96,367
200 Employee Benefits	35,857
300 Purchased Services	267
400 Supplies and Materials	237
140 Special Programs:	
141 Gifted and Talented - Academic:	
100 Salaries	129,612
200 Employee Benefits	40,903
300 Purchased Services	2,420
400 Supplies and Materials	3,320
143 Advanced Placement:	
300 Purchased Services	210
400 Supplies and Materials	4,082
148 Gifted and Talented - Artistic:	
100 Salaries	4,388
200 Employee Benefits	376
300 Purchased Services	11,081
400 Supplies and Materials	2,185
180 Adult/Continuing Educational Programs:	
188 Parenting/Family Literacy:	
100 Salaries	40,575
200 Employee Benefits	9,606
300 Purchased Services	839
400 Supplies and Materials	1,811
Total Instruction	<u>2,149,150</u>
200 Supporting Services:	
210 Pupil Services:	
212 Guidance Services:	
100 Salaries	45,466
200 Employee Benefits	8,496
220 Instructional Staff Services:	
221 Improvement of Instruction-Curriculum Development:	
100 Salaries	400
200 Employee Benefits	14
300 Purchased Services	1,821
400 Supplies and Materials	\$ 2,454

(Continued)

SPECIAL REVENUE FUNDS - EDUCATION IMPROVEMENT ACT

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

YEAR ENDED JUNE 30, 2004

	<u>ACTUAL</u>
222 Library and Media:	
100 Salaries	\$ 30,824
200 Employee Benefits	5,747
400 Supplies and Materials	1,655
223 Supervision of Special Programs:	
100 Salaries	15,741
200 Employee Benefits	3,628
224 Improvement of Instruction - Inservice and Staff Training:	
200 Employee Benefits	19
300 Purchased Services	28,872
400 Supplies and Materials	450
230 General Administration Services:	
233 School Administration:	
100 Salaries	16,976
250 Finance and Operations Services:	
255 Student Transportation:	
100 Salaries	2,532
Total Supporting Services	<u>165,095</u>
TOTAL EXPENDITURES	<u>2,314,245</u>
NET CHANGE IN FUND BALANCES	-
FUND BALANCES, Beginning of Year	<u>-</u>
FUND BALANCES, End of Year	<u><u>\$ -</u></u>

SPECIAL REVENUE FUNDS - EDUCATION IMPROVEMENT ACT

SUMMARY SCHEDULE BY PROGRAM

YEAR ENDED JUNE 30, 2004

Program	Revenues	Expenditures	EIA Interfund Transfers In/(Out)	Other Fund Transfers In/(Out)	EIA Fund Deferred Revenue
3500 Education Improvement Act:					
3507 School Innovation Funds	\$ 113,242	113,242	-	-	\$ 39,797
3513 Parenting/Family Literacy	52,831	52,831	-	-	-
3515 Advanced Placement Courses	2,372	2,372	-	-	-
3517 Advanced Placement - Singleton (Subfund 315)	1,920	1,920	-	-	-
3520 Gifted and Talented - Academic	169,706	169,706	-	-	-
3522 Gifted and Talented - Artistic	18,031	18,031	-	-	-
3523 Junior Scholars Program	241	241	-	-	-
3525 Career and Technology Education Equipment	58,169	58,169	-	-	-
3527 Critical Teaching Needs	2,870	2,870	-	-	-
3530 Trainable & Profoundly Mentally Disabled Student Services	7,465	7,465	-	-	-
3533 Teacher of the Year Awards	1,077	1,077	-	-	-
3534 Professional Development on Standards	29,600	29,600	-	-	-
3540 Four-Year Old Early Childhood Program	121,934	121,934	-	-	-
3546 Academic Assistance K-3	233,769	233,769	-	-	42,859
3548 Academic Assistance 4-12	264,770	264,770	-	-	-
3550 Teacher Salary Increase	958,107	958,107	-	-	-
3555 School Employer Contributions	178,687	178,687	-	-	-
3575 Competitive Teacher Grants	1,677	1,677	-	-	-
3577 Teacher Supplies	46,257	46,257	-	-	-
3582 Principal Salary/Fringe Increase	16,976	16,976	-	-	-
3588 EAA Palmetto Gold and Silver Awards	9,707	9,707	-	-	2,530
3592 School-to-Work Transition	22,305	22,305	-	-	927
3598 Bus Driver Salary Supplement	2,532	2,532	-	-	-
3900 Other State Revenue:					
3999 Revenue from Other State Sources	-	-	-	-	57
Totals	\$ 2,314,245	2,314,245	-	-	\$ 86,170

