

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 24, 2011

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Except pursuant to the Official Notice of Sale contained herein, these securities may not be sold, nor may an offer to buy be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

**NEW ISSUE
FULL BOOK-ENTRY ONLY**

**RATINGS: Moody's Investors Service: "___"/"___"
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. Interest on the Bonds will, however, be included in the computation of certain taxes including 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
\$5,000,000 GENERAL OBLIGATION BONDS, SERIES 2011,
OF THE SCHOOL DISTRICT OF DARLINGTON COUNTY, SOUTH CAROLINA**

The General Obligation Bonds, Series 2011 (the "Bonds") will be general obligation bonds of The School District of Darlington 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 for so long as they are held in a Book-Entry-Only System.

The Bonds will be dated the date of delivery which is expected to be on or about September 14, 2011, and will mature on May 1, 2012. Interest on the Bonds is payable on May 1, 2012.

Due	Principal	Interest	Reoffering
<u>May 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Price</u>
2012	\$5,000,000		

The Bonds shall not be subject to optional redemption prior to maturity.

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 Bond in definitive form will be available for delivery on or about September 14, 2011.

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 _____, 2011.

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.

**THE SCHOOL DISTRICT OF
DARLINGTON COUNTY, SOUTH CAROLINA**

DARLINGTON COUNTY BOARD OF EDUCATION

Mr. Connell Delaine, Chairman
Mr. Warren J. Jeffords, Vice-Chairman
Mr. Charles H. Govan, Jr., Secretary
Mr. Thomas B. Jeffords
Dr. Allen F. McCutchen
Mr. James O. Morphis, III
Mr. Thomas E. Henson, Jr.
Ms. Joyce Wingate Thomas

SCHOOL DISTRICT ADMINISTRATION

Dr. Rainey Knight, District Superintendent
Mr. G. C. White, Comptroller

BOND COUNSEL

Haynsworth Sinkler Boyd, P.A.
Florence, South Carolina

TABLE OF CONTENTS

INTRODUCTION.....	1
The Issuer.....	1
Security	1
Purpose of the Bonds	1
Details of the Bonds.....	1
Tax Status of Interest on the Bonds	1
Professionals Involved in the Offering	2
Independent Auditors.....	2
Authorization	2
Information Concerning Terms of the Offering.....	2
General	2
THE BONDS	3
Description of the Bonds	3
Book-Entry-Only System.....	3
Discontinuance of Book-Entry-Only System	5
Exchange and Transfer of Bonds	6
Defeasance	6
Debt Limit.....	7
Additional Security for the Bonds	7
Statutory Intercept Provisions	8
Miscellaneous	9
THE SCHOOL DISTRICT OF DARLINGTON COUNTY	10
Description of the School District.....	10
School District Operations.....	10
Accreditation.....	11
Enrollment of the School District	11
School District Employees.....	11
Curriculum.....	12
The Education Accountability Act of 1998	13
Charter Schools.....	14
Five Year General Fund Summary	15
Financial Statements	16
Management's Discussion	16
Budgetary Process.....	17
Change In Millage Levy Authority.....	17
Summary of School District Budget, Fiscal Year 2011-12.....	18
Revenues	18
Investment Policies	20
Fringe Benefits, Retirement, and Health Insurance	21
Other Post-Employment Benefits	21
Liability Insurance	21
CERTAIN FISCAL MATTERS.....	23
Assessment of Property in Darlington County	23
Homestead Exemptions--Property Tax Relief	24
Assessed and True Value of Taxable Property	25
Millage History	26
Payments in Lieu of Taxes.....	26
Changes In Funding Sources	27
Tax Collection Procedure	29

Tax Collection Record	30
Ten Largest Taxpayers.....	30
DEBT STRUCTURE	31
Legal Debt Limit of the School District.....	31
Outstanding Debt	31
Composite Debt Service	32
Anticipated Capital Needs	32
Legal Debt Limit of Counties, Incorporated Municipalities, and Special Purpose Districts	33
Overlapping Debt.....	33
Miscellaneous Debt Information.....	34
ECONOMIC CHARACTERISTICS AND DATA	35
Description of Darlington County, South Carolina	35
Major Employers	35
Retail Sales	35
Per Capita Personal Income	36
Unemployment.....	36
Labor Force and Employment	36
Population Figures	36
Facilities Serving the School District.....	37
CERTAIN LEGAL MATTERS	39
Litigation.....	39
Legal Opinion	40
United States Bankruptcy Code	40
Federal Income Tax Generally.....	40
State Tax Exemption.....	41
Collateral Federal Tax Considerations.....	42
[Original Issue Premium	43
Closing Certifications	43
Continuing Disclosure	43
Conclusion	44
RATINGS	45
UNDERWRITING.....	45
CERTIFICATION	46
APPENDIX A – Audited Financial Statements For Fiscal Year Ended June 30, 2010	
APPENDIX B – Form of Bond Counsel Opinion	
APPENDIX C – Form of Continuing Disclosure Certificate Pursuant to Rule 15c2-12	
APPENDIX D – Official Bid Form	

OFFICIAL NOTICE OF SALE

\$5,000,000
GENERAL OBLIGATION BONDS, SERIES 2011,
OF THE SCHOOL DISTRICT OF
DARLINGTON COUNTY, SOUTH CAROLINA

SEALED PROPOSALS, addressed to the undersigned, will be received by the Darlington County Board of Education, the governing body of The School District of Darlington County, South Carolina (the "School District"), until 11:00 a.m. (local time) on August 31, 2011, at which time said proposals will be publicly opened in the Office of the Superintendent of The School District of Darlington County, South Carolina, 120 East Smith Avenue, Darlington, South Carolina 29532 for the purchase of Five Million Dollar (\$5,000,000) GENERAL OBLIGATION BONDS, SERIES 2011 (the "Bonds") of the School District. 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 be payable in a single installment of principal and interest, due on May 1, 2012.

The Bonds will be dated the date of delivery, which is expected to be on or about September 14, 2011, and will bear interest from the date thereof, payable in a single installment of principal and interest on May 1, 2012. 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.

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. In addition to the bid price, the successful bidder must pay accrued interest from the dated date of the Bonds to the date of full payment of the purchase price therefor. 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 inquiries 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 their opinion based on their view of such legal proceedings as they deem 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.

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 24, 2011 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.

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 14, 2011 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. G. C. White, Comptroller, School District of Darlington County, Post Office Box 1117, Darlington, South Carolina 29540, telephone (843) 398-2273. 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.

/s/ Chairman,
Darlington County Board of Education,
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 \$5,000,000 General Obligation Bonds, Series 2011 (the “Bonds”) are being issued by The School District of Darlington 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) paving student parking lots at Hartsville High School and Mayo High School; (ii) paving faculty and visitor parking lots at Pate Elementary School; (iii) electrical upgrades at Darlington High School main building; (iv) renovation of the front entrance of the 9th grade building at Darlington High School; (v) replacement of awnings at Hartsville High School campus; (vi) demolition of old Lamar Elementary School section and renovation of front of school; (vii) replacement of gym ceiling, addition of acoustical tiles, new ceiling and lighting in media hallway at Thornwell Elementary School; (viii) resurfacing of campus roads and parking at St. John’s Elementary School; (ix) HVAC replacements at various schools; (x) window replacements at various schools; (xi) interior and exterior door replacements at various schools; (xii) roof repairs at various schools; (xiii) replacement of carpet with vinyl tile at various schools; and (xiv) computers, LCD projectors, speakers, control centers and promethean boards for classrooms at various schools (together, the “Improvements”); and (xv) 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 on or about September 14, 2011; will bear interest from their dated date at the rate shown on the cover hereof; and will be payable on May 1, 2012. The Bonds are not subject to redemption prior to maturity. 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, 2010 (the “2009-10 Fiscal Year”), included as Appendix A, have been audited by WebsterRogers, LLC, Summerville, South Carolina.

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 Darlington County Board of Education (the “Board”) on August 8, 2011.

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 14, 2011 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 Bond Resolution of the Board authorizing the issuance of the Bonds and related documents and information are available by contacting G. C. White, Comptroller, The School District of Darlington County, Post Office Box 1117, Darlington, South Carolina 29540, telephone (843) 398-2273.

THE BONDS

Description of the Bonds

The Bonds will be dated the date of delivery thereof which is expected to be on or about September 14, 2011, and will mature as to principal and interest on May 1, 2012. Interest will be calculated on the basis of a 360-day year consisting of twelve (12) thirty (30) day months. 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/Paying Agent. The Bonds are not subject to redemption prior to maturity.

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 3.5 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 is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. 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 a Standard & Poor’s rating of: AA+. 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.

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 DTC 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 such 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 the 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.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the School District 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).

Redemption proceeds, distributions, and dividend 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 of the Registrar/Paying Agent 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) are the responsibility of the School District 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. The School District can give no assurance that Direct and Indirect Participants will promptly transfer payments to Beneficial Owners.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the School District or the Registrar/Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered to the Beneficial Owners as described in the 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. If no other securities depository is named, interest on the Bonds will be paid by check or draft of the Registrar/Paying Agent, mailed to the person in whose name the Bond is registered as of the close of business on the fifteenth day of each month immediately preceding such payment, and principal 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 Bonds 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 the principal and interest to become due on the Bonds on their 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 thereof, 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 2010 assessed value of all taxable property located in the School District, as certified by the Auditor of Darlington County, for purposes of computing the School District's debt limit is not less than \$191,313,744. Accordingly, the present debt limit of the School District is \$15,305,099. Currently, the District has no outstanding general obligation debt chargeable against the debt limit. Thus, the School District is presently authorized to borrow the sum of \$15,305,099 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:

<u>Year Ended June 30</u>	<u>Amount Received</u>
2011 ⁽¹⁾	\$38,709,235
2010 ⁽²⁾	40,658,388
2009	43,969,985
2008	46,946,269
2007	41,872,897

⁽¹⁾ Unaudited.

⁽²⁾ 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 was \$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 \$1,253,732,987. 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 was \$1,004,394,001 and for Fiscal Year 2011-12 is \$1,165,568,108. The School District cannot predict the extent, if any, to which this appropriation may be reduced on account of any possible budget cuts in Fiscal Year 2011-12, or 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.

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THE SCHOOL DISTRICT OF DARLINGTON COUNTY

Description of the School District

The School District is located in northeastern South Carolina, and is bounded on the north by Chesterfield County, to the east by Marlboro County, to the west by Lee County, and to the south by Florence County. In terms of assessed value, the School District is coextensive with the areas and boundaries of Darlington County and comprises 100% of all taxable property located within Darlington County, South Carolina (the "County").

The School District operates a total of 14 elementary schools, 3 middle schools, 4 high schools, a career center and an alternative school. Kindergarten classes are available for all five-year-olds within the School District. Enrollment based on 135-day average daily membership for the 2010-11 school year was 10,357. Employed during the 2010-11 school year were 109 administrative personnel, 793 instructional staff and 534 support staff. Estimated enrollment based on 135-day average daily membership for 2011-12 school year is 10,300. Estimated employment during the 2011-12 school year is 108 administrative personnel, 783 instructional staff and 534 support staff.

School District Operations

The Darlington County Board of Education (the "Board") determines the operating policies of the School District and such policies are implemented by the Superintendent of the School District (the "Superintendent") and staff.

The Board consists of eight (8) members. The eight members are currently elected for four-year terms from single member districts with four members elected every two years on a staggered-term basis. The Board determines the fiscal policies of the School District and approves all contracts.

The Board consists of the following members, their occupation, number of years each has served on the Board, and the expiration of their current term:

<u>Name</u>	<u>Occupation</u>	Number of Years <u>Served</u>	Term <u>Expires</u>
Charles H. Govan, Jr., Secretary	Retired Educator	10 years	2012
Warren J. Jeffords, Vice Chairman	Owner, Insurance Company	19 years	2012
Thomas E. Henson, Jr.	Vice President, Darlington County Bank	4 years	2014
Connell Delaine, Chairman	Retired Military	9 years	2012
Thomas B. Jeffords	Retired Insurance Agent	28 years	2014
Dr. Allen F. McCutchen	Retired Elementary Principal	13 years	2014
James O. Morphis, III	Vice President, Carolina Bank and Trust Company	10 years	2012
Joyce Wingate Thomas	Healthcare Administrator, CareSouth	4 years	2014

The Superintendent, Dr. Rainey H. Knight, was appointed to such position by the Board starting July 1, 2000 and is responsible to the Board for the operation of all phases of the public school activities. Dr. Knight is currently employed under the terms of a contract with the School District which expires on June 30, 2012. She received a Bachelor of Science degree in Biology from Francis Marion University and a Masters of Education degree in Biology from the University of South Carolina. In 1991, she received her PhD from the University of South Carolina.

The Comptroller of the School District is recommended by the Superintendent and approved by the Board and is responsible for the financial activities of the School District including accounting and auditing practices of the School District. All funds of the School District are disbursed by the

Comptroller and all accounts are audited on an annual basis by independent certified accountants. Mr. G. C. White has served in this position since August 15, 2005.

Accreditation

All twenty-three 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:

<u>School Year</u> ⁽¹⁾	<u>Kindergarten</u>	<u>Grades 1-8</u>	<u>Grades 9-12</u>	<u>Total</u>	<u>% Change</u>
2011-2012 ⁽²⁾	724	6,327	3,249	10,300	(0.6%)
2010-2011 ⁽³⁾	735	6,522	3,100	10,357	(4.7)
2009-2010	738	6,789	3,344	10,871	1.5
2008-2009	600	7,185	2,921	10,706	(1.3)
2007-2008	635	7,035	3,179	10,849	(1.0)

⁽¹⁾ Figures for the 2007-2008 through 2010-2011 school years are based on the 135-day average daily membership of school student count.

⁽²⁾ Estimated

⁽³⁾ Unaudited

School District Employees

The following table sets forth a categorical breakdown of the employees employed by the School District for the 2011-12 school year in full time equivalencies:

Superintendents	1
Assistant Superintendents and Directors	9
Principals/Directors	41
Assistant Principals/Directors	
Instruction coordinators	12
Teachers	654
Media Specialists	15
Guidance Counselors	26
Nurses	9
Psychologists	11
All Others	<u>647</u>
Total Staff	1,425

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 with 183 elementary students and 304 middle school students enrolled at the present time.

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.

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. The International Baccalaureate program has been implemented. All senior high schools offer advanced placement programs for academically talented students. Approximately 456 students are presently enrolled in these classes.

Area Vocational Center. The Darlington County Institute of Technology center serves approximately 640 students first semester and 649 students second semester. 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 Darlington area.

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 1,200 students were enrolled in the academic program and 150 were enrolled in community education.

The staff has helped to bring together volunteers willing to give to those persons in the community lacking basic reading skills.

