PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 23, 2010

NEW ISSUE | **RATINGS: Moody's Investors Service: "___"/"___"**
FULL BOOK-ENTRY-ONLY | **See "Ratings" herein**

In the opinion of Bond Counsel, assuming continuing compliance by the School District with certain covenants, interest on the Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations and judicial decisions. Interest on the Bonds is not an item of tax preference in computing the alternative minimum taxable income of individuals or corporations nor will interest on the Bonds be included in the computation of adjusted current earnings of corporations for purposes of alternative minimum tax for corporations. See "TAX EXEMPTION" for a brief description of alternative minimum tax treatment and certain other federal income tax consequences to certain recipients of interest on the Bonds. The Bonds and the interest thereon will also be exempt from all State, county, municipal and school district and other taxes or assessments imposed within the State of South Carolina, except estate, transfer and certain franchise taxes. The Bonds have been designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended.

OFFICIAL STATEMENT
Relating to the Issuance and Sale of
$21,000,000 GENERAL OBLIGATION BONDS, SERIES 2010, OF SCHOOL DISTRICT NO. 1 OF FLORENCE COUNTY, SOUTH CAROLINA

The General Obligation Bonds, Series 2010 (the "Bonds") will be general obligation bonds of School District No. 1 of Florence County, South Carolina (the "School District") and as such the full faith, credit, resources and taxing power of the School District will be irrevocably pledged for the payment thereof.

The Bonds are issuable in fully registered form and when issued will be registered to Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), to which principal and interest payments on the Bonds will be made. Individual purchases of beneficial ownership interests in the Bonds will be made in book-entry form only, in the principal amounts of $5,000 or any whole multiple thereof. So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, references herein to the holder of the Bonds or registered owners of the Bonds shall mean Cede & Co. and shall not mean the beneficial owners of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, the principal and interest on the Bonds are payable to Cede & Co., as nominee for DTC, which will in turn remit such principal and interest to the DTC Participants (as defined herein) for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS - Book-Entry-Only System." ____________________________________ shall serve as Registrar/Paying Agent for the Bonds.

The Bonds will be dated the date of delivery thereof which is expected to be September 15, 2010, and will mature on May 1 in each of the years and in the principal amounts and bear interest at the rates shown below. Interest on the Bonds is first payable on November 1, 2010 and semiannually thereafter on each May 1 and November 1 until the Bonds are paid in full. The Bonds are not subject to optional redemption prior to maturity.

Due May 1	Principal Amount	Interest Rate	Reoffering Yield
2011	$10,500,000		
2012	10,500,000		

The interest rate is the result of a successful proposal from _______________________. The reoffering information has been provided by such company submitting the winning proposal.

The Bonds are offered when, as and if issued and subject to the approving opinion as to legality of Haynsworth Sinkler Boyd, P.A., Florence, South Carolina. It is expected that the Bonds in definitive form will be available for delivery on or about September 15, 2010.

This cover page contains certain information for quick reference only. It is not a summary of the issue. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision. The School District deems the Preliminary Official Statement to be final as of its date for purposes of S.E.C. Rule 15c2-12 except for information which may be omitted therefrom pursuant to Rule 15c2-12.

This Official Statement is dated __________, 2010.

No dealer, broker, salesman or other person has been authorized by the School District to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such other information or representation may not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy; nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been provided by the School District and other sources which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the School District since the date hereof.

This Preliminary Official Statement has been deemed final by the School District for purposes of paragraph (b)(1) of Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), but is subject to revision, amendment and completion in a final Official Statement as provided in the Rule.

SCHOOL DISTRICT NO. 1 OF
FLORENCE COUNTY, SOUTH CAROLINA

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OFFICIAL NOTICE OF SALE

$21,000,000 GENERAL OBLIGATION BONDS, SERIES 2010,
OF SCHOOL DISTRICT NO. 1 OF
FLORENCE COUNTY, SOUTH CAROLINA

SEALED PROPOSALS, addressed to the undersigned, will be received by the Board of Trustees (the "Board") of School District No. 1 of Florence County, South Carolina (the "School District"), until 11:00 a.m. (local time) on August 31, 2010, at which time said proposals will be publicly opened in the Office of the Superintendent of School District No. 1 of Florence County, South Carolina, 319 South Dargan Street, Florence, South Carolina 29506, for the purchase of Twenty-one Million Dollars ($21,000,000) GENERAL OBLIGATION BONDS, SERIES 2010 (the "Bonds") of the School District. The Bonds have been designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended.

The Bonds will be general obligation bonds of the School District, payable both as to principal and interest from ad valorem taxes imposed upon all taxable property within the School District, without limit as to rate or amount. The Bonds will mature in the years and amounts as follows:

Due May 1	Principal Amount
2011	$10,500,000
2012	10,500,000

The Bonds will be dated the date of delivery thereof, and will bear interest from the dated date thereof, payable on each May 1 and November 1, beginning on November 1, 2010, until they respectively mature. Both principal and interest will be payable in any coin or currency of the United States of America, which at the time of payment, is legal tender for the payment of public and private debts, at the Corporate Trust Office of the Registrar and Paying Agent of the Bonds.

Optional Redemption: The Bonds shall not be subject to redemption prior to maturity.

Adjustment of Par Amount of Bonds: The aggregate principal amount and the principal amount of each maturity of the Bonds are subject to adjustment, both before and after the receipt and opening of sealed bids for their purchase. Changes to be made prior to the sale will be published on Munifacts not later than 9:30 a.m. EST on the date of sale.

If, after final computation of the proposals, the School District determines in its sole discretion that the funds necessary to accomplish the purposes for which the Bonds are being issued are less than the proceeds of the sale of the amount of the Bonds as shown in this Notice of Sale, or that more or less principal of the Bonds should mature in a given year, it reserves the right to decrease the principal amount of the Bonds, and to increase or decrease the amount of Bonds of any maturity (all calculations to be rounded to the nearest $5,000), provided that any such increase or decrease shall not exceed 10% of the principal amounts shown above. Such adjustment(s), if any, shall be made within twenty-four (24) hours of the award of the Bonds. In order to calculate the yield on the Bonds for federal tax law purposes and as a condition precedent to the award of the Bonds, bidders must disclose to the School District in connection with their respective bids the price (or yield to maturity) at which each maturity of the Bonds will be reoffered to the public.

In the event of any adjustment of the maturity schedule for the Bonds as described herein, no rebidding or recalculation of the proposals submitted will be required or permitted. The total purchase price of the Bonds will be increased or decreased in the direct proportion that the adjustment bears to the aggregate principal amount of the Bonds specified herein; and the Bonds of each maturity, as adjusted, will bear interest at the same rate and must have the same reoffering yield as are specified by the successful bidder for the Bonds of that maturity. Nevertheless, the award of the Bonds will be made to the bidder whose proposal produces the lowest net interest cost solely on the basis of the Bonds offered, without taking into account any adjustment in the amount of the Bonds pursuant to this paragraph.

Bid Requirements: Bidders shall specify the rate or rates of interest per annum which the Bonds are to bear, to be expressed in multiples of 1/20th or 1/8th of 1%. Any premium offered must be paid in cash as a part of the purchase price for such Bonds. No proposals for the purchase of the Bonds at a price less than par will be considered.

Award of Bonds: The Bonds will be awarded to the bidder or bidders offering to purchase the Bonds at the lowest net interest cost (NIC) to the School District at a price of not less than par and accrued interest (if any) to the date of delivery of the Bonds. The Board reserves the right to reject any and all bids or to waive irregularities in any bid. Bids will be accepted or rejected no later than 3:00 p.m., South Carolina time, on the date of the sale.

Bid Submission—PARITY: All bids, except as provided in the following paragraph**,** must be submitted to the Parity Electronic Bid Submission System ("*PARITY*"). No other form of bid, whether oral or written, or provider of electronic bidding services will be accepted. Such bids are to be publicly disclosed and read at such time and place on said day. The time as maintained by *PARITY* shall constitute the official time with respect to all bids submitted. No proposal shall be considered which is not actually received by the School District at the place, date and time appointed through *PARITY*, and the School District shall not be responsible for any delay, failure, misdirection or error in the transmission of bids.

Bid Submission—Direct Placement Bidders: Financial institutions desiring to submit a bid to purchase the Bonds for the purpose of investment ("Direct Placement Bidders") may submit bids via facsimile at telephone number 843.669.3815. Direct Placement Bidders must bid a single fixed rate of interest for all Bonds at a price not less than par. In the event a Direct Placement Bidder is awarded the Bonds, the Bonds will be issued as a single Bond, without CUSIP identification. A Direct Placement Bidder, if awarded the Bonds, must execute a letter addressed to the School District and Bond Counsel acknowledging, among other things, that (1) the purchaser had the opportunity to review a preliminary official statement relating to the Bonds and to the School District; (2) the purchaser had an opportunity to make appropriate inquires of and receive answers from officials, employees, agents and attorneys of the School District; (3) the purchaser has knowledge and experience in financial and business affairs and that it is capable of evaluating the merits and risks of the purchase of the Bond; (4) the purchaser is acquiring the Bond as a vehicle for making a commercial loan and without a present view to the distribution thereof (subject, nevertheless, to any requirement of law that the disposition of its property at all times be under its control) within the meaning of the Federal securities laws; (5) the purchaser is acquiring the Bond solely for its own account and no other undisclosed person now has any direct or indirect ownership or interest therein; and (6) the purchaser understands that the scope of engagement of Haynsworth Sinkler Boyd, P.A., as Bond Counsel to the School District with respect to the Bond has been limited to matters as set forth in its opinion based on its view of such legal proceedings as it deems necessary to approve the validity of the Bond and the tax-exempt status of interest thereon (the "Letter of Representations"). The purchaser will also be required to covenant that it will not voluntarily dispose of all or any portion of the Bond unless it procures from each assignee thereof representations and covenants in form and content the same as those made by the purchaser.

If any provisions of this Official Notice of Sale conflict with information provided by *PARITY* as the approved provider of electronic bidding services, this Official Notice of Sale shall control. Further information about *PARITY* may be obtained from *PARITY*, 1359 Broadway, 2nd Floor, New York, NY 10018, telephone (212) 849-5024.

Good Faith Deposit: By 12:00 p.m., Eastern Daylight Time, on September 1, 2010, 2% of the par amount of the Bonds ($420,000) shall be wired to the Treasurer of Florence County, South Carolina as a good faith deposit in the manner specified by the School District on the Sale Date. The School District reserves the right to revoke its award of the Bonds upon the failure of the successful bidder for the Bonds to comply with this paragraph. The School District shall be subject to no expenses, penalties or claims for damages of any kind in the event it revokes the award of the Bonds as provided in this paragraph.

Municipal Bond Insurance: If a bidder for the Bonds desires to have the Bonds insured, the bidder shall specify in its bid whether bond insurance will be purchased and the premium of such bond insurance must be paid at or prior to closing by the successful bidder. The School District is not liable for any costs incurred in the preparation, delivery, acceptance or rejection of any bid.

Purpose: The Bonds are issued for the purposes of the cost of acquiring, constructing, furnishing and installing certain capital improvements in the School District, and paying costs of issuance thereof.

Security: The Bonds shall constitute binding general obligations of the School District and the full faith, credit, taxing power, and resources of the School District are irrevocably pledged for the payment of the Bonds. There shall be levied and collected annually in the same manner as county taxes are levied and collected, a tax, without limit, on all taxable property in the School District sufficient to pay the principal of and interest on the Bonds as they respectively mature and to create such sinking fund as may be necessary therefor.

Official Statement: The Preliminary Official Statement dated August 23, 2010 has been deemed final by the School District for purposes of paragraph (b)(1) of Rule 15c2-12 of the Securities and Exchange Commission (the "Rule") but is subject to revision, amendment and completion in a final Official Statement as provided in the Rule. The Preliminary Official Statement is available at www.i-dealprospectus.com. The School District will furnish the successful bidder with a sufficient number of copies of the final Official Statement in order to allow the bidder to comply with the Rule, without charge, within seven working days of the acceptance of a bid for the Bonds.

Continuing Disclosure: In order to assist bidders in complying with SEC Rule 15c2-12, the School District will undertake, pursuant to the bond resolution authorizing the issuance of the Bonds and a Continuing Disclosure Certificate, to annually file a report containing its audited financial statements and certain financial information and operating data, and, in addition, to provide notice of certain material events. A description of this undertaking is set forth in the preliminary Official Statement and will also be set forth in the final Official Statement.

Legal Opinion: The School District shall furnish upon delivery of the Bonds the final approving opinion of Haynsworth Sinkler Boyd, P.A., Bond Counsel, Florence, South Carolina, which opinion shall be attached to each Bond, together with the usual closing documents, including a certificate that no litigation is pending affecting the Bonds.

Certificate as to Issue Price: The successful bidder for the Bonds must provide a certificate to the School District not later than two business days following the sale date, and confirmed by a certificate delivered at closing, stating the initial reoffering price of the Bonds to the public (excluding bond houses and brokers) and the price at which a substantial amount of such Bonds were sold to the public, in form satisfactory to Bond Counsel.

Delivery: The Bonds will be delivered on or about September 15, 2010 through the facilities of DTC at the expense of the School District, or at such other place as may be agreed upon with the purchaser at the expense of the purchaser. The purchase price then due (including the amount of accrued interest) must be paid in Federal funds or other immediately available funds. The cost of preparing the Bonds will be borne by the School District.

CUSIP Numbers: It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for failure or refusal by the purchaser thereof to accept delivery of and pay for the Bonds in accordance with the terms of its proposal. All expenses in relation to the printing of CUSIP identification numbers on the Bonds shall be paid for by the School District; provided, however, that the CUSIP Service Bureau charge for the assignment of said numbers shall be the responsibility of and shall be paid for by the successful bidder.

Persons seeking further fiscal information relative to the School District should communicate with Mr. Luther Rabon, Chief Financial Officer, School District No. 1 of Florence County, 319 South Dargan Street, Florence, South Carolina 29506, telephone (843) 669-4141. Persons seeking additional information should communicate with the School District's Bond Counsel, Haynsworth Sinkler Boyd, P.A., Post Office Box 6617, Florence, South Carolina 29502, Attn: Benjamin T. Zeigler, telephone (843) 673-5304.

This Notice is given to evidence the School District's intent to receive bids for and award the Bonds on the date stated above. Such sale may be postponed prior to the time bids are to be received through Thomson Municipal Market Monitor, Bloomberg, or other electronic information service. If canceled, the sale may be thereafter rescheduled within 60 days of the date of the publication of this Official Notice of Sale, and notice of such rescheduled date of sale will be posted at least 48 hours prior to the time for receipt of bids through Thomson Municipal Market Monitor, Bloomberg, or other electronic information service

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Chairman, Board of Trustees,
School District No. 1 of Florence County, South Carolina

INTRODUCTION

This Introduction briefly describes the contents of this Official Statement and is expressly qualified by reference to the entire contents hereof, including appendices, as well as of the documents summarized or described herein.

The Issuer

The $21,000,000 General Obligation Bonds, Series 2010 (the "Bonds") are being issued by School District No. 1 of Florence County, South Carolina (the "School District"), a body politic and corporate and a political subdivision of the State of South Carolina.

Security

For the payment of the principal of and interest on the Bonds, the full faith, credit and taxing power of the School District are irrevocably pledged. See "THE BONDS – Additional Security for the Bonds" herein.

Purpose of the Bonds

The Bonds are being issued by the School District for the purpose of (i) acquisition, construction, furnishing, and equipping of a new elementary school and a new middle school, including furniture, fixtures and equipment, roads, sidewalks, parking lots, driveways, road construction and other infrastructure, as well as separate improvements to District facilities consisting of instructional technology replacements at existing school facilities, data equipment replacement at the District office, infrastructure for video distribution, replacement of additional IT equipment at various school facilities, and, (ii) paying the costs of issuance of the Bonds.

Details of the Bonds

The Bonds will be general obligation bonds of the School District; will be issuable in fully registered form and, when issued, will be registered to Cede & Co. as nominee for The Depository Trust Company, New York, New York ("DTC"); will be dated the date of delivery, which is expected to be September 15, 2010; and will bear interest from their dates at the rates shown on the cover hereof payable initially on November 1, 2010, and semiannually thereafter on May 1 and November 1 of each year until they mature. The Bonds will mature in successive annual installments on May 1 in each of the years and in the principal amounts as set forth on the cover hereof. The Bonds shall not be subject to redemption prior to their respective maturities. See "THE BONDS" for further information.

Tax Status of Interest on the Bonds

In the opinion of Bond Counsel, subject to the conditions and limitations stated therein, interest on the Bonds will be excludable from gross income for Federal income tax purposes and will not constitute an item of tax preference for purposes of the alternative minimum tax. The Bonds are designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended. Under the present laws of the State of South Carolina, the Bonds and the interest thereon will be exempt from all State, county, municipal, school district, and all other taxes and assessments, direct or indirect, general and special, whether imposed for the purpose of general revenue or otherwise, except inheritance, estate and transfer taxes, but the interest thereon may be includable for certain franchise fees or taxes. See "CERTAIN LEGAL MATTERS – Federal Income Tax Generally" and "CERTAIN LEGAL MATTERS - Collateral Federal Tax Considerations" herein.

Professionals Involved in the Offering

Haynsworth Sinkler Boyd, P.A., Florence, South Carolina, is acting as Bond Counsel in connection with the issuance of the Bonds. ________________ is serving as Registrar and Paying Agent ("Registrar/Paying Agent") for the Bonds.

Independent Auditors

The Financial Statements for the fiscal year ended June 30, 2009 (the "2008-09 Fiscal Year"), included as Appendix A, have been audited by Baird & Company, CPAs, LLC.

Authorization

The Bonds will be issued pursuant to the provisions of Sections 59-71-10 through 59-71-190, inclusive, Code of Laws of South Carolina, 1976, as amended, and as amended and supplemented by Act No. 113 of the Acts and Joint Resolutions of 1999 of the South Carolina General Assembly, the provisions and authorizations of the Constitution and laws of the State of South Carolina, and a resolution (the "Bond Resolution") duly adopted by the Board of Trustees of the School District (the "Board") on May 13, 2010.

Information Concerning Terms of the Offering

The Bonds are being issued in book-entry only form. It is expected that the Bonds will be delivered to Cede & Co., at the offices of DTC, on or about September 15, 2010 and will be available for credit to the accounts of the participants and, through them, the beneficial owners on such date. Information on limitations on transfer of ownership is set forth in "THE BONDS - Book-Entry-Only System" and "THE BONDS - Discontinuance of Book-Entry-Only System."

General

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of the Preliminary Official Statement and the Official Statement will be deposited with the Municipal Securities Rulemaking Board, 1900 Duke Street, Suite 600, Alexandria, Virginia 22314. Copies of the Preliminary Official Statement, the Official Statement, the resolution of the Board authorizing the issuance of the Bonds and related documents and information are available by contacting Luther Rabon, Chief Financial Officer, School District No. 1 of Florence County, 319 S. Dargan Street, Florence, South Carolina 29506, telephone (843) 669-4141.

THE BONDS

Description of the Bonds

The Bonds constitute an issue of $21,000,000 General Obligation Bonds, Series 2010, of the School District. The Bonds mature on May 1 in the years and principal amounts as follows:

Due May 1	Principal Amount
2011	$10,500,000
2012	10,500,000

The Bonds will be issued in fully registered book-entry form; will be dated as of the date of delivery thereof; will bear interest from their date at the rates shown on the front cover hereof, payable initially on November 1, 2010, and semiannually thereafter on May 1 and November 1 of each year until they respectively mature. The Bonds shall be issued under the DTC Book-Entry-Only System issued in the denominations of $5,000 or integral multiples thereof, registered in the name of Cede & Co., as the registered owner and nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Bonds. ______________ shall serve as Registrar and Paying Agent for the Bonds for so long as the same are held under a Book-Entry-Only System (the "Registrar/Paying Agent").

Book-Entry-Only System

Beneficial ownership interests in the Bonds will be available only in book-entry form. Beneficial Owners (as defined below) will not receive physical certificates representing their interests in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, references in this Official Statement to the Owners of the Bonds shall mean DTC or its nominee and shall not mean the Beneficial Owners. The Bond Resolution contains provisions applicable to periods when DTC or its nominee is not the registered owner.

THE FOLLOWING DESCRIPTION OF DTC, OF PROCEDURES AND RECORD KEEPING ON BENEFICIAL OWNERSHIP INTERESTS IN THE BONDS, PAYMENT OF INTEREST AND OTHER PAYMENTS WITH RESPECT TO THE BONDS TO DTC PARTICIPANTS OR TO BENEFICIAL OWNERS, CONFIRMATION AND TRANSFER OF BENEFICIAL OWNERSHIP INTERESTS IN THE BONDS AND OF OTHER TRANSACTIONS BY AND BETWEEN DTC, DTC PARTICIPANTS AND BENEFICIAL OWNERS IS BASED ON INFORMATION FURNISHED BY DTC.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds (the "Bonds"). The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for the Bonds in the aggregate principal amount of such issue, as set forth on the front cover of this Official Statement, and will be deposited with DTC. SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS DTC'S PARTNERSHIP NOMINEE, REFERENCE HEREIN TO THE HOLDERS OR REGISTERED OWNERS OF THE BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participants through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts the Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners of the Bonds will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar/Paying Agent and request that copies of the notices be provided directly to them.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the School District on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Registrar/Paying Agent or School District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the School District, the Treasurer of Florence County, and the Registrar/Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of the Direct and Indirect Participants.

DTC may discontinue providing its services as security depository with respect to the Bonds at any time by giving reasonable notice to the School District or Registrar/Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered to the Beneficial Owners as described in the Bond Resolution (as defined herein in "Authorization"). The Beneficial Owners of the Bonds, upon registration of certificates held in the Beneficial Owners' names, will become the registered owners of the Bonds.

The School District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the School District believes to be reliable, but the School District takes no responsibility for the accuracy thereof.

