

**FULL BOOK-ENTRY-ONLY
NEW ISSUE**

**RATINGS: Moody's Investors Service: "___" "___" "___"
Standard & Poor's: "___" "___" "___"
(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. Interest on the Bonds, however, will be included in the computation of adjusted current earnings for purposes of alternative minimum tax for corporations. 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. See "CERTAIN LEGAL MATTERS-Federal Income Tax Generally" for a brief description of alternative minimum tax treatment and certain other federal income tax consequences to certain recipients of interest on the Bonds.

**OFFICIAL STATEMENT
RELATING TO THE ISSUANCE OF
\$6,600,000* GENERAL OBLIGATION BONDS, SERIES 2011B,
--and--
\$109,700,000* GENERAL OBLIGATION BONDS, SERIES 2011C,
OF
LEXINGTON COUNTY SCHOOL DISTRICT NO. 1, SOUTH CAROLINA**

The General Obligation Bonds of Lexington County School District No. 1, South Carolina, Series 2011B (the "2011B Bonds") and Series 2011C (the "2011C Bonds, and together with the 2011B Bonds, the "Bonds"), will be general obligation bonds of Lexington County School District No. 1, 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 holders 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."** The Bank of New York Mellon Trust Company, N.A. will serve as Registrar/Paying Agent for the Bonds.

The 2011B Bonds will be dated the date of delivery and payment thereof, which is expected to be October 25, 2011, and will mature as to principal and interest on March 1, 2012. The Series 2011B Bonds are not subject to redemption prior to maturity as described in "THE BONDS—Redemption Provisions" herein.

The 2011C Bonds will be dated as of the date of delivery and payment therefor, which is expected to be October 25, 2011, and will mature as to principal and bear interest from their date at the rates per annum shown on the inside cover hereof. Interest will be payable on the Interest Payment Dates commencing February 1, 2012. The 2011C Bonds are subject to optional redemption prior to maturity as described in "THE BONDS—Redemption Provisions" herein.

Each Series of Bonds are offered when, as and if issued and subject to the approving opinion as to legality of Haynsworth Sinkler Boyd, P.A., Columbia, South Carolina. It is expected that the Bonds in definitive form will be delivered to DTC and be available for credit to the account of the DTC Participants on or about October 25, 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.

*Subject to adjustment as provided in the Official Notices of Sale.

This Official Statement is dated _____, 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.

LEXINGTON COUNTY SCHOOL DISTRICT NO. 1, SOUTH CAROLINA

\$6,600,000*General Obligation Bonds, Series 2011B

SUMMARY INFORMATION

<u>Due March 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP</u>
2012	\$6,600,000*	____%	_____

*Subject to adjustment as provided in the Official Notice of Sale.

\$_____ * General Obligation Bonds, Series 2011C

<u>Due February 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Reoffering Price</u>	<u>CUSIP</u>
2012	\$5,600,000			
2013	750,000			
2014	3,250,000			
2015	1,250,000			
2016	2,200,000			
2017	3,300,000			
2018	2,800,000			
2019	0			
2020	0			
2021	5,900,000			
2022	6,800,000			
2023	8,200,000			
2024	8,200,000			
2025	1,400,000			
2026	1,700,000			
2027	4,640,000			
2028	4,875,000			
2029	5,125,000			
2030	5,390,000			
2031	5,640,000			
2032	5,900,000			
2033	6,200,000			
2034	6,520,000			
2035	6,855,000			
2036	7,205,000			

*Subject to adjustment as provided in the Official Notice of Sale.

No dealer, broker, salesman or other person has been authorized by Lexington County School District No. 1, South Carolina (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.

**LEXINGTON COUNTY SCHOOL DISTRICT NO. 1,
SOUTH CAROLINA**

SCHOOL DISTRICT BOARD OF TRUSTEES

Cynthia S. Smith, Chair
G. Edward Harmon, Ph.D., Vice Chairman
Albert "Bert" J. Dooley, Jr., Secretary
Sandra Kay Backman
Debra L. Knight
Bradley R. Pitts, DMD
D.F. "Frank" Shumpert, III

SCHOOL DISTRICT ADMINISTRATION

Karen C. Woodward, Ed.D., Superintendent
John C. Butler, CPA, Chief Financial Officer

BOND COUNSEL

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

FINANCIAL ADVISOR

Wells Fargo Securities
Charlotte, North Carolina

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OFFICIAL NOTICE OF SALE

\$6,600,000*GENERAL OBLIGATION BONDS, SERIES 2011B, OF LEXINGTON COUNTY SCHOOL DISTRICT NO. 1, SOUTH CAROLINA

SEALED PROPOSALS, addressed to the undersigned, will be received by the Board of Trustees of Lexington County School District No. 1, South Carolina (the "School District"), until 12:00 o'clock noon Eastern Daylight Savings Time on Thursday, October 13, 2011, at which time said proposals will be publicly opened in the Offices of Haynsworth Sinkler Boyd, P.A., 1201 Main Street, Suite 2200, Columbia, South Carolina, for the purchase of Six Million Six Hundred Thousand Dollars (\$6,600,000*) General Obligation Bonds, Series 2011B (the "2011B Bonds").

The 2011B Bonds will mature as to principal and interest on March 1, 2012. Interest on the 2011B Bonds will run from the dated date thereof, which is expected to be October 25, 2011. Interest will be calculated on the basis of a 360-day year consisting of 12 months of 30 days each.

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 Bank of New York Mellon Trust Company, N.A., as Paying Agent and Registrar of the 2011B Bonds.

Bid Requirements: Bidders shall specify the single fixed rate of interest which the 2011B Bonds are to bear. A bid for less than all the 2011B Bonds or a bid at a price less than par will not be considered.

Award of Bonds: The 2011B Bonds will be awarded to the bidder or bidders offering to purchase the 2011B Bonds at the lowest net interest cost (NIC) to the School District. 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 4:00 p.m., South Carolina time, on the date of the sale.

Reduction of Par Amount of Bonds: The aggregate principal amount of the 2011B Bonds is subject to adjustment, both before and after the receipt and opening of sealed bids for their purchase; provided that in no event shall the principal amount be reduced by more than 10%. Changes to be made prior to the sale will be published on Munifacts not later than 9:30 a.m. EST on the date of sale.

A reduction in the principal amount of the 2011B Bonds made following the receipt of bids therefor shall be made within twenty-four (24) hours of the award of the 2011B Bonds. In order to calculate the yield on the 2011B Bonds for federal tax law purposes and as a condition precedent to the award thereof, bidders must disclose to the School District in connection with their bids the price (or yield to maturity) at which the 2011B Bonds will be reoffered to the public.

In the event of any reduction in the principal amount of the 2011B Bonds as described herein, no rebidding or recalculation of the proposals submitted will be required or permitted. The 2011B Bonds, adjusted as to principal amount, will bear interest at the same rate and must have the same reoffering yield as specified by the successful bidder therefor in its bid for the purchase of such Bonds. Nevertheless, the award of Bonds will be made to the bidder whose proposal produces the lowest net interest cost without taking into account any adjustment in principal amount pursuant to this paragraph.

Bid Submission: Except as provided in the next succeeding paragraph, all bids for the purchase of the 2011B Bonds must be submitted to the School District through the Parity Electronic Bid Submission System ("PARITY"). No other form of bid or provider of electronic bidding services will be accepted. Such bids are to be publicly opened 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. Bids must be received by the School District before the time stated above. 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. The School District is not liable for any costs incurred in the preparation, delivery, acceptance or rejection of any bid.

*Subject to adjustment as provided herein.

Direct Placement Bids: Financial institutions desiring to submit a bid to purchase the 2011B Bonds for the purpose of investment (“Direct Placement Bidders”) may submit bids via facsimile at telephone number (803) 540-7721.

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 2011B Bonds, the 2011B Bonds will be issued as a single Bond, without CUSIP identification. A Direct Placement Bidder, if awarded the 2011B 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 2011B 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 a bidder for the 2011B Bonds desires to have the 2011B 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.

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) 849-5021.

Purpose: The 2011B Bonds are issued for the purposes of defraying the costs of capital improvements to facilities of the School District.

Security: The 2011B Bonds shall constitute binding general obligations of the School District and the full faith, credit, resources and taxing power of the School District are irrevocably pledged for the payment of the 2011B 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 2011B Bonds at the maturity thereof and to create such sinking fund as may be necessary therefor.

Official Statement: The Preliminary Official Statement dated October 6, 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 2011B Bonds.

Continuing Disclosure: In order to assist bidders in complying with SEC Rule 15c2-12, the School District will undertake, pursuant to the bond resolution authorizing the issuance of the 2011B Bonds and a Continuing Disclosure Certificate, to provide notice of certain material events. A description of this undertaking is set forth in the preliminary Official Statement and will also be set forth in the final Official Statement.

Legal Opinion: The School District shall furnish upon delivery of the 2011B Bonds the final approving opinion of Haynsworth Sinkler Boyd, P.A., Bond Counsel, Columbia, South Carolina, together with the usual closing documents, including a certificate that no litigation is pending affecting the 2011B Bonds.

Certificates as to Issue Price and Yield: The successful bidder for the 2011B 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 2011B Bonds to the public (excluding bond houses and brokers) and the price at which a substantial amount of the 2011B Bonds were sold to the public, in form satisfactory to Bond Counsel. As a condition precedent to the delivery of the 2011B Bonds and in order to assist the School District in compliance with applicable federal tax law, bidders must certify to the School District the “yield” on the 2011B Bonds, calculated in accordance with Section 1.148-4 of the United States Treasury Regulations.

Delivery: The 2011B Bonds will be delivered on or about October 25, 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 purchasers at the expense of the purchaser. The balance of the purchase price then due must be paid in Federal funds or other immediately available funds. The cost of preparing the 2011B Bonds will be borne by the School District.

CUSIP Numbers: It is anticipated that CUSIP identification numbers will be printed on the 2011B 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 2011B Bonds in accordance with the terms of its proposal. All expenses in relation to the printing of CUSIP identification numbers on the 2011B 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.

Additional Information: Persons seeking further fiscal information relative to the School District should communicate with John C. Butler, Chief Financial Officer, Lexington County School District No. 1, 100 Tarrar Springs Road, Lexington, South Carolina 29071, telephone (803) 951-8338. Persons seeking additional copies of the Official Statement should communicate with Theodore B. DuBose, Bond Counsel, Haynsworth Sinkler Boyd, P.A., Post Office Box 11889, Columbia, South Carolina 29211, telephone (803) 540-7830 or the School District’s Financial Advisor, David Cheatwood, Wells Fargo Securities, 301 S. College Street, D1053-043, Charlotte, North Carolina 28202, telephone (704) 715-6723.

This Notice is given to evidence the District’s intent to receive bids for and award the 2011B Bonds on the date stated above. Such sale may be postponed prior to the time bids are to be received through Thomson Municipal News, 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 News, Bloomberg, i-dealprospectus.com or other electronic information service.

Chair, Board of Trustees

OFFICIAL NOTICE OF SALE

\$109,700,000* GENERAL OBLIGATION BONDS, SERIES 2011C, OF LEXINGTON COUNTY SCHOOL DISTRICT NO. 1, SOUTH CAROLINA

SEALED PROPOSALS, addressed to the undersigned, will be received by the Board of Trustees of Lexington County School District No. 1 (the "School District"), until 12:00 o'clock noon Eastern Daylight Savings Time on Thursday, October 13, 2011, at which time said proposals will be publicly opened in the Offices of Haynsworth Sinkler Boyd, P.A., 1201 Main Street, Suite 2200, Columbia, South Carolina, for the purchase of One Hundred Nine Million Seven Hundred Thousand Dollars (\$109,700,000*) General Obligation Bonds, Series 2011C (the "2011C Bonds").

The 2011C Bonds will be dated as of October 25, 2011, the date of delivery thereof; will be numbered from R-1 upward; and will mature serially in successive annual installments on February 1 in each of the years and in the principal amounts as follows:

<u>Due</u> <u>February 1</u>	<u>Principal</u> <u>Amount</u>	<u>Due</u> <u>February 1</u>	<u>Principal</u> <u>Amount</u>
2012	\$5,600,000	2025	\$1,400,000
2013	750,000	2026	1,700,000
2014	3,250,000	2027	4,640,000
2015	1,250,000	2028	4,875,000
2016	2,200,000	2029	5,125,000
2017	3,300,000	2030	5,390,000
2018	2,800,000	2031	5,640,000
2019	0	2032	5,900,000
2020	0	2033	6,200,000
2021	5,900,000	2034	6,520,000
2022	6,800,000	2035	6,855,000
2023	8,200,000	2036	7,205,000
2024	8,200,000		

SAID 2011C Bonds will bear interest from October 25, 2011, at a rate or rates to be named by the bidder, payable on February 1 and August 1 of each year (the "Bond Payment Dates") commencing February 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 Bank of New York Mellon Trust Company, N.A., as Paying Agent and Registrar of the 2011C Bonds.

Term Bond Option: The purchaser of the 2011C Bonds may elect to combine one or more consecutive maturities of the 2011C Bonds to create not more than three term maturities, each of which will be subject to annual mandatory sinking fund redemption at par plus accrued interest to the redemption date (to the extent not previously redeemed) on February 1 in the principal amounts and for the years shown above. To the extent Bonds subject to mandatory sinking fund redemption in a given year have been purchased by the District or redeemed by the District pursuant to the optional redemption provisions set forth herein, the amount of mandatory sinking fund redemption in such year shall be reduced in such manner as the District shall direct, or, absent such direction, on a pro rata basis.

Bid Requirements: Bidders shall specify the rate or rates of interest per annum which the 2011C Bonds are to bear, to be expressed in multiples of 1/20th or 1/8th of 1% with no greater difference than 3% between the highest and lowest rates of interest named by a bidder. Bidders are not limited as to the number of rates of interest named, but the rate of interest on each separate maturity must be the same single rate for the 2011C Bonds of that maturity from their date to such maturity date. A bid for less than all the 2011C Bonds or a bid at a price less than par will not be considered. Any premium offered must be paid as part of the purchase price of the 2011C Bonds at the delivery thereof.

*Subject to adjustment as provided herein.

Award of 2011C Bonds: The 2011C Bonds will be awarded to the bidder or bidders offering to purchase the 2011C Bonds at the lowest true interest cost (TIC) to the School District. 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 4:00 p.m., South Carolina time, on the date of the sale.

Adjustment of Par Amount of 2011C Bonds: The aggregate principal amount of the 2011C Bonds is subject to adjustment, both before and after the receipt and opening of sealed bids for their purchase; provided that in no event shall the principal amount of the 2011C Bonds in the aggregate or as to any serial maturity or annual sinking fund redemption amount be adjusted by more than 10%. Changes to be made prior to the sale will be published on Munifacts not later than 9:30 a.m. EST on the date of sale.

An adjustment in the principal amount of the 2011C Bonds made following the receipt of bids therefor shall be made within twenty-four (24) hours of the award of the 2011C Bonds. In order to calculate the yield on the 2011C Bonds for federal tax law purposes and as a condition precedent to the award thereof, bidders must disclose to the School District in connection with their bids the price (or yield to maturity) at which the 2011C Bonds will be reoffered to the public.

In the event of any adjustment in the principal amount of the 2011C Bonds as described herein, no rebidding or recalculation of the proposals submitted will be required or permitted. The 2011C Bonds, adjusted as to principal amount, will bear interest at the same rate and must have the same reoffering yield as specified by the successful bidder therefor in its bid for the purchase of such Bonds. Nevertheless, the award of Bonds will be made to the bidder whose proposal produces the lowest net interest cost without taking into account any adjustment in principal amount pursuant to this paragraph.

Bid Submission: Except as provided in the next succeeding paragraph, all bids for the purchase of the 2011C Bonds must be submitted to the School District through the Parity Electronic Bid Submission System (“*PARITY*”). No other form of bid or provider of electronic bidding services will be accepted. Such bids are to be publicly opened 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. Bids must be received by the School District before the time stated above. 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.

The School District is not liable for any costs incurred in the preparation, delivery, acceptance or rejection of any bid.

Direct Placement Bids: Financial institutions desiring to submit a bid to purchase the 2011C Bonds for the purpose of investment (“Direct Placement Bidders”) may submit bids via facsimile at telephone number (803) 540-7721. 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 2011C Bonds, the 2011C Bonds will be issued as a single Bond, without CUSIP identification. A Direct Placement Bidder, if awarded the 2011C 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 2011C 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 a bidder for the 2011C Bonds desires to have the 2011C 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.

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) 849-5021.

Purpose: The 2011C Bonds are issued for the purposes of defraying the costs of capital improvements to facilities of the School District.

Security: The 2011C Bonds shall constitute binding general obligations of the School District and the full faith, credit, resources and taxing power of the School District are irrevocably pledged for the payment of the 2011C 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 2011C Bonds at the maturity thereof and to create such sinking fund as may be necessary therefor.

Official Statement: The Preliminary Official Statement dated October 6, 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 2011C Bonds.

Continuing Disclosure: In order to assist bidders in complying with SEC Rule 15c2-12, the School District will undertake, pursuant to the bond resolution authorizing the issuance of the 2011C Bonds and a Continuing Disclosure Certificate, to provide notice of certain material events. A description of this undertaking is set forth in the preliminary Official Statement and will also be set forth in the final Official Statement.

Legal Opinion: The School District shall furnish upon delivery of the 2011C Bonds the final approving opinion of Haynsworth Sinkler Boyd, P.A., Bond Counsel, Columbia, South Carolina, together with the usual closing documents, including a certificate that no litigation is pending affecting the 2011C Bonds.

Certificates as to Issue Price and Yield: The successful bidder for the 2011C 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 2011C Bonds to the public (excluding bond houses and brokers) and the price at which a substantial amount of the 2011C Bonds were sold to the public, in form satisfactory to Bond Counsel.

Delivery: The 2011C Bonds will be delivered on or about October 25, 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 purchasers at the expense of the purchaser. The balance of the purchase price then due must be paid in Federal funds or other immediately available funds. The cost of preparing the 2011C Bonds will be borne by the School District.

CUSIP Numbers: It is anticipated that CUSIP identification numbers will be printed on the 2011C 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 2011C Bonds in accordance with the terms of its proposal. All expenses in relation to the printing of CUSIP identification numbers on the 2011C 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.

Additional Information: Persons seeking further fiscal information relative to the School District should communicate with John C. Butler, Chief Financial Officer, Lexington County School District No. 1, 100 Tarrar Springs Road, Lexington, South Carolina 29071, telephone (803) 951-8338. Persons seeking additional copies of the Official Statement should communicate with Theodore B. DuBose, Bond Counsel, Haynsworth Sinkler Boyd, P.A., Post Office Box 11889, Columbia, South Carolina 29211, telephone (803) 540-7830 or the School District's Financial Advisor, David Cheatwood, Wells Fargo Securities, 301 S. College Street, D1053-043, Charlotte, North Carolina 28202, telephone (704) 715-6723.

This Notice is given to evidence the District's intent to receive bids for and award the 2011C Bonds on the date stated above. Such sale may be postponed prior to the time bids are to be received through Thomson Municipal News, 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 News, Bloomberg, i-dealprospectus.com or other electronic information service.

Chair, Board of Trustees

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 \$6,600,000* General Obligation Bonds, Series 2011B (the “2011B Bonds”) and the \$109,700,000* General Obligation Bonds, Series 2011C (the “2011C Bonds”) (collectively, the “Bonds”), are being issued by Lexington County School District No. 1, South Carolina (the “School District”), a body politic and corporate and a political subdivision of the State of South Carolina. The Board of Trustees of Lexington County School District No. 1 (the “Board”) is the governing body of the School District.

Security

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

Purpose of the Bonds

The Bonds are being issued for the purpose of (i) acquiring school facilities, (ii) defraying the costs of certain improvements to the facilities of the School District such as the acquisition of information technology equipment and improvements to roadways at facilities of the School District, and (iii) paying certain costs of issuance of the Bonds.

Details of the Bonds

The Bonds will be general obligations 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”). The Bonds will be dated the date of delivery thereof, which is expected to be October 25, 2011, and will bear interest from such date at the rates shown on the inside front cover hereof. The 2011B Bonds will mature as to principal and interest on March 1, 2012 and are not subject to redemption prior to maturity.

The 2011C Bonds will bear interest from their date at the rates shown on the inside front cover hereof payable initially on February 1, 2012, and semiannually thereafter on February 1 and August 1 of each year until they mature. The 2011C Bonds will mature in successive annual installments on February 1 in each of the years and in the principal amounts set forth on the inside front cover hereof. The 2011C Bonds are subject to redemption as provided herein. 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. Interest on the Bonds, however, will be included in the computation of adjusted current earnings for the purpose of determining alternative minimum tax for corporations. Under the present laws of the State of South Carolina, 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.. See “CERTAIN LEGAL MATTERS – Federal Income Tax Generally” and “CERTAIN LEGAL MATTERS - Collateral Federal Tax Considerations” herein.

*Subject to adjustment as provided herein.

Professionals Involved in the Offering

Haynsworth Sinkler Boyd, P.A., Columbia, South Carolina, is acting as Bond Counsel in connection with the issuance of the Bonds. Wells Fargo Securities, Charlotte, North Carolina, is serving as Financial Advisor to the School District for the purpose of this matter. The Bank of New York Mellon Trust Company, N.A., Jacksonville, Florida is serving as Paying Agent and Registrar of 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 Burkett, Burkett & Burkett, Certified Public Accountants, West Columbia, South Carolina.

Authorization

The Bonds will be issued pursuant to the provisions and authorizations of Article X, Section 15 of the South Carolina Constitution, Sections 59-71-10 *et seq.*, and Section 11-27-50, Code of Laws of South Carolina, 1976, as amended (together, the “School Bond Act”), and a resolution adopted on August 16, 2011 (the “Resolution”).

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 October 25, 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 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 Resolutions, and related documents and information are available by contacting John C. Butler, Chief Financial Officer, Lexington County School District No. 1, 100 Tarrar Springs Road, Lexington, South Carolina 29071, telephone (803) 951-8338.

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THE BONDS

Description of the Bonds

The 2011B Bonds here offered constitute an issue of \$6,600,000 General Obligation Bonds, Series 2011B, of Lexington County School District No. 1, South Carolina (the “School District”). The 2011B Bonds will mature on March 1, 2012 and are not subject to redemption prior to maturity.

The Series 2011C Bonds here offered constitute an issue of \$109,700,000 General Obligation Bonds of the School District (the “2011C Bonds”). The 2011C Bonds will bear interest from their date at the rates shown on the inside front cover hereof, payable initially on February 1, 2012, and semiannually thereafter on February 1 and August 1 of each year until they mature.

The Bonds will be issued in fully registered book-entry form; will be dated as of October 25, 2011, the date of delivery thereof. The Bonds shall be issued under the DTC Book-Entry-Only System issued in the denominations of \$5,000 or integral multiples thereof, registered in the name of Cede & Co., as the registered owner and nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Bonds. The Bank of New York Mellon Trust Company, N.A., shall serve as Registrar and Paying Agent for the Bonds for so long as the same are held under a Book-Entry-Only System (the “Registrar/Paying Agent”).

Book-Entry-Only System

THE DESCRIPTION WHICH FOLLOWS OF THE PROCEDURES AND RECORDKEEPING WITH RESPECT TO BENEFICIAL OWNERSHIP INTERESTS IN THE BONDS, PAYMENT OF INTEREST AND PRINCIPAL ON THE BONDS TO DIRECT AND INDIRECT PARTICIPANTS (AS HEREINAFTER DEFINED) OR BENEFICIAL OWNERS OF THE BONDS, CONFIRMATION AND TRANSFER OF BENEFICIAL OWNERSHIP INTERESTS IN THE BONDS, AND OTHER RELATED TRANSACTIONS BY AND BETWEEN DTC (AS DEFINED BELOW), THE DIRECT AND INDIRECT PARTICIPANTS AND BENEFICIAL OWNERS OF THE BONDS IS BASED SOLELY ON INFORMATION FURNISHED BY DTC TO THE SCHOOL DISTRICT FOR INCLUSION IN THIS OFFICIAL STATEMENT. ACCORDINGLY, THE SCHOOL DISTRICT NEITHER MAKES NOR CAN MAKE ANY REPRESENTATIONS CONCERNING THESE MATTERS.

The Depository Trust Company (“**DTC**”), New York, New York, will initially act as securities depository for 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 each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities 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 issues, 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 Direct Participants and Indirect Participants (collectively “*Participants*”) are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of 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 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 Participant 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 Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The 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 Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the Ordinance (as defined herein). 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 such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the 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).

Principal, redemption premium, if any, and interest 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 or the Registrar/Paying Agent on each 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 nor its nominee, the Registrar/Paying Agent or the School District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is 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 Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the School District and the Registrar/Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

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 DTC, and the School District does not take responsibility for the accuracy thereof.

The School District and the Registrar/Paying Agent cannot and do not give any assurances that DTC, or Participants will distribute to the Beneficial Owners of the Bonds (i) payments of principal of, premium, if any, and interest with respect to the Bonds, (ii) confirmations of their ownership interests in the Bonds or (iii) prepayment or other notices sent to DTC or Cede & Co., its partnership nominee, as the registered owner of the Bonds, or that they will do so on a timely basis, or that DTC, or Participants will serve and act in the manner described in this Official Statement.

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.

NEITHER THE SCHOOL DISTRICT NOR THE REGISTRAR/PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE PARTICIPANTS, OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS; (3) THE DELIVERY BY DTC OR ANY PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS OF THE BONDS UNDER THE TERMS OF THE ORDINANCE; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC.

Beneficial Owners of the Bonds may experience some delay in their receipt of distributions of principal and interest on the Bonds since such distributions will be forwarded by the Registrar/Paying Agent to DTC and DTC will credit such distributions to the accounts of Direct Participants, which will thereafter credit them to the accounts of Beneficial Owners either directly or indirectly through Indirect Participants. Issuance of the Bonds in book-entry form may reduce the liquidity of the Bonds in the secondary trading market since investors may be unwilling to purchase Bonds for which they cannot obtain physical certificates. In addition, since transactions in the Bonds can be effected only through DTC, Direct Participants, Indirect Participants, and certain banks, the ability of a Beneficial Owner to pledge Bonds to persons or entities that do not participate in the DTC system, or otherwise to take action in respect of such Bonds, may be limited due to lack of a physical certificate. Beneficial Owners will not be recognized by the Registrar/Paying Agent as registered owners for purposes of the Ordinance, and Beneficial Owners will be permitted to exercise the rights of registered owners only indirectly through DTC and the Participants.

Discontinuance of Book-Entry-Only System

In the event that the Bonds are no longer in book-entry-only form, the School District shall appoint a financial institution maintaining corporate trust offices to serve as Registrar/Paying Agent. The certificates held by DTC or a successor securities depository will be canceled and the School District will execute and deliver the Bonds in fully registered form to the beneficial owners of the Bonds as shown on the records of the DTC Participants or the nominee of a successor securities depository. 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. In such event, the School District will 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.