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.

The Education Accountability Act of 1998

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 2009-2010 which is the most current information available was Good but included (5) schools within the School District which were rated excellent 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.

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. An existing public school facility may be “converted” to a charter school of the local school district upon the vote of 2/3 of the parents of present students and school staff.

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 one charter school. The CHOICES school, which is sponsored by the School District and Florence County School District One, provides training in job readiness, life management skills, character education, leadership development, anger management, and academic areas to approximately 45 at-risk youth from ages 12 to 17 who have been unable to succeed in traditional settings.

Legislation introduced in the South Carolina House of Representatives and presently pending would, if adopted, require a school district to pay locally-generated revenues to a school sponsored by the State Charter District for any student residing in that school district who attends such State Charter District-sponsored school. This pending legislation would also reduce the number of votes of parents required to convert an existing public school facility to a charter school. Presently, conversion requires a vote of 2/3 of faculty and of parents of enrolled students. The pending legislation would reduce that number with respect to parents to one-half of the parents who vote on the issue by returning a paper ballot by mail. The legislation would also authorize private and public colleges and universities to sponsor a charter school; such schools would be treated similarly to schools sponsored by the State Charter District. The legislation would, if adopted, also require public schools to open all extracurricular activities to charter school students. The School District cannot predict if this legislation will be adopted or, if so, whether the provisions thereof will remain as described in this paragraph.

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.

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, 2007 through 2011.

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, 2007 through 2010, copies of which are available from the School District upon request.

	<u>2007</u>	<u>2008⁽¹⁾</u>	<u>2009⁽²⁾</u>	<u>2010</u>	<u>2011⁽³⁾</u>
<u>Revenue</u>					
Local	\$31,640,693	\$28,307,291	\$29,446,446	\$29,596,625	\$28,666,654
State	<u>41,872,897</u>	<u>46,946,269</u>	<u>43,969,985</u>	<u>40,658,388</u>	<u>38,709,235</u>
Total Revenue	\$73,513,590	\$75,253,560	\$73,416,431	\$70,255,013	\$67,375,889
<u>Expenditures</u>					
Instruction	\$39,780,692	\$41,456,982	\$40,022,723	\$40,191,865	\$35,413,931
Support Services	30,163,312	30,967,928	30,499,874	25,488,285	24,673,771
Community Services	0	0	0	510	465
Intergovernmental	2,248,313	2,662,031	2,863,934	2,631,928	2,760,350
Debt Service					
Principal	480,875	-	471,699	459,120	445,620
Interest	<u>80,385</u>	<u>-</u>	<u>36,420</u>	<u>12,900</u>	<u>6,500</u>
Total Expenditures	\$72,753,577	\$75,086,941	\$73,894,650	\$68,784,608	\$63,300,637
Excess of Revenues Over (Under)					
Expenditures	760,013	166,619	(478,219)	1,470,405	4,075,252
<u>Other Financing Sources (Uses)</u>					
Operating Transfers In	2,334,780	1,704,927	1,676,455	1,924,027	1,566,475
Operating Transfers Out	<u>(1,584,241)</u>	<u>(1,583,198)</u>	<u>(622,613)</u>	<u>(578,312)</u>	<u>(3,543,655)</u>
Total Other Financing Sources/Uses	\$750,539	\$121,729	\$1,053,842	\$1,345,715	(1,977,180)
Excess Revenues & Other Financing					
Sources Over (Under) Expenditures					
& Other Uses	1,510,552	288,348	575,623	2,816,120	2,098,072
Fund Balance, Beginning of Year	\$17,352,061	\$18,862,613	\$19,150,961	\$19,726,584	22,542,704
Prior Period Adjustments					
Fund Balance, End of Year	\$18,862,613	\$19,150,961	\$19,726,584	\$22,542,704	24,640,776

⁽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⁾ Reduction in State Sources due to decrease in EFA funding.

⁽³⁾ Unaudited.

Financial Statements

The financial statements of the School District for the 2009-10 Fiscal Year have been audited by WebsterRogers, LLC. A copy of the general purpose financial statements of the School District for the 2009-10 Fiscal Year is attached to this Official Statement as Appendix A. Copies of complete audited financial statements for the 2009-10 Fiscal Year and prior years are available for inspection at the School District offices.

Management's Discussion

During the last five fiscal years, revenues from local sources, which consist primarily of tax revenues, decreased from \$31,640,693 in the Fiscal Year 2006-07 to \$28,666,654 in Fiscal Year 2010-11, a decrease of 9.4%. Local revenues decreased from \$31,640,693 in Fiscal Year 2006-07 to \$28,307,291 in Fiscal Year 2007-08, a decrease of 10.5%. This decrease is primarily due to the adoption by the South Carolina General Assembly of Act No. 388 of 2006 ("Act 388"). Local revenues increased from \$28,307,291 in Fiscal Year 2007-08 to \$29,446,446 in Fiscal Year 2008-09, an annual increase of 4%, due primarily to a millage increase based on the increase in the consumer price index as allowed by Act 388. There were no significant local revenue changes from Fiscal Year 2008-09 to Fiscal Year 2009-10. Local revenues decreased from \$29,596,625 in Fiscal Year 2009-10 to \$28,666,654 in Fiscal Year 2010-11, a decrease of 3.1%, due primarily to lower than anticipated property tax collections. Revenues from state sources decreased from \$41,872,897 in Fiscal Year 2006-07 to \$38,709,235 in Fiscal Year 2010-11, a decrease of 7.56%, due state budget cuts. Revenues from state sources increased from \$41,872,897 in Fiscal Year 2006-07 to \$46,946,269 in Fiscal Year 2007-08, due primarily to Act 388, as well as additional state allocated funds. Revenues from state sources decreased from \$46,946,269 in Fiscal Year 2007-08 to \$43,969,985 in Fiscal Year 2008-09, due primarily to state budget cuts. Revenues from state sources decreased from \$43,969,985 in Fiscal Year 2008-09 to \$40,658,388 in Fiscal Year 2009-10, due primarily to state budget cuts. Revenues from state sources decreased from \$40,658,388 in Fiscal Year 2009-10 to \$38,709,235 in Fiscal Year 2010-11, due primarily from state budget cuts. See "CERTAIN FISCAL MATTERS -- Changes In Funding Sources" herein

As a consequence of Act 388, approximately \$4,054,876 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 beginning Fiscal Year 2007-08, compared to prior fiscal years, and an increase in State revenue beginning Fiscal Year 2007-08 over prior fiscal years. See "THE SCHOOL DISTRICT OF DARLINGTON COUNTY -- Change In Millage Levy Authority" herein.

During the last five fiscal years, instruction expenditures decreased from \$39,780,692 in Fiscal Year 2006-07 to \$35,413,931 in Fiscal Year 2010-11. The decreases in these expenditures over this period were primarily due to a one year freeze in teacher salaries and elimination of teaching positions due to the reduction in state funding. Instruction expenditures increased from \$39,780,692 in Fiscal Year 2006-07 to \$41,456,982 in Fiscal Year 2007-08. This increase was due to normal salary increases for all teachers. Instruction expenditures decreased from \$41,456,982 in Fiscal Year 2007-08 to \$40,022,723 in Fiscal Year 2008-09. These decreases were due to elimination of teaching positions, as well as cuts in program expenditures. Instruction expenditures for Fiscal Year 2008-09 to Fiscal Year 2009-10 did not have any significant changes. Instruction expenditures decreased from \$40,191,865 in Fiscal Year 2009-10 to \$35,413,931 in Fiscal Year 2010-11. These decreases were due to a freeze in teacher salaries and reduction of supplements and supplemental days. The support services expenditures decreased from \$30,163,312 in Fiscal Year 2006-07 to \$24,673,771 in Fiscal Year 2010-11. The decreases in these expenditures over this period were primarily due to the elimination of support personnel and a three year salary freeze for all support personnel. The support services expenditures increased from \$30,163,312 in Fiscal Year 2006-07 to \$30,967,928 in Fiscal Year 2007-08. These increases are the result of normal support salary and expenditure increases and do not represent significant change. The support services expenditures decreased from \$30,967,928 in Fiscal Year 2007-08 to \$30,499,874 in Fiscal Year 2008-09.

These decreases are due to reduction in staff. The support services expenditures decreased from \$30,499,874 in Fiscal Year 2008-09 to \$25,488,285 in Fiscal Year 2009-10. These decreases were due to elimination of staff positions, freezing of salaries, and reductions in supplies, travel and utilities. Federal stimulus funds were used to pay \$3,500,000 in utility costs in this period. Support services expenditures decreased from \$25,488,285 in Fiscal Year 2009-10 to \$24,673,771 in Fiscal Year 2010-11. These decreases are due to freezing of staff salaries, and reductions in supplies, travel and utilities. Federal stimulus funds were used to pay \$2,500,000 in utility costs in this period.

Based on results of operations of the School District for Fiscal Year 2010-11, the School District's revenues exceeded expenditures, net of other financing sources/uses, by approximately \$2,098,072 resulting in a general fund balance as of the end of Fiscal Year 2010-11 equal to \$24,640,776, which represented a 30.63% increase in the fund balance from Fiscal Year 2006-07.

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. Subject to the restrictions contained in Act 388, the levy for operational taxes may not be increased more than five mills over the amount levied for the previous year without voter approval. If the levy is within the limit, then upon approval, the County Auditor is directed to levy and the County Treasurer is directed to collect sufficient ad valorem taxes to meet the budget requirements. A referendum to increase the millage above five mills must be held by no later than July 31.

Change In Millage Levy Authority

Act 388 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. 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 2011-12

Set forth below is a summary of the School District's adopted budget for its general fund for the Fiscal Year ending June 30, 2012 (the "Fiscal Year 2011-12"). The Fiscal Year 2011-12 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.

The School District of Darlington County (General Fund Only)

<u>Revenues:</u>	<u>Budgeted Amount</u>
Local Sources	\$23,527,462
State Sources	38,517,063
Transfers from Other Funds	<u>1,400,997</u>
Total	\$63,445,522
<u>Expenditures:</u>	
Instruction	\$34,131,368
Support Services	28,894,855
Transfers to Other Funds	<u>419,299</u>
Total	\$63,445,522

Revenues

In Fiscal Year 2010-11, 60.7% of general fund revenues came from the State and 37.1% of general fund revenues came from local sources. State appropriations to the School District for Fiscal Year 2010-11 were reduced by approximately \$3,266,203 million, including an approximate reduction of \$1,402,550 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 2011-12. 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:

<u>Fiscal Year</u>	<u>General Fund Revenues</u>	<u>Special and Other Revenues</u>	<u>Total</u>
2011-12 ⁽¹⁾	\$38,517,063	\$8,993,285	\$47,510,348
2010-11 ⁽²⁾	37,820,482	8,655,081	46,475,563
2009-10	40,467,211	10,598,787	51,065,998
2008-09	43,798,059	15,892,638	59,690,697
2007-08	46,946,269	12,187,324	59,133,593

⁽¹⁾ Projected.

⁽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 2011-12, it is estimated the State share of the Foundation Program for the School District will be \$18,612,296 or 80% of the total cost, and the School District share will be \$4,593,211 or 20%. During Fiscal Year 2010-11, the State share of the Foundation Program for the School District was \$16,916,845 (unaudited) or 81% of the total cost, and the School District share was \$4,076,720 (unaudited) or 19%. Listed below are the State contributions to the Foundation Program for the fiscal years shown.

State Contributions to EFA Foundation Program

<u>Fiscal Year</u>	<u>Amount</u>
2011-12 ⁽¹⁾	\$18,612,296
2010-11 ⁽²⁾	16,916,845
2009-10	20,183,048
2008-09	23,993,155
2007-08	27,187,001

⁽¹⁾ Projected.

⁽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

<u>Fiscal Year</u>	<u>Amount</u>
2011-12 ⁽¹⁾	\$7,010,340
2010-11 ⁽²⁾	7,517,447
2009-10	8,812,747
2008-09	10,700,985
2007-08	10,789,332

⁽¹⁾ Projected.

⁽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 2011-12, employer contribution was 13.69% of the total membership’s annual compensation, and the entire cost of group life insurance for covered employees is included at the rate of 0.15%. Total employer retirement contributions to the System paid on behalf of the School District are shown below:

<u>Fiscal Year</u>	<u>Employer Contributions</u>
2010-12 ⁽¹⁾	\$7,340,750
2010-11 ⁽²⁾	7,004,532
2009-10	7,250,705
2008-09	7,718,918
2007-08	7,193,621

(1) Projected.

(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 are shown below:

<u>Fiscal Year</u>	<u>Employer Contributions</u>
2011-12 ⁽¹⁾	\$6,949,316
2010-11 ⁽²⁾	6,817,134
2009-10	7,238,294
2008-09	7,873,153
2007-08	7,112,874

(1) Projected.

(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.

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CERTAIN FISCAL MATTERS

Assessment of Property in Darlington 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. 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. In addition, in its 1995 session, the South Carolina General Assembly enacted provisions requiring each county to appraise and equalize the properties under its jurisdiction once every fourth year and requiring each county to assess all properties on the newly appraised values every fifth year. The latest reassessment in Darlington County was completed in and implemented in Fiscal Year 2009. The next reassessment is expected to occur in Fiscal Year 2012.

In addition to limits on growth in operating millage rates, Act 388 provides that, beginning July 1, 2007, 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 pending in the South Carolina General Assembly would, if adopted, further limit growth in real property values. H3272 would delay an increase in property valuation following an assessable transfer of interest until the next reassessment. S435 would cap the increase in the valuation of property at 15% following an assessable transfer of interest, regardless of the true value of the property.

The County Assessor appraises and assesses each year all real property and mobile homes located within Darlington 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.

Beginning with Fiscal Year 2008, the Property Tax Relief Exemption has been amended 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 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:

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>Homestead Exemption</u>	<u>Property Tax Relief Exemption</u>
2010-11	2010	\$1,372,909	\$3,748,256
2009-10	2009	1,372,909	3,748,256
2008-09	2008	1,372,909	3,748,256
2007-08	2007	1,372,909	3,748,256
2006-07	2006	1,339,910	3,748,256

Source: Darlington 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, 2010 is set forth below:

<u>Class of Property</u>	<u>Market Value</u>	<u>Assessment Ratio</u>	<u>Assessed Value⁽¹⁾</u>
1. Real Property and Mobile Homes	1,466,110,750	4.00%	58,644,430
	580,112,500	6.00	34,280,675
2. Motor Vehicles	27,317,095	10.50	2,868,295
	270,894,566	6.00	16,253,673
3. Utilities	523,172,570	10.50	54,933,120
4. Transportation	9,527,157	9.50	905,080
5. Manufacturing Property	152,707,152	10.50	16,034,251
6. Watercraft	7,417,620	10.50	778,850
7. Airplanes	17,631,000	4.00	705,240
8. Business Personal Property	11,586,666	10.50	1,216,600
9. Business Personal Property (DOR Assessment)	<u>44,700,285</u>	10.50	<u>4,693,530</u>
Total	3,111,177,361		191,313,744

⁽¹⁾ Does not include Merchants' Inventory of \$2,987,530, motor carrier reimbursements of \$188,973, manufacturer's depreciation of \$2,665,250, or negotiated fee-in-lieu of taxes of \$14,450,278.