The School District has no responsibility or obligation to the Participants or the Beneficial Owners with respect to (1) the accuracy of any records maintained by DTC or any Participant, or the maintenance of any records; (2) the payment by DTC or any Participant of any amount due to any Beneficial Owner in respect of the Bonds, or the sending of any transaction statements; (3) the delivery or timeliness of delivery by DTC or any Participant of any notice to any Beneficial Owner which is required or permitted under the Bond Resolution to be given to Owners; (4) the selection of the Beneficial Owners to receive payments upon any partial redemption of the Bonds; or (5) any consent given or other action taken by DTC or its nominee as the registered owner of the Bonds, including any action taken pursuant to an omnibus proxy.

BECAUSE DTC IS TREATED AS THE OWNER OF THE BONDS FOR SUBSTANTIALLY ALL PURPOSES UNDER THE BOND RESOLUTION, BENEFICIAL OWNERS MAY HAVE A RESTRICTED ABILITY TO INFLUENCE IN A TIMELY FASHION REMEDIAL ACTION OR THE GIVING OR WITHHOLDING OF REQUESTED CONSENTS OR OTHER DIRECTIONS. IN ADDITION, BECAUSE THE IDENTITY OF BENEFICIAL OWNERS IS UNKNOWN TO THE SCHOOL DISTRICT, TO DTC OR TO THE REGISTRAR/PAYING AGENT, IT MAY BE DIFFICULT TO TRANSMIT INFORMATION OF POTENTIAL INTEREST TO BENEFICIAL OWNERS IN AN EFFECTIVE AND TIMELY MANNER.

Discontinuance of Book-Entry-Only System

In the event that the Bonds are no longer in book-entry-only form, the following provisions shall apply with respect to the Bonds: The School District will appoint another securities depository for the Bonds or the Bonds held by DTC will be cancelled and the School District will execute and deliver the Bonds in fully certificated form to the DTC Participants shown on the records of DTC. If no other securities depository is named, principal and interest on the Bonds shall be payable to the Registered Owner at maturity upon presentation and surrender thereof to the Registrar/Paying Agent at its principal corporate trust office. The School District would then maintain through the Registrar/Paying Agent books of registry for the purpose of registering ownership and transfer of the Bonds. The Bonds would be transferable by the registered owner in person or by his duly authorized attorney upon surrender of the Bond to be transferred together with a written instrument of transfer duly executed by the registered owner or his duly authorized attorney. The Registrar/Paying Agent will, upon receipt thereof, authenticate and deliver a new Bond or Bonds in like principal amount as the Bond so presented. The School District and the Registrar/Paying Agent will deem and treat the person in whose name each Bond is registered as the absolute owner thereof for all purposes.

Exchange and Transfer of Bonds

Each Bond shall be transferable only upon the books of the School District, which shall be kept for such purpose at the Corporate Trust Office of the Registrar which shall be maintained for such purpose by the Registrar, upon presentation and surrender thereof by the Holder of such Bond in person or by his attorney duly authorized in writing, together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered Holder or his duly authorized attorney. Upon surrender for transfer of any such Bond, the School District shall execute and the Registrar shall authenticate and deliver, in the name of the Person who is the transferee, one or more new Bonds of the same aggregate principal amount, maturity and rate of interest as the surrendered Bond.

All Bonds surrendered in any exchanges or transfers shall be cancelled by the Registrar. For each such exchange or transfer of Bonds, the School District or the Registrar may make a charge sufficient to reimburse it or them for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer, which sum or sums shall be paid by the Holder requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer. The School District shall not be obligated to issue, exchange or transfer any Bond during the 15 days next preceding any Bond Payment Date.

Defeasance

If the Bonds shall have been paid and discharged, then the obligations of the School District thereunder, and all other rights granted thereby shall cease and determine. The Bonds shall be deemed to have been paid and discharged under each of the following circumstances:

(1) The Paying Agent shall hold, at the stated maturities of the Bonds, in trust and irrevocably appropriated thereto, sufficient moneys for the payment of the Principal Installment and interest thereof; or

(2) If default in the payment of the principal of the Bonds or the interest thereon shall have occurred on any Bond Payment Date, and thereafter tender of such payment shall have been made, and at such time as the Paying Agent shall hold in trust and irrevocably appropriated thereto, sufficient moneys for the payment thereof to the date of the tender of such payment; or

(3) If the School District shall elect to provide for the payment of the Bonds prior to their stated maturities and shall have deposited with the Paying Agent in an irrevocable trust moneys which shall be sufficient, or Government Obligations (as defined below), the principal of and interest on which when due will provide moneys, which together with moneys, if any, deposited with said Paying Agent at the same time, shall be sufficient to pay when due the principal of and interest due and to become due on the Bonds on and prior to their respective maturity dates.

Neither the Government Obligations nor moneys deposited with the Paying Agent pursuant to the foregoing, nor the principal or interest payments thereon shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest on said Bonds; provided that any cash received from such principal or interest payments on Government Obligations deposited with the Paying Agent, if not then needed for such purpose, shall, to the extent practicable, be invested and reinvested in Government Obligations maturing at times and in amounts sufficient to pay when due the principal of and interest to become due on said Bonds on and prior to the maturity date and interest earned from such reinvestments not required for the payment of the principal and interest may be paid over to the School District, as received by the Paying Agent, free and clear of any trust, lien or pledge.

For purposes of the preceding two paragraphs, "Government Obligations" means direct general obligations of the United States of America or agencies thereof or obligations, the payment of principal or interest on which is fully and unconditionally guaranteed by the United States of America.

Debt Limit

Pursuant to the provisions of Section 15 of Article X of the Constitution of the State of South Carolina, the School District may borrow that sum of money which is equal to 8% of the last completed assessment of all taxable property located in the School District without the necessity of conducting a referendum. The final 2009 assessed value of all taxable property located in the School District, as certified by the Auditor of Florence County, is not less than $351,426,947. Accordingly, the present debt limit of the School District is $28,114,156. Currently there is no outstanding debt chargeable against the debt limit. Thus, the School District is presently authorized to borrow the sum of $28,114,156 by way of general obligation debt.

Additional Security for the Bonds

The Bonds are general obligations of the School District and the full faith, credit and taxing power of the School District are irrevocably pledged to the payment of the principal and interest thereof. The Bonds are payable from an ad valorem tax to be levied upon all taxable property in the School District without limitation as to rate or amount. The Bond Resolution has directed the levy and collection of such tax. In addition, Article X of the South Carolina Constitution, which became effective December 1, 1977, provides:

No general obligation debt shall be incurred by any school district unless prior to the delivery thereof a schedule showing the date and the principal and interest payments to become due thereon shall be filed in the office of the State Treasurer. If at any time any school district shall fail to effect the punctual payment of the principal and interest of its general obligation debt, the State Treasurer shall withhold from such school district sufficient moneys from any state appropriation to which such school district may be entitled and apply so much as shall be necessary to the payment of the principal and interest on the indebtedness of the school district then due. All appropriations for school districts of the State shall be subject to the provisions of this paragraph.

The obligation to levy and collect annual ad valorem taxes is an essential obligation of the contract between the School District and its bondholders and could be enforced by mandamus or other equitable remedies. Similar action could be taken to require the State Treasurer to fulfill the duty imposed upon him by the provision of Article X referred to above.

During the past five Fiscal Years, the School District received the following amounts of State appropriations which would have been subject to withholding under the foregoing provisions of Article X:

Year Ended June 30	Amount Received
2010[(1)]	$60,686,957
2009	65,486,915
2008	67,417,913
2007	53,214,029
2006	49,981,228

(1) Unaudited. Reduction from prior year due to state budget cuts.

Statutory Intercept Provisions

The South Carolina General Assembly adopted statutory enhancements to the Constitutional intercept provisions which became effective on July 1, 1997, and which apply to all school district general obligation bonds then and thereafter outstanding. Under the statutory intercept provision, a County Treasurer is required to notify the State Treasurer on the fifteenth day prior to the due date of any payment of principal or interest on school district general obligation bonds if the County Treasurer or any other paying agent does not have on deposit the sum required to make that payment. On the third business day prior to the due date of the payment, if the County Treasurer or any other paying agent does not have on hand the amount required to effect such payment, the State Treasurer is directed to transfer to the County Treasurer from the general fund of the State the sum necessary to effect such payment, provided that the total amount of the payments so transferred in any fiscal year may not exceed the amount appropriated in the State's budget under the Education Finance Act for that fiscal year. Thereafter, the State Treasurer shall withhold from the School District from funds payable to it from the State amounts necessary to reimburse the general fund of the State for any amounts so advanced, plus investment earnings foregone by the State on such amounts pending reimbursement. The provision contains a mechanism to reimburse the School District for such withholdings from taxes thereafter collected. If there is an advance from the State Treasurer under these provisions, the County Auditor is directed to adjust the millage levied for the payment of debt service on the Bonds for the next fiscal year and to file a report with the State Treasurer demonstrating compliance not later than five business days after millage is set for the next fiscal year. In summary, the statutory intercept provisions enhance the Constitutional intercept provision by providing that: (i) the advance from the State Treasurer will be made in time to permit the timely payment of debt service on the Bonds; (ii) the advance is not limited to amounts due to the School District from the State but, rather, by total State-wide appropriations under the Education Finance Act; and (iii) there is subsequent monitoring to prevent repetition.

The amount originally appropriated in the Education Finance Act for Fiscal Year 2008-09 is $1,586,767,788. That appropriation was reduced to $1,378,322,797 due to budget cuts. There was appropriated in the Education Finance Act for Fiscal Year 2009-10 the sum of $1,253,732,957. This amount was reduced to $1,088,894,001 due to budget cuts. The amount appropriated in the Education Finance Act for Fiscal Year 2010-11 is $1,004,394,001. The School District cannot predict the extent, if any, to which this appropriation may be reduced on account on budget cuts in Fiscal Year 2010-11, or such amount reduced in subsequent fiscal years.

Miscellaneous

Neither the Bonds nor any of the documents relating to their issuance contain any covenants or periodic reporting requirements that could result in a default. Payment of principal of and interest on the Bonds may be enforced against the School District and the pledge of the full faith credit and taxing power is enforceable by mandamus. The Bonds contain no provision for amendment of any of the terms thereof.

SCHOOL DISTRICT NO. 1 OF FLORENCE COUNTY

Description of the School District

The predecessor of the present day School District was originally created as a district for the Town of Florence in 1883 by the General Assembly of South Carolina (the "General Assembly"). During subsequent years, numerous other districts were created in the vicinity, and, beginning in 1950, gradually consolidated into the School District.

The School District consists of approximately 284 square miles, is located in the northern section of Florence County (the "County") and in the eastern section of South Carolina known as the Pee Dee area. The School District is bounded on the east by the Great Pee Dee River, on the south by Lynches River and Florence County School Districts No. 2 and No. 3, on the west by Florence County School District No. 4, on the northwest by Darlington County, on the north by Marlboro and Dillon Counties, and on the east by Marion County. The School District covers approximately 35% of the geographical area of Florence County and serves approximately 62% of the County's school children.

In 1985, certain changes were made to the boundary lines of the School District by the General Assembly of the State. Such changes, however, did not significantly affect the boundary lines of the School District as previously drawn.

The School District operates 13 elementary schools, 3 middle schools, 3 high schools, 1 alternative school, 1 career center and 1 adult and community school. Enrollment based on 135-day average daily membership for the 2009-10 school year was 15,143.44. Employed during the 2009-10 school year were 82 administrative personnel, 1,254.40 instructional staff and 1632.17 support staff. Estimated enrollment based on 135-day average daily membership for 2010-11 school year is 15,245.00. Estimated employment during the 2010-11 school year is 73 administrative personnel, 1,223.40 instructional staff and 1,619.17 support staff.

School District Operations

The Board determines the operating policies of the School District, and such policies are implemented by the Superintendent and his staff. The Board consists of nine (9) members who are elected pursuant to an election district plan implemented by an order of the United States District Court for the District of South Carolina dated July 29, 1997.

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The Board consists of the following members who serve three-year terms, their occupation, number of years each has served on the Board, and the expiration of their current term:

Name	Occupation	Years Served	Term Expires
Mr. S. Porter Stewart, III, Chair	Attorney	14	2012
Mr. Thurmond L. Becote	Business Person	3	2010
Ms. Pat Gibson-Hye	Business Person	4	2012
Mr. M. Glenn Odom	Attorney	17	2012
Mr. Alexis D. Pipkins, Sr.	Dir., Lee County First Steps	8	2012
Ms. Suzette L. Reynolds	Self Employed	4	2012
Mr. Willard Dorriety, Jr.	Agriculture Specialist	6	2010
Mr. James M. Canup	Counselor	5	2010
Mr. D. Malloy McEachin, Jr.	Attorney	3	2010

Dr. Allie E. Brooks is currently serving as Interim Superintendent and will continue to serve in this position until a permanent Superintendent is hired. Dr. Brooks served as principal of Wilson High School for 31 years prior to his retirement in 2005.

The Chief Financial Officer of the School District is employed by the Board and is responsible for the financial activities of the School District including accounting and auditing practices of the School District as well as administering the School District's accounts. All funds of the School District are disbursed by the Chief Financial Officer and all accounts are audited on an annual basis by independent certified accountants. Mr. Luther Rabon has served in this position since May, 2003.

Accreditation

All nineteen schools in the School District are fully accredited by the South Carolina State Department of Education and by the Southern Association of Colleges and Schools. Full accreditation assures minimum class size, more qualified teachers, adequate facilities, and quality instructional programs.

Enrollment of the School District

The following table shows the pupil enrollment in the schools of the School District for the following years:

School Year [1]	Kindergarten	Grades 1-8	Grades 9-12	Total	% Change
2010-11	1,133	9,462	4,650	15,245	0.67%
2009-10	1,197	9,365	4,581	15,143	0.62
2008-09	1,114	9,282	4,653	15,049	1.13
2007-08	1,087	9,309	4,485	14,881	-0.18
2006-07	1,145	9,194	4,569	14,908	1.37
2005-06	1,159	9,090	4,457	14,706	0.67

[1] Figures for the 2005-06 through 2008-09 school years are based on the 135-day average daily membership of school student count. Figures for the 2009-10 school year are unaudited and figures for the 2010-2011 school year are estimated.

School District Employees

The following table sets forth a categorical breakdown of the employees projected to be employed by the School District for the 2010-11 school year in full time equivalencies:

Superintendents	1
Assistant Superintendents and Directors	11
Principals/Directors	61
Assistant Principals/Directors	
Instruction coordinators	16
Teachers	1,223.4
Media Specialists	22
Guidance Counselors	33
Nurses	23
Psychologists	28
All Others	1,497.17
Total Staff	2,915.57

Curriculum

Child Development. Child Development provides comprehensive developmental care for three and four-year-old children, and is designed to build a positive self-concept in each child, to instill a healthy attitude toward learning in each child, and to build individual skills needed to prepare a child for more formalized education.

Since play is a process through which the growing child learns, learning centers are developed around play activities. Opportunities are provided to allow each child to assume responsibility for his own actions, to share, to be creative, to respect the rights of others, to use materials wisely, and to acquire good work habits and skills. Equipment, materials and games in the centers aid in the development of skills for the child.

An important component of the program is Parent Involvement, where parents are asked and expected to actively participate in child development-sponsored activities with their children in and out of the center.

Kindergarten. Presently, all elementary schools have well-equipped kindergarten classes. The 18 kindergarten objectives adopted by the State Board of Education in 1979 have been incorporated in the School District program. These objectives provide teachers with suggestions for involving five-year-olds in meaningful development activities.

Elementary Education. The School District provides highly qualified instruction for elementary children in both open designed and self-contained classrooms. Teachers instruct for a basic understanding in reading, language arts, and mathematics while encouraging learning through discovery in science. The social studies curriculum challenges children to read and research in a program that is enriched with films, television, and other media. Reading, music, art, and physical education teachers assigned to each school also provide instruction in their fields. The media center and the librarian help teachers expand the classroom learning opportunities. Programs for gifted and talented children operate on a district-wide basis. There are presently 7,209 elementary students enrolled in grades K-5.

Middle School Education. The middle schools emphasize and reinforce the basic skills in language arts, mathematics, science and social studies. In addition, they expand the offerings to students to include instrumental and choral music, art, health, physical education and foreign language. Special interest classes teach students skills in homemaking, sewing and industrial arts. There are presently 3,354 students enrolled in grades 6-8.

High School Education. The high school curriculum accommodates a range of students' needs and interests. It challenges the college-bound student, but also provides career skills for those who complete their formal education. In high school, such courses as English, math, social studies, science, foreign languages, health, physical education, fine arts, office occupations and vocations offer students a variety of educational experiences. There are presently 4,581 students enrolled in grades 9-12.

All middle/junior and senior high schools offer advanced placement programs for academically talented students. Approximately 237 students are presently enrolled in these classes.

Area Vocational Center. The vocational center serves approximately 1,578 students with an additional 2 students served at their home-school. Organized advisory committees assist the vocational staff in developing vocational programs that continue to train students toward meeting the employment needs of business and industries in the Florence area.

An informative program relating to careers was developed for elementary and middle-junior high students. An academic learning laboratory provides specific remediation for students who are not showing success in their vocational training. This program has been cited by the South Carolina Department of Education as a model program.

Adult and Community Education. The Adult and Community Education programs provide educational opportunities for older youth dropouts and for adults to learn basic skills and/or to attain high school credentials that can prepare them for the market place and additional training. A total of 1,653 students were enrolled in the academic program and 1,079 were enrolled in community education in Fiscal Year 2009-10.

Community education programs, offering everything from children's ballet to sign language, seek to bring together those in the community who have the knowledge and expertise to share with those who desire to acquire these skills.

<u>The Education Accountability Act of 1998</u>

At its 1998 legislative session, the General Assembly of the State of South Carolina adopted the "Education Accountability Act of 1998" (the "Accountability Act"). The purpose of the Accountability Act is to establish a "performance based accountability system" which focuses on improving teaching and learning in order to equip students with a strong academic foundation.

The Accountability Act requires all school districts, among other things, to establish local accountability systems to stimulate quality teaching and learning practices and target assistance to low performing schools. The linchpin for the Accountability Act is the annual report card which will be provided to each school and school district. These report cards are expected to furnish clear and specific information about school and district academic performance and other performance to parents and the public.

From a school district's perspective, the Accountability Act requires boards of trustees, among other things, to establish and annually review a performance based accountability system (or modify its existing system) to reinforce the state accountability system. The School District's current accountability plan is expected to be modified each year in order to conform to State accountability system requirement.

If a school receives a rating of below average or unsatisfactory, that school must review and revise its improvement plan (required of every school under the EFA). Once the revised plan is developed, a school district's superintendent and board of trustees must review and approve the plan. In addition, schools which receive unsatisfactory ratings (or those receiving a below average rating which so request) will be assigned an external review. If these plans are not implemented satisfactorily or within the period expected, or if student academic performance has not met expected progress, the State Board of Education may declare a state of emergency in the school.

If a school district receives a rating of below average, the State Superintendent of Education, with the approval of the State Board of Education, will appoint an external review committee. If the recommendations of the external review committee either are not implemented satisfactorily or within the period expected, then the State Board of Education may declare a state of emergency.

The School District's overall rating for 2008-2009 was Average, but there were seven (7) schools within the School District which were rated below average for the same period.

Although there are certain grant and other programs provided to help defray the cost of implementing the Accountability Act, the potential effect and cost of implementing the Accountability Act on the School District cannot be determined at this time.

Legislation which was pending in 2010 in the South Carolina General Assembly, Senate Bill 520 ("S520") would, among other things, allow a student to transfer from a public school to another public school or certain private schools, in the event that the school to which the student is presently assigned to is a "failing public school." A failing public school is defined by S520 as a public school that has received a rating of "below average" or "school at-risk" as its absolute grade on its most recent annual report pursuant to the Accountability Act. In the event of a transfer to another public school, one hundred percent of the State funding allocable to that student would be distributed to the student's new school. In addition, S520 allowed a tax credit to parents, guardians, and other persons paying tuition for a student to attend a new public school or a private school. See http://www.scstatehouse.gov/sess118_2009-2010/bills/520.htm

The 2010 legislative session ended on June 29, 2010, and all unadopted bills pending on that date have expired. The School District believes it possible that legislation similar to S520 may be introduced in future legislative sessions; whether such legislation would be eventually adopted cannot be predicted with any certainty.

Charter Schools

The General Assembly has provided for the establishment of "charter schools" in the State pursuant to Section 59-40-10 *et seq.* of the Code of Laws of South Carolina, 1976, as amended (the "Charter School Act"). A 2006 amendment to the Charter School Act creates a State Charter School District (the "State Charter District"). The State Charter District is an alternative source of sponsorship for charter schools, the other source being the local school district. Pursuant to the Charter School Act, a charter school is a school of the school district in which it is located or of the State Charter District, but is governed according to a charter approved in accordance with the Act and by a "charter committee," rather than by the governing body of the school district or the State Charter District.

The funding sources for a charter school depends on the nature of its sponsor. Charter schools sponsored by a local school district are funded through the distribution of a proportional amount of the total general fund revenues of the sponsoring school district (state and local sources), based on relative weighted pupil units. The amount of funds which must be distributed to each charter school is calculated annually based upon the most recently completed audited financial statements of the school district, adjusted by an inflation factor. Charter schools sponsored by the State Charter District receive no local funds, but do receive on a per student basis a portion of State funding under the EFA which would have otherwise been distributed to the local school district in which the student resides. Federal funds are allocated to charter schools proportionately based upon the special student characteristics relevant to the funding. Federal funds for disabled students are not allocated to charter schools.

The School District presently sponsors the Palmetto Youth Academy, which serves approximately 62 students in grades 3 through 6 at a pupil/teacher ratio maximum of 25:1. The curriculum is centered around individualized instruction based on the student's ability and academic performance level. The CHOICES school, which is sponsored by the School District and a neighboring district, provides training in job readiness, life management skills, character education, leadership development, anger management, and academic areas to approximately 45 at-risk youth in grades 5 through 8 who have been unable to succeed in traditional settings.