Redemption Provisions

The 2011B Bonds are not subject to redemption prior to maturity.

The 2011C Bonds maturing on or after February 1, 2023, are subject to redemption at par at the option of the School District on February 1, 2022 and any date thereafter, in whole or in part, and if in part, in such order of maturity as determined by the School District.

When any Bonds are to be redeemed, the Registrar shall give notice of the redemption of the Bonds in the name of the School District specifying (i) the Bonds and maturities to be redeemed; (ii) the redemption date; (iii) the Redemption Price; (iv) the numbers and other distinguishing marks of the Bonds to be redeemed unless all of the bonds Outstanding are to be redeemed; (v) the place or places where amounts due upon such redemption will be payable; and (vi) in the case of Bonds to be redeemed in part only, the respective portions of the principal thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, together with interest accrued to the redemption date, and that, from and after such date, interest thereon shall cease to accrue. The Registrar shall mail by registered mail a copy of such notice, postage prepaid, not less than 30 days before the redemption date to the registered Holders of all Bonds or portions of Bonds which are to be redeemed at their addresses which appear upon the registration books, but failure to so mail any such notice to any of such Holders shall not affect the validity of the proceedings for the redemption of Bonds held by Holders to whom written notice has been mailed.

Defeasance

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

- (1) The Paying Agent shall hold, at the stated maturities of Bonds, in trust and irrevocably appropriated thereto, sufficient moneys for the payment of the Principal Installment of such Bonds 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 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, the principal of and interest on which when due will provide moneys, which together with moneys, if any, deposited with the Paying Agent at the same time, shall be sufficient to pay when due the Principal Installment and interest due and to become due on such Bonds on and prior to their maturity dates.

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

Constitutional Debt Limit

Pursuant to the provisions of Article X, §15(6) of the South Carolina Constitution, 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. General obligation debt approved by referendum is not subject to this debt limitation. The 2010 assessed value of all taxable property located in the School District, excluding property subject to a fee-in-lieu of taxes, which is the last completed assessment thereof, was not less than \$446,973,880. Accordingly, the present debt limit of the School District is not less than \$35,757,910. There is presently outstanding and chargeable against the debt limit of the School District general obligation debt in the principal amount of \$160,000. The 2011B Bonds are issued within the constraints of the debt limit. The 2011C Bonds were approved by referendum, and are not subject to the debt limit.

Statutory Authorization

Pursuant to the provisions of Sections 59-71-10 to 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 General Assembly of South Carolina, the School District is authorized to issue general obligation bonds, the proceeds of which are used to defray the cost of constructing, improving, equipping, renovating and repairing school buildings or other school facilities of the School District or the cost of the acquisition of land whereon to construct or establish such school facilities. Pursuant to the Resolution, the Board has approved the issuance of the Bonds for the purposes of (i) acquiring title to certain existing school facilities presently used by it (See “DEBT STRUCTURE – Installment Purchase of Facilities” herein), and (ii) paying costs of issuance of the Bonds. Proceeds of the Bonds to be applied to acquire title to existing school facilities will be deposited into an escrow fund (the “Escrow Fund”), held by The Bank of New York Mellon Trust Company, N.A., as escrow agent, until expended for such purpose.

Security

For the payment of principal of and interest on the Bonds as they respectively mature and for the creation of such sinking fund as may be necessary therefore, the full faith, credit, resources and taxing power of the School District will be irrevocably pledged, and there shall be levied annually by the Auditor of Lexington County, South Carolina (the “County”) and collected by the Treasurer of Lexington County, 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 therefore.

Additional Security for the Bonds

Article X, Section 15, Paragraph (4) of the Constitution of the State of South Carolina, 1895, as amended, provides:

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 political subdivision 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.

The following table shows the amount of State General Fund appropriations subject to being so withheld which were received by the School District for the fiscal years shown:

<u>Fiscal Year Ended June 30</u>	<u>Amount Received</u>
2011 ⁽¹⁾	\$119,712,531
2010 ⁽²⁾	119,610,927
2009 ⁽²⁾	125,928,403
2008	124,685,137
2007	91,304,906
2006	86,577,003

⁽¹⁾ Unaudited.

⁽²⁾ Reflects mid-year reductions in appropriations.

Source: School District and School District's Comprehensive Annual Financial Report.

For the fiscal year ending June 30, 2012 ("Fiscal Year 2012"), State General Fund appropriations in the amount of \$123,442,745 (which include amounts received by the School District from the State Property Tax Relief Fund, as described in "CERTAIN FISCAL MATTERS -- Homestead Exemptions -- Property Tax Relief") are expected to be subject to being so withheld.

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 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 in order 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 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; 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 2009-2010 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 budget cuts in Fiscal Year 2011-12, or such amount reduced in subsequent fiscal years.

Miscellaneous

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

LEXINGTON COUNTY SCHOOL DISTRICT NO. 1

General Description

The School District was established in 1952 by consolidation of 23 existing school districts. The School District is located in the central part of Lexington County, South Carolina (the "County"), which is located in the north central section of the State. The School District encompasses a land area of approximately 360 square miles and includes within its boundaries the Towns of Lexington, Pelion, Gilbert and Summit. The County lies adjacent to Richland County, which contains the City of Columbia, capital of the State, and is part of the Greater Columbia suburban area. The School District is one of five school districts located wholly or partially in the County.

The School District currently operates one primary school (grades K-2), fifteen elementary schools (one grades 3-5, fourteen grades K-5), six middle schools (grades 6-8), four high schools (grades 9-12) and one applied technology center. All schools in the School District are accredited by the South Carolina State Department of Education and by the Southern Association of Colleges and Schools. The School District has the highest enrollment of the five school districts in the County.

Board of Trustees and Principal Administrative Officials

The School District is governed by a Board of Trustees composed of seven members elected by the registered voters in the School District to serve staggered four-year terms of office that commence at the first Board meeting after the November general election. The members of the Board of Trustees, their occupations, the number of consecutive years each has served on the Board and the expiration dates of their current terms are as follows:

<u>Name</u>	<u>Occupation</u>	<u>Years Served</u>	<u>Term Expires</u>
Albert "Bert" J. Dooley, Jr.	Attorney and Developer	15 years	Nov. 2012
G. Edwin Harmon, Ph.D	Senior Planner, Department of Public Safety	11 years	Nov. 2012
Cynthia S. Smith	Co-Owner, Safeguard Business Systems	11 years	Nov. 2012
Sandra Kay Backman	Orthodontic Assistant	1 year	Nov. 2014
Bradley R. Pitts, DMD	Dentist	1 year	Nov. 2014
D. F. "Frank" Shumpert, III	Diversified Business Owner & Developer	12 years	Nov. 2012
Debra L. Knight	Educator	1 year	Nov. 2014

The chief administrative officer of the School District is the Superintendent of Education, Dr. Karen C. Woodward. Dr. Woodward began serving as the Superintendent of the School District on July 1, 2000, and her current contract expires on June 30, 2013. Dr. Woodward has been a superintendent in South Carolina schools for 27 years. She served as the Superintendent of Anderson School District Five for 12 years before coming to the School District. Prior to serving as superintendent in Anderson Five, Dr. Woodward served as superintendent of Union County Schools for four years; as interim superintendent, assistant superintendent for instruction, assistant superintendent for administration, and curriculum project director for Greenwood School District No. 50; as resident curriculum consultant to Douglas County School Board in Douglasville, Georgia; as graduate assistant at the University of Georgia; as English teacher at Greenwood High; as assistant principal, district reading resource teacher, and social studies teacher in Aiken; as fifth grade teacher in Forest Park, Georgia; and as English teacher at T. L. Hanna High in Anderson. Dr. Woodward is a graduate of the University of South Carolina where she earned a bachelor's degree in Education. She earned her Master's Degree and her Doctorate of Education from the University of Georgia in Athens, Georgia.

The Chief Financial Officer for the School District is John C. Butler, CPA. Mr. Butler holds a bachelor's degree from the University of South Carolina in Accounting. Prior to assuming the position of Chief Financial Officer in July, 2007, Mr. Butler served as the Director of Fiscal Services for the School District for 20 years.

The School District administration also includes a Chief Academic Officer, a Chief Communications Officer, a Chief Human Resources Officer and a Chief Operations Officer.

Public School Enrollment in the School District

Public school enrollment in the School District for the last 10 school years and for the current school year is shown in the following table. These figures are based on 135-day average daily membership and include Special Education:

<u>School Year</u>	<u>Kindergarten</u>	<u>Grades 1-8</u>	<u>Grades 9-12</u>	<u>Total⁽¹⁾</u>	<u>% Change</u>
2001-2002	1,267	11,137	4,684	17,268	2.60%
2002-2003	1,334	11,351	5,144	17,829	3.25%
2003-2004	1,367	11,530	5,332	18,229	2.24%
2004-2005	1,458	11,873	5,357	18,688	2.52%
2005-2006	1,470	12,084	5,537	19,091	2.16%
2006-2007	1,507	12,480	5,717	19,704	3.21%
2007-2008	1,562	12,998	5,898	20,458	3.82%
2008-2009	1,637	13,379	6,212	21,228	3.76%
2009-2010	1,740	13,703	6,313	21,756	2.49%
2010-2011	1,605	14,135	6,357	22,097	1.57%
2011-2012 ⁽²⁾	1,602	14,127	6,617	22,346	1.13%

⁽¹⁾ Totals may not add due to rounding

⁽²⁾ Projection

Source: School District

Educational Programs and Services

The School District provides elementary and secondary education as well as a number of special programs to its residents. Funding for the School District's instructional programs is provided from State, Federal, and local sources. Funding for the programs of the School District is provided from the State and Federal government as well as local property taxes as described under the heading "FINANCIAL AND TAX INFORMATION."

Instructional Programs. The School District provides basic elementary and secondary educational programs through its elementary schools, middle schools, high schools, and applied technology center. Beginning in the eighth grade, all students develop an individual graduation plan (IGP) with parental input that is reviewed yearly. The high school curriculum includes technology career education course sequences and an extensive college preparatory program. The School District provides for academically talented students through honors courses in all major disciplines, the Advanced Placement Program (AP), and the International Baccalaureate (IB) Programme. Preparation for AP and IB is provided through the ninth and tenth grade Honors Academy. All students are given the opportunity to participate in co-op and internships. At the middle school level, accelerated courses are offered in math, world languages and humanities.

Special Programs. The School District has a number of special programs, including the following:

Pre-School. Half-day child development classes provide pre-school education experiences for eligible four-year-old children. A screening process identifies students with academic delays. This intervention program targets instructional strategies that address the specific areas of need. Services focus on establishing a foundation to support future academic success in school.

Intervention Programs. In grades kindergarten through 12, academic assistance is provided through response to intervention strategies and comprehensive instructional programs. These programs are provided for students who need additional instructional time or re-teaching in the areas of language arts and/or mathematics and/or behavior. Benchmarking and progress monitoring are used to determine instructional priorities for each student.

Title I. Federal guidelines are used to identify Title 1 schools. The School District's Title 1 schools provide school-wide or targeted assistance programs for students in the areas of mathematics and reading/English language arts.

Academically Gifted. The School District's program for academically gifted elementary school students provides for enrichment and acceleration in academic areas. Students in grades 3-5 are served through "pullout classes" where thematic units of instruction, with core content connections, are presented in a technology based, interdisciplinary approach. Activities encourage critical and creative thinking, inquiry and problem solving, collaboration and communication. Culminating activities often include independent study and field study experiences.

Artistically Gifted. Artistically talented students are served in a summer consortium institute. Middle school students audition in creative writing, vocal, band, orchestra, drama, visual arts and dance. After-school activities are also provided as extensions of the summer program. Honors courses in all arts areas are offered at the high school level.

Special Education. Special Education programs are provided for all students who need them regardless of their disabled condition, including 3-year old pre-school disabled children. Special transportation is provided for some severely disabled students, and other necessary related services are available for disabled students whenever appropriate.

World Language. The School District is a leader in world language instruction. Students may begin taking Spanish or French in kindergarten in the partial immersion classes in three elementary schools. All students beginning in grade 2 may take Spanish, French, or German depending on which language is offered at their school. In middle school, French, German, Spanish, and Latin are offered in nine weeks and or/semester courses. Eighth grade students may enroll in high school credit World Language courses that are a year long. Students may continue world language studies at the high school level in grades 9-12. The School District's International Baccalaureate program offers courses in French and Spanish.

Homebound Instruction. Homebound instruction is provided for students who are unable to attend school because of accidental injury, illness, or pregnancy.

Applied Technology Center. High school students may attend the Applied Technology Center for one to three periods each day. Students may receive credit in exploratory applied technology courses or specialize in multiple course sequences in a variety of areas. These electives directly reflect students' IGP choices and are developed with state and national guidelines.

Alternative Program. An alternative program is offered to high school students who need individualized instruction in a small group setting. This drop-out prevention program utilizes computer assisted instruction. Students identified as at-risk are served through a variety of interventions at their home school such as assignment recovery, credit recovery, and extended year. All of these efforts are designed to assist students in graduating on time.

School District Employees

The following tables set forth the School District's total staff for the past five school years and projected employment for the 2011-2012 school year by category. None of the employees of the School District is represented by unions or other collective bargaining groups and the School District believes itself to have good relations with its employees.

<u>School Year</u>	<u>Number of Employees</u>
2006-07	2,823
2007-08	2,953
2008-09	2,987
2009-10	3,005
2010-11	2,944
2011-12 ⁽¹⁾	2,980

⁽¹⁾ Projection

Totals do not include bus drivers.

Source: School District

Projected Employees for School Year 2011-12

Administrative:	
Superintendent	1
Chief Officers	5
Directors, Coordinators and Supervisors	68
Principals	28
Assistant Principals and Administrative Assistants	65
Instructional:	
Teachers	1,514
Media and Technology Integration Specialists	97
Guidance Counselors, Psychologists and Therapists	125
Other Professional:	
Instructional/Classified	328
Non-instructional/Classified	<u>749</u>
TOTAL	2,980

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 district, 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 that 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 “At Risk”, that school must review and revise its improvement plan (required of every school under the EFA, as described in more detail in **“FINANCIAL AND TAX INFORMATION – Revenues”**). Once the revised plan is developed, a school district’s superintendent and board of trustees must review and approve the plan. In addition, schools that receive “At Risk” 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.

In the most recent evaluation of schools in the School District, ten schools earned “Excellent Absolute Ratings”, seven schools earned “Good Absolute Ratings” and eight schools earned “Average Absolute Ratings.” Additional schools of the School District were not yet in service during the evaluation period. Certain grants and other programs provided help defray the cost of implementing the Accountability Act, but the School District does not presently account separately for its costs associated with compliance with the Accountability Act.

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.

Legislation introduced in the South Carolina House of Representatives and presently pending in the South Carolina Senate 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 School District. There are no charter schools sponsored by the State Charter District located in Lexington County, although several virtual charter schools of the State Charter District operate state-wide and are open to residents of the School District.

Pending Legislation--Private Schools

Legislation presently pending in the South Carolina General Assembly, Senate Bill 414 (“S414”), would provide tuition assistance for children transferring from State public schools to private schools. Tuition assistance would be funded through a system of tax credits and “scholarships.” S414 would provide scholarships for low-income students in amounts tied and limited by state public school funding levels. Scholarships would be funded through contributions by individuals and corporations to “scholarship granting organizations” (SGO’s). Contributions to SGOs would yield to the contributor a State income or franchise tax credit equal to 100% of the amount contributed.

Parents of students not eligible for a scholarship under S414 would be entitled to claim a credit against State income taxes in amounts tied to state public school funding levels. Also, parents of home-schooled pupils would be entitled to a \$1,000 credit against State income taxes. School districts would, as in the case of any other transferring pupil, lose all State funding tied for pupils transferring to a private school with the assistance provided by S414.

FINANCIAL AND TAX INFORMATION

Five-Year Summary of General Fund Operations

The following is a Statement of Revenues, Expenditures and Changes in Fund Balance for the School District's General Fund operations for the fiscal years ended June 30, 2006 through June 30, 2010.

	<u>2006</u>	<u>2007</u>	<u>2008⁽¹⁾</u>	<u>2009</u>	<u>2010</u>
Revenues:					
Local Sources	\$60,499,049	\$68,637,936	\$56,839,431	\$58,796,030	\$57,787,265
State Sources	72,496,069	75,461,203	110,613,284	109,503,570	104,371,510
Federal Sources	--	--	--	--	8,594
Total Revenues	\$132,995,118	\$144,099,139	\$167,452,715	\$168,299,600	\$162,167,369
Expenditures					
Instructional	\$81,449,931	\$88,226,042	\$99,541,523	\$101,742,019	\$98,655,736
Supporting Services	46,519,225	50,602,364	56,069,618	61,125,672	62,932,646
Intergovernmental	--	--	--	--	19,379
Capital Outlay and Construction	<u>326,931</u>	<u>306,010</u>	<u>124,747</u>	<u>94,713</u>	<u>42,657</u>
Total Expenditures	\$128,296,087	\$139,134,416	\$155,735,888	\$162,962,404	\$161,650,418
Excess (Deficiency) of Revenues Over (under) Expenditures	\$4,699,031	\$4,964,723	\$11,716,827	\$5,337,196	\$516,951
Other Financing Sources (Uses):					
Sale of Fixed Assets	\$-0-	\$4,360	\$-0-	\$-0-	\$-0-
Transfers In	4,024,613	4,113,552	3,518,287	8,793,148	4,335,545
Transfers (Out)	<u>(8,275,302)</u>	<u>(5,379,633)</u>	<u>(12,353,503)</u>	<u>(7,132,930)</u>	<u>(2,997,541)</u>
Total Other Financing Sources	(\$4,250,689)	(\$1,261,721)	(\$8,835,216)	\$1,660,218	\$1,338,004
Excess (Deficiency) of Revenues and Other Sources Over (under) Expenditures and Other Uses	\$448,342	\$3,703,002	\$2,881,611	\$6,997,414	\$1,854,955
 Fund Balances - Beginning of Year	 \$11,899,875	 \$12,348,217	 \$16,051,219	 \$18,932,830	 \$25,930,244
Fund Balances - End of Year	<u>\$12,348,217</u>	<u>\$16,051,219</u>	<u>\$18,932,830</u>	<u>\$25,930,244</u>	<u>\$27,785,198</u>

Source: Audited financial statements for the School District for Fiscal Years ending June 30, 2006 through June 30, 2010.

The School District's General Fund Balance as of June 30, 2011 is estimated to be \$27,610,339. This estimated fund balance is projected to be classified as follows: Committed \$11,668,054, Assigned \$4,900,000, Nonspendable \$2,000,969, and Unassigned \$9,041,316. The School District has budgeted \$4,900,000 in fund balance for Fiscal Year 2012 expenditures which represent the assigned portion of fund balance.

⁽¹⁾ Reduction in Local Sources and increase in State Sources from prior years reflects change in funding sources pursuant to Act 388.

See "CERTAIN FISCAL MATTERS—Change in Funding Sources" herein.

Fund Balance Policy

The Board of Trustees has for a number of years maintained a written policy with respect to maintenance of an unrestricted general fund balance to be carried forward from year to year. The Board adopted as of February, 2005 a formal policy providing for maintenance from year to year of a general fund balance equal to not less than seven percent (7%) of the total general fund budget of the School District.

Financial Statements

The financial statements of the School District for the fiscal year ended June 30, 2010 have been audited by Burkett Burkett & Burkett, Certified Public Accountants, West Columbia, South Carolina. A copy of the general purpose financial statements of the School District for the year ended June 30, 2010 is attached to this Official Statement as Appendix A. Copies of complete audited financial statements for the year ended June 30, 2010 and prior years are available for inspection at the School District offices or on the School District's website at <http://www.lexington1.net/DISTRICTINFO/publications>.

Budget Procedure

The State Constitution provides that each school district shall prepare and maintain annual budgets which provide for sufficient income to meet its estimated expenses for each year. Whenever ordinary expenses of a school district for any year shall exceed the income, the governing body of the school district is required to provide for levying a tax in the ensuing year sufficient, with all other sources of income, to pay the deficiency in the preceding year, together with the estimated expenses for the ensuing year.

State law provides that the fiscal year for school districts begins on July 1 of each year and ends on June 30 of the following year. The Board of Trustees is required to adopt annually, prior to the beginning of each fiscal year, an operating budget for the operation of the School District. A public hearing, following notice thereof published in a newspaper of general circulation in the School District, must be conducted prior to the adoption of the budget. The budget must identify the sources of anticipated revenue including taxes necessary to meet the financial requirements of the budget adopted. The School District is required to provide for the levy and collection of taxes necessary to meet all budget requirements except as provided for by other revenue sources. The School District for many years enjoyed unlimited taxing authority. This authority was limited, however, effective for Fiscal Year 2007-08 and thereafter, by Act No. 388 adopted by the South Carolina General Assembly in 2006 ("Act 388"). See "CERTAIN FISCAL MATTERS—Millage Levy Authority" herein.

Adjustments Made Due to State Budget Cuts

Appropriations made by the State are monitored against income throughout the fiscal year by the State Budget and Control Board. If State revenues are below budget estimates, the Budget and Control Board has the authority to reduce appropriations by amounts sufficient to maintain a balanced budget for the State. For example, during Fiscal Years 2002, 2003 and 2004, the Budget and Control Board adopted reductions in State appropriated funding for the EFA Foundation Program (which program is described below under "Education Finance Act"). School districts in South Carolina, including the School District, accordingly had their funding affected by these cuts (i.e., for Fiscal Year 2002, the EFA funding appropriated to the School District decreased \$2,991,113; for Fiscal Year 2003, the EFA funding appropriated to the School District decreased \$3,888,941; for Fiscal Year 2004, the EFA funding appropriated to the School District decreased by \$520,416; for Fiscal Year 2009, the EFA funding appropriated to the School District decreased by \$6,876,556; for Fiscal Year 2010, the EFA funding appropriated to the School District decreased by \$4,973,191; and for Fiscal Year 2011, the EFA funding appropriated to the School District decreased by \$285,399). There were no budget cuts in Fiscal Years 2005 through 2008.

During Fiscal Years 2002 through 2004, the School District cut general fund athletic allocations, curtailed travel, and froze department and school budgets up to 10 percent and did not move forward with one-time expenditures.

Budget cuts anticipated by School District management were built into original budgets adopted for Fiscal Years 2009, 2010 and 2011. In preparing its Fiscal Year 2010 budget, the School District anticipated reductions in funding by budgeting \$4,636,905 of fund balance, by holding the basic educational program the same as Fiscal Year 2008, by cutting seven teaching positions, and by reducing allocation ratios for some positions even though enrollment was projected to grow by 635 students.

As Fiscal Year 2009 progressed and revenue reductions were imposed by the State, the School District curtailed travel and field trips, filled positions that came open during the year with long-term substitutes, froze or reduced one-time expenditures, and froze 10 percent from District-level department budgets and 10 percent from the supply allocations for schools.

In preparing its budget for Fiscal Year 2010, the School District did not increase overall staff although the School District grew by 770 students in Fiscal Year 2009, and projected a growth of 423 for Fiscal Year 2010. (Actual growth in students for Fiscal Year 2010 was 528 students.) In an effort to protect jobs and the classroom, the School District planned to fund 146.2 positions using funds allocated through the American Recovery and Reinvestment Act of 2009 (ARRA) to offset the impact of the reduced State funding allocation. In Fiscal Year 2010, the School District continued these cost-saving measures to address the reduction in EFA funding of \$4,973,191 that was imposed at various stages during the year.

In preparing the State's budget for Fiscal Year 2011, the General Assembly reduced the appropriated base student cost, which is part of the EFA funding formula. This resulted in an estimated reduction of \$8,123,967 in EFA funding below the Fiscal Year 2010 level. Moreover, the School District's ARRA allocation for Fiscal Year 2011 was reduced by \$2,335,568. In preparing its budget for Fiscal Year 2011, the School District approved one furlough day for each certified staff and two furlough days for each administrator; reduced 70 positions district-wide (57 certified, 5 support, 3 school administrators, 5 district office); cut 20% of school and department budgets for supplies and services; transferred computer equipment purchases to capital projects; raised millage by 8.47 mills, and budgeted \$5,000,000 in fund balance.

In preparing the School District's budget for Fiscal Year 2012, the State appropriated a base student cost of \$1,880 which is significantly higher than the Fiscal Year 2011 funded base student cost of \$1,615. This base student cost increase will result in an increase of \$4,063,333 in the amount the District budgets for EFA for Fiscal Year 2012 over the amount received in Fiscal Year 2011. The District added 35 positions, as well as restored half of the 20% cuts of school allocations for supplies and services imposed in Fiscal Year 2011; raised operating millage by 5 mills and budgeted \$4,900,000 in fund balance.

Budget

Upon adoption of the School District budget by the Board of Trustees, the County Auditor is notified of the millage required for operation of the schools for the ensuing school year. The School District may make supplemental appropriations which shall specify the source of funds for such appropriations. A supplemental appropriation is defined as an appropriation of additional funds which have come available during the fiscal year and which have not been previously obligated by the current operating or capital budget. The following budget summary for Fiscal Year 2012 is based upon the final reading of the School District's operating budget for the year. Final action and approval of the School District's Fiscal Year 2012 budget occurred on June 21, 2011.

Fiscal Year 2010-11 and 2011-12 General Fund Budget Summaries

	<u>FY 2011 Budget</u>	<u>FY 2012 Budget</u>
Revenue:		
Local	\$59,491,497	\$61,413,329
State	98,361,611	106,406,853
Transfers In	3,833,373	4,013,472
Portion of General Fund Balance	<u>5,000,000</u>	<u>4,900,000</u>
Total Revenues	\$166,686,481	\$176,733,654
Expenditures:		
Instruction and Administration	\$144,926,537	\$155,429,668
Transfer to Debt Service ⁽¹⁾	1,304,905	5,000
Operations and Maintenance	19,450,039	20,293,986
Other	<u>1,005,000</u>	<u>1,005,000</u>
Total Expenditures	\$166,686,481	\$176,733,654

⁽¹⁾ Payment of debt service requirements on lease-purchase obligations. See "DEBT STRUCTURE - Other Commitments."

Revenues

The audited financial statements of the School District for the fiscal year ended June 30, 2010 indicate that approximately 35% of general fund revenues came from local sources and 65% of general fund revenues came from the State. The unaudited financial statements of the School District for the fiscal year ended June 30, 2010 indicate that approximately 37% of general fund revenues came from local sources and 63% of general fund revenues came from the State.