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

YEAR ENDED JUNE 30, 2004

<u>Program</u>	<u>Project/Grant Number</u>	<u>Revenue & Subfund Code</u>	<u>Description</u>	<u>Amount Due to State Department of Education or Federal Government</u>	<u>Status of Amount Due to Grantors</u>
National Board Certification (NBC) Salary Supplement	State-Restricted	3185/935	Unexpended Funds	\$ 6,626	Paid After Year-End
Total				\$ 6,626	

DEBT SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2004

	<u>ACTUAL</u>
REVENUES	
1000 Revenue from Local Sources:	
1200 Revenue from Local Governmental Units Other than LEAs:	
1210 Ad Valorem Taxes-Including Delinquent (Fiscally Dependent LEA)	\$ 2,854,171
1240 Penalties & Interest on Taxes (Dependent)	135,601
1280 Revenue in Lieu of Taxes (Dependent and Independent)	43,177
1900 Other Revenue from Local Sources:	
1999 Revenue from Other Local Sources	11,542
Total Local Sources	<u>3,044,491</u>
3000 Revenue from State Sources:	
3800 State Revenue in Lieu of Taxes:	
3820 Homestead Exemption	255,950
3830 Merchant's Inventory Tax	10,867
3840 Manufacturers Depreciation Reimbursement	59,195
3890 Other State Property Tax Revenues (Includes Motor Carrier Vehicle Tax)	13,300
Total State Sources	<u>339,312</u>
TOTAL REVENUES ALL SOURCES	<u>3,383,803</u>
 EXPENDITURES	
500 Debt Service:	
610 Redemption of Principal	1,122,403
620 Interest	1,752,519
Total Debt Service	<u>2,874,922</u>
TOTAL EXPENDITURES	<u>2,874,922</u>
 NET CHANGE IN FUND BALANCE	508,881
FUND BALANCE, Beginning of Year	<u>1,420,741</u>
FUND BALANCE, End of Year	<u>\$ 1,929,622</u>

CAPITAL PROJECTS FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2004

	<u>ACTUAL</u>
REVENUES	
1000 Revenue from Local Sources:	
1500 Earnings on Investments:	
1510 Interest on Investments	\$ 249
Total Local Sources	<u>249</u>
3000 Revenue from State Sources:	
3100 Restricted State Funding:	
3172 Children's Education Endowment (Barnwell Facilities Fund)	145,466
Total State Sources	<u>145,466</u>
TOTAL REVENUES ALL SOURCES	<u>145,715</u>
EXPENDITURES	
200 Supporting Services:	
250 Finance and Operations:	
253 Facilities Acquisition & Construction:	
300 Purchased Services	56,759
400 Supplies and Materials	33,363
500 Capital Outlay:	
520 Construction Services	2,027,646
Total Supporting Services	<u>2,117,768</u>
TOTAL EXPENDITURES	<u>2,117,768</u>
OTHER FINANCING SOURCES (USES)	
Interfund Transfers, From (To) Other Funds:	
5210 Transfer from General Fund (Exclude Indirect Costs)	1,938,939
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,938,939</u>
NET CHANGE IN FUND BALANCE	(33,114)
FUND BALANCE, Beginning of Year	<u>(282,297)</u>
FUND BALANCE, End of Year	<u>\$ (315,411)</u>