There are presently no charter schools sponsored by the State Charter District within the School District. There are several virtual charter schools operated under the authority of the State Charter District which accept pupils on a state-wide basis, however.

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Five Year General Fund Summary

Set forth below is an historical, comparative summary of the revenues, expenditures, and changes in fund balance of the School District's general fund for the past five fiscal years. Information in the following table has been extracted from audited financial statements of the School District for the fiscal years ended in June 30, 2005 through 2009.

Although the information in the following table is taken from audited financial statements, no representation is made that the information is comparable from year to year, or that the information as shown taken by itself presents fairly the financial condition of the School District for the fiscal years shown. For more complete information, reference is made to the audited financial statements for fiscal years ended June 30, 2005 through 2009, copies of which are available from the School District upon request.

	2005	2006	2007	2008[1]	2009
Revenue					
Local	$40,235,024	$41,692,775	$46,000,526	$36,186,267	$35,848,944
Intergovernmental	56,005	53,608	64,918	55,507	63,293
State	40,834,683	49,981,227	53,214,029	67,417,913	65,486,915
Other	5,659	0	0	0	0
Total Revenue	$81,131,371	$91,727,610	$99,279,473	$103,659,687	$101,399,152
Expenditures					
Instruction	$49,977,134	$54,806,157	$59,374,597	$62,530,147	$66,178,629
Support Services	27,435,765	32,859,801	37,328,926	36,826,888	38,692,544
Community Service	141	184	84	0	0
Intergovernmental	485,011	922,510	1,906,431	1,040,095	1,474,614
Total Expenditures	$77,898,051	$88,588,652	$98,610,038	$100,397,130	$106,345,787
Excess of Revenues Over (Under) Expenditures	$3,233,320	$3,138,958	$669,435	$3,262,557	($4,946,635)
Other Financing Sources (Uses)					
Transfers In	6,866,890	3,477,686	3,074,424	2,455,146	3,017,034
Transfers Out	(2,289,820)	(735,050)	(3,756,900)	(4,087,209)	(2,181,061)
Total Other Financing Sources (Uses)	$4,577,070	$2,742,636	($682,476)	($1,632,063)	$835,973
Net change in Fund Balance	7,810,390	5,881,594	(13,041)	1,630,494	(4,110,662)
Fund Balance, Beginning of Year	$18,503,960[2]	$26,481,023	$32,362,617	$32,349,576	$33,980,070
Prior Period Adjustments	166,673	--	--	--	--
Fund Balance, End of Year	$26,481,023	$32,362,617	$32,349,576	$33,980,070	$29,869,408

(1) Reduction in local sources and increase in state sources from prior year reflects change in funding sources pursuant to Act 388 of 2006. See "Certain Fiscal Matters – Changes in Funding Sources" herein.
(2) Adjustment of $90 resulting from change by independent auditor.
Note: The School District's general fund balance as of June 30, 2010 is estimated to be $30,063,171, all of which is undesignated. None of the general fund balance has been appropriated in the School District's Fiscal Year 2010-11 budget to meet costs of operation and maintenance.

Financial Statements

The financial statements of the School District for the 2008-09 Fiscal Year have been audited by Baird & Company, CPAs, LLC, Augusta, Georgia. A copy of the general purpose financial statements of the School District for the 2008-09 Fiscal Year is attached to this Official Statement as Appendix A. Copies of complete audited financial statements for the 2008-09 Fiscal Year and prior years are available for inspection at the School District offices.

Management Discussion

During the last five fiscal years, revenues from local sources, which consist primarily of tax revenues, decreased from $40,235,024 in the Fiscal Year 2004-05 to $35,848,944 in Fiscal Year 2008-09, a decrease of 11%, primarily due to the adoption of Act No. 388 of the 2006 Acts and Joint Resolutions of the General Assembly of the State of South Carolina ("Act 388"). Revenues from state sources increased from $40,834,683 in Fiscal Year 2004-05 to $65,486,915 in Fiscal Year 2008-09, also due primarily to Act 388. See "CERTAIN FISCAL MATTERS -- Changes In Funding Sources" herein.

As a consequence of Act 388, approximately $11.4 million in residential property tax collections were replaced with amounts reimbursed to the School District from the proceeds of a State-wide sales tax beginning in Fiscal Year 2007-08. Implementation of Act 388 thus caused a reduction in local revenues for Fiscal Year 2007-08, compared to prior fiscal years, and an increase in State revenue for Fiscal Year 2007-08 over prior fiscal years. See "SCHOOL DISTRICT NO. 1 OF FLORENCE COUNTY--Millage Levy Authority" herein.

During the last five fiscal years, instruction expenditures increased from $49,977,134 in Fiscal Year 2004-05 to $66,178,629 in Fiscal Year 2008-09, and support services expenditures increased from $27,435,765 in Fiscal Year 2004-05 to $38,692,544 in Fiscal Year 2008-09. The increases in these expenditures over this period were primarily due to salary and fringe benefit increases mandated by the State.

Based on results of operations of the School District for Fiscal Year 2008-09, the School District's expenditures exceeded current year revenues, net of other financing sources/uses, by approximately $4,110,662, resulting in a general fund balance as of the end of Fiscal Year 2008-09 equal to an estimated $29,869,408, which represented a 12% decrease in the fund balance from Fiscal Year 2007-08. This decrease is attributable to mid-year reductions in State appropriations and a lower than expected collection rate for local taxes.

Budgetary Process

The State Constitution requires the School District adopt a balanced budget for each fiscal year. State law requires the School District operate on a fiscal year that begins July 1 and requires the School District to adopt prior to the beginning of each of its fiscal years operating and capital budgets identifying the sources of anticipated revenues, including taxes necessary to meet the financial requirements of the budgets so adopted.

During January of each year, the principals of each of the schools and other district administrators submit in writing their needs and requirements for the ensuing Fiscal Year to the Superintendent of the School District. The Superintendent and the Chief Financial Officer then prepare a budget for each department in the School District. Recommendations from the principals and district administrators are included in the budget. A proposed budget is then submitted to the Board for its review and approval. A copy of the proposed budget is submitted to the County Auditor by June 15 of each year. Final approval of the budget is provided by the Board at a scheduled meeting open to the public prior to June 30 of each year. Certified copies of the final, approved budget signed by a majority of the members of the Board, together with the Board's recommendations as to the amount of millage which should be levied to defray the cost of the budget, are filed with the County Auditor and with the County Treasurer.

Millage Levy Authority

Act 239 of the 1981 Acts and Joint Resolutions of the General Assembly of the State of South Carolina ("Act 239"), which is local legislation and applies only to the School District, provides that if the operational budget adopted by the Board requires a millage increase over that levied for the previous fiscal year, such increase shall not be effective unless approved by a majority vote of the electors of the School District. The question of increasing the operating millage was submitted to the electors of the School District in 1982, 1986, 1988, 1994, 1999, 2001, and 2003. In 1982, 1986, and 1994, the question of increasing the operational millage was defeated in referenda. In 1988, a 17 mill increase was approved by the voters. In 1999, an 8.7 mill increase was approved by the voters. An increase of 8.0 mills was approved in 2001, and an increase of 32 mills was approved in 2003. All increases in millage since 2004 were in amounts either authorized under general legislation which was repealed as of July 1, 2007, and, since July 1, 2007, Act 388.

Act 388 of limits increases in the rate of millage levied for operational purposes by all political subdivisions, including the School District. Beginning July 1, 2007, the annual millage rate for operations of the School District may increase only at a rate equal to the sum of (a) the increase in the consumer price index, plus (b) the rate of population growth of the political subdivision or school district. This limitation may be overridden by a vote of two-thirds of the Board, but only for the following purposes and only in a year in which such condition exists:

(1) deficiency of the preceding year;

(2) any catastrophic event outside the control of the governing body such as a natural disaster, severe weather event, act of God, or act of terrorism, fire, war, or riot;

(3) compliance with a court order or decree;

(4) taxpayer closure due to circumstances outside the control of the governing body that decreases by ten percent or more the amount of revenue payable to the taxing jurisdiction in the preceding year; or

(5) compliance with a regulation promulgated or statute enacted by the federal or state government after the ratification date of Act 388 for which an appropriation or a method for obtaining an appropriation is not provided by the federal or state government.

Act 388 does not, however, limit the ability of the General Assembly to set or restrict school operating millage for a particular school district, nor does it amend any caps on school millage provided by current law or any statute or limitation on the fiscal autonomy of a school district under existing law. Accordingly, the authority granted to the School District by Act 239 to increase millage is subject to the millage rate limitations imposed by Act 388. Thus, the School District may increase millage annually by the lesser of the millage authorized by Act 239 or the Act 388 limitations. Whether Act 388 effectively repeals the authority of the School District to exceed millage limitations through referendum is not clear, and would have to be determined by a court.

Summary of School District Budget, Fiscal Year 2010-11

Set forth below is a summary of the School District's adopted budget for its general fund for the Fiscal Year ending June 30, 2011. The Fiscal Year 2010-11 budget is based upon certain assumptions and estimates of the School District regarding future events, transactions and circumstances. Realization of the results projected in this budget will depend upon implementation by management of the School

District of policies and procedures consistent with the assumptions. There can be no assurance that actual events will correspond with such assumptions, that uncontrollable factors will not affect such assumptions, or that the projected results will be achieved. Accordingly, the actual results achieved could materially vary from those projected in the budget set forth below.

School District No. 1 of Florence County
(General Fund Only)

Revenues:	Budgeted Amount
Local Sources	$41,193,697
State Sources	36,032,176
State Revenues in Lieu of Taxes	20,072,423
Transfers from Other Funds	4,130,087
Total	$101,428,383
Expenditures:	
Instruction	$65,259,133
Support Services	35,676,250
Transfers to Other Funds	493,000
Total	$101,428,383

Revenues

In Fiscal Year 2009-10, 57.7% of general fund revenues came from the State and 42.3% of general fund revenues came from local sources. State appropriations to the School District for Fiscal Year 2009-10 have been reduced by approximately $3,500,000 million, including an approximate reduction of $3,500,000 million from the general fund, from amounts originally budgeted by the State owing to revenue shortfalls. The School District utilized available federal stimulus funds to offset reductions. The School District also took advantage of "flexibility" provisions incorporated in the State budget which allows local school districts to reallocate amounts appropriated by the State from one purpose to another.

The School District cannot predict whether the State will make any mid-year appropriation reductions in Fiscal Year 2010-11. The School District expects, however, that State appropriations for Fiscal Year 2011-12 will be diminished as compared to the State's appropriation for Fiscal Year 2010-11.

During the years shown below, the School District received the following amounts as general fund revenues and special revenues from the State:

Fiscal Year	General Fund Revenues	Special and Other Revenues	Total
2010-11[1]	$56,104,599	$13,980,000	$70,084,599
2009-10[2]	60,686,957	14,143,371	74,830,328
2008-09	65,486,915	13,773,505	78,410,642
2007-08	67,417,913	16,675,551	84,093,464
2006-07	53,214,029	14,141,466	67,355,495

[1] Budgeted.
[2] Unaudited.

The School District, as described below under the heading "CERTAIN FISCAL MATTERS – Homestead Exemptions – Property Tax Relief" receives revenues from the State to replace ad valorem tax revenue losses resulting from homestead exemptions.

Education Finance Act. Almost all of the general fund revenues received from the State are paid to the School District under the Education Finance Act (the "EFA"). The EFA was enacted in order to implement a basic education program, known as the Foundation Program. The State funds an average of 70% of the cost of the Foundation Program on a statewide basis, using an "index of taxpaying ability" to adjust the required local contribution and State contribution toward the cost of the Foundation Program. During Fiscal Year 2010-11, it is estimated the State share of the Foundation Program for the School District will be $21,831,343 or 75% of the total cost, and the School District share will be $7,277,115 or 25%. During Fiscal Year 2009-10, the State share of the Foundation Program for the School District was $26,559,136 (unaudited) or 78% of the total cost, and the School District share was $7,491,038 (unaudited) or 22%. Listed below are the State contributions to the Foundation Program for the fiscal years shown.

State Contributions to EFA Foundation Program

Fiscal Year	Amount
2010-11[1]	$21,831,343
2009-10[2]	26,559,136
2008-09	32,226,925
2007-08	35,029,929
2006-07	33,366,137

[1] Budgeted.
[2] Unaudited.

Education Improvement Act. Almost all of the special revenues received from the State are paid to the School District under the Education Improvement Act of 1984 (the "EIA"). The EIA was enacted to improve the quality of public education in the State through special programs and incentives. The EIA program is funded by a 1¢ increase in the general sales tax. Amounts received by the School District under the EIA are restricted to the programs authorized or mandated by the EIA. Amounts provided to the School District from the EIA for the fiscal years shown are as follows:

EIA Funding Amounts

Fiscal Year	Amount
2010-11[1]	$5,717,325
2009-10[2]	9,950,271
2008-09	9,454,514
2007-08	12,746,449
2006-07	11,865,493

[1] Estimated.
[2] Unaudited.

Investment Policies

The School District holds and invests all operating funds directly. Bond proceeds and tax collections used to pay debt service on bonds are held and invested by the County Treasurer. Pursuant to the South Carolina Code, operating funds may be directly invested by the School District in investments specified in Sections 6-5-10, 6-6-30, and 11-1-60. Bond proceeds and tax collections used to pay debt service on bonds may be directly invested by the County Treasurer in investments specified in Sections 6-5-10, 6-6-30, 11-1-60, and 12-45-220. In both cases, the funds may be invested with the consent of the investor's governing body, by purchase of participation units in the South Carolina Pooled Investment Fund established under Section 6-6-10 of the South Carolina Code. The South Carolina State Treasurer manages the South Carolina Pooled Investment Fund, which may be comprised of the investments specified in Sections 6-5-10 and 11-9-660. Several of the applicable sections of the South Carolina Code are outlined below. For more detailed information, reference should be made to the specific South Carolina Code section.

Section 6-5-10 authorizes the following investments: (1) obligations of the United States and its agencies; (2) general obligations of the State or any of its political units; (3) savings and loan associations to the extent that the same are insured by an agency of the federal government; (4) certificates of deposit that are collaterally secured by securities of the type described in clauses (1) and (2) of this paragraph and held by a third party as escrow agent or custodian; (5) repurchase agreements when collateralized by securities as set forth in this paragraph; and (6) no load open end or closed end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in clauses (1), (2), and (5) of this paragraph, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, values its assets by the amortized cost method.

Section 11-1-60 authorizes investments in shares of any federal savings and loan association, FSLIC-insured shares of any South Carolina building and loan association, certain obligations of federal home loan banks, and certain obligations of the Federal Home Loan Bank Board. Section 12-45-220 authorizes the County Treasurer to make all of the investments authorized under Section 6-5-10 as described above, other than those described in clause (5).

Fringe Benefits, Retirement, and Health Insurance

The School District contributes to the South Carolina Retirement System (the "System"), a cost-sharing, multiple-employer, defined benefit pension plan. The System provides both retirement and death benefits on an employee and employer contribution basis. Member employees currently contribute 6.5% of their annual compensation. For Fiscal Year 2009-10, employer contribution is 12.89% of the total membership's annual compensation, and the entire cost of group life insurance for covered employees is included at the rate of .15%. Total employer retirement contributions to the System paid on behalf of the School District are shown below:

Fiscal Year	Employer Contributions
2010-11[1]	$9,799,701
2009-10[2]	10,424,614
2008-09	11,700,719
2007-08	10,984,968
2006-07	6,532,348

[1] Budgeted.
[2] Unaudited.

The School District also provides comprehensive group health insurance through the State Employees Group Plan administered by Blue Cross-Blue Shield of South Carolina and various health maintenance organizations. Employees are eligible for the State of South Carolina Dental Program. The School District also offers a cancer policy, a term basic, optional, and dependent life insurance policy, an accidental death and dismemberment policy, and a supplemental hospital plan. Employer contributions are made on behalf of the employees at fixed rates. Health and dental insurance contributions to the System paid on behalf of the employees for the indicated years as shown in the following table:

Fiscal Year	Employer Contributions
2010-11[1]	$8,135,981
2009-10[2]	7,492,673
2008-09	8,238,633
2007-08	7,976,820
2006-07	10,168,308

[1] Budgeted.
[2] Unaudited.

The School District has paid all required contributions for fringe benefits and insurance as they have come due, and there are no liabilities for underfunding of such benefits.

Other Post-Employment Benefits

Post-employment benefits, such as health insurance, for School District employees are the responsibility of the State; the School District has no liability for such benefits, and will make no disclosure pertaining to such benefits under Governmental Accounting Standards Board Statement No. 45.

Liability Insurance

Subject to specific immunity set forth in the South Carolina Tort Claims Act, local governments including the School District are liable for damages not to exceed $300,000 per incident/person and $600,000 per occurrence/aggregate. No punitive or exemplary damages are permitted under the Tort Claims Act. Insurance protection to units of local government is provided from either the South Carolina Insurance Reserve Fund established by the State Budget and Control Board, private carriers, self-insurance, or pooled self-insurance funds. The School District currently maintains liability insurance coverage with the South Carolina School Boards Insurance Trust Fund sponsored by the South Carolina School Boards Insurance Trust. In the opinion of the Superintendent, the amount of liability coverage maintained by the School District is sufficient to provide protection against any loss arising under the Tort Claims Act. In the opinion of legal counsel for the School District, there is no litigation pending or threatened against the School District that is not adequately insured by such coverage.

CERTAIN FISCAL MATTERS

Assessment of Property in Florence County

Article X of the South Carolina Constitution mandates that the assessment of all property, both real and personal, shall be equal and uniform and that the following ratios shall apply in the appropriate classifications of property:

(1) Real and personal property owned by or leased to manufacturers, utilities and mining operations and used in the conduct of such business - 10.5% of fair market value;

(2) Real and personal property owned by or leased to companies primarily engaged in transportation for hire of persons or property and used in the conduct of such business - 9.5% of fair market value;

(3) Legal residence and not more than five contiguous acres - 4% of fair market value (if the property owner makes proper application and qualifies);

(4) Agricultural real property used for such purposes owned by individuals and certain corporations - 4% of use value (if the property owner makes proper application and qualifies);

(5) Agricultural property and timberlands belonging to corporations having more than 10 shareholders - 6% of use value (if property owner makes proper application and qualifies);

(6) All other real property - 6% of fair market value;

(7) Business inventories - 6% of fair market value (as of 1988, there is available an exemption from taxation of property in this category, hence this item is no longer significant, except that the assessed value of business inventory as of tax year 1987 is taken into account in determining total assessed value for purposes of the bonded debt limit); and

(8) (A) Except as set forth in (B) below, all other personal property - 10.5% of fair market value;

(B) Personal motor vehicles which must be titled by a state or federal agency, limited to passenger motor vehicles and pickup trucks, as defined by law – 6.00%.

The South Carolina Department of Revenue ("DOR") has been charged with the responsibility of taking steps necessary to ensure equalization of assessments statewide in order that all property is assessed uniformly and equitably throughout the State, and may require reassessment of any part or all of the property within the School District. Under law enacted by the South Carolina General Assembly in 1995, every fourth year the County and the State are required by law to effect an appraisal of all property within the County and to implement that appraisal as a new assessment in the following year. A scheduled reassessment may be delayed for one year by ordinance of the County Council. Regulations of DOR effectively require that a reappraisal program must be instituted by a county if the median appraisal for all property in such county (as a whole or for any class of property) is higher than 105% or lower than 80% of fair market value. Reassessment in Florence County was completed in and implemented in Fiscal Year 2005. Reassessment was scheduled to be implemented in Fiscal Year 2010, but was delayed pursuant to ordinance of Florence County Council and will instead be implemented in Fiscal Year 2011.

In addition to limits on growth in operating millage rates, Act 388 provides that the growth in valuation of real property attributable to reassessment may not exceed 15% for each five year reassessment cycle. Growth in valuation resulting from improvements to real property are exempt from this restriction. Moreover, upon the sale of any parcel of real property or other "assessable transfer of interest," including long-term leases, conveyances out of trusts, and other defined events, but excluding transfers between spouses, such parcel will be reassessed to its then-current market value. The foregoing limitation on increases in assessed value may materially effect the growth in the School District's assessed value, and, thus, debt limit, over time.

Proposals previously pending in the South Carolina General Assembly in the immediately past legislative session would, if adopted, have further limited growth in real property values. For example, one proposal would have capped the increase in the valuation of property at 15% following an assessable transfer of interest, regardless of the true value of the property. The School District cannot predict whether such proposals will be introduced or adopted at future legislative sessions.

The County Assessor appraises and assesses each year all real property and mobile homes located within Florence County and certifies the results to the County Auditor (with the exception of Manufacturer's Real Property which is certified by the DOR). The County Auditor appraises and assesses all motor vehicles (except for large trucks, which are appraised and assessed by the DOR), marine equipment, business personal property and airplanes. The DOR furnishes guides for use by the County in the assessment of automobiles, automotive equipment, and certain other classes of property and directly assesses the real and personal property of public utilities, manufacturers and business equipment.

In each year, upon completion of its work, the DOR certifies its assessments to the County Auditor. During August and September of each year the County Auditor prepares assessment summaries from the respective certifications, determines the appropriate millage levies, prepares the tax bills and then in September charges the County Treasurer with the collection. With the exception of motor vehicles, the South Carolina Tax Control date is December 31st for the ensuing tax year. South Carolina has no state-wide property tax.

Homestead Exemptions--Property Tax Relief

South Carolina provides, among other tax exemptions, several exemptions for homesteads. The first is a general exemption from all ad valorem property taxes and applies to the first $50,000 of value of the dwelling place of persons who are over 65 years of age, totally and permanently disabled, or legally blind (the "Homestead Exemption"). The revenues that would have been received by various taxing entities but for the Homestead Exemption are replaced by funds from the State. The State pays each taxing entity the amount to which it is entitled by April 15 of each year from the State's general fund.