Source: Darlington County Auditor.

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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.

<u>As of December 31</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Total⁽¹⁾</u>
2010 ⁽²⁾	\$98,063,335 ⁽³⁾	\$93,250,409	\$191,313,744 ⁽⁷⁾
2009 ⁽⁴⁾	99,677,568 ⁽⁵⁾	94,982,637 ⁽⁶⁾	194,660,205
2008	110,121,200	82,129,387	192,250,587
2007	105,937,567	82,827,422	188,764,989
2006	102,376,931	91,624,124	194,001,055

⁽¹⁾ Excludes assessments for Merchants' Inventory, motor carrier reimbursements, manufacturer's depreciation and negotiated fee-in-lieu of taxes.

⁽²⁾ Unaudited.

⁽³⁾ Includes \$5,138,230 in real property of manufacturing property.

⁽⁴⁾ Reassessment.

⁽⁵⁾ Reduction in assessed value of real property due primarily to transfer of Darlington Raceway property into fee-in-lieu of taxes arrangement and reassessment of Darlington Raceway property at a lower value.

⁽⁶⁾ Increase in assessed value of personal property due primarily to increase in utility property.

⁽⁷⁾ Decrease in total assessed value due primarily to successful appeals of assessment of residential property resulting in a decrease in the assessment ratio with respect to such property from 6% to 4%.

Source: Office of the Comptroller General, State of South Carolina; Darlington County Auditor.

Millage History

All residents of the School District pay property taxes to the School District, Darlington County, and all other overlapping governments which levy property taxes. 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.

<u>Year Ended June 30</u>	<u>Tax Year</u>	<u>School Debt Service</u>	<u>Operations Levy</u>	<u>Total</u>
2010-11	2010	24.00	168.68	192.68
2009-10	2009	25.00	168.68	193.68
2008-09	2008	28.00	161.88	189.88
2007-08	2007	26.00	157.32	183.32
2006-07	2006	25.50	152.00	177.50

Source: Darlington County Auditor.

Payments in Lieu of Taxes

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 park are allocated in proportion to the amounts that would have been received by the taxing entities if the payments were taxes; (ii) revenues received from property

that is in a multicounty park, 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 a multicounty park 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.

Several of the largest taxpayers in Darlington County pay a “fee-in-lieu” of taxes with respect to new manufacturing projects, and each year new fee-in-lieu arrangements are made with other new manufacturing investments.

The effect is that, notwithstanding the fixed payments by the industry, the School District’s share of these payments will vary in each year in accordance with the ratio its millage rates for that year bear to the total millage that would otherwise apply to the property. Projects on which these 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 a multicounty industrial park (“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 a 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 a single county of any amounts made available under the preceding sentence.

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

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.

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.

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 \$1,064,231 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 Darlington County, current and delinquent tax collections are made through the office of the Treasurer of Darlington 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 March 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.

<u>Fiscal Year</u>	<u>Amount Levied</u>	<u>Current Taxes Collected</u>	<u>Current % Collected</u>	<u>Delinquent Amount Collected⁽¹⁾</u>	<u>Total % Collected⁽²⁾</u>
2010-11 ⁽³⁾	\$32,779,497	\$28,960,189	88.35%	\$1,262,142	92.20%
2009-10	32,180,805	29,712,538	92.33	1,282,037	96.31
2008-09	32,029,078	28,717,271	89.66	1,817,120	95.33
2007-08	30,840,207	27,694,506	89.80	845,048	92.54
2006-07	32,842,672	30,740,741	93.60	1,457,763	98.03

⁽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.

Ten Largest Taxpayers

The ten largest taxpayers in the Darlington County School District, the 2010 assessed value of the taxable property of each that is located in the School District, and the total amount of 2010-11 taxes paid by each is shown below:

	<u>Name</u>	<u>Assessed Value</u>	<u>School Taxes Paid⁽¹⁾</u>
1.	Progress Energy Carolinas	46,771,110	\$13,067,197
2.	Sonoco Products Company	8,495,504	2,208,428
3.	Nucor Steel	8,361,816	2,303,526
4.	Dixie Consumer	4,157,781	1,633,709
5.	Hartsville H.M.A. Inc.	2,562,740	921,399
6.	Pee Dee Electric Cooperative	3,092,010	859,194
7.	Galey & Lord (Swift-Galey) ⁽²⁾	1,771,300	484,670
8.	Bellsouth Telecommunications	1,192,360	407,565
9.	Roller Bearing Company of America	1,145,890	277,610
10.	NSLC Darlington	1,064,745	280,845

⁽¹⁾ Includes fee-in-lieu of taxes.

⁽²⁾ Bankruptcy.

Source: Darlington County Auditor; Darlington County Treasurer.

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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 Darlington 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	\$191,313,744
	<u>x 8%</u>
Constitutional Debt Limit	\$15,305,099
Outstanding Debt Subject to Limit	<u>0</u>
General Obligation Debt Available Without Referendum	\$15,305,099

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

The table below shows the outstanding general obligation bonded indebtedness of the School District.

<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Amount Issued</u>	<u>Outstanding as of May 1, 2011</u>
January 15, 2005 ⁽¹⁾	March 1, 2030	\$48,000,000	\$41,420,000
Total		\$48,000,000	\$41,420,000

⁽¹⁾ Issued pursuant to referendum; therefore not chargeable against 8% debt limit.

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Composite Debt Service

The following table shows the annual debt service requirements on the School District's outstanding general obligation bonds, including the Bonds:

<u>Calendar</u> <u>Year</u>	<u>Series 2005</u> <u>Bonds</u>	<u>Series 2011</u> <u>Bonds</u>	<u>Total</u>
2012	3,449,856.26		
2013	3,430,981.26		
2014	3,409,356.26		
2015	3,393,715.63		
2016	3,373,768.75		
2017	3,355,362.50		
2018	3,338,240.63		
2019	3,322,146.88		
2020	3,308,075.00		
2021	3,295,825.00		
2022	3,288,825.00		
2023	3,276,825.00		
2024	3,269,575.00		
2025	3,261,700.00		
2026	3,257,825.00		
2027	3,252,575.00		
2028	3,257,850.00		
2029	3,273,525.00		
2030	<u>3,287,337.50</u>		
Total	\$66,574,471.93		

Debt service on the Series 2005 General Obligation Bonds is paid from the proceeds of a 1% sales tax imposed in the School District. Accordingly, no millage is levied in the School District for the payment of the Series 2005 General Obligation Bonds.

Anticipated Capital Needs

In 2005, the School District undertook a \$48,000,000 School District-wide capital improvement program that was funded by the issuance of general obligation bonds of the School District, which bonds are paid from the proceeds of a 1% sales tax imposed in the School District after approval by voters in the School District. This 2005 capital improvement program has been completed.

Since 2004, the School District has financed additional capital improvements by means of a “pay as you go” financing plan, in which the District undertakes a certain number of capital projects each year, and finances those projects by issuance of general obligation bonds maturing in the following year. These bond issues have ranged in principal amount from \$1,000,000 in 2004 to \$5,000,000 in 2008, 2009, and 2010, respectively, and have been sized to allow the School District to acquire needed capital improvements without substantially increasing debt service millage and without incurring long-term indebtedness.

In addition to the improvements to be financed by the Bonds, the School District intends to continue this capital improvement and financing program through 2014, and will utilize the program to undertake the following projects:

<u>Anticipated Capital Needs 2012-2014</u>		<u>Cost Estimate</u>
1.	Addition of 8 Classrooms to Southside Early Childhood Center	\$2,000,000
2.	Addition of 10 Classrooms to Carolina Elementary School	2,500,000
3.	Reconfiguration of Front Office Area (Spaulding, West Hartsville, Cain, and Pate Elementary Schools)	800,000
4.	Water and Sewer improvements to West Hartsville Elementary School Kitchen	90,000
5.	Water and Sewer improvements to Washington Street Elementary School	90,000
6.	Upgrade of fire alarm system at B.A. Gary Education Complex	125,000
7.	Engagement of Building Construction Manager	<u>240,000</u>
Total Projected Cost		\$5,845,000

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 2010 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, 2011.

<u>Name of Unit</u>	<u>2010 Total Assessed Value of Unit</u>	<u>% of Assessed Value Within the School District</u>	<u>Outstanding General Obligation Indebtedness</u>
Darlington County	\$191,313,744	100%	\$1,696,956
City of Darlington	17,106,360	100	-0-
City of Hartsville	22,624,111	100	-0-
Town of Lamar	1,964,887	100	-0-
Town of Society Hill	887,070	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.

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ECONOMIC CHARACTERISTICS AND DATA

Description of Darlington County, South Carolina

Darlington County was formed in 1785 and is located in the northeast section of South Carolina, also known as the Pee Dee Region. The County contains approximately 561 square miles and is bordered by Florence, Lee, Marlboro and Chesterfield counties. The City of Darlington is the County seat and had a population of 68,681 as of June, 2011.

Darlington County is home of the Darlington International Speedway (NASCAR) and Darlington International Dragway, which together attract substantial numbers of race fans each year. Darlington International Speedway had hosted two races each year, however, the track lost a race date in 2004. Progress Energy (formerly Carolina Power & Light) operates a nuclear powered generating plant in the County near its two conventional powered generating plants.

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 Darlington 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:

<u>Industry</u>	<u>Product or Service</u>	<u>Employees</u>
Sonoco Products Company	Plastic/Cardboard containers	1,473
HB Robinson Nuclear Plant	Power plant	610
Georgia Pacific	Paper	535
Nucor	Steel	455
CR Jackson	Paving/asphalt	375
Stingray Boats	Pleasure boats	190
RBC	Bearings	185
New South Lumber	Wood Products	180
Citi Trends	Clothing	163
Darlington Veneer	Wood products	160

Source: Darlington 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.

<u>Year</u>	<u>Gross Retail Sales</u>
2010	\$1,221,618,410
2009	1,282,142,275
2008	1,423,541,221
2007	1,062,084,342
2006	1,070,395,265

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.

<u>Year</u>	<u>Darlington County</u>	<u>South Carolina</u>	<u>United States</u>
2009	\$29,855	\$32,505	\$39,626
2008	29,952	33,063	40,673
2007	29,194	32,134	39,458
2006	28,550	30,925	37,698
2005	26,803	29,226	35,424

Source: State Budget and Control Board, Economic Research Section, Office of Research & Statistical Services; Bureau of Economic Analysis.

Unemployment

The County's unemployment rate was 14% in June, 2011. The following table shows County, State and national unemployment rates for the years shown:

<u>Year</u>	<u>Darlington County</u>	<u>South Carolina</u>	<u>United States</u>
2010	12.6%	11.2%	9.6%
2009	13.1	12.0	9.3
2008	8.6	6.9	5.8
2007	6.7	6.5	4.6
2006	7.6	6.4	4.6

Source: South Carolina Employment Security Commission, Labor Market Information Division.

Labor Force and Employment

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Civilian Labor Force	31,000	31,391	31,485	31,541	31,072
Employment	27,097	27,297	28,764	29,428	28,713
Unemployment	3,903	4,112	2,721	2,113	2,359
% of Labor Force Unemployed	12.6%	13.1%	8.6%	6.7%	7.6%

Source: South Carolina Employment Security Commission, Labor Market Information Division; U.S. Department of Labor; Bureau of Labor Statistics.

Population Figures

The following table shows population information for Darlington County over the last four decades.

<u>Year</u>	<u>Population</u>
2010 ⁽¹⁾	68,681
2000	67,394
1990	61,851
1980	62,717

⁽¹⁾Estimate as of June 3, 2011.

Source: Population Division, U. S. Census Bureau.

Facilities Serving the School District

Transportation –Darlington County is serviced by Interstates 95 and 20, US Highways 52 and 15 and SC Highways 102 and 151. Rail service is provided by CSX Rail System along with various motor freight carriers.

Medical and Health Services – McLeod Regional Medical Center Darlington, part of McLeod Health, offers health care resources, as well as educational opportunities to future health care professionals. McLeod Regional Medical Center 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.

Carolina Pines Regional Medical Center located in Hartsville is a 175,000 square-foot, 116-bed medical center. This facility offer the latest laboratory technology, advanced diagnostic imaging equipment, a 12-bed intensive care unit, a women's center, pediatric wing, cardiac care, cancer care and general medical/surgical services, as well as a state-of-the-art 24-hour emergency department.

Carolinas Hospital System in Florence, the largest hospital in the Pee Dee region, houses 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 November, 1998, Carolinas Hospital System dedicated a new nine-story hospital complex. 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.

Higher Education – The 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. 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. Florence-Darlington Technical College 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. Florence-Darlington Technical College is a two-year technical school with a Fall 2010 enrollment of 5,855 students.

Special programs and services offered 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.

Coker College is located in Hartsville. A private coeducational college offering 31 majors and 22 minors, Coker College ranked as a "Best Comprehensive College in the South" by US News & World Report for the 14th consecutive year. Coker College operates two satellite campuses, one in Lake City and one in Mullins. Fall 2011 enrollment for all three campuses is estimated to be 1,160 students.

Francis Marion University ("FMU"), located in adjacent Florence County, is a four-year, comprehensive university founded in 1970. FMU estimates a Fall 2011 enrollment of 4,032 students and offers 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 (ROTC) 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.

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

<u>Year</u>	<u>Residential Permits⁽¹⁾</u>	<u>Total Valuation</u>	<u>Commercial Permits⁽¹⁾</u>	<u>Total Valuation</u>
2010-11	256	\$16,100,616	58	\$9,401,690
2009-10	253	15,736,638	64	11,912,488
2008-09	228	15,929,404	58	12,902,686
2007-08	310	24,960,058	58	21,179,490
2006-07	314	26,651,664	61	17,634,546

⁽¹⁾ Excludes mobile home permits; permits issued for multi-family units are counted as one. Includes additions and alterations.

Source: Darlington County Planning

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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; however, interest on the Bonds will 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 (including, without limitation those related to the corporate alternative minimum tax) of interest that is excluded from gross income.

The Issuer 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.

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 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, CONTINUING DISCLOSURE, herein.