A. Revenues from the State. The largest source of operating revenues is the State. These revenues come in the form of general fund revenues, which are available for general operating expenses of the School District, and special revenues, which are available for use only in connection with specific programs. The School District also receives school building funds from the State, which are discussed below under the heading "Building Aid." During the years shown below, the School District has received the following amounts as general fund and special revenues from the State:

<u>Fiscal Year</u>	<u>General Fund</u>	<u>Special Revenue</u>	<u>Total</u>
2005-06	\$72,496,069	\$13,024,098	\$85,520,167
2006-07	75,461,203	14,792,808	90,254,011
2007-08	110,613,284	13,061,701	123,674,985
2008-09	109,503,570	15,147,749	124,651,319
2009-10	104,371,510	14,125,872	118,497,382
2010-11 ⁽¹⁾	103,535,193	15,045,701	118,580,894
2011-12 ⁽²⁾	106,406,853	15,904,427	122,311,280

⁽¹⁾ Unaudited.

⁽²⁾ Projected.

Education Finance Act. A significant portion of general fund revenues received from the State are paid to the School District under the Education Finance Act of 1977 (the "EFA"). The Education Finance Act of 1977 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. EFA funding for the School District runs very close to the statewide ratio. For the 2010-11 Fiscal Year, the State share of the Foundation Program for the School District was \$36,264,267 (unaudited) or 82% of the total cost, and the School District share was \$7,960,449 (unaudited) or 18%. For Fiscal Year 2012, the State share of the Foundation Program for the School District is projected to be \$40,327,600 or 82% of the total cost, and the School District share is projected to be \$8,852,400 or 18%. Listed below are the State contributions to the Foundation Program for the years shown.

State Contributions to EFA Foundation Program

<u>Fiscal Year</u>	<u>Amount</u>
2005-06	\$44,692,218
2006-07	46,808,936
2007-08	51,487,025
2008-09	48,930,661
2009-10	39,541,550
2010-11 ⁽¹⁾	36,264,267
2011-12 ⁽²⁾	40,327,600

⁽¹⁾ Unaudited.

⁽²⁾ Projected.

Education Improvement Act. Most of the special revenues received from the State are paid to the School District under the EIA. The EIA was enacted in order to improve the quality of public education in the State, through special programs and incentives. The EIA program is funded with the special fund created by a 1¢ increase (per dollar of taxable sales) 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. Listed below are the amounts received by the School District from the EIA for the years shown.

<u>Fiscal Year</u>	<u>Amount</u>
2005-06	\$11,240,348
2006-07	12,833,544
2007-08	10,163,276
2008-09	11,795,377
2009-10	8,991,236
2010-11 ⁽¹⁾	10,107,126
2011-12 ⁽²⁾	11,188,072

⁽¹⁾ Unaudited.

⁽²⁾ Projected.

B. Revenues from Ad Valorem Taxes.

Local: The second largest source of School District operating revenues comes from *ad valorem* taxes paid by taxpayers within the School District. A discussion of general tax information, tax rates and millage levied upon taxpayers of the School District for School District purposes has been presented under the headings “Property Taxation and Assessment,” “Assessed Value,” “Tax Collection Procedure,” “Tax Collections for Last Five Years,” “Ten Largest Taxpayers” and “Millage History” below. All the revenues from *ad valorem* taxes are either general fund revenues, and may therefore be used by the School District on an unrestricted basis, or are collected for the purposes of paying debt service on general obligation bonds of the School District. During the years shown below the School District has received the following amounts as general fund revenues from *ad valorem* taxes:

<u>Fiscal Year</u>	<u>Ad Valorem</u>	<u>Homestead</u>	<u>Total</u>
2005-06	\$54,736,225	\$1,957,813	\$56,694,038
2006-07	59,905,932	2,272,042	62,177,974
2007-08	48,942,304	2,261,915	51,204,219
2008-09	51,658,999	2,244,363	53,903,362
2009-10	50,058,083	2,112,590	52,170,673
2010-11 ⁽¹⁾	53,188,190	2,110,131	55,298,321
2011-12 ⁽²⁾	55,030,418	2,100,000	57,130,418

⁽¹⁾ Unaudited.

⁽²⁾ Projected.

The amounts shown above include payments received from the State to reimburse the School District for tax revenues that would have been available from property afforded a Homestead Exemption. See “CERTAIN FISCAL MATTERS – Homestead Exemptions--Property Tax Relief.”

C. Revenues from Federal Sources.

The School District receives a portion of its special revenues from the Federal Government, including Federal grants which are tied to specific uses, such as aid for handicapped, vocational education and adult education, and Title I of the Elementary and Secondary Education Block Grant program (PL 103-382) which funds are used to pay operational costs (including teachers’ salaries). These revenues are restricted and must be used for specific programs.

Listed below are the amounts received by the School District as special revenues from Federal sources for the years shown:

<u>Fiscal Year</u>	<u>Amount</u>
2005-06	\$7,933,147
2006-07	8,817,733
2007-08	7,740,092
2008-09	7,736,405
2009-10	18,176,241
2010-11 ⁽¹⁾	15,324,991
2011-12 ⁽²⁾	5,827,793

⁽¹⁾ Unaudited.

⁽²⁾ Projected.

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 of South Carolina 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).

The Board of Trustees of the School District has provided further direction for the investment of School District funds by means of a policy originally adopted in March of 1980 and amended from time to time thereafter. Under the present policy, the board has authorized the superintendent or her designee to invest surplus district funds and school activity funds in those securities which give the "highest yield and protection."

Fringe Benefits, Retirement and Health Insurance

The School District contributes to the South Carolina Retirement System (the “System”) which is a cost-sharing, multi-employer defined pension plan administered by the Retirement Division of the State Budget and Control Board. Both employees and employers are required to contribute to the Plan. Plan members are required to contribute 6.5% of their annual compensation. Employer contributions for the year ended June 30, 2011 were set at the rate of 9.24% of the total member’s annual compensation, plus 0.15% for group life insurance, for a total of 9.39%. The total rate for Fiscal Year 2012 has been set at 9.4%. The School District’s contributions to the Plan for the years ended June 30, 2010, 2009 and 2008 were \$11,900,086, \$11,156,333 and \$8,848,358, respectively. The School District’s contribution to the Plan for the year ended June 30, 2011 is projected to be \$12,039,833.

The School District also pays into the System a surcharge a percentage of covered payroll for a portion of the costs of retiree health insurance coverage. The School District’s contributions to the System paid on behalf of the employees totaled \$4,547,494 for the year ended June 30, 2010 and \$5,000,570 (unaudited) for the year ended June 30, 2011. The surcharge for Fiscal Year 2012 is 4.3% of covered payroll.

The School District also participates in the statewide health and dental insurance program administered by the South Carolina Employee Insurance Program (the “Program”). Employer contributions are made on behalf of the employees at fixed rates. Health and dental insurance contributions to the Program paid on behalf of the employees totaled \$12,167,569 for the year ended June 30, 2010 and \$12,899,657 (unaudited) for the year ended June 30, 2011.

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

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 \$250,000 per incident/person and \$500,000 per occurrence/aggregate. These limitations were raised to \$300,000 and \$600,000, respectively, for causes of action occurring on and after July 1, 1998. No punitive or exemplary damages are permitted under the Tort Claims Act. Insurance protection to writs 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 St. Paul Mercury Insurance Company. 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 Act. In the opinion of legal counsel for the School District, there is no litigation pending or threatened against the School District which is not adequately insured by such coverage.

Other Post-Employment Benefits

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

CERTAIN FISCAL MATTERS

Property Taxation and Assessment

Article X, Section 1 of the Constitution requires equal and uniform assessments of property throughout the State for the following classes of property and at the following ratios of fair market value of such 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%.

The County Assessor appraises and assesses each year all the real property and mobile homes located within such 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 rolls and then in September, charges the County Treasurer with the collection of taxes. With the exception of motor vehicles, the South Carolina Tax Control date is December 31 for the ensuing tax year. South Carolina has no statewide property tax.

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 a County. 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. The County implemented its latest reassessment in Fiscal Year 2005-06. The next reassessment is anticipated to take place in Fiscal Year 2011-12. 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 to limits on growth in operating millage rates, Act No. 388 provides that the growth in valuation of real property attributable to reassessment may not exceed 15% for each five year reassessment cycle. Growth in valuation resulting from improvements to real property are exempt from this restriction. Moreover, upon the sale of any parcel of real property or other “assessable transfer of interest,” including long-term leases, conveyances out of trusts, and other defined events, but excluding transfers between spouses, such parcel will be reassessed to its then-current market value. The foregoing limitation on increases in assessed value may materially affect the growth in the School District’s assessed value, and, thus, debt limit, over time.

Legislation adopted in the 2011 session of the General Assembly further limits the reassessment of property assessed at six percent (6%) of market value, e.g. commercial property and non-owner occupied homes. Upon an assessable transfer of interest of such property, the new assessed value for tax purposes is the greater of (a) 75% of the fair market value of the property at the time of sale or (b) 100% of the fair market value of the property according to the most recently completed county-wide reassessment.

The foregoing limitations on increases in assessed value may materially affect the growth in the School District’s assessed value, and, thus, debt limit, over time.

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

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 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) a 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 this section for which an appropriation or a method for obtaining an appropriation is not provided by the federal or state government.

Act 388 does not, however, limit the ability of the General Assembly to set or restrict school operating millage for a particular school district, nor does it amend any caps on school millage provided by current law or any statute or limitation on the fiscal autonomy of a school district under existing law. Accordingly, the School District retains autonomy, but is now subject to the limitations discussed in the preceding paragraph.

Homestead Exemptions--Property Tax Relief

South Carolina provides, among other exemptions, two exemptions for homesteads. The first is a general exemption from all *ad valorem* property taxes and applies to the first \$50,000 of the fair market value of the dwelling place of persons who are over 65 years of age, totally and permanently disabled or legally blind (the “Homestead Exemption”). In the case of the Homestead Exemption, 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 all 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. Since 1999, the School District has received \$8,055,568 annually by way of the Property Relief Tax Exemption.

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.

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 industrial park (“MCIP”) are allocated annually in proportion to the amounts that would have been received by the taxing entities if the payments were taxes, based on the relative millage rates of overlapping taxing entities in a given year; (ii) revenues received from property that is in an MCIP, however, is distributed in accordance with the agreement creating the park; the amount of the distribution to each taxing entity is, for all practical purposes, controlled by the County. Property may be included in an MCIP under terms of agreements between two or more counties with individual sites being determined primarily by the county in which they are located. Payments in lieu of taxes may be diverted from taxing entities to fund projects which support economic development activities, including projects that are used solely by a single enterprise, either directly or through the issuance of special source revenue bonds secured by payments in lieu of taxes. A county government may also divert payments in lieu of taxes derived from an MCIP to its own corporate purposes or those of other taxing entities in that county.

Several of the largest taxpayers in Lexington County pay a “fee-in-lieu” of taxes with respect to new manufacturing projects. The beneficiaries of these payments include Michelin North America, Prysmian Communications Cables, Flextronics America LLC, Pella Corporation and PBR Columbia, LLC, and each year new fee-in-lieu arrangements are made with other new manufacturing investments.

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 an MCIP, the calculation of assessed value for debt limit purposes is based upon the relative share of payments received by all taxing entities which overlap the MCIP. Accordingly, a recipient of payments from an MCIP is able to include only a fraction of the assessed value of property therein in calculating its debt limit.

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

property located in the political subdivision and has issued general obligation debt within a debt limit calculated on the basis of such assessed value, then it may not pledge revenues based on the item or parcel of property, to the extent that the amount representing its value is necessary to permit the outstanding general obligation debt to not exceed the debt limit of the political subdivision.

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

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

Tax Credit Against School Debt Service

Pursuant to Act No. 378 of the 2004 Acts and Joint Resolutions of the General Assembly of the State of South Carolina and the results of a referendum held in the County on November 2, 2004, a special one percent sales and use tax was imposed in the County beginning in January 1, 2005. This tax would have terminated on December 31, 2011. Pursuant to Act No. 88 of the 2011 Acts and Joint Resolutions of the General Assembly of the State of South Carolina, however, imposition of this tax will continue to December 31, 2018. Proceeds of the special sales and use tax are applied to provide taxpayers in the County with a credit against taxes levied for school debt service. Proceeds of the special sales and use tax are allocated and distributed quarterly among the five school districts in Lexington County, based upon a formula which takes into account student enrollment and overall population per school district. Thus allocated, the proceeds of the tax are applied to reduce the tax due on taxable property within a given school district on the basis of relative appraised value. The Treasurer of Lexington County has indicated to the School District that the credit applicable in a given calendar year will be based upon sales and use tax collections through October of the prior calendar year.

Act No. 378 of 2004 contains a provision which may trigger a termination of the sales tax described in the preceding paragraph. This provision states that the sales tax imposed thereby will be terminated as of the first day of the year in which the State of South Carolina through the imposition of a statewide increase in the sales and use tax above five percent provides or will provide directly or indirectly school millage ad valorem property tax reductions to the taxpayers of Lexington County as determined by the Department of Revenue at least equal to the total tax credit relief provided to such taxpayers by the provisions of Act No. 387 of 2004. Act 388 provides for the imposition of a statewide increase in the sales and use tax above five percent for the purpose of providing property tax reductions on owner-occupied real property. See “CERTAIN FISCAL MATTERS -- **Changes In Funding Sources.**”

Unlike the tax credit provided by Act No. 378 of 2004, the property tax relief provided by Act 388 does not extend to all taxpayers, and, thus, some question exists as to whether the sales tax imposed under Act No. 378 of 2004 will continue. The School District has not been informed whether the sales tax described in the preceding paragraph will, in fact, be terminated as a consequence of the imposition of a sales tax under Act No. 388.

Taxes credited to the School District for debt service tax relief are shown in the following table:

<u>Fiscal Year</u>	<u>Sales Tax Receipts</u>
2010-11 ⁽¹⁾	\$18,272,134
2009-10	15,477,357
2008-09	15,578,400
2007-08	15,270,381
2006-07	13,734,079
2005-06	5,170,358

⁽¹⁾ Unaudited.

Source: Lexington County Treasurer.

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 is exempt 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 be 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.

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.

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

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

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. Approximately \$33,041,075 is projected to be distributed to the School District from the New Homestead Exemption in Fiscal Year 2011-12.

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 -- 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.

Millage History

Presented below is the millage history for School District Operations and Debt Service for each of the last five fiscal years for which data is available.

	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
Local Levy – Operations ⁽¹⁾	213.1	228.1	242.0	254.0	247.7	254.9
Local Levy - Debt Service	<u>59.0</u>	<u>59.0</u>	<u>59.0</u>	<u>57.3</u>	<u>73.5</u>	<u>71.8</u>
School District Total	272.1	287.1	301.0	311.3	321.2	326.7

⁽¹⁾ Includes millage levied for lease-purchase obligations. See “DEBT STRUCTURE—Other Commitments” herein.
Source: County Auditor.

Exempt Manufacturing Property

Article X, Section 3 of the Constitution provides that all new manufacturing establishments located in any county after July 1, 1977, and all additions (in excess of \$50,000) to existing manufacturing establishments are exempt from *ad valorem* taxation for five years for county taxes only. No exemption is granted from school or municipal taxes.

Assessed Value

The assessed value of all taxable real and personal non-manufacturing property and the assessed value of all real and personal manufacturing property of the School District located in the School District for each of the last five tax years for which data is available is set forth in the following table.

<u>Tax Year</u>	<u>NON-MANUFACTURING</u>		<u>MANUFACTURING</u>		<u>Total</u>
	<u>Real</u>	<u>Personal</u>	<u>Real</u>	<u>Personal</u>	
2005 ⁽¹⁾	\$228,869,760	\$60,802,100	\$5,551,310	\$23,915,670	\$319,138,840
2006 ⁽²⁾	240,787,720	62,907,420	5,549,730	34,453,820	343,698,690
2007 ⁽³⁾	256,580,890	62,890,180	5,630,640	37,329,580	362,431,290
2008 ⁽⁴⁾	283,784,050	64,403,750	6,330,640	40,697,930	395,216,370
2009 ⁽⁵⁾	301,292,540	65,766,360	6,531,370	42,729,820	416,320,090
2010 ⁽⁶⁾	331,632,520	62,767,480	6,639,070	45,389,610	446,428,680

⁽¹⁾ Reassessment year. Does not include Merchant's Inventory of \$1,960,970, motor carrier reimbursements of \$707,270, manufacturer's depreciation of \$942,560, negotiated fee-in-lieu of \$19,669,270 and non-negotiated fee-in-lieu of \$190,890.

⁽²⁾ Does not include Merchant's Inventory of \$1,960,970, motor carrier reimbursements of \$801,377, manufacturer's depreciation of \$1,012,580, negotiated fee-in-lieu of \$17,394,090 and non-negotiated fee-in-lieu of \$188,940.

Source: School District, County Auditor.

⁽³⁾ Does not include Merchant's Inventory of \$1,960,970, motor carrier reimbursements of \$873,211, manufacturer's depreciation of \$875,740, negotiated fee-in-lieu of \$17,895,790 and non-negotiated fee-in-lieu of \$216,620.

⁽⁴⁾ Does not include Merchant's Inventory of \$1,960,970, motor carrier reimbursements of \$867,644, manufacturer's depreciation of \$908,810, negotiated fee-in-lieu of \$18,695,240 and non-negotiated fee-in-lieu of \$212,790

⁽⁵⁾ Does not include Merchant's Inventory of \$1,960,970, motor carrier reimbursements of \$0, manufacturer's depreciation of \$584,720, negotiated fee-in-lieu of \$18,770,800 and non-negotiated fee-in-lieu of \$211,690.

⁽⁶⁾ Reassessment year. Does not include Merchant's Inventory of \$1,960,970, motor carrier reimbursements of \$0, manufacturer's depreciation of \$545,200, negotiated fee-in-lieu of \$19,590,060 and non-negotiated fee-in-lieu of \$221,400.

Source: School District, County Auditor.

Assessed and True Value of Taxable Property

Listed below is the true value for all taxable property in the School District and the 2010 assessed values of all taxable property in the School District by assessment classification:

<u>Class of Property</u>	<u>True Value</u>	<u>Assessment Ratio</u>	<u>Assessed Value</u>
1. Real Property (Non-Manufacturing)	\$5,602,815,607	4.0%	\$224,112,540
	1,831,136,091	6.0%	107,519,980
2. Motor Vehicles (non-personal)	105,458,286	10.5%	11,073,120
Motor Vehicles (personal)	612,058,500	6.0%	36,723,510
3. Public Utilities	354,343,333	10.5%	37,206,050
4. Manufacturing Property (Real)	63,229,238	9.5%	6,639,070
5. Manufacturing Property (Personal)	77,938,667	10.5%	8,183,560
6. Marine Equipment	35,761,619	10.5%	3,754,970
7. Business Personal (Auditor)	8,912,571	10.5%	935,820
8. Business Personal (DOR)	9,696,476	10.5%	10,181,060
9. Aircraft	942,857	10.5%	99,000
10. Fee-In-Lieu ⁽¹⁾	<u>330,191,000</u>	6.0%	<u>19,811,460</u>
TOTAL	\$9,119,750,246		\$466,240,140

⁽¹⁾ Figures represent valuation at negotiated assessment ratio, but do not apply for purposes of debt limit calculation. See "Payments in Lieu of Taxes" below.

Does not include Merchant's Inventory of \$1,960,970, motor carrier reimbursements of \$-0-, or manufacturer's depreciation of \$545,200, but does include non-negotiated fee-in-lieu of \$221,400 and negotiated fee-in-lieu of \$19,590,060.

Source: County Auditor.

Tax Collection Procedure

In the School District, taxes are levied for county and school purposes by the auditor of Lexington County as a single tax bill which must be paid in full by the individual. Real and personal taxes in each of the Counties are due on or before January 15 of each year with the exception of taxes on motor vehicles. All personal property taxes on motor vehicles are due on or before the last day of the month in which the license tag for each such motor vehicle expires. If property taxes, other than taxes on motor vehicles, are not paid on or before January 16, a penalty of 3% is added; if not paid by February 1, an additional penalty of 7% is added; if not paid on or before March 17, an additional penalty of 5% is added and taxes go into execution. Taxes on motor vehicles are subject to similar penalties measured from due date thereof. Unpaid taxes, both real and personal, constitute a first lien against the property. The delinquent 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 Collections

The following table shows all County, School District and other taxing entity taxes levied (adjusted to include additions, abatements, and nulla bonae) and collected on taxpayers in the School District, taxes 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 last five fiscal years. Delinquent taxes include taxes levied in prior years but collected in the year shown.

<u>Fiscal Year</u>	<u>Adjusted Tax Levy</u>	<u>Current Collections</u>	<u>Current % Collected</u>	<u>Collections in Subsequent Years</u>	<u>Total Collections</u>	<u>Total % Collected</u>
2005-06	\$126,373,317	\$121,464,608	96.12%	\$4,787,462	\$126,252,070	99.90%
2006-07	140,132,823	135,243,592	96.51	4,631,622	139,875,214	99.82
2007-08	155,562,711	150,758,255	96.91	4,562,204	155,320,459	99.84
2008-09	175,635,485	168,253,381	95.80	6,212,507	174,465,888	99.33
2009-10	187,518,844	178,455,447	95.17	7,151,688	185,607,135	98.98
2010-11 ⁽¹⁾	205,023,508	195,248,616	95.23	-	195,248,616	95.23

⁽¹⁾ Unaudited.

Source: Lexington County Treasurer.

Ten Largest Taxpayers

The 10 largest taxpayers in the School District, the 2010 assessed value of the taxable property of each located within the School District, the 2010-11 Fiscal Year taxes paid to the County, the School District and other taxing entities and the percentage of the adjusted tax levy paid by such taxpayer are shown in the following table:

<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>Total Taxes Paid</u>	<u>Percent of Tax Levy**</u>
1. South Carolina Electric & Gas	\$23,438,850	\$9,057,037.34	4.42%
2. Michelin North America Inc.*	19,078,050	5,614,272.31	2.74
3. Mid-Carolina Electric Coop.	4,449,170	1,843,805.82	0.90
4. ABMA LLC	2,632,410	838,456.77	0.41
5. Time Warner Ent.	1,989,550	825,192.76	0.40
6. Lowe's Home Centers Inc.	1,586,080	665,410.18	0.32
7. Tin Inc.	1,639,070	596,169.14	0.29
8. Prysmian Communications Cables*	1,546,600	518,544.52	0.25
9. WalMart Stores East LP	1,217,710	503,985.29	0.25
10. Flextronics America LLC*	<u>1,634,880</u>	<u>487,181.38</u>	0.24
TOTAL	\$59,212,370	\$20,950,055.51	

Source: Lexington County Auditor's Office.

* Includes Fee-in-lieu.

** Calculated by dividing Taxes Paid by the 2010 tax levy of \$205,023,508 (provided by the Lexington County Treasurer's Office).

DEBT STRUCTURE

Legal Debt Limit of the School District

The School District may not incur general obligation debt in an amount above 8% of the assessed valuation of property within its jurisdiction unless the debt is approved in a referendum or refunds debt approved by a referendum. Any validly issued existing general obligation debt may also be refunded without regard to the limitation. General obligation debt issued in anticipation of the collection of *ad valorem* taxes is also excluded from the 8% limit. The School District has issued general obligation bonded indebtedness and is the beneficiary of certain lease-purchase and installment purchase agreements as described below, but has no other contractual liabilities or obligations of a capital nature. Payment of debt service of the School District's obligations is handled by the Lexington County Treasurer.

The School District's debt limitation as of June 30, 2011 is:

2010 assessed value	\$446,428,680
Plus Merchant's Inventory	<u>1,960,970</u>
Total	\$448,389,650
	<u>x 8%</u>
Constitutional Debt Limit	\$35,871,172
Less Outstanding Debt Subject to Limit	<u>(160,000)</u>
Legal Debt Available Without a Referendum	<u>\$35,711,172</u>

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.

Other Commitments

The School District has entered into lease-purchase transactions for the acquisition of capital assets. Pursuant to Section 11-27-110, Code of Laws of South Carolina, 1976, as amended, lease-purchase "financing agreements" involving real property or fixtures entered into after January 1, 1996, are, for all practical purposes, treated as if they were bonded debt and would be included for computations of general obligation debt capacity. The School District does not have outstanding any lease-purchase agreements involving real property or fixtures.

Amendments to Section 11-27-110 effective January 1, 2007, treat installment purchase transactions, such as those described herein under the sub-heading "**Installment Purchase of Facilities**" in a like manner. All of the School District's installment purchase agreements were entered into prior to such dates and are not chargeable against its debt limit. The School District is not contractually obligated under the terms of any lease-purchase agreements or installment purchase except for the then current fiscal year; nevertheless, the School District expects to need the facilities that are subject to such agreements and anticipates providing for the payment of the sums necessary to maintain the such agreements throughout their terms.

Installment Purchase of Facilities

As of December 1, 2005, Lexington One School Facilities Corporation, a South Carolina not for profit corporation (the "Corporation"), issued its \$39,600,000 Installment Purchase Revenue Bonds (Lexington County School District No. 1, South Carolina Project), Series 2005 (the "Series 2005 Revenue Bonds"), for the purpose of acquiring and constructing facilities to be used by the School District. Pursuant to a Facilities Use and Occupancy Agreement entered into by the School District and the Corporation (the "Facilities Agreement"), the School District is authorized to use the school facilities subject thereto in consideration in return for certain payments ("2005 Acquisition Payments") to be made by the School District. Acquisition Payments, when made by the School District, are immediately credited to

the acquisition by the School District of an undivided interest in the facilities. Upon the making of all 2005 Acquisition Payments shown below, the School District shall have acquired all interests in the facilities financed by the Series 2005 Revenue Bonds. The School District's obligation to make 2005 Acquisition Payments is subject to annual non-appropriation.

As of June 1, 2006, the Corporation issued its \$54,045,000 Installment Purchase Revenue Bonds (Lexington County School District No. 1, South Carolina Project), Series 2006 (the "Series 2006 Revenue Bonds"), for the purpose of acquiring and constructing additional facilities to be used by the School District. Details of the financing are substantially similar to that described in the preceding paragraph for the Series 2005 Revenue Bonds. Upon the making of all 2006 Acquisition Payments shown below, the School District shall have acquired all interests in the facilities financed by the Series 2006 Revenue Bonds. The School District's obligation to make 2006 Acquisition Payments is subject to annual non-appropriation.