Beginning in Fiscal Year 1995, the first $100,000 of appraised value of homesteads was granted an exemption from school operating taxes; amounts which the school districts of the State would have otherwise received were replaced by State revenues (the "Property Tax Relief Exemption"). From Fiscal Year 1999 to Fiscal Year 2007, the replacement revenues appropriated to the school districts of the State pursuant to the Property Tax Relief Exemption was capped, and did not reflect changes in millage rates or changes in the number of exempt homesteads within a particular taxing jurisdiction. Amounts allocated as Homestead Exemption and Property Tax Relief Exemption have been set at Fiscal Year 2008 levels and will not increase in the future.

Beginning with Fiscal Year 2008, the Property Tax Relief Exemption has been supplemented pursuant to Act 388 such that 100% of the value of owner-occupied real property will be exempt from all taxes levied for school district operating purposes (the "New Homestead Exemption"). A portion of the amounts which the school districts of the State would receive from owner-occupied property but for the New Homestead Exemption will be replaced with the proceeds of an additional one percent sales tax imposed State-wide. See "CERTAIN FISCAL MATTERS -- Changes In Funding Sources" herein.

The following amounts were received by the School District as general fund revenues from the State on account of the Homestead Exemption and Property Tax Relief Exemption for the years shown:

Fiscal Year	Tax Year	Homestead Exemption	Property Tax Relief Exemption
2009-10	2009	$1,575,967	$4,230,371
2008-09	2008	1,575,967	4,230,371
2007-08	2007	1,575,967	4,230,371
2006-07	2006	1,604,191	4,230,371
2005-06	2005	1,441,303	4,230,371

Source: Florence County Treasurer; School District.

Assessed and True Value of Taxable Property

The assessed and estimated true value of all taxable property in the School District as of December 31, 2009 is set forth below:

	Class of Property	Market Value	Assessment Ratio	Assessed Value[(1)]
1.	Real Property and Mobile Homes	$3,043,084,800	4.00%	$121,723,396
		2,014,189,589	6.00	120,851,606
2.	Motor Vehicles	581,591,557	10.50 & 6.00	37,597,250
3.	Utilities	193,382,226	10.50	20,476,049
5.	Manufacturing Property	256,170,948	10.50	26,735,950
6.	Watercraft	18,098,648	10.50	1,085,919
7.	Airplanes	5,255,000	10.50	210,200
8.	Business Personal Property	57,010,237	10.50	5,986,075
9.	Business Personal Property #529 (DOR)	133,968,950	10.50	14,066,740
	Total	$6,302,751,955		$348,733,185

(1) Does not include Merchants' Inventory of $2,693,762, motor carrier reimbursements of $1,600,954, manufacturer's depreciation of $5,267,542, negotiated fee-in-lieu of taxes not in joint industrial park of $27,908 or negotiated fee-in-lieu of taxes in joint industrial park of $23,069,077.
Source: Florence County Auditor and Florence County Finance Director.

Set forth below is the assessed value of taxable real and personal property of the School District as of December 31 for the years indicated.

As of December 31	Real Property	Personal Property	Total[(1)]
2009	$242,575,002	$106,158,183	$348,733,185
2008	235,570,352	106,383,797	341,954,149
2007	225,627,327	105,920,492	331,547,819
2006	216,537,371	110,027,987	326,565,358
2005[(2)]	209,648,896	111,887,008	321,535,904

(1) Excludes assessments for Merchants' Inventory, motor carrier reimbursements, manufacturer's depreciation and negotiated fee-in-lieu of taxes.
(2) Reassessment.
Source: Office of the Comptroller General, State of South Carolina; Florence County Auditor.

Millage History

Presented below is the millage history for School District taxes broken down into the debt service levy and the general operations levy for the past five fiscal years and the current fiscal year.

Year Ended June 30	Tax Year	School Debt Service	Operations Levy	Total
2009-10	2009	34.3	171.7	206.0
2008-09	2008	19.0	163.7	182.7
2007-08	2007	19.0	157.5	176.5
2006-07	2006	15.0	151.0	166.0
2005-06	2005	16.4	140.2	156.6

Source: Florence County Auditor.

Payments in Lieu of Taxes

The State of South Carolina has adopted an array of property tax inducements and incentives to promote investment in the State. Qualifying investments of $5 million ($1 million in some counties and for certain "brownfield" sites) or more may be negotiated for payments in lieu of taxes for a period of 20 years based on assessment ratios of as little as 6% and using millage rates that are either fixed for 20 years or adjusted every fifth year. In some cases, owners of projects may also design a payment schedule so long as the present value of the payments under the schedule are equal to the present value of the payments that would have been made without the schedule. The State also provides a more generous inducement for projects creating at least 200 new jobs and providing new invested capital of not less than $200 million and a total investment of not less than $400 million. For these projects payments may be negotiated based on assessment ratios of as low as 4% and for a term of 30 years.

The State provides alternative provisions respecting the distribution of payments in lieu of taxes to entities having taxing jurisdiction at the location of the investment: (i) revenues received in respect of property that is not included in a multicounty industrial park ("MCIP") are allocated annually in proportion to the amounts that would have been received by the taxing entities if the payments were taxes, based on the relative millage rates of overlapping taxing entities in a given year; (ii) revenues received from property that is in an MCIP, however, is distributed in accordance with the agreement creating the park; the amount of the distribution to each taxing entity is, for all practical purposes, controlled by the County. Property may be included in an MCIP under terms of agreements between two or more counties with individual sites being determined primarily by the county in which they are located. Payments in lieu of taxes may be diverted from taxing entities to fund projects which support economic development activities, including projects that are used solely by a single enterprise, either directly or through the issuance of special source revenue bonds secured by payments in lieu of taxes. A county government may also divert payments in lieu of taxes derived from an MCIP to its own corporate purposes or those of other taxing entities in that county.

Projects on which payments in lieu of taxes are made are considered taxable property at the level of the negotiated payment for purposes of calculating bonded indebtedness limits and for purposes of computing the index of taxpaying ability pursuant to the South Carolina Education Financing Act. If the property is situated in an MCIP, the calculation of assessed value for debt limit purposes is based upon the relative share of payments received by all taxing entities which overlap the MCIP. Accordingly, a recipient of payments from an MCIP is able to include only a fraction of the assessed value of property therein in calculating its debt limit.

If a county, municipality or special purpose district pledges to the repayment of special source revenue bonds any portion of the revenues received by it from a payment in lieu of taxes, it may not include in the calculation of its general obligation debt limit the value of the property that is the basis of the pledged portion of revenues. If such political subdivision, prior to pledging revenues to secure a special source revenue bond, has included an amount representing the value of a parcel or item of property that is the subject of a payment in lieu of taxes in the assessed value of taxable property located in the political subdivision and has issued general obligation debt within a debt limit calculated on the basis of such assessed value, then it may not pledge revenues based on the item or parcel of property, to the extent that the amount representing its value is necessary to permit the outstanding general obligation debt to not exceed the debt limit of the political subdivision.

As an alternative to the issuance of special source revenue bonds, the owners of qualifying projects may receive a credit against payments in lieu of taxes due from the project to pay certain project costs. If a county, municipality or special purpose district agrees to allow a credit against the payments in lieu of taxes it would otherwise receive, it is subject to the limitations on calculation of its debt limit as described in the preceding paragraph.

While school districts of the State are not authorized to pledge payments in lieu of taxes or grant a credit against such payments as described above, that portion of payments in lieu of taxes from a project which would otherwise be paid to a school district may, by inclusion of the project in a multicounty industrial park as described above, be, in effect, diverted to a county government and thus pledged or made subject to a credit against payments of the fee.

Changes In Funding Sources

Pursuant to Act 388, an additional one percent sales tax was imposed State-wide beginning on June 1, 2007. The additional tax does not apply to certain items, including certain accommodations (e.g., hotels, motels, campgrounds and the like), items taxed at a defined maximum tax (e.g., automobiles, taxed at a maximum of $300, regardless of sales price), and unprepared food (upon which the present 5% tax was reduced to 3% on October 1, 2006). Receipts from the new one percent sales tax must be credited to the "Homestead Exemption Fund" created pursuant to Act 388.

As stated above, the New Homestead Exemption exempts all owner-occupied real property in the State from ad valorem property taxes levied for school district operations. Proceeds of the sales tax deposited in the Homestead Exemption Fund are distributed to the school districts of the State in substitution for the ad valorem property taxes not collected as a consequence of the New Homestead Exemption, provided, however, that in no event is the amount of sales taxes distributed to the school district or districts within any county less than $2,500,000 in the aggregate. Act 388 contains provisions for distribution to multiple school districts within single county of any amounts made available under the preceding sentence.

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Act 388 provides that reimbursements in Fiscal Year 2007-08 for amounts not collected by reason of the New Homestead Exemption shall be equal to the amount estimated to be otherwise collected in Fiscal Year 2007-08 by the school district from school operating millage imposed on owner occupied residential property therein. Beginning in Fiscal Year 2008-09 and continuing each year thereafter, the aggregate reimbursement to the school districts of the State will increase by an amount equal to the percentage increase in the previous year of the Consumer Price Index, Southeast Region, as published by the United States Department of Labor, Bureau of Labor Statistics plus the percentage increase in the previous year in the population of the State as determined by the Office of Research and Statistics of the State Budget and Control Board. The aggregate amount of the reimbursement increase in any year will be distributed among the school districts of the State proportionately based on each school district's weighted pupil units as a percentage of statewide weighted pupil units as determined annually pursuant to the Education Finance Act.[1]

During its 2007 session, the General Assembly enacted Act No. 57 ("Act No. 57"), which amended Section 11-11-156 of the Code of Laws of South Carolina, 1976 as amended, to provide for the schedule for disbursement of funds to school districts from the Homestead Exemption Fund. The disbursements are divided into three tiers. The tier one disbursement includes the amount of the 1995 Homestead Exemption. Tier 2 is the amount of the Homestead Exemption for all property taxes applied to the first $50,000 of fair market value of owner-occupied residential property of persons who are 65 years of age, permanently disabled or legally blind. Tier 3 is the amount of the New Homestead Exemption to be reimbursed from the 1% sales tax to replace revenue that would have been collected from the appropriation of school operating millage on owner-occupied residential property.

As amended by Act No. 57, Section 11-11-156(5)(b) provides that:

(i) ninety percent of the tier one reimbursement must be paid in the last quarter of the calendar year no later than December first. The balance of the tier one reimbursement must be paid in the last quarter of the fiscal year that ends June thirtieth following the first tier one reimbursement date;

(ii) tier two reimbursements must be paid on the same schedule as the second tier one reimbursement;

(iii) tier three reimbursements must be paid in nine equal monthly installments based on one-tenth of the State estimate, beginning not later than October fifteenth. A final adjustment balance payment must be made before the closing of the State's books for the fiscal year.

Any amounts remaining in the Homestead Exemption Fund after the distribution of moneys as described in the preceding paragraphs must be distributed to the 46 counties of the State, proportionately based upon population, and applied as a credit against ad valorem property taxes levied against, first, owner-occupied real property, and, thereafter, to all other classes of taxable property, for county operating purposes.

To the extent revenues in the Homestead Exemption Fund are insufficient to pay all reimbursements to the school districts of the State as described above, the difference must be paid from the State's general fund. Enforcement of the requirement described in the preceding sentence is not self-executing, and will in each applicable year be subject to the appropriation of the necessary amounts by the General Assembly.

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[1] The EFA establishes a weighting system, with pupils in grades four through eight weighted at a base 1.0 units. Additions or subtractions to this base are made by the EFA for various categories of pupils, determined by both grade year and any special services required. For example, primary school students are assigned a weighting of 1.24 pupil units each and high school students are assigned a weighting of 1.25 pupil units, but adult education students are assigned a weighting of 0.15 pupil units. Pupils with learning disabilities are assigned a weighting of 1.74. H4449 provides a further weighting category, namely an extra 0.2 pupil units to be added for each pupil in kindergarten through grade twelve who qualifies for Medicaid or who qualifies for reduced or free lunches, or both. Reimbursements received by a school district as a consequence of this special weighting must be used by districts and schools to provide services and research based strategies for addressing academic or health needs of these students to ensure their future academic success, to provide summer school, reduced class size, after school programs, extended day, instructional materials, or any other research based educational strategy to improve student academic performance.

The statutory changes discussed in the preceding paragraphs under the subheading "Changes In Funding Sources" could have a material impact on School District operations, to the extent that growth in its operating expenses exceeds the growth rate of sales tax reimbursements from the State. Growth in sales tax reimbursements is subject both to restrictions contained in Act 388, and to the growth in State sales tax collections generally. Based upon calculations by the County Auditor of owner-occupied real property among taxable property within the School District, approximately $12,654,413 has been distributed to the School District from the New Homestead Exemption in Fiscal Year 2009-10.

The School District's ability to compensate for insufficiencies in sales tax reimbursements (regardless of the cause of insufficiency) through an increase in its millage rate will be limited as discussed under the heading "THE SCHOOL DISTRICT -- Change In Millage Levy Authority" above. The School District cannot predict whether in any year the sales tax reimbursement will be insufficient to meet growth in operating expenses.

Tax Collection Procedure

In South Carolina, local taxes for counties, schools and special purpose districts are levied as a single tax bill which each taxpayer must pay in full. Taxes are levied by the Auditor of the various counties. In Florence County, current and delinquent tax collections are made through the office of the Treasurer of Florence County.

Real and personal property taxes in each of the counties are due on or before January 15 of each year with the exception of taxes on motor vehicles. All personal property taxes on motor vehicles are due on or before the last day of the month in which the license tag for each such motor vehicle expires. If property taxes, other than taxes on motor vehicles, are not paid on or before January 16, a penalty of 3% is added; if not paid by February 1, an additional penalty of 7% is added; if not paid on or before March 17, an additional penalty of 5% is added and taxes go into execution. Taxes on motor vehicles are subject to similar penalties measured from the due date thereof. Unpaid taxes, both real and personal, constitute a first lien against the property. The tax collector is empowered to seize and sell so much of the defaulting taxpayer's estate, real, personal, or both, as may be sufficient to satisfy the taxes.

Tax Collection Record

The following table shows School District taxes levied and collected as of June 30 of the year following the year in which the levy was made, and the amount of delinquent taxes collected for the past five fiscal years.

Fiscal Year	Amount Levied	Current Taxes Collected	Current % Collected	Delinquent Amount Collected[1]	Total % Collected[2]
2009-10[3]	$48,353,990	$46,355,691	95.87%	$2,315,288	100.66%
2008-09	41,765,001	38,858,269	93.04	1,484,541	96.59
2007-08	40,167,900	37,452,605	93.24	1,743,192	97.58
2006-07	46,422,460	45,006,888	96.95	1,573,744	100.34
2005-06	42,695,440	41,704,737	97.68	1,627,401	101.49

[1] The figures in this column represent delinquent taxes collected during each respective fiscal year but levied during that year or a previous year.
[2] Includes delinquent taxes from previous years.
[3] Unaudited.
Source: Florence County Treasurer.

Ten Largest Taxpayers

The ten largest taxpayers in the School District, the 2009 assessed value of the taxable property of each that is located in the School District, and the total amount of 2009-10 school taxes paid by each is shown below:

	Name	Assessed Value	School Taxes Paid
1.	QHG of South Carolina, Inc.	$9,941,660	$2,604,420
2.	Smurfit Stone Container	8,323,630	2,247,430
3.	Carolina Power & Light Co.	7,770,220	2,150,692
4.	Bell South Telecommunications	4,534,530	1,241,174
5.	PR Magnolia LLC	3,242,670	836,902
6.	Dupont/Teijin Films US LP[1]	2,522,260	693,672
7.	McLeod Regional Medical Center	2,667,290	689,288
8.	Nucor Corporation	2,425,300	577,007
9.	South Carolina Electric & Gas	1,971,740	551,761
10.	General Electric Company	1,904,010	491,729

[1] Plant scheduled to close in September, 2010.
Source: Florence County Auditor.

DEBT STRUCTURE

Legal Debt Limit of the School District

The School District is authorized by law to incur general obligation indebtedness and may also contract for the acquisition of capital assets through lease-purchase agreements subject to annual appropriation termination clauses. The School District has issued general obligation bonded indebtedness as described below. Payment on debt service of the School District's obligations is handled by the Florence County Treasurer.

The School District has a limit on the amount of general obligation debt it may incur from and after November 30, 1982, equal to 8% of the assessed valuation of property within its jurisdiction. Indebtedness outstanding on November 30, 1982, and any refunding thereof, and any indebtedness approved in a referendum or any refunding thereof is excluded from the limit. Also excluded from the debt limit is debt issued in anticipation of the collection of ad valorem taxes.

The School District's current general obligation bonded debt limitation is computed below:

Assessed Value	$351,426,947
	x 8%
Constitutional Debt Limit	$28,114,156
Outstanding Debt Subject to Limit	0
General Obligation Debt Available Without Referendum	$28,114,156

Statutes authorizing the payment of fees in lieu of taxes (See "CERTAIN FISCAL MATTERS—Payments in Lieu of Taxes" above) provide that the property from which such fees are derived may be included in the calculation of debt limit. These statutes provide formulae whereby the assessed value for debt limit purposes of property subject to a fee in lieu of taxes is determined, based upon the most recently received annual payments in lieu of taxes received by a particular taxing entity. The foregoing calculation of debt limit does not include that derived from property subject to fees in lieu of taxes.

Outstanding Debt

Currently, the School District has no outstanding debt.

Anticipated Capital Needs

The School District has developed a plan for the financing of capital improvements through the issuance of approximately $84,000,000 of general obligation bonds in even-number years through 2016. Each series of bonds will have a maturity of two years or less. This plan is in lieu of a $125,000,000 building program that would have been financed through the issuance of long-term general obligation bonds, which was rejected by the voters in the School District in the autumn of 2007. The Bonds represent the first issuance of debt under the plan.

Debt Service on the Bonds

The following shows the annual debt service on the Bonds.

Calendar Year	Debt Service
2011	
2012	
Totals	

Legal Debt Limit of Counties, Incorporated Municipalities, and Special Purpose Districts

Under the provisions of Article X, Section 14 of the South Carolina Constitution, each county, incorporated municipality, and special purpose district may, in such manner and upon such terms and conditions as the General Assembly shall prescribe by general law, incur general obligation debt authorized by a majority vote of the qualified electors thereof voting in a referendum, without limitation as to amount, and incur, without an election, general obligation debt (in addition to bonded indebtedness existing on November 30, 1977, and bonded indebtedness authorized by a majority vote of qualified electors) in an amount not exceeding 8% of the assessed value of all taxable property therein.

Overlapping Debt

The following table sets forth the 2009 assessed values for each of the political units coterminous with or located within the School District that have outstanding general obligation debt, the percentage of each political subdivision's assessed value within the School District to that political subdivision's total assessed value, and the total amount of general obligation indebtedness of each political subdivision that was outstanding as of June 30, 2010.

Name of Unit	2009 Total Assessed Value of Unit	% of Assessed Value Within the School District	Outstanding General Obligation Indebtedness
Florence County	$432,003,507	81%	$22,731,639
City of Florence	152,675,335	100%	-0-
Town of Quinby	2,364,411	100%	-0-

Source: County Auditor and Treasurer; S.C. Municipal Council.

Miscellaneous Debt Information

The School District has not defaulted in the payment of principal or interest, or in any other material respect, with respect to any of its securities at any time within the last 25 years, nor has the School District within such time issued any refunding bonds for the purpose of preventing a default in the payment of principal or interest on any of its securities then outstanding. The School District has not used the proceeds of any bonds or other securities (other than tax anticipation notes) for current operating expense at any time within the last 25 years.

ECONOMIC CHARACTERISTICS AND DATA

Description of Florence County, South Carolina

The County was established in 1888 and is located in the northeast section of South Carolina, which is also known as the Pee Dee region. The County has an area of 799 square miles, a 2000 population of 125,761, and is bordered on the east by the Great Pee Dee River, on the south by Clarendon and Williamsburg Counties, on the southwest by Sumter County, on the west by Darlington and Lee Counties, and on the North by Darlington, Marlboro, and Dillon Counties. The City of Florence, the largest municipality in the County and the county seat, had a 2000 population of 30,248.

The local economy of the County enjoys a well-balanced industrial, agricultural and manufacturing base. The County's growth has been underpinned by the expansion of the two hospital systems, McLeod Regional Medical Center and the Carolinas Hospital System, and the growth of the two major higher education institutions, Francis Marion University (FMU) and Florence-Darlington Technical College ("FDTC"). A new Advanced Welding and Cutting Center, the only American Welding Society certified facility of its kind in the southeast, opened in the Spring of 2000 on the FDTC campus. Phase I of the Southeastern Institute of Manufacturing and Technology ("SiMT") was recently completed. The SiMT project is located on a 146 acre tract and consists of three phases and will total more than 400,000 square feet of customized training, laboratory, research, manufacturing, convention, and administrative space when all phases are completed. Phase I, the Advanced Manufacturing Center, consists of a $34 million facility which includes an 800-seat auditorium for training and equipment demonstrations, along with a three dimensional lab where industries can simulate an assembly-line process. Francis Marion University dedicated the Dr. Frank B. Lee, Jr. Nursing Center in August, 2006, as well as received initial accreditation for its baccalaureate nursing program from the National League of Nursing. The new $7.6 million, 36,000 square foot facility will house the nursing program which has increased by fifty percent (50%) to 48 nursing majors.