Notice 94-84, 1994-2 C.B. 559, states that the IRS is studying whether the amount of the payment at maturity on short-term debt obligations (i.e., debt obligations with a stated fixed rate of interest which mature not more than one year from the date of issue) that is excluded from gross income for federal income tax purposes is (i) the stated interest payable at maturity or (ii) the difference between the issue price of the short-term debt obligations and the aggregate amount to be paid at maturity of the short-term debt obligations (the "original issue discount"). The Bonds may be issued as short-term debt obligations. For this purpose, the issue price of the short-term debt obligations is the first price at which a substantial amount of the short-term debt obligations is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). Until the IRS provides further guidance with respect to tax-exempt short-term debt obligations, taxpayers may treat either the stated interest payable at maturity or the original issue discount as interest that is excluded from gross income for federal income tax purposes. However, taxpayers must treat the amount to be paid at maturity on all tax-exempt short-term debt obligations in a consistent manner. Taxpayers should consult their own tax advisors with respect to the tax consequences of ownership of Bonds if the Bonds are issued as short-term debt obligations and if the taxpayer elects original issue discount treatment.

[Original Issue Premium]

The Bonds maturing in the year 2012 have been sold at an initial public offering price which is greater than the amount payable at maturity (the “Premium Bonds”). An amount equal to the excess of the purchase price of the Premium Bonds over their stated redemption prices at maturity constitutes premium on such Bonds. A purchaser of a Premium Bond must amortize any premium over using constant yield principles, based on the purchaser’s yield to maturity. As premium is amortized, the purchaser’s basis in such Premium Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser’s basis is reduced, no federal income tax deduction is allowed. Purchasers of any Bonds at a premium, whether at the time of initial issuance or subsequent thereto, should consult with their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such Bonds.]

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 each Nationally Recognized Municipal Securities Information Repository 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 the Municipal Securities Rulemaking Board 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 G. C. White, Comptroller, The School District of Darlington County, Post Office Box 1117, Darlington, South Carolina 29540, telephone (843) 398-2273. Requests for additional copies of this Official Statement may be addressed to Mr. White or to Benjamin T. Zeigler, Bond Counsel, Haynsworth Sinkler Boyd, P.A., Post Office Box 6617, Florence, South Carolina 29502, telephone (843) 669-6002.

[Remainder of Page Intentionally Left Blank]

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 Bonds have 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 Bonds at _____% of par. The initial public offering prices of the Bonds 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.

THE SCHOOL DISTRICT OF DARLINGTON COUNTY,
SOUTH CAROLINA

By: _____
Comptroller, The School District of Darlington County,
South Carolina

APPENDIX A

AUDITED FINANCIAL INFORMATION
FOR FISCAL YEAR ENDED JUNE 30, 2010

**DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA**

BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

**DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA
YEAR ENDED JUNE 30, 2010**

TABLE OF CONTENTS

<u>FINANCIAL SECTION</u>	<u>Page No.</u>
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis	3 - 8
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet - Governmental Funds	11
Reconciliation of Balance Sheet - Governmental Funds to the Statement of Net Assets	12
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	13
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	14
Statement of Net Assets - Proprietary Funds	15
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	16
Statement of Cash Flows - Proprietary Funds	17
Statement of Fiduciary Assets and Liabilities - Agency Fund	18
Notes to Financial Statements	19 - 36
Required Supplementary Information Other than Management's Discussion and Analysis (Unaudited)	
Budgetary Comparison Schedules - Budgeted Major Governmental Funds	
General Fund	37
Special Projects Fund	38
Education Improvement Act Fund	39
School Building Fund	40
Debt Service Fund	41
Notes to Budgetary Comparison Schedules	42



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Independent Auditors' Report

Board of Trustees
Darlington County School District
Darlington, South Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the **Darlington County School District** (the School District) as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Darlington County School District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of CHOICES of Florence, Inc, a component unit, which reflect total assets of \$535,535 as of June 30, 2010, and total revenues of \$259,266 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for CHOICES of Florence, Inc, is based solely on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position and cash flows of the governmental activities, the business-type activities, and each major fund of the Darlington County School District as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2010, on our consideration of the Darlington County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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McGladrey Alliance is a premier affiliation of independent accounting and consulting firms. McGladrey Alliance member firms maintain their name, autonomy and independence and are responsible for their own client fee arrangements, delivery of services and maintenance of client relationships.

The management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 37 through 42, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Webster Rogers LLP

Summerville, South Carolina
November 8, 2010

**DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

Management's Discussion and Analysis

Our discussion and analysis of the Darlington County School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2010.

Please read it in conjunction with the District's basic financial statements, which begin on page 9.

Financial Highlights

Due to the downturn in the economy for South Carolina in year 2007-2008, budget cuts were continued in 2009-2010 with total of 9.04% cuts for school districts. Our district was faced with budget cuts from the state in the General Fund and also Education Improvement Act funds. During the school year, Darlington County School District was cut in state funds over \$3,100,000.

The Basic Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 9 & 10) provide information about the activities of the District and its discretely presented component unit as a whole and present a longer-term view of their finances. Fund financial statements start on page 11. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. The remaining statements provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of student groups.

Reporting the District as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the District as a whole begins on page 5. One of the most important questions asked about the District's finances is; "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in a way that help answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. You can think of the District's net assets – the difference between assets and liabilities – as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the District's property tax base, the support it receives from federal and state sources, and the condition of its school buildings.

In the Statement of Net Assets and the Statement of Activities, we divided the District into two kinds of activities:

- Governmental activities – Most of the District's and its component unit's basic services are reported here, including instructional and support services, community service, debt service and building construction, improvements and maintenance.
- Business-type activities – The District charges a fee or receives USDA reimbursement and commodities to provide food service.

**DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

Reporting the District's Most Significant Funds

Fund Financial Statements

Our analysis of the District's major funds begins on page 6. The fund financial statements begin on page 11 and provide detailed information about the most significant funds – not the District as a whole. Most funds are required to be established by the South Carolina State Department of Education. Other funds are established by the District to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The District's two kinds of funds – governmental and proprietary – use different accounting approaches.

- Governmental funds – Most of the District's services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general governmental operations and the educational services that it provides. Governmental fund information helps you determine whether there are more or fewer financial resources than can be spent in the near future to finance the District's programs. We describe the relationship (or difference) between governmental activities (reported in the government-wide financial statements) and governmental fund statements in a reconciliation accompanying the fund financial statements.
- Proprietary funds – The District reports its food service operations in a proprietary fund. Proprietary funds are reported in the same way that all activities are reported in the government-wide financial statements (e.g., the Statement of Net Assets and the Statement of Activities). In fact, the District's enterprise fund statements (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

Reporting the District's Fiduciary Responsibility

Students engage in numerous curricular and extra-curricular activities that enhance their overall educational experience. Each school provides centralized accounting and control over the financial resources of these activities. These funds are held in a purely custodial capacity and do not have governmental operations. Therefore, they do not report changes in fiduciary net assets.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The District's net assets increased by \$8,315,745 over last year. Total assets increased by \$14,351,969 and total liabilities increased by \$6,036,224.

The largest portion of the District's net assets (56%) reflects its investment in capital assets less any related debt used to acquire those assets that are still outstanding. An additional portion (18%) of the District's net assets represents resources subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, which increased \$4,481,817 during the year, represents that portion of total net assets that can be used to finance day-to-day operations.

**DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

	Net Assets (In thousands)					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Current & other assets	\$ 54,402	\$ 44,904	\$ 418	\$ 141	\$ 54,820	\$ 45,045
Capital assets	100,075	95,312	1,140	1,326	101,215	96,638
Total assets	154,477	140,216	1,558	1,467	156,035	141,683
Current liabilities	14,345	5,495	17	-	14,362	5,495
Long term liabilities	45,558	48,389	-	-	45,558	48,389
Total liabilities	59,903	53,884	17	-	59,920	53,884
Net Assets:						
Invested in capital						
Assets, net of debt	52,598	46,923	1,140	1,326	53,738	48,249
Restricted	17,357	19,013	-	-	17,357	19,013
Unrestricted	24,619	20,396	401	141	25,020	20,537
Total Net Assets	\$ 94,574	\$ 86,332	\$ 1,541	\$ 1,467	\$ 96,115	\$ 87,799

The District is able to report, this year as well as last year, positive balances in all three areas of net assets both for the government as a whole, as well as for its separate governmental and business type activities.

	Changes in Net Assets (In thousands)					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Revenues						
Program revenue:						
Charges for services	\$ 14	\$ 14	\$ 914	\$ 1,002	\$ 928	\$ 1,016
Operating grants	55,726	60,668	4,554	4,366	60,280	65,034
Capital grants	-	67	-	-	-	67
General revenues:						
Property taxes	34,040	32,637	-	-	34,040	32,637
Sales taxes	4,549	4,513	-	-	4,549	4,513
State aid	11,907	11,338	-	-	11,907	11,338
Other general revenue	239	710	-	-	239	710
Total Revenue	106,475	109,947	5,468	5,368	111,943	115,315
Program expenses:						
Instruction	56,915	60,358	-	-	56,915	60,358
Support services	36,264	39,381	-	-	36,264	39,381
Community services	1	3	-	-	1	3
Intergovernmental	2,957	3,075	-	-	2,957	3,075
Interest on long term debt	1,927	2,246	-	-	1,927	2,246
Unallocated depreciation	363	363	-	-	363	363
Food service	-	-	5,200	5,254	5,200	5,254
Total Expenses	98,427	105,426	5,200	5,254	103,627	110,680
Excess before transfers	8,048	4,521	268	114	8,316	4,635
Transfers	194	90	(194)	(90)	-	-
Increase in net assets	\$ 8,242	\$ 4,611	\$ 74	\$ 24	\$ 8,316	\$ 4,635

**DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

Governmental Activities

Revenue from both local sources and grants were 3.2% under prior year. Program expenses were 6.6% under last year. Net assets increased by \$8,241,864 in 2010 and by \$4,611,491 in 2009.

The unrestricted net assets of the District's governmental funds increased by \$4,221,786. At the same time, the District's net investment in capital assets increased by \$5,676,071.

Business-Type Activities

The District's business-type activity is its food service operation. The United States Department of Agriculture reimburses the District under its child nutrition and agricultural commodity sharing programs which provides a significant portion of its revenue. Less than a quarter of the revenue is generated through direct charges to users of our food service. Since the federal government sets USDA reimbursements, the ability of food service to operate in the black is a function of operational efficiency. During the prior year, food service operated in the black. Food Service total net assets increased for year by \$73,881.

The District's Funds

The District's governmental funds (as presented on the balance sheet on page 11) reported a combined fund balance of \$39,816,292, which increased by \$1,102,805 over last year's total of \$38,713,487. The schedule below illustrates the fund balance and total change in fund balance as of June 30, 2010 and 2009.

	Fund Balance June 30, 2010	Fund Balance June 30, 2009	Increase (Decrease)
General	\$ 22,542,704	\$ 19,726,584	\$ 2,816,120
Special Projects	1,870,291	1,433,438	436,853
School Building	2,120,152	5,739,221	(3,619,069)
Debt Service	13,283,145	11,814,244	1,468,901
Total	<u>\$ 39,816,292</u>	<u>\$ 38,713,487</u>	<u>\$ 1,102,805</u>

General Fund

The District's general fund balance increase is due to other financing sources increase of \$1,345,715 and the excess of revenues over expenditures of \$1,470,405 which reflect a net change in fund balance of \$2,816,120.

The tables that follow assist in illustrating the financial activities and balances of the general fund.

	2010 Amount	2009 Amount	Percentage Change
Revenues			
Taxes	\$ 28,616,357	\$ 27,569,903	3.80%
Other local sources	980,268	1,876,543	-47.76%
Intergovernmental	40,658,388	43,969,985	-7.53%
	<u>\$ 70,255,013</u>	<u>\$ 73,416,431</u>	-4.31%

**DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

	2010 Amount	2009 Amount	Percentage Change
Expenditures by object			
Salaries	\$ 43,810,537	\$ 44,380,854	-1.29%
Fringe benefits	16,056,997	16,374,078	-1.94%
Purchased services	3,882,297	3,619,842	7.25%
Supplies	1,831,033	5,325,253	-65.62%
Capital outlay	397,303	-	
Miscellaneous	175,761	1,333,076	-86.82%
CHOICES Charter School	17,313	201,254	-91.40%
Florence Darlington Technical College	2,613,367	2,660,293	-1.76%
	<u>\$ 68,784,608</u>	<u>\$ 73,894,650</u>	-6.92%

The table above shows that the largest portion (87%) of general fund expenditures is for salaries and fringe benefits. The District is a service entity and as such is labor intensive.

Expenditures decreased \$5,110,042 or -6.92% over the prior year.

Revenue (including transfers in of \$1,924,027) exceeded expenditures (including transfers out of \$578,312) during the fiscal year resulting in an increase to fund balance of \$2,816,120.

Other Funds

The Special Projects fund operates essentially on a break-even basis. Revenues for the Special Projects exceeded expenditures (including transfers out of \$957,993) during the fiscal year resulting in an increase in special projects fund balance to \$1,870,291.

The Education Improvement Act (EIA) fund showed a \$4,582,261 decrease in revenue. This reflected an overall state funding decrease.

The School Building Fund decreased fund balance by \$3,619,069. The expansion for Brockington Elementary Magnet was completed by August 9, 2010. The Lamar track was completed in late summer 2009-2010.

The Debt Service fund increased by \$1,468,901. The increase was primarily the collection of the one percent sales tax which is being accumulated to service the \$48,000,000 general obligation bond issued.

General Fund Budgetary Analysis

The District under-estimated its general fund revenue by \$218,010. The operation expenses were over-estimated by \$1,816,309. The other financing sources (uses) were over-estimated by \$396,214. The result was a fund balance increase of \$1,638,105 over projections.

The budgets for the special projects fund and the EIA fund are functions of grant applications and awards. The District itself has little specific control over them.

In order to monitor progress during a multi-year construction program, the building fund budget reflects the total anticipated costs.

**DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

Capital Asset

As it has already been noted, the District has finished the implementation of a \$48,000,000 capital improvement plan. This includes the construction of two new middle schools, one each in the Darlington and Hartsville sections of the District; and the construction of a new vocational (technical) education campus. In addition, the construction of additional classrooms at two existing middle schools, one in Lamar and Society Hill sections of the District. The final phase of construction was the renovation of the old Hartsville Junior High School which was the new location for Thornwell School for the Arts. This year the Board of Trustees approved a General Obligation Bond in the amount of \$5,000,000 for capital improvements throughout the district.

Debt

As indicated above, the capital project was financed with the issuance of \$48,000,000 in general obligation bonds. The issuance occurred in January, 2005. The bonds will be largely repaid from the proceeds of a one-percent sales tax. The \$5,000,000 general obligation bond is repaid from the property tax collections.