Outstanding Indebtedness and Installment Purchase Obligations

Original and outstanding principal amounts of the School District's general obligation bonds and installment purchase obligations are shown below:

<u>Debt</u>	<u>Issue Date</u>	<u>Date of Final Maturity</u>	<u>Amount Issued</u>	<u>Amount Outstanding as of September 1, 2011</u>
General Obligation Debt				
Series 2001 ⁽¹⁾	10/01/01	3/1/24	\$40,055,000	\$23,260,000
Series 2004 ⁽²⁾	3/01/04	2/1/13	6,875,000	2,455,000
Series 2005A ⁽³⁾	8/01/05	2/1/30	85,000,000	77,245,000
Series 2005C ⁽⁴⁾	8/01/05	2/1/18	18,495,000	14,105,000
Series 2007A ⁽³⁾	11/01/07	2/1/32	33,000,000	25,000,000
Series 2009A ⁽³⁾⁽⁵⁾	8/19/09	2/1/34	90,000,000	78,000,000
Series 2010 ⁽³⁾⁽⁶⁾	6/30/10	4/1/20	10,000,000	10,000,000
Series 2011 ⁽³⁾⁽⁶⁾	3/31/11	2/1/26	35,710,000	35,710,000
Installment Purchase Obligations				
Series 2005	12/14/05	12/1/30	39,600,000	36,775,000
Series 2006	6/01/06	12/1/30	<u>54,045,000</u>	<u>49,990,000</u>
TOTAL			\$412,780,000	\$352,540,000

⁽¹⁾ \$23,100,000 was authorized by referendum, \$830,000 refunded general obligation debt issued prior to November 30, 1982, and \$16,125,000 was authorized under the School District's 8% debt limit. As of September 1, 2011, there remains outstanding \$160,000 principal amount chargeable against the debt limit and \$23,100,000 approved by referendum.

⁽²⁾ Refunded the School District's Series 1997 Bonds maturing 2-01-2006 to 2013; the Series 1997 Bonds were issued pursuant to referendum and were not chargeable against the School District's debt limit. Likewise, the Series 2004 Bonds are not chargeable against the debt limit.

⁽³⁾ Issued pursuant to referendum.

⁽⁴⁾ Refunded the School District's Series 1998 Bonds maturing 2-01-2009 to 2018; the Series 1998 Bonds were issued pursuant to referendum and were not chargeable against the School District's debt limit. Likewise, the Series 2005C Bonds are not chargeable against the debt limit.

⁽⁵⁾ Build America Bonds; 35% of each interest payment is expected to be paid from subsidy to be received from U.S. Treasury.

⁽⁶⁾ Qualified School Construction Bond; 100% of each interest payment is expected to be paid from subsidy to be received from U.S. Treasury.

Annual Debt Service Requirements

The annual debt service requirements of the School District's general obligation bonds and installment purchase obligations are as follows:

General Obligation Bonds (excluding the Bonds):

Calendar	Total
<u>Year</u>	<u>Debt Service⁽¹⁾</u>
2011	\$31,933,333.04
2012	17,800,164.79
2013	19,295,076.04
2014	17,404,199.68
2015	15,667,665.18
2016	15,957,411.43
2017	16,280,784.55
2018	16,439,698.68
2019	21,497,062.05
2020	21,702,763.80
2021	16,894,871.43
2022	17,372,589.05
2023	17,595,583.93
2024	19,295,179.55
2025	27,631,873.38
2026	28,740,399.25
2027	13,353,900.13
2028	13,464,846.56
2029	13,594,066.00
2030	13,716,456.25
2031	7,826,677.50
2032	7,960,128.50
2033	6,275,967.00
2034	<u>6,424,920.50</u>
Total	\$404,125,618.24

⁽¹⁾ Amounts shown are net of interest subsidies to be paid by U.S. Treasury relating to Series 2009A Build America Bonds, Series 2010 Qualified School Construction Bonds and Series 2011 Qualified School Construction Bonds.

Installment Purchase Obligations:

The following table shows on a fiscal year basis all future scheduled 2005 Acquisition Payments and 2006 Acquisition Payments. The School District anticipates that its general obligation debt necessary to make the payments shown below will in each year be issued in the autumn of each such fiscal year and repaid in the spring of such fiscal year.

Fiscal	Series 2005	Series 2006	
<u>Year</u>	<u>Revenue Bonds</u>	<u>Revenue Bonds</u>	<u>Total</u>
2011	\$2,968,012.50	\$3,955,000.00	\$6,923,012.50
2012	2,965,262.50	3,952,250.00	6,917,512.50
2013	2,964,887.50	3,955,750.00	6,920,637.50
2014	2,966,637.50	3,955,250.00	6,921,887.50
2015	2,965,387.50	3,955,625.00	6,921,012.50
2016	2,966,012.50	3,951,750.00	6,917,762.50
2017	2,963,387.50	3,953,375.00	6,916,762.50
2018	2,965,437.50	3,955,125.00	6,920,562.50
2019	2,966,687.50	3,951,875.00	6,918,562.50
2020	2,963,737.50	3,953,375.00	6,917,112.50
2021	2,966,325.00	3,954,250.00	6,920,575.00
2022	2,964,187.50	3,954,250.00	6,918,437.50
2023	2,967,062.50	3,953,125.00	6,920,187.50
2024	2,964,687.50	3,955,500.00	6,920,187.50
2025	2,966,800.00	3,951,125.00	6,917,925.00
2026	2,968,006.25	3,954,625.00	6,922,631.25
2027	2,963,175.00	3,950,625.00	6,913,800.00
2028	2,966,912.50	3,953,750.00	6,920,662.50
2029	2,963,825.00	3,953,500.00	6,917,325.00
2030	2,963,650.00	3,954,500.00	6,918,150.00
2031	<u>2,965,862.50</u>	<u>3,951,375.00</u>	<u>6,917,237.50</u>
Totals	\$62,275,943.75	\$83,026,000.00	\$145,301,943.75

General Obligation and Appropriation Obligation Debt on Per Capita Basis

The following table sets forth the amount of general obligation indebtedness, lease-purchase obligations, and installment purchase obligations of or associated with the School District outstanding at the end of each of the past five fiscal years:

Year Ended	General Obligation	School District	% of
<u>June 30</u>	<u>Bonds and Other</u>	<u>Debt Per Capita</u> ⁽¹⁾	<u>Total Assessed</u>
	<u>Obligations</u>		<u>Value</u> ⁽²⁾
2006	\$259,790,000	2,399	81%
2007	246,570,000	2,206	72
2008	260,880,000	2,264	72
2009 ⁽³⁾	268,190,000	2,277	68
2010	334,005,000	2,734	80
2011	352,540,000	2,807	79

⁽¹⁾ Based on an estimated population using a combination of preliminary 2000 census data and interpolation resulting in an annual increase of 3,460 (and extrapolation for later years) for prior years. The 2000 population is assumed to be 87,547; the 2006 population is 108,307; the 2007 population is 111,767; the 2008 population is assumed to be 115,227, the 2009 population is assumed to be 118,687; the 2010 population is assumed to be 122,147 and the 2011 population is assumed to be 125,607.

⁽²⁾ Based on preceding tax year.

⁽³⁾ Includes \$20,000,000 of bond anticipation notes that were discharged with a portion of the proceeds of the Series 2009A Bonds.

Source: County Treasurer and School District Financial Statements.

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 expenses at any time within the past 25 years.

Additional Capital Needs

Over the past 10 years, the School District's enrollment has grown between approximately 300 and 500 pupils per year. If such growth continues, the increases in school capacity necessary to accommodate such growth are expected to cost more than will be available to the School District under its 8% debt limit. A referendum was conducted by the School District on November 4, 2008 to meet its estimated capacity needs through 2013 (the "2008 Referendum"). This referendum resulted favorably to the issuance of \$336,000,000 of general obligation debt to meet such capacity needs. Officials of the School District will continue to monitor growth and if necessary, endeavor to obtain additional debt capacity through referendum.

The School District has issued \$135,710,000 principal amount of general obligation bonds under authority of the 2008 Referendum. The 2011C Bonds are also issued pursuant to the authority of the 2008 Referendum. The School District expect to issue the remaining general obligation bonds authorized by the 2008 Referendum by November 1, 2013.

Legal Debt Limit of Overlapping Taxing Entities

Under the provisions of Article X, Section 14 of the 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 Tax Year 2010 assessed value of all taxable property in each political subdivision which overlaps the School District, either in whole or in part; the total amount of general obligation indebtedness of each such political subdivision which was outstanding as of September 2, 2011; and the general obligation debt of each political subdivision attributable to the School District (which is computed by multiplying the outstanding debt by the percentage of its assessed value within the School District).

<u>Political Subdivision:</u>	<u>2010 Assessed Value</u>	<u>Assessed Value within School District</u>	<u>General Obligation Indebtedness⁽¹⁾</u>	<u>GO Debt Attributable to School District</u>
<u>Counties:</u>				
Lexington County	\$1,017,598,720	\$446,428,680	\$39,504,174 ⁽²⁾	\$17,330,796.42
<u>Municipalities:</u>				
Cayce	46,497,290	1,765,890	-0-	-0-
Lexington	86,513,140	86,285,710	1,540,000	1,535,951.57
Gilbert	1,623,940	1,623,940	-0-	-0-
Pelion	1,827,190	1,827,190	-0-	-0-
Springdale	13,167,250	2,669,120	51,468	10,433.03
Summit	840,440	840,440	-0-	-0-
<u>Special Purpose Districts:</u>				
Lexington County Recreation District	736,600,030	446,428,680	22,945,000	13,906,198.27
Richland-Lexington Airport District ⁽³⁾⁽⁴⁾	2,465,969,914	446,428,680	-0-	-0-
Richland-Lexington Riverbanks Park Distr. ⁽³⁾	2,465,969,914	446,428,680	10,125,000	1,832,986.83

⁽¹⁾ Excludes installment debt, tax increment bonds, capital appreciation bonds and revenue bonds.

⁽²⁾ Includes \$59,174 bonds outstanding issued by the County for Stonebridge Drive Improvement.

⁽³⁾ Total includes 2010 assessed values of Richland County in the amount of \$1,448,371,194 and of Lexington County in the amount of \$1,017,598,720.

⁽⁴⁾ Richland-Lexington Airport District is a political subdivision and has taxing powers of its own. Since 1977, the Richland-Lexington Airport District has relied on its own operating revenues and no taxes have been levied on its behalf to repay its outstanding general obligation indebtedness.

Source: County Auditor; Carolinas Municipal Advisory Council.

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ECONOMIC CHARACTERISTICS AND DATA

General Description

The School District is located within the Columbia Metropolitan Statistical Area (the “Columbia MSA”) which consists of Richland, Lexington, Calhoun, Fairfield, Kershaw and Saluda Counties, and which had a 2010 population of 657,598. Located in a suburban area near the City of Columbia, the largest city in the State (2010 population 168,103) School District had a 2000 population of 87,547, a 65% increase over the 1990 population of 52,941. The estimated population as of June 30, 2010 was 122,147.

The School District is largely suburban in character, but does contain the Town of Lexington, the County seat, with a 2010 population of 17,870, and the municipalities of Pelion and Gilbert, with 2010 populations of 565 and 674, respectively. Many small businesses and shopping areas exist within the School District, as well as several major manufacturing enterprises such as UPS, Wal-Mart, Armstrong Air Conditioning, Eagle Aviation, Honeywell International, Inc., Columbia Farms, Inc., Flextronics America, LLC and Time Warner ENT. Several foreign-affiliated companies are located in the School District – Boral Bricks Inc., Michelin North America Inc., Prysmian Communications Cables and U.S. Foodservice.

The growth in the population of the County has changed the economy of the County from one traditionally based on agriculture and manufacturing to an economy based upon retail businesses, service businesses, manufacturing and agriculture. Nevertheless, the County continues to have a healthy agricultural economy, ranking second among all counties in the State in cash receipts from farm marketings, livestock and livestock products, according to 2007 figures.

Commerce and Industry in the County

Amazon.com, Inc. has begun construction on its one million square-foot distribution and fulfillment center in the Saxe Gotha Industrial Park in the County. The facility, located off of I-77, provides interstate access and is close to the UPS ground hub near the Columbia Metropolitan Airport. Amazon plans to invest up to \$100 million and create 1,249 new permanent jobs, and an additional 2,500 seasonal positions.

In May, 2011, Michelin North America announced it’s investment of \$200 million in its current Lexington facility to further expand its tire building capacity. Michelin has already invested more than \$1 billion in the site since it was first established in 1981. This new expansion will create 270 new jobs, and plans call for all equipment to be installed by the first half of 2013. Michelin designs, manufactures and sells tires for every type of vehicle, including airplanes, automobiles, bicycles, earthmovers, farm equipment, heavy-duty trucks, motorcycles and the space shuttle. The company also publishes travel guides, hotel and restaurant guides, maps and road atlases. Headquartered in Greenville, SC, Michelin North America employs more than 21,400 and operates 18 major manufacturing plants in 16 locations.

Interstate Container announced in April, 2011 that it will locate a new containerboard manufacturing plant in the County to produce specialty boxes used in shipping food products. The containers are considered “green” packaging and much easier to recycle than traditional boxes. The \$13 million investment is expected to create 60 new jobs.

In August, 2010, FPL Food LLC announced it will locate a new facility in the County which is expected to generate 75 new jobs with a total employee count of 150. FPL Food is a producer of beef products; the facility will house processing of its beef products.

In March, 2010, Republic National Distributing Company announced the location of a new facility for wine and spirits distribution in the Lexington County Industrial Park with an investment of approximately \$11.8 million over the next five years. The company will build a 200,000 square-foot facility and expects to occupy the building by Fall, 2010.

U.S. Food Service announced in February, 2010 that it will expand its current 518,000 square-foot facility in the County. Construction on a 15,000 square-foot rail dock is underway and will allow the pass-through of rail cars for direct loading to tractor trailers. The expansion marks the first of a multi-phase project planned for the site, and is expected to generate 100 new jobs in the next five years.

Akebono Brake Corporation announced in January, 2010 the location of a new facility in the County. Akebono recently purchased Bosch Chassis Systems Columbia and will locate its new operations in that facility in West Columbia. The company anticipates completion on the facility by the end of 2010. The \$35.6 million investment is expected to generate 283 new jobs over the next five years. Akebono Brake Corporation is a world-class company and a leader in advanced brake and friction material development and production with a focus on noise, vibration and harshness analysis and control.

In December, 2009, Husqvarna announced it will invest approximately \$2.5 million to locate a parts distribution operation in the County by leasing warehouse space in the Midway Logistics Park. The company also operates a manufacturing facility in Orangeburg County that will support the new operation in Lexington County. Husqvarna is the world's largest producer of lawn mowers, chainsaws and portable gasoline powered garden equipment such as trimmers and blowers.

In August, 2009, JanPak Inc. announced it will expand its operations in the County and strengthen its distribution coverage to better serve its customers. The company will be the anchor tenant in the Midway Logistics Building located in the Lexington County Industrial Park. The \$1 million investment is expected to generate up to 15 new jobs in the next five years. JanPak Inc. is a leading supplier of cleaning and packaging solutions to the building service contractor, property management, industrial, healthcare and institutional markets.

Otis Spunkmeyer, Inc. has expanded its current manufacturing operations in the County by investing an estimated \$8 million in capital improvements and a building expansion of approximately 73,000 square feet to include floor space, shipping docks and freezer. The company's current employment is 400. Otis Spunkmeyer began in 1977 as a California chain of retail cookie stores, and has since shifted its focus to selling its fresh-baked cookie program to other foodservice operations on a wholesale basis.

SCANA Corporation ("SCANA") has relocated its corporate headquarters to the County by consolidating a number of locations it owned or leased around the Midlands. The SCANA campus is comprised of three, 3-story buildings totaling 450,000 square feet with ground level parking. Approximately 1,100 employees from various locations throughout the Columbia area have relocated to the new facilities. SCANA, a Fortune 500 company, is an energy-based holding company principally engaged, through subsidiaries, in electric and natural gas utility operations and other energy-related businesses.

Major Employers

Governmental entities are a large employer in the County, and provide a stable employment base. These entities include local governments such as the County and local school districts. Some of the larger governmental and private sector employers located in the County and their products are shown in the following table:

<u>Employer</u>	<u>Product</u>
Lexington County Health Services	Health services
Lexington County School District No. 1	Education
School District No. 5 of Lexington and Richland Counties	Education
Wal-Mart Associates Inc.	Retail
United Parcel Service	Heavy freight/Delivery services
Michelin North America Inc.	Radial automobile passenger tires
Columbia Farms Inc.	Poultry and poultry products
Lexington County School District No. 2	Education
Lexington County	County government
Midlands Technical College	Technical Education

Source: South Carolina Employment Security Commission, 2009 (most recent data available).

Population Growth

The County, as part of the Columbia MSA, has experienced substantial population growth over the past two decades, and is one of the fastest growing counties in the State. The following table shows population of the County for the years shown:

<u>Year</u>	<u>Population</u>
2010	262,391
2000	216,014
1990	167,611
1980	140,353
1970	89,012

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

Per Capita Personal Income

The following table shows the per capita personal income in the County, residence adjusted, for the years shown:

<u>Year</u>	<u>Lexington County</u>	<u>South Carolina</u>	<u>United States</u>
2009	\$35,773	\$32,338	\$39,626
2008	36,797	32,947	40,673
2007	35,987	32,107	39,458
2006	34,719	30,925	37,698
2005	32,863	29,226	35,424

Source: Board of Economic Advisors and Office of Economic Research of the State Budget and Control Board; U.S. Department of Commerce; Bureau of Economic Analysis, March 2011.

Retail Sales

The County ranked 6th in retail sales in 2010 out of the 46 counties in the State. The following table shows the level of retail sales over the last five years for businesses located in the County:

<u>Year</u>	<u>Gross Retail Sales</u>
2010	\$8,185,948,523
2009	8,725,938,764
2008	9,682,514,052
2007	9,555,498,270
2006	8,652,898,288

Source: South Carolina Department of Revenue, Administrative Division.

Unemployment

The unemployment rate for August, 2011 was 8.6% for the County. The annual unemployment rates for the County as compiled by the South Carolina Employment Security Commission for the last five years are shown below:

<u>Year</u>	<u>County</u>	<u>State</u>	<u>United States</u>
2010	8.1%	11.2%	9.6%
2009	8.1	11.3	9.3
2008	4.9	6.8	5.8
2007	4.1	5.6	4.6
2006	4.6	6.4	4.6

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

Labor Force

Labor Force Estimate⁽¹⁾

	<u>Annual Average</u>				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Civilian Labor Force	130,416	131,136	132,717	134,306	133,487
Employment	124,387	125,786	126,255	123,420	122,639
Unemployment	6,029	5,350	6,462	10,886	10,848
Percent of Labor Force	4.6%	4.1%	4.9%	8.1%	8.1%

⁽¹⁾ Workers involved in labor disputes are included among the employed. Total employment also includes agricultural workers, proprietors, self-employed persons, workers in private households and unpaid family workers.

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

Construction

The following table shows the number of residential and non-residential building permits issued by the County for the years shown.

<u>Year</u>	<u>New Residential</u>		<u>New Non-Residential</u>	
	<u># of Permits</u>	<u>Cost</u>	<u># of Permits</u>	<u>Cost</u>
2010	901	\$202,521,166	82	\$49,113,971
2009	913	172,338,442	104	82,917,595
2008	1,252	225,106,935	171	120,106,121
2007	2,133	319,075,848	182	84,785,157
2006	2,232	276,316,889	196	85,627,170
2005	1,790	233,032,751	166	40,887,758

<u>Year</u>	<u>Repair/Renovation</u> <u>- Residential</u> ⁽¹⁾		<u>Repair/Renovation</u> <u>- Non-Residential</u>	
	<u># of Permits</u>	<u>Cost</u>	<u># of Permits</u>	<u>Cost</u>
2010	393	\$15,133,402	145	\$18,612,109
2009	482	17,462,680	100	12,566,079
2008	690	25,098,217	218	27,646,033
2007	800	24,544,026	187	40,712,106
2006	701	13,324,851	167	15,049,331
2005	1,065	13,816,637	147	22,221,714

⁽¹⁾ Certain structures previously included in New Non-Residential are now included in Repair/Renovation-Residential. These structures include but are not limited to pools, storage buildings, barns, sheds and detached garages.

Source: Lexington County Department of Planning and Development.

Facilities Located Within or Serving the School District

Because of the School District's common border with Richland County, many of the services available in the School District are linked to those of Richland County.

Transportation. The Columbia MSA is served by interstate highways I-26, I-20 (both of which traverse the County) and I-77 and numerous major federal and state highways. Rail freight service is provided by CSX Transportation and Norfolk Southern Corporation. Rail passenger service is available through Amtrak. Nationwide motor freight service is available through approximately 50 motor freight lines regularly serving the area. Greyhound Bus Lines offers interstate bus service.

The Columbia Metropolitan Airport (the "Airport") located in the unincorporated area of the County, and approximately six miles southwest of the City of Columbia's central business district, is comprised of two runways, associated taxiways, an air traffic control tower, aviation fuel storage facilities, aircraft parking aprons, a passenger terminal building, air cargo buildings, general aviation hangars and terminals, support facilities for the U. S. Army Reserve, the aeronautical facilities of the State's Department of Commerce, Division of Aeronautics, roads, grounds and public parking facilities; all of which are located on approximately 2,600 acres. Air operations are conducted on an 8,600-foot x 150-foot runway and an 8,000-foot x 150-foot runway. The passenger terminal features a two-level concourse for common-use gates; a central food court within easy view of all gates; expanded airline ticket counter, baggage claim area; and a covered walkway between the terminal and parking lot. A new multi-level parking structure and surface parking lots together provide 3,505 public parking spaces. The Airport serves more than 1.2 million passengers annually and processes more than 168,000 tons of air cargo. An 108-acre parcel of the Airport property has been designated as Foreign Trade Zone 127 by U.S. Customs. The Columbia Airport Enterprise Park (CAE Park) is a 435-acre industrial park located on the airport complex. There are two fixed base operators providing general aviation services.

The passenger airlines which currently serve the Airport are: American Eagle, Continental Airlines, Delta Air Lines and Delta Connection, United Express and US Airways Express which provide nonstop departures to the connecting hub airports in Atlanta, Charlotte, Chicago, Cincinnati, Dallas/Fort Worth, Detroit, Houston, Memphis, New York, Newark, Philadelphia, Pittsburgh, and Washington DC. The major air cargo companies serving the airport include Airborne Express, Emery Worldwide, Federal Express, and UPS.

The Airport is the site of the southeastern region Air/Ground Hub and Sortation Station of United Parcel Service (UPS). The buildings encompass approximately 352,000 square feet. The hub can process 42,000 packages an hour. UPS is also leasing from the Airport a 35,000 square foot office building on a nine-acre site in CAE Park which houses the 200-person staff that reconciles and administers UPS' system-wide COD delivery services. Fourteen aircraft provide daily service for the hub, with as many as 27 during peak season.

Medical Facilities. The Columbia MSA is a regional health center with five primary acute care hospitals: Palmetto Health Richland, Palmetto Health Baptist, Providence Hospital and Providence Hospital North East located in Columbia and Lexington Medical Center, a major medical facility located within the County. Palmetto Health Baptist and Palmetto Health Richland complete South Carolina's largest and most comprehensive health resource, not-for-profit healthcare system ("Palmetto Health"). Palmetto Health offers a broad range of medical services at both Columbia campuses such as Behavioral Health Services, The Birthplace, Children's Hospital, Emergency and Trauma Center, Palmetto SeniorCare, Palmetto Health Heart Hospital, South Carolina Cancer Center; South Carolina Comprehensive Breast Center and Stork's Landing. Palmetto Health offers a total of 12 medical residency programs at its two teaching hospitals, Palmetto Health Richland and Palmetto Health Baptist Columbia with more than 180 residents on staff.

Higher Education -- There are eight main institutions of higher education in the MSA, the largest being the main campus of the University of South Carolina. The table below lists these institutions and their Fall 2010 enrollment.

<u>College/University</u>	<u>Enrollment</u>
University of South Carolina (Columbia Campus)	29,599
Midlands Technical College	12,078
Benedict College	3,137
South University	1,546
Columbia College	1,367
Columbia International University	1,201
Allen University	848
Lutheran Theological Southern Seminary	153

Midlands Technical College (“MTC”) is a comprehensive, multi-campus, two-year college serving the primary region of Richland, Lexington and Fairfield counties. One of South Carolina’s largest two-year colleges, MTC enrolls students seeking to develop career skills or transfer to a four-year institution. MTC employs approximately 600 permanent faculty and staff and approximately 400 adjunct faculty. More than three-quarters of MTC’s faculty hold a master’s degree or doctorate degree in their teaching field. MTC offers approximately 100 associate degrees, diploma and certificate programs of study, and an estimated 70% of the courses are in the career program area. MTC is comprised of four campuses – Beltline, Airport, Harbison and the 100-acre Northeast Campus which contains MTC’s Enterprise Campus and Center of Excellence for Technology. MTC also has a teaching location at Fort Jackson that serves enlisted personnel and civilians. MTC’s Continuing Education Division provides continuing education opportunities to more than 30,000 individuals annually and is one of the largest providers of noncredit professional upgrade training of any two-year college in the state. MTC is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools and is part of the South Carolina Technical College System.

The River Alliance -- The River Alliance (the (“Alliance”) is a non-profit public sector/private sector partnership, incorporated in 1995, founded by the following parties: County of Lexington, County of Richland, City of Cayce, City of Columbia, City of West Columbia, Central Midlands Council of Governments, Columbia Development Corporation, Greater Columbia Chamber of Commerce, Lexington County Economic Development Committee, Riverbanks Zoo and Botanical Gardens, South Carolina Electric & Gas Corporation, South Carolina State Budget and Control Board, University of South Carolina and Lexington County Economic Development Committee. The River Alliance considers the Broad, Saluda and Congaree Rivers to be assets that can provide many opportunities to the public. The main goals of the Alliance include: improving recreational opportunities both on and off the rivers; preserving the natural riverine environment and the health of the watershed; strengthening residential communities in the downtown river areas; and providing the public with a clearer understanding of the area’s river-related history. The River Alliance was selected to receive the 2005 South Carolina Wildlife Federation Conservation Award for Outdoor Ethics.

Recreation -- The Columbia MSA offers many opportunities for recreation and leisure activities. The Columbia Museum of Art maintains collections of European and American fine and decorative art that span centuries. The South Carolina State Museum is the largest museum in South Carolina and is located in America’s first electric-powered textile mill. It is a comprehensive hands-on museum with extensive exhibits of art, science and technology and natural history. The 67,000 square-foot EdVenture Children’s Museum is a hands-on learning center that features world-class galleries/exhibits, an innovative mix of high-tech and high-touch opportunities, and a 200-seat theater. Riverbanks Zoo and Garden, located in Richland and Lexington counties on a 170-acre tract of land bisected by the Saluda River, consists of a zoological park located on approximately 30 acres on the east side of the Saluda River and a botanical garden and contiguous natural areas located on a seventy-acre tract of land on the west side of the Saluda River that is connected to the zoological park by a bridge. Lake Murray, a 50,000-acre man-made lake with more than 500 miles of shoreline, provides opportunities for fishing, camping, boating, sailing and skiing as well as residential sites for single-family and multi-family development.