In the past three years, the County has seen significant growth in locating new industries, as well as the expansion of several existing businesses. In June, 2007, McCall Farms opened a new $3.9 million freezer operation which allowed for the transition from a canning facility to marketing frozen food products. The expansion will allow for an additional 40 jobs. In July, 2007, QVC, Inc. opened a new 1.4 million square foot distribution center which employs over 500 residents. In September, 2007, Automatic Data Processing, Inc. (ADP) announced the expansion of its Florence facility. The expansion allowed for an additional 100 employees. In June, 2008, H. J. Heinz announced the expansion of its frozen meal production to include a 225,000 square-foot facility in Pee Dee Touchstone Energy's Commerce City at a investment of $105 million. Monster.com, an online job recruitment and careers resource, broke ground in December, 2008 on its 75,000 square-foot facility located in Pee Dee Touchstone Energy's Commerce City. The announcement, which was made in June 2008, stated plans to invest $28 million and create 750 jobs over a five (5) year period. In June, 2009, Johnson Controls announced its plans to build a battery recycling facility in Florence located on a 270-acre site off of US Highway 76. The operation is represented to be the most innovative battery recycling operation in the world with a capital investment of more than $100 million creating 250 new jobs.

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Major Employers

Set forth below are the top ten employers located in the County, their type of business, and approximate number of employees. There can be no assurance that any employer listed below will continue to be located in Florence County. No independent investigation has been made of, and no representation can be made as to the stability or financial condition of, the employers listed below, except as noted:

Industry	Product or Service	Employees
McLeod Regional Medical Center	Healthcare	3,151
Florence School District No. 1	Education	2,915
Carolinas Hospital System	Healthcare	1,640
Honda of South Carolina Mfg. Inc.	All terrain vehicles, personal watercraft	1,625
Palmetto Government Benefits Administrators/TRICARE (BlueCross/Blue Shield)	Insurance services	1,600
J. P. Morgan Chase	Mortgage services	1,150
Florence County	County government	898
Nan Ya Plastics Corp. - America	Polyester staple fiber & filament	860
ESAB Welding & Cutting Products	Automatic welding & cutting systems	650
Smurfit Stone Container Corp.	Kraft linerboard	550

Source: Florence County Economic Development

Retail Sales

The following table shows the level of gross retail sales for businesses located in the County for the last five years.

Year	Gross Retail Sales
2009	$4,221,380,448
2008	4,703,883,987
2007	4,759,689,665
2006	4,549,338,572
2005	4,313,870,692

Source: South Carolina Department of Revenue, Administrative Division.

Per Capita Personal Income

The per capita income in the County, the State, and the United States for each of the last five years for which information is available is shown below.

Year	Florence County	South Carolina	United States
2008	$33,822	$32,495	$39,751
2007	32,882	31,925	38,615
2006	31,558	30,927	36,794
2005	29,335	28,223	34,690
2004	28,202	27,903	33,157

Source: Board of Economic Advisors and Office of Economic Research of the State Budget and Control Board; U.S. Department of Commerce, Bureau of Economic Analysis.

Unemployment

The County's unemployment rate was 11.5% in July, 2010. The following table shows County, State and national unemployment rates for the years shown:

Year	Florence County	South Carolina	United States
2009	11.8%	11.7%	9.3%
2008	7.1	6.9	5.8
2007	6.1	5.6	4.6
2006	7.2	6.4	4.6
2005	9.0	6.8	5.1

Source: U.S. Department of Labor; Bureau of Labor Statistics.

Labor Force and Employment

The labor force participation rates of residents of the County (by place of residence) for the last five years for which information is available, is as follows:

	2009	2008	2007	2006	2005
Civilian Labor Force	63,506	62,806	62,216	61,919	61,626
Employment	56,765	58,358	58,441	57,461	56,107
Unemployment	7,741	4,448	3,775	4,458	5,519
% of Labor Force Unemployed	12.2%	7.1%	6.1%	7.2%	9.0%

Source: U.S. Department of Labor; Bureau of Labor Statistics.

Population Figures

The following table shows population information for Florence County over the last three decades and the most current year available.

Year	Population
2009[1]	134,208
2000	125,819
1990	114,344
1980	110,163

[1] Estimate as of July 1, 2009.
Source: Population Division, U. S. Census Bureau.

Facilities Serving the School District

Transportation. The County's location within the region is complimented by a highway transportation network consisting of interstate highways I-20 and I-95 and U.S. highways 52, 76, 301 and 378, as well as numerous State highways. Motor freight carriers serve the County, with 20 nearby terminals. Bus service is provided by Greyhound/Trailways. The Pee Dee Regional Transportation Authority (PDRTA) provides public transportation within the city and to many rural locations within the County, including a "shuttle" service to Myrtle Beach.

The Florence Regional Airport is located two miles east of downtown Florence. The runways are paved and lighted, 150 feet wide and approximately 6,500 feet long. The airport offers air frame and power plant repairs, fuels, 24-hour weather service, flight instruction and charter flights. A multi-million dollar expansion project for the airport has recently been completed.

Rail transportation in the County is provided by CSX Transportation and passenger service is provided by Amtrak.

Higher Education. Florence-Darlington Technical Education Center was established in 1963 to serve Florence, Darlington, Dillon and Marion counties. In 1974, the Florence-Darlington Technical Education Center received accreditation from the Southern Association of Colleges and Schools and changed its name to Florence-Darlington Technical College (FDTC). Its original campus of less than 10 acres has expanded to nearly 100 acres with a modern complex of eight major buildings totaling nearly 300,000 square feet. FDTC is one of 16 technical colleges that make up the South Carolina Technical Education System, which is under the coordination of the South Carolina Board for Technical and Comprehensive Education. The Spring 2010 enrollment of FDTC, which is a two-year institution, was 4,335.

Special programs and services offered at FDTC include the Advanced Welding and Cutting Center, the Caterpillar Dealer Academy and a CISCO systems training laboratory. The recently completed SiMT offers businesses the cutting-edge, strategic training and manufacturing technology solutions to maximize workforce productivity in the Southeast.

Francis Marion University (FMU) is a four-year, comprehensive university founded in 1970 which offers students a broad range of undergraduate degrees and a select number of graduate programs. FMU cooperates with other colleges and universities to offer courses leading to degrees at those institutions. A four-year program of the Reserve Officer Training Corps is available. Phase II of University Villas opened in the Fall of 2007 providing housing for an additional 190 students. The Center for the Child, a combination day care and learning lab facility, opened in August, 2008. FMU had a Spring 2010 enrollment of 3,609.

Library. The Florence County Library provides service through a main library, five branch libraries in the surrounding municipalities, and a bookmobile. In June 2004, the Drs. Bruce and Lee Foundation Library opened containing 81,000 square feet on two floors. The new state-of-the-art library includes a 215-seat meeting room and a conference room; 75 internet-accessible computers for the public; a state-of-the-art South Carolina History and Genealogy room; and a state-of-the-art children's library. Currently, the library has approximately 254,000 volumes available for loan to the public.

Health Care. Florence County serves as the regional medical center for the northeastern half of South Carolina. McLeod Regional Medical Center is the largest employer in the County. McLeod Regional Medical Center recently constructed a women's hospital pavilion as well as a four-story medical office building, and an additional five-story medical office building. Hosting 347 licensed beds, McLeod is the teaching hospital and referral center for a 12-county area, supporting a Family Medicine Residency Program with 27 physicians, a pharmacist and a psychologist. McLeod is a medical leader in several areas, with Centers of Excellence including the Cancer Center for Treatment and Research; the Children's Hospital; the Heart Institute; McLeod Behavioral Health Services; the Neonatal Intensive Care Unit; the Pediatric Intensive Care Unit; the Neuro Science Center; the Outpatient Center; and the Women's Pavilion.

McLeod completed in 2008 an expansion to the McLeod Pavilion Tower which increased the five-story Pavilion Tower to twelve floors to house 140 general acute care beds and 16 operating suites. This growth resulted in a total licensed bed capacity for McLeod Regional Medical Center of 441 general acute care beds and 35 psychiatric beds.

The consolidation of Bruce Hospital System and Florence General Hospital in 1995 created the largest hospital in the Pee Dee region, Carolinas Hospital System, with 408 beds. Affiliates of Carolinas Hospital System include a 24-bed acute care rehabilitation facility, a 44-bed subacute rehabilitation facility, the Men's Diagnostic Center, MRI Center, the Balance Disorder Center, and Bruce Hall, a center for the treatment of drug and alcohol dependency. In the summer of 2006, Carolinas Hospital System completed a $25 million expansion project which included a three-story addition with 48 new acute care beds, a new 12-bed intensive care unit and an oncology unit. Hospital growth also included an 18-bed addition to the newly remodeled Carolinas Rehabilitation Hospital and the opening of the Floyd Conference Center, a facility for health education and community meetings.

Construction. The following table shows the approximate number of building permits (including permits issued for alterations and additions) issued by the County and the approximate cost of construction represented by those permits in each of the years shown.

Year	Residential Permits[1]	Total Valuation	Commercial Permits[1]	Total Valuation
2010[2]	325	$16,769,360	144	$43,430,664
2009	836	37,308,980	270	37,407,000
2008	754	59,013,554	263	105,895,907
2007	1,029	90,402,312	331	121,981,699
2006	902	93,583,661	244	96,648,057
2005	1,001	99,957,321	232	60,953,581

[1] Excludes mobile home permits; permits issued for multi-family units are counted as one. Includes additions and alterations.
[2] Permits through June, 2010.
Source: Florence County Planning.

CERTAIN LEGAL MATTERS

Litigation

There is no litigation presently pending or threatened challenging the validity of any general obligation debt issued or proposed to be issued by the School District, including the Bonds. There is no litigation presently pending or threatened which would result in an uninsured loss by the School District.

On November 1, 1993, 29 small South Carolina school districts brought suit against the State of South Carolina and various state officials in an action styled Allendale School District et al. v. The State of South Carolina, et al. The complaint in this action alleges that the current method of funding school district operations in South Carolina discriminates against the plaintiff school districts. The plaintiffs further allege that they are entitled to various forms of relief, including a declaration that the Educational Finance Act is unconstitutional as it discriminates against smaller school districts, and a court order requiring the State of South Carolina to revise the present school funding method to remove the discriminatory effects of such method. In September, 1996, the trial court ruled against the plaintiffs in this action. An appeal of the trial court's ruling was made to the Supreme Court of South Carolina.

On April 22, 1999, the Supreme Court of South Carolina issued its opinion in the matter. The Court held that the Education Finance Act is constitutional. The Court dismissed several other federal constitutional challenges to the current method of funding school district operations in South Carolina; however, the Court held that the South Carolina Constitution "requires the General Assembly to provide the opportunity for each child to receive a 'minimally adequate' education."

The Court defined broadly what a "minimally adequate" education means as the ability to read, write, speak English and to know math, science, history and vocational skills. The Court remanded the case to the lower court system in South Carolina for determination of whether this standard is met.

Following a trial lasting approximately 17 months, the trial court issued an order on December 29, 2005, concluding that:

(a) instructional facilities in the plaintiff's school districts are safe and adequate to provide the opportunity for a minimally adequate education;

(b) the South Carolina Curriculum Standards at the minimum encompass the knowledge and skills necessary to satisfy the definition of a minimally adequate education;

(c) the South Carolina system of teacher licensure is sufficient to ensure at least minimally competent teachers to provide instructions consistent with curriculum standards;

(d) inputs into the educational system, except for the funding of early childhood intervention programs, are sufficient to satisfy the constitutional standard of minimal adequacy;

(e) the constitutional requirement of adequate funding is not met by the State as a result of the failure to adequately fund early childhood intervention programs; and

(f) students in the plaintiff school districts are denied the opportunity to receive a minimally adequate education because of the lack of effective and adequately funded early childhood intervention programs designed to address the impact of poverty on their educational abilities and achievements.

On April 3, 2006, the parties in the case filed briefs supporting their respective motions for reconsideration; all such motions were denied in June, 2007. The parties have since appealed to the South Carolina Supreme Court. If the Circuit Court's Order is not amended by the Supreme Court, the State will be required to increase its investment in early childhood education programs for children who are considered "at risk" due to family poverty. The South Carolina Supreme Court heard the case on June 25,

2008. The School District can not predict the ultimate outcome of this litigation, or what impact it may ultimately have on public education or the funding thereof in the State.

Legal Opinion

The School District will furnish, without cost to the successful bidder, the opinion of Bond Counsel, Haynsworth Sinkler Boyd, P.A., Florence South Carolina, the form of which is attached hereto as Appendix B.

A certificate to the effect that there is no litigation threatened or pending to restrain the issuance and sale of the Bonds will be delivered at the closing of the Bonds.

Haynsworth Sinkler Boyd, P.A. has assisted the School District by compiling certain information supplied by the School District and others and included in this Official Statement, but has not undertaken to verify the accuracy of such information. The opinion of Haynsworth Sinkler Boyd, P.A. will be limited solely to the legality and enforceability of the Bonds, and no opinion will be given with respect to this Official Statement.

The legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinion as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to such transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

United States Bankruptcy Code

The undertakings of the School District should be considered with reference to Chapter 9 of the Bankruptcy Code, 11 U.S.C. 901, et. seq., as amended, and other laws affecting creditors' rights and municipalities generally. Chapter 9 permits a municipality, political subdivision, public agency, or other instrumentality of a State that is insolvent or unable to meet its debts as such debts mature to file a petition in the United States Bankruptcy Court for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of its creditors; provides that the filing of the petition under that Chapter operates as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; directs a petitioner to file a plan for the adjustment of its debts; permits the petitioner in its plan to modify the rights to payment of its creditors; and provides that the plan must be accepted in writing by or on behalf of creditors of each impaired class of claims holding at least two-thirds in amount and more than one-half in number of the creditors which have accepted or rejected the plan. The plan may be confirmed notwithstanding the negative vote of one or more classes of claims if the court finds that the plan is in the best interest of creditors, is feasible, and is fair and equitable with respect to the dissenting classes of creditors. A petitioner has the right to reinstate indebtedness under its plan according to the original maturity schedule of such indebtedness notwithstanding any provision in the documents under which the indebtedness arose relating to the insolvency or financial condition of the debtor before the confirmation of the plan, the commencement of a case under the Bankruptcy Code, or the appointment of or taking possession by a trustee in a case under the Bankruptcy Code or by a receiver or other custodian prior to the commencement of a case under the Bankruptcy Code.

Federal Income Tax Generally

On the date of issuance of the Bonds, Haynsworth Sinkler Boyd, P.A., Florence, South Carolina ("Bond Counsel"), will render an opinion that, assuming continuing compliance by the School District with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and the applicable regulations promulgated thereunder (the "Regulations") and further subject to certain considerations described in "Collateral Federal Tax Considerations" below, under existing statutes, regulations and judicial decisions, interest on the Bonds is excludable from the gross income of the registered owners thereof for federal income tax purposes. The amount treated as interest on the Bonds and excluded from gross income may depend upon the taxpayer's election under Internal Revenue Service Notice 94-84. Interest on the Bonds will not be treated as an item of tax preference in calculating the alternative minimum taxable income of individuals or corporations; nor will interest on the Bonds be included in the calculation of adjusted current earnings in determining the alternative minimum tax liability of corporations. The Code contains other provisions that could result in tax consequences, upon which no opinion will be rendered by Bond Counsel, as a result of (i) ownership of the Bonds or (ii) the inclusion in certain computations of interest that is excluded from gross income.

The School District has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Code, and, in the case of certain financial institutions (within the meaning of Section 265(b)(5) of the Code), a deduction is allowed for 80% of that portion of such financial institution's interest expense allocable to interest on the Bonds.

Interest on the Bonds is eligible for the exception added to Section 265(b)(7) of the Code added by the American Recovery and Reinvestment Act of 2009, which reduces the disallowance of interest deductions on indebtedness of financial institutions to the extent tax exempt obligations owned by such financial institutions issued in 2009 or 2010 do not exceed 2% of the average adjusted bases of all assets of such financial institution. If tax exempt obligations (including the Bonds) do not exceed such 2% limit, the acquiring financial institution's interest disallowance resulting from such investment is reduced from 100% to 20%.

The opinion of Bond Counsel will be limited to matters relating to the authorization and validity of the Bonds and the tax-exempt status of interest on the Bonds as described herein. Bond Counsel makes no statement regarding the accuracy and completeness of this Official Statement.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. Bond Counsel's opinions are based upon existing law, which is subject to change. Such opinions are further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of a particular result, and are not binding on the Internal Revenue Service (the "IRS") or the courts; rather, such opinions represent Bond Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinions.

The opinion of Bond Counsel described above is subject to the condition that the School District comply with all requirements of the Code and the Regulations, including, without limitation, certain restrictions on the use, expenditure and investment of the gross proceeds of the Bonds and the obligation to rebate certain earnings on investments of such gross proceeds to the United States Government, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The School District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The opinion of Bond Counsel delivered on the date of issuance of the Bonds is conditioned on compliance by the School District with such requirements and Bond Counsel has not been retained to monitor compliance with the requirements subsequent to the issuance of such Bonds.

State Tax Exemption

Bond Counsel is of the further opinion that the Bonds and the interest thereon are exempt from all taxation by the State of South Carolina, its counties, municipalities and school districts except estate, transfer or certain franchise taxes. Interest paid on the Bonds is currently subject to the tax imposed on banks by Section 12-11-20, Code of Laws of South Carolina 1976, as amended, which is enforced by the South Carolina Department of Revenue and Taxation as a franchise tax. The opinion of Bond Counsel is limited to the laws of the State of South Carolina and federal tax laws. No opinion is rendered by Bond Counsel concerning the taxation of the Bonds or the interest thereon under the laws of any other jurisdiction.

Collateral Federal Tax Considerations

Prospective purchasers of the Bonds should be aware that ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, life insurance companies, certain foreign corporations, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Bond Counsel expresses no opinion concerning such collateral income tax consequences and prospective purchasers of the Bonds should consult their tax advisors as to the applicability thereof.

Future legislation, if enacted into law, or clarification of the Code may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislation or clarification of the Code may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation, as to which Bond Counsel expresses no opinion.

The IRS has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations is includable in gross income for federal income tax purposes. Bond Counsel cannot predict whether the IRS will commence an audit of the Bonds. Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the School District or the Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. The IRS has taken the position that, under the standards of practice before the IRS, Bond Counsel must obtain a waiver of a conflict of interest to represent an issuer in an examination of tax exempt bonds for which Bond Counsel had issued an approving opinion. Under current procedures, parties other than the Issuer and their appointed counsel, including the Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the School District legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the School District or the Owners to incur significant expense, regardless of the ultimate outcome. Under certain circumstances, the School District may be obligated to disclose the commencement of an audit under the Continuing Disclosure Agreement. See "CERTAIN LEGAL MATTERS - Continuing Disclosure" below.

Closing Certifications

The School District will also furnish, without cost to the successful bidder for the Bonds, certifications by appropriate officials that the Official Statement relating to the Bonds as of its date and as of the date of delivery of the Bonds does not contain an untrue statement of a material fact and does not omit to state a material fact which should be included therein for the purpose for which it is intended to be used or which is necessary to make the statements contained therein, in the light of the circumstances in which they were made, not misleading.

Appropriate certification will be given by School District officials to establish that the Bonds are not "arbitrage bonds" within the meaning of Section 148 of the Code, and applicable regulations thereunder in effect on the occasion of the delivery of the Bonds.

Continuing Disclosure

In accordance with Act No. 442 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina for the year 1994, the School District has covenanted in the Bond Resolution to file with a central repository for availability in the secondary bond market when requested (1) an annual independent audit, within thirty days of the School District's receipt of the audit; and (2) event specific information, within thirty days of an event adversely affecting more than five percent of the School District's revenue or tax base. The only remedy for failure by the School District to comply with this covenant shall be an action for specific performance. Moreover, the Board has specifically reserved the right to amend the covenant to reflect any change in Act 442 without the consent of any holder of a Bond.

The School District has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the School District by not later than February 1 of each year (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the Issuer with the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board ("EMMA") and with any State Depository, if such should hereafter be established in South Carolina. The notices of material events will be filed by the Issuer with EMMA and the State Depository, if any. The form of the Continuing Disclosure Certificate to be executed by the School District is attached to this Official Statement as Appendix C. These covenants have been made in order to assist the Underwriters in complying with S.E.C. Rule 15c2-12(b)(5). The School District has within the past 5 years been timely in making filings under the Rule required in connection with previous offerings.

Conclusion

Further inquiries should be addressed to Luther Rabon, Chief Financial Officer, School District No. 1 of Florence County, 319 S. Dargan Street, Florence, South Carolina 29506, telephone (843) 669-4141. Requests for additional copies of this Official Statement may be addressed to Mr. Rabon or to Benjamin T. Zeigler, Bond Counsel, Haynsworth Sinkler Boyd, P.A., Post Office Box 6617, Florence, South Carolina 29502, telephone (843) 669-6002.

RATINGS

Moody's Investors Service ("Moody's") has assigned its municipal bond rating of "__" to the Bonds based on the State's statutory enhancement program (as described in "THE BONDS – Additional Security for the Bonds" and "THE BONDS - Statutory Intercept Provisions"). Moody's has also assigned an underlying rating of "__", which rating does not take into account the State enhancement program. No other rating agencies were requested to assign a rating to the Bonds. An explanation of the significance of each rating may be obtained from Moody's. The ratings reflect only the view of Moody's and the School District makes no representation as to the appropriateness of the ratings.

There is no assurance that such ratings will continue for any given period of time or that a rating will not be revised downward or withdrawn entirely, if in the judgment of Moody's, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Bond has been purchased at a competitive sale from the School District for resale by ___________ (the "Purchaser"). The Purchaser has agreed, subject to certain conditions, to purchase the Bond at _________% of par. The initial public offering prices of the Bond are as shown on the front page of this Official Statement and may be changed from time to time by the Purchaser. The Purchaser may also allow a concession from the public offering prices to certain dealers. The initial public offering prices average approximately $_________ per $1000 face amount of the Bonds in excess of the purchase price paid to the School District by the Purchaser. The Purchaser has received no fee from the School District for underwriting the Bonds.