Factors expected to have an effect on future operations

No factors, other than those noted above, are expected to have an effect on future operations.

Contacting District Officials

This financial report is designed to provide our citizens, taxpayers, students, investors and creditors, with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Comptroller at Darlington County School District, 120 East Smith Avenue, Post Office Box 1117, Darlington, South Carolina 29540.

BASIC FINANCIAL STATEMENTS

**DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA
STATEMENT OF NET ASSETS
JUNE 30, 2010**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	CHOICES Charter School
ASSETS				
Cash and cash equivalents	\$ 7,626,933	\$ 104	\$ 7,627,037	\$ 44,417
Restricted cash and cash equivalents	45,018	-	45,018	-
Cash and Investments with County Treasurer	34,372,495	-	34,372,495	-
Investment funds in escrow with bond refunding agent	1,275,148	-	1,275,148	-
Due from other governmental units	8,968,862	393,431	9,362,293	-
Taxes receivable	1,651,173	-	1,651,173	-
Other receivables	1,196	1,613	2,809	12,055
Inventories and prepaid expenses	134,757	23,168	157,925	-
Bond issuance costs, net	326,836	-	326,836	-
Capital assets not being depreciated	15,824,971	-	15,824,971	-
Capital assets, net of accumulated depreciation	84,249,691	1,139,960	85,389,651	479,063
TOTAL ASSETS	154,477,080	1,558,276	156,035,356	535,535
LIABILITIES				
Accounts payable and other current liabilities	2,129,000	-	2,129,000	-
Accrued expenses	5,499,424	-	5,499,424	-
Deferred revenue	4,113,946	-	4,113,946	-
Internal balances	(17,119)	17,119	-	-
Accrued interest	702,035	-	702,035	-
Noncurrent liabilities				
Due within one year	1,917,560	-	1,917,560	-
Due in more than one year	45,558,444	-	45,558,444	-
TOTAL LIABILITIES	59,903,290	17,119	59,920,409	-
NET ASSETS				
Invested in capital assets, net of related debt	53,598,806	1,139,960	54,738,766	479,063
Restricted for				
Florence-Darlington Technical College	83,046	-	83,046	-
Special projects	1,870,291	-	1,870,291	-
Capital projects	2,120,152	-	2,120,152	-
Debt service	13,283,145	-	13,283,145	-
Unrestricted	23,618,350	401,197	24,019,547	56,472
TOTAL NET ASSETS	\$ 94,573,790	\$ 1,541,157	\$ 96,114,947	\$ 535,535

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

**DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			CHOICES Charter School
					Governmental Activities	Business-type Activities	Total	
Primary Government								
Governmental activities								
Instruction	\$ 56,914,579	\$ 14,035	\$ 45,442,317	\$ -	\$(11,458,227)	\$ -	\$(11,458,227)	
Support services	36,264,041	-	10,283,674	-	(25,980,367)	-	(25,980,367)	
Community services	510	-	-	-	(510)	-	(510)	
Intergovernmental	2,957,023	-	-	-	(2,957,023)	-	(2,957,023)	
Interest and other charges	1,926,975	-	-	-	(1,926,975)	-	(1,926,975)	
Depreciation-unallocated *	362,832	-	-	-	(362,832)	-	(362,832)	
Total governmental activities	98,425,960	14,035	55,725,991	-	(42,685,934)	-	(42,685,934)	
Business-type activities								
Food services	5,200,037	914,179	4,553,266	-	-	267,408	267,408	
Total business-type activities	5,200,037	914,179	4,553,266	-	-	267,408	267,408	
Total primary government	\$103,625,997	\$ 928,214	\$ 60,279,257	\$ -	(42,685,934)	267,408	(42,418,526)	
Component unit								
CHOICES Charter School	\$ 326,090	\$ -	\$ 253,314	\$ -				\$ (72,776)
General revenues								
Property taxes levied for								
General purposes					26,072,692	-	26,072,692	-
Florence-Darlington Technical College					2,633,855	-	2,633,855	-
Debt service					5,333,644	-	5,333,644	-
Sales taxes					4,548,776	-	4,548,776	-
Grants and contributions not restricted to specific program:					11,906,552	-	11,906,552	-
Unrestricted revenue from use of money and property					222,838	-	222,838	59
Other local services					-	-	-	5,693
Miscellaneous					15,914	-	15,914	-
Transfers					193,527	(193,527)	-	-
Total General Revenues and Transfers					50,927,798	(193,527)	50,734,271	5,952
Change in Net Assets					8,241,864	73,881	8,315,745	(66,824)
Net Assets								
July 1, 2009					86,331,926	1,467,276	87,799,202	602,359
June 30, 2010					\$ 94,573,790	\$ 1,541,157	\$ 96,114,947	\$ 535,535

* This amount excludes the depreciation that is included in the direct expenses of the various functions.

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

**DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2010**

	General Fund	Special Projects Fund	EIA Fund	School Building Fund	Debt Service Fund	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 7,626,933	\$ -	\$ -	\$ -	\$ -	\$ 7,626,933
Restricted cash and cash equivalents	45,018	-	-	-	-	45,018
Cash with County Treasurer	17,247,776	-	-	5,149,468	11,975,251	34,372,495
Property tax receivables, net of allowance	1,383,265	-	-	-	267,908	1,651,173
Sales tax receivables	-	-	-	-	1,228,761	1,228,761
Accounts receivable	1,196	-	-	-	-	1,196
Due from other funds	10,356,830	3,174,266	2,426,856	540,395	10,039	16,508,386
Due from other governments						
SC Department of Education	238,046	113,589	55,178	311,152	-	717,965
Other agencies	3,038	118,958	-	-	-	121,996
Federal government	-	6,900,140	-	-	-	6,900,140
Inventory	134,757	-	-	-	-	134,757
TOTAL ASSETS	\$ 37,036,859	\$ 10,306,953	\$ 2,482,034	\$ 6,001,015	\$ 13,481,959	\$ 69,308,820
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 1,762,785	\$ 53,969	\$ 941	\$ 311,305	\$ -	\$ 2,129,000
Accrued liabilities	5,499,424	-	-	-	-	5,499,424
Due to other funds	6,153,377	7,075,980	3,504	3,258,406	-	16,491,267
Deferred revenues	1,078,569	1,306,713	2,477,589	311,152	198,814	5,372,837
TOTAL LIABILITIES	14,494,155	8,436,662	2,482,034	3,880,863	198,814	29,492,528
FUND BALANCES						
Fund balance						
Reserved for:						
Inventory	134,757	-	-	-	-	134,757
Florence-Darlington Technical College	83,046	-	-	-	-	83,046
Unreserved						
Undesignated reported in						
General fund	22,324,901	-	-	-	-	22,324,901
Special projects fund	-	1,870,291	-	-	-	1,870,291
Capital projects fund	-	-	-	2,120,152	-	2,120,152
Debt service fund	-	-	-	-	13,283,145	13,283,145
TOTAL FUND BALANCES	22,542,704	1,870,291	-	2,120,152	13,283,145	39,816,292
TOTAL LIABILITIES AND FUND BALANCES	\$ 37,036,859	\$ 10,306,953	\$ 2,482,034	\$ 6,001,015	\$ 13,481,959	\$ 69,308,820

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

**DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 39,816,292
Amounts reported for governmental activities in the Statement of Net Assets are different because of the following:	
Property tax revenue is recognized in the period for which levied rather than when "available". A portion of the deferred property tax revenue is not available.	1,258,891
Bond issue costs are reported as an expenditure in the governmental funds. The cost is deferred in the statement of net assets. The cost is \$399,285 and accumulated amortization is \$72,449.	326,836
Cash in escrow with bond refunding agent is not a financial resource and therefore is not reported as an asset in governmental funds. It is reported as a restricted asset in the statement of net assets.	1,275,148
Capital assets used for governmental activities are not financial resources and therefore are not reported in governmental funds. The cost of assets is \$201,387,261 and the accumulated depreciation is \$101,312,599.	100,074,662
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
Notes payable	(169,147)
Bonds payable	(44,220,000)
Less: issuance premium	(2,086,709)
Compensated absences payable	(1,000,148)
Accrued interest payable	(702,035)
	<u>(48,178,039)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 94,573,790</u>

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

**DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010**

	General Fund	Special Projects Fund	EIA
REVENUES			
Local property taxes	\$ 28,616,357	\$ -	\$ -
Sales taxes	-	-	-
Other local	980,268	1,860,885	350
Total local	29,596,625	1,860,885	350
State	40,658,388	1,322,600	5,668,053
Federal	-	16,993,917	-
Total Revenues	70,255,013	20,177,402	5,668,403
EXPENDITURES			
Current			
Instruction	40,191,865	8,983,720	4,085,963
Support services	25,488,285	9,485,291	798,383
Community services	510	-	-
Intergovernmental	2,631,928	313,545	11,550
Debt service			
Principal	459,120	-	-
Interest	12,900	-	-
Fees	-	-	-
Capital outlay	-	-	-
Total Expenditures	68,784,608	18,782,556	4,895,896
Excess of Revenues Over (Under) Expenditures	1,470,405	1,394,846	772,507
OTHER FINANCING SOURCES (USES)			
Proceeds of general obligation bonds	-	-	-
Transfers in	1,924,027	-	543,268
Transfers out	(578,312)	(957,993)	(1,315,775)
Total Other Financing Sources (Uses)	1,345,715	(957,993)	(772,507)
Net Change in Fund Balance	2,816,120	436,853	-
FUND BALANCE			
July 1, 2009	19,726,584	1,433,438	-
June 30, 2010	\$ 22,542,704	\$ 1,870,291	\$ -

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

<u>School Building Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
\$ -	\$ 5,134,829	\$ 33,751,186
-	4,548,776	4,548,776
<u>69,527</u>	<u>49,609</u>	<u>2,960,639</u>
69,527	9,733,214	41,260,601
-	281,733	47,930,774
<u>-</u>	<u>-</u>	<u>16,993,917</u>
<u>69,527</u>	<u>10,014,947</u>	<u>106,185,292</u>
-	-	53,261,548
-	-	35,771,959
-	-	510
-	-	2,957,023
-	6,350,000	6,809,120
8,687	2,194,806	2,216,393
-	1,240	1,240
<u>9,221,861</u>	<u>-</u>	<u>9,221,861</u>
<u>9,230,548</u>	<u>8,546,046</u>	<u>110,239,654</u>
<u>(9,161,021)</u>	<u>1,468,901</u>	<u>(4,054,362)</u>
5,000,000	-	5,000,000
541,952	-	3,009,247
<u>-</u>	<u>-</u>	<u>(2,852,080)</u>
<u>5,541,952</u>	<u>-</u>	<u>5,157,167</u>
(3,619,069)	1,468,901	1,102,805
<u>5,739,221</u>	<u>11,814,244</u>	<u>38,713,487</u>
<u>\$ 2,120,152</u>	<u>\$ 13,283,145</u>	<u>\$ 39,816,292</u>

**DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010**

TOTAL NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS	\$	1,102,805
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Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Because some property taxes will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased by this amount during the year.		289,004
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Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay (\$9,221,861) exceeded depreciation expense (\$4,339,595) and loss on sale of assets (\$119,503) in the		4,762,763
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In the Statement of Net Assets, accumulated payments to and investment earnings accrued in escrow in connection with an advance refunding of bonds are treated as an		231,712
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, 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. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Issuance of general obligation bonds	\$	(5,000,000)	
Principal repayments:			
Capital leases payable		384,133	
Notes payable		74,987	
Bonds payable		6,350,000	
Amortization of bond premiums		(16,342)	
Amortization of bond issuance costs		104,335	
		1,897,113	1,897,113

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. The details are as follows:

Compensated absences	\$	(1,000,148)	
Current year		951,302	
Prior year			
Accrued interest			
Current year		(702,035)	
Prior year		709,348	
		(41,533)	(41,533)

Change in Net Assets of Governmental Activities	\$	8,241,864
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The accompanying notes to financial statements are an integral part of this financial statement.

**DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA
STATEMENT OF NET ASSETS -
PROPRIETARY FUNDS
JUNE 30, 2010**

	<u>Food Service Program</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 104
Due from other governmental units	393,431
Other receivables	1,613
Inventories	23,168
Total current assets	<u>418,316</u>
Noncurrent assets	
Equipment	2,937,896
Less accumulated depreciation	<u>(1,797,936)</u>
Total noncurrent assets	<u>1,139,960</u>
Total assets	<u>1,558,276</u>
 LIABILITIES	
Current liabilities	
Due to other funds	<u>17,119</u>
Total current liabilities	<u>17,119</u>
Total liabilities	<u>17,119</u>
 NET ASSETS	
Invested in capital assets	1,139,960
Unrestricted	<u>401,197</u>
Total net assets	<u><u>\$ 1,541,157</u></u>

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

**DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010**

	Food Service Program
OPERATING REVENUES	
Proceeds from sale of meals	\$ 666,990
Special sales and miscellaneous	247,189
Total Operating Revenues	914,179
OPERATING EXPENSES	
Food costs	2,327,725
Salaries and wages	2,043,606
Supplies and materials	449,535
Depreciation	198,426
Other operating costs	180,745
Total Operating Expenses	5,200,037
Operating Loss	(4,285,858)
NONOPERATING REVENUES (EXPENSES)	
Interest Income	42
USDA Requirements	4,224,287
Commodities received from USDA	323,200
Other federal and state aid	5,737
Total Nonoperating Revenues (Expenses)	4,553,266
Income Before Transfers	267,408
Transfers Out	(193,527)
Changes in Net Assets	73,881
NET ASSETS	
July 1, 2009	1,467,276
June 30, 2010	\$ 1,541,157

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

**DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010**

	Food Service Program
CASH FLOWS FROM OPERATING ACTIVITIES	
Received from patrons	\$ 914,179
Payments to employees for services	(2,043,606)
Payments to supplies for goods and services	(2,820,640)
Net cash received from (used by) operating activities	<u>(3,950,067)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>42</u>
Net cash received from (used by) investing activities	<u>42</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Nonoperating grants received	4,230,024
Transfers to other funds	(193,527)
Net cash received from (used by) noncapital financing activities	<u>4,036,497</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	<u>(86,470)</u>
Net cash received from (used by) capital and related financing activities	<u>(86,470)</u>
Net increase (decrease) in cash and cash equivalents	2
Cash and cash equivalents - July 1, 2009	<u>102</u>
Cash and cash equivalents - June 30, 2010	<u>\$ 104</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (4,285,858)
Adjustments to reconcile operating income to net cash received from (used by) operating activities:	
Depreciation	198,426
Commodities used	323,200
Changes in assets and liabilities:	
(Increase) decrease in due from governmental units	(393,431)
(Increase) decrease in receivables	193,817
(Increase) decrease in inventory	(3,340)
Increase (decrease) in payables	17,119
Net cash received from (used by) operating activities	<u>\$ (3,950,067)</u>

Noncash noncapital financing activities:

During the year, the District received \$323,200 of food commodities from the U.S. Department of Agriculture

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

**DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUND
JUNE 30, 2010**

		Agency Funds
ASSETS		
Cash and cash equivalents		\$ 786,795
TOTAL ASSETS		\$ 786,795
LIABILITIES		
Due to schools		\$ 786,795
TOTAL LIABILITIES		\$ 786,795

The accompanying notes to financial statements are an integral part of this financial schedules.

**DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Darlington County School District (the School District) operates 13 elementary schools, 3 middle schools, 4 high schools, 1 alternative school, and 1 career center within the limits of Darlington County.

A. The Reporting Entity

The Board of Trustees (the Board) of the School District determines the operating policies of the School District and such policies are implemented by the School District Superintendent. The Board, an eight-member group, is the level of government which has governance responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the School District. The School District receives funding from local, state, and federal government sources and must comply with the concomitant requirements of these funding source entities. However, the School District is not included in any other governmental "reporting entity" as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*, since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters. The School District is therefore reported as an independent entity.

Discretely Presented Component Units. CHOICES Charter School of Florence and Darlington provides education and training for out-of-school youths between the ages of 12 and 17 in the Florence/Darlington area. The school, which is owned and operated by a non-profit organization under an agreement with the Darlington County School District, began operations in August 2002. The agreement is governed by state statutes which – as interpreted by the State Department of Education – require the inclusion of charter schools as discretely presented component units of the sponsoring district. CHOICES is funded by both the Darlington County School District and the Florence One School District, but is physically located within the bounds of the Darlington County School District. Financial statements of CHOICES Charter School may be available at the school's administrative offices at 1405 Poinsett Drive, Florence, SC 29501.

Significant transactions between the component unit and the School District, which are shown net of a prior year refund in the amount of \$23,941, for the fiscal year ended June 30, 2010, are as follows:

Support from the School District to the Charter School	<u>\$17,313</u>
--	-----------------

B. Basis of Presentation

Government-wide Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The School District does not have any business-type activities. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

Fund Financial Statements:

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The School District reports the following major governmental funds:

1. General Fund – The General Fund of the School District is used to account for all financial resources except those required to be accounted for in another fund. All property taxes, intergovernmental revenue, charges for services, Education Finance Act revenue, and miscellaneous revenue are recorded in this fund except amounts which are specifically collected to service debt or for which the School District collects funds in a fiduciary capacity. Operational expenditures for general instruction, support services, general administration, and other departments of the School District are paid through the General Fund.
2. Special Revenue Funds –
 - a. Special Projects Funds account for the operations of federal and state projects, which are required by the South Carolina State Department of Education to be accounted for in separate funds.
 - b. Education Improvement Act Fund – The Education Improvement Act Fund is used to account for the School District's expenditures as a result of receiving state funds used in a comprehensive education reform plan which are required to be accounted for in separate programs and strategies.
3. Debt Service Fund – This fund accounts for the accumulation of resources for, and the payment of, general long-term debt principal and interest. The School District's Debt Service Fund was established and is maintained in accordance with acts passed by the General Assembly of South Carolina authorizing the sale of general obligation bonds of the School District.
4. School Building Fund – The School Building Fund is used to account for financial resources to be used for the acquisition and construction of major capital facilities, renovations, and extensive repairs which tend to extend the life of the asset.

The School District has no non-major governmental funds.

Additionally the School District reports the following fund types:

Proprietary Funds:

5. Food Service Fund – The District accounts for its food service activities in the Food Service Fund, the District's only Proprietary Fund.

Fiduciary Funds:

6. Agency Fund – The District accounts for resources held by others in a custodial capacity in agency funds. The District's Agency Fund is the Student Activity Fund.

**DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting

The basic financial statements of the School District have been prepared in conformity with generally accepted accounting principles as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. *Basis of accounting* refers to when transactions are recorded, regardless of the measurement focus applied.

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period, except for federal and state grant revenue which is considered available if collected within six months. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Amounts reported as *program revenues* include: 1) charges to students for tuition, fees, rental, material, supplies, or services provided; 2) operating grants and contributions; and 3) capital grants and contributions. *General revenues* include all taxes.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services, in connection with a proprietary fund's principal ongoing operations. The School District's business-type activities accounted for in proprietary funds are food services. Operating expenses for proprietary funds include the cost of food, salaries, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

The School District's government-wide financial statements and proprietary funds apply all applicable Government Accounting Standards Board (GASB) pronouncements, as well as the requirements of Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs), issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. Governments also have the option of applying subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The School District has elected not to follow subsequent private-sector guidance.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The School District's cash and cash equivalents are defined as short-term, highly liquid investments with an original maturity of three months or less when purchased that are both readily convertible to known amounts of cash and so near their maturity that they present no significant risk of changes in value because of changes in interest rates.

2. Receivables and payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. On fund financial statements, these receivables and payables, if containing a balance at the end of the fiscal year, are classified as *due from other funds* or *due to other funds* on the balance sheet. These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for net residual amounts due between governmental and business-type activities, which are presented as internal balances.

3. Inventory

Inventory in the General Fund includes materials and supplies valued using the first-in/first-out (FIFO) method and are subsequently charged to expenditures when consumed.

Inventory in the Food Service Proprietary Fund includes commodities provided at no cost by the U.S. Department of Agriculture (USDA). These commodities are recorded at fair value as determined by the USDA and are valued using the first-in/first-out (FIFO) method. Expenses for inventory are recorded when inventory is received.

4. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

**DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Equity (Continued)

Property, plant, and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-50
Improvements other than buildings	5-50
Equipment	5-15
Food service equipment	12

5. Due from federal and state government

General Fund and Special Revenue Fund amounts due from federal agencies and the State Department of Education represent reimbursable costs, which have been incurred by the School District but have not been reimbursed by the grantor agency.

6. Compensated absences

The School District reports compensated absences in accordance with GASB Statement No. 16, Accounting for Compensated Absences. Vacation leave may be accumulated up to a maximum of forty-five days and is fully vested when earned. The entire compensated absence liability is reported on the government-wide financial statements. Compensated absences will be paid from the fund where the employee's salary is paid, typically this would include the general, special revenue and food service funds.

All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, unused reimbursable leave still outstanding following an employee's resignation or retirement. In the proprietary funds, compensated absences are recorded as an expense and liability of the fund as the benefits accrue to employees.

7. 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, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

For governmental funds, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as an other financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

**DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Equity (Continued)

8. Net assets and fund equity

Government-wide Statements:

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted."

Fund Statements:

Governmental fund equity is classified as reserved and unreserved, with unreserved further split between designated and undesignated.

Reservations represent portions of fund balances which are not appropriable for expenditure or have been segregated for specific future uses by legal mandate. Designations represent tentative plans by the School District for financial resource utilization in a future period as documented in the budgeting process for a succeeding year. Such plans are subject to change from original authorizations and may never result in expenditures.

E. Accounting Estimates

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

II. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits

Custodial Credit Risk – Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. Deposits of the School district are subject to South Carolina state statutes for custodial credit risk. The statutes provide that banks accepting deposits of funds from local government units must furnish an indemnity bond or pledge as collateral obligations of the United States, South Carolina, political subdivisions of South Carolina, the Federal National Mortgage Association, the Federal Home Loan Bank, the Federal Farm Credit Bank, or the Federal Home Loan Mortgage Corporation. In accordance with the aforementioned statute, the School District's policy requires deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. Deposited funds may be invested in demand or time deposits, continuously and fully secured with direct obligations of or obligations guaranteed by the United States of America having a market value not less than the amount of such monies. At June 30, 2010 the carrying amount of the School District's deposits was \$7,627,037 and the bank balance was \$10,560,440. All of these deposits were fully collateralized with securities held by the pledging financial institution's trust department in the School District's name or insured by the Federal Deposit Insurance Corporation. Information was not available regarding the custodial risk of deposits with the Darlington County Treasurer of \$34,372,495.

**DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

II. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

Investments

Custodial Credit Risk – Investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District does not have a formal investment policy regarding custodial credit risk of investments.

As of June 30, 2010, \$3,537,582 was in a repurchase agreement held by the counterparty, or its trust department or agent for the School District, and \$30,834,913 was held by a trustee appointed by the District.

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Repurchase Agreement	\$ 3,537,582	1
Prime Money Market	30,834,913	1
Total	<u>\$ 34,372,495</u>	

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The School 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 – Credit risk is the risk that an issuer to an investment will not fulfill its obligations. The School District follows state statutes concerning allowable investments but has not adopted a formal investment policy.

State statutes authorize the School District to invest in the following:

- (1) Obligations of the United States and agencies thereof;
- (2) General obligations of the State of South Carolina or any of its political units;
- (3) Savings and loan association deposits to the extent insured by the Federal Deposit Insurance Corporation;
- (4) Certificates of deposit and repurchase agreements collateralized by securities of the type described in (1) and (2) above held by a third party as escrow agent or custodian, of a market value not less than the amount of certificates of deposit and repurchase agreements so secured, including interest; and
- (5) No-load open and closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company, savings and loan association, or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit.

In addition, South Carolina State statutes authorize the School District to invest in the South Carolina Local Government Investment Pool (SCLGIP). The SCLGIP is an investment trust fund, created by state legislation, in which public monies under the custody of any political subdivision in excess of current needs may be deposited. The SCLGIP is permitted to purchase obligations of the United States, its agencies and instrumentalities, and any corporation within the United States if such obligations bear any of the three highest ratings of at least two nationally recognized rating services. The SCLGIP is a 2a7-like pool, which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but has a policy that it will operate in a manner consistent with the SEC's rule 2a7 of the Investment Company Act of 1940.

As of June 30, 2010, the School District's investment in the repurchase agreement was collateralized by unrated securities with a market value of \$3,537,582.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the School District's investment in a single issuer. The School District places no limit on the amount that may be invested in any one issuer. All of the School District's investments are in the repurchase agreement.

**DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

II. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

Additional disclosure regarding the School District's deposits and investments is located at Note I.D.1

B. Property Taxes

Property taxes for school operations are levied and collected by the County. The County appropriates an amount for general operations and to maintain the local level of effort as required by the State Department of Education. This appropriation is funded by and reported as ad valorem taxes and state revenues in lieu of taxes. Excess collections above the approved appropriation are retained by the county in escrow for subsequent periods.

The principal source of local revenue in the debt service fund is property taxes. Taxes on real estate and personal property, other than vehicles licensed by the South Carolina Department of Highways and Public Transportation, are billed in September on property owned on the preceding December 31. They are due by January 16 and become delinquent on March 17. Taxes on vehicles licensed by the South Carolina Department of Highways and Public Transportation are assessed on a cyclical basis and are due within thirty days of assessment.

The assessed value of real and other personal property, exclusive of vehicles (valued at \$20,297,711), is \$192,350,206. The general operations millage is 168.68 mills (\$16.868 per \$100 assessed valuation), and debt service fund millage is 25 mills (\$2.50 per \$100 assessed valuation).

The School District's bonded indebtedness is not to exceed eight percent (8%) of the assessed value of all taxable property within the School District, exclusive of debt outstanding on November 30, 1982, unless authorized by a majority vote of electors voting in a referendum authorized by law.

C. Receivables

Receivables as of year-end, including the applicable allowances for uncollectible accounts, are as follows:

	General	Special Projects	EIA	Debt Service	School Building Fund	Food Service Program
Receivables						
Property taxes	\$ 2,376,960	\$ -	\$ -	\$ 379,438	\$ -	\$ -
Sales taxes	-	-	-	1,228,761	-	-
Intergovernmental	241,084	7,132,687	55,178	-	311,152	393,431
Accounts	1,196	-	-	-	-	1,613
Gross receivables	2,619,240	7,132,687	55,178	1,608,199	311,152	395,044
Less allowance for uncollectible property tax	(993,695)	-	-	(111,530)	-	-
Net receivables	<u>\$ 1,625,545</u>	<u>\$ 7,132,687</u>	<u>\$ 55,178</u>	<u>\$ 1,496,669</u>	<u>\$ 311,152</u>	<u>\$ 395,044</u>

**DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

II. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Capital Assets

Capital assets activity for the year ended June 30, 2010, was as follows:

	Balance 6/30/2009	Additions	Deletions	Transfers	Balance 6/30/2010
Governmental Activities					
Capital assets, not being depreciated					
Land	\$ 6,965,909	\$ -	\$ -	\$ -	\$ 6,965,909
Construction in progress	827,254	8,252,328	-	(220,520)	8,859,062
Total capital assets, not being depreciated	7,793,163	8,252,328	-	(220,520)	15,824,971
Capital assets, being depreciated					
Building and improvements	166,161,870	539,036	(570,162)	220,520	166,351,264
Land improvements	7,061,678	-	-	-	7,061,678
Equipment	11,718,851	430,497	-	-	12,149,348
Total capital assets, being depreciated	184,942,399	969,533	(570,162)	220,520	185,562,290
Totals at historical cost	192,735,562	9,221,861	(570,162)	-	201,387,261
Less accumulated depreciation for					
Building and improvements	(90,233,376)	(3,302,519)	450,659	-	(93,085,236)
Land improvements	(1,112,046)	(335,522)	-	-	(1,447,568)
Equipment	(6,078,241)	(701,554)	-	-	(6,779,795)
Total accumulated depreciation	(97,423,663)	(4,339,595)	450,659	-	(101,312,599)
Total capital assets, being depreciated, net	87,518,736	(3,370,062)	(119,503)	220,520	84,249,691
Governmental activities capital assets, net	\$ 95,311,899	\$ 4,882,266	\$ (119,503)	\$ -	\$ 100,074,662
Business-type Activities					
Capital assets, not being depreciated					
Construction in progress	\$ 74,194	\$ -	\$ (74,194)	\$ -	\$ -
Capital assets, being depreciated					
Equipment	2,851,426	86,470	-	-	2,937,896
Less accumulated depreciation for					
Equipment	(1,599,510)	(198,426)	-	-	(1,797,936)
Business-type activities capital assets, net	\$ 1,326,110	\$ (111,956)	\$ (74,194)	\$ -	\$ 1,139,960

**DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

II. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Capital Assets (Continued)

	Balance 6/30/2009	Additions	Deletions	Transfers	Balance 6/30/2010
Component Unit Activities					
Capital assets, being depreciated					
Building and improvements	\$ 556,695	\$ -	\$ -	\$ -	\$ 556,695
Equipment	73,915	-	-	-	73,915
Total capital assets being depreciated	<u>630,610</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>630,610</u>
Less accumulated depreciation for					
Building and improvements	(67,869)	(16,259)	-	-	(84,128)
Equipment	(53,000)	(14,419)	-	-	(67,419)
Total accumulated depreciation	<u>(120,869)</u>	<u>(30,678)</u>	<u>-</u>	<u>-</u>	<u>(151,547)</u>
Component unit activities capital assets, net	<u>\$ 509,741</u>	<u>\$ (30,678)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 479,063</u>

Depreciation expense was charged to functions of the School District as follows:

Governmental activities		Business-type activities	
Instruction	\$ 3,614,044	Food Service	\$ 198,426
Support Services	362,719	Total business -type activities	<u>\$ 198,426</u>
Unallocated	362,832		
Total governmental activities	<u>\$ 4,339,595</u>		
		Component unit activities	
		Support services	\$ 30,678
		Total component unit activities	<u>\$ 30,678</u>

E. Transfers from (to) Other Funds

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

	Transfers In	Transfers Out
General Fund	\$ 1,924,027	\$ 578,312
Special Projects Fund	-	957,993
Education Improvement Act Fund	983,604	1,756,111
School Building Fund	541,952	-
Total governmental funds	<u>3,449,583</u>	<u>3,292,416</u>
Food Service Fund	-	193,527
Total proprietary fund	<u>-</u>	<u>193,527</u>
Pupil Activities Fund	36,360	-
Total fiduciary funds	<u>36,360</u>	<u>-</u>
Total transfers	<u>\$ 3,485,943</u>	<u>\$ 3,485,943</u>

Transfers are used (1) to move revenues from the fund that a statute or budget requires to collect them to the fund that a statute or budget requires to expend them, and (2) to use unrestricted revenues collected in the general fund to finance various programs accounted for the other funds in accordance with budgetary authorizations.

**DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

II. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Interfund Receivables & Payables

Interfund balances at June 30, 2010, consisted of the following individual fund receivables and payables:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 10,356,830	\$ 6,153,377
Special Projects Fund	3,174,266	7,075,980
Education Improvement Act Fund	2,426,856	3,504
School Building Fund	540,395	3,258,406
Debt Service Fund	10,039	-
	<u>16,508,386</u>	<u>16,491,267</u>
Total governmental funds		
Food Service Fund	-	17,119
	<u>-</u>	<u>17,119</u>
Total proprietary fund		
Total transfers	<u>\$ 16,508,386</u>	<u>\$ 16,508,386</u>

Interfund balances largely result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

G. Deferred Revenues

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

	<u>Fund Statement</u>	<u>Government-wide</u>
Deferred		
Property taxes receivable	\$ 1,258,891	\$ -
Unearned		
Grant revenue	<u>4,113,946</u>	<u>4,113,946</u>
	<u>\$ 5,372,837</u>	<u>\$ 4,113,946</u>

**DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

II. DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Bond Issue Costs

Bond issue costs shown on the Statement of Net Assets are being amortized over the life of the outstanding bonds. Changes in bond issue costs for the year ended June 30, 2010, are as follows:

	June 30, 2009	Increases	Decreases	June 30, 2010
Bond issue costs 2005 General Obligation Bonds	\$ 399,285	\$ -	\$ -	\$ 399,285
Less accumulated amortization 2005 General Obligation Bonds	(56,107)	-	(16,342)	(72,449)
Net bond issue costs	<u>\$ 343,178</u>	<u>\$ -</u>	<u>\$ (16,342)</u>	<u>\$ 326,836</u>

I. Long-Term Debt

Changes in Long-Term Liabilities

During the year ended June 30, 2010, the following changes took place in the long-term liabilities:

	Balance 6/30/2009	Additions	Reductions	Balance 6/30/2010	Due Within One Year
General obligation bonds	\$ 45,570,000	\$ 5,000,000	\$ 6,350,000	\$ 44,220,000	\$ 1,400,000
Plus deferred amount:					
For issuance premium	2,191,045	-	104,336	2,086,709	-
Total general obligation bonds	47,761,045	5,000,000	6,454,336	46,306,709	1,400,000
Installment notes payable	244,134	-	74,987	169,147	75,740
Capital leases payable	384,133	-	384,133	-	-
Total long-term debt	48,389,312	5,000,000	6,913,456	46,475,856	1,475,740
Compensated absences	951,302	416,842	367,996	1,000,148	441,820
Total long-term liabilities	<u>\$ 49,340,614</u>	<u>\$ 5,416,842</u>	<u>\$ 7,281,452</u>	<u>\$ 47,476,004</u>	<u>\$ 1,917,560</u>

Interest and other charges paid on long term debt for the year totaled \$2,158,687.

**DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

II. DETAILED NOTES ON ALL FUNDS (CONTINUED)

I. Long-Term Debt (Continued)

General Obligation Bonds

The School District issues general obligation bonds to provide funds for the acquisition, construction, and major improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 10 to 25 year serial bonds with principal maturing each year.

General obligation bonds payable at June 30, 2010, are comprised of the following individual issues:

	<u>Interest Rates</u>	<u>Balance</u>
2005 School Building Bonds	3.25-5.13%	\$ 42,820,000
2006 Advance Refunding Bonds (QZAB)	3.50%	1,400,000
		<u>\$ 44,220,000</u>

In November 2003, a \$48,000,000 bond referendum was passed. In this referendum, the following projects were approved: Construction of two new middle schools, one each in the Darlington and Hartsville sections of the District; the construction of a new vocational (technical) education campus, construction of additional classrooms at two existing middle schools, and the renovation of the old Hartsville Junior High School which was the new location for Thornwell School for Arts. During January 2005, the School District issued \$48,000,000 in general obligation bonds under the referendum, with an annual interest rate ranging from 3.25% to 5.13%. Debt outstanding at June 30, 2010, against the \$48,000,000 in general obligations bonds totaled \$44,220,000.

The annual requirements for debt service on General Obligation Bonds outstanding at June 30, 2010, are summarized as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,400,000	\$ 2,106,106	\$ 3,506,106
2012	1,450,000	2,036,106	3,486,106
2013	1,505,000	1,963,606	3,468,606
2014	1,560,000	1,888,356	3,448,356
2015	1,625,000	1,810,356	3,435,356
2016-20	9,200,000	7,732,090	16,932,090
2021-25	12,885,000	5,194,878	18,079,878
2026-30	14,595,000	2,076,026	16,671,026
	<u>44,220,000</u>	<u>24,807,524</u>	<u>69,027,524</u>
Subtotal	44,220,000	24,807,524	69,027,524
Plus (less) deferred amounts:			
Bond premiums	<u>2,086,709</u>	<u>-</u>	<u>2,086,709</u>
Total	<u>\$ 46,306,709</u>	<u>\$ 24,807,524</u>	<u>\$ 71,114,233</u>

**DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

II. DETAILED NOTES ON ALL FUNDS (CONTINUED)

I. Long-Term Debt (Continued)

Advance Refunding

During the 2006 fiscal year the District issued a Qualified Zone Academy Bond (QZAB) in the amount of \$1,400,000. Under the agreement, the District deposited \$700,000 in an escrow account and is required to pay an additional \$139,007 in annual payments of \$8,688 over sixteen years. Because the amount deposited did not completely satisfy the District's financial commitment to retire the bonds, the transaction does not qualify as an in-substance defeasance. Therefore, the debt of \$1,400,000 and an accumulated restricted asset of \$1,275,148 on deposit with the advance refunding agent are included in the government-wide statement of net assets. The balance on deposit has been invested in U.S. Treasury and Agency obligations and is not collateralized or insured against declines in value.

Installment Notes Payable

The District also has installment notes payable with other governmental entities to provide funds for improved energy efficiency. The original amount of notes issued in prior years was \$733,271 from the SC Energy Office. Because interest rates determined by a governmental agency are excluded by Accounting Principles Bulletin 21 from the imputed interest rules applicable to notes with stated rates below market, the face amounts of these notes has not been discounted.

The notes are secured by promissory notes as follows:

	<u>Interest Rates</u>	<u>Balance</u>
SC Energy Office	1.00%	\$ 112,614
SC Energy Office	1.00%	56,534
		<u>\$ 169,147</u>

The annual requirements for debt service for notes payable outstanding at June 30, 2010, which are paid out of the general fund, are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 75,740	\$ 1,345	\$ 77,085
2012	76,501	584	77,085
2013	16,906	11	16,917
Total	<u>\$ 169,147</u>	<u>\$ 1,940</u>	<u>\$ 171,087</u>

Capital Leases Payable

The School District has entered into lease agreements as lessee for financing energy retrofits and outdoor lighting as well as the acquisition of school activity buses. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. These leases were paid in full during fiscal year 2010 out of the general fund.

**DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

II. DETAILED NOTES ON ALL FUNDS (CONTINUED)

I. Long-Term Debt (Continued)

Defeased Debt-Qualified Zone Academy Bonds

Qualified Zone Academy Bonds (QZAB) are issued pursuant to Section 1397E of the Internal Revenue Code of 1986. As such, tax credits will be issued to the lessor and the School District is not liable for interest payments. In November 2000, the School District issued a QZAB in the form of a lease-purchase agreement in the amount of \$938,882. Under the agreement, the School District deposited \$464,000 in an escrow account, which without additional contributions from the School District is guaranteed to be sufficient to satisfy the bond when it matures in November 2013. At June 30, 2010, the accreted value of the escrow account was \$939,568. As the arrangement qualifies as an in-substance defeasance, the debt and balance of the escrow account are not included on the government-wide statement of net assets.

J. Food Service

Federal Guidelines

The School District's Food Service Fund administers the lunch programs in accordance with the United States Department of Agriculture (USDA) guidelines. Revenues are provided from USDA reimbursements and cash collections. The meals served to pupils are classified as regular, reduced, or free lunches by the Food Service Program. The type of meal served determines the amount of reimbursement from the USDA. Reimbursements may be in the form of cash or commodities. The food service expenditures are inclusive of \$323,200 of commodities consumed during the year ended June 30, 2010.

Administrative Costs

The General Fund performs certain administrative functions and pays for certain costs of the Food Service Fund. The School District's accounting policies for food service operations reflect these expenditures in the General Fund.

III. OTHER INFORMATION

A. South Carolina Retirement System

Plan Description

The South Carolina Retirement System (SCRS) is a cost sharing multi-employer defined benefit pension plan administered by the Retirement Division of the State Budget and Control Board. The South Carolina Retirement System offers retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits, and survivor benefits. The Plan's provisions are established under Title 9 of the SC Code of Laws. Both employees and employers are required to contribute to the Plan under authority of Title 9 of the SC Code of Laws. A Comprehensive Annual Financial Report containing financial statement and required supplementary information for the South Carolina Retirement System is issued and publicly available by writing the South Carolina Retirement Systems, P.O. Box 11960, Columbia, SC 29211-1960.

Funding Policy

Plan members are required to contribute 6.50% of their annual covered salary, and the School District is required to contribute at an actuarially determined rate. The current rate is 9.24% of annual covered payroll.

**DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

III. OTHER INFORMATION (CONTINUED)

A. South Carolina Retirement System (Continued)

In addition to the above rates, participating employers of the South Carolina Retirement System contribute .15% of payroll to provide a group life insurance benefit for their participants. State agencies and school districts participating in the South Carolina Retirement System contribute an additional 3.50% for retiree health insurance coverage.

The School District's contributions to SCRS for the years ended June 30, 2010, 2009, and 2008, were \$7,250,620, \$7,714,422 and \$7,193,621, respectively. All employer contributions are equal to the required contribution for each year.

Post-employment benefits for life insurance are actuarially funded by the South Carolina Retirement System.

B. Deferred Compensation Plan

The School District, through the South Carolina Deferred Compensation Commission, offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all School District employees, permits them to defer a portion of their salary until future years.

Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, disability, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts are held in trust for the contributing employee and are not subject to the claims of the School District's general creditors. The plan is administered by the State of South Carolina.

C. Commitments and Contingent Liabilities

Litigation

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

Grants

The School District participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The amount of program expenditures which may be disallowed by the granting agencies cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

**DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

III. OTHER INFORMATION (CONTINUED)

C. Commitments and Contingent Liabilities (Continued)

Construction Commitments

The School District has entered into contracts for various construction projects. Outstanding obligations at June 30, 2010, are as follows:

Project	Contract Amounts	Expended to Date	Remaining Commitment
Administration/Warehouse Roof	\$ 1,074,360	\$ 658,617	\$ 415,743
Brockington Elementary Magnet	5,999,951	5,462,793	537,158
Drainage Rosenwald	90,250	1,366	88,884
Fire Suppressions System	422,921	138,609	284,312
Hartsville High School Gym	4,760,201	1,746,256	3,013,945
Lamar High Track	723,000	684,462	38,538
New Parking Lot BA Gary	86,135	10,172	75,963
New Parking Lot Cain	66,198	9,514	56,684
	<u>\$ 13,223,016</u>	<u>\$ 8,711,789</u>	<u>\$ 4,511,227</u>

D. Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

During 2010, the School District was a participant in the South Carolina Insurance Reserve Fund (the Reserve Fund), a public entity risk pool operating as a common risk management and insurance program for local governments. The School District pays annual premiums to the Reserve Fund for certain general insurance coverage. The Reserve Fund is self-sustaining through member premiums and reinsures through commercial companies for certain claims. The vehicle insurance under the Reserve Fund is retrospectively rated based on the average number of vehicles covered for the participant during the year.

In addition, the School District insures the risk of job related injury or illness to its employees through participation in the South Carolina School Boards Insurance Trust, a public entity risk pool operating for the benefit of the School Districts. The School District pays an annual premium to the South Carolina School Boards Insurance Trust. Additional premium assessments may be required for workers' compensation claims based on the School District's claims experience.

For the above risk management programs, the School District has not significantly reduced insurance coverages from the previous year, and settled claims in excess of insurance coverage for the last three years were immaterial. For each of the public entity risk pools in which it participates, the School District has effectively transferred all risk with no liability for unfunded claims.

E. Budgetary information

Expenditures in excess of budgeted amounts at the legal level of control are disclosed in the Statements of Revenues, Expenditures and Changes in Fund Balance—Budget and Actual for the General Fund and the Special Revenue Funds.

**DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

III. OTHER INFORMATION (CONTINUED)

F. Pending GASB Statements

The GASB has issued the following statements:

Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which is effective for the District's year ending June 30, 2011.

The effect of implementation of this statement on the financial statements has not been determined.

G. Subsequent Events

Subsequent events have been evaluated through November 8, 2010, which is the date the financial statements were available to be issued. Subsequent to June 30, 2010, the School District Board of Education authorized issuance \$5,000,000 of general bonds for the purpose of funding property acquisition and funding of improvements. There were no other subsequent events requiring disclosure as of this date.