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.

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 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 cannot 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 form of the opinion of Bond Counsel, Haynsworth Sinkler Boyd, P.A., Columbia, South Carolina, prepared in connection with the issuance of the Bonds is attached to this Official Statement 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 closing.

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 opinion to be delivered concurrently with the delivery of the Bonds expresses 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. Section 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 or alter the payment terms, maturity schedule and other provisions governing the 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., Columbia, South Carolina ("Bond Counsel"), will render an opinion that, assuming continuing compliance by the Issuer 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. 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 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 Issuer complies 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 Issuer 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 Issuer 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 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 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. For example, on September 12, 2011, President Obama proposed to Congress the enactment of legislation entitled the "American Jobs Act of 2011" (the "Jobs Act"). If enacted as currently proposed, the Jobs Act would result in federal income tax being imposed on a portion of the interest received by certain individual owners of state or local bonds, including the Bonds, for taxable years beginning on or after January 1, 2013. No prediction is made whether this provision will be enacted as proposed or concerning other future legislation which if passed might have the effect on the tax treatment of interest on the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors 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 Issuer 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 Issuer 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 Issuer or the Owners to incur significant expense, regardless of the ultimate outcome. Under certain circumstances, the Issuer may be obligated to disclose the commencement of an audit under the Continuing Disclosure Agreement. See, CONTINUING DISCLOSURE, herein.

Closing Certifications

The School District will furnish, without cost to the successful bidder, 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 or omit to state a material fact which should be included therein for the purpose for which the Official Statement 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.

The purchaser of the Bonds will deliver prior to closing such certifications as to the issue price of the Bonds as required by the Official Notice of Sale for the Bonds.

Financial Advisor

Wells Fargo Securities is acting as Financial Advisor to the School District in connection with the sale and issuance of the Bonds. Wells Fargo Securities is a trade name for certain capital markets and investment banking services of Wells Fargo Company and its subsidiaries, including Wells Fargo Bank, National Association.

Rule G-23 of the Municipal Securities Rulemaking Board allows any broker, dealer or municipal securities dealer who has a financial advisory relationship with an issuer to purchase new issues on a competitively bid basis with the prior written consent of that issuer. Wells Fargo Securities has received written permission from the School District to submit a competitive bid at the public sale for the Bonds. Wells Fargo Securities, through the competitive bidding process, may acquire as principal or as a participant in a syndicate of underwriters, all or a portion of the Bonds.

Continuing Disclosure

The School District has covenanted for the benefit of beneficial owners of its bonds, notes and certificates of participation issued since July 3, 1995 to provide certain financial information and operating data relating to the School District by not later than February 1 (the “Annual Report”) for the preceding fiscal year, and to provide notices of the occurrences of certain enumerated events, if deemed by the School District to be material. This Annual Report is filed by the School District with the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board (“EMMA”) and with any State Depository (“SID”), if such should hereafter be established in South Carolina. The notices of material events will be filed by the School District with the EMMA and the SID, if any. The specific nature of the information to be contained in the Annual Report or the notices of material events is attached to this Official Statement as Appendix C. These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

In addition, issuers of tax-exempt obligations issued pursuant to an authorizing indenture, resolution or ordinance executed after August 1, 1994, are required by Act No. 442 of 1994, to include in their authorizing indenture, ordinance or resolution a covenant to file with a central repository for availability in the secondary bond market an annual independent audit within 30 days of its receipt and event-specific information, within 30 days of an event adversely affecting more than five percent of its revenue or tax base. The School District also will covenant to meet the requirements of Act No. 442 in the Continuing Disclosure Undertaking.

To the knowledge of the School District, it has complied with all of the requirements of its continuing disclosure undertakings and no default has occurred under any of these continuing disclosure undertakings.

Conclusion

Requests for additional copies of this Official Statement may be directed to Mr. John C. Butler, Chief Financial Officer, Lexington County School District No. 1, Post Office Box 1869, Lexington, South Carolina 29071, telephone (803) 951-8338 or may be addressed to Theodore B. DuBose, Haynsworth Sinkler Boyd, P.A., Bond Counsel, 1201 Main Street, Suite 2200, Columbia, South Carolina 29201, telephone (803) 779-3080.

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RATINGS

Moody's Investors Service ("Moody's") and Standard & Poor's ("S&P") (collectively, the "Rating Services") have assigned their municipal bond ratings of "____" and "____," respectively, to the Bonds based on the State's statutory enhancement program (as described in "THE BONDS – Statutory Intercept Provisions"). Moody's has also assigned an underlying rating of "____" and S&P has also assigned an underlying rating of "____", which ratings do 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 the rating agency furnishing such rating. The ratings reflect only the view of such rating agency and the School District makes no representation as to the appropriateness of the ratings

The School District has furnished to the Rating Services certain information and materials respecting the School District and the Bonds. Generally, the Rating Services base their ratings on such information and materials and on investigations, studies and assumptions furnished to and obtained and made by them. There is no assurance that such ratings will remain unchanged for any period of time or that they may not be revised downward or withdrawn entirely by the Rating Services, if in their judgment circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The 2011B Bonds have been purchased at a competitive sale from the School District for resale by _____ (the "Purchasers"). The Purchasers have agreed, subject to certain conditions, to purchase the 2011B Bonds at _____% of par. The initial public offering prices of the 2011B Bonds are as shown on the front cover of this Official Statement and may be changed from time to time by the Purchasers. The Purchasers may also allow a concession from the public offering prices to certain dealers. The initial public offering prices average approximately \$_____ per \$1,000 face amount of the 2011B Bonds in excess of the purchase price paid to the School District by the Purchasers. The Purchasers have received no fee from the School District for underwriting the 2011B Bonds.

The 2011C Bonds have been purchased at a competitive sale from the School District for resale by _____ (the "Purchasers"). The Purchasers have agreed, subject to certain conditions, to purchase the 2011C Bonds at _____% of par. The initial public offering prices of the 2011C Bonds are as shown on the front cover of this Official Statement and may be changed from time to time by the Purchasers. The Purchasers may also allow a concession from the public offering prices to certain dealers. The initial public offering prices average approximately \$_____ per \$1,000 face amount of the 2011C Bonds in excess of the purchase price paid to the School District by the Purchasers. The Purchasers have received no fee from the School District for underwriting the 2011C 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.

LEXINGTON COUNTY SCHOOL DISTRICT NO. 1,
SOUTH CAROLINA

By: _____
Chief Financial Officer, Lexington County School
District No. 1, South Carolina

AUDITED FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2010

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT
OF
LEXINGTON COUNTY SCHOOL DISTRICT ONE
LEXINGTON, SOUTH CAROLINA
FOR THE YEAR ENDED
JUNE 30, 2010**

**PREPARED BY:
The Office of Fiscal Services
Lexington County School District One**

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Lexington County School District One
Lexington, South Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund of Lexington County School District One, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund of the Lexington County School District One, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, 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 17, 2010, on our consideration of the 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.

ROCK HILL

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WEST COLUMBIA

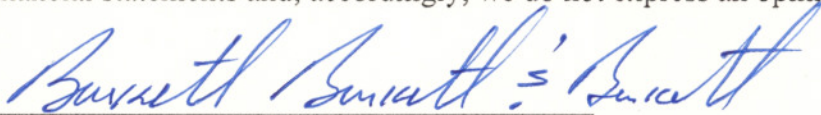
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SUMTER

115 BROAD STREET SUITE 200 · SUMTER, SC 29150
MAIN LINE: 803.773.6772

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 17 through 29 and 38, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The introductory section, combining and individual non-major fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual non-major fund financial statements and schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Burkett Burkett & Burkett
Certified Public Accountants, P.A.
West Columbia, South Carolina

November 17, 2010

**Lexington County School District One
Management's Discussion and Analysis
For the Year Ended June 30, 2010**

The management of Lexington County School District One presents to the readers of these financial statements this discussion and analysis of the District's financial activities for the fiscal year ended June 30, 2010. We encourage the reader to consider the information presented in this analysis in conjunction with additional information we have furnished in our letter of transmittal, in the financial statements and in the notes to these statements to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

- The assets of the Lexington County School District One exceeded its liabilities by \$163,786,990 at June 30, 2010. The assets for the District's governmental activities exceeded liabilities by \$160,824,123. Of this amount, \$10,874,673 may be used to meet the District's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$9,612,050 which is mainly attributable to an increase in capital assets due to construction.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$125,637,875, an increase of \$53,571,197. Of this amount \$8,961,889 is considered unassigned and available for spending.
- At the end of the current fiscal year, the general fund unassigned fund balance was \$8,916,561, or 5.5 percent of total general fund expenditures. The unassigned fund balance decreased by \$4,290,879 or 32.5 percent.
- The District's governmental funds reported total revenues of \$227,656,242 and total expenditures of \$285,659,457. Of these amounts the District's general fund reported revenues of \$162,167,369 and expenditures of \$161,650,418. The District also reported transfers to and from other funds. For the general fund, \$4,335,545 was transferred in from other funds and \$2,997,541 was transferred out to other funds.
- The District's total capital assets, net of depreciation increased by \$22,873,512. This can be attributed to the continuing construction and renovations projects at various sites in the District. A full discussion of these projects can be found in the Capital Assets section of this analysis.
- The District sold \$111,100,000 in General Obligation Bonds. Further explanation of these bond issues can be found in the long-term debt section of this analysis.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to Lexington County School District One's basic financial statements, which consist of three parts -- *government-wide financial statements, fund financial statements, and notes to the financial statements*. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's overall financial status, in a manner similar to a private-sector business. This includes two kinds of statements, the Statement of Net Assets and the Statement of Activities, which are described below.

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

The *Statement of Activities* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

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

The government-wide financial statements include not only the District itself (known as the primary government), but also component units. The component units include Lexington County School District No. 1 Educational Foundation, Lexington School Facilities, Inc. (LSF, Inc.) and Lexington One School Facilities, Corp. (LOSF, Corp). All three are not-for-profit corporations for which the District is financially accountable. All three are considered "blended" component units and are reported as governmental activities of the district.

The government-wide financial statements can be found on pages 32-33 of this report.

Fund financial statements. The remaining basic financial statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements.

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

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

The District maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, special projects fund, EIA fund, debt service fund - District, debt service fund – LOSF, Corp., capital projects fund – District and capital projects fund – LOSF, Corp., all of which are considered to be major funds. Information is also presented for the debt service fund – LSF, Inc., also a major fund, in the statement of revenues, expenditures, and changes in fund balances, but not in the governmental fund balance sheet since there was no beginning or ending assets, liabilities or fund balance to present. The District accounts for the Lexington County School District No. 1 Educational Foundation. This is considered a permanent fund and is a nonmajor fund. The individual fund data for it are provided in a separate column. The basic governmental fund financial statements can be found on pages 34-37 of this report.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary fund. The District maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses an enterprise fund to account for its food service operation. The proprietary fund provides the same type of information as the government-wide financial statements, only in more detail; therefore, the proprietary fund financial statements provide more detailed information for the food service operation, which is considered a major fund of the District. The basic proprietary fund financial statements can be found on pages 39-42 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District is the trustee, or fiduciary, for the pupil activity of the schools and accounts for this activity in an agency fund. The basic fiduciary fund financial statements can be found on page 43 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 44-71.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information that further supports the financial statements with a comparison of the District's budget for the year and other supplementary information schedules required either by the State Department of Education, the certificate of achievement program of the Government Finance Officer's Association, or the certificate of excellence program of the Association of School Business Officials.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$163,786,990 at June 30, 2010. The increase in net assets over the previous year was \$9,612,050. The District's largest portion of net assets is reflected in the investment in capital assets, net of related debt. This equates to \$133,760,032, or 82 percent, and represents the land, buildings, improvements and equipment used by the District for the instruction and support of instruction of the District's students. Therefore, these assets are not available for future spending. In addition, \$17,978,779, or 11 percent, of the District's net assets represent resources that are subject to external restrictions. At the end of the current fiscal year, the District has \$12,048,179, or 7 percent, of unrestricted net assets available for use to meet the District's ongoing obligations. Also, at the end of the current and the previous fiscal year, the District is able to report positive balances in all categories of net assets. This is true for both net assets for governmental activities and business-type activities.

The District's net assets increased due to an increase in capital assets as a result of the ongoing construction projects in the District.

As follows, Table I provides a summary of the District's net assets for fiscal years 2009 and 2010 and Table II shows the changes in net assets for fiscal years 2009 and 2010.

Table I
Lexington County School District One
Condensed Statement of Net Assets

	Fiscal Year 2010			Fiscal Year 2009		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Assets						
Current and other assets	\$ 172,344,024	\$ 1,902,133	\$ 174,246,157	\$ 110,260,554	\$ 2,156,082	\$ 112,416,636
Capital Assets	389,746,747	1,789,361	391,536,108	366,743,119	1,919,477	368,662,596
Total assets	562,090,771	3,691,494	565,782,265	477,003,673	4,075,559	481,079,232
Liabilities						
Long-term liabilities	353,247,506		353,247,506	266,782,918		266,782,918
Other liabilities	48,019,142	728,627	48,747,769	59,401,048	720,323	60,121,371
Total liabilities	401,266,648	728,627	401,995,275	326,183,966	720,323	326,904,289
Net Assets						
Invested in capital assets, net of related debt	131,970,671	1,789,361	133,760,032	93,291,478	1,919,477	95,210,955
Restricted	17,978,779		17,978,779	40,535,595		40,535,595
Unrestricted	10,874,673	1,173,506	12,048,179	16,992,634	1,435,756	18,428,390
Total net assets	\$ 160,824,123	\$ 2,962,867	\$ 163,786,990	\$ 150,819,707	\$ 3,355,233	\$ 154,174,940

Table II
Lexington County School District One
Change in Net Assets

	Fiscal Year 2010			Fiscal Year 2009		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business- type Activities	Total
Revenues						
Program Revenues:						
Charges for services	\$ 703,171	\$ 6,224,626	\$ 6,927,797	\$ 607,242	\$ 6,255,209	\$ 6,862,451
Operating grants & contributions	94,963,189	3,937,546	98,900,735	93,238,263	3,805,062	97,043,325
General Revenues:						
Property taxes	86,506,345	-	86,506,345	81,521,019	-	81,521,019
Federal & state aid	44,560,712	-	44,560,712	41,002,591	-	41,002,591
Other	1,028,341	1,230	1,029,571	2,064,315	2,456	2,066,771
Total Revenues	227,761,758	10,163,402	237,925,160	218,433,430	10,062,727	228,496,157
Expenses						
Instruction	127,257,281	-	127,257,281	124,441,771	-	124,441,771
Support Services	76,106,830	-	76,106,830	70,658,217	-	70,658,217
Community Services	368,145	-	368,145	348,117	-	348,117
Intergovernmental	19,379	-	19,379			
Interest & other charges	13,720,943	-	13,720,943	12,666,547	-	12,666,547
Food Service	-	10,840,532	10,840,532	-	11,062,359	11,062,356
Total Expenses	217,472,578	10,840,532	228,313,110	208,114,652	11,062,359	219,177,011
Increase/(Decrease) in net assets before transfers	10,289,180	(677,130)	9,612,050	10,318,778	(999,632)	9,319,146
Transfers	(284,764)	284,764	-	(1,205,837)	1,205,837	-
Increase/(Decrease) in net assets	10,004,416	(392,366)	9,612,050	9,112,941	206,205	9,319,146
Net Assets, July 1	150,819,707	3,355,233	154,174,940	141,706,766	3,149,028	144,855,794
Net Assets, June 30	\$ 160,824,123	\$2,962,867	\$163,786,990	\$150,819,707	\$ 3,355,233	\$ 154,174,940

The District's expenses are primarily for instruction and support services that account for 59 percent and 35 percent of total governmental activities expenses, respectively. The instructional expenses predominantly account for salaries and benefits for teachers and instructional assistants. Support services expenses are mainly building renovations and additions, maintenance, utilities and pupil transportation salaries, benefits, contractual services and supplies.

Governmental activities. Governmental activities increased the District's net assets by 6.7 percent. The District continued major construction and renovation projects that increased the

capital assets, net of depreciation by \$23,003,628. The District's property tax revenues increased due to an increase in assessments of taxable property as well as an increase in millage of 9.88. The debt service millage increased by 16.2, but the District lowered the millage levied for lease purchase obligations by 6.32 mills. Although the District received less Education Finance Act Funding due to state cuts, enrollment continued to grow lessening the impact of the cuts. The District also received funding from the American Recovery and Reinvestment Act of 2009 which helped save jobs. Tables III and IV that follow illustrate the District's Revenues by Source and Expenses by Function for fiscal year 2010.

Table III
Revenues by Source
Governmental Activities

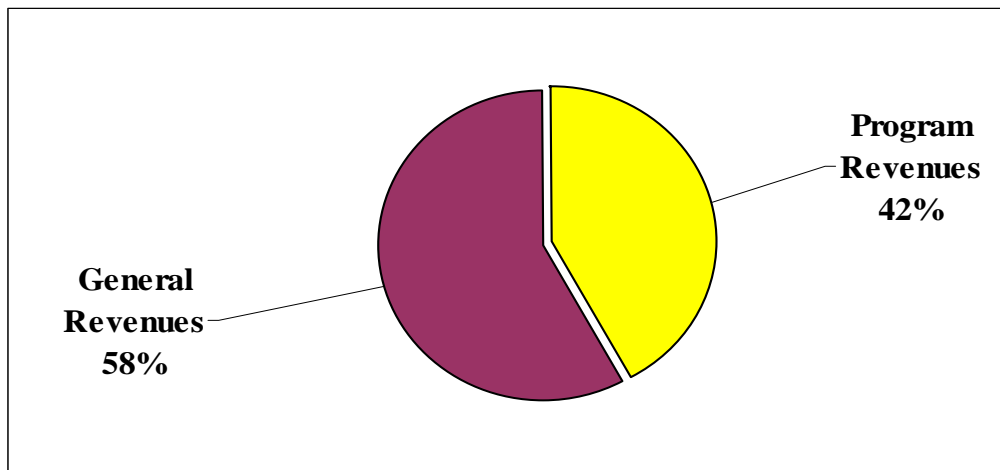
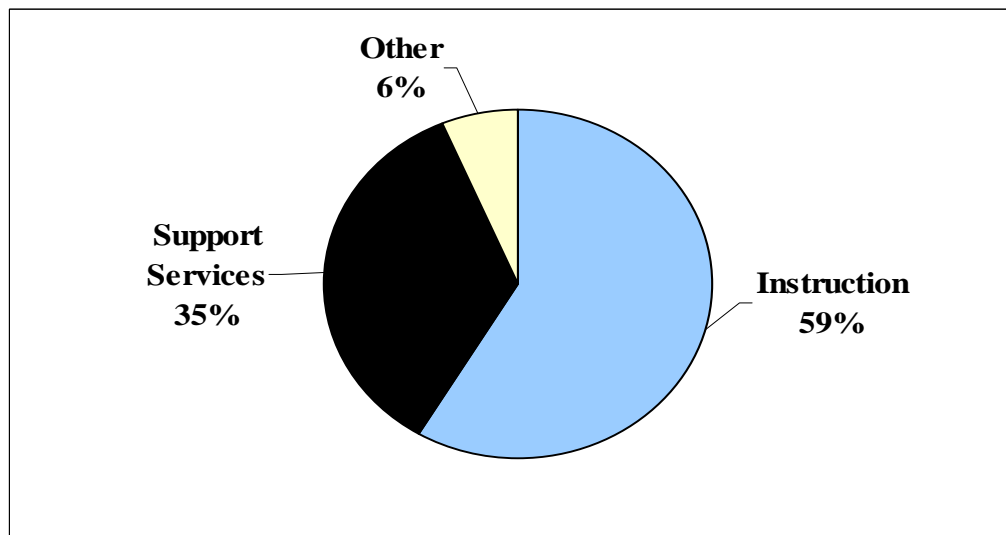
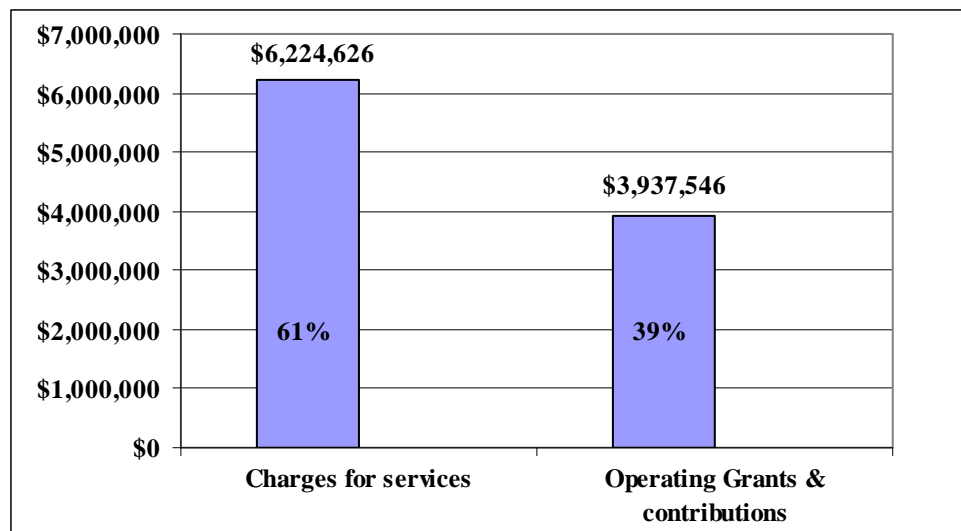


Table IV
Program Expenses by Function
Governmental Activities



Business-type activities. Business-type activities decreased the District's net assets by \$392,366, or 11.7 percent. This is a result of the program not receiving contributed capital in the current year as the District did not open any new schools and overall net capital assets decreased. The program revenues increased slightly and the program expenses decreased slightly from the prior year. However, the program expenses exceeded revenues by \$221,827. This is mainly attributable to an increase in USDA reimbursements which is a result of an increase in the District's number of students receiving free and reduced price meals. The District's food service operation is the only business-type activity for the District. This operation receives no support from local tax revenues. Table V illustrates the program revenues by source for the food service operation.

Table V
Business-type Activities
Program Revenues by Source



Overall Analysis. Lexington County School District One continues to be one of the fastest growing school districts in the state of South Carolina which directly impacts the amount of state funding the District receives. The District's tax base continues to grow. The District increased millage by a net 9.88 mills in order to begin paying the debt service costs associated with the construction projects as approved by a \$336 million bond referendum held in November 2008 and which is discussed later in this analysis. The District continues to administer conservative budgeting practices and to address the needs of the growing student population by continually focusing on capital improvements plan and technology integration. The District's Food Service program continues to strive to increase participation, but faces challenges dealing with the effects of the economic recession. The net assets of the district increased by \$9,612,050 or 6.2%. Therefore, the District's overall financial position has improved for the 2010 fiscal year.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds. The analysis of governmental funds serves the purpose of looking at what resources came into the funds, how they were spent and what is available for future expenditures. Such information is useful in assessing the District's financing requirements. The District implemented GASB Statement No. 54 as of June 30, 2010 and has restated the fund balance classifications for June 30, 2009 in order to provide comparative data. *GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions* leaves unchanged the total amount reported as fund balance, but it changes the categories and terminology used to describe its components. Therefore the presentation of fund balance focuses on the extent to which the District is bound to honor constraints on specific purposes for which amounts in the fund can be spent. The new fund balance categories are nonspendable, restricted, committed, assigned and unassigned. Nonspendable fund balance is the portion of net resources that cannot be spent because of their form or because they must remain intact (i.e. prepaid expenditures). Restricted fund balance is classified due to externally enforceable limitations on use as imposed by creditors, grantors, contributors, or laws (i.e. special revenues, debt service capital projects). Committed fund balance represents limitations set in place prior to the end of a fiscal year by the Board of Trustees in formal action. In the District's case, this represents the fund balance policy that sets a minimum of 7 percent of the District's general fund budget to be held in fund balance. Assigned fund balance represents a limitation resulting from intended use. In this case, the District appropriated a portion of fund balance in the next year's general fund budget. Unassigned fund balance may serve as a useful measure of a government's residual net resources available.

As of June 30, 2010, the District's governmental funds reported a combined ending fund balance of \$125,637,875. Approximately 7.1 percent, or \$8,961,889, represents unassigned fund balance. The nonspendable portion was \$2,553,108 or 2 percent; the restricted portion was 97,807,349 or 77.9 percent; the committed portion was 11,315,529 or 9 percent; the assigned portion was 5,000,000 or 4.0 percent. The general fund is the chief operating fund of the District. At the end of the current fiscal year, total unassigned general fund balance was \$8,916,561. The unassigned fund balance represents 5.5 percent of total general fund expenditures.

The fund balance of the District's general fund increased by \$1,854,945 or 7.2 percent, during the 2010 fiscal year. The unassigned fund balance decreased by \$4,290,879 as the District appropriated \$5,000,000 of fund balance in the next fiscal year's budget causing that portion to be classified as assigned fund balance. In the current year, there was no appropriation of fund balance. The District's overall revenue decreased in total by \$6,132,231 in most part due to a reduction of state EFA funding. Although the District saw a growth in assessed value of non-owner occupied property, the District lowered millage levied for lease purchase agreements by 6.32 mills. Although the growth was offset in part by the lower millage rate, there was a change in how the District receives a portion of taxes

attributable to owner occupied property. A portion of revenue collected as ad valorem taxes in previous years was legally determined in the current year to be a part of the State's Act 388 Reimbursement for Property Tax Relief. This shift from local to state revenue contributed to the reduction in local taxes. The District's general fund expenditures decreased by \$1,311,986 as the District increased class sizes in order to accommodate student growth with limited funding resources. The District implemented freezes of 10% on departmental and school budgets for supplies and services, limitations on travel and field trips, hiring long-term substitutes to fill vacated positions, and delaying one-time purchases which resulted in general fund expenditures being less than budget by approximately \$4 million.

The debt service fund-District had a total fund balance of \$9,504,435 all of which is restricted for the payment of debt service. The debt service tax revenues grew by \$7,071,688 or 31.6 percent from the previous fiscal year due to the growth in assessed value of property as well as a 16.2 millage increase to fund the repayment of bonds issued to fund the District's capital projects. The District also recognized intergovernmental revenues for Build America Bonds interest subsidy received from the Internal Revenue Service. The issuance of debt related to this fund is discussed later in the Capital Assets and Debt Administration section of this management's discussion and analysis.

The debt service fund-LOSF, Corp. had a total fund balance of \$6,895,851 all of which is reserved for payment of debt service related to the installment purchase revenue bonds. This represented an increase of \$4,995,678 over the previous year as the investment account balances increased.