CERTIFICATION

All quotations from and summaries and explanations of provisions of laws of the State herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof. All references to the Bonds and the determinations of the Board of the School District relating thereto are qualified in their entirety by reference to the definitive forms of the Bonds and the authorizing resolution and to such determinations. All such summaries, explanations and references are further qualified in their entirety by reference to the exercise of sovereign police powers of the State and the constitutional powers of the United States of America, and to valid bankruptcy, insolvency, reorganization, moratorium and other laws for the relief of debtors.

Certain of the information set forth in this Official Statement and in the appendices hereto has been obtained from sources other than the School District that are believed to be reliable but is not guaranteed as to accuracy or completeness by the School District. The information and expressions of opinion in this Official Statement are subject to change, and neither the delivery of this Official Statement nor any sale made under such document shall create any implication that there has been no change in the affairs of the School District.

This Official Statement has been duly executed and delivered by the School District as of the date shown on the cover page.

SCHOOL DISTRICT NO. 1 OF
FLORENCE COUNTY, SOUTH CAROLINA

By: ____________________________________
Chief Financial Officer, School District
No. 1 of Florence County, South Carolina

FLORENCE SCHOOL DISTRICT ONE

FLORENCE, SOUTH CAROLINA

REPORT ON FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

FLORENCE SCHOOL DISTRICT ONE
Table of Contents

Baird & Company CPAs, LLC
CERTIFIED PUBLIC ACCOUNTANTS & FINANCIAL ADVISORS

John P. Gillion, Jr., CPA, PFS, CFS, CVA, CFP®
J.T. Cosnahan, CPA, CFE, CFF, FCPA, DABFA
Rep E. Whiddon, CPA, CVA
Brenda F. Carroll, CPA, CFE, CIA, CICA, FCPA,CSEP

INDEPENDENT AUDITORS' REPORT

To the Honorable Chairman and
Members of the Board of Trustees
Florence School District One
Florence, South Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Florence School District One, Florence, South Carolina, (the District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Florence School District One's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The District declined to present the financial statements of Palmetto Youth Academy (PYA), a component unit of the District. In our opinion, disclosure of that information is required to conform with accounting principles generally accepted in the United States of America.

In our opinion, except for the omission of the information discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for Florence School District One as of June 30, 2009, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2009 on our consideration of Florence School District One's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

4210 Columbia Road, Building 10, Augusta, Georgia 30907 / Telephone (706) 855-9500 / Telefax (706) 855-2900 (www.bairdcpas.com)

The management's discussion and analysis identified in the table of contents is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental information as listed in the table of contents, as well as the schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental information as listed in the table of contents, as well as the schedule of expenditures of federal awards, have been subjected to the auditing procedures applied by us 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.

Baird & Company, CPAs, LLC

BAIRD & COMPANY, CPAS, LLC
Certified Public Accountants

Augusta, Georgia
December 1, 2009

As management of Florence School District One (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2009. It should be read in conjunction with the accompanying basic financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis is intended as an introduction to the District's basic financial statements. The basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. The basic financial statements present two different views of the District through the use of government-wide and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the District.

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

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

> The statement of activities presents information showing how the 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 vacation leave).

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

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

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

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. The combining statements referred to earlier in connection with major and non major governmental funds and the individual fund statements.

The District adopts an annual appropriated budget for its general fund and certain special revenue funds. The general fund is a legally adopted document that incorporates input from the citizens of the District, the management of the District, and the decisions of the Board of Trustees as to which programs and services to provide and how to pay for them. The budgets for the budgeted special revenue funds are used as a management control device. A budgetary comparison statement has been provided in the basic financial section for these funds to demonstrate compliance with their budgets.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This is our seventh year for reporting the District's finances as a whole using accrual-basis of accounting; prior year comparative information is included for comparison purposes.

As noted earlier, net assets may serve over time as a useful indicator of the government's financial position. In the case of the District, assets exceeded liabilities by $76,011,215 at the close of the most recent fiscal year. This is a decrease from the 2007-2008 fiscal years when this figure was $76,500,071.This decline is due to the state of the economy which resulted in several state budget cuts.

Table 1

Table 1 provides a summary of the School District's net assets as of June 30, 2008 and 2009:

	GOVERNMENT ACTIVITIES		BUSINESS-TYPE ACTIVTIES		TOTAL GOVERNMENT	
	2008	2009	2008	2009	2008	2009
ASSETS:						
CURRENT & OTHER ASSETS	$50,035,059	$41,095,154	$3,504,228	$3,524,539	$53,539,287	$44,619,693
CAPITAL ASSETS	36,740,668	40,915,634	532,188	634,809	37,272,856	41,550,443
TOTAL ASSETS	86,775,727	82,010,788	4,036,416	4,159,348	90,812,143	86,170,136
LIABILITIES:						
LONG-TERM LIABILITIES	4,679,418	671,092	4,912	-	4,684,330	671,092
OTHER LIABILITIES	9,569,609	9,487,829	58,134	-	9,627,743	9,487,829
TOTAL LIABILITIES	14,249,027	10,158,921	63,046	-	14,312,073	10,158,921
NET ASSETS:						
INVESTED IN CAPITAL ASSETS						
NET OF RELATED DEBT	29,985,100	40,915,634	532,188	634,809	30,517,288	41,550,443
RESTRICED FOR DEBT SERVICE	2,060,711	1,851,559			2,060,711	1,851,559
UNRESTRICTED	40,480,890	29,084,674	3,441,182	3,524,539	43,922,072	32,609,213
	$72,526,701	$71,851,867	$3,973,370	$4,159,348	$76,500,071	$76,011,215

GOVERNMENTAL ACTIVITIES

As stated earlier, this is our seventh year for reporting the District's finances as a whole using the accrual basis of accounting.

Changes in Net Assets:
At June 30, 2008 net assets had increased by $8,382,142 and June 30, 2009 decreased by $674,834. The Government Activity represented 95% as of June 30, 2009 and 97% as of June 30, 2008 of the total changes for the two years respectively.

Governmental Activities:
The total revenue for the Governmental Activities is $141,780,996 for fiscal year 2009 and $144,780,996 for fiscal year 2008. Of the total revenue, property tax represented 25% for 2009 and 27% for 2008, federal and state grants represented 74% for 2009 and 71% for 2008, investments and miscellaneous income represented .003% for 2009 and 1% for 2008, and transfers represented .7% for 2009 and .19% for 2008. Charges for services represented the balance of the revenue for both years.

Governmental activities' expenses were broken down as follows: instruction was 60% for 2009 and 61% for 2008, support services was 38% for 2009 and 36% for 2008, community services was 1.30% for 2009 and 1.32% for 2008, intergovernmental was 1.3% for 2009 and 1.3% for 2008, and debt service interest was .007% for 2009 and .005% for 2008.

Business-type Activities:
Net assets for business-type activities represent 5.5% for fiscal year 2009 and 5.2% for fiscal year 2008 of the overall total net assets.

Total revenue for the business-type activity was $7,051,790 for 2009 and $7,028,199 for the fiscal year 2008. Of this amount, charges for services represented 27% for 2009 and 28% for 2008, USDA reimbursement represented 73% for 2009 and 72% for 2008.

Overall expenditures were $6,595,166 for 2009 and $6,452,463 for 2008. These expenditures represent expenses for food, supplies, salaries and fringe benefits that are allowed. In addition to the above expenses, indirect costs were charged to food service. These charges represented $270,646 for 2009 and $281,385 for 2008.

Net assets of the District's governmental activities represented 95% for 2009 and 95% for 2008 of total assets. Unrestricted net assets is 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 are $29,084,674 for 2009 and $40,480,890 for 2008.

The nets assets of business-type activities represent $3,524,539 of the total net unrestricted net assets of $32,609,213 for the year ended June 30, 2009 and $3,441,182 of the total net unrestricted net assets of $43,922,072 for the year ended June 30, 2008.

Net Assets. For the 2008-2009 accounting year, the District's combined net assets totaled $76,011,215 However, $43,402,002 is restricted for specific purposes. The remaining unrestricted net assets resources are available for future spending. The District's combined net assets for 2007-2008 was $76,500,071 and $32,577,999 was restricted for specific purpose. The remaining unrestricted net assets resources were available for future spending for 2008.

The net assets of business-type activities were $4,159,348 for 2009 and $3,973,370 for 2008.

Business-type activities:
Business-type activities net assets increased by $294,355 for 2009 as compared to the 2008 fiscal year. However, the government wide net assets increased by $185,678 for 2009 as compared to 2008. This increase was due in part to the increased participation and a better menu selection. However, this increase was less than the previous year due to an increase in food cost.

The analysis of governmental funds serves the purpose of looking at what resources came into the funds, how they were spent and what is available for future expenditures. They help answer the questions did the government generate enough revenue to pay for current obligations and what is available for spending at the end of the year.

For the year ended June 30, 2009, the District's governmental funds reported a combined fund balance of $31,607,325 whereas on June 30, 2008 the combined fund balance was $40,428,362. Unreserved 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, 2009, the District's unreserved, undesignated fund balance for all governmental funds was $29,904,853, whereas June 30, 2008 the fund balance was $36,158,598. These balances include $1,458,412 in the school building fund for 2009 and $4,269,764 in the school building fund for 2008. June 30, 2009 the remaining $244,060 is reserved for items such as inventories.

General Fund:
The General Fund is the chief operating fund of the District. At the end of the 2008 fiscal year, the undesignated fund balance was $33,815,453 while the total fund balance reached $33,980,070. At the end of the 2009 fiscal year, the unreserved total fund balance reached $29,587,982.

In reviewing the revenue for the 2007-2008 General Fund, the Local revenue did not exceed the budget by $1,099,078 but the State revenue exceeded the budget by $1,577,649. Overall, the revenue exceeded the budgeted revenue by $534,078. In comparison, the local revenue for 2008-2009 was under budget by $2,224,255. The state revenue was under the budget by $3,064,894 with a total shortfall of $5,225,856. This short fall was due to the down turn of the economy and budget cuts by the State of South Carolina.

The 2008 Instruction expenses were under the budget by $410,648. This was due to a various budgets having fewer expenses than the budgets amounts. For the 2009 fiscal year, the budget for instruction was over the budget by $25,526. A major factor that contributed to this overage was the growth the district has experience not only this year but prior years as well.

The 2008 support was under budget by $2,526,395. The support budget for 2009 was under the budget by $1,996,993. Maintenance and food service budgets contributed to this overage as well as almost all the other functions. This represented a total favorable budget variance of $1,971,467 which contributed to the fund balance not decreasing any more than it did.

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

The District's Special Revenue Funds, Special Projects and EIA, are used to account for revenues derived from the State of South Carolina and the Federal Government.

Debt Service Funds are shown in the accompanying financial statements of the District, as part of the Non major Governmental Funds. The fund balance as of June 30, 2008 was $2,112,895 and the fund balance as of June 30, 2009 was $1,607,499 all of which is reserved for the payment of debt service. Presently, the District's millage rate is set at 19.00 mills and has been this level for the last three years. However, when the millage starts to decline, this will strengthen the District's position in reissuing new bonds due to the limitations based on the 8% debt ceiling. Presently, the District will be debt free as of June 30, 2010.

The District's only Proprietary Fund is the Food Service Fund. This program had net earnings of $294,051 for June 30, 2008 and $185,978 for the fiscal year ended June 30, 2009. This increase was due to several factors: Even though the District enjoyed a greater participation in daily meals served and received a larger amount reimbursed from the federal government, food costs increased due to weather conditions. Fringe benefit costs were $243,058 as of June 30, 2008 and $286,755 as of June 30, 2009. The general fund absorbed the majority of these costs in the amount of $589,896.

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 the fiscal year 2009, the District did not make any adjustment to the general fund budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

The School District did not have any major contractual agreements as of June 30, 2009.

Capital Assets. At the end of 2008 the District had $37,272,855 invested in capital assets, net of depreciation. The District had $41,550,444 invested in capital assets, net of depreciation as of June 30, 2009.

Table 2 shows fiscal balances as of June 30, 2009.

Table 2
Capital Assets at June 30, 2009
(Net of Accumulated
Depreciation)

	GOVERNMENTAL ACTIVTIES		BUSINESS-TYPE ACTIVITIES		TOTAL GOVERNMENT	
	2008	2009	2008	2009	2008	2009
LAND	$ 6,907,317	$ 11,265,442	$ -	$ -	$ 6,907,317	$11,265,442
BUILDING	21,367,904	21,022,845	-	-	21,367,904	21,022,845
IMPROVEMENT	4,198,311	4,097,136	-	-	4,198,311	4,097,136
EQUIPMENTS	410,012	384,866	532,187	634,810	942,199	1,019,676
COMPUTERS	857,668	908,125	-	-	857,668	908,125
VEHICLES	481,981	774,339	-	-	481,981	774,339
MOBILE UNITS	2,517,475	2,462,881	-	-	2,517,475	2,462,881
TOTALS	$ 36,740,668	$ 40,915,634	$ 532,187	$ 634,810	$37,272,855	$41,550,444

The District did not purchased any portable classrooms for the first time in many years; but the District did purchase three activity buses, four vehicles, land on Hoffmeyer Road, five work vehicles and 45.76 acres of land adjoining to Wilson High School. See note 6 of the auditor's report for additional information.

Long-Term Debt:
At fiscal year-end, the District had $500,000 in bonds outstanding. All of the District's debt is backed by the full faith and credit of the District as is typical with general obligation bonded indebtedness. This debt is detailed in table three below.

Table 3
Outstanding Debt, At Year End

General Obligation Bonds:	Governmental Activities
2003 Series	$ 500,000
Total	$ 500,000

The Debt Service Fund has $1,555,315 available at year-end to service the debt. During the fiscal year 2008-2009, the District issued a $2,700,000 one year General Obligation Bond. See note 7 of the auditor's report for additional information.

Economic Factors. Florence County serves as the service, retail, and manufacturing center for northeast South Carolina. During the past 10 years, the County has experienced moderate economic growth with the addition of Roche Carolina being located in Florence County. Over the last two years, QVC, Home Depot, several hotels and three chain restaurants have opened within the District. The County is presently working with several other companies that want to relocate to Florence County.

General Fund Budgetary Highlights. There were no changes to the total budget for the fiscal year 2008-2009. The District was successful in a millage referendum during the spring of 2003. The millage increase of 32 mills went into effect during the fiscal year 2004-2005. The Florence County Delegation introduced bill HB4464 for the State Legislature to award the District a one-time millage increase of 10.8 mills, and the bill passed. Therefore, this referendum represented a net gain of 21.2 mills. This millage increase and conservative budgeting have allowed the District to increase the fund balance over the last five years.

Table 4

Condensed Statement of Revenue, Expenses, and Changes in Net Assets as of June 30, 2009.

	GOVERNMENT ACTIVITIES		BUSINESS-TYPE ACTIVTIES		TOTAL GOVERNMENT	
	2008	2009	2008	2009	2008	2009
PROGRAM REVENUES:						
CHARGES FOR SERVICES	$ 989,891.00	$ 433,270	$ 1,975,863	$ 1,901,829	$ 2,965,754	$ 2,335,099
OPERATING GRANTS	103,466,191	105,048,801	5,052,336	5,149,961	108,518,527	110,198,762
GENERAL REVENUES:						
PROPERTY TAXES	38,693,942	35,288,556	-	-	38,693,942	35,288,556
OTHER REVENUES	1,630,972	489,464	-	-	1,630,972	489,464
TOTAL REVENUES	144,780,996	141,260,091	7,028,199	7,051,790	151,809,195	148,311,881
EXPENSES:						
INSTRUCTIONAL PROGRAMS	83,822,517	84,943,809	-	-	83,822,517	84,943,809
SUPPORT SERVICES	49,663,225	54,342,076	-	-	49,663,225	54,342,076
COMMUNITIES SERVICES	1,063,149	1,087,301	-	-	1,063,149	1,087,301
INTERGOVERNMENTAL	1,790,980	1,810,031	-	-	1,790,980	1,810,031
INTEREST	340,668	22,356	-	-	340,668	22,356
TOTAL GOVERNMENTAL ACTIVTIES	136,680,539	142,205,573	-	-	136,680,539	142,205,573
BUSINESS-TYPE ACTIVITIES:						
FOOD SERVICE	-	-	6,452,463	6,595,166	6,452,463	6,595,166
TOTAL BUSINESS-TYPE ACTIVITIES	-	-	6,452,463	6,595,166	6,452,463	6,595,166
TOTAL EXPENSES	136,680,539	142,205,573	6,452,463	6,595,166	143,133,002	148,800,739
TRANSFER IN (OUT)	281,685	270,646	(281,385)	(270,646)	-	-
CHANGE IN NET ASSETS	8,382,142	(674,836)	294,351	185,978	8,676,193	(488,858)
BEGINNING NET ASSETS	64,144,559	72,526,701	3,679,319	3,973,670	67,823,878	76,500,071
ENDING NET ASSETS	$ 72,526,701	$ 71,851,865	$ 3,973,670	$ 4,159,648	$ 76,500,071	$ 76,011,213

Total governmental activities generated revenues of $144.7 million for 2008 and $141.2 million for 2009 while expenses in this category totaled $136.6 million for 2008 and $142.2 million for 2009. After transfers from the business-type activities, the increase in net assets stands at $8.3 million for 2008 and a decrease of $674,836 for 2009. Business-type activities generated revenue of $7,028 million for 2008 and $7,051 million for 2009 and had expenses of $6.4 million for 2008 and $6.5 million for 2009. Net assets increased in the business-type activities by $294,351 for 2008 and $185,978 for 2009 after transfers to the governmental activities of $281,385 for 2008 and $270,646 for 2009.

Requests for Information

This report is intended to provide a summary of the financial condition of Florence School District One. Questions or requests for additional information should be addressed to:

Luther M. Rabon, Chief Financial Officer
Florence School District One
319 South Dargan Street
Florence, South Carolina 29506

BASIC FINANCIAL STATEMENTS

FLORENCE SCHOOL DISTRICT ONE
STATEMENT OF NET ASSETS
JUNE 30, 2009

Assets	Governmental Activities	Business Type Activities	Total Primary Government
Cash and cash equivalents	$ 32,034,667	$ 3,673	$ 32,038,340
Cash and cash equivalents with County Treasurer	1,555,315	-	1,555,315
Taxes receivable, net	2,362,435	-	2,362,435
Accounts receivable, net	304,383	-	304,383
Internal balances	(2,837,527)	2,837,527	-
Due from other governments	6,782,696	651,432	7,434,128
Prepaid expenses	686,491	-	686,491
Inventory	244,060	31,907	275,967
Non-depreciable capital assets	11,265,442	-	11,265,442
Depreciable capital assets, net of depreciation	29,650,192	634,809	30,285,001
Total assets	82,048,154	4,159,348	86,207,502
Liabilities			
Accounts payable	1,153,625	-	1,153,625
Payroll withholdings and accruals	3,883,825	-	3,883,825
Unearned revenue	4,450,379	-	4,450,379
Noncurrent liabilities:			
Due within one year	500,000	-	500,000
Due in more than one year	171,092	-	171,092
Total liabilities	10,158,921	-	10,158,921
Net assets			
Invested in capital assets, net of related debt	40,915,634	634,809	41,550,443
Restricted	1,851,559	-	1,851,559
Unrestricted	29,122,040	3,524,539	32,646,579
Total net assets	$ 71,889,233	$ 4,159,348	$ 76,048,581

The notes to the financial statements are an integral part of this statement.

FLORENCE SCHOOL DISTRICT ONE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
					Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total Primary Government
Primary government:							
Governmental activities:							
Instruction	$ 84,943,817	$ 333,977	$ 82,273,488	$ 514,354	$ (1,821,998)	$ -	$ (1,821,998)
Support services	54,342,076	99,293	16,114,460	-	(38,128,323)	-	(38,128,323)
Community services	1,087,301	-	4,444,621	-	3,357,320	-	3,357,320
Intergovernmental	1,810,031	-	1,867,607	-	57,576	-	57,576
Interest	22,356	-	-	-	(22,356)	-	(22,356)
Total governmental activities	142,205,581	433,270	104,700,176	514,354	(36,557,781)	-	(36,557,781)
Business-type activities:							
Food service	6,595,166	1,901,829	5,149,961		-	456,624	456,624
Total business-type activities	6,595,166	1,901,829	5,149,961		-	456,624	456,624
Total primary government	$ 148,800,747	$ 2,335,099	$ 109,850,137		(36,557,781)	456,624	(36,101,157)
		General revenues:					
		Property taxes - general			35,124,259	-	35,124,259
		Investment income			525,408	-	525,408
		Transfers			270,646	(270,646)	-
		Total general revenues and transfers			35,920,313	(270,646)	35,649,667
		Change in net assets			(637,468)	185,978	(451,490)
		Net assets, July 1, 2008			72,526,701	3,973,370	76,500,071
		Net assets, June 30, 2009			$ 71,889,233	$ 4,159,348	$ 76,048,581

The notes to the financial statements are an integral part of this statement.