ENTERPRISE FUND - FOOD SERVICE

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

YEAR ENDED JUNE 30, 2004

	<u>ACTUAL</u>
REVENUES	
1000 Revenues from Local Sources:	
1500 Earnings on Investments:	
1510 Interest on Investments	\$ 591
1600 Food Service:	
1610 Lunch Sales to Pupils	313,850
1620 Breakfast Sales to Pupils	42,397
1630 Special Sales to Pupils	118,744
1640 Lunch Sales to Adults	41,820
1650 Breakfast Sales to Adults	1,982
1660 Special Sales to Adults	5,996
1900 Other Revenue from Local Sources:	
1999 Revenue from Other Local Sources	16,843
Total Local Sources	<u>542,223</u>
4000 Revenues from Federal Sources:	
4800 USDA Reimbursement:	
4810 School Lunch and After School Snacks Program	662,656
4900 Other Federal Sources:	
4991 USDA Commodities (Food Distribution Program)	83,528
Total Federal Sources	<u>746,184</u>
TOTAL REVENUES ALL SOURCES	<u>1,288,407</u>
EXPENSES	
200 Supporting Services:	
256 Food Service:	
100 Salaries	424,184
200 Employee Benefits	29,355
300 Purchased Services (Exclude Gas, Oil, Electricity and Other Heating Fuels)	27,050
400 Supplies and Materials (Include Gas, Oil, Electricity and Other Heating Fuels)	682,788
500 Capital Outlay	99,405
600 Other Objects	5,038
Total Supporting Services	<u>1,267,820</u>
TOTAL EXPENSES	<u>1,267,820</u>
OTHER FINANCING SOURCES (USES)	
432-791 Food Service Fund Indirect Costs	(52,024)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(52,024)</u>
NET CHANGE IN FUND NET ASSETS	(31,437)
FUND NET ASSETS, Beginning of Year	<u>409,583</u>
FUND NET ASSETS, End of Year	<u>\$ 378,146</u>

FIDUCIARY FUND - AGENCY FUND - STUDENT ACTIVITY

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

YEAR ENDED JUNE 30, 2004

	<u>ACTUAL</u>
RECEIPTS	
1000 Receipts from Local Sources:	
1300 Tuition:	
1350 From Patrons for Summer School	\$ 8,200
1500 Earnings on Investments:	
1510 Interest on Investments	3,173
1700 Pupil Activities:	
1710 Admissions	120,731
1720 Bookstore Sales	5,813
1730 Pupil Organization Membership Dues and Fees	156,111
1740 Student Fees	154,645
1790 Other	625,734
1900 Other Revenue from Local Sources:	
1920 Contributions & Donations Private Sources	61,270
1999 Revenue from Other Local Sources	48,440
Total Local Sources	<u>1,184,117</u>
TOTAL RECEIPTS ALL SOURCES	<u>1,184,117</u>
DISBURSEMENTS	
100 Instruction:	
190 Instructional Pupil Activity:	
600 Other Objects	490,369
Total Instruction	<u>490,369</u>
200 Supporting Services:	
270 Supporting Services Pupil Activity:	
271 Pupil Service Activities:	
600 Other Objects	464,938
272 Enterprise Activities:	
600 Other Objects	56,888
273 Trust and Agency Activities:	
660 Supporting Services Pupil Activity	156,608
Total Supporting Services	<u>678,434</u>
TOTAL DISBURSEMENTS	<u>1,168,803</u>
NET CHANGE IN DUE TO STUDENT ORGANIZATIONS	15,314
DUE TO STUDENT ORGANIZATIONS, Beginning of Year	<u>434,994</u>
DUE TO STUDENT ORGANIZATIONS, End of Year	<u>\$ 450,308</u>

ANDERSON COUNTY SCHOOL DISTRICT TWO, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2004

LEA Subfund Code	Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass Through Grantor's Number	Federal Expenditures
US DEPARTMENT OF AGRICULTURE				
600	Pass-through State Department of Education: Food Distribution	10.550	N/A	\$ 83,528
600	National School Lunch Program	10.555	N/A	662,656
TOTAL US DEPARTMENT OF AGRICULTURE				746,184
US DEPARTMENT OF EDUCATION				
Direct Programs:				
207	Vocational Education - Basic Grants to States			
	- Subprogram 04	84.048	04-VA005	2,000
	- Subprogram 06	84.048	04-VA005	6,200
	- Subprogram 08	84.048	04-VA005	3,800
	- Subprogram 09	84.048	04-VA005	4,254
	- Subprogram 10	84.048	04-VA005	500
	- Subprogram 15	84.048	04-VA005	1,550
Total Vocational Education - Basic Grants to States				18,304
804	21st Century Learning	84.287	N/A	2,523,251
807	SC Cares (Small Learning Communities)	84.215	N/A	742,342
Pass-through State Department of Education:				
201	Title I	84.010	04-BA005	524,489
Individuals with Disabilities Education Act:				
203	Special Education--Grants to States	84.027	04-CA005	613,561
211	IDEA Capacity Building	84.027	04-CR005	23,922
Total 84.027				637,483
266	RIT IDEA	84.352	04-DH005	42,500
205	Special Education--Preschool Grants	84.173	04-CG005	31,294
209	Safe and Drug Free Schools and Communities	84.186	04-FQ005	20,138
241	Title V - Chapter II	84.298	04-BB005	16,440
249	Learn & Serve America	84.004	04FA005	20,000
253	Title II - Ed Tech	84.318	04-ET005	2,145
264	ESOL - Title III	84.365	04-BP005	886
267	Improving Teacher Quality	84.367	04-TQ005	141,224
TOTAL US DEPARTMENT OF EDUCATION				4,720,496
US DEPARTMENT OF DEFENSE				
Direct Programs:				
277	Air Force JROTC	12.000	N/A	60,515
TOTAL US DEPARTMENT OF DEFENSE				60,515
US DEPARTMENT OF LABOR				
Direct Program:				
261	School-to-Work Implementation	17.249	N/A	496
TOTAL US DEPARTMENT OF LABOR				496
TOTAL FEDERAL ASSISTANCE EXPENDED				\$ 5,527,691

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

ANDERSON COUNTY SCHOOL DISTRICT TWO, SOUTH CAROLINA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2004

A. – General

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) presents the activity of all federal award programs of Anderson County School District Two, South Carolina (the “School District”) for the year ended June 30, 2004. All federal awards received directly from the federal agencies, as well as those passed through other government agencies, are included on the Schedule.

B. – Basis of Accounting

The accompanying Schedule is presented using the modified accrual basis of accounting, which is described in Note I to the School District’s basic financial statements.

C. – Relationship to General Purpose Financial Statements

Federal award expenditures are reported in the School District’s basic financial statements as expenditures in the Special Revenue Fund and operating expenses in the Enterprise Fund.

D. – Relationship to Federal Financial Reports

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

**INDEPENDENT AUDITORS' 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**

The Board of Trustees
Anderson County School District Two
Honea Path, South Carolina

We have audited the basic financial statements of Anderson County School District Two, South Carolina (the "School District") as of and for the year ended June 30, 2004, and have issued our report thereon dated October 8, 2004. 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.

Compliance

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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an object of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Governmental Auditing Standards*.

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 opinion on the basic financial statements and not to provide assurance 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 that might be material weaknesses. A material weakness is a 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 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.

This report is intended solely for the information and use of the audit committee, 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 & Horton, LLP
October 8, 2004

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

The Board of Trustees
Anderson County School District Two
Honea Path, South Carolina

Compliance

We have audited the compliance of Anderson County School District Two, South Carolina (the "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, 2004. The School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District 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, 2004.

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 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 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 audit committee, management, 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 & Horton, LLP
October 8, 2004

ANDERSON COUNTY SCHOOL DISTRICT TWO, SOUTH CAROLINA

SUMMARY OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2004

FINDINGS-2003 FINANCIAL STATEMENTS AUDIT

FAILURE TO ACCURATELY PERFORM AND REVIEW BANK RECONCILIATIONS

Condition: Bank accounts were not properly reconciled or reviewed by management.

Recommendation: Train accounting staff in the proper procedures for reconciling bank accounts and also that management require frequent monitoring of bank reconciliations.

Status: This condition has been corrected.

ANDERSON COUNTY SCHOOL DISTRICT TWO, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2004

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No
 Reportable condition(s) identified that are considered
 to be material weaknesses? _____ Yes X None Reported
 Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No
 Reportable condition(s) identified that are not
 considered to be material weaknesses? _____ Yes X 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 X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I
84.287	21st Century
84.027	IDEA
10.550	Food Distribution
10.555	National School Lunch Program
84.215	SC Cares

Dollar threshold used to distinguish between type A and type B programs: _____ 300,000 _____

Auditee qualified as low-risk auditee? X Yes _____ No

Section II - Findings - 2004 Financial Statements Audit

NONE

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

NONE