The capital projects fund-District had a total fund balance of \$76,719,386 at June 30, 2010. The district's capital projects fund balance increased by \$50,875,009 from June 30, 2009. The fund balance growth can be attributable to the issuance of general obligations bonds to fund the ongoing capital projects plan of the District. A discussion follows in the Capital Assets and Debt Administration section of this management's discussion and analysis.

The capital projects fund-LOSF, Corp. had a total fund balance of \$4,284,219. In the 2006 fiscal year, the District issued \$93,645,000 in installment purchase revenue bonds to finance several of the projects which are part of the District's capital projects plan. There were no additional installment purchase revenue bonds issued in the current fiscal year. Therefore, the fund balance was drawn on to fund those capital expenditures, thus decreasing the fund balance by \$5,124,051.

Proprietary fund. The District's only proprietary fund is the Food Service Fund. This program had a decrease in net assets of \$392,366 for the fiscal year ended June 30, 2010. The District experienced a decrease in meal sales of \$46,123, or .8%, and USDA reimbursements of \$182,534, or 5.5%. This is a result of an increase in the number of students receiving free and reduced meals and a decrease in participation. Food costs and supplies decreased by a total of \$285,345, or 5.0%, due to a decrease in participation.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's general fund budget is prepared according to South Carolina law. The District did not amend the general fund budget for increases or decreases in total budget. The District made minor categorical budget amendments during the year to ensure that expenditures were charged to the proper account codes as required by the South Carolina Department of Education.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The District's investment in capital assets at June 30, 2010 was \$391,536,108 net of accumulated depreciation. This investment in assets includes land, buildings, improvements other than buildings, construction in progress, and equipment. The total increase was \$22,873,512. In reference to the Governmental Activities, the District continued the implementation of a new five year plan with a projected cost of \$336,000,000 that began late in the previous fiscal year. District voter's approved a bond referendum on November 4, 2008 to fund this five year plan. Therefore, this fiscal year's increase can be attributed to the construction of the new Rocky Creek Elementary School, the purchase of land and beginning design for the new Meadow Glen Elementary and Meadow Glen Middle Schools, the design phase for the River Bluff High School, the renovations projects at Lake Murray Elementary, Lexington Elementary School, Lexington Technology Center, Midway Elementary School, Pelion High School Saxe Gotha Elementary School, White Knoll Elementary School, White Knoll High School, athletic facilities at Gilbert High and Pelion High, and technology projects at several District schools. The District also purchased a building for additional district office space which is not part of the bond referendum funds. The District's business-type activities for food service saw a reduction in capital assets due to depreciation expense exceeding current year purchases. Since the District did not open new schools in the current year, there was not a significant addition of equipment for the program.

Table VI shows the District's capital assets, net of accumulated depreciation, as of June 30, 2009 and 2010:

Table VI
Capital Assets, net of accumulated depreciation

	Governmental Activities		Business-type Activities		Total	
	FY 2010	FY 2009	FY 2010	FY 2009	FY 2010	FY 2009
Land	\$ 20,980,458	\$ 16,490,553	\$ -	\$ -	\$ 20,980,458	\$16,490,553
Buildings	314,351,443	316,202,979	-	-	314,351,443	316,202,979
Improvements	20,321,713	21,023,920	-	-	20,321,713	21,023,920
Equipment	5,554,495	4,926,441	1,789,361	1,919,477	7,343,856	6,845,918
Construction in progress	28,538,638	8,099,226	-	-	28,538,638	8,099,226
Total	\$ 389,746,747	\$366,743,119	\$ 1,789,361	\$ 1,919,477	\$ 391,536,108	\$368,662,596

Additional information on the District's capital assets can be found in Note VI on pages 58-59 of this report.

Long-term debt. At June 30, 2010, the District had total general obligation debt outstanding of \$243,555,000. This is an increase of \$89,600,000 or 58.2 percent from the prior fiscal year. The general obligation bonds of the District's debt are backed by the full faith and credit of the District. The District also had total Certificates of Participation outstanding of \$1,235,000. This is a decrease of \$1,940,000 or 61.1 percent from the prior fiscal year. The District also shows outstanding debt of \$89,215,000 for the Installment Purchase Revenue Bonds. This is a decrease of 2.0 percent from the prior fiscal year. The District will annually sell general obligation bonds to make the installment payments on the LOSF, Corp. debt. Table VII outlines the District's General Obligation Debt, Outstanding Certificates of Participation and Installment Purchase Revenue Bonds as of June 30, 2009 and 2010:

**Table VII
Outstanding Debt**

	Governmental Activities		Increase (Decrease)	
	2010	2009	Total	Percent
General Obligation Bonds	\$ 243,555,000	\$ 153,955,000	\$ 89,600,000	58.2%
Certificates of Participation	1,235,000	3,175,000	(1,940,000)	-61.1%
Installment Purchase Bonds	89,215,000	91,060,000	(1,845,000)	-2.0%
Total	\$ 334,005,000	\$ 248,190,000	\$ 85,815,000	34.6%

State law limits the amount of general obligation debt a school district may issue to 8 percent of its total assessed valuation. However, the District is allowed by the law to exceed the legal debt limit of 8 percent if the citizens of the District approve such additional debt through a district-wide referendum. The 8 percent debt limit for the District at June 30, 2010 was \$34,367,017. Of that amount, \$265,000 has been issued leaving a legal debt margin of \$34,102,017.

The remaining general obligation debt outstanding represents debt authorized by a \$61,000,000 bond referendum approved by the voters on May 3, 1997, an \$118,000,000 bond referendum approved by voters on November 2, 2004, and a \$336,000,000 bond referendum approved by voters on November 4, 2008.

During fiscal year 2010 the district issued the following long-term debt:

- Series 2009A \$90,000,000 General Obligation Bonds (Build America Bonds – Taxable Series) to fund capital projects authorized by the 2008 referendum and to refunded the \$20,000,000 General Obligation Bond Anticipation Note issued in the prior fiscal year.
- Series 2009B \$111,110,000 General Obligation Bonds to fund capital projects under the 2008 referendum and to pay the acquisition price payments of the fiscal year 2010 Installment Purchase Revenue Bonds due.

- Series 2010 \$10,000,000 General Obligation Bonds (Taxable Qualified School Construction Bond) to fund a portion of the Meadow Glen Elementary School approved in the 2008 referendum.

Under the provisions of the American Recovery and Reinvestment Act of 2009, the District issued the Build America Bonds for which the United States Government will pay directly to the District, after application, a 35 percent subsidy on each interest payment due in that fiscal year for the life of the bonds. The Taxable Qualified School Construction Bond was issued under the provisions of the State of South Carolina Federal Education Tax-Credit Bond Implementation Act of 2009. A refundable tax credit must be applied for each time an interest payment is due for these bonds. For both types of bonds, the District has reported interest at the gross amount on the financial statements. The interest subsidy received from the United States Government is reported as intergovernmental revenue in the financial statements.

Additional information on the District's long-term debt can be found in note X on pages 65-69 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The average unemployment rate for Lexington County was 8.41% percent for the fiscal year ended June 30, 2010. The average unemployment rate for the state and nation over the same fiscal year was 11.83 percent and 9.78 percent, respectively. The unemployment rate for June 2010 was 8.0 percent versus 8.8 percent for June 2009. The unemployment rate for June 2010 was 10.70 percent for the state and 9.5 percent for the nation. Lexington County consistently has one of the lowest unemployment rates in the state of South Carolina.

The District's general fund budget for fiscal year 2011 was approved by the Board of Trustees in June 2010. This budget was approved for \$166,686,481, a decrease of \$2,063,755, or 1.2 percent, from the previous year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and other interested parties with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of Fiscal Services, Lexington County School District One, P. O. Box 1869, Lexington, South Carolina 29071. In addition, this financial report may be found on the District's website at <http://www.lexington1.net>.

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BASIC FINANCIAL STATEMENTS

LEXINGTON COUNTY SCHOOL DISTRICT ONE
LEXINGTON SOUTH CAROLINA
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and Equivalents	\$ 1,099,527	\$ 117,727	\$ 1,217,254
Investments			
Unrestricted	41,526,133		41,526,133
Restricted	106,039,507		106,039,507
Accounts Receivable	22,704	23,558	46,262
Taxes Receivable	6,109,889		6,109,889
Intergovernmental Revenue Receivable	66,746		66,746
Due from County Government	1,376,658		1,376,658
Due from Local Agencies	65,511		65,511
Due from State Dept. of Education	486,484		486,484
Due from Other State Agencies	5,502,090		5,502,090
Due from Federal Government	7,444,591	7,207	7,451,798
Inventories		103,893	103,893
Prepaid Expenses	2,553,108		2,553,108
Internal Balances	(1,649,748)	1,649,748	-
Unamortized Bond Issuance Cost	1,700,824		1,700,824
Capital Assets:			
Land	20,980,458		20,980,458
Construction in Progress	28,538,638		28,538,638
Buildings	377,666,542		377,666,542
Improvements	22,857,390		22,857,390
Furniture and equipment	12,087,840	4,453,434	16,541,274
Less: Accumulated Depreciation	(72,384,121)	(2,664,073)	(75,048,194)
Total Capital Assets, Net of Depreciation	389,746,747	1,789,361	391,536,108
TOTAL ASSETS	\$ 562,090,771	\$ 3,691,494	\$ 565,782,265
<u>LIABILITIES</u>			
Accounts Payable	\$ 1,847,055	\$ 317	\$ 1,847,372
Payroll Withholdings	2,694,604		2,694,604
Accrued Salaries & Benefits	21,455,597	713,043	22,168,640
Construction Contracts Payable	2,669,100		2,669,100
Construction Retainage Payable	198,147		198,147
Accrued Interest Payable	2,979,753		2,979,753
Due to County Government	4,658,725		4,658,725
Due to State Department of Education	103,309		103,309
Unearned Revenue	6,638,171	15,267	6,653,438
Unamortized Bond Premium, Net	4,774,681		4,774,681
Noncurrent Liabilities			
Due within One Year	18,997,583		18,997,583
Due in more than One Year	334,249,923		334,249,923
Total Liabilities	401,266,648	728,627	401,995,275
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	131,970,671	1,789,361	133,760,032
Restricted for:			
Permanent Fund - Expendable	403,458		403,458
Debt service	17,575,321		17,575,321
Unrestricted	10,874,673	1,173,506	12,048,179
Total Net Assets	\$ 160,824,123	\$ 2,962,867	\$ 163,786,990

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

LEXINGTON COUNTY SCHOOL DISTRICT ONE
LEXINGTON, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues		Net Revenue (Expense) and Changes in Net Assets		
		Charges for Services and Sales	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-type Activities	
Primary government:						
Governmental activities:						
Instruction	\$ 127,257,281	\$ 143,713	\$ 76,419,262	\$ (50,694,306)	\$	\$ (50,694,306)
Support services	76,106,830	294,523	17,760,119	(58,052,188)		(58,052,188)
Community services	368,145	264,935		(103,210)		(103,210)
Intergovernmental	19,379		783,808	764,429		764,429
Interest and other charges	13,720,943			(13,720,943)		(13,720,943)
Total governmental activities	217,472,578	703,171	94,963,189	(121,806,218)		(121,806,218)
Business-type activities:						
Food service	10,840,532	6,224,626	3,937,546		(678,360)	(678,360)
Total business-type activities	10,840,532	6,224,626	3,937,546		(678,360)	(678,360)
Total primary government	\$ 228,313,110	\$ 6,927,797	\$ 98,900,735	\$ (121,806,218)	\$ (678,360)	\$ (122,484,578)
General Revenues:						
Property Taxes Levied for:						
General Purposes				\$ 56,821,842	\$	\$ 56,821,842
Debt Service				29,684,503		29,684,503
Federal and State Aid Not Restricted for Specific Purposes				44,560,712		44,560,712
Unrestricted Investment Earnings				836,030	1,230	837,260
Miscellaneous Revenue				192,311		192,311
Transfers				(284,764)	284,764	-
Total General Revenues and Transfers				131,810,634	285,994	132,096,628
Change in Net Assets				10,004,416	(392,366)	9,612,050
Net Assets, Beginning of Year				150,819,707	3,355,233	154,174,940
Net Assets, End of Year				<u>\$ 160,824,123</u>	<u>\$ 2,962,867</u>	<u>\$ 163,786,990</u>

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

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

	General	Special Revenue Special Projects	Special Revenue EIA	Debt Service - District	Debt Service - LOSF, Corp.	Capital Projects - District	Capital Projects - LOSF, Corp.	Permanent Fund	Total Governmental Funds
ASSETS									
Cash and cash equivalents	\$ 999,329	\$	\$	\$	\$	\$	\$	\$ 100,198	\$ 1,099,527
Investments									
Unrestricted	41,526,133								41,526,133
Restricted	4,852,031								106,039,507
Accounts Receivable	22,604	100		9,106,453	6,895,851	80,983,339	3,853,245	348,588	22,704
Taxes Receivable	4,536,872			1,573,017					6,109,889
Due from County Government	1,376,658								1,376,658
Due from Local Agencies	15,251	50,260							65,511
Due from State Dept of Education	382,720	53,557				50,207			486,484
Due from Other State Agencies	5,502,090								5,502,090
Due from Federal Government		7,444,591					430,974		7,444,591
Due from Other Funds	2,030,082		4,153,882						6,614,938
Prepaid Expense	2,553,108								2,553,108
TOTAL ASSETS	\$ 63,796,878	\$ 7,548,508	\$ 4,153,882	\$ 10,679,470	\$ 6,895,851	\$ 81,033,546	\$ 4,284,219	\$ 448,786	\$ 178,841,140
LIABILITIES									
Accounts Payable	\$ 1,071,314	\$ 131,999	\$ 18,669	\$	\$	\$ 625,073	\$	\$	\$ 1,847,055
Payroll Withholdings	2,694,604								2,694,604
Accrued Salaries & Benefits	18,106,418	2,688,822	660,357						21,455,597
Construction Contracts Payable						2,669,100			2,669,100
Construction Retainage Payable						198,147			198,147
Due to Other Funds	5,803,630	1,639,216				821,840			8,264,686
Due to County Government	4,658,725								4,658,725
Due to Other State Agencies	101,903	1,406							103,309
Deferred Revenue	76,250	3,087,065	3,474,856						6,638,171
Deferred Property Taxes	3,498,836			1,175,035					4,673,871
TOTAL LIABILITIES	\$ 36,011,680	\$ 7,548,508	\$ 4,153,882	\$ 1,175,035	\$ -	\$ 4,314,160	\$ -	\$ -	\$ 53,203,265
FUND BALANCES									
Nonspendable	2,553,108								2,553,108
Restricted									
Committed	11,315,529		9,504,435		6,895,851	76,719,386	4,284,219	403,458	97,807,349
Assigned	5,000,000								11,315,529
Unassigned	8,916,561							45,328	5,000,000
TOTAL FUND BALANCES	\$ 27,785,198	\$ -	\$ -	\$ 9,504,435	\$ 6,895,851	\$ 76,719,386	\$ 4,284,219	\$ 448,786	\$ 125,637,875
TOTAL LIABILITIES AND FUND BALANCES	\$ 63,796,878	\$ 7,548,508	\$ 4,153,882	\$ 10,679,470	\$ 6,895,851	\$ 81,033,546	\$ 4,284,219	\$ 448,786	\$ 178,841,140

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

(Continued)

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

Total Fund Balances - Governmental Funds		\$ 125,637,875
Amounts reported for governmental activities in the statement of net assets are different because of the following:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$462,130,868 and accumulated depreciation is \$72,384,121.		389,746,747
Property Taxes Receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the governmental funds.		
Deferred Property Taxes at year-end consist of:		
General Fund	\$ 3,498,836	
Debt Service Fund	<u>1,175,035</u>	4,673,871
Accrued interest on bonds payable in governmental funds is not due and payable in the current period and is, therefore, not reported as a liability in the funds.		(2,979,753)
Deferred charges are not reported in the funds because they are not current financial resources, but they are reported in the statement of net assets. Deferred charges of \$2,467,445 have been amortized by \$766,621.		1,700,824
Unearned bond premiums are deferred in the statement of net assets. The premiums of \$6,154,535 have been amortized by \$1,379,854.		(4,774,681)
Rebatable interest receivable on Build America Bonds in governmental funds is not a current financial resource in the current period and is, therefore, not reported as an asset in the funds.		66,746
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are are not reported in the funds.		
Long-term liabilities at year-end consist of:		
Bonds Payable	\$ (243,555,000)	
Installment Purchase Revenue Bonds Payable	(89,215,000)	
Certificate of Participation Payable	(1,235,000)	
Accrued Compensated Absences	<u>(19,242,506)</u>	<u>(353,247,506)</u>
Total Net Assets - Governmental Funds		\$ <u><u>160,824,123</u></u>

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

EXHIBIT D

**LEXINGTON COUNTY SCHOOL DISTRICT ONE
LEXINGTON, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

	General	Special Revenue Special Projects	Special Revenue EIA	Debt Service - District	Debt Service - LSF, Inc.	Debt Service - LOSF, Corp.	Capital Projects - District	Capital Projects - LOSF, Corp.	Permanent Fund	Total Governmental Funds
REVENUES										
Local Sources	\$ 57,787,265	\$ 861,340	\$	\$ 29,517,944	\$	\$ 320,259	\$ 308,606	\$ 77	\$ 264,935	\$ 89,060,426
Intergovernmental		90,541		717,062						807,603
State Sources	104,371,510	5,134,636	8,991,236	1,055,789			50,207			119,603,378
Federal Sources	8,594	18,176,241								18,184,835
TOTAL REVENUES	162,167,369	24,262,758	8,991,236	31,290,795	-	320,259	358,813	77	264,935	227,656,242
EXPENDITURES										
Current:										
Instruction	98,655,736	14,565,699	5,128,139							118,349,574
Support services	62,932,646	8,457,148	715,023							72,104,817
Community services		71,214							296,931	368,145
Intergovernmental	19,379									19,379
Debt service										
Principal										
Interest										
Other Objects (Fees for Servicing Bonds)										
Capital outlay	42,657	616,655	25,385							
TOTAL EXPENDITURES	161,650,418	23,710,716	5,868,547	50,823,931	2,090,625	6,467,988	34,640,275	110,026	296,931	285,659,457
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	516,951	552,042	3,122,689	(19,533,136)	(2,090,625)	(6,147,729)	(34,281,462)	(109,949)	(31,996)	(58,003,215)
OTHER FINANCING SOURCES (USES)										
Premium on Bonds Sold				547,498			211,678			759,176
Issuance of General Obligation Bonds				26,105,000			84,995,000			111,100,000
Transfers:										
Transfers from other funds	4,335,545	19,902				11,147,100		3,498		17,596,670
Transfers to other funds	(2,997,541)	(571,944)	(3,122,689)	(6,117,760)		(3,693)	(50,207)	(5,017,600)		(17,881,434)
TOTAL OTHER FINANCING SOURCES (USES)	1,338,004	(552,042)	(3,122,689)	20,534,738	2,090,625	11,143,407	85,156,471	(5,014,102)	-	111,574,412
NET CHANGE IN FUND BALANCE	1,854,955	-	-	1,001,602	-	4,995,678	50,875,009	(5,124,051)	(31,996)	53,571,197
FUND BALANCE - BEGINNING OF YEAR	25,930,243	-	-	8,502,833	-	1,900,173	25,844,377	9,408,270	480,782	72,066,678
FUND BALANCE - END OF YEAR	\$ 27,785,198	\$ -	\$ -	\$ 9,504,435	\$ -	\$ 6,895,851	\$ 76,719,386	\$ 4,284,219	\$ 448,786	\$ 125,637,875

(Continued)

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

**EXHIBIT D
(CONTINUED)**

**LEXINGTON COUNTY SCHOOL DISTRICT ONE
LEXINGTON, SOUTH CAROLINA
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

Total net change in fund balance - governmental funds	\$ 53,571,197
Amounts reported for governmental activities in the statement of activities are different because of the following:	
Property tax revenues not considered current financial resources are deferred in the governmental funds but are not in the statement of activities. Deferred taxes receivable increased by \$38,771 over the year ended June 30, 2009.	38,771
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which capitalized outlays of \$31,170,147 and depreciation expense of \$8,166,519 exceeded noncapital expenditures.	23,003,628
Repayment of long-term liabilities, such as Bonds is an expenditure in the governmental funds, but merely reduces liabilities in the statement of net assets.	14,185,000
Repayment of Bond Anticipation Notes payable is an expenditure in the governmental funds, but merely reduces liabilities in the statement of net assets.	31,100,000
Bond proceeds provide current financial resources in governmental funds, but issuing debt increases liabilities in the statement of net assets of \$111,100,000, the issuance cost of \$606,250 and the bond premium of \$735,645 are recognized over the life of the bonds issued.	(111,229,395)
Amortization of bond premiums is income over the terms of the associated bonds. The amount recognized as income for the year ended June 30, 2010 is \$289,725.	289,725
Amortization of bond issuance cost as expense over the terms of the associated bonds. The amount recognized as expense for the year ended June 30, 2010 is \$123,757.	(123,757)
Rebatable arbitrage on bonds payable in governmental funds is not due and payable in the current period and is, therefore, not reported as a liability in the funds.	47,797
Interest on long-term debt and bond anticipation notes payable in the statement of activities differs from the governmental funds because governmental funds recognize interest expense only when it is paid. In the statement of net assets, interest expense is recognized as it accrues. Accrued interest payable increased for the year ended June 30, 2010 by \$295,708.	(295,708)
Interest on Build America Bonds in the statement of activities differs from the governmental funds because governmental funds recognize rebatable interest income only when received in the statement of net assets. Interest income is recognized as it accrues. Accrued interest earned for the year ended June 30, 2010 was \$66,746.	66,746
The cost of compensated employee absences is recognized in the governmental funds only when actually paid in cash. However, in the statement of net assets, the expense is recorded when the employees earn the benefits. The total liability for compensated absences increased by \$649,588 during this fiscal year.	<u>(649,588)</u>
Change in Net Assets of Governmental Activities	<u>\$ 10,004,416</u>

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

LEXINGTON COUNTY SCHOOL DISTRICT ONE
LEXINGTON, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - GENERAL FUND
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Revised Budget	Actual	Variance Positive (Negative)
REVENUES				
Local Sources	\$ 58,850,177	\$ 58,850,177	\$ 57,787,265	\$ (1,062,912)
State Sources	105,945,469	105,945,469	104,371,510	(1,573,959)
Federal Sources	-	-	8,594	8,594
TOTAL REVENUES	164,795,646	164,795,646	162,167,369	(2,628,277)
EXPENDITURES				
Current				
Instruction	99,567,295	99,744,907	98,655,736	1,089,171
Supporting Services	66,045,636	65,830,578	62,932,646	2,897,932
Intergovernmental		19,379	19,379	-
Capital Outlay	38,500	56,567	42,657	13,910
TOTAL EXPENDITURES	165,651,431	165,651,431	161,650,418	4,001,013
EXCESS (DEFICIENCIES) OF REVENUES OVER (UNDER) EXPENDITURES	(855,785)	(855,785)	516,951	1,372,736
OTHER FINANCING SOURCES (USES)				
Transfer (to) from Other Funds				
Transfers from Other Funds	3,954,590	3,954,590	4,335,545	380,955
Transfers to Other Funds	(3,098,805)	(3,098,805)	(2,997,541)	101,264
TOTAL OTHER FINANCING SOURCES (USES)	855,785	855,785	1,338,004	482,219
EXCESS (DEFICIENCIES) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	-	-	1,854,955	1,854,955
FUND BALANCE - BEGINNING OF YEAR	25,930,243	25,930,243	25,930,243	-
FUND BALANCE - END OF YEAR	\$ 25,930,243	\$ 25,930,243	\$ 27,785,198	\$ 1,854,955

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

LEXINGTON COUNTY SCHOOL DISTRICT ONE
LEXINGTON, SOUTH CAROLINA
STATEMENT OF NET ASSETS -
PROPRIETARY FUND
JUNE 30, 2010

ASSETS

Current assets:

Cash and Cash Equivalents	\$ 117,727
Accounts Receivable	23,558
Due from Other Funds	1,649,748
Due from Federal Government	7,207
Inventories	103,893

Total current assets	1,902,133
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Noncurrent assets:

Equipment	4,453,434
Less accumulated depreciation	(2,664,073)

Total noncurrent assets	1,789,361
-------------------------	-----------

Total assets	\$ 3,691,494
--------------	--------------

LIABILITIES

Current liabilities:

Accounts Payable	\$ 317
Accrued Salaries & Benefits	713,043
Unearned Revenue	15,267
Total current liabilities	728,627

Total liabilities	728,627
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NET ASSETS

Invested in Capital Assets	1,789,361
Unrestricted	1,173,506

Total net assets	2,962,867
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Total liabilities and net assets	\$ 3,691,494
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The accompanying notes to financial statements are an integral part of this exhibit.

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

OPERATING REVENUES	
Proceeds from Sales of Meals	\$ 5,978,949
Proceeds from Sales of Snacks	245,677
TOTAL OPERATING REVENUES	<u>6,224,626</u>
OPERATING EXPENSES	
Food Costs (Includes Commodities Used)	4,718,567
Salaries and Benefits	4,924,255
Depreciation	261,984
Supplies	733,432
Other	202,294
TOTAL OPERATING EXPENSES	<u>10,840,532</u>
OPERATING LOSS	<u>(4,615,906)</u>
NONOPERATING REVENUES	
Interest income	1,230
USDA reimbursements	3,511,218
Commodities received from USDA	418,779
Other state aid	7,549
TOTAL NONOPERATING REVENUES	<u>3,938,776</u>
INCOME BEFORE TRANSFERS	(677,130)
TRANSFERS	
Transfers In	875,274
Transfers Out	(590,510)
TOTAL TRANSFERS	284,764
CHANGE IN NET ASSETS	(392,366)
TOTAL NET ASSETS - JULY 1, 2009	<u>3,355,233</u>
TOTAL NET ASSETS - JUNE 30, 2010	<u><u>\$ 2,962,867</u></u>

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

**LEXINGTON COUNTY SCHOOL DISTRICT ONE
LEXINGTON, SOUTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2010**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Patrons	\$ 6,457,310
Cash Paid to Suppliers for Goods and Services	(5,242,236)
Cash Paid to Employees for Services	(4,909,693)

Net Cash Used by Operating Activities	(3,694,619)
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CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Other Federal/State Aid Received	3,518,767
Transfers In from Other Funds	875,274
Transfers Out To Other Funds	(590,510)

Net Cash Provided by Noncapital Financing Activities	3,803,531
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of Capital Assets	(131,871)
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Net Cash Used by Capital and Related Financing Activities	(131,871)
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CASH FLOWS FROM INVESTING ACTIVITIES

Interest on Investments	1,230
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Net Cash Provided by Investing Activities	1,230
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NET INCREASE IN CASH AND CASH EQUIVALENTS	(21,729)
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CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	139,455
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CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 117,726
	(Continued)

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

LEXINGTON COUNTY SCHOOL DISTRICT ONE
LEXINGTON, SOUTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2010

**RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY
OPERATING ACTIVITIES**

Operating Loss	\$ (4,615,906)
Adjustment to Reconcile Operating Loss to Net Cash	
 Provided by Operating Activities:	
Commodities Received from USDA	418,779
Depreciation Expense	261,984
Decrease in Accounts Receivable	238,279
Increase in Inventories	(6,058)
Decrease in Accounts Payable	(663)
Increase in Accrued Salaries & Benefits	14,562
Decrease in Unearned Revenue	<u>(5,595)</u>
NET CASH USED BY OPERATING ACTIVITIES	\$ <u><u>(3,694,618)</u></u>
NON CASH TRANSACTIONS:	
Commodities Received from USDA	\$ <u><u>418,779</u></u>

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

EXHIBIT I

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

ASSETS

Cash on Deposit	\$ <u>2,057,406</u>
Total Assets	\$ <u><u>2,057,406</u></u>

LIABILITIES

Due to Student Organizations	\$ <u>2,057,406</u>
Total Liabilities	\$ <u><u>2,057,406</u></u>

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

LEXINGTON COUNTY SCHOOL DISTRICT ONE
LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

I. Summary of Significant Accounting Policies

Lexington County School District One operates twenty-five public schools, one alternative learning center and one applied technology center in a portion of Lexington County, South Carolina and encompasses the towns of Lexington, Gilbert and Pelion. The District provides a broad range of general and specialized elementary and secondary educational services and derives its local revenue from the tax base in these areas. In addition, the District receives funding from the State of South Carolina and the United States Federal Government and must comply with the related requirements of these funding source entities. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. In addition, the District applies all FASB Statements and Interpretations issued after November 30, 1989 except for those that conflict with or contradict GASB pronouncements in accounting and reporting for its operations.