FLORENCE SCHOOL DISTRICT ONE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General Fund	Special Revenue Fund	Education Improvement Act Fund	School Building Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	$ 32,032,667	$ 2,000	$ -	$ -	$ -	$ 32,034,667
Cash and cash equivalents with County Treasurer	-	-	-	-	1,555,315	1,555,315
Taxes receivable, net	2,362,435	-	-	-	-	2,362,435
Accounts receivable	56,489	247,894	-	-	-	304,383
Interfund receivables	8,797,001	4,432,322	811,222	888,806	655,123	15,584,474
Due from other governments	342,646	4,330,635	784,395	1,272,836	52,184	6,782,696
Prepaid expenses	681,741	4,750	-	-	-	686,491
Inventory	244,060	-	-	-	-	244,060
Total Assets	$ 44,517,039	$ 9,017,601	$ 1,595,617	$ 2,161,642	$ 2,262,622	$ 59,554,521
Liabilities and Fund Balances						
Liabilities						
Accounts payable	$ 1,153,337	$ 288	$ -	$ -	$ -	$ 1,153,625
Interfund payables	9,606,123	7,648,452	464,196	703,230	-	18,422,001
Payroll withholdings and accruals	3,876,824	5,555	1,446	-	-	3,883,825
Deferred revenues	11,347	3,309,057	1,129,975	-	-	4,450,379
Total Liabilities	14,647,631	10,963,352	1,595,617	703,230	-	27,909,830
Fund Balances						
Reserved for inventory	244,060	-	-	-	-	244,060
Reserved for debt service	-	-	-	-	1,607,499	1,607,499
Unreserved, undesignated reported in:						
General Fund	29,625,348	-	-	-	-	29,625,348
Special Revenue Fund	-	(1,945,751)	-	-	-	(1,945,751)
School Building Fund	-	-	-	1,458,412	-	1,458,412
Other Governmental Funds	-	-	-	-	655,123	655,123
Total Fund Balances	29,869,408	(1,945,751)	-	1,458,412	2,262,622	31,644,691
Total Liabilities and Fund Balances	$ 44,517,039	$ 9,017,601	$ 1,595,617	$ 2,161,642	$ 2,262,622	$ 59,554,521

The notes to the financial statements are an integral part of this statement.

FLORENCE SCHOOL DISTRICT ONE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009

Amounts reported for governmental activities in the statement of net assets are different because of the following:

Total governmental fund balances		$ 31,644,691
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. Net capital assets were:		40,915,634
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Total government obligation bonds	$ 500,000	
Total compensated absences	171,092	
		(671,092)
Net assets of governmental activities		$ 71,889,233

The notes to the financial statements are an integral part of this statement.

FLORENCE SCHOOL DISTRICT ONE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	General Fund	Special Revenue Fund	Education Improvement Act Fund	School Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Local	$ 35,848,944	$ 1,696,727	$ -	$ 89,552	$ 8,590,740	$ 46,225,963
Intergovernmental	63,293	1,342,223	-	36,000	-	1,441,516
State	65,486,915	4,284,371	10,253,096	525,384	514,354	81,064,120
Federal	-	12,565,861	-	-	-	12,565,861
Total Revenues	101,399,152	19,889,182	10,253,096	650,936	9,105,094	141,297,460
Expenditures						
Current:						
Instruction	66,178,629	10,786,930	6,851,865	-	3,357	83,820,781
Support services	38,692,544	9,777,829	1,699,114	1,831,325	2,341,064	54,341,876
Community service	-	1,032,451	54,850	-	-	1,087,301
Intergovernmental	1,474,614	307,726	27,691	-	-	1,810,031
Capital outlay	-	-	-	5,161,277	-	5,161,277
Debt service						
Redemption of principal	-	-	-	-	7,327,000	7,327,000
Interest	-	-	-	20,236	191,730	211,966
Other	-	-	-	-	2,120	2,120
Total Expenditures	106,345,787	21,904,936	8,633,520	7,012,838	9,865,271	153,762,352
Excess (deficiency) of revenues over expenditures	(4,946,635)	(2,015,754)	1,619,576	(6,361,902)	(760,177)	(12,464,892)
Other Financing Sources (Uses)						
Transfers in	3,017,034	1,775,475	427,154	4,046,648	195,940	9,462,251
Transfers out	(2,181,061)	(1,000,021)	(2,046,730)	(496,098)	(57,120)	(5,781,030)
Total Other Financing Sources (Uses)	835,973	775,454	(1,619,576)	3,550,550	138,820	3,681,221
Net change in fund balances	(4,110,662)	(1,240,300)	-	(2,811,352)	(621,357)	(8,783,671)
Fund Balance, July 1, 2008	33,980,070	(705,451)	-	4,269,764	2,883,979	40,428,362
Fund Balance, June 30, 2009	$ 29,869,408	$ (1,945,751)	$ -	$ 1,458,412	$ 2,262,622	$ 31,644,691

The notes to the financial statements are an integral part of this statement.

FLORENCE SCHOOL DISTRICT ONE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

Amounts reported for governmental activities in the statement of net assets are different because:

Net change in fund balances - total governmental funds	$ (8,783,671)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlay reported in the current period.	4,832,610
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not recorded as an expenditure in governmental funds.	(657,644)
The issuance of long-tem debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consume the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.	3,915,000
Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related account.	(79,911)
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not recorded as expenditures in the governmental funds. Accrued compensated absences decreased by this amount.	93,326
Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net assets, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as an expenditure in governmental funds.	42,822
Change in net assets of governmental activities	$ (637,468)

The notes to the financial statements are an integral part of this statement.

FLORENCE SCHOOL DISTRICT ONE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – GENERAL FUND AND ANNUALLY BUDGETED SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	General Fund				Special Revenue Fund				Education Improvement Act Fund			
Revenues	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Local	$ -	$ 38,201,562	$ 35,848,944	$ (2,352,618)	$ 2,437,937	$ 2,437,937	$ 1,696,727	$ (741,210)	$ 101	$ 101	$ -	$ (101)
Intergovernmental	-	-	63,293	63,293	1,396,711	1,396,711	1,342,223	(54,488)	-	-	-	-
State	-	68,386,080	65,486,915	(2,899,165)	5,403,858	5,403,858	4,284,371	(1,119,487)	11,095,599	11,095,599	10,253,096	(842,503)
Federal	-	-	-	-	13,114,999	13,114,999	12,565,861	(549,138)	-	-	-	-
Total Revenues	-	106,587,642	101,399,152	(5,188,490)	22,353,505	22,353,505	19,889,182	(2,464,323)	11,095,700	11,095,700	10,253,096	(842,604)
Expenditures												
Current:												
Instruction	66,175,308	66,153,103	66,178,629	(25,526)	6,313,692	12,098,823	10,786,930	1,311,893	3,378,557	7,381,364	6,851,865	529,499
Support services	40,674,914	40,689,537	38,692,544	1,996,993	4,197,263	9,205,530	9,777,829	(572,299)	477,160	2,002,485	1,699,114	303,371
Community service	-	-	-	-	20,870	1,119,497	1,032,451	87,046	-	63,303	54,850	8,453
Intergovernmental	1,213,743	1,213,743	1,474,614	(260,871)	-	5,500	307,726	(302,226)	10,208	27,421	27,691	(270)
Total Expenditures	108,063,965	108,056,383	106,345,787	1,710,596	10,531,825	22,429,350	21,904,936	(524,414)	3,865,925	9,474,573	8,633,520	841,053
Excess (deficiency) of revenues over (under) expenditures	(108,063,965)	(1,468,741)	(4,946,635)	(3,477,894)	11,821,680	(75,845)	(2,015,754)	(1,939,909)	7,229,775	1,621,127	1,619,576	(1,551)
Other Financing Sources (Uses)												
Transfers in	-	-	3,017,034	3,017,034	1,103,789	1,103,789	1,775,475	671,686	427,154	427,154	427,154	-
Transfers out	(950,644)	(958,226)	(2,181,061)	(1,222,835)	(705,895)	(1,027,944)	(1,000,021)	27,923	(2,036,841)	(2,048,281)	(2,046,730)	1,551
Total Other Financing Sources (Uses)	-	-	835,973	835,973	397,894	75,845	775,454	699,609	(1,609,687)	(1,621,127)	(1,619,576)	1,551
Net change in fund balances	$ (108,063,965)	$ (1,468,741)	(4,110,662)	$ (2,641,921)	$ 12,219,574	$ -	(1,240,300)	$ (1,240,300)	$ 5,620,088	$ -	-	$ -
Fund Balance - July 1, 2008			33,980,070				(705,451)				-	
Fund Balance - June 30, 2009			$ 29,869,408				$ (1,945,751)				$ -	

The notes to the financial statements are an integral part of this statement.

FLORENCE SCHOOL DISTRICT ONE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009

	Enterprise Fund Food Service Fund
Assets	
Current assets	
Cash	$ 3,673
Interfund receivables	2,837,527
Due from State Department of Education	651,432
Inventory	31,907
Total current assets	3,524,539
Noncurrent assets	
Capital assets, net of depreciation	634,809
Total noncurrent assets	634,809
Total assets	$ 4,159,348
Net Assets	
Invested in capital assets, net of related debt	634,809
Unrestricted net assets	3,524,539
Total net assets	$ 4,159,348

The notes to the financial statements are an integral part of this statement.

FLORENCE SCHOOL DISTRICT ONE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Enterprise Fund Food Service Fund
Operating revenues	
Proceeds from sale of meals	$ 1,901,829
Total operating revenues	1,901,829
Operating expenses	
Salaries and wages	2,330,125
Employee benefits	286,755
Purchases and services	64,500
Supplies	3,663,899
Depreciation	24,964
Other	224,923
Total operating expenses	6,595,166
Operating loss	(4,693,337)
Nonoperating revenues	
USDA reimbursements	4,623,755
Other federal and state aid	491,756
Interest	34,450
Total nonoperating revenues	5,149,961
Income before transfers	456,624
Net transfers out	(270,646)
Change in net assets	185,978
Net Assets, July 1, 2008	3,973,370
Net Assets, June 30, 2009	$ 4,159,348

The notes to the financial statements are an integral part of this statement.

FLORENCE SHOOL DISTRICT ONE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Enterprise Fund Food Service Fund
Cash Flows from Operating Activities	
Cash received from customers	$ 1,757,486
Cash paid to employees	(2,611,968)
Cash paid to suppliers	(3,895,188)
Net cash used in operating activities	(4,749,670)
Cash Flows from Noncapital and Related Financing Activities	
Transfers out	(270,646)
Other federal and state grants	491,756
Interest received	34,450
USDA reimbursements	4,623,754
Net cash provided by noncapital financing activities	4,879,314
Capital Financing Activities	
Payments to purchase property, plant and equipment	(127,586)
Net cash used in capital and related financing activities	(127,586)
Net increase in cash and cash equivalents	2,058
Cash and cash equivalents/investments	
Beginning of year	1,615
End of year	$ 3,673

The notes to the financial statements are an integral part of this statement.

FLORENCE SCHOOL DISTRICT ONE
STATEMENT OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Enterprise Fund Food Service Fund
Reconciliation of operating income (loss)	
to net cash used in operating activities	
Operating income (loss)	$ (4,693,337)
Adjustments to reconcile operating income (loss)	
to net cash used in operating activities:	
Depreciation	24,964
Change in assets and liabilities:	
(Increase) decrease in interfund receivables	492,091
(Increase) decrease in inventories	2,282
(Increase) decrease in receivables	(512,626)
Increase (decrease) in accounts payable	(58,134)
Increase (decrease) in accrued liabilities	(4,910)
Total adjustments	(56,333)
Net cash used in operating activities	$ (4,749,670)

The notes to the financial statements are an integral part of this statement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Florence School District One (the District) conform to the accounting principles generally accepted in the United States of America, as applicable to governmental units. The following is a summary of the more significant accounting policies.

Reporting Entity

The District is the largest school district in Florence County, South Carolina. The District operates a public school system under guidelines approved by the United States Department of Education and consists of nineteen major schools. The District is fully accredited by the Southern Association of Colleges and Schools. The Florence School District One Board of Trustees (Board) is the basic level of government having oversight responsibility and control over all activities related to public school education within the District.

For financial reporting purposes, in accordance with the criteria in GASB Statements 1 and 14, the District includes all funds that are controlled by or financially dependent upon the District. Control or financial dependence was determined on the basis of obligation of the District to finance deficits, guarantee debt, selection of governing authority, approval of budget, authority to make a public levy, ownership of assets, and scope of public service and special financing relationships where there was only partial or no oversight responsibility.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes.

Discretely Presented Component Unit

Since Palmetto Youth Academy has a significant relationship and is financially dependent upon Florence School District One for its support, it is considered a component unit of the District. The required financial information related to Palmetto Youth Academy is not presented as part of the financial statements of the District as required by generally accepted accounting principles.

The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. The Board members are elected by the public and have authority to designate management, significantly influence operations as well as being primarily accountable for fiscal matters.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The District has elected not to apply Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989, to its governmental activities, business-type activities and enterprise funds. The most significant of the District's accounting policies are described hereafter.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide statements:
The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the School District. Eliminations have been made to minimize the effects of internal activities on revenues and expenses. Governmental activities generally are financed through intergovernmental revenues, and other non-exchange transactions. The statements distinguish between those types of activities of the District that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues, are presented as general revenues of the District with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities.

Fund financial statements:
During the year, the District segregates transactions related to certain District functions or activities into separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District reports no fiduciary type funds.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

This District reports the following major funds:

General Fund
The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. General operating expenditures and the capital improvement costs, not paid through other funds, are paid from the General Fund.

Special Revenue Fund
The Special Revenue Fund is used to account for the proceeds of specific revenue sources other than debt service or major capital projects, that are legally restricted to expenditures for specified purposes.

Special Revenue Fund – Education Improvement Act Fund
The Education Improvement Act Fund is used to account for the proceeds of the additional one percent sales and use tax, which are restricted to expenditures for the Education Improvement Act.

School Building Fund
The School Building Fund is used to account for financial resources used for the acquisition, construction or improvements of major capital facilities by the District.

The District reports the following nonmajor governmental funds:

Debt Service Fund
The Debt Service Fund is used to account for the accumulation of resources for, and payments associated with general long-term debt principal, interest and related costs.

Special Revenue Fund – Pupil Activity
The Pupil Activity Fund accounts for student admissions, grants, organization memberships, bookstore sales and other related receipts and disbursements.

The District reports the following enterprise fund:

Food Service Fund
The Food Service Fund is used to account for the accumulation of resources for, and the payment of, student meals while at school and other related costs.

Measurement Focus and Basis of Accounting

Government-wide financial statements
The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of the District are included on the statement of net assets. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund financial statements
All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collected within the current period or soon enough thereafter to pay current liabilities. The District considers revenues to be available if they are collected within sixty days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures when due. Major revenue sources subject to accrual include intergovernmental revenue and investment income. With this measurement focus, only current assets and current liabilities are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenue and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs in the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with these funds are included on the statement of net assets. The statement of changes in fund net assets presents increase (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. The principal operating revenue for the proprietary fund is charges to customers for food sales. Principal operating expenses are the cost of providing these sales and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

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

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and the presentation of expenses versus expenditures.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or soon enough thereafter to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year-end. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: property taxes, grants, tuition and charges for services.

Nonexchange transactions involving financial or capital resources are transactions in which the District either gives value to another party without directly receiving value in exchange or receives value from another party without directly giving equal value in exchange. The type of nonexchange transactions the District engages in is primarily "voluntary nonexchange transactions."

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Voluntary nonexchange transactions usually involve eligibility requirements that must be met before transactions are recognized. The eligibility requirements can include one or more of the following:

a. The recipient has the characteristic specified by the provider.
b. The recipient has met time requirements specified by the provider [i.e., the period when the resources are required to be used (e.g., disbursed or consumed) or the period when use is first permitted has begun or the resources are being maintained intact, as specified by the provider].
c. The provider offers resources on a reimbursement basis and the recipient has incurred allowable costs under the applicable program.
d. The provider's offer of resources is contingent upon a specified action of the recipient and that action has occurred.

Promises of cash or other assets from nongovernmental entities are recognized when all eligibility requirements are met, provided the promise to give is verifiable and the resources are measurable and probable of collection.

Gifts are a type of nonexchange transaction. Gifts include resources donated to the District for restricted or unrestricted purposes. Unrestricted gifts are recognized as revenue in the general fund when all applicable eligibility requirements have been met. Restricted gifts are recognized as revenue to the extent that such funds are expended for the restricted purposes during the current year and meet all eligibility requirements.

Restricted resources transmitted before the eligibility requirements are met are reported as advances by the provider and as deferred revenues by recipients.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

Budgets

During January of each year, the principals of each of the schools and other district administrators submit in writing their needs and requirements for the ensuing fiscal year to the Superintendent. The Superintendent and the Chief Financial Officer then prepare a budget for each department in the District. Recommendations from the principals and district administrators are included in the budget. A proposed budget is then submitted to the Board for its review and approval. A copy of the approved budget is submitted to the County Auditor by June 15^{th} of each year. Certified copies of the final approved budget signed by a majority of the members of the Board, together with the Board's recommendation as to the amount of millage which should be levied to defray the costs of the budget, are filed with the County Auditor. The annual budget lapses at the fiscal year end. The budget is prepared using the modified accrual basis of accounting.

Expenditures may not exceed budgeted amounts at the program/departmental level for the general fund. The Board of Trustees must approve revisions that alter the total expenditures of any program/department.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash

To improve cash management, all cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through District records. Each fund's interest in the pool is presented as "due from other funds" on the statement of net assets.

The District utilizes the Florence County Treasurer to service bonded debt as principal and interest payments come due. The balance in this account is presented on the financial statements as "Cash and Cash Equivalents with County Treasurer."

For the year ended June 30, 2009, investments were limited to the Local Government Investment Pool (LGIP) and repurchase agreements. The LGIP is an investment pool managed by the South Carolina State Treasurer which allows local governments within the State of South Carolina to pool their funds for investment purposes. Investments in the LGIP and repurchase agreements are reported at cost, which at June 30, 2009, approximated fair value. Due to the liquidity of these investments, the District considers them cash equivalents.

Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost (first-in, first-out method) or market. Market is defined as current replacement cost. For all funds costs are determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental funds when purchased. Inventories of the enterprise fund are expensed when used.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the assets. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include items such as bond or grant proceeds to be used for capital construction, cash on deposit with the County Treasurer, or amounts added to permanent endowments. At June 30, 2009, the District had $1,555,315 in cash restricted for debt service payments on deposit with the County Treasurer. This amount is shown on the financial statements as "Cash and Cash Equivalents with County Treasurer".

Deferred Charges

On the government-wide financial statements, bond issuance costs are deferred and amortized over the term of the bonds using the straight-line method since results are not significantly different than the effective interest method. In governmental funds, these costs are reported as expenditures when the related liability is incurred.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Bond Premium
On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bond using the straight-line method since the results are not significantly different from the effective interest method. In the governmental funds, these costs are reported as revenues when the related liability is incurred.

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 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 funds.

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 District maintains a capitalization threshold of $5,000. The District does not possess any infrastructure. Improvements are capitalized; 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. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

All reported capital assets except land, land improvements and construction in progress are depreciated. 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	15-25 years	None
Furniture and equipment	5-10 years	5-15 years
Vehicles	5-10 years	None

Interfund Borrowings
Interfund borrowings shown as "interfund receivables or interfund payables" in the fund financial statements and internal balances in the government-wide financial statements represent fund transfers of non-mandatory nature and are not interest bearing. Amounts due between funds have no specified time for repayment; however, these amounts are anticipated to be repaid within one year. They result primarily when a fund incurs grant expenditures prior to receiving reimbursement from the grantor.

Certain interfund borrowings are presented as assets and liabilities within the same balance sheet. This occurs in instances where assets or liabilities are due to or from certain components within a fund group and the right of offset does not exist.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB No. 16 "Accounting for Compensated Absences." Vacation benefits are accrued as a liability when the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

The entire compensated absence liability is reported on the government-wide financial statements and in the proprietary fund financial statements.

In the governmental fund financial statements none of the liability is reported, as it is not expected to be paid using expendable available resources.

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when limitations are imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources first when an expense is incurred for purposes where both restricted and unrestricted net assets are available.

Fund Balances Reserves

The District reserves those portions of governmental fund balances that are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund balance reserves are established primarily for inventory of materials and supplies, debt service and non-current receivables.

Deferred Revenues

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Deferred revenues in the Special Revenue Fund represents money received in advance for a project or grant in which the expenditure will be made in a subsequent year. Deferred revenues, in the Enterprise Fund, represents USDA commodities included in inventory at the end of the fiscal year but not reflected as revenue until the USDA commodities are used. Deferred revenues in the General Fund represent resources from non-exchange transactions prior to incurring qualifying expenditures.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – DEPOSITS AND INVESTMENTS

As of June 30, 2009, the District had the following investments:

Investment Type	Maturity	Fair Value
South Carolina Local Government Investment Pool	Daily	$28,243,197

Interest Rate Risk. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. The State Treasurer sells participation units in the South Carolina Local Government Investment Pool (SCLGIP) to legally qualified entities. The SCLGIP is not rated, but funds belonging to any entity that are on deposit with the SCLGIP represent participation units in a portfolio comprised of U.S. government securities, federal agency securities, repurchase agreements secured by the U.S. Government securities and/or federal agency securities, and/or A1/P1 commercial paper (Moody's and S&P's highest rating). It is the policy of the State Treasurer's Office that no derivatives of the above securities are purchased by the SCLGIP and the weighted average maturity of the portfolio not exceed sixty days. The SCLGIP funds have the characteristics of open-end mutual funds and are not subject to credit risk classification. The District's policy is to invest funds in the SCLGIP, certificates of deposit at federally insured banking institutions or in U.S. Treasury obligations or any agency of the United States of America.

Custodial credit risk – deposits. In case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk, however, management does not believe there is a significant custodial credit risk because the District's deposits are collateralized with securities held by its financial institutions in the School District's name or by the Federal Deposit Insurance Corporation.

NOTE 3 – PROPERTY TAXES RECEIVABLE AND PROPERTY TAX CALENDAR

The District receives property taxes from Florence County, South Carolina. The County Treasurer periodically advances to the District its portion of taxes collected.

Accrued property taxes receivable represent delinquent taxes outstanding for which there is an enforceable legal claim.

Real property taxes are levied for the District by Florence County on September 28th, and are payable without penalty through January 15th, except vehicle property taxes which are levied on various dates in conjunction with the renewal dates of vehicle license tags. A penalty of 3% is added on January 16th and an additional penalty of 7% is added on February 2nd. On March 17th, an additional 5% penalty is added and properties go into execution by Florence County.

In the government-wide financial statements, property taxes receivable and related revenue include all amounts due the District regardless of when the cash is received. The taxes are recorded net of allowance for uncollectible amounts. The allowance is estimated based on historical collection rates.