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MANAGEMENT'S DISCUSSION
AND ANALYSIS (UNAUDITED)**

**DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
BUDGETARY COMPARISON SCHEDULE - BUDGETED MAJOR GOVERNMENTAL FUNDS -
GENERAL FUND
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts			Variance - Over (Under)
	Original	Final	Actual	
REVENUES				
Local	\$ 30,288,550	\$ 30,290,075	\$ 29,596,625	\$ (693,450)
State	44,652,720	39,746,928	40,658,388	911,460
Total Revenue	<u>74,941,270</u>	<u>70,037,003</u>	<u>70,255,013</u>	<u>218,010</u>
EXPENDITURES				
Current				
Instruction	40,514,922	38,993,570	40,191,865	1,198,295
Support services	30,942,403	29,601,860	25,488,285	(4,113,575)
Community services	-	-	510	510
Intergovernmental	1,642,882	1,562,882	2,631,928	1,069,046
Debt Service				
Principal	437,092	437,092	459,120	22,028
Interest	5,513	5,513	12,900	7,387
Total Expenditures	<u>73,542,812</u>	<u>70,600,917</u>	<u>68,784,608</u>	<u>(1,816,309)</u>
Excess of Revenues Over (Under) Expenditures	<u>1,398,458</u>	<u>(563,914)</u>	<u>1,470,405</u>	<u>2,034,319</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,161,701	1,787,130	1,924,027	136,897
Transfers out	(122,724)	(45,201)	(578,312)	(533,111)
Total Other Financing Sources	<u>1,038,977</u>	<u>1,741,929</u>	<u>1,345,715</u>	<u>(396,214)</u>
Net Change in Fund Balance	<u>\$ 2,437,435</u>	<u>\$ 1,178,015</u>	<u>2,816,120</u>	<u>\$ 1,638,105</u>
FUND BALANCE				
July 1, 2009			<u>19,726,584</u>	
June 30, 2010			<u>\$ 22,542,704</u>	

The accompanying notes to budgetary comparison schedules are an integral part of these schedules.

**DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
BUDGETARY COMPARISON SCHEDULE - BUDGETED MAJOR GOVERNMENTAL FUNDS
SPECIAL PROJECTS FUND
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts			Variance - Over (Under)
	Original	Final	Actual	
REVENUES				
Local	\$ 1,882,639	\$ 1,860,885	\$ 1,860,885	\$ -
State	2,284,004	1,322,600	1,322,600	-
Federal	18,320,600	16,793,199	16,993,917	200,718
Total Revenue	22,487,243	19,976,684	20,177,402	200,718
EXPENDITURES				
Current				
Instruction	13,165,904	9,043,722	8,983,720	(60,002)
Support services	11,542,130	9,485,291	9,485,291	-
Intergovernmental	120,043	313,545	313,545	-
Total Expenditures	24,828,077	18,842,558	18,782,556	(60,002)
Excess of Revenues Over (Under) Expenditures	(2,340,834)	1,134,126	1,394,846	260,720
OTHER FINANCING SOURCES (USES)				
Transfers in	153	-	-	-
Transfers out	(542,219)	(897,993)	(957,993)	(60,000)
Total Other Financing Sources	(542,066)	(897,993)	(957,993)	(60,000)
Net Change in Fund Balance	\$ (2,882,900)	\$ 236,133	436,853	\$ 200,720
FUND BALANCE				
July 1, 2009			1,433,438	
June 30, 2010			\$ 1,870,291	

The accompanying notes to budgetary comparison schedules are an integral part of these schedules.

**DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
BUDGETARY COMPARISON SCHEDULE - BUDGETED MAJOR GOVERNMENTAL FUNDS -
EDUCATION IMPROVEMENT ACT FUND
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Variance - Over (Under)
	Original	Final		
REVENUES				
Local	\$ -	\$ 350	\$ 350	\$ -
State	8,117,589	5,668,053	5,668,053	-
Total Revenue	8,117,589	5,668,403	5,668,403	-
EXPENDITURES				
Current				
Instruction	6,039,532	4,085,963	4,085,963	-
Support services	941,725	798,383	798,383	-
Intergovernmental	776	11,550	11,550	-
Total Expenditures	6,982,033	4,895,896	4,895,896	-
Excess of Revenues Over (Under) Expenditures	1,135,556	772,507	772,507	-
OTHER FINANCING SOURCES (USES)				
Transfers in	-	543,268	543,268	-
Transfers out	(1,376,378)	(1,315,775)	(1,315,775)	-
Total Other Financing Sources (Uses)	(1,376,378)	(772,507)	(772,507)	-
Net Change in Fund Balance	\$ (240,822)	\$ -	-	\$ -
FUND BALANCE				
July 1, 2009			-	
June 30, 2010			\$ -	

The accompanying notes to budgetary comparison schedules are an integral part of these schedules.

**DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
BUDGETARY COMPARISON SCHEDULE - BUDGETED MAJOR GOVERNMENTAL FUNDS
SCHOOL BUILDING FUND
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts			Variance -
	Original	Final	Actual	Over (Under)
REVENUES				
Local	\$ 105,500	\$ 69,527	\$ 69,527	\$ -
Total Revenue	105,500	69,527	69,527	-
EXPENDITURES				
Current				
Support services	83,306	113,992	-	(113,992)
Debt service				
Interest	-	-	8,687	8,687
Capital outlay	8,516,998	9,116,556	9,221,861	105,305
Total Expenditures	8,600,304	9,230,548	9,230,548	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(8,494,804)	(9,161,021)	(9,161,021)	-
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	541,952	541,952	-
Proceeds from issuance of bond	5,000,000	5,000,000	5,000,000	-
Total Other Financing Sources	5,000,000	5,541,952	5,541,952	-
NET CHANGE IN FUND BALANCE	\$ (3,494,804)	\$ (3,619,069)	(3,619,069)	\$ -
FUND BALANCE				
July 1, 2009			5,739,221	
June 30, 2010			\$ 2,120,152	

The accompanying notes to budgetary comparison schedules are an integral part of these schedules.

**DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
BUDGETARY COMPARISON SCHEDULE - BUDGETED MAJOR GOVERNMENTAL FUNDS -
DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Variance - Over (Under)
	Original	Final		
REVENUES				
Local	\$ 9,565,746	\$ 9,719,602	\$ 9,733,214	\$ 13,612
State	122,922	281,733	281,733	-
Total Revenue	9,688,668	10,001,335	10,014,947	13,612
EXPENDITURES				
Debt service				
Principal	6,350,000	6,350,000	6,350,000	-
Interest	2,300,000	2,194,806	2,194,806	-
Fees	1,200	1,240	1,240	-
Total Expenditures	8,651,200	8,546,046	8,546,046	-
NET CHANGE IN FUND BALANCE	<u>\$ 1,037,468</u>	<u>\$ 1,455,289</u>	1,468,901	<u>\$ 13,612</u>
FUND BALANCE				
July 1, 2009			11,814,244	
June 30, 2010			<u>\$ 13,283,145</u>	

The accompanying notes to budgetary comparison schedules are an integral part of these schedules.

**DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
NOTES TO BUDGETARY COMPARISON SCHEDULES –
BUDGETED MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010**

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

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

- (1) In the fall of the preceding year, the School District begins its budget process for the next succeeding fiscal year beginning on July 1.
- (2) The Superintendent then presents a proposed budget to the Board of Trustees, which reviews it in a series of workshops and makes any additions or deletions it deems necessary.
- (3) The proposed budget, inclusive of all funds anticipated to be available to fund the operations of the School District, is given two readings before the Board.
- (4) Prior to July 1, the budget is legally enacted through passage of a resolution by the Board.

A budget is prepared for each governmental fund. The budget is prepared by function and object and includes current year estimates and requested appropriations for the next fiscal year. One budgetary amendment was made during the year for the governmental funds, adjusting revenues, expenditures, and other financing sources (uses) as follows:

	<u>General</u>	<u>Special Projects</u>	<u>EIA</u>	<u>Debt Service</u>	<u>School Building</u>
Revenues	\$ (4,904,267)	\$ (2,716,473)	\$ (2,449,186)	\$ 312,667	\$ (35,973)
Expenditures	(2,941,895)	(5,985,519)	(2,086,137)	(105,154)	630,244
Other financing sources	625,529	(153)	543,268	-	541,952
Other financing uses	(77,523)	355,774	60,603	-	-

Budget appropriations lapse at year-end.

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

[Purchaser]

Re: \$5,000,000 General Obligation Bonds, Series 2011 of
 The School District of Darlington 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 \$5,000,000 General Obligation Bonds, Series 2011, of The School District of Darlington 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 Education of The School District of Darlington County, South Carolina (the "Board"), the governing body of The School District of Darlington County, South Carolina (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 196, 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 2011 not exceeding \$10 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 August __, 2011 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,

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered this ____ day of September, 2011, by The School District of Darlington County, South Carolina (the “School District”) in connection with the issuance of the School District’s \$5,000,000 General Obligation Bonds, Series 2011 (the “Bonds”).

The Bonds are being issued pursuant to the Constitution and the laws of the State of South Carolina, and a resolution adopted August 8, 2011. The School District covenants and agrees as follows:

Section 1. *Purpose of the Disclosure Certificate.* This Disclosure Certificate is being executed and delivered by the School District for the benefit of the holders and Beneficial Owners of the Bonds in order to assist the Participating Underwriters in complying with Securities Exchange Commission Rule 15c2-12(b)(5). Inasmuch as the Bonds have a stated maturity of less than 18 months, the limited exemption provided by S.E.C. Rule 15c-2-12(d)(3) applies to the Bonds, and the School District’s obligations are limited to compliance with S.E.C. Rule 15c2-12(b)(5)(i)(C).

Section 2. *Definitions.* In addition to the definitions set forth in the Resolution, which apply to any capitalized terms used in this Section, the following capitalized terms shall have the following meanings:

“Beneficial Owner” means 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.

“Dissemination Agent” means any person designated in writing by the School District and which has filed with the School District a written acceptance of such designation.

“Listed Events” means any of the events listed in Section 3(a) of this Disclosure Certificate.

“National Repository” means the Electronic Municipal Market Access system (EMMA) maintained by the Municipal Securities rulemaking Board.

“Official Statement” means the Official Statement dated August __, 2011, prepared in connection with the Bonds.

“Participating Underwriter” means any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

“Repository” means the National Repository and each State Depository, if any.

“Rule” means 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” means the State of South Carolina.

“State Depository” means any public or private depository or entity designated by the State as a

state depository for purposes of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Certificate, there is no State Depository established in South Carolina.

Section 3. *Reporting of Significant Events.*

(a) Pursuant to the provisions of this Section 3, the School District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (i) principal and interest payment delinquencies.
- (ii) non-payment related defaults.
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties.
- (iv) unscheduled draws on credit enhancement reflecting financial difficulties.
- (v) substitution of the credit or liquidity providers or their failure to perform.
- (vi) adverse tax opinions or events affecting the tax-exempt status of the Bonds.
- (vii) modifications to rights of bondholders.
- (viii) bond calls.
- (ix) defeasances.
- (x) release, substitution, or sale of property securing repayment of the securities.
- (xi) rating changes.

(b) Whenever the School District obtains knowledge of the occurrence of a Listed Event, the School District Superintendent shall as soon as possible determine if such event would be material under federal securities laws.

(c) If the School District Superintendent determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the School District shall promptly file a notice of such occurrence with the Municipal Securities Rulemaking Board and each Repository, provided, that any notice of any event listed under (a)(viii) or (ix) above need not be given any earlier than the notice (if any) of such event is given to holders of affected Bonds pursuant to the Resolution.

Section 4. *Termination of Reporting Obligation.* The School District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the School District shall give notice of such termination in the same manner as for a Listed Event under Section 3(c).

Section 5. *Dissemination Agent.* The School District may, from time to time, appoint or engage a Dissemination Agent to assist in its carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the School District pursuant to this Disclosure Certificate.

Section 6. *Additional Information.* Nothing in this Disclosure Certificate shall be deemed to prevent the School District 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 School District 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 School District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 7. *Default.* In the event of a failure of the School District to comply with any provision of this Disclosure Certificate, any holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the School District 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 School District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 8. *Duties, Immunities and Liabilities of the Dissemination Agent.* The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the School District agrees, to the extent permitted by law, to indemnify and save that 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 (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the School District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 9. *Beneficiaries.* This Disclosure Certificate shall inure solely to the benefit of the School District, the Dissemination Agent, the Participating Underwriters and holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity. This Disclosure Certificate is not intended to create any monetary rights on behalf of any person.

THE SCHOOL DISTRICT OF DARLINGTON
COUNTY, SOUTH CAROLINA

By: _____

OFFICIAL BID FORM
\$5,000,000 General Obligation Bonds, Series 2011
of The School District of Darlington County, South Carolina

Chair, Board of Education
The School District of Darlington County
c/o Haynsworth Sinkler Boyd, P.A.
1831 W. Evans Street, Ste. 315
Florence, South Carolina 29501

Telephone (843) 669-6002
Facsimile (843) 669-3815

Subject to the provisions and in accordance with the Official Notice of Sale for the \$5,000,000 General Obligation Bonds, Series 2011 (the "Bonds"), of The School District of Darlington 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.

Principal and interest on the Bonds will be due and payable on May 1, 2012. The Bonds are not subject to optional redemption.

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 August 24, 2011 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.

<p>The following is for information only and is not a part of this bid:</p>	<div style="border-bottom: 1px solid black; text-align: center; margin-bottom: 10px;">Company Name</div> <div style="border-bottom: 1px solid black; text-align: center; margin-bottom: 10px;">Address</div> <div style="border-bottom: 1px solid black; text-align: center; margin-bottom: 10px;">Authorized Signature</div> <div style="border-bottom: 1px solid black; text-align: center;">Contact Name and Telephone Number</div>								
<p>Total Interest to Maturity calculated on the basis of a 360-day year consisting of twelve</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 70%;">30-day months</td> <td style="text-align: right;">\$ _____</td> </tr> <tr> <td>Less Premium</td> <td style="text-align: right;">\$ _____</td> </tr> <tr> <td>Net Interest Cost</td> <td style="text-align: right;">\$ _____</td> </tr> <tr> <td>Effective Net Interest Rate</td> <td style="text-align: right;">_____ %</td> </tr> </table>	30-day months	\$ _____	Less Premium	\$ _____	Net Interest Cost	\$ _____	Effective Net Interest Rate	_____ %	
30-day months	\$ _____								
Less Premium	\$ _____								
Net Interest Cost	\$ _____								
Effective Net Interest Rate	_____ %								

The foregoing proposal accepted this ____ day of August, 2011.

Chair, Board of Education

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