Reporting Entity

These financial statements present the District and its component units, entities for which the District is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the District's operations and so data from these units are combined with data of the primary government.

Blended Component Units:

1. Lexington School Facilities, Inc. (LSF, Inc.) is a not-for-profit 501(c)(3) organization incorporated for the specific charitable purpose of serving as a "support organization" for capital projects of the District. LSF, Inc. board members are appointed by the Lexington County School District One Board of Trustees. Because LSF, Inc. exclusively benefits the District, its financial information is blended with its financial information included in individual columns throughout the financial statements. Separate financial statements for LSF, Inc. are not issued.

In prior years, LSF, Inc. issued certificates of participation to finance various capital projects of the District. The certificates of participation are secured by lease agreements with the District and will be retired through lease payments from the District. The lease agreements constitute the imposition of a financial burden on the District and provide services entirely to the District. The substance of the leases is that of a capital lease agreement. The assets and debt are accounted for as though they are assets and debt of the lessee (the District).

The reportable activity for fiscal year 2010 is the debt retirement for Certificates of Participation.

LEXINGTON COUNTY SCHOOL DISTRICT ONE
LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Summary of Significant Accounting Policies (Continued)

Blended Component Units (Continued)

2. Lexington One School Facilities, Corp. (LOSF, Corp.) is a not-for-profit 501(c)(3) organization incorporated for the specific charitable purpose of serving as a “support organization” for capital projects of the District. LOSF, Corp. Board members are appointed by the Lexington County School District One Board of Trustees. Because LOSF, Corp. exclusively benefits the District, its financial information is blended with its financial information included in individual columns throughout the financial statements. Separate financial statements for LOSF, Corp. are not issued.

In prior years, LOSF, Corp. issued installment purchase revenue bonds to finance various capital projects of the District. The installment purchase revenue bonds are secured by lease agreements with the District and will be retired through lease payments from the District. The lease agreements constitute the imposition of a financial burden on the District and provide services entirely to the District. The substance of the leases is that of a capital lease agreement. The assets and debt are accounted for as though they are assets and debt of the lessee (the District).

3. Lexington County School District No. 1 Educational Foundation is a not-for-profit 501(c)(3) organization incorporated for the specific charitable purpose of supporting the educational process in Lexington County School District One. The Lexington County School District One Board of Trustees approves all appointments of the members of the Foundation board, which is the governing authority for the Foundation. In addition, the District’s Chief Financial Officer approves all Foundation expenditures. Therefore, the District has the ability to significantly influence the operations of the Foundation. Additionally, upon dissolution of the Foundation, all net assets will revert to the District, as well as, the Foundation exclusively benefits the District. Its financial information is blended with that of the District in individual columns throughout the financial statements. Financial statements may be obtained by writing to the Executive Director of the Foundation at P.O. Box 1869, Lexington, SC, 29071.

Basis of Presentation

Government-Wide Financial Statements

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the District and its component units. For the most part, the effect of interfund activity has been removed from these statements. However, the interfund services provided and used are not eliminated in the consolidation process. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues.

LEXINGTON COUNTY SCHOOL DISTRICT ONE
LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Government-Wide Financial Statements (Continued)

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

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

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

LEXINGTON COUNTY SCHOOL DISTRICT ONE
LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

The District has the following major funds and fund types:

Governmental Fund Types

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in proprietary and agency funds) are accounted for through governmental funds. The District has the following major and nonmajor governmental fund types:

General Fund, a major fund - The General Fund is the primary operating fund of the District. It accounts for and reports all financial resources of the District not accounted for and reported in another fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to other funds are accounted for in the General Fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. This is a budgeted fund, and any fund balance is considered a resource available for use.

Special Revenue Funds - Special Revenue Funds are used to account and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. The District has two Special Revenue Funds:

1. The Special Projects Fund, a major fund, is used to account for financial resources provided by federal, state, and local projects and grants. Budgets are prepared on a per project basis, generally with approval of the funding source. These budgets are not a part of the formal budget process approved by the board of trustees.
2. The Education Improvement Act (EIA) Fund, a major fund, is used to account for the revenue from the South Carolina Education Improvement Act of 1984, which is legally required by the state to be accounted for as a specific revenue source. Budgets are prepared on a per project basis. These budgets are not a part of the formal budget process approved by the board of trustees.

Debt Service Fund — District, a major fund, is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest for the District.

Debt Service Fund — LSF, Inc., a major fund, is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest for Lexington School Facilities, Inc.

Debt Service Fund — LOSE, Corp., a major fund, is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest for Lexington One School Facilities, Corp.

LEXINGTON COUNTY SCHOOL DISTRICT ONE
LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Capital Projects Fund — District, a major fund, is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets, except for those financed in the enterprise fund that was funded by the issuance of general obligation bonds.

Capital Projects Fund — LOSF, Corp., a major fund, is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets, except for those financed in the enterprise fund that were financed by the issuance of Installment Purchase Revenue bonds.

Permanent Fund — Lexington County School District One Foundation, a major fund, is used to account for and report financial resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the District's programs, that is, for the benefit of the District.

Proprietary Funds

Proprietary funds are accounted for based on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recorded at the time liabilities are incurred. Proprietary types include the following fund:

The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises - where the District has decided that periodic determination of revenues earned, expenses incurred, and net income is necessary for management accountability. The District's Food Service Fund meets the stipulations of an enterprise fund. The Food Service Fund is also used to account for the United States Department of Agriculture (USDA) sponsored school breakfast and lunch programs. The operating revenues of the Proprietary fund represent sale of meals and sale of healthy snacks for certain District Instructional Programs. The operating expenses of the proprietary fund represent the cost of production of the meals and snacks sold. Nonoperating revenues represent investment income and federal and state aid.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the government in a trustee capacity or as an agent on behalf of others, and include trust funds and agency funds. Fiduciary fund types include:

Agency Fund, an unbudgeted fund, accounts for the receipt and disbursement of monies to and from student activity organizations. These funds have no equity and do not include revenues and expenditures for general operation of the District. The Agency Fund is not included in the government wide financial statements.

LEXINGTON COUNTY SCHOOL DISTRICT ONE
LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Fund Equity

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Enterprise Fund considers all highly liquid investments with original maturities of three months or less and investments of the cash management pool to be cash equivalents.

Cash and Investments held by County Treasurer represent property taxes collected by the District's fiscal agent that have not been remitted to the District. The County Treasurer invests these funds in investments authorized by state statute as outlined below.

Investments

The District's cash deposits and investment policy is designed to operate within existing statutes that authorize the 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 associations to the extent that the same are insured by an agency of the federal government;
4. Certificates of deposit and funds in deposit accounts with banking institutions provided that such certificates and funds in deposit accounts are collaterally secured by securities of the type described in 1 and 2 above, held by a third party as escrow agent, or custodian of a market value, not less than the amount of the certificates of funds in deposit accounts so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government;
5. Collateralized repurchase agreements when collateralized by securities as set forth in 1 and 2 above and held by the District or a third party as escrow agent or custodian; and,
6. South Carolina Pooled Investment Fund established and maintained by the State Treasurer.

Investments are stated at fair value, which is the same as the value of the pool shares for investments in the South Carolina Pooled Investment Fund.

The Permanent Fund - The Lexington County School District One Educational Foundation handles and is responsible for the investment of voluntary contributions and financial gifts given to it by private individuals or companies to benefit the District. The Foundation does not handle any public funds received by the District. The Foundation has developed its own investment guidelines that are broader in scope than the state mandated guidelines above. Investments in the Foundation's portfolio are reviewed regularly by its board of directors. Investments of the Foundation are recorded at fair value.

LEXINGTON COUNTY SCHOOL DISTRICT ONE
LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Fund Equity (Continued)

Investments (Continued)

The Foundation investments are allocated equally between equities and fixed income mutual funds with cash and cash equivalents minimized. At June 30, 2010, the percentage of investments in equities mutual funds was 53.7%, in fixed income mutual funds was 40.8% and in cash and cash equivalents was 5.5%. The estimated average yield for the upcoming year was 2.55%.

Receivables and Payables

Transactions between funds that represent reimbursement arrangements outstanding at the end of the year are referred to as “due from other funds” or “due to other funds” on the fund financial statements.

These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as “internal balances”.

All trade and property tax receivables are shown net of an allowance for uncollectible amounts.

Inventories and Prepaid Items

Materials and supplies are carried in an inventory account at cost on the first-in, first-out method of accounting and are subsequently charged to expense when used. Inventories consist of purchased food, supplies, and commodities received from the United States Department of Agriculture as of June 30, but not consumed. The value of commodities on hand at year-end is recorded at fair value as provided by the United States Department of Agriculture.

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

Capital Assets

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

LEXINGTON COUNTY SCHOOL DISTRICT ONE
LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Fund Equity (Continued)

Capital Assets (Continued)

All capital assets are capitalized at cost and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The district maintains a capitalization threshold of \$5,000 for furniture, equipment, vehicles, and textbooks, and \$50,000 for land, buildings and improvements thereto. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the assets are not capitalized.

In the enterprise fund, assets acquired or constructed by grants and share revenues externally restricted for capital acquisitions and construction are reported as revenue in the period received in accordance with Governmental Accounting Standards Board Statement No. 33, (*Accounting and Financial Reporting for Nonexchange Transactions*).

All reported capital assets except land and construction in progress are depreciated. Construction projects will begin being depreciated once they are complete, at which time the complete costs of the project are transferred to the appropriate capital asset category. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Land Improvements	20 years	N/A
Buildings and Improvements	25-50 years	N/A
Furniture and Equipment	5-20 years	12 years
Vehicles	8 years	N/A

Compensated Absences

It is the District's policy to permit certain qualified employees to accumulate earned but unused annual leave. A maximum accrual of 135 days is allowed. Employees are paid for their accumulated days over the maximum amount at their rate of pay.

All full-time employees who separate from employment or retire from the District may receive payment for accumulated but unused annual leave which has been earned while employed in the District up to 66 2/3 percent of 135 day maximum, i.e., 90 days in the following manner.

LEXINGTON COUNTY SCHOOL DISTRICT ONE
LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Fund Equity (Continued)

Compensated Absences (Continued)

A person with up to a maximum of 135 days of annual leave earned while employed in the District may receive payment for 66 2/3 percent of those days, i.e., payment for no more than 90 days, upon separation from employment.

Once an employee elects to receive his/her leave payment, he/she will not be able to transfer any annual leave days for which payment is received to another school district or eligible state agency.

In his/her lifetime, no employee will receive payment for more than 66 2/3 percent of 135 days of annual leave, i.e., 90 days, which has been earned and accumulated while in the employment of the District.

If an employee receives payment for days of annual leave earned and accumulated while in the employment of the District in an amount less than the maximum of 90 days, the employee may receive additional payments for leave accumulated to the extent that the payment does not exceed the lifetime aggregate maximum total of 90 days.

The District computes its compensated absences liability based on employees employed by the District at year end. The District takes the employee's accumulated leave days and multiplies two-thirds of those days by the employee's daily rate of compensation. The entire compensated absences liability is reported on the government-wide financial statements. No liability has been recorded in the governmental fund financial statements, since compensated absences would only be reported in the governmental funds if they were still outstanding following an employee's resignation or retirement. The District intends to fund the liability from future operations with assets that do not represent expendable available financial resources.

Accrued Liabilities and Long-term Obligation

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

For governmental funds, bond premiums and discounts, as well as issuance costs, are not recognized during the current period. Bond proceeds are reported as another financing source net of the applicable premium or discount. Issuance costs, even if withheld from actual net proceeds received, are reported as debt service expenditures.

LEXINGTON COUNTY SCHOOL DISTRICT ONE
LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Summary of Significant Accounting Policies (Continued)
Assets, Liabilities, and Fund Equity (Continued)

Fund Balances

The District has adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement defines five classifications of governmental fund balances: nonspendable, restricted, committed, assigned and unassigned. Where applicable, these classifications are presented on the face of the governmental fund balance sheet.

The Board of Trustees in formal action has established a minimum fund balance policy of 7% of general fund expenditures, which is reflected in the fund financial statements as the committed fund balance. The District reports assigned fund balance when it appropriates a portion of fund balance in the next fiscal year's general fund budget.

The District applies restricted resources when an expenditure is incurred for the purposes for which both restricted and unrestricted net assets are available. The District applies unassigned, then assigned, then committed resources when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Net Assets

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

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

Accounting Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United State of America requires the 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

LEXINGTON COUNTY SCHOOL DISTRICT ONE
LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Summary of Significant Accounting Policies (Continued)
Assets, Liabilities, and Fund Equity (Continued)

Budgetary Information

The Board of Trustees adopts a legal annual appropriated budget for the general fund revenues and expenditures on the modified accrual basis of accounting which is consistent with accounting principles generally accepted in the United States of America each fiscal year. The budget is prepared, controlled, and amended at the revenue and expenditure object level. The District's superintendent may authorize line item transfers in the general fund budget that are subject to final review by the Board. Revisions to the budget were made throughout the year at the legal level of budgetary control. During the fiscal year, no additional appropriations to the general fund budget are adopted. Unexpended appropriations lapse at fiscal year end. Special Revenue Fund budgets are developed and controlled in conformance with the specific requirements of each grant or funding agency. These budgets are not legally adopted by the School Board. Both General and Special Revenue Fund budgets are used as a management control device during the year.

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

1. In the fall of the preceding year, the District begins its budget process for the next succeeding fiscal year beginning on July 1.
2. After the District's budget committee reviews all requests and allocation requirements and related revenue, it presents a tentative proposed budget to the Superintendent for review and adjustment.
3. 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.
4. Prior to July 1, the budget is legally enacted through passage of a resolution by the board.

Encumbrances

The appropriations of the general fund of the District lapse at June 30 each year and the outstanding purchase orders, contracts, and other commitments must be renewed. Therefore, there are no reservations of the fund balances at year-end for encumbrances.

LEXINGTON COUNTY SCHOOL DISTRICT ONE
LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

II. Cash and Investments

At June 30, 2010, the carrying amount of the District's deposits was \$88,215,983 and the bank balance was \$93,475,214.

Custodial Credit Risk for Deposits: Custodial credit risk for deposits is the risk that, in the event of a bank failure, the District's deposits might not be recovered. The District does not have a deposit policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of June 30, 2010, \$93,108,327 of the District's deposits was exposed to custodial credit risk because it was unsecured and collateralized with securities held by the pledging financial institution's trust department or its agent, but not in the District's name.

Custodial Credit Risk for Investments: Custodial credit risk for investments is the risk that, in the event of a failure, the government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The District does not have an investment policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of June 30, 2010, \$47,835,875 of the District's investments was exposed to custodial credit risk because it was unsecured and collateralized with securities held by the pledging financial institution's trust department or its agent, but not in the District's name.

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

<u>Investment Type</u>	<u>Maturities</u>	<u>Credit Rating</u>	<u>Fair Value</u>
BB&T Repurchase & Investments Accounts	Various	Unrated	\$ 31,439,526
SC Local Government Investment Pool	Various	Unrated	80,569,446
Cash and Investments held by County Treasurer	Various	Unrated	9,106,453
Bank of New York	Various	Unrated	<u>20,749,595</u>
Total Investments			<u>\$ 141,865,020</u>

Credit Risk for Investments: South Carolina statutes authorize investments in certificates of deposit, savings accounts, repurchase agreements, the State Treasurer's Local Government Investment Pool, obligations of the U.S. Government and government agencies unconditionally guaranteed by the U.S. Government. The District has no investment policy that would further restrict its choices.

LEXINGTON COUNTY SCHOOL DISTRICT ONE
LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Cash and Investments (Continued)

The Local Government Investment Pool (LGIP) is not rated. Further information may be obtained from the LGIP's complete financial statements. These financial statements may be obtained by writing to the following address:

Office of the State Treasurer
Local Government Investment Pool
Post Office Box 11778
Columbia, SC 29211

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

Concentration of Credit Risk for Investments: The District places no limit on the amount it may invest in any one issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds and external investment pools are excluded from this disclosure requirement. None of the District's other investments exceeded 5% of the total amount invested.

III. Property Taxes and Other Receivables

The County of Lexington, South Carolina is responsible for collecting and distributing property taxes in accordance with enabling state legislation. Property taxes attach as an enforceable lien on property as of March 15. Property taxes are levied and billed on November 1 based on an assessed value of approximately \$435.9 million at tax rates of 247.66 mills for the general fund and 73.5 mills for the debt service fund. These taxes are due and payable without penalty through January 15 of the next year. Penalties are added to taxes when paid after January 15 depending on the period of time the tax is delinquent.

Taxes receivable include an allowance for uncollectibles of \$2,033,975 at June 30, 2010. Allowances for uncollectibles were not necessary for the other receivable accounts.

LEXINGTON COUNTY SCHOOL DISTRICT ONE
LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Property Taxes and Other Receivables (Continued)

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

	General Fund	Special Revenue Fund	Debt Service Fund	Total
Delinquent Property Taxes	\$ 3,498,836	\$	\$ 1,175,035	\$ 4,673,871
Deferred Revenue	<u>76,250</u>	<u>6,561,921</u>		<u>6,638,171</u>
Total	<u>\$ 3,575,086</u>	<u>\$ 6,561,921</u>	<u>\$ 1,175,035</u>	<u>\$ 11,312,042</u>

IV. Due from County Government

This represents the amount due from the Lexington County Treasurer for the amounts of property taxes and property tax relief distributions that had been collected at June 30, but had not been remitted to the District.

V. Due from State Dept. of Education and Federal Government

This represents amounts due for state and federal revenues that had been earned as of June 30, 2010 but had not yet been received.

LEXINGTON COUNTY SCHOOL DISTRICT ONE
LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

VI. Capital Assets

A summary of changes in capital assets for the District is as follows:

Governmental Activities

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Disposals</u> <u>Transfers</u>	<u>Balance</u> <u>June 30, 2010</u>
Non-depreciable				
Assets:				
Land	\$ 16,490,553	\$ 4,489,905	\$	\$ 20,980,458
Construction in Process	8,099,226	24,478,866	(4,039,454)	28,538,638
Total Non-depreciable	24,589,779	28,968,771	(4,039,454)	49,519,096
 Depreciable Assets:				
Buildings	372,860,824	4,805,718		377,666,542
Improvements	22,857,390			22,857,390
Equipment	10,652,728	1,544,854	(109,742)	12,087,840
Total Depreciable				
Assets	406,370,942	6,350,572	(109,742)	412,611,772
 Less Accumulated				
Depreciation for:				
Buildings	(56,657,845)	(6,657,254)		(63,315,099)
Improvements	(1,833,470)	(702,207)		(2,535,677)
Equipment	(5,726,287)	(884,738)	77,680	(6,533,345)
Total Accumulated				
Depreciation	(64,217,602)	(8,244,199)	77,680	(72,384,121)
 Net Depreciable Capital				
Assets	342,153,340	(1,893,627)	(32,062)	340,227,651
 Governmental Activities				
Capital Assets, Net	\$ 366,743,119	\$ 27,075,144	\$ (4,071,516)	\$ 389,746,747

LEXINGTON COUNTY SCHOOL DISTRICT ONE
LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Capital Assets (Continued)

Business Type Activities

	Balance July 1, 2009		Additions		Disposals		Balance June 30, 2010
Equipment	\$ 4,321,566	\$	131,868	\$		\$	4,453,434
Less Accumulated Depreciation	<u>(2,402,089)</u>		<u>(261,984)</u>				<u>(2,664,073)</u>
Business-type Activities Capital Assets, Net	\$ <u>1,919,477</u>	\$	<u>(130,116)</u>	\$	<u>-</u>	\$	<u>1,789,361</u>

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

Governmental Activities:

Instruction	\$ 5,688,497
Supporting Services	<u>2,555,702</u>
Total Depreciation Expense – governmental activities	\$ <u>8,244,199</u>

Business-type Activities:

Food Service	\$ <u>261,984</u>
Total Depreciation Expense – Business type activities	\$ <u>261,984</u>

LEXINGTON COUNTY SCHOOL DISTRICT ONE
LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

VII. Interfund Receivables and Payables

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

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>
General Fund:		
Due from Special Revenue – Special Projects	\$ 1,639,216	\$
Due from Capital Projects – District	390,866	
Due to Special Revenue – EIA		4,153,882
Due to Proprietary Fund – Food Service		<u>1,649,748</u>
Total – General Fund	2,030,082	5,803,630
Special Revenue – Special Projects		
Due to General Fund		1,639,216
Special Revenue – EIA		
Due from General Fund	4,153,882	
Capital Projects – District		
Due to General Fund		390,866
Due to Capital Projects – LOSF, Corp.		<u>430,974</u>
Total Capital Projects – District		821,840
Capital Projects – LOSF, Corp.		
Due from Capital Projects – District	430,974	
Proprietary Fund – Food Service		
Due from General Fund	1,649,748	
Totals	<u>\$ 8,264,686</u>	<u>\$ 8,264,686</u>

LEXINGTON COUNTY SCHOOL DISTRICT ONE
LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Interfund Receivables and Payables (Continued)

The General Fund receivable is a result of the General Fund financing expenditures for Capital Projects – District and Special Revenue – Special Projects that will be reimbursed in the subsequent fiscal year. The General Fund payable to Special Revenue – EIA is a result of the deferred revenue and accrued salaries and related costs in EIA funds that will be paid after June 30, 2010. The amount payable to Proprietary Fund – Food Service funds is a result of cash for this fund being held in the general fund.

The Special Revenue – Special Projects payable to the General Fund is for expenditures paid by the General Fund for the Special Projects funds. These funds will be reimbursed in the subsequent fiscal year when funds are received from the State Department of Education for those programs.

The Special Revenue – EIA receivable is due to the cash for deferred revenue and accrued salaries and related costs that will be paid after June 30, 2010 being held in the General Fund.

The Capital Projects – District payable to the General Fund represents expenditures paid by the General Fund for capital projects. These funds will be reimbursed in the subsequent fiscal year. The payable to Capital Projects – LOSF, Corp. is a result of changing the financing of a project from one fund to another. Reimbursement will take place in the subsequent fiscal year.

The Capital Projects – LOSF, Corp. receivable from Capital Projects – District is due to the change of financing of a project from one fund to another. Reimbursement will take place in the subsequent fiscal year.

The Propriety Fund receivable from the General Fund is a result of cash for this fund being held in the General Fund.

LEXINGTON COUNTY SCHOOL DISTRICT ONE
LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

VIII. Transfers To and From

Transfers between the various funds of the District are as follows:

Fund	Transfers To	Transfers From
General Fund:		
Special Revenue – Special Projects	\$ 19,902	\$ 571,944
Special Revenue – EIA		3,122,689
Proprietary Fund – Food Service	875,274	590,510
Capital Projects – District		50,207
Debt Service Fund – LSF, Inc.	2,090,625	
Debt Service Fund – LOSF, Corp.	11,740	195
	<hr/>	<hr/>
Total General Fund	2,997,541	4,335,545
	<hr/>	<hr/>
Special Revenue – Special Projects		
General Fund	571,944	19,902
Special Revenue – EIA		
General Fund	3,122,689	
Debt Service Fund – District		
Debt Service Fund – LOSF, Corp.	6,117,760	
Debt Service Fund – LSF, Inc.		
General Fund		2,090,625
Debt Service Fund – LOSF, Corp.		
Debt Service Fund – District		6,117,760
Capital Projects – LOSF, Corp.	3,498	5,017,600
General Fund	195	11,740
	<hr/>	<hr/>
	3,693	11,147,100
Capital Projects Fund – District		
General Fund	50,207	
Capital Projects – LOSF, Corp.		
Debt Service – LOSF, Corp.	5,017,600	3,498
Proprietary Fund – Food Service		
General Fund	590,510	875,274
	<hr/>	<hr/>
Total All Funds	\$ 18,471,944	\$ 18,471,944
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LEXINGTON COUNTY SCHOOL DISTRICT ONE
LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Transfers To and From (Continued)

Interfund transfers include funding allowed for indirect costs, required matches, and supplemental funding. The transfers for the year ended June 30, 2010, consisted of the following:

General Fund:

Transfers to:

The General Fund made a transfer to Special Revenue – Special Projects to supplement the District’s Virtual School program. Funds were transferred to Debt Service – LSF, Inc. for the annual Certificates of Participation’s principal, interest and trustee fees. The millage for these payments is levied and funds budgeted in the General Fund. Funds are transferred to the Debt Service – LOSF, Corp. fund in order to pay trustee fees. The transfer to Proprietary Funds represents an annual transfer made to fund benefits for food service employees as required by the South Carolina State Department of Education.

Transfers from:

Funds transferred from Special Revenue – EIA, Special Revenue – Special Projects, and Proprietary funds were to cover the EIA teacher salary supplement paid by the General Fund and indirect costs for federal programs and food services. Funds were transferred from the Special Revenue – Special Projects and Capital Projects – District under the State of South Carolina’s Funding Flexibility provision allowing a school district by board approval to transfer state funds to offset budget reductions. Funds were transferred from the Debt Service – LOSF, Corp. as a result of the trustee closing out escrow funds from which the excess interest earnings were issued back to the District.

Special Revenue – Special Projects:

Transfers to:

Funds transferred to the General Fund represent allowable indirect costs for federal programs. Funds were transferred to the General Fund as allowed by the State of South Carolina’s Funding Flexibility provision to offset state funding reductions. The District’s Board of Trustees approved the transfer as required by law.

Transfers from:

Funds were transferred from the General Fund to supplement the District’s Virtual School Program.

Special Revenue – EIA:

Transfers to:

Funds were transferred to the General Fund to cover the cost of the EIA teacher salary supplement that was paid by the General Fund.

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

Transfers To and From (Continued)

Debt Service – District:

Transfers to:

Funds were transferred to the Debt Service – LOSF, Corp. to account for the General Obligation Bonds issued by the District to satisfy the annual installment purchase revenue bonds principal and interest payments.

Debt Service – LSF, Inc.:

Transfers from:

Funds were transferred from the General Fund to pay the principal, interest and trustee fees for the District's Certificates of Participation.

Debt Service – LOSF, Corp.:

Transfers to:

Funds were transferred to the General Fund as a result of the trustee closing out escrow funds in which the excess funds representing interest earnings were issued back to the District. Funds were transferred to the Capital Projects – LOSF, Corp. to account for interest earnings transferred previously by the trustee.

Transfers from:

Funds were transferred from the General Fund for the payment of trustee fees due in the current year. Funds were transferred from Capital Projects – LOSF, Corp. to account for capitalized interest that had matured. Funds were transferred from Debt Service – District to satisfy the annual principal and interest payment due on the installment purchase revenue bonds.

Capital Projects – District:

Transfer to:

The transfer to General Fund was the amount of state Children's Endowment revenue. The District chose to exercise the State of South Carolina's Funding Flexibility provision to offset state funding reductions. The District's Board of Trustees approved the transfer as required by law.

Capital Projects – LOSF, Corp.:

Transfers to:

The transfer to Debt Service – LOSF, Corp. represented matured capitalized interest.

Transfer from:

The transfer from Debt Service – LOSF, Corp. represented interest earned and transferred by the trustee.

Proprietary Fund:

Transfers to:

Funds were transferred to the General Fund for indirect costs.

LEXINGTON COUNTY SCHOOL DISTRICT ONE
LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Transfers To and From (Continued)

Transfers from:

The transfer from the General Fund represents the fringe benefits costs of the food service employees as required by the South Carolina State Department of Education.

IX. Short-Term Obligations

Summary of Changes in Short-Term Debt Obligations:

	<u>Balance July 1, 2009</u>		<u>Additions</u>		<u>Deletions</u>		<u>Balance June 30, 2010</u>
General Obligations:							
Bond Anticipation Note	\$ 20,000,000	\$		\$	20,000,000	\$	-
Gen. Obligation Bonds			11,100,000		11,100,000		-
Total	\$ 20,000,000	\$	11,100,000	\$	31,100,000	\$	-

X. Long-Term Obligations

Summary of Changes in Long-Term Debt Obligations:

	<u>Balance July 1, 2009</u>		<u>Additions</u>		<u>Deletions</u>		<u>Balance June 30, 2010</u>
General Obligations:							
Cert. of Participation	\$ 3,175,000	\$		\$	1,940,000	\$	1,235,000
Gen. Obligation Bonds	153,955,000		100,000,000		10,400,000		243,555,000
Installment Purchase - Revenue Bonds	91,060,000				1,845,000		89,215,000
Subtotal	248,190,000		100,000,000		14,185,000		334,005,000
Compensated Absences	18,592,918		1,822,583		1,172,995		19,242,506
Total	\$ 266,782,918	\$	101,822,583	\$	15,357,995	\$	353,247,506

LEXINGTON COUNTY SCHOOL DISTRICT ONE
LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Long-Term Obligation (Continued)

<u>Current Portion of Long-Term Debt Obligations:</u>	<u>June 30, 2010</u>
General Obligations:	
Certificates of Participation	\$ 1,235,000
General Obligation Bonds	13,490,000
Installment Purchase – Revenue Bonds	<u>2,450,000</u>
Subtotal	17,175,000
Compensated Absences	<u>1,822,583</u>
 Total	 \$ <u>18,997,583</u>

In prior years, the District has used General Fund resources to liquidate Compensated Absences.

General Obligations

General obligations at June 30, 2010 consist of obligations under certificates of participation, installment purchase revenue bonds and general obligations bonds payable. Lexington School Facilities, Inc. issued various series of Certificates of Participation to finance various capital projects that have been completed in the District. The certificates evidence proportionate interest of the registered owners thereof in certain rental payments (the “base rent”) to be made by Lexington County School District One under the terms of the various leases pertaining to each series of certificates. The base rent is equal to the principal and interest payments on the obligation. The certificates are payable solely from the rent to be paid by the District to a trustee. The District is not a party to the certificates. Continuance of the lease agreements and the obligation of the District to make Lease rent payments for each fiscal year is subject to and dependent upon lawful appropriations being made by the district for that purpose. The certificates, the lease agreement and the obligation to make base rent payments do not represent or constitute a debt of, or a pledge of the faith and credit of the taxing power of the District; however, chances of non-appropriation are remote.

Lexington One School Facilities, Corp. issued various Installment Purchase Revenue Bonds to finance various capital projects that have not been completed in the District. The District is not a party to these bonds. The obligation to make installment payments does not represent or constitute a debt of, or a pledge of the faith and credit of the taxing power of the District; however, chances of non-appropriation are remote.

LEXINGTON COUNTY SCHOOL DISTRICT ONE
LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Long-Term Obligation (Continued)

The following table outlines the debt outstanding at June 30, 2010:

<u>Debt</u>	<u>Issue Date</u>	<u>Date of Final Maturity</u>	<u>Interest Rates</u>	<u>Amount Issued</u>	<u>Outstanding as of June 30, 2010</u>
General Obligation Bonds					
Series 2001	10/01/01	3/1/24	4.0%-5.125%	\$ 40,055,000	\$ 23,365,000
Series 2004	3/01/04	2/1/13	2.7%-3.13%	6,875,000	3,365,000
Series 2005A	8/01/05	2/1/30	3.0%-5.0%	85,000,000	79,915,000
Series 2005C	8/01/05	2/1/18	3.5%-5.0%	18,495,000	15,600,000
Series 2007A	11/01/07	2/1/32	4.125%-5.0%	33,000,000	25,710,000
Series 2009A	8/19/09	2/1/34	1.75%-6.6%	90,000,000	85,600,000
Series 2010	6/30/10	4/1/20	1.06%	10,000,000	10,000,000
Installment Purchase Revenue Bonds					
Series 2005	12/14/05	12/1/30	4.0%-5.25%	39,600,000	37,805,000
Series 2006	6/01/06	12/1/30	5.0%	54,045,000	51,410,000
Certificates of Participation					
Series 1998	4/15/98	3/1/11	4.25%-5.1%	5,955,000	675,000
Series 1998B	11/01/98	3/1/11	3.15%-4.55%	5,740,000	560,000
TOTAL				\$ 388,765,000	\$ 334,005,000

The annual requirements to amortize the Certificates of Participation outstanding at June 30, 2010, including interest payments of \$59,905 are as follows:

<u>Fiscal Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,235,000	\$ 59,905	\$ 1,294,905
Total	\$ 1,235,000	\$ 59,905	\$ 1,294,905

LEXINGTON COUNTY SCHOOL DISTRICT ONE
LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Long-Term Obligation (Continued)

The annual requirements to amortize the General Obligation Bonds outstanding at June 30, 2010, including interest payments of \$150,792,082 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2011	\$ 13,490,000	\$ 11,376,649	\$ 24,866,649
2012	8,810,000	11,172,434	19,982,434
2013	10,595,000	10,892,546	21,487,546
2014	9,040,000	10,534,559	19,574,559
2015	7,645,000	10,159,899	17,804,899
2016-2020	57,145,000	44,922,624	102,067,624
2021-2025	55,310,000	30,202,836	85,512,836
2026-2030	55,230,000	17,395,425	72,625,425
2031-2034	26,290,000	4,135,110	30,425,110
Total	\$ 243,555,000	\$ 150,792,082	\$ 394,347,082

The annual requirements to amortize the Installment Purchase Revenue Bonds at June 30, 2010, including interest payments of \$56,086,948 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2011	\$ 2,450,000	\$ 4,473,013	\$ 6,923,013
2012	2,570,000	4,347,513	6,917,513
2013	2,705,000	4,215,638	6,920,638
2014	2,845,000	4,076,888	6,921,888
2015	2,990,000	3,931,013	6,921,013
2016-2020	17,415,000	17,175,763	34,590,763
2021-2025	22,480,000	12,117,313	34,597,313
2026-2030	29,015,000	5,577,569	34,592,569
2031	6,745,000	172,238	6,917,238
Total	\$ 89,215,000	\$ 56,086,948	\$ 145,301,948

LEXINGTON COUNTY SCHOOL DISTRICT ONE
LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Long-Term Obligation (Continued)

The District has satisfied all sinking fund requirements. There is an annual debt service tax millage, currently 73.5 mills, to repay the General Obligation debt. Details on the Certificates of Participation, Installment Purchase Revenue Bonds, and General Obligation Bonds are presented as schedules.

Bonds Issued

The District issued \$111,100,000 of General Obligation Bonds for the purpose of providing funds with which to pay the acquisition price payments in fiscal year 2010 (Installment Purchase Bonds) of LOSF, Corp., to refund the Bond Anticipation Note outstanding, and to provide the funding for the 2008 Bond referendum construction projects. Of the amounts issued, \$90,000,000 Series 2009A General Obligation Bonds were issued as Build America Bonds – Taxable Series bonds and \$10,000,000 Series 2010 General Obligation Bonds were issued as Taxable Qualified School Construction Bonds. Under the provisions of the provisions of the American Recovery and Reinvestment Act of 2009, the District is allowed to issue general obligation debt as Build America Bonds for which the United States Government will pay directly to the District a 35 percent subsidy for each interest payment due in that fiscal year for the life of the bonds. Also, the Taxable Qualified School Construction Bonds are issued under the provisions of the State of South Carolina Federal Education Tax-Credit Bond Implementation Act of 2009. A refundable tax credit must be applied for each time an interest payment is due for these bonds. For both types of bonds, the District has reported interest expenditures at the gross amount. The interest subsidy and refundable tax credit received from the United States Government is reported as intergovernmental revenue.

Defeased Debt Outstanding

At June 30, 2010, the District had defeased outstanding general obligation bonds and certificates of participation that would otherwise be included in General Long-Term Obligations totaling \$22,130,000.

Compensated Absences

The District estimates that the compensated absences amount to be considered as the current portion due within one year to be \$1,822,583.

XI. Employee Retirement System

Lexington County School District One contributes to the South Carolina Retirement System. The South Carolina Retirement System is a cost-sharing multi-employer defined 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.

LEXINGTON COUNTY SCHOOL DISTRICT ONE
LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Employee Retirement System (Continued)

A Comprehensive Annual Financial Report containing financial statements and required supplementary information for the South Carolina Retirement System is publicly available at the website www.retirement.sc.gov or a copy may be obtained by writing the South Carolina Retirement System, PO Box 11960, Columbia, SC 29211-1960.

Both employees and employers are required to contribute to the Plan under authority of Title 9 of the S.C. Code of Laws. Plan members are required to contribute 6.5% of their annual compensation and the District is required to contribute at an actuarially required contribution rate. The current rate is 9.24% of the total member's annual compensation; included is the cost to provide group life insurance benefits for the plan participants at the rate of .15%. The actuarially determined rate for the years ended June 30, 2010 was 9.24% for a combined rate of 9.39%.

The District's contributions to the Plan for the years ending June 30, 2010, 2009, and 2008 were \$12,200,278, \$11,900,086, and \$11,156,333, respectively. The District's contributions are at the actuarially required contribution rates.

By Federal law (Public Law 99-272, Title X) the District is required to offer a continuation of health coverage at group rates to employees and their dependents whose coverage would otherwise end. Depending on the circumstances of the employee's coverage loss, the employee or dependent can extend the health care plan benefits for 18 months to three years. The plan costs are paid by the employee or dependents based on 100% (Cobra) premium rates. Retired employees are eligible for health insurance coverage under a state plan whereby the retiree continues to be responsible for their portion of insurance premiums. Pursuant to the state plan, the District pays 3.5% of payroll covered by the S.C. Retirement System to fund retiree health insurance. The District paid \$4,547,494 on covered payroll for the year ended June 30, 2010. The District has no other financial or administrative responsibility for retiree health care costs.

XII. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates with other school districts in the South Carolina School Boards Insurance Trust/Workers' Compensation Trust Fund (SCSBIT/WCTF).

The SCSBIT/WCTF is a public entity risk pool currently operating as a common risk management and insurance program for 85 member school districts. The District pays an annual premium for worker's compensation insurance coverage based upon the total payroll of the District each plan year. The SCSBIT/WCTF is self-sustaining through member premium and deficiencies can be charged back to the member districts should a fund deficit arise.

The District participates in the South Carolina School Boards Insurance Trust Fund for all other risks of loss. The District's insurance coverage for all types of risk has not been significantly reduced

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

Risk Management (Continued)

from coverage in the prior year. The amounts of any District settlement have exceeded the insurance coverage for the previous three fiscal years.

XIII. Contingent Liabilities

Litigation

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

Grants

The 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 District expects such amounts, if any, to be immaterial.

XIV. Commitments

The District had ten construction and renovation projects on going at the end of the fiscal year 2010. The District has entered into various contracts for these projects totaling \$77.4 million of which \$53.6 million had not been expended as of June 30, 2010.

XV. Subsequent Events

On October 20, 2010, the District issued Series 2010B \$9,145,000 General Obligation Bonds for the purpose of funding the purchase price due under the 2005 and 2006 facilities agreements for Installment Purchase Revenue Bonds and for the purpose of improvements to certain facilities and roadways at facilities of the District. The principal amount of the Bonds issued to acquire title to existing school facilities was \$6,645,000 and is chargeable against the debt limit of the District. The remaining principal amount of the Bonds, \$2,500,000, is also chargeable against the debt limit of the District.

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

[Purchaser]

Re: \$_____ General Obligation Bonds, Series 2011B, of
Lexington County School District No. 1, South Carolina

Sirs:

We have examined a certified copy of 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 \$_____ General Obligation Bonds, Series 2011B, of Lexington County School District No. 1, 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 as amended and supplemented by Act No. 113 of the Acts and Joint Resolutions of 1999 of the General Assembly of the State of South Carolina (the “Enabling Act”), a resolution (the “Bond Resolution”) duly adopted by the Board of Trustees of Lexington County School District No. 1, South Carolina (the “Board”), the governing body of Lexington County School District No. 1 (the “School District”).

In our opinion, the said proceedings are regular and in due form of law, and the Bonds constitute valid and binding obligations 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.

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 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 Bonds and the interest thereon (including any original issue discount properly allocable to an owner thereof) are exempt from all state, county, school district, municipal and all other taxes or assessments of the State of South Carolina, except inheritance, estate, transfer or certain franchise taxes.

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 October __, 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,

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

[Purchaser]

Re: \$_____ General Obligation Bonds, Series 2011C, of
Lexington County School District No. 1, South Carolina

Sirs:

We have examined a certified copy of 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 \$_____ General Obligation Bonds, Series 2011C, of Lexington County School District No. 1, 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 as amended and supplemented by Act No. 113 of the Acts and Joint Resolutions of 1999 of the General Assembly of the State of South Carolina (the “Enabling Act”), a resolution (the “Bond Resolution”) duly adopted by the Board of Trustees of Lexington County School District No. 1, South Carolina (the “Board”), the governing body of Lexington County School District No. 1 (the “School District”).

In our opinion, the said proceedings are regular and in due form of law, and the Bonds constitute valid and binding obligations 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.

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 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 Bonds and the interest thereon (including any original issue discount properly allocable to an owner thereof) are exempt from all state, county, school district, municipal and all other taxes or assessments of the State of South Carolina, except inheritance, estate, transfer or certain franchise taxes.

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 October __, 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 _____, 2011, by Lexington County School District No. 1, South Carolina (the “School District”) in connection with the issuance of the School District’s \$_____ General Obligation Bonds, Series 2011B (the “2011B Bonds”) and the School District’s \$_____ General Obligation Bonds, Series 2011C (the “2011C Bonds”) (collectively, the “Bonds”). This Disclosure Certificate is intended to supplement the School District’s continuing disclosure certificates executed in connection with the School District’s (a) \$40,055,000 General Obligation Bonds, Series 2001; (b) \$6,875,000 General Obligation Advanced Refunding Bonds, Series 2004; (c) \$85,000,000 General Obligation Bonds, Series 2005A; (d) \$18,495,000 General Obligation Advanced Refunding Bonds, Series 2005C, (e) \$39,600,000 Installment Purchase Revenue Bonds (Lexington County School District No. 1, South Carolina Project), Series 2005, (f) \$54,045,000 Installment Purchase Revenue Bonds (Lexington County School District No. 1, South Carolina Project), Series 2006; (g) \$33,000,000 General Obligation Bonds, Series 2007A; (h) \$90,000,000 General Obligation Bonds, Series 2009A (Build America Bonds-Taxable Series); (i) \$10,000,000 General Obligation Bonds, Series 2010 (Qualified School Construction Bonds); and (j) \$35,710,000 General Obligation Bonds, Series 2011 (Taxable Qualified School Construction Bonds—Direct Subsidy).

The Bonds are being issued pursuant to the Constitution and the laws of the State of South Carolina, and a resolution adopted by the Board of Trustees of the School District on August 16, 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 Issuer for the benefit of the Bondholders and in order to assist the Participating Underwriters in complying with the United States Securities and Exchange Commission Rule 15c2-12(b)(5).

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

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

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

“Bondholder” or “Holder” shall mean the registered owner of a Bond and any Beneficial Owner thereof.

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

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

“National Repository” shall mean the Electronic Municipal Market Access system maintained by the Municipal Securities Rulemaking Board, or any successor thereto approved by the United States Securities and Exchange Commission.

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

“Repository” shall mean each National Repository and each State Depository, if any.

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

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

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than February 1 of each year, commencing February 1, 2012, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than fifteen (15) business days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent, if other than the Issuer. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report.

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

(c) The Dissemination Agent shall:

- (i) determine each year prior to the date for providing the Annual Report the name and address of each National Depository and each State Depository, if any; and,
- (ii) if the Dissemination Agent is other than the Issuer, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

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

(a) Financial information relating to the School District's General Fund revenues and expenditures for the previous five fiscal years, prepared substantially in the form of and updating the table appearing in the Official Statement under the heading, "FINANCIAL AND TAX INFORMATION - Five Year Summary of General Fund Operations."

(b) Information concerning the School District budget for the fiscal year in which the Annual Report is issued, prepared substantially in the form of the summary shown in the Official Statement under the heading, "FINANCIAL AND TAX INFORMATION - Budget Procedure."

(c) Information concerning the School District's sources of revenues for the previous four fiscal years and for the fiscal year in which the Annual Report is issued, prepared substantially in the form of and updating the tables appearing in the Official Statement under the heading, "FINANCIAL AND TAX INFORMATION - School District Operating Revenues."

(d) Information concerning the assessed value and estimated true value of taxable real and personal property in the School District for each of the five previous tax years and, if available, an estimate for the tax year in which the Annual Report is issued, prepared substantially in the form of and updating the tables appearing in the Official Statement under the heading, "CERTAIN FISCAL INFORMATION - Assessed Value."

(e) (i) Information concerning the ad valorem property taxes collected for School District operational and debt service purposes for each of the five previous fiscal years prepared substantially in the form of and updating the table in the Official Statement shown under the heading, "CERTAIN FISCAL INFORMATION - Tax Collections;" (ii) information concerning the ten largest taxpayers of the School District and the amounts of School District taxes paid during the previous fiscal year, prepared substantially in the form of the table appearing in the Official Statement under the heading, "CERTAIN FISCAL INFORMATION - Ten Largest Taxpayers;" and (iii) the millage levied for School District purposes during the previous four fiscal years and the fiscal year in which the Annual Report is provided,

substantially in the form of the table appearing in the Official Statement under the heading, "CERTAIN FISCAL INFORMATION - Millage History."

(f) (i) Information showing the legal debt limit of the School District as of June 30 of the previous fiscal year or some later date, substantially in the form appearing in the Official Statement under the heading, "DEBT STRUCTURE - Legal Debt Limit of the School District;" and (ii) information showing the outstanding indebtedness of the School District, including long term lease obligations and other long term liabilities, as of June 30 of the previous fiscal year or some later date, substantially in the form of and updating the tables appearing in the Official Statement under the heading, "DEBT STRUCTURE - Outstanding Indebtedness, Lease-Purchase Obligations, and Installment Purchase Obligations" and (iii) the composite debt service table appearing in the Official Statement under the heading, "DEBT STRUCTURE - Annual Debt Service Requirements."

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

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds:

- (i) Delinquency in payment when due of any principal of or interest on the Bonds;
- (ii) Defeasance of the Bonds or any portion thereof;
- (iii) Any change in any rating on the Bonds;
- (iv) Adverse tax opinions;
- (v) Tender offers;
- (vi) Any unscheduled draw, reflecting financial difficulties, on any reserve fund established by the Issuer to secure further the timely repayment of the Bonds;
- (vii) Any unscheduled draw reflecting financial difficulties on any credit enhancement device obtained by the Issuer to secure further the timely repayment of the Bonds;
- (viii) Any change in the provider of any credit enhancement device described in item (vii) above, or any failure by the provider to perform under such a credit enhancement device; or
- (ix) Bankruptcy, insolvency, receivership or similar event of the Issuer.

(b) Pursuant to the provisions of this Section 5, the Issuer 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) Occurrence of any event of default under the Resolution (other than as described in clause (a)(i) above);
- (ii) The issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the status of the securities, or other material events affecting the tax status of the security;

(iii) Amendment to the Resolution or this Disclosure Undertaking modifying the rights of the Beneficial Owners of the Bonds;

(iv) Giving of a notice of optional or unscheduled redemption of any Bonds;

(v) The release, substitution or sale of any property hereafter leased, mortgaged or pledged by the Issuer securing repayment of the Bonds;

(vi) Consummation of a merger, consolidation or acquisition involving an obligate person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such action, other than pursuant to its terms; or

(vii) Appointment of a successor or additional trustee, or the change of name of a trustee.

(c) Whenever the City obtains knowledge of the occurrence of a Listed Event in subsection (b) above, the City shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the City determines that a Listed Event in subsection (b) above would be material under applicable federal securities laws, or upon the occurrence of any Listed Event in subsection (a) above, the City shall file a notice of the Listed Event in a timely manner, not in excess of ten business days of such occurrence, with each Repository and the State Depository, if any.

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

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

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(a), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

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

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

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

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

**LEXINGTON COUNTY SCHOOL DISTRICT NO. 1,
SOUTH CAROLINA**

By: _____
Superintendent

Date: _____, 2011

APPENDIX I

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORTS

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

Name of Bond Issue: \$ General Obligation Bonds, Series 2011B and \$ General Obligation Bonds, Series, 2011C

Date of Issuance: , 2011

CUSIP Prefix: 529063

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-referenced Bonds as required by Section 3 of the Continuing Disclosure Certificate dated , 2011. The Issuer anticipates that the Annual Report will be filed by , 20__.

LEXINGTON COUNTY SCHOOL DISTRICT NO. 1,
SOUTH CAROLINA

By: _____
Superintendent

Dated: _____

OFFICIAL BID FORM
\$6,600,000* General Obligation Bonds, Series 2011B
of Lexington County School District No. 1, South Carolina

Cynthia S. Smith, Chair
 Board of Trustees, Lexington County School District No. 1
 c/o Haynsworth Sinkler Boyd, P.A.
 1201 Main Street, Suite 2200
 Columbia, South Carolina 29201

Telephone (803) 540-7829
 Telecopy for submission of bids (803) 540-7721

Subject to the provisions and in accordance with the Official Notice of Sale for the \$6,600,000* General Obligation Bonds, Series 2011B (the "Bonds"), of Lexington County School District No. 1, South Carolina (the "School District"), the terms of which are hereby made a part of this bid, we make the following net interest cost (NIC) bid for the Bonds described in said Official Notice of Sale, this bid being for not less than all of the Bonds, maturing and bearing interest as follows:

Due <u>March 1</u> 2012	Principal <u>Amount*</u> \$6,600,000	Interest <u>Rate</u>	Reoffering <u>Price</u>
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*Preliminary, subject to adjustment as provided in the Official Notice of Sale.

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 October 6, 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.

The following is for information only and is not a part of this bid:	
Total Interest to Maturity	\$ _____
Net Interest Cost	_____ %

Company Name

Address

Authorized Signature

Contact Name and Telephone Number

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

Chair, Board of Trustees

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

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

OFFICIAL BID FORM
\$109,700,000* General Obligation Bonds, Series 2011C
of Lexington County School District No. 1, South Carolina

Cynthia S. Smith, Chair
Board of Trustees, Lexington County School District No. 1
c/o Haynsworth Sinkler Boyd, P.A.
1201 Main Street, Suite 2200
Columbia, South Carolina 29201

Telephone (803) 540-7829
Telecopy for submission of bids (803) 540-7721

Subject to the provisions and in accordance with the Official Notice of Sale for the \$109,700,000* General Obligation Bonds, Series 2011C (the "Bonds"), of Lexington County School District No. 1, South Carolina (the "School District"), the terms of which are hereby made a part of this bid, we make the following net interest cost (NIC) bid for the Bonds described in said Official Notice of Sale, this bid being for not less than all of the Bonds, maturing and bearing interest as follows:

<u>Due</u> <u>February 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Reoffering</u> <u>Price</u>	<u>Due</u> <u>February 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Reoffering</u> <u>Price</u>
2012	\$5,600,000			2025	\$1,400,000		
2013	750,000			2026	1,700,000		
2014	3,250,000			2027	4,640,000		
2015	1,250,000			2028	4,875,000		
2016	2,200,000			2029	5,125,000		
2017	3,300,000			2030	5,390,000		
2018	2,800,000			2031	5,640,000		
2019	0			2032	5,900,000		
2020	0			2033	6,200,000		
2021	5,900,000			2034	6,520,000		
2022	6,800,000			2035	6,855,000		
2023	8,200,000			2036	7,205,000		
2024	8,200,000						

*Preliminary, subject to adjustment as provided in the Official Notice of Sale.

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 October 6, 2011, accompanying the Official Notice of Sale. On the reverse side of this Bid Form is a list of the members of our account on whose behalf this bid is made.

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

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

Total Interest to Maturity \$ _____
Net Interest Cost _____%

Company Name

Address

Authorized Signature

Contact Name and Telephone Number

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

Chair, Board of Trustees

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