NOTE 3 – PROPERTY TAXES RECEIVABLE AND PROPERTY TAX CALENDAR (Continued)

Taxes receivable	$ 2,486,774
Allowance for uncollectible taxes	(124,339)
Taxes receivable, net	$ 2,362,435

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable for the District and the related allowance for uncollectible accounts at June 30, 2009 were as follows:

	General Fund	Special Revenue Funds	Total
Accounts receivable	$ 19,123	$ 247,894	$ 267,017
Net accounts receivable	$ 19,123	$ 247,894	$ 267,017

Management considers all accounts receivable to be fully collectible.

NOTE 5 – RESTRICTED ASSETS

Restricted assets are reported in the Debt Service Fund for cash on deposit with the County Treasurer legally restricted for specified uses such as the payment of debt service and fiscal fees on long-term debt.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 is as follows:

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Governmental Activities				
Capital assets not being depreciated				
Land	$ 6,907,316	$ 4,358,126	$ -	$ 11,265,442
Total	6,907,316	4,358,126	-	11,265,442
Capital assets being depreciated				
Buildings	61,729,413	-	-	61,729,413
Building improvements	6,257,495	-	-	6,257,495
Equipment	1,178,410	15,505	-	1,193,915
Computer equipment	2,119,922	116,332	-	2,236,254
Vehicles	2,222,188	342,647	-	2,564,835
Mobile classrooms	5,417,603	-	-	5,417,603
Total	78,925,031	474,484	-	79,399,515
Accumulated Depreciation				
Buildings	(40,361,509)	(345,059)	-	(40,706,568)
Building improvements	(2,059,184)	(101,175)	-	(2,160,359)
Equipment	(768,398)	(40,651)	-	(809,049)
Computer equipment	(1,262,253)	(65,876)	-	(1,328,129)
Vehicles	(1,740,207)	(50,289)	-	(1,790,496)
Mobile classrooms	(2,900,128)	(54,594)	-	(2,954,722)
Total	(49,091,679)	(657,644)	-	(49,749,323)
Total capital assets being depreciated, net	29,833,352	(183,160)	-	29,650,192
Governmental Activities capital assets, net	$ 36,740,668	$ 4,174,966	$ -	$ 40,915,634
Business-Type Activities				
Equipment	$ 1,116,687	$ 127,585	$ -	$ 1,244,272
Accumulated depreciation	(584,499)	(24,964)	-	(609,463)
Business-Type Activities capital assets, net	$ 532,188	$ 102,621	$ -	$ 634,809

Depreciation expense for Governmental Activities' capital assets totaled $657,644 for the year ended June 30, 2009. Depreciation expense for capital assets of Business Type Activities for the year ended June 30, 2009 totaled $24,964.

NOTE 7 – LONG-TERM OBLIGATIONS

The following details the District's long-term debt at June 30, 2009:

$11,740,000 General Obligation Bonds of 2003, due in annual installments of $500,000 to $2,150,000 beginning May 1, 2004, through May 1, 2010; interest rates range from 2.00% to 2.85%.

Future commitments for these long-term debt obligations follows:

For year ending June 30,	Principal	Interest	Total
2010	$ 500,000	$ 14,250	$ 514,250
	$ 500,000	$ 14,250	$ 514,250

The Debt Service Fund has $1,555,315 available at year-end to service the debt.

At June 30, 2009, the District had no capital or operating leases with future commitments having remaining non-cancelable terms.

On July 11, 2008, the District issued $2,700,000 of General Obligations Bonds, Series 2008. The Bonds matured and were paid in full on April 1, 2009.

The District's long-term obligations during the year consisted of the following:

	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Amounts due in one year
Governmental Activities					
General obligation bonds	$ 4,415,000	$ -	$ 3,915,000	$ 500,000	$ 500,000
Compensated absences	264,418	-	93,326	171,092	-
	$ 4,679,418	$ -	$ 4,008,326	$ 671,092	$ 500,000
Business-Type Activities					
Compensated absences	$ 4,514	$ -	$ 4,514	$ -	$ -
	$ 4,514	$ -	$ 4,514	$ -	$ -

NOTE 8 – TRANSFERS AND INTERNAL BALANCES

During the course of normal operations, the District has numerous transactions between funds for operating transfers or advances and repayments of advances for timing differences between available revenue and expenditures incurred. Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis.

The government-wide statement of activities eliminates transfers as reported within the segregated governmental and business-type activities columns. Only transfers between the two columns appear in this statement.

The following schedule details transfers within the reporting entity for the year ended June 30, 2009:

Funds	Transfers In	Transfers Out
General Fund	$ 3,017,034	$ 2,191,333
Special Revenue Fund	977,068	291,686
EIA Fund	427,154	2,046,730
School Building Fund	634,648	496,098
Pupil Activity	195,940	57,120
State Restricted	8,309	4,353
Local Foundation	804,195	706,382
Enterprise Fund	-	270,646
Total Interfund Payable	$ 6,064,348	$ 6,064,348

Interfund receivables/payables resulting from interfund goods and services provided or reimbursable expenditures/expenses incurred on or before June 30, 2009, for which payment was made after June 30, 2009.

The following schedule details internal balances within the reporting entity for the year ended June 30, 2009:

Receivable Fund	Payable Fund	
General Fund	Special Revenue	$ 3,216,131
EIA Fund	General Fund	347,027
School Building Fund	General Fund	185,576
Other Governmental Funds	General Fund	655,123
Food Service	General Fund	2,837,527
Total		$ 7,241,384

NOTE 9 – PENSION PLANS

The Retirement Division of the State Budget and Control Board maintains four independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to the Retirement Division, 202 Arbor Lake Drive, Columbia, South Carolina 29223. Furthermore, the Division and the four pension plans are included in the CAFR of the State of South Carolina.

South Carolina Retirement System
Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefits, and employee/employer contributions for each pension plan. Employee and employer contribution rates for South Carolina Retirement System are actuarially determined. Annual benefits, payable monthly for life, are based on length of service and on average final compensation.

The majority of employees of the District are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division, a public employee retirement system. Generally, all State employees are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws. This plan provides retirement annuity benefits as well as disability, cost-of-living adjustment, death, and group-life insurance benefits to eligible employees and retirees.

Since July 1, 1988, employees participating in the SCRS have been required to contribute 6.5 percent of all compensation. From July 1, 2007 to June 30, 2008 the employer contribution rate became 12.48 percent which included the 3.42 percent surcharge to fund retiree health and dental insurance coverage. Effective July 1, 2008 the employer contribution rate became 12.74 percent which included the 3.50 percent surcharge to fund retiree health and dental insurance coverage. The District's actual contributions to the SCRS for the two most recent fiscal years ended June 30, 2008 and 2009, were $10,085,016, and $11,473,553 respectively, and equaled the required contributions of 9.24 percent (excluding the surcharge) for each the current year. Also, the District paid employer group-life insurance contributions of $135,089 in the current fiscal year at the rate of .15 percent of compensation.

Optional Retirement Program
Certain State employees may elect to participate in the Optional Retirement Program (ORP), a defined contribution plan. The ORP was established in 1987 under Title 9, Chapter 17, of the South Carolina Code of Laws. The ORP provides retirement and death benefits through the purchase of individual fixed or variable annuity contracts which are issued to, and become the property of the participants. The State assumes no liability for this plan other than for payment of contributions to designated insurance companies.

ORP participation is available to all permanent employees of the State's educational institutions who meet all eligibility requirements for membership in the SCRS. To elect participation in the ORP, eligible employees must irrevocably waive SCRS membership in the first ninety days of employment.

Under State law, contributions to the ORP are required at the same rates as the SCRS, 8.05% plus the retiree surcharge of 3.35% from the employer for the year ended June 30, 2009.

Certain of the District's employees have elected to be covered under optional retirement plans. For the year ended June 30, 2009, there were no required contributions from the District as employer nor from its employees as plan members. In addition, the District did not make any payments for group-life coverage. All amounts under this program are required to be remitted to the Retirement Division of the State Budget and Control Board for distribution to the respective annuity policy providers. The obligation for payment of benefits resides with the insurance companies.

NOTE 9 – PENSION PLANS (Continued)

Teacher and Employee Retention Incentive

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost-of-living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not make SCRS contributions, do not earn service credit, and are not eligible to receive group life insurance benefits or disability retirement benefits.

Deferred Compensated Plans

Several optional deferred compensation plans are available to the District's employees. The multiple-employer plans, created under Internal Revenue Code Sections 457, 403(b) and 401(k), are administered by third parties and are not included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the plans is placed in trust for the contributing employee. Employees may withdraw the current value of their contributions when they terminate state employment. Neither the State nor the District has any liability for losses under the plans.

NOTE 10 – POSTRETIREMENT AND OTHER EMPLOYEE BENEFITS

In accordance with the South Carolina Code of Laws and the annual Appropriation Act, the State of South Carolina provides certain health care, dental, and life insurance benefits to certain active and retired State employees and certain surviving dependents of retirees. All permanent full-time and certain permanent part-time employees of the District are eligible to receive these benefits. The State provides post employment health and dental benefits to employees who retire from State service or who terminated with at least 20 years of State service who meet one or more of the eligibility requirements, such as age, length of service, and hire date. Generally those who retire must have at least 10 years of retirement service credit to qualify for these State-funded benefits. Benefits are effective at date of retirement when the employee is eligible for retirement benefits.

These benefits are provided through annual appropriations by the General Assembly through the State Department of Education to the District for its active employees and to the State Budget and Control Board for all participating State retirees except the portions funded through the pension surcharge and provided from other applicable fund sources of the District for its active employees who are not funded by State General Fund appropriations. The State finances health and dental plan benefits on a pay-as-you-go basis. Currently, approximately 24,000 State retirees meet these eligibility requirements.

The District recorded compensation and benefit expenses for these insurance benefits for active employees in the amount of $11,473,553 for the year ended June 30, 2009. As discussed in Note 9, the District paid $3,184,944 applicable to the 3.5% surcharge included with the employer contributions for retirement benefits. These amounts were remitted to the South Carolina Retirement Systems for distribution to the Office of Insurance Services for retiree health and dental insurance benefits.

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

NOTE 10 – POSTRETIREMENT AND OTHER EMPLOYEE BENEFITS (Continued)

In addition, the State General Assembly periodically directs the Retirement Systems to pay supplemental (cost-of-living) increases to retirees. Such increases are primarily funded from Systems' earnings; however, a portion of the required amount is appropriated from the State General Fund annually for the SCRS benefits.

NOTE 11 – CONTINGENCIES

The District participates in a number of federal and state grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Significant program compliance violations could result in repayment of grant money received. Any related receivable at June 30, 2009, may be impaired. In the opinion of the District's management, there are no significant contingent liabilities related to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements.

The District is party to various legal proceedings, which normally occur in school district operations. In the opinion of the District's management and counsel, these legal proceedings are not likely to have a material adverse impact on the affected funds of the District.

NOTE 12 – RISK MANAGEMENT

The District is exposed to various risks of loss and maintains State or commercial insurance coverage for all of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. There were no significant reductions in insurance coverage from the prior year. The costs of settled claims and claim losses have not exceeded this coverage in any of the past three years. The District pays insurance premiums to certain other State agencies and commercial insurers to cover risks that may occur in normal operations. The insurers promise to pay to or on behalf of the insured for covered economic losses sustained during the policy period in accordance with insurance policy and benefit program limits.

In management's opinion, claims losses in excess of insurance coverage, if any, are unlikely and, if incurred, would not be material to the District's financial position. Furthermore, there is no evidence of asset impairment or other information to indicate that a loss expenditure and liability should be recorded at June 30, 2009. Therefore, no loss accrual has been recorded.

NOTE 13- STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess of Expenditures over Appropriations
Excesses of expenditures over appropriations in individual funds and by department within the Special Revenue Fund included the following:

	Final Budget	Actual	Excess
Special Revenue	$ -	$(1,240,300)	$ (1,240,300)

Excesses of expenditures over appropriations are expected to be funded through accumulated fund balances and future operations.

NOTE 13- STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY(Continued)

Deficit fund balance in individual funds within the School District included the following:

	Fund Balance
Special Revenue Fund	$ (1,945,751)

Deficit in fund balance are expected to be funded through future operations.

NOTE 14 – SUBSEQUENT EVENTS

On July 16, 2009, the District issued $6,190,000 General Obligation Bonds, Series 2009. The Bond bears interest at a fixed rate of 2% and will mature on May 1, 2010. On September 15, 2009, the District issued $4,200,000 General Obligation Bonds, Series 2009B. The Bond bears interest at a fixed rate of 2% and will mature on May 1, 2010.

Subsequent to year end, the State of South Carolina enacted budget cuts which will reduce the budgeted State revenue for fiscal year 2010. The District anticipates absorbing these cuts without a negative impact on the instructional program.

APPENDIX B

[FORM OF OPINION OF HAYNSWORTH SINKLER BOYD, P. A.]

[Purchaser]

Re: $21,000,000 General Obligation Bonds, Series 2010, of School District No. 1 of Florence County, South Carolina

Sirs:

We have examined the Transcript of Proceedings and other proofs submitted to us, including the Constitution and Statutes of the State of South Carolina, in relation to the issuance of the $21,000,000 General Obligation Bonds, Series 2010, of School District No. 1 of Florence County, South Carolina (the "Bonds").

The Bonds are issued pursuant to the provisions of Sections 59-71-10 through 59-71-190, inclusive, Code of Laws of South Carolina, 1976, as amended, and a resolution (the "Bond Resolution") duly adopted by the Board of Trustees of School District No. 1 of Florence County, South Carolina (the "Board"), the governing body of School District No. 1 of Florence County (the "School District").

The Bonds will be issued under the DTC Book-Entry-Only system in the denominations of $5,000 or any whole multiple thereof. The Bonds shall be registered in the name of Cede & Co. as the registered owner and nominee of the Depository Trust Company, New York, New York, which will act as securities depository for the Bonds. The Bonds shall be numbered from 1 upwards in such a fashion as to maintain a proper record thereof.

In our opinion, the said proceedings are regular and in due form of law, and the Bonds constitute a valid and binding obligation of the School District, and are payable, both principal and interest, from a direct ad valorem tax upon all taxable property in the School District, without limit as to rate or amount. Provision has been made for the levy and collection of the tax to meet the payment of the principal of and interest on the Bonds upon the maturity thereof, except to the extent that the enforceability of the Bonds may be limited as described below.

Pursuant to Section 12-2-50 and Section 59-71-160 of the South Carolina Code of Laws, 1976, as amended, the Bonds and the interest thereon are exempt from all State, county, school district, municipal and all other taxes or assessments of the State of South Carolina, except inheritance, estate or transfer taxes, direct or indirect, general or special, whether imposed for the purpose of general revenue or otherwise. Certain taxes, however, specifically including the tax imposed on banks by Section 12-11-20, Code of Laws of South Carolina, 1976, as amended, are enforced as franchise taxes on some measure of assets or income which may include the Bonds or income therefrom.

Interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income of the registered owners thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. The opinion set forth in the preceding sentence is subject to the condition that the School District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code") that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excludable from gross income for federal income tax purposes. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Board has covenanted to comply with all such requirements. It should be noted, however, that for the purpose of computing the alternative minimum tax imposed on certain corporations (as defined for federal income tax purposes), interest on the Bonds is taken into account in determining adjusted current earnings. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

The School District has represented that it expects that it and all entities subordinate thereto will issue in calendar year 2010 not exceeding $30 million of tax-exempt obligations. The School District has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Code.

It is to be understood that the obligations of the School District under the Bonds and the Resolution, and the enforceability thereof, may be subject to judicial discretion, the valid exercise of the sovereign police powers of the State of South Carolina and of the constitutional powers of the United States of America, and applicable bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors rights.

We express no opinion herein regarding the accuracy, adequacy or completeness of the Official Statement dated __________, 2010 relating to the Bonds. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

We have been advised on this date that there is no litigation threatened or pending, which, in any manner, affects the validity of the Bonds.

We have examined an executed Bond of said issue, and in our opinion, its form and execution are in due form of law.

Very truly yours,

APPENDIX C

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by School District No. 1 of Florence County, South Carolina (the "Issuer") in connection with the issuance of $21,000,000 General Obligation Bonds, Series 2010, of School District No. 1 of Florence County, South Carolina (the "Bonds"). The Bonds are being issued pursuant to a Resolution dated May 13, 2010 (the "Resolution"). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Bondholders and in order to assist the Participating Underwriters in complying with Securities Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Bondholder" or "Holder" shall mean the registered holder of any of the Bonds and any Beneficial Owner of the Bonds.

"Dissemination Agent" shall mean the Issuer or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"National Repository" shall mean the Electronic Municipal Market Access system maintained by the Municipal Securities Rulemaking Board.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean the National Repository and each State Depository, if any.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State Depository" shall mean any public or private depository or entity designated by the State as a state depository for the purpose of the Rule. As of the date of this Certificate, there is no state depository established in South Carolina.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than February 1 of each year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than fifteen (15) business days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent, if other than the Issuer. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report.

(b) If the Issuer is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the Issuer shall send a notice to the Municipal Securities Rulemaking Board in substantially the form attached as Appendix I.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Depository, if any; and,

(ii) if the Dissemination Agent is other than the Issuer, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain the Issuer's complete audited financial statements, which shall be prepared in accordance with generally accepted accounting principals. If the Issuer's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. In addition thereto, the Annual Report shall contain or incorporate by reference the following:

(a) School District enrollment for current fiscal year;

(b) Total anticipated state appropriations subject to withholding under Article X, Sec. 15, South Carolina Constitution for current fiscal year;

(c) Anticipated funding under Education Finance Act, Education Improvement Act and School Building Aid Program for current fiscal year;

(d) Market Value/Assessment Summary of taxable property in School District;

(e) Tax levy for School District for current fiscal year;

(f) Tax collections for School District for preceding fiscal year;

(g) Ten largest taxpayers for School District for preceding fiscal year;

(h) Anticipated funding under any program successor to the Education Finance Act or the Education Improvement Act;

(i) Anticipated funding from Homestead Exemption Fund established pursuant to Section 11-11-155, Code of Laws of South Carolina, 1976.; and

(j) Summary of School District budget for current fiscal year.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Issuer shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events:

(1) Principal and interest payment delinquencies;

(2) Non-payment related defaults;

(3) Unscheduled draws on debt service reserves reflecting financial difficulties;

(4) Unscheduled draws on credit enhancements reflecting financial difficulties;

(5) Substitution of credit or liquidity providers, or their failure to perform;

(6) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;

(7) Modifications to rights of Bondholders;

(8) Bond calls;

(9) Defeasances;

(10) Release, substitution, or sale of property securing the repayment of the Bonds; and

(11) Rating changes.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event and such Listed Event is material, the Issuer shall promptly file a notice of such occurrence with the National Repository and each State Depository, provided, however, that any event under subsection (a) (3), (4) or (5) will always be deemed to be material, and provided further that notice of Listed Events described in subsections (a) (8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Issuer.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule. With respect to any amendment to this Disclosure Certificate:

(a) The amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person, or type of business conducted;

(b) This Disclosure Certificate, as amended, would have complied with the requirements of the Rule at the time of the issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment, in the opinion of said counsel, does not materially impair the interests of Holders of the Bonds.

In the event of an amendment hereto, any Annual Report provided pursuant to Section 4 herein which contains amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any Bondholder may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters and Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SCHOOL DISTRICT NO. 1 OF FLORENCE COUNTY, SOUTH CAROLINA

By: ____

Dated: ___________, 2010

APPENDIX I

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: School District No. 1 of Florence County, South Carolina

Name of Bond Issue: $21,000,000 General Obligation Bonds, Series 2010

Date of Issuance: ______________, 2010

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 10.05 of a Resolution dated May 13, 2010. The Issuer anticipates that the Annual Report will be filed by ______________.

SCHOOL DISTRICT NO. 1 OF FLORENCE COUNTY, SOUTH CAROLINA

By: ____

APPENDIX D

OFFICIAL BID FORM

$21,00,000 General Obligation Bonds, Series 2010
of School District No. 1of Florence County, South Carolina

S. Porter Stewart, III, Chairman
Board of Trustees
School District No. 1 of Florence County
c/o Haynsworth Sinkler Boyd, P.A.
1831 W. Evans Street, Ste. 315
Florence, South Carolina 29501

Telephone (843) 669-6002
Telecopy for submission of bids (843) 669-3815

Subject to the provisions and in accordance with the Official Notice of Sale for the $21,000,000 General Obligation Bonds, Series 2010 (the "Bonds"), of School District No. 1 of Florence County, South Carolina (the "School District"), the terms of which are hereby made a part of this bid, we make the following net interest cost (NIC) bid for the Bonds described in said Official Notice of Sale, this bid being for not less than all of the Bonds, maturing and bearing interest as follows:

Due May 1	Principal Amount	Interest Rate
2011	$10,500,000	
2012	10,500,000	

We will pay $_______________ plus a premium of ($________________) and will accept delivery of the Bonds in accordance with the Official Notice of Sale. The undersigned hereby acknowledges receipt of and the opportunity to examine the Preliminary Official Statement for the Bonds dated September ______, 2010, accompanying the Official Notice of Sale.

WE HEREBY NOTIFY the School District that we will purchase bond insurance for the Bonds from _________ at a premium of $___________________ and will comply with provisions of the Official Notice of Sale regarding the payment therefor.

The following is for information only and is not a part of this bid:

Total Interest to Maturity $____________
Net Interest Cost __________%

____
Company Name

____
Address

____
Authorized Signature

____
Contact Name and Telephone Number

____

The foregoing proposal accepted this ____ day of September, 2010.

____
Chairman, Board of Trustees

On the reverse side of this Bid Form is a list of the members of our account on whose behalf this bid is made.

The following is a list of the members of our account on whose behalf this bid is made: