

**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  
\$18,950,000\* GENERAL OBLIGATION ADVANCED REFUNDING BONDS, SERIES 2013A, OF  
LEXINGTON COUNTY SCHOOL DISTRICT NO. 1, SOUTH CAROLINA**

The General Obligation Advanced Refunding Bonds of Lexington County School District No. 1, South Carolina, Series 2013A (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."** Regions Bank, Columbia, South Carolina, will serve as Registrar/Paying Agent for the Bonds.

The Bonds will be dated as of the date of delivery and payment thereof, which is expected to be April 9, 2013, and will mature as to principal and bear interest from their date at the rates per annum shown below, payable on March 1 and September 1 of each year, commencing September 1, 2013. The Bonds shall not be subject to redemption prior to their respective maturities.

<u>Due</u> <u>March 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Reoffering</u> <u>Price</u>	<u>CUSIP</u>
2018	\$155,000			
2019	2,985,000			
2020	3,240,000			
2021	3,525,000			
2022	4,120,000			
2023	4,475,000			
2024	450,000			

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

The 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 April 9, 2013.

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

This Official Statement is dated \_\_\_\_\_, 2013.

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.

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. Edwin Harmon, Ph.D., Vice Chairman  
Debra L. Knight, Secretary  
Sandra Kay Backman  
Jean N. Haggard  
Bradley R. Pitts, DMD  
Brent M. Powers

**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**  
**\$18,950,000\*GENERAL OBLIGATION ADVANCED REFUNDING BONDS, SERIES 2013A,**  
**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 Time on Thursday, March 21, 2013, at which time said proposals will be publicly opened in the Office of Haynsworth Sinkler Boyd, P.A., 1201 Main Street, Suite 2200, Columbia, South Carolina, for the purchase of Eighteen Million Nine Hundred Fifty Thousand Dollars (\$18,950,000\*) General Obligation Advanced Refunding Bonds, Series 2013A (the "Bonds").

The Bonds will mature as to principal as follows:

<u>Due</u> <u>March 1</u>	<u>Principal</u> <u>Amount</u>
2018	\$155,000
2019	2,985,000
2020	3,240,000
2021	3,525,000
2022	4,120,000
2023	4,475,000
2024	450,000

\*Subject to adjustment as provided herein.

The Bonds will be dated April 9, 2013, and will bear interest from the date thereof, payable on each March 1 and September 1, beginning on September 1, 2013, until they mature. Both principal and interest will be payable in any coin or currency of the United States of America, which at the time of payment, is legal tender for the payment of public and private debts, at the Corporate Trust Office of the Registrar and Paying Agent of the Bonds. The Bonds shall not be subject to redemption prior to their respective maturities.

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 Regions Bank, as Paying Agent and Registrar of the Bonds or, in the event of a failure to agree, at the corporate trust office of a financial institution designated by the School District to act in such capacities.

*Bid Requirements:* Bidders shall specify the rate or rates of interest per annum which the Bonds are to bear, to be expressed in multiples of 1/20th or 1/8th of 1% with no greater difference than 4% 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 Bonds of that maturity from their date to such maturity date. A bid for less than all the Bonds or a bid at a price less than par will not be considered.

*Award of Bonds:* The Bonds will be awarded to the bidder or bidders offering to purchase the Bonds at the lowest true interest cost (TIC) to the District from the date of delivery of the Bonds, excluding accrued interest. 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 Bonds:* If, after final computation of the proposals, the District determines in its sole discretion that the funds necessary to accomplish the purposes for which the Bonds are being issued are either more or less than the proceeds of the sale of the amount of the Bonds as shown in this Notice of Sale, it reserves the right to decrease or increase the principal amount of the Bonds of any maturity (all calculations to be rounded to the nearest \$5,000) and to eliminate one or more maturities of the Bonds. Such adjustment(s), if any, shall be made within twenty-four (24) hours of the award of the Bonds. In order to calculate the yield on the Bonds for federal tax law purposes and as a condition precedent to the award of the Bonds, bidders must disclose to the District in connection with their respective bids the price (or yield to maturity) at which each maturity of the Bonds will be reoffered to the public.

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

*Bid Submission:* Proposals for the Bonds should be marked "Proposal for \$18,950,000 General Obligation Advanced Refunding Bonds of Lexington County School District No. 1 of Lexington County, South Carolina, Series 2013A" and should be directed to the Superintendent of the District at the address in the first paragraph hereof.

If a bidder for the Bonds desires to have the Bonds insured, the bidder shall specify in its bid whether bond insurance will be purchased and the premium of such bond insurance must be paid at or prior to closing by the successful bidder.

Proposals may be delivered by hand, by mail, by facsimile transmission or by electronic bidding system, but no proposal shall be considered which is not actually received by the District at the place, date and time appointed and the District shall not be responsible for any delay, failure, misdirection or error in the means of transmission selected by any bidder. No agent or employee of the District will undertake to receive proposals by means of oral communication.

Electronic bids must be submitted through BiDCOMP/Parity Electronic Bid Submission System ("PARITY"). No electronic bids from any other providers of electronic bidding services will be accepted. Such bids are to be publicly opened and read at such time and place on said day. For the purposes of both the written sealed bid process and the electronic bidding process, the time as maintained by PARITY shall constitute the official time with respect to all bids submitted.

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 the electronic bidding services of Parity may be obtained from IPREO, Municipal Services, telephone (212) 849-5023, or [munis@ipreo.com](mailto:munis@ipreo.com).

Written bids must be submitted on the Official Bid Form included with the Preliminary Official Statement or on a reasonable facsimile thereof. Electronic bids must be submitted to PARITY. Both written bids and electronic bids must be unconditional and received by the District and/or PARITY, respectively, before the time stated above. Each bid must be accompanied by a Good Faith Deposit or Financial Surety Bond (see below). The District is not liable for any costs incurred in the preparation, delivery, acceptance or rejection of any bid, including, without limitation, the providing of a bid security deposit.

*Good Faith Deposit:* By 12:00 p.m., Eastern Daylight Time, on the date following the Sale Date, the sum of \$200,000 shall be wired to the Treasurer of Lexington County, South Carolina as a good faith deposit in the manner specified by the District on the Sale Date. The District reserves the right to revoke its award of the Bonds upon the failure of the successful bidder for the Bonds to comply with this paragraph. The District shall be subject to no expenses, penalties or claims for damages of any kind in the event it revokes the award of the Bonds as provided in this paragraph, and shall not be responsible for any costs, fees or expenses incurred by the successful bidder in order to comply with this paragraph. The good faith deposit will be applied as a credit against the purchase price of the Bonds due at closing, and will be returned (with no interest allowed) in the event the District fails to deliver the Bonds.

*Purpose:* The Bonds are issued for the purposes of refunding certain outstanding general obligation indebtedness of the School District, and paying costs of issuance thereof.

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

*Official Statement:* The Preliminary Official Statement dated March 14, 2013 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](http://www.i-dealprospectus.com). The School District will furnish the successful bidder with a sufficient number of copies of the final Official Statement in order to allow the bidder to comply with the Rule, without charge, within seven working days of the acceptance of a bid for the Bonds.

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

*Closing Certificates:* The District shall furnish upon delivery of the Bonds the final approving opinion of Haynsworth Sinkler Boyd, P.A., Bond Counsel, Columbia, South Carolina, together with closing proofs including (a) a certificate that there is no litigation threatened or pending to restrain the issuance or sale of said Bonds, (b) a certificate establishing that the Bonds are not “arbitrage bonds” within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, and the applicable regulations as in effect on the occasion of the delivery of the Bonds, and (c) certification by an appropriate official to the effect that the Official Statement, as of its date and as of the date of delivery of the Bonds does not contain an untrue statement of a material fact and does not omit to state a material fact which should be included therein for the purpose for which 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.

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

*Delivery:* The Bonds will be delivered on or about April 9, 2013, 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 Bonds will be borne by the School District.

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

*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) 821-1168. 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 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](http://www.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 \$18,950,000\* General Obligation Advanced Refunding Bonds, Series 2013A (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 by the School District for the purposes of defeasing and advance refunding (i) the presently outstanding principal amounts of the District’s Series 2001 General Obligation Bonds maturing in the years 2018 through 2024, inclusive (the “Refunded Bonds”), and (ii) paying the costs of issuance of the Bonds. The Refunded Bonds are first callable on March 1, 2017 at par plus interest accrued to the date of redemption.

### **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 April 9, 2013, and will bear interest from their date at the rates shown on the front cover hereof payable initially on September 1, 2013, and semiannually thereafter on March 1 and September 1 of each year until they mature. The Bonds will mature in successive annual installments on March 1 in each of the years and in the principal amounts set forth on the front cover hereof. The Bonds shall not be subject to redemption prior to their respective maturities. See “THE BONDS” for further information.

### **Tax Status of Interest on the Bonds**

In the opinion of Bond Counsel, subject to the conditions and limitations stated therein, interest on the Bonds will be excludable from gross income for Federal income tax purposes and will not constitute an item of tax preference for purposes of the alternative minimum tax. 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.

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\*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. Regions Bank, Columbia, South Carolina is serving as Paying Agent and Registrar of the Bonds.

### **Independent Auditors**

The Financial Statements for the fiscal year ended June 30, 2012 (the “2011-12 Fiscal Year”), included as Appendix A, have been audited by Burkett, Burkett & Burkett, Certified Public Accountants, West Columbia, South Carolina.

### **Authorization**

Pursuant to the provisions of Sections 11-15-410 through 11-15-600, inclusive, Code of Laws of South Carolina, 1976, as amended, the provisions of Sections 11-21-10 through 11-21-80, inclusive, Code of Laws of South Carolina, 1976, as amended, all as amended and supplemented by Section 11-27-50, Code of Laws of South Carolina, 1976, as amended, (collectively, the “Act”), the District is authorized to issue general obligation bonds, the proceeds of which are used to refund in advance of their maturities outstanding general obligation bonds of the District, including those bonds the first call date of which is more than six months prior to the date on which they become due.

The Bonds will be issued pursuant to the Constitution, the Act, and a resolution adopted February 19, 2013 (the “Resolution”), by the Board.

### **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 April 9, 2013 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) 821-1168.

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## THE BONDS

### Description of the Bonds

The Bonds mature on March 1 in the years and principal amounts as follows:

<u>Due March 1</u>	<u>Principal Amount*</u>
2018	\$155,000
2019	2,985,000
2020	3,240,000
2021	3,525,000
2022	4,120,000
2023	4,475,000
2024	450,000

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\*Subject to adjustment

The Bonds will be issued in fully registered book-entry form; will be dated as of April 9, 2013; will bear interest from their date at the rates shown on the front cover hereof, payable initially on September 1, 2013 and semiannually thereafter on March 1 and September 1 of each year until they respectively mature. The Bonds shall be issued under the DTC Book-Entry-Only System issued in the denominations of \$5,000 or integral multiples thereof, registered in the name of Cede & Co., as the registered owner and nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Bonds. Regions Bank, Columbia, South Carolina, 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 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](http://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 security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar/Paying Agent and request that copies of the notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor 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 sources that the School District believes to be reliable, but the School District takes no 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.

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 BOND RESOLUTION; (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 Bond Resolution, 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 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 Bonds are not subject to redemption prior to maturity.

### **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.

### **Plan of Refunding**

On October 23, 2001, the District issued its \$40,055,000 General Obligation Bonds, Series 2001, dated October 1, 2001 (the "Series 2001 Bonds"), for the purpose of constructing and improving school facilities of the School District, and to pay certain costs of issuance of the Series 2001 Bonds. The Series 2001 Bonds which mature after March 1, 2017 are subject to optional redemption on and after March 1, 2017 at par plus interest accrued to the date of redemption. The Series 2001 Bonds subject to redemption (the "Refunded Bonds") are outstanding in the aggregate principal amount of \$19,515,000, and mature on March 1 of the following years and with the interest rates shown on the respective installments of principal:

<u>Due</u> <u>March 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
2018	\$190,000	5.000%
2019	3,040,000	5.125
2020	3,315,000	5.125
2021	3,610,000	5.125
2022	4,215,000	5.125
2023	4,580,000	5.125
2024	565,000	5.125

Wells Fargo Securities, financial advisors to the School District for the purpose of this matter, have advised the School District that a savings in the debt service of the Refunded Bonds can be achieved through their defeasance and calling for redemption on March 1, 2017. The debt service savings to the School District is \$ \_\_\_\_\_; the present value of such savings is \$ \_\_\_\_\_.

Proceeds of the Bonds sufficient to defease and thereafter redeem the Refunded Bonds in full on March 1, 2017 will be deposited in an irrevocable escrow to be held by The Bank of New York Mellon Trust Company, N.A, as escrow agent.

### **Constitutional Debt Limit**

Pursuant to the provisions of Section 15(5) of Article X of the Constitution of the State of South Carolina, the school districts of the State may issue bonds without regard to the debt limit established thereunder if the same be first approved by referendum. The Series 2001 Bonds were issued pursuant to the authorization of a referendum held within the District prior to the issuance thereof, and, accordingly, are not chargeable against the debt limit of the School District.

The refunding of the Series 2001 Bonds will not create a new indebtedness, but will continue indebtedness previously incurred. Accordingly, the principal of the Bonds required to refund the Series 2001 Bonds is not chargeable against the District's debt limit.

### **Statutory Authorization**

Pursuant to the provisions of Sections 11-15-410 through 11-15-600, inclusive, Code of Laws of South Carolina, 1976, as amended, the provisions of Sections 11-21-10 through 11-21-80, inclusive, Code of Laws of South Carolina, 1976, as amended, all as amended and supplemented by Section 11-27-50, Code of Laws of South Carolina, 1976, as amended, (collectively, the "Act"), the District is authorized to issue general obligation bonds, the proceeds of which are used to refund in advance of their maturities outstanding general obligation bonds of the District, including those bonds the first call date of which is more than six months prior to the date on which they become due.

### **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>
2013 <sup>(1)</sup>	\$135,935,851
2012	130,617,338
2011	120,180,075
2010 <sup>(2)</sup>	119,610,927
2009 <sup>(2)</sup>	125,928,403
2008	124,685,137
2007	91,304,906

<sup>(1)</sup> Budgeted.

<sup>(2)</sup> Reflects mid-year reductions in appropriations.

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

### **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 appropriation adopted for Fiscal Year 2012-13 is \$1,262,135,590. The School District cannot predict the extent, if any, to which this appropriation may be reduced or increased in future 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.

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## 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>
Cynthia S. Smith, Chair	Co-Owner, Safeguard Business Systems	12 years	Nov. 2016
G. Edwin Harmon, Ph.D., Vice Chairman	Senior Planner, Department of Public Safety	12 years	Nov. 2016
Debra L. Knight, Secretary	Educator	2 years	Nov. 2014
Sandra Kay Backman	Orthodontic Assistant	2 years	Nov. 2014
Jean N. Haggard	Retired Principal	Newly elected	Nov. 2016
Bradley R. Pitts, DMD	Dentist	2 years	Nov. 2014
Brent M. Powers	Chief Medical Officer, Lex. Medical Center	Newly elected	Nov. 2016

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, 2016. Dr. Woodward has been a superintendent in South Carolina schools for 28 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<sup>(1)</sup></u>	<u>% Change</u>
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	1,679	14,090	6,598	22,367	1.22%
2012-2013 <sup>(2)</sup>	1,704	14,150	6,867	22,721	1.58%

<sup>(1)</sup> Totals may not add due to rounding

<sup>(2)</sup> 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 Chinese, Spanish or French in kindergarten in the partial immersion classes in five 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, German 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 employment for the 2012-2013 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>
2007-08	2,953
2008-09	2,987
2009-10	3,005
2010-11	3,179
2011-12	3,294
2012-13	3,403

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Totals for years prior to 2010-11 do not include bus drivers.  
Source: School District

Employees for School Year 2012-13

Administrative:	
Superintendent	1
Chief Officers	5
Directors, Coordinators and Supervisors	75
Principals	28
Assistant Principals and Administrative Assistants	67
Instructional:	
Teachers	1,561
Media and Technology Integration Specialists, Instructional Coaches, Interventionists, Social Workers, Literacy Specialists, Psychologists, Guidance Counselors, and Therapists	230
Other Professional:	
Instructional/Classified	387
Non-instructional/Classified	<u>1,049</u>
TOTAL	3,403

### **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 requirements.

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, sixteen schools earned “Excellent Absolute Ratings”, six schools earned “Good Absolute Ratings” and five 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 adopted by the General Assembly in 2012, Act No. 164 of 2012 (Act No. 164) affords greater flexibility in the organization and operation of a charter school. Act No. 164 provides for single-gender charter schools, authorizes public and independent colleges and universities to sponsor charter schools, and establishes a State Charter School Revolving Loan Program to provide loans for capital needs of charter schools. Act No. 164 also provides access for charter schools to interscholastic athletic and other competitions, and provides that a student who attends a charter school which does not sponsor a particular extracurricular activity may participate in that activity at the public school which he would otherwise attend.

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.

## **Proposed Legislation**

Various bills introduced in the General Assembly during the 2011-2012 Session (the “2011-12 Session”) would have created programs which fund private schools through vouchers or tax credits funded by State revenues. One such proposal, H.4894 which was passed by the House of Representatives, would provide a credit against State income tax to parents of home-schooled students, students enrolled in private schools, and students attending a public school outside of his resident district. H.4894 would also have provided tax credits to persons making donations to “scholarship granting organizations.” Such organizations would use such donations to provide tuition grants to private schools for students with special needs or who are eligible for free and reduced cost lunch programs or whose families meet Medicaid eligibility criteria. H.4894 failed to pass the South Carolina Senate prior to the end of the 2011-12 Session. S.1267, introduced in the South Carolina Senate, would establish criteria whereby a student may attend a public school outside the attendance zone in which he resides, regardless of the school district in which such public school is situated. S.1267 provided various limitations, such as limiting attendance by out of zone students at any school to three percent of the total student population of the school and by allowing a district to deny enrollment to out of zone students to address school capacity issues.

Senate Bill S279, which was introduced on January 23, 2013 and will likely be debated in the 2013 Session of the General Assembly, would, if enacted, authorize income tax deductions for parents of children attending certain alternative educational institutions and tax credits for donors to “nonprofit scholarship funding organizations” (“NPSOs”). Tax deductions would be authorized, on a per child basis, for the cost of students attending certain independent schools (\$4,000 per pupil per year), home schools (\$2,000 per pupil per year), or out of district public schools (\$1,000 per pupil per year). Deductions would be adjusted for inflation annually beginning in Fiscal Year 2015. Donors to nonprofit scholarship granting organizations would be allowed a credit, not exceeding 60% of the donor’s state tax liability. NPSOs would be allowed to make grants only to students (i) eligible for free or reduced cost lunch programs or Medicaid (\$5,000 per year maximum grant), and (ii) any student having significant cognitive, mental, physical or emotional disabilities if the parents or guardians of that student believe that the services provided by the school district of legal residence do not sufficiently meet the needs of that student. See [http://www.scstatehouse.gov/sess120\\_2013-2014/bills/279.htm](http://www.scstatehouse.gov/sess120_2013-2014/bills/279.htm).

Adoption of any one or more of these proposals could provide a sufficient incentive for a student to transfer from a public school to a private school or home school, or, in some cases, to another public school district. In either case, the portion of State funding allocated to the public school district attended by that student on a per pupil basis would be lost by that public school district upon the transfer of the student out of that district.

The School District cannot predict if currently pending legislation will be adopted, or if other legislation providing incentives to school transfers will be introduced or adopted in the future.

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## 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, 2008 through June 30, 2012.

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Revenues:</b>					
Local Sources	\$56,839,431	\$58,796,030	\$57,787,265	\$61,774,360	\$64,933,089
State Sources	110,613,284	109,503,570	104,371,510	104,065,635	113,630,254
Federal Sources	--	--	8,594	9,193	--
Total Revenues	\$167,452,715	\$168,299,600	\$162,167,369	\$165,849,188	\$178,563,343
<b>Expenditures</b>					
Instructional	\$99,541,523	\$101,742,019	\$98,655,736	\$95,196,651	\$103,706,833
Supporting Services	56,069,618	61,125,672	62,932,646	64,955,896	70,150,424
Intergovernmental	--	--	19,379	--	--
Capital Outlay and Construction	124,747	94,713	42,657	132,285	--
Total Expenditures	\$155,735,888	\$162,962,404	\$161,650,418	\$160,284,832	\$173,857,257
Excess (Deficiency) of Revenues Over (under) Expenditures	\$11,716,827	\$5,337,196	\$516,951	\$5,564,356	\$4,706,086
<b>Other Financing Sources (Uses):</b>					
Transfers In	3,518,287	8,793,148	4,335,545	4,146,712	4,370,482
Transfers (Out)	(12,353,503)	(7,132,930)	(2,997,541)	(9,254,141)	(5,112,945)
Total Other Financing Sources	(\$8,835,216)	\$1,660,218	\$1,338,004	(\$5,107,429)	(\$742,463)
Excess (Deficiency) of Revenues and Other Sources Over (under) Expenditures and Other Uses	\$2,881,611	\$6,997,414	\$1,854,955	\$456,927	\$3,963,623
Fund Balance - Beginning of Year	\$16,051,219	\$18,932,830	\$25,930,244	\$27,785,198	\$28,242,125
Fund Balance - End of Year	<u>\$18,932,830</u>	<u>\$25,930,244</u>	<u>\$27,785,198</u>	<u>\$28,242,125</u>	<u>\$32,205,748</u>

Beginning with fiscal year 2010, the School District implemented GASB 54 which requires new classifications of fund balance. The 2012 fund balance is classified as follows: Committed: \$12,371,356, Assigned: \$6,000,000, Nonspendable: \$965,521 and Unassigned: \$12,868,871. Source: Audited financial statements for the School District for Fiscal Years ending June 30, 2008 through June 30, 2012.

### 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, 2012 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, 2012 is attached to this Official Statement as Appendix A. Copies of complete audited financial statements for the year ended June 30, 2012 and prior years are available for inspection at the School District offices or on the School District's website at <http://www.lexington1.net>.



## 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 2009, 2010 and 2011, 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 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 \$8,123,967). The District did not experience mid-year budget cuts in Fiscal Year 2012, and does not anticipate any mid-year cuts for Fiscal Year 2013.

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 2009 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, 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 projected a growth of 423 students 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 resulted in an increase of \$4,063,333 in the amount the District budgeted 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.

In preparing the School District's budget for Fiscal Year 2013, the state appropriated a base student cost of \$2,012, an increase from the prior year's funded base student cost of \$1,880. This allowed the District to budget \$4,256,154 more in EFA funds over the prior year. The District added a total of 65 positions, provided all employees a two percent salary increase, maintained pupil to teacher ratios, budgeted \$6,000,000 in fund balance and did not raise operating millage.

## 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.

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 summaries for Fiscal Year 2012 and Fiscal Year 2013 are 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 2013 budget occurred on June 26, 2012.

### General Fund Budget Summaries For Fiscal Years 2011-12 and 2012-13

	<u>FY 2011-12 Budget</u>	<u>FY 2012-13 Budget</u>
Revenue:		
Local	\$61,413,329	\$63,293,204
State	106,406,853	115,189,806
Transfers In	4,013,472	5,737,077
Portion of General Fund Balance	<u>4,900,000</u>	<u>6,000,000</u>
Total Revenues	\$176,733,654	\$190,220,087
Expenditures:		
Instruction and Administration	\$155,429,668	\$167,065,145
Transfer to Debt Service <sup>(1)</sup>	5,000	5,000
Operations and Maintenance	20,293,986	22,144,942
Other	<u>1,005,000</u>	<u>1,005,000</u>
Total Expenditures	\$176,733,654	\$190,220,087

<sup>(1)</sup> Payment of debt service requirements on Installment Purchase Revenue Bonds. See “DEBT STRUCTURE - Other Commitments.”

## Revenues

The audited financial statements of the School District for the fiscal year ended June 30, 2012 indicate that approximately 36% of general fund revenues came from local sources and 64% 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>
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	104,065,635	14,982,803	119,048,438
2011-12	113,630,254	15,817,760	129,448,014
2012-13 <sup>(1)</sup>	115,189,806	19,576,649	134,766,455

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<sup>(1)</sup> 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 2011-12 Fiscal Year, the State share of the Foundation Program for the School District was \$42,718,886 or 81.7% of the total cost, and the School District share was \$9,562,953 or 18.3%. For the 2012-13 Fiscal Year, the State share of the Foundation Program for the School District is projected to be \$47,030,648 or 82.1% of the total cost, and the School District share is projected to be \$10,248,353 or 17.9%. 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>
2007-08	\$51,487,025
2008-09	48,930,661
2009-10	39,541,550
2010-11	36,264,268
2011-12	44,474,842
2012-13 <sup>(1)</sup>	44,583,754

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<sup>(1)</sup> 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>
2006-07	\$12,833,544
2007-08	10,163,276
2008-09	11,795,377
2009-10	8,991,236
2010-11	10,117,984
2011-12	12,849,548
2012-13 <sup>(1)</sup>	16,387,838

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<sup>(1)</sup> 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>
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	53,533,363	2,110,131	55,643,494
2011-12	56,500,007	2,110,131	58,610,138
2012-13 <sup>(1)</sup>	57,408,079	2,110,131	59,518,210

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<sup>(1)</sup> 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>
2006-07	\$8,817,733
2007-08	7,740,092
2008-09	7,736,405
2009-10	18,176,241
2010-11	15,168,083
2011-12	8,739,057
2012-13 <sup>(1)</sup>	7,875,420

<sup>(1)</sup> 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, the principal and interest of which is fully guaranteed by the United States.

(2) Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.

(3)(i) General obligations of the State of South Carolina or any of its political units; or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.

(4) Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.

(5) Certificates of deposit where the certificates 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 deposit 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.

(6) Repurchase agreements when collateralized by securities as set forth above.

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 7.0% 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%. Employer contributions for the year ended June 30, 2012 were set at the rate of 9.385% of the total member's annual compensation, plus 0.15% for group life insurance, for a total of 9.535%. The School District's contributions to the Plan for the years ended June 30, 2012, June 30, 2011 and 2010 were \$12,716,391, \$12,100,432 and \$12,200,278, respectively.

Act No. 278 of 2012 ("Act No. 278") amends prior laws regarding the System in several material aspects. For example, employer and employee contributions, excluding group and health insurance components, will increase over three years, beginning in the current Fiscal Year, as follows:

<u>Fiscal Year</u>	<u>Employer Contribution</u>	<u>Employee Contribution</u>
2013	10.60%	7.00%
2014	10.60	7.50
2015	10.90	8.00

The Board of Directors of the System may increase the contribution rate in Fiscal Years 2016 and thereafter, provided that no increase may result in a differential between the employer contribution rate and the employee contribution rate in excess of 2.9% of compensation. Such rate increases are mandatory if rates in force are insufficient to maintain a thirty year amortization schedule for unfunded liabilities of the System. The Board of Directors may, after Fiscal Year 2015, reduce contribution rates if the ratio of the actuarial valuation of the System assets to the actuarial accrued liability of the System is greater than or equal to ninety percent, but only to the extent that the Board of Directors determines that reduction will not reduce such ratio below ninety percent.

The School District also pays into the System a surcharge 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 \$5,025,739 for the year ended June 30, 2011 and \$5,734,712 for the year ended June 30, 2012. The surcharge for Fiscal Year 2011 and 2012 was 4.3% of covered payroll. The surcharge for Fiscal Year 2013 has been set at 4.55%.

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 \$12,842,000 for the year ended June 30, 2011 and \$14,391,348 for the year ended June 30, 2012.

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.

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## 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 2010-11. The next reassessment is anticipated to take place in Fiscal Year 2015-16. 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.

### **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.

Legislation adopted in 2011 allows a local government such as the District to apply in any year millage rate increases which were permitted, but not implemented, in any of the three most recent prior fiscal years under the inflation and population growth limitations imposed by Act 388. For example, if a local government was allowed a two mill increase in 2009 and a three mill increase in 2010 but implemented neither, it could implement a five mill increase in 2012 (along with any increase arising that year).

### **Homestead Exemptions--Property Tax Relief**

South Carolina provides, among other tax exemptions, several exemptions for homesteads. The first is a general exemption from all *ad valorem* property taxes and applies to the first \$50,000 of 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"). The revenues that would have been received by various taxing entities but for the Homestead Exemption are replaced by funds from the State. The State pays each taxing entity the amount to which it is entitled by April 15 of each year from the State's general fund.

Beginning in Fiscal Year 1995, the first \$100,000 of appraised value of homesteads was granted an exemption from school operating taxes; amounts which the school districts of the State would have otherwise received were replaced by State revenues (the "Property Tax Relief Exemption"). From Fiscal Year 1999 to Fiscal Year 2007, the replacement revenues appropriated to the school districts of the State pursuant to the Property Tax Relief Exemption were 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, 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>
2012-13 <sup>(1)</sup>	\$22,000,000
2011-12	20,786,912
2010-11	18,272,134
2009-10	15,477,357
2008-09	15,578,400
2007-08	15,270,381

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<sup>(1)</sup> Projected.

Source: School District and 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 (which has been exempt from the general sales tax since 2009). 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.<sup>1</sup>

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.

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<sup>1</sup> 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. In Fiscal Year 2011-12, \$33,708,348 was distributed to the School District from the New Homestead Exemption. Approximately \$34,309,190 is projected to be distributed to the School District from the New Homestead Exemption in Fiscal Year 2012-13.

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>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
Local Levy – Operations <sup>(1)</sup>	242.0	254.0	247.7	254.9	259.9	259.9
Local Levy - Debt Service	<u>59.0</u>	<u>57.3</u>	<u>73.5</u>	<u>71.8</u>	<u>71.8</u>	<u>71.3</u>
School District Total	301.0	311.3	321.2	326.7	331.7	331.2

<sup>(1)</sup> Includes millage levied for lease-purchase obligations. See “DEBT STRUCTURE—Other Commitments” herein.

Source: County Auditor.

## 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>	
2007	\$256,580,890	\$62,890,180	\$5,630,640	\$37,329,580	\$362,431,290
2008	283,784,050	64,403,750	6,330,640	40,697,930	395,216,370
2009	301,292,540	65,766,360	6,531,370	42,729,820	416,320,090
2010 <sup>(1)</sup>	331,632,520	62,767,480	6,639,070	45,389,610	446,428,680
2011	340,002,640	64,979,887	7,089,750	46,640,050	458,712,327
2012 <sup>(2)</sup>	347,518,290	67,823,310	5,317,320	43,292,720	463,951,640

Assessments do not include Merchant's Inventory of \$1,960,970, motor carrier reimbursements, manufacturer's depreciation, negotiated fee-in-lieu of tax and non-negotiated fee-in-lieu of tax.

<sup>(1)</sup> Reassessment year.

<sup>(2)</sup> Preliminary tax year assessments for the period July 1, 2012 through February 14, 2013.

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 preliminary 2012 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)	\$5,887,247,811	4.0%	\$235,489,900
	1,866,249,535	6.0%	112,028,390
2. Motor Vehicles (non-personal)	88,905,810	10.5%	9,335,110
Motor Vehicles (personal)	739,880,333	6.0%	44,392,820
3. Public Utilities	364,088,954	10.5%	38,229,340
4. Manufacturing Property (Real)	50,641,142	9.5%	5,317,320
5. Manufacturing Property (Personal)	48,222,666	10.5%	5,063,380
6. Marine Equipment	35,576,952	10.5%	3,735,580
7. Business Personal (Auditor)	8,317,715	10.5%	873,360
8. Business Personal (DOR)	89,464,286	10.5%	9,393,750
9. Aircraft	882,761	10.5%	92,690
10. Fee-In-Lieu <sup>(1)</sup>	<u>93,651,666</u>	6.0%	<u>5,619,100</u>
TOTAL	\$9,273,129,631		\$469,570,740

<sup>(1)</sup> 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 \$658,575, or manufacturer's depreciation of \$563,040, but does include non-negotiated fee-in-lieu of \$237,350 and negotiated fee-in-lieu of \$5,381,750.

Preliminary tax year 2012 assessments for the period July 1, 2012 through February 14, 2013.

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.

## 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>
2007-08	\$155,530,636	\$150,758,255	96.93%	\$4,585,636	\$155,343,891	99.88%
2008-09	175,571,383	168,253,381	95.83	6,278,424	174,531,805	99.41
2009-10	186,917,796	178,455,447	95.47	6,902,973	185,358,420	99.17
2010-11	203,266,506	195,248,616	96.06	6,232,952	201,481,568	99.12
2011-12	215,006,634	205,955,267	95.79	6,299,175	212,254,442	98.72
2012-13 <sup>(1)</sup>	202,330,008	124,806,647	61.68	N/A	124,806,647	61.68

<sup>(1)</sup> Preliminary collections as of January 31, 2013. Includes only seven months of vehicle collections.

Source: Lexington County Treasurer.

## Ten Largest Taxpayers

The 10 largest taxpayers in the School District, the preliminary 2012 assessed value of the taxable property of each located within the School District, the estimated 2012-13 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>Preliminary 2012 Assessed Valuation</u>	<u>Estimated 2012-13 Taxes Paid</u>	<u>Percent of Tax Levy**</u>
1. South Carolina Electric & Gas	\$24,706,780	\$10,535,084.95	5.21%
2. Mid-Carolina Electric Coop.	4,739,440	2,014,288.41	1.00%
3. Akebond Brake Corporation	2,186,290	1,069,691.42	0.53%
4. Time Warner Ent.	1,776,860	755,986.83	0.37%
5. Lowe's Home Centers Inc.	1,397,880	601,962.03	0.30%
6. Pella Corporation	1,435,850	591,058.97	0.29%
7. Flextronics America LLC*	1,729,320	520,497.92	0.26%
8. Tin Inc.	1,386,720	519,941.43	0.26%
9. Michelin North America Inc.*	1,404,530	499,903.77	0.25%
10. Cooper Tools LLC	<u>1,239,660</u>	<u>489,428.13</u>	0.24%
TOTAL	\$42,003,330	\$17,597,843.86	

Preliminary figures for the period July 1, 2012 through February 14, 2013.

Source: Lexington County Auditor's Office.

\* Includes Fee-in-lieu.

\*\* Calculated by dividing Taxes Paid by the 2012 tax levy of \$202,330,008 (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 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 preliminary debt limitation as of June 30, 2013 is:

Preliminary 2012 assessed value	\$469,570,740
Plus Merchant's Inventory	<u>1,960,970</u>
Total	\$471,531,710
	<u>x</u> 8%
Constitutional Debt Limit	\$37,722,536
Less Outstanding Debt Subject to Limit	<u>(65,000)</u>
Legal Debt Available Without a Referendum	<u>\$37,657,536</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 March 2, 2013</u>
General Obligation Debt				
Series 2001 <sup>(1)</sup>	10/01/01	3/1/24	\$40,055,000	\$22,980,000
Series 2005A <sup>(2)</sup>	8/01/05	2/1/30	85,000,000	71,625,000
Series 2005C <sup>(3)</sup>	8/01/05	2/1/18	18,495,000	10,870,000
Series 2007A <sup>(2)</sup>	11/01/07	2/1/32	33,000,000	23,485,000
Series 2009A <sup>(2)(4)</sup>	8/19/09	2/1/34	90,000,000	71,700,000
Series 2010 <sup>(2)(5)</sup>	6/30/10	4/1/20	10,000,000	10,000,000
Series 2011 <sup>(2)(5)</sup>	3/31/11	2/1/26	35,710,000	35,710,000
Series 2011C <sup>(2)</sup>	10/25/11	2/1/36	110,115,000	103,940,000
Installment Purchase Obligations				
Series 2005	12/14/05	12/1/30	39,600,000	34,560,000
Series 2006	6/01/06	12/1/30	<u>54,045,000</u>	<u>46,930,000</u>
<b>TOTAL</b>			<b>\$526,020,000</b>	<b>\$431,800,000</b>

<sup>(1)</sup> \$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 March 1, 2013, there remains \$22,980,000 approved by referendum.

<sup>(2)</sup> Issued pursuant to referendum.

<sup>(3)</sup> 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.

<sup>(4)</sup> Build America Bonds; 35% of each interest payment is expected to be paid from subsidy to be received from U.S. Treasury.

<sup>(5)</sup> 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*

<u>Calendar Year</u>	<u>Outstanding Bonds<sup>(1)</sup></u>	<u>The Bonds</u>	<u>Total Debt Service</u>
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	\$372,192,285.20		

<sup>(1)</sup> 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>
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	\$56,342,668.75	\$75,118,750.00	\$131,461,418.75

## 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> <sup>(1)</sup>	<u>Total Assessed</u>
	<u>Obligations</u>		<u>Value</u> <sup>(2)</sup>
2007	\$246,570,000	2,257	72%
2008	260,880,000	2,326	72
2009 <sup>(3)</sup>	268,190,000	2,329	68
2010	334,005,000	2,829	80
2011	352,540,000	2,913	79
2012	445,775,000	3,596	97

<sup>(1)</sup> Based on an estimated population using a combination of 2010 census data and interpolation resulting in an annual increase of 2,951 (and extrapolation for later years) for prior years. The 2007 population of the School District is assumed to be 109,226; the 2008 population is assumed to be 112,177, the 2009 population is assumed to be 115,128; the 2010 population is assumed to be 118,079; the 2011 population is assumed to be 121,030; and the 2012 population is assumed to be 123,981.

<sup>(2)</sup> Based on preceding tax year excluding fee in lieu of taxes.

<sup>(3)</sup> 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 \$250,820,000 principal amount of general obligation bonds under authority of the 2008 Referendum. The School District expects to issue the remaining general obligation bonds authorized by the 2008 Referendum by November 1, 2013.

In order to meet various capital needs of the School District, the issuance of approximately \$15,000,000 of general obligation bonds within the School District's constitutional debt limit is presently under consideration. Staff projects that such bonds, if approved by the Board, would be issued in the autumn of 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 2011 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 February 2, 2013; 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>2011 Assessed Value</u>	<u>Assessed Value within School District</u>	<u>General Obligation Indebtedness<sup>(1)</sup></u>	<u>GO Debt Attributable to School District</u>
<u>Counties:</u>				
Lexington County	\$1,037,206,456	\$458,712,327	\$37,840,954 <sup>(2)</sup>	\$16,735,445
<u>Municipalities:</u>				
Cayce	46,523,757	1,928,120	None	-0-
Lexington	89,412,190	89,184,760	1,415,000	1,411,400
Gilbert	1,651,570	1,651,570	None	-0-
Pelion	1,927,240	1,927,240	None	-0-
Springdale	12,865,980	2,085,770	None	-0-
Summit	873,780	873,780	None	-0-
<u>Special Purpose Districts:</u>				
Lexington County Recreation District	755,016,891	458,712,327	21,105,000	12,822,393
Richland-Lexington Airport District <sup>(3)(4)</sup>	2,534,060,751	458,712,327	None	-0-
Richland-Lexington Riverbanks Park Distr. <sup>(3)</sup>	2,534,060,751	458,712,327	8,795,000	1,592,059

<sup>(1)</sup> Excludes installment debt, tax increment bonds, capital appreciation bonds and revenue bonds.

<sup>(2)</sup> Includes \$50,954 bonds outstanding issued by the County for Stonebridge Drive Improvement.

<sup>(3)</sup> Total includes 2011 assessed values of Richland County in the amount of \$1,496,854,295 and of Lexington County in the amount of \$1,037,206,456.

<sup>(4)</sup> 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.

## 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), the estimated population of the School District as of June 30, 2012 was 123,981.

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 Apex Tool Group LLC, Columbia Farms, Inc., Eagle Aviation, Inc., Golden State Foods Corp., Hansen International, Inc., Southeastern Freight Lines, Time Warner Cable, and United Parcel Service. Several foreign-affiliated companies are located in the School District – Boral Bricks Inc., Husqvarna Outdoor Products, Inc., Michelin North America Inc., Prysmian Power Cables & Systems and Tire Kingdom Inc.

### Commerce and Industry in the County

In January, 2013, Time Warner Cable, a provider of cable television and internet services, announced plans to expand its operations in the County. The \$24 million investment will expand the company’s Retention Center, Telesales Operations Support and Payment Services, and is expected to create 644 new jobs over the next year. Time Warner Cable currently employs nearly 1,300 across the state, is the largest cable provider in South Carolina and the second largest in the country.

Amazon.com, Inc. has established a new 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’s \$100 million investment is expected to create 1,249 new permanent jobs, and an additional 2,500 seasonal positions.

In May, 2012, Avtec Inc. announced plans to expand its hardware and software development and manufacturing business in the County by constructing a 46,000 square-foot office building with an expected completion date in 2013. The new facility will feature state-of-the-art training facilities, a world-class technology infrastructure and enhanced employee amenities including a fitness center. The company will invest about \$6.1 million and expects to create 25 new jobs. Avtec Inc. provides Internet Protocol (IP)-based dispatch console solutions for public safety, transportation, utility, business and government markets.

Michelin North America, Inc. announced in April, 2012 that the company will expand its Earthmover tire production in the County and in Anderson County with a \$750 million investment expected to generate 500 new jobs. In May, 2011, Michelin North America announced its investment of \$200 million in its current Lexington facility to further expand its tire building capacity, with this expansion creating approximately 270 new jobs. Michelin designs, manufactures and sells tires. The company also publishes travel guides, hotel and restaurant guides, maps and road atlases. Headquartered in Greenville, SC, Michelin North America employs more than 22,200 and operates 18 major manufacturing plants in 16 locations.

In October, 2011, Nephron Pharmaceuticals Corporation announced the location of a new pharmaceutical manufacturing campus and office in the County. The \$313 million investment is expected to generate 707 new jobs.

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.

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 \$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.

### Major Employers

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>	<u>Approximate # of Employees</u>
Lexington Medical Center	Health services	5,200
SCANA Corporation	Utilities	2,485
Michelin Tire Corp.	Radial automobile passenger tires	1,750
Amick Farms	Poultry and poultry products	1,700
Shaw Industries	Floor covering Manufacturing	600
Southeastern Freight Lines	Transportation and Warehousing	587
Lexington County	County government	525
Cooper Tools	Hand & Edge Tool Manufacturing	500
Harsco Track Technologies	Railroad Rolling Stock Manufacturing	415
CMC Steel	Iron & steel mill	400

Source: Lexington County Economic Development; Central SC and Reference USA.

### 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>
2010	\$34,456	\$32,462	\$39,937
2009	34,240	31,653	38,846
2008	36,205	32,971	40,947
2007	35,624	31,990	39,506
2006	34,401	30,794	37,725

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 2012.

## Retail Sales

The County ranked 4<sup>th</sup> in retail sales in 2011 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>
2011	\$9,542,001,293
2010	8,185,948,523
2009	8,725,938,764
2008	9,682,514,052
2007	9,555,498,270

Source: South Carolina Department of Revenue, Administrative Division.

## Unemployment

The unemployment rate for December, 2012 was 6.6% for the County. The annual unemployment rates for the County for the last five years are shown below:

<u>Year</u>	<u>County</u>	<u>State</u>	<u>United States</u>
2011	7.8%	10.3%	8.9%
2010	8.2	11.2	9.6
2009	8.2	11.5	9.3
2008	4.9	6.8	5.8
2007	4.1	5.6	4.6

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

## Labor Force

	<u>Annual Average<sup>(1)</sup></u>				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Civilian Labor Force	131,762	132,854	132,744	132,124	132,547
Employment	126,420	126,407	121,822	121,293	122,185
Unemployment	5,342	6,447	10,922	10,831	10,362
Percent of Labor Force	4.1%	4.9%	8.2%	8.2%	7.8%

<sup>(1)</sup> 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>
2012	1,225	\$280,250,552	68	\$65,174,499
2011	1,027	207,010,325	62	98,194,263
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

<u>Year</u>	<u>Repair/Renovation - Residential<sup>(1)</sup></u>		<u>Repair/Renovation - Non-Residential</u>	
	<u># of Permits</u>	<u>Cost</u>	<u># of Permits</u>	<u>Cost</u>
2012	415	\$10,120,944	143	\$46,641,395
2011	346	10,338,320	156	29,171,754
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

<sup>(1)</sup> 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, 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, located within the County. Lexington Medical Center (LMC) is a 414-bed medical complex with six medical and urgent care centers; an occupational health center; the largest extended care facility in the Carolinas; and an Alzheimer's Care Center. LMC employs a staff of approximately 5,200, making it one of the largest employers in the County. Palmetto Health Baptist and Palmetto Health Richland together constitute the State's largest 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; and the South Carolina Comprehensive Breast Center.. Palmetto Health Richland is a 649-bed regional community teaching medical center consisting of more than 4,200 employees and a medical and dental staff of more than 900. As a teaching hospital, Palmetto Health Richland offers 12 physician and dental residency programs with approximately 230 residents on staff. Palmetto Health Baptist Columbia has 489 acute care beds with more than 2,300 employees and a medical staff of over 700.

*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 2011 enrollment.

<u>College/University</u>	<u>Enrollment</u>
University of South Carolina (Columbia Campus)	30,721
Midlands Technical College	12,224
Benedict College	3,213
South University	1,568
Columbia College	1,266
Columbia International University	1,177
Allen University	644
Lutheran Theological Southern Seminary	139

Midlands Technical College ("MTC") is a comprehensive, multi-campus, two-year college serving the primary region of Richland, Lexington and Fairfield counties. One of the State'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 six campuses – Beltline, Airport, Batesburg-Leesville, Fairfield and 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 main goals of the River 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 the State 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.

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## CERTAIN LEGAL MATTERS

### Litigation

There is no litigation presently pending or threatened challenging the validity of any general obligation debt issued or proposed to be issued by the School District, including the Bonds.

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 then appealed to the South Carolina Supreme Court. The South Carolina Supreme Court heard the case on June 25, 2008. On May 23, 2012, the South Carolina Supreme Court ordered the parties to prepare for additional oral argument in the case. According to published reports, the parties were instructed to be prepared to address any recent legislation on public school financing that may have an impact on the case. Additional oral argument was heard by the South Carolina Supreme Court on September 18, 2012. 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 School District with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and the applicable regulations promulgated thereunder (the "Regulations") and further subject to certain considerations described in "Collateral Federal Tax Considerations" below, under existing statutes, regulations and judicial decisions, interest on the Bonds is excludable from the gross income of the registered owners thereof for federal income tax purposes. 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 School District 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 School District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The opinion of Bond Counsel delivered on the date of issuance of the Bonds is conditioned on compliance by the School District with such requirements and Bond Counsel has not been retained to monitor compliance with the requirements subsequent to the issuance of such Bonds.

### **State Tax Exemption**

Bond Counsel is of the further opinion that the Bonds and the interest thereon are exempt from all taxation by the State of South Carolina, its counties, municipalities and school districts except estate, transfer or certain franchise taxes. Interest paid on the Bonds is currently subject 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.

The IRS has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations is includable in gross income for federal income tax purposes. Bond Counsel cannot predict whether the IRS will commence an audit of the Bonds. Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the School District or the Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. The IRS has taken the

position that, under the standards of practice before the IRS, Bond Counsel must obtain a waiver of a conflict of interest to represent an issuer in an examination of tax-exempt bonds for which Bond Counsel had issued an approving opinion. Under current procedures, parties other than the School District and their appointed counsel, including the Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the School District legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the School District or the Owners to incur significant expense, regardless of the ultimate outcome. Under certain circumstances, the School District may be obligated to disclose the commencement of an audit under the Continuing Disclosure Agreement. See, CONTINUING DISCLOSURE, herein.

#### **[Original Issue Discount]**

[The Bonds maturing in the years \_\_\_\_\_ have been sold at initial public offering prices which are less than the amount payable at maturity (the “Discount Bonds”). The difference between the initial public offering prices to the public (excluding bond houses and brokers) at which price a substantial amount of each maturity of the Discount Bonds is sold and the amount payable at maturity constitutes original issue discount, which will be treated as interest on such Discount Bonds and to the extent properly allocable to particular owners who acquire such Discount Bonds at the initial offering thereof, will be excludable from gross income for federal income tax purposes to the same extent as other interest on the Bonds. As discount is accrued, the purchaser’s basis in such Discount Bond is increased by a corresponding amount, resulting in a decrease in the gain (or an increase in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Discount Bond prior to its maturity.]

A portion of the original issue discount that accrues in each year to an owner of a Discount Bond that is a corporation will be included in the calculation of the corporation’s federal alternative minimum tax liability. Consequently, an owner of any Discount Bond that is a corporation should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability although the owner of such Discount Bond has not received cash attributable to such original issue discount in such year.

The Code contains certain provisions relating to the accrual of original issue discount in the case of subsequent purchasers of obligations such as the Discount Bonds. Owners who do not purchase Discount Bonds in the initial offering at the initial offering price at which a substantial amount of such Discount Bonds were sold should consult their own tax advisors with respect to the tax consequences of the ownership of the Discount Bonds.

Owners who may acquire Bonds that are Discount Bonds should consult their tax advisors with respect to the determination for federal income tax purposes of the amount of original issue discount or interest properly accruable with respect to such Bonds, other tax consequences of owning Discount Bonds and the state and local tax consequences of owning Discount Bonds.]

#### **[Original Issue Premium]**

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

## **Closing Certifications**

The School District will 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.

## **Financial Advisor**

Wells Fargo Securities has acted as Financial Advisor to the School District in connection with the issuance of the Bonds. In this capacity, Wells Fargo Securities provided technical assistance in the preparation of the offering documents and assisted the School District in preparing for this financing. 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.

## **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.



**Verification of Arithmetical and Mathematical Accuracy of Escrow**

The accuracy of the mathematical computations of the adequacy of the amounts of maturing principal and interest on the Government Obligations and cash maintained in the Escrow Fund to pay, when and as due, all of the principal of, redemption premium, if any, and interest on the Refunded Bonds to their first redemption date will be verified by American Municipal Tax-Exempt Compliance Corporation. The Government Obligations will be purchased at interest rates such that the actuarial yield thereon (computed in accordance with the provisions of Section 148 of the Code and regulations applicable thereto) will not exceed the actuarial yield on the Bonds as determined under the Code and Regulations.

**Conclusion**

Further information or 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) 821-1168 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 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 Bonds at \_\_\_\_\_% of par. The initial public offering prices of the 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 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 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, 2012

**COMPREHENSIVE  
ANNUAL FINANCIAL REPORT  
OF  
LEXINGTON COUNTY SCHOOL DISTRICT ONE  
LEXINGTON, SOUTH CAROLINA  
FOR THE YEAR ENDED  
JUNE 30, 2012**

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



Certified Public Accountants, P.A.

## 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, each major fund and the aggregate remaining fund information, and the budgetary comparison for the general fund of Lexington County School District One ("the District"), as of and for the year ended June 30, 2012, 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, 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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2012, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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### ROCK HILL

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29730  
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### WEST COLUMBIA

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MAIN LINE: 803.794.3712 · MAIN FAX: 803.739.4394  
WWW.BURKETTCPAS.COM

### 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 on pages 17 through 29, 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 the 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 them.



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

October 31, 2012

**Lexington County School District One  
Management's Discussion and Analysis  
For the Year Ended June 30, 2012**

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, 2012. 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 \$180,465,368 at June 30, 2012. The assets for the District's governmental activities exceeded liabilities by \$176,750,786. Of this amount, \$12,653,269 may be used to meet the District's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$5,949,499 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 \$127,429,977, an increase of \$39,477,903. Of this amount \$12,868,871 is considered unassigned and available for spending.
- At the end of the current fiscal year, the general fund unassigned fund balance was \$12,868,871, or 7.4 percent of total general fund expenditures. The unassigned fund balance increased by \$4,855,131 or 60.6 percent.
- The District's governmental funds reported total revenues of \$242,105,121 and total expenditures of \$329,598,007. Of these amounts the District's general fund reported revenues of \$178,563,343 and expenditures of \$173,857,257. The District also reported transfers to and from other funds. For the general fund, \$4,370,482 was transferred in from other funds and \$5,112,945 was transferred out to other funds.
- The District's total capital assets, net of depreciation increased by \$71,578,491. 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 a total of \$116,715,000 in General Obligation Bonds. Of that amount, \$6,600,000 was issued as short-term debt. It was issued to fund the installment payments for the LOSF, Corp. debt. The District sold \$110,115,000 in General Obligation Bonds considered as long-term debt. Further explanation of this bond issue 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 and Lexington One School Facilities, Corp. (LOSF, Corp). Both are not-for-profit corporations for which the District is financially accountable. Both 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 seven 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., and capital projects fund all of which are considered to be major funds. The District accounts for the Lexington County School District No. 1 Educational Foundation. This is considered a permanent fund and is a major 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. This statement can be found on page 38 of this report.

**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 statement 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 44-68.

**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 \$180,465,368 at June 30, 2012. The increase in net assets over the previous year was \$5,949,499. The District's largest portion of net assets is reflected in the investment in capital assets, net of related debt. This equates to \$144,343,845, or 80 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, \$21,666,402, or 12 percent, of the District's net assets represent resources that are subject to external restrictions in Permanent Fund and the Debt Service Fund. At the end of the current fiscal year, the District has \$14,455,121, or 8 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 2012 and 2011 and Table II shows the changes in net assets for fiscal years 2012 and 2011.

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

	Fiscal Year 2012			Fiscal Year 2011		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
<b>Assets</b>						
Current and other assets	\$182,624,968	\$ 2,650,691	\$185,275,659	\$144,900,253	\$ 2,602,644	\$147,502,897
Capital Assets	528,260,695	1,912,730	530,173,425	456,762,749	1,832,185	458,594,934
Total assets	710,885,663	4,563,421	715,449,084	601,663,002	4,434,829	606,097,831
<b>Liabilities</b>						
Long-term liabilities	480,950,524		480,950,524	376,858,198		376,858,198
Other liabilities	53,184,353	848,839	54,033,192	54,049,233	674,531	54,723,764
Total liabilities	534,134,877	848,839	534,983,716	430,907,431	674,531	431,581,962
<b>Net Assets</b>						
Invested in capital assets, net of related debt	142,431,115	1,912,730	144,343,845	146,025,008	1,832,185	147,857,193
Restricted	21,666,402		21,666,402	19,176,906		19,176,906
Unrestricted	12,653,269	1,801,852	14,455,121	5,553,657	1,928,113	7,481,770
Total net assets	\$176,750,786	\$ 3,714,582	\$180,465,368	\$170,755,571	\$ 3,760,298	\$174,515,869

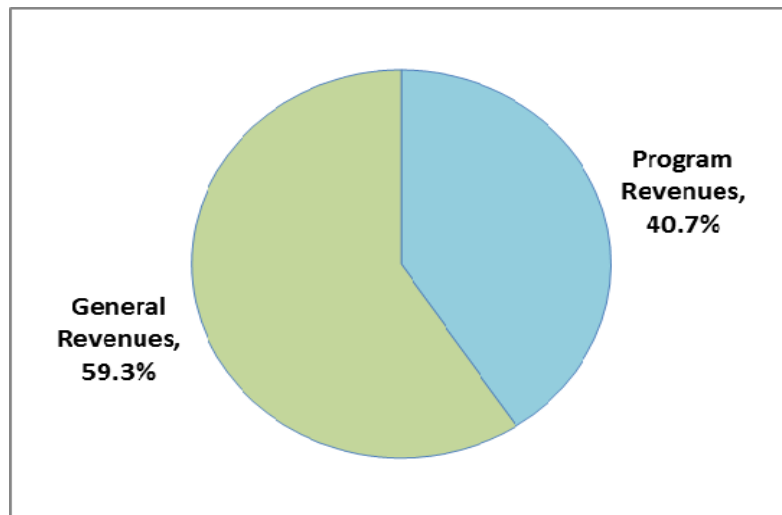
**Table II**  
**Lexington County School District One**  
**Change in Net Assets**

	Fiscal Year 2012			Fiscal Year 2011		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
<b>Revenues</b>						
Program Revenues:						
Charges for services	\$ 760,105	\$6,079,370	\$ 6,839,475	\$890,676	\$ 5,988,275	\$ 6,878,951
Operating grants & contributions	98,129,612	4,944,240	103,073,852	93,533,079	5,194,608	98,727,687
General Revenues:						
Property taxes	96,812,259		96,812,259	92,955,177		92,955,177
Federal & state aid	45,606,670		45,606,670	44,723,945		44,723,945
Other	1,381,999	504	1,382,503	1,274,420	824	1,275,244
Total Revenues	242,690,645	11,024,114	253,714,759	233,377,297	11,183,707	244,561,004
<b>Expenses</b>						
Instruction	132,383,769		132,383,769	126,915,503		126,915,503
Support Services	83,009,271		83,009,271	77,920,053		77,920,053
Community Services	279,275		279,275	401,956		401,956
Interest & other charges	20,206,851		20,206,851	17,529,274		17,529,274
Food Service		11,886,094	11,886,094		11,065,339	11,065,339
Total Expenses	235,879,166	11,886,094	247,765,260	222,766,786	11,065,339	233,832,125
Increase/(Decrease) in net assets before transfers	6,811,479	(861,980)	5,949,499	10,610,511	118,368	10,728,879
Transfers	(816,264)	816,264	-	(679,063)	679,063	-
Increase/(Decrease) in net assets	5,995,215	(45,716)	5,949,499	9,931,448	797,431	10,728,879
Net Assets, July 1	170,755,571	3,760,298	174,515,869	160,824,123	2,962,867	163,786,990
Net Assets, June 30	\$176,750,786	\$3,714,582	\$180,465,368	\$170,755,571	\$3,760,298	\$174,515,869

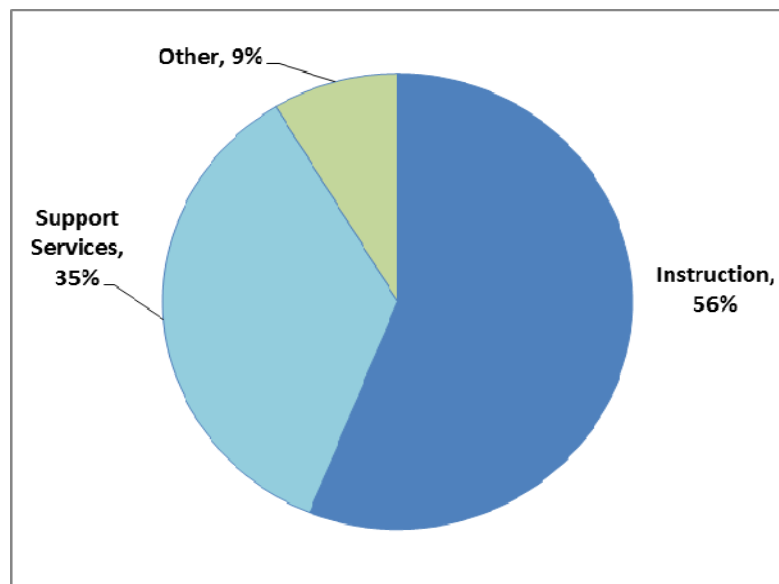
The District's expenses are primarily for instruction and support services that account for 56 percent and 36 percent of total governmental activities expenses, respectively. The instructional expenses predominantly account for salaries and benefits for teachers and instructional assistants. Support 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 3.5 percent. The District continued major construction and renovation projects that increased the capital assets, net of depreciation by \$71,497,946. The District's property tax revenues increased due to an increase in assessments of taxable property as well as a 5 mill increase for operations. The District received an increase in state revenues over the previous year due to an increase in state allocations. Tables III and IV that follow illustrate the District's Revenues by Source and Expenses by Function for fiscal year 2012.

**Table III**  
**Revenues by Source**  
**Governmental Activities**

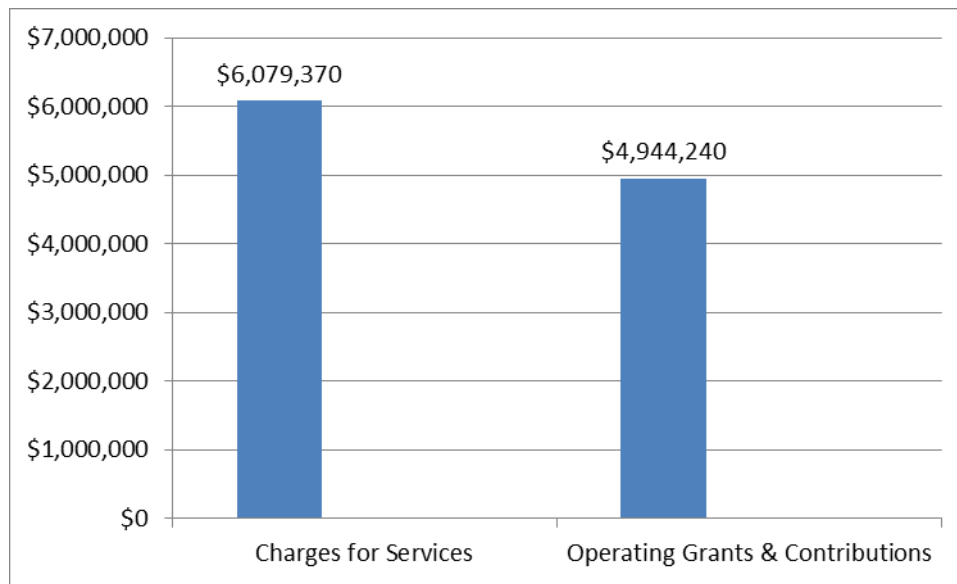


**Table IV**  
**Program Expenses by Function**  
**Governmental Activities**



**Business-type activities.** Business-type activities decreased the District's net assets by \$45,716, or 1.2 percent. Although the District contributed equipment to the program for the new Meadow Glen Elementary school, this was outweighed by the increased labor, food, and supply costs experienced in the program. The District hired more employees to staff the cafeterias and gave salary increases which resulted in increased labor costs. In an effort to become more environmentally friendly, the District food service operation purchased recyclable serving supply products in place of purchasing Styrofoam as in previous years. 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 as assessed value increased by 2.7 percent from the previous fiscal year. The District increased operating millage by 5 mills. The District saw increased funding in state allocations and grants. The District continues to administer conservative budgeting practices and to address the needs of the growing student population by continually focusing on capital improvements planning and technology integration. The District's Food Service program continues to strive to increase participation, but faces challenges dealing with the effects of rising food costs and new USDA guidelines while keeping meal prices reasonable for the customer. The net assets of the district increased by \$5,949,499 or 3.4 percent. Therefore, the District's overall financial position has improved for the 2012 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. *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 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, 2012, the District's governmental funds reported a combined ending fund balance of \$127,429,977. Approximately 10.1 percent, or \$12,868,871, represents unassigned fund balance. The nonspendable portion was \$1,095,521 or 0.8 percent; the restricted portion was \$95,094,229 or 74.6 percent; the committed portion was \$12,371,356 or 9.7 percent; the assigned portion was \$6,000,000 or 4.7 percent. The general fund is the chief operating fund of the District. The unassigned fund balance represents 7.4 percent of total general fund expenditures.

The fund balance of the District's general fund increased by \$3,963,623 or 14.0 percent, during the 2012 fiscal year. The unassigned fund balance increased by \$4,855,131 or 60.6 percent. The District's general fund revenues increased \$12,714,155 mostly due to an increase in state revenues. The state funded the Education Finance Act (EFA) at a rate of \$1,880 per weighted pupil unit in fiscal year 2012 versus the fiscal year 2011 rate of \$1,615. The district's average daily membership increased 270 students which also directly impacts the funding formula for EFA. EFA funding increased a total of \$8,210,573 from the prior year. Local revenues also increased by \$3,158,729 which was a due to a 2.75 percent increase in assessed value of taxable property as well as a 5 mill increase. These two factors combined resulted in an increase in property tax revenues.



The debt service fund-District had a total fund balance of \$12,764,253 all of which is restricted for the payment of debt service. The debt service tax revenues grew by \$655,520 or 2.1 percent from the previous fiscal year. Although the District kept debt service millage the same from the previous year, the overall assessment for the District grew and the District received more revenues from the local penny sales tax for school buildings. Also, there was an increase in intergovernmental revenues over the prior year for the Build America Bonds interest subsidy and the Qualified School Construction Bond interest rebate. 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 \$6,895,847 all of which is reserved for payment of debt service related to the installment purchase revenue bonds. This represented an increase of \$1 over the previous year.

The capital projects fund had a total fund balance of \$74,982,861 at June 30, 2012. The district's capital projects fund balance increased by \$33,180,602 from June 30, 2011. The fund balance increase can be attributable to the issuance of bonds in the amount of \$110,115,000 in the current fiscal year. A discussion follows in the Capital Assets and Debt Administration section of this management's discussion and analysis.

**Proprietary fund.** The District's only proprietary fund is the Food Service Fund. This program had a decrease in net assets of \$45,716 for the fiscal year ended June 30, 2012. The District experienced an increase in operating expenses of \$820,755, or 7.4%, due to an increase in food, supplies and labor costs. The District hired additional employees to staff a new cafeteria as well as hiring permanent employees instead of employing temporary staff. Cafeteria staff received a step increase and benefit costs increased, which also led to the increase in labor costs. Food costs continued to increase. Also, in an effort to become more environmentally friendly, the district replaced Styrofoam serving products with recyclable paper products leading to an increased cost in supplies

## **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. Actual local revenue exceeded budget by approximately \$3.5 million as a result of actual revenues for taxes being greater than budget as the District experienced a growth in assessed value. Actual state revenues exceed budget by approximately \$7.2 million as actual state allocations were much greater than originally anticipated by the District when the budget was prepared. In addition, additional state allocations were distributed at the end of the fiscal year that the District had not received in the past. The final amended budgeted expenditures of the District had a positive variance from the actual expenditures of \$1,824,102. The District set limitations on travel and field trips and hired long-term substitutes to fill vacated positions which were a factor in actual

expenditures being less than budget. The District also transferred \$4,000,000 from general fund to capital projects to fund certain capital expenditures.

## CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets.** The District's investment in capital assets at June 30, 2012 was \$530,173,425 net of accumulated depreciation. This investment in assets includes land, buildings, improvements other than buildings, construction in progress, and equipment. The total increase was \$71,578,491. In reference to the Governmental Activities, the District continued the implementation of a five year plan with a projected cost of \$336,000,000. 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 completion of the new Meadow Glen Elementary School that opened in August, 2011, the construction of Meadow Glen Middle School and the construction of River Bluff High School, purchase of land for a new White Knoll area elementary school, the renovation and additions projects at Gilbert Middle School, Gilbert Primary School, Lexington Elementary School, Lexington Technology Center, Pelion Elementary School, Pelion Middle School, Pelion High School, Red Bank Elementary School, Saxe Gotha Elementary School, White Knoll Elementary School, White Knoll Middle School, White Knoll High School, athletic facilities at Gilbert High, Transportation facilities, and technology projects at several District schools. The District's business-type activities for food service saw an increase in capital assets due to the opening of Meadow Glen Elementary School in the current year.

Table VI shows the District's capital assets, net of accumulated depreciation, as of June 30, 2012 and 2011:

**Table VI**  
**Capital Assets, net of accumulated depreciation**

	Governmental Activities		Business-type Activities		Total	
	FY 2012	FY 2011	FY 2012	FY 2011	FY 2012	FY 2011
Land	\$ 22,328,060	\$ 21,120,833	\$ -	\$ -	\$ 22,328,060	\$ 21,120,833
Buildings	356,526,945	328,887,152	-	-	356,526,945	328,887,152
Improvements	19,537,860	19,732,732	-	-	19,537,860	19,732,732
Equipment	6,468,399	6,402,994	1,912,730	1,832,185	8,381,129	8,235,179
Construction in progress	123,399,431	80,619,038	-	-	123,399,431	80,619,038
Total	<u>\$ 528,260,695</u>	<u>\$ 456,762,749</u>	<u>\$ 1,912,730</u>	<u>\$ 1,832,185</u>	<u>530,173,425</u>	<u>\$ 458,594,934</u>

Additional information on the District's capital assets can be found in Note VI on pages 57-58 of this report. Information on the District's commitments for capital expenditures can be found in Note XV on page 68 of this report.

**Long-term debt.** At June 30, 2012, the District had total general obligation debt outstanding of \$361,580,000. This is an increase of \$95,805,000 or 36.0 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 shows outstanding debt of \$84,195,000 for the Installment Purchase Revenue Bonds. This is a decrease of 3.0 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 and Installment Purchase Revenue Bonds as of June 30, 2012 and 2011:

**Table VII  
Outstanding Debt**

	Governmental Activities		Increase (Decrease)	
	2012	2011	Total	Percent
General Obligation Bonds	\$ 361,580,000	\$ 265,775,000	\$ 95,805,000	36.0%
Installment Purchase Bonds	84,195,000	86,765,000	(2,570,000)	(3.0)%
Total	<u>\$ 445,775,000</u>	<u>\$ 352,540,000</u>	<u>\$ 93,235,000</u>	<u>26.4%</u>

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, 2012 was \$36,787,163. Of that amount, \$65,000 has been issued leaving a legal debt margin of \$36,722,163.

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 2012 the district issued Series 2011C \$110,115,000 General Obligation Bonds to fund projects approved in the 2008 referendum.

Under the provisions of the American Recovery and Reinvestment Act of 2009, the District issued the Build America Bonds in fiscal year 2010 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 District issued a Taxable Qualified School Construction Bond in fiscal years 2010 and 2011. These bonds were 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 63-66 of this report.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

The average unemployment rate for Lexington County was 7.4 percent for the fiscal year ended June 30, 2012. The average unemployment rate for the state and nation over the same fiscal year was 9.7 percent and 8.6 percent, respectively. The unemployment rate for June 2012 was 7.7 percent which was less than the June 2011 rate of 8.8 percent. The unemployment rate for June 2012 was 9.4 percent for the state and 8.2 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 2013 was approved by the Board of Trustees on June 26, 2012. This budget was approved for \$190,220,087, an increase of \$13,486,433, or 7.6 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, 2012**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b><u>ASSETS</u></b>			
Cash and Equivalents			
Unrestricted	\$ 5,589,899	\$ 76,413	\$ 5,666,312
Restricted	3,229,048		3,229,048
Investments			
Unrestricted	60,986,886		60,986,886
Restricted	92,368,579		92,368,579
Accounts Receivable	58,133	143,992	202,125
Taxes Receivable	6,536,747		6,536,747
Intergovernmental Revenue Receivable	1,475,068		1,475,068
Due from County Government	3,236,876		3,236,876
Due from Local Agencies	217,854		217,854
Due from State Dept. of Education	926,086	628	926,714
Due from Other State Agencies	6,440,375		6,440,375
Due from Federal Government		526,885	526,885
Inventories		173,998	173,998
Prepaid Expenses	965,521		965,521
Internal Balances	(1,728,775)	1,728,775	-
Unamortized Bond Issuance Cost	2,322,671		2,322,671
Capital Assets:			
Land	22,328,060		22,328,060
Construction in Progress	123,399,431		123,399,431
Buildings	432,481,443		432,481,443
Improvements	23,287,897		23,287,897
Furniture and equipment	14,998,341	5,030,431	20,028,772
Less: Accumulated Depreciation	(88,234,477)	(3,117,701)	(91,352,178)
Total Capital Assets, Net of Depreciation	528,260,695	1,912,730	530,173,425
<b>TOTAL ASSETS</b>	<b>\$ 710,885,663</b>	<b>\$ 4,563,421</b>	<b>\$ 715,449,084</b>
<b><u>LIABILITIES</u></b>			
Accounts Payable	\$ 821,436	\$	\$ 821,436
Payroll Withholdings	2,618,428		2,618,428
Accrued Salaries & Benefits	22,291,809	801,177	23,092,986
Construction Contracts Payable	6,306,313		6,306,313
Construction Retainage Payable	3,656,999		3,656,999
Accrued Interest Payable	7,520,053		7,520,053
Unearned Revenue	9,969,315	47,662	10,016,977
Noncurrent Liabilities			
Due within One Year	15,934,749		15,934,749
Due in more than One Year	465,015,775		465,015,775
<b>Total Liabilities</b>	534,134,877	848,839	534,983,716
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	142,431,115	1,912,730	144,343,845
Restricted for:			
Permanent Fund - Nonexpendable	130,000		130,000
Permanent Fund - Expendable	451,268		451,268
Debt service	21,085,134		21,085,134
Unrestricted	12,653,269	1,801,852	14,455,121
<b>Total Net Assets</b>	<b>\$ 176,750,786</b>	<b>\$ 3,714,582</b>	<b>\$ 180,465,368</b>

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, 2012**

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	
<b>Primary government:</b>						
Governmental activities:						
Instruction	\$ 132,383,769	\$ 190,923	\$ 80,336,751	\$ (51,856,095)	\$	\$ (51,856,095)
Support services	83,009,271	258,254	17,792,861	(64,958,156)		(64,958,156)
Community services	279,275	310,928		31,653		31,653
Interest and other charges	20,206,851			(20,206,851)		(20,206,851)
<b>Total governmental activities</b>	<u>235,879,166</u>	<u>760,105</u>	<u>98,129,612</u>	<u>(136,989,449)</u>		<u>(136,989,449)</u>
Business-type activities:						
Food service	11,886,094	6,079,370	4,944,240		(862,484)	(862,484)
<b>Total business-type activities</b>	<u>11,886,094</u>	<u>6,079,370</u>	<u>4,944,240</u>		<u>(862,484)</u>	<u>(862,484)</u>
<b>Total primary government</b>	<u>\$ 247,765,260</u>	<u>\$ 6,839,475</u>	<u>\$ 103,073,852</u>	<u>\$ (136,989,449)</u>	<u>\$ (862,484)</u>	<u>\$ (137,851,933)</u>
General Revenues:						
Property Taxes Levied for:						
General Purposes				\$ 64,120,644	\$	\$ 64,120,644
Debt Service				32,691,615		32,691,615
Federal and State Aid Not Restricted for Specific Purposes				45,606,670		45,606,670
Unrestricted Investment Earnings				730,231	504	730,735
Miscellaneous Revenue				651,768		651,768
Transfers				<u>(816,264)</u>	<u>816,264</u>	<u>-</u>
<b>Total General Revenues and Transfers</b>				<u>142,984,664</u>	<u>816,768</u>	<u>143,801,432</u>
Change in Net Assets				5,995,215	(45,716)	5,949,499
Net Assets, Beginning of Year				<u>170,755,571</u>	<u>3,760,298</u>	<u>174,515,869</u>
Net Assets, End of Year				<u>\$ 176,750,786</u>	<u>\$ 3,714,582</u>	<u>\$ 180,465,368</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, 2012**

	General	Special Revenue Special Projects	Special Revenue EIA	Debt Service - District	Debt Service - LOSF, Corp.	Capital Projects	Permanent Fund	Total Governmental Funds
<b>ASSETS</b>								
Cash and cash equivalents								
Unrestricted	\$ 5,589,899	\$	\$	\$	\$	\$	\$	\$ 5,589,899
Restricted	35,000			3,019,131			174,917	3,229,048
Investments								
Unrestricted	60,986,886							60,986,886
Restricted								
Accounts Receivable	58,133							58,133
Taxes Receivable	4,859,444			9,492,853	6,895,847	75,573,528	406,351	92,368,579
Due from County Government	3,236,876			1,677,303				6,536,747
Due from Local Agencies	23,997	193,857						3,236,876
Due from State Dept of Education	508,605		417,481					217,854
Due from Other State Agencies	3,357,075	3,083,300						926,086
Due from Federal Government								6,440,375
Due from Other Funds		2,112,636	6,719,974			9,741,955		18,574,565
Prepaid Items	965,521							965,521
<b>TOTAL ASSETS</b>	<b>\$ 79,621,436</b>	<b>\$ 5,389,793</b>	<b>\$ 7,137,455</b>	<b>\$ 14,189,287</b>	<b>\$ 6,895,847</b>	<b>\$ 85,315,483</b>	<b>\$ 581,268</b>	<b>\$ 199,130,569</b>
<b>LIABILITIES</b>								
Accounts Payable	\$ 412,253	\$ 26,195	\$ 13,678	\$	\$	\$ 369,310	\$	\$ 821,436
Payroll Withholdings	2,618,428							2,618,428
Accrued Salaries & Benefits	19,694,599	1,205,960	1,391,250					22,291,809
Construction Contracts Payable						6,306,313		6,306,313
Construction Retainage Payable						3,656,999		3,656,999
Due to Other Funds	20,303,340	4,157,638	5,732,527	1,425,034				20,303,340
Deferred Revenue	79,150							9,969,315
Deferred Property Taxes	4,307,918							5,732,952
<b>TOTAL LIABILITIES</b>	<b>\$ 47,415,688</b>	<b>\$ 5,389,793</b>	<b>\$ 7,137,455</b>	<b>\$ 1,425,034</b>	<b>\$ -</b>	<b>\$ 10,332,622</b>	<b>\$ -</b>	<b>\$ 71,700,592</b>
<b>FUND BALANCES</b>								
Nonspendable								
Restricted	965,521						130,000	1,095,521
Committed	12,371,356			12,764,253	6,895,847	74,982,861	451,268	95,094,229
Assigned	6,000,000							12,371,356
Unassigned	12,868,871							6,000,000
<b>TOTAL FUND BALANCES</b>	<b>\$ 32,205,748</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 12,764,253</b>	<b>\$ 6,895,847</b>	<b>\$ 74,982,861</b>	<b>\$ 581,268</b>	<b>\$ 127,429,977</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 79,621,436</b>	<b>\$ 5,389,793</b>	<b>\$ 7,137,455</b>	<b>\$ 14,189,287</b>	<b>\$ 6,895,847</b>	<b>\$ 85,315,483</b>	<b>\$ 581,268</b>	<b>\$ 199,130,569</b>

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, 2012**

Total Fund Balances - Governmental Funds		\$	127,429,977
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 \$616,495,172 and accumulated depreciation is \$88,234,477.			528,260,695
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	\$	4,307,918	
Debt Service Fund		<u>1,425,034</u>	5,732,952
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.			(7,520,053)
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 \$2,963,353 have been amortized by \$640,682.			2,322,671
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.			1,475,068
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	\$	(361,580,000)	
Installment Purchase Revenue Bonds Payable		(84,195,000)	
Bond Premium		(15,037,441)	
Accrued Compensated Absences		<u>(20,138,083)</u>	<u>(480,950,524)</u>
Total Net Assets - Governmental Funds		\$	<u>176,750,786</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, 2012**

	General	Special Revenue Special Projects	Special Revenue EIA	Debt Service - District	Debt Service - LOSF, Corp.	Capital Projects	Permanent Fund	Total Governmental Funds
<b>REVENUES</b>								
Local Sources	\$ 64,933,089	\$ 806,340	\$	\$ 32,559,082	\$ 318,827	\$ 246,913	\$ 310,928	\$ 99,175,179
Intergovernmental		85,024		3,489,151				3,574,175
State Sources	113,630,254	2,968,212	12,849,548	1,168,696				130,616,710
Federal Sources		8,739,057						8,739,057
<b>TOTAL REVENUES</b>	<b>178,563,343</b>	<b>12,598,633</b>	<b>12,849,548</b>	<b>37,216,929</b>	<b>318,827</b>	<b>246,913</b>	<b>310,928</b>	<b>242,105,121</b>
<b>EXPENDITURES</b>								
Current:								
Instruction	103,706,833	6,553,463	8,888,381					119,148,677
Support services	70,150,424	5,331,822	965,219				274,875	76,447,465
Community services		4,400						279,275
Debt service								
Principal								
Interest								
Other Objects (Fees for Servicing Bonds)					2,570,000			23,480,000
Capital outlay					4,347,513	640,064		18,353,745
				20,952	6,095	91,221,734		667,111
								91,221,734
<b>TOTAL EXPENDITURES</b>	<b>173,857,257</b>	<b>11,889,685</b>	<b>9,853,600</b>	<b>34,937,184</b>	<b>6,923,608</b>	<b>91,861,798</b>	<b>274,875</b>	<b>329,598,007</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>4,706,086</b>	<b>708,948</b>	<b>2,995,948</b>	<b>2,279,745</b>	<b>(6,604,781)</b>	<b>(91,614,885)</b>	<b>36,053</b>	<b>(87,492,886)</b>
<b>OTHER FINANCING SOURCES (USES)</b>								
Premium on Bonds Sold				16,566				11,072,053
Issuance of General Obligation Bonds				6,600,000				116,715,000
Transfers:								
Transfers from other funds	4,370,482	29,166	226,014	-	6,604,782	4,000,000		15,230,444
Transfers to other funds	(5,112,945)	(738,114)	(3,221,962)	(6,598,687)	-	(375,000)		(16,046,708)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(742,463)</b>	<b>(708,948)</b>	<b>(2,995,948)</b>	<b>17,879</b>	<b>6,604,782</b>	<b>124,795,487</b>	<b>-</b>	<b>126,970,789</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>3,963,623</b>	<b>-</b>	<b>-</b>	<b>2,297,624</b>	<b>1</b>	<b>33,180,602</b>	<b>36,053</b>	<b>39,477,903</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>28,242,125</b>	<b>-</b>	<b>-</b>	<b>10,466,629</b>	<b>6,895,846</b>	<b>41,802,259</b>	<b>545,215</b>	<b>87,952,074</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 32,205,748</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 12,764,253</b>	<b>\$ 6,895,847</b>	<b>\$ 74,982,861</b>	<b>\$ 581,268</b>	<b>\$ 127,429,977</b>

(Continued)

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

**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, 2012**

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Total net change in fund balance - governmental funds	\$ 39,477,903
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 \$585,524 over the year ended June 30, 2012.	585,524
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 \$78,946,311 and depreciation expense of \$7,448,365 exceeded noncapital expenditures.	71,497,946
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.	16,880,000
Bond proceeds provide current financial resources in governmental funds, but issuing debt increases liabilities in the statement of net assets of \$110,1150,000, the issuance cost of \$642,944 and the bond premium of \$11,055,487 are recognized over the life of the bonds issued.	(120,527,543)
Amortization of bond premiums is income over the terms of the associated bonds. The amount recognized as income for the year ended June 30, 2012 is \$839,103.	839,103
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, 2012 is \$140,914.	(140,914)
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, 2012 by \$2,684,608.	(2,684,608)
Interest on Build America Bonds and Qualified School Construction Bonds in the statement of activities differs from the governmental fund because government funds recognize rebatable interest income only when received in the statement of net assets. Interest income is recognized as it accrues. Accrued interest earned increased for the year ended June 30, 2012 by \$708,746.	708,746
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 \$640,942 during this fiscal year.	(640,942)
Change in Net Assets of Governmental Activities	\$ <u>5,995,215</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, 2012**

	Original Budget	Revised Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Local Sources	\$ 61,413,329	\$ 61,413,329	\$ 64,933,089	\$ 3,519,760
State Sources	106,406,853	106,406,853	113,630,254	7,223,401
<b>TOTAL REVENUES</b>	<b>167,820,182</b>	<b>167,820,182</b>	<b>178,563,343</b>	<b>10,743,161</b>
<b>EXPENDITURES</b>				
Current				
Instruction	103,743,278	103,815,295	103,706,833	108,462
Supporting Services	71,980,376	71,866,064	70,150,424	1,715,640
<b>TOTAL EXPENDITURES</b>	<b>175,723,654</b>	<b>175,681,359</b>	<b>173,857,257</b>	<b>1,824,102</b>
<b>EXCESS (DEFICIENCIES) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(7,903,472)</b>	<b>(7,861,177)</b>	<b>4,706,086</b>	<b>12,567,263</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer (to) from Other Funds				
Transfers from Other Funds	4,013,472	4,013,472	4,370,482	357,010
Transfers to Other Funds	(1,010,000)	(1,052,295)	(5,112,945)	(4,060,650)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>3,003,472</b>	<b>2,961,177</b>	<b>(742,463)</b>	<b>(3,703,640)</b>
<b>EXCESS (DEFICIENCIES) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>(4,900,000)</b>	<b>(4,900,000)</b>	<b>3,963,623</b>	<b>8,863,623</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>28,242,125</b>	<b>28,242,125</b>	<b>28,242,125</b>	<b>-</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 23,342,125</b>	<b>\$ 23,342,125</b>	<b>\$ 32,205,748</b>	<b>\$ 8,863,623</b>

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, 2012**

**ASSETS**

## Current assets:

Cash and Cash Equivalents	\$ 76,413
Accounts Receivable	143,992
Due from Other Funds	1,728,775
Due from State Department of Education	628
Due from Federal Government	526,885
Inventories	173,998

Total current assets	2,650,691
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## Noncurrent assets:

Equipment	5,030,431
Less accumulated depreciation	(3,117,701)

Total noncurrent assets	1,912,730
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Total assets	\$ 4,563,421
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**LIABILITIES**

## Current liabilities:

Accrued Salaries & Benefits	\$ 801,177
Unearned Revenue	47,662
Total current liabilities	848,839

Total liabilities	848,839
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**NET ASSETS**

Invested in Capital Assets	1,912,730
Unrestricted	1,801,852

Total net assets	3,714,582
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Total liabilities and net assets	\$ 4,563,421
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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, 2012**

<b>OPERATING REVENUES</b>	
Proceeds from Sales of Meals	\$ 5,775,625
Proceeds from Sales of Snacks	303,745
<b>TOTAL OPERATING REVENUES</b>	<u>6,079,370</u>
<b>OPERATING EXPENSES</b>	
Food Costs (Includes Commodities Used)	5,022,243
Salaries and Benefits	5,477,791
Depreciation	191,535
Supplies	958,751
Other	235,774
<b>TOTAL OPERATING EXPENSES</b>	<u>11,886,094</u>
<b>OPERATING LOSS</b>	<u>(5,806,724)</u>
<b>NONOPERATING REVENUES</b>	
Interest income	504
USDA reimbursements	4,376,299
Other Federal Revenue	12,138
Commodities received from USDA	555,175
Other state aid	628
<b>TOTAL NONOPERATING REVENUES</b>	<u>4,944,744</u>
<b>INCOME BEFORE TRANSFERS</b>	(861,980)
<b>TRANSFERS</b>	
Transfers In	1,452,684
Transfers Out	(636,420)
<b>TOTAL TRANSFERS</b>	816,264
<b>CHANGE IN NET ASSETS</b>	(45,716)
<b>TOTAL NET ASSETS - JULY 1, 2011</b>	<u>3,760,298</u>
<b>TOTAL NET ASSETS - JUNE 30, 2012</b>	<u><u>\$ 3,714,582</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, 2012**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash Received from Patrons	\$ 6,033,210
Cash Paid to Suppliers for Goods and Services	(5,655,768)
Cash Paid to Employees for Services	(5,342,192)

Net Cash Used by Operating Activities	<u>(4,964,750)</u>
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**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Other Federal/State Aid Received	4,389,065
Transfers In from Other Funds	1,452,684
Transfers Out To Other Funds	(636,420)

Net Cash Provided by Noncapital Financing Activities	<u>5,205,329</u>
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**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Purchase of Capital Assets	<u>(272,080)</u>
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Net Cash Used by Capital and Related Financing Activities	<u>(272,080)</u>
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**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest on Investments	<u>504</u>
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Net Cash Provided by Investing Activities	<u>504</u>
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<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(30,997)</b>
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<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b><u>107,410</u></b>
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<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ <u><u>76,413</u></u></b>
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(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, 2012**

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

<b>Operating Loss</b>	\$ (5,806,724)
<b>Adjustment to Reconcile Operating Loss to Net Cash</b>	
<b>Provided by Operating Activities:</b>	
Commodities Received from USDA	555,175
Depreciation Expense	191,535
Increase in Accounts Receivable	(85,970)
Decrease in Inventories	6,926
Decrease in Accounts Payable	(1,101)
Increase in Accrued Salaries & Benefits	135,599
Increase in Unearned Revenue	<u>39,810</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u><u>\$ (4,964,750)</u></u>
<b>NON CASH TRANSACTIONS:</b>	
Commodities Received from USDA	<u><u>\$ 555,175</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, 2012**

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**ASSETS**

Cash on Deposit	\$ <u>2,412,266</u>
Total Assets	\$ <u><u>2,412,266</u></u>

**LIABILITIES**

Accounts Payable	\$ 59,657
Due to Student Organizations	<u>2,352,609</u>
Total Liabilities	\$ <u><u>2,412,266</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, 2012**

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**I. Summary of Significant Accounting Policies**

Lexington County School District One operates twenty-six 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 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).

**2. 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

**LEXINGTON COUNTY SCHOOL DISTRICT ONE**  
**LEXINGTON, SOUTH CAROLINA**  
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**Summary of Significant Accounting Policies (Continued)**  
**Blended Component Units (Continued)**

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.

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

**LEXINGTON COUNTY SCHOOL DISTRICT ONE**  
**LEXINGTON, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Summary of Significant Accounting Policies (Continued)**

**Basis of Presentation (Continued)**

**Government-Wide Financial Statements (Continued)**

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.

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.

**LEXINGTON COUNTY SCHOOL DISTRICT ONE**  
**LEXINGTON, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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**Summary of Significant Accounting Policies (Continued)**

**Basis of Presentation (Continued)**

**Governmental Fund Types (Continued)**

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 expenditures for principal and interest for the District.

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

Capital Projects Fund, a major fund, is used to account for and report financial resources that are restricted, committed, or assigned to expenditures 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.

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

**LEXINGTON COUNTY SCHOOL DISTRICT ONE**  
**LEXINGTON, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Summary of Significant Accounting Policies (Continued)**

**Basis of Presentation (Continued)**

**Proprietary Funds (Continued)**

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.

**Assets, Liabilities, and Fund Equity**

**Cash and Cash Equivalents**

The District considers all highly liquid investments (including restricted assets) with original maturities of three months or less and investments of the cash management pool to be cash equivalents.

**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,

**LEXINGTON COUNTY SCHOOL DISTRICT ONE**  
**LEXINGTON, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Summary of Significant Accounting Policies (Continued)**

**Assets, Liabilities, and Fund Equity (Continued)**

**Investments (Continued)**

6. South Carolina Pooled Investment Fund established and maintained by the State Treasurer.
7. Cash and Investments held by the 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.

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.

The Foundation investments are allocated equally between equities and fixed income mutual funds with cash and cash equivalents minimized. At June 30, 2012, the percentage of investments in equities mutual funds was 61.5%, in fixed income mutual funds was 32.3% and in cash and cash equivalents was 6.2%.

**Restricted Assets**

The District establishes certain accounts for assets restricted for specific purposes, typically by outside parties or legal agreements. Certain bond indentures require the establishment of (i) maximum annual principal and interest payments, unless a surety bond was provided; (ii) the next succeeding principal and accrued interest payment; and (iii) bond proceeds to be used for construction purposes as required in the bond agreement. Also, assets of the Permanent Fund are classified as restricted assets because their use is restricted by donors and by the purpose for which they are collected.

**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.



**LEXINGTON COUNTY SCHOOL DISTRICT ONE**  
**LEXINGTON, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

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. Inventories are reported only in the Proprietary Fund – Food Service.

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.

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:

**LEXINGTON COUNTY SCHOOL DISTRICT ONE**  
**LEXINGTON, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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**Summary of Significant Accounting Policies (Continued)**

**Assets, Liabilities, and Fund Equity (Continued)**

**Capital Assets (Continued)**

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>	Business-Type Activities <u>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.

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.

**LEXINGTON COUNTY SCHOOL DISTRICT ONE**  
**LEXINGTON, SOUTH CAROLINA**  
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**Summary of Significant Accounting Policies (Continued)**  
**Assets, Liabilities, and Fund Equity (Continued)**

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.

Fund Balances

The District reports fund balance in accordance with 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 District's highest level of decision-making authority is the Board of Trustees.

The District classifies fund balances as follows:

Nonspendable – This includes amounts that inherently cannot be spent either because it is not in spendable form (i.e. prepaid items, inventories, etc.) or because of legal or contractual requirements (i.e. principal amount of resources that are required to remain intact.)

Restricted – This includes amounts that have constraints placed on the use of resources externally imposed by creditors, grantors, or contributors.

Committed – This includes amounts that have constraints for specific purposes by the District itself, using its highest level of decision-making authority, which as noted above is the Board of Trustees. Constraints must remain in place unless removed in the same manner as imposed and must take place no later than the close of the fiscal year.

Assigned – This includes amounts that the District intends to use for specific purposes that are neither considered restricted nor committed and these assignments are made before the report issuance date. The intent to assign these balances can be expressed by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority.

**LEXINGTON COUNTY SCHOOL DISTRICT ONE**  
**LEXINGTON, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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**Summary of Significant Accounting Policies (Continued)**

**Assets, Liabilities, and Fund Equity (Continued)**

**Fund Balances (Continued)**

The District reports assigned fund balance when it appropriates a portion of fund balance in the next fiscal year's general fund budget. The general fund budget is approved each year in formal action taken by the Board of Trustees.

Unassigned – This includes amounts that do not qualify to be accounted for or reported in any of the other fund balance categories. These amounts are available for any purpose and the General Fund should be the only fund that reports a positive unassigned fund balance.

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 assigned, then unassigned fund balance. Committed resources can only be applied if the Board of Trustees takes formal action to release resources for incurring expenditures.

The Board of Trustees in formal action established a minimum fund balance policy of 7 percent of general fund budget. The general fund budget for fiscal year 2012 was \$176,733,654 of which 7 percent equals \$12,371,356 and is reflected in the fund financial statements as the committed fund balance. In order for the fund balance commitment to be modified or rescinded, the Board of Trustees would have to change that in formal action prior to the end of a fiscal year.

**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, 2012**

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**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.

**II. Cash and Investments**

At June 30, 2012, the carrying amount of the District's deposits was \$8,895,360 and the bank balance was \$14,833,939. These deposits do not include the fiduciary fund's deposits.

**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, 2012, \$12,318,597 of the District's deposits was exposed to custodial credit risk because it was unsecured and collateralized with securities held by the pledging financial

**LEXINGTON COUNTY SCHOOL DISTRICT ONE**  
**LEXINGTON, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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**Cash and Investments (Continued)**

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, 2012, \$11,375,408 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, 2012, the District had the following investments:

Investment Type	Maturities	Credit Rating	Fair Value
BB&T Repurchase & Investments Accounts	Various	Unrated	\$ 5,885,911
SC Local Government Investment Pool	Various	Unrated	127,093,791
Bank of New York	Various	Unrated	6,895,847
1 <sup>st</sup> Community Bank Money Market	Various	Unrated	246,559
Security Federal Money Market	Various	Unrated	247,067
Southern First Money Market	Various	Unrated	246,915
First Palmetto Money Market	Various	Unrated	246,522
Bank Certificates of Deposit	Various	Unrated	3,000,000
Investments Due from County	Various	Unrated	9,492,853
Total Investments			\$ <u>153,355,465</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.

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.

**LEXINGTON COUNTY SCHOOL DISTRICT ONE  
LEXINGTON, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

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**Cash and Investments (Continued)**

**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 \$459.3 million at tax rates of 259.9 mills for the general fund and 71.8 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 \$2,126,005 at June 30, 2012. Allowances for uncollectibles were not necessary for the other receivable accounts.

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, 2012, the various components of deferred revenue and deferred revenue reported in the governmental funds were as follows:

	General Fund	Special Revenue Funds	Debt Service Fund	Total
Deferred Property Taxes	\$ 4,307,918	\$	\$ 1,425,034	\$ 5,732,952
Deferred Revenue	79,150	9,890,165		9,969,315
Total	\$ <u>4,387,068</u>	\$ <u>9,890,165</u>	\$ <u>1,425,034</u>	\$ <u>15,702,267</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, 2012 but had not yet been received.

**LEXINGTON COUNTY SCHOOL DISTRICT ONE**  
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**VI. Capital Assets**

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

**Governmental Activities**

	<b><u>Balance</u></b> <b><u>July 1, 2011</u></b>	<b><u>Additions</u></b>	<b><u>Disposals</u></b> <b><u>Transfers</u></b>	<b><u>Balance</u></b> <b><u>June 30, 2012</u></b>
<b>Non-depreciable</b>				
<b>Assets:</b>				
Land	\$ 21,120,833	\$ 1,207,227	\$	\$ 22,328,060
Construction in Process	<u>80,619,038</u>	<u>76,577,751</u>	<u>(33,797,358)</u>	<u>123,399,431</u>
Total Non-depreciable	<u>101,739,871</u>	<u>77,784,978</u>	<u>(33,797,358)</u>	<u>145,727,491</u>
 <b>Depreciable Assets:</b>				
Buildings	399,033,657	33,448,715	(929)	432,481,443
Improvements	22,966,638	321,259		23,287,897
Equipment	<u>13,808,695</u>	<u>1,448,291</u>	<u>(258,645)</u>	<u>14,998,341</u>
Total Depreciable				
Assets	<u>435,808,990</u>	<u>35,218,265</u>	<u>(259,574)</u>	<u>470,767,681</u>
 Less Accumulated				
Depreciation for:				
Buildings	(70,146,505)	(5,808,480)	487	(75,954,498)
Improvements	(3,233,906)	(516,131)		(3,750,037)
Equipment	<u>(7,405,701)</u>	<u>(1,269,998)</u>	<u>145,757</u>	<u>(8,529,942)</u>
Total Accumulated				
Depreciation	<u>(80,786,112)</u>	<u>(7,594,609)</u>	<u>146,244</u>	<u>(88,234,477)</u>
 Net Depreciable Capital				
Assets	<u>355,022,878</u>	<u>27,623,656</u>	<u>(113,330)</u>	<u>382,533,204</u>
 Governmental Activities				
Capital Assets, Net	<u>\$ 456,762,749</u>	<u>\$ 105,408,634</u>	<u>\$ (33,910,688)</u>	<u>\$ 528,260,695</u>



**LEXINGTON COUNTY SCHOOL DISTRICT ONE**  
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**Capital Assets (Continued)**

**Business Type Activities**

	<b>Balance July 1, 2011</b>		<b>Additions</b>		<b>Disposals</b>		<b>Balance June 30, 2012</b>
Equipment	\$ 4,774,265	\$	272,080	\$	(15,914)	\$	5,030,431
Less Accumulated Depreciation	(2,942,080)		(191,535)		15,914		(3,117,701)
	<hr/>		<hr/>		<hr/>		<hr/>
Business-type Activities Capital Assets, Net	\$ <u>1,832,185</u>	\$	<u>80,545</u>	\$	<u>-</u>	\$	<u>1,912,730</u>

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

**Governmental Activities:**

Instruction	\$ 5,164,334
Supporting Services	<u>2,430,275</u>
Total Depreciation Expense – governmental activities	\$ <u>7,594,609</u>

**Business-type Activities:**

Food Service	\$ <u>191,535</u>
Total Depreciation Expense – Business type activities	\$ <u>191,535</u>

**LEXINGTON COUNTY SCHOOL DISTRICT ONE**  
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**VII. Interfund Receivables and Payables**

Interfund balances at June 30, 2012 consisted of the following individual fund receivables and payables:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>
<b>General Fund:</b>		
Due to Special Revenue – Special Projects		\$ 2,112,636
Due to Special Revenue – EIA		6,719,974
Due to Capital Projects		9,741,955
Due to Proprietary Fund – Food Service		1,728,775
<b>Total – General Fund</b>		<u>20,303,340</u>
 <b>Special Revenue – Special Projects</b>		
Due from General Fund	\$ 2,112,636	
 <b>Special Revenue – EIA</b>		
Due from General Fund	6,719,974	
 <b>Capital Projects</b>		
Due from General Fund	9,741,955	
 <b>Proprietary Fund – Food Service</b>		
Due from General Fund	1,728,775	
<b>Totals</b>	<u>\$ 20,303,340</u>	<u>\$ 20,303,340</u>

The General Fund payables to Special Revenue – Special Projects and Special Revenue – EIA are a result of the deferred revenue and accrued salaries and related costs in Special Projects and EIA funds that will be paid after June 30, 2012. The amounts payable to Capital Projects and Proprietary Fund – Food Service funds are a result of cash for these funds being held in the general fund.

The Special Revenue – Special Projects receivable from the General Fund is due to the cash for deferred revenue and accrued salaries and related costs that will be paid after June 30, 2012 being held in the General Fund.

The Special Revenue – EIA receivable from the General Fund is due to the cash for deferred revenue and accrued salaries and related costs that will be paid after June 30, 2012 being held in the General Fund.

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

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**  
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**VIII. Transfers To and From**

Transfers from and to other funds for the year ended June 30, 2012, consisted of the following:

<b>Fund</b>	<b>Transfers To</b>	<b>Transfers From</b>
<b>General Fund:</b>		
Special Revenue – Special Projects	\$ 29,166	\$ 512,100
Special Revenue – EIA		3,221,962
Debt Service Fund – LOSF, Corp	6,095	
Capital Projects	4,000,000	
Proprietary Fund–Food Service.	1,077,684	636,420
	<u>5,112,945</u>	<u>4,370,482</u>
<b>Special Revenue – Special Projects</b>		
General Fund	512,100	29,166
Special Revenue – EIA	226,014	
	<u>738,114</u>	<u>29,166</u>
<b>Special Revenue – EIA</b>		
General Fund	3,221,962	
Special Revenue – Special Projects		226,014
	<u>3,221,962</u>	<u>226,014</u>
<b>Debt Service Fund – District</b>		
Debt Service Fund – LOSF, Corp.	6,598,687	
	<u>6,598,687</u>	
<b>Debt Service Fund – LOSF, Corp.</b>		
Debt Service Fund – District		6,598,687
General Fund		6,095
		<u>6,604,782</u>
<b>Capital Projects Fund</b>		
General Fund		4,000,000
Proprietary Fund – Food Service	375,000	
	<u>375,000</u>	<u>4,000,000</u>
<b>Proprietary Fund – Food Service</b>		
General Fund	636,420	1,077,684
Capital Projects Fund		375,000
	<u>636,420</u>	<u>1,452,684</u>
<b>Total All Funds</b>	\$ <u>16,683,128</u>	\$ <u>16,683,128</u>

**LEXINGTON COUNTY SCHOOL DISTRICT ONE**  
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**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, 2012, 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 are transferred to the Debt Service – LOSF, Corp. in order to pay trustee fees. The transfer to Capital Projects represents a transfer to fund capital project expenditures. 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 – Special Projects were transfer to the General Fund for indirect costs for federal programs and for 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 transferred from Special Revenue – EIA were transferred to cover the EIA teacher salary supplement paid by the General Fund and for the State of South Carolina's Funding Flexibility provision. Fund transferred from the Proprietary fund were for indirect costs for food services.

**Special Revenue – Special Projects:**

Transfers to:

Funds transferred to the General Fund represent allowable indirect costs for federal programs. Also, funds were transferred to the General Fund as allowed by the State of South Carolina's Funding Flexibility provision to offset state funding reductions. Funds were transferred to Special Revenue – EIA 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 transfers under the Funding Flexibility as required by law.

Transfers from:

Funds were transferred to the Special Revenue – Special Projects 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 and for funds transferred under the State of South Carolina's Funding Flexibility provision to offset state funding reductions. The District's Board of Trustees approved the transfer under the Funding Flexibility as required by law.

Transfers from:

Funds were transferred from Special Revenue – Special Projects 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 under the Funding Flexibility as required by law.

**LEXINGTON COUNTY SCHOOL DISTRICT ONE**  
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**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 payment.

**Debt Service – LOSF, Corp.:**

Transfers from:

Funds were transferred from the General Fund for the payment of trustee fees due in the current year. Funds were transferred from Debt Service – District to satisfy the annual principal and interest payment due on the installment purchase revenue bonds.

**Capital Projects:**

Transfers to:

Funds were transferred to the Proprietary Fund – Food Service for the costs of capital assets and supplies contributed to the food service program during the construction of Meadow Glen Elementary School and paid by capital projects funds.

Transfers from:

Funds were transferred from General Fund to fund the costs of capital projects.

**Proprietary Fund:**

Transfers to:

Funds were transferred to the General Fund for indirect costs.

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. The transfer from Capital Projects is for the costs of contributed capital and supplies for the Meadow Glen Elementary Cafeteria paid by capital projects.

**IX. Short-Term Obligations**

**Summary of Changes in Short-Term Debt Obligations:**

	<b><u>Balance</u></b> <b><u>July 1, 2011</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>Balance</u></b> <b><u>June 30, 2012</u></b>
General Obligations:				
General Obligation				
Bonds, Series 2011B	\$ -	\$ 6,600,000	\$ 6,600,000	\$ -
Total	\$ -	\$ 6,600,000	\$ 6,660,000	\$ -

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**Short-Term Obligations (Continued)**

**Bonds Issued**

The District issued \$6,600,000 of General Obligation Bonds for the purpose of providing funds to pay the acquisition price payments in fiscal year 2012 (Installment Purchase Bonds) of LOSF, Corp. and to provide funding for capital improvements as approved by the Board.

**X. Long-Term Obligations**

**Summary of Changes in Long-Term Debt Obligations:**

	<b><u>Balance</u></b> <b><u>July 1, 2011</u></b>		<b><u>Additions</u></b>		<b><u>Deletions</u></b>		<b><u>Balance</u></b> <b><u>June 30, 2012</u></b>
General Obligations:							
Gen. Obligation Bonds	\$ 265,775,000	\$	110,115,000	\$	14,310,000	\$	361,580,000
Installment Purchase -							
Revenue Bonds	<u>86,765,000</u>				<u>2,570,000</u>		<u>84,195,000</u>
Subtotal	352,540,000		110,115,000		16,880,000		445,775,000
Bond Premium	4,821,057		11,055,487		839,103		15,037,441
Compensated Absences	<u>19,497,141</u>		<u>2,444,736</u>		<u>1,803,794</u>		<u>20,138,083</u>
Total	\$ <u>376,858,198</u>	\$	<u>123,615,223</u>	\$	<u>19,522,897</u>	\$	<u>480,950,524</u>

**Current Portion of Long-Term Debt Obligations:**

	<b><u>June 30, 2012</u></b>
General Obligations:	
General Obligation Bonds	\$ 11,270,000
Installment Purchase – Revenue Bonds	<u>2,705,000</u>
Subtotal	13,975,000
Bond Premium	155,955
Compensated Absences	<u>1,803,794</u>
Total	\$ <u>15,934,749</u>

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

**General Obligations**

General obligations at June 30, 2012 consist of installment purchase revenue bonds and general obligations bonds payable. Of the General Obligation Bonds payable, the Series 2009A bonds were issued as Build America Bonds – Taxable Series and the Series 2010 and Series 2011 bonds were issued as Taxable Qualified School Construction Bonds. The Build America Bonds were issued under the provisions of the American Recovery and Reinvestment Act of 2009. The United States

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**Long-Term Obligations (Continued)**

**General Obligations (Continued)**

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. The Taxable Qualified School Construction Bonds were 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 are reported as intergovernmental revenue.

Lexington One School Facilities, Corp. issued various Installment Purchase Revenue Bonds to finance various capital projects that were completed by the District between 2005 and 2011. 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.

**Bonds Issued**

The District issued \$110,115,000 of General Obligation Bonds to provide funding for the 2008 Bond referendum construction projects.

The following table outlines the debt outstanding at June 30, 2012:

<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, 2012</u>
General Obligation Bonds					
Series 2001	10/01/01	3/1/24	4.0%-5.125%	\$ 40,055,000	\$ 23,165,000
Series 2004	3/01/04	2/1/13	2.7%-3.13%	6,875,000	1,265,000
Series 2005A	8/01/05	2/1/30	3.0%-5.0%	85,000,000	74,485,000
Series 2005C	8/01/05	2/1/18	3.5%-5.0%	18,495,000	12,530,000
Series 2007A	11/01/07	2/1/32	4.125%-5.0%	33,000,000	24,260,000
Series 2009A	8/19/09	2/1/34	1.75%-6.6%	90,000,000	75,550,000
Series 2010	6/30/10	4/1/20	1.06%	10,000,000	10,000,000
Series 2011	3/31/11	2/1/26	3.5%-5.0%	35,710,000	35,710,000
Series 2011C	10/25/11	2/1/36	2.0%-5.0%	110,115,000	104,615,000
Installment Purchase Revenue Bonds					
Series 2005	12/14/05	12/1/30	4.0%-5.25%	39,600,000	35,695,000
Series 2006	6/01/06	12/1/30	5.0%	54,045,000	48,500,000
TOTAL				\$ 522,895,000	\$ 445,775,000

**LEXINGTON COUNTY SCHOOL DISTRICT ONE**  
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**Long-Term Obligation (Continued)**

The annual requirements to amortize the General Obligation Bonds outstanding at June 30, 2012, including interest payments of \$227,066,070 are as follows:

<b>Fiscal Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2013	\$ 11,270,000	\$ 17,652,131	\$ 28,922,131
2014	12,140,000	17,267,144	29,407,144
2015	8,845,000	16,737,484	25,582,484
2016	10,465,000	16,345,254	26,810,254
2017	12,185,000	15,873,429	28,058,429
2018-2022	78,865,000	69,784,890	148,649,890
2023-2027	112,130,000	46,394,843	158,524,843
2028-2032	76,420,000	22,321,785	98,741,785
2033-2036	39,260,000	4,689,110	43,949,110
Total	<u>\$ 361,580,000</u>	<u>\$ 227,066,070</u>	<u>\$ 588,646,070</u>

The annual requirements to amortize the Installment Purchase Revenue Bonds at June 30, 2012, including interest payments of \$ 47,266,419 are as follows:

<b>Fiscal Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2013	\$ 2,705,000	\$ 4,215,638	\$ 6,920,638
2014	2,845,000	4,076,887	6,921,887
2015	2,990,000	3,931,012	6,921,012
2016	3,140,000	3,777,763	6,917,763
2017	3,300,000	3,616,763	6,916,763
2018-2022	19,285,000	15,310,250	34,595,250
2023-2027	24,895,000	9,699,731	34,594,731
2028-2031	25,035,000	2,638,375	27,673,375
Total	<u>\$ 84,195,000</u>	<u>\$ 47,266,419</u>	<u>\$ 131,461,419</u>

The District has satisfied all sinking fund requirements. There is an annual debt service tax millage, currently 71.8 mills, to repay the General Obligation debt. Details on the Installment Purchase Revenue Bonds and General Obligation Bonds are presented as schedules.

**Defeased Debt Outstanding**

At June 30, 2012, the District had defeased outstanding general obligation bonds and certificates of participation that would otherwise be included in General Long-Term Obligations totaling \$14,300,000.



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**Long-Term Obligation (Continued)**

**Compensated Absences**

The District estimates that the compensated absences amount to be considered as the current portion due within one year to be \$1,803,794.

**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.

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](http://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 9.535% 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 year ended June 30, 2012 was 9.385%.

The District's contributions to the Plan for the years ending June 30, 2012, 2011, and 2010 were \$12,716,391, \$12,100,432, and \$12,200,278, 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 4.3% of payroll covered by the S.C. Retirement System to fund retiree health insurance. The District paid \$5,734,712 on covered payroll for the year ended June 30, 2012. 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

**LEXINGTON COUNTY SCHOOL DISTRICT ONE**  
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**Risk Management (Continued)**

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 from coverage in the prior year. The amounts of any District settlement have not 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. Fund Balance Classifications**

The following shows the amounts classified for specific fund balance classifications other than unassigned fund balance, which is only reportable in the General Fund:

Nonspendable Fund Balance	
General Fund – Prepaid items	\$ 965,521
Permanent Fund – Principal amounts required to remain intact	130,000
Restricted Fund Balance:	
Restricted for Debt Service – District	12,764,253
Restricted for Debt Service –LOSF, Corp.	6,895,847
Restricted for Capital Projects	74,982,861
Restricted for Educational Foundation	451,268
Committed Fund Balance:	
Committed for 7 % Fund Balance Policy	12,371,356
Assigned Fund Balance:	
Assigned for FY2013 Budget Appropriation	6,000,000

**LEXINGTON COUNTY SCHOOL DISTRICT ONE  
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**XV. Commitments**

The District had three (3) major construction projects (River Bluff High School, Meadow Glen Elementary School and the new elementary school for the White Knoll attendance area) in various stages and thirteen (13) renovation projects on going at the end of the fiscal year 2012. The District has entered into various contracts for these projects totaling \$176.7 million of which \$63.4 million had not been expended as of June 30, 2012.

**XVI. Subsequent Events**

The District issued series 2012 General Obligation Bonds for a total of \$10,000,000 on October 31, 2012. The bonds were issued for the purpose of funding the purchase price due under the 2005 and 2006 facilities agreements for Installment Purchase Revenue Bonds in the amount of \$6,602,407. The remaining amount will be used to fund a roof replacement at Gilbert Middle School, replacement of furniture at schools, and as funds allow, miscellaneous capital items in District facilities. The principal amount will be chargeable against the debt limit of the District.

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

[Purchaser]

Re:       \$\_\_\_\_\_ General Obligation Advanced Refunding Bonds, Series 2013A, 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 Advanced Refunding Bonds, Series 2013A, of Lexington County School District No. 1, South Carolina (the "Bonds").

The Bonds are issued pursuant to the provisions of 11-15-410 through 11-15-600, Sections 11-21-10 through 11-21-80, inclusive, and Section 11-27-50, Code of Laws of South Carolina, 1976, as amended (collectively, the "Enabling Act"), and a resolution (the "Bond Resolution") duly adopted by the Board of Trustees of Lexington County School District No. 1 (the "Board"), the governing body of Lexington County School District No. 1, South Carolina (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.

Pursuant to Section 12-2-50 and Section 11-15-550 of the South Carolina Code of Laws, 1976, as amended, the Bonds and the interest thereon are exempt from all State, county, school district, municipal and all other taxes or assessments of the State of South Carolina, except inheritance, estate, transfer or certain franchise taxes. Interest paid on the Bonds is currently subject to the tax imposed on banks by Section 12-11-20, Code of Laws of South Carolina 1976, as amended, which is enforced by the South Carolina Department of Revenue as a franchise tax.

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.

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 March \_\_\_, 2013 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 \_\_\_\_\_, 2013, by Lexington County School District No. 1, South Carolina (the “School District”) in connection with the issuance of the School District’s \$\_\_\_\_\_ General Obligation Advanced Refunding Bonds, Series 2013A (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) \$85,000,000 General Obligation Bonds, Series 2005A; (c) \$18,495,000 General Obligation Advanced Refunding Bonds, Series 2005C; (d) \$39,600,000 Installment Purchase Revenue Bonds (Lexington County School District No. 1, South Carolina Project), Series 2005; (e) \$54,045,000 Installment Purchase Revenue Bonds (Lexington County School District No. 1, South Carolina Project), Series 2006; (f) \$33,000,000 General Obligation Bonds, Series 2007A; (g) \$90,000,000 General Obligation Bonds, Series 2009A (Build America Bonds-Taxable Series); (h) \$10,000,000 General Obligation Bonds, Series 2010 (Qualified School Construction Bonds); (i) \$35,710,000 General Obligation Bonds, Series 2011 (Taxable Qualified School Construction Bonds—Direct Subsidy); and (j) \$110,115,000 General Obligation Bonds, Series 2011C.

The Bonds are being issued pursuant to the Constitution and the laws of the State of South Carolina, including particularly a resolution adopted on February 19, 2013, authorizing the issuance of general obligation bonds (the “Resolution”). The Issuer covenants and agrees as follows:

**Section 1. Purpose of the Disclosure Certificate.** This Disclosure Certificate is being executed and delivered by the School District for the benefit of the holders and Beneficial Owners of the Bonds in order to assist the Participating Underwriters in complying with Securities Exchange Commission Rule 15c2-12(b)(5).

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

“Annual Report” means the annual report provided by the School District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

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

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

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

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

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

“Official Statement” means the Official Statement dated \_\_\_\_\_, 20\_\_, prepared in connection with the Bonds.

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

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

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

“State” means the State of South Carolina.

“State Depository” means any public or private depository or entity designated by the State as a state depository for purposes of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Certificate, there is no State Depository established in South Carolina.

### **Section 3. *Provision of Annual Reports.***

(a) The School District shall, or shall cause the Dissemination Agent to, not later than seven months following the end of each year, commencing with the fiscal year ending June 30, 2014, provide to the 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 School District 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 Certificate; provided, however, that the audited financial statements of the School District may be submitted separately from the balance of the Annual Report, and later than the date required for the filing of the Annual Report if they are not available by that date. If the School District’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(a). The School District shall make a copy of any Annual Report available to any person who requests a copy at a cost not exceeding the reasonable cost of duplication and delivery.

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

(c) In the event that there is a Dissemination Agent, the Dissemination Agent shall:

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

(ii) file a report with the School District 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. *Contents of Annual Reports.*** The Issuer’s Annual Report shall contain the Issuer’s complete audited financial statements, which shall be prepared in conformity with generally accepted accounting principles, and shall, in addition, 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 Listed Events.***

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

- (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;
- (ix) Bankruptcy, insolvency, receivership or similar event of the Issuer; or



(x) 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;

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

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

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

(v) 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

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

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

(d) If the School District 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 School District 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 School District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

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

**Section 8. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Certificate, the School District 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 or 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 School District 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 School District. 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 School District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the School District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the School District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**Section 10. *Default.*** In the event of a failure of the School District 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 School District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the School District to comply with this Disclosure Certificate shall be an action to compel performance.

**Section 11. *Duties, Immunities and Liabilities of the Dissemination Agent.*** The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the School District agrees to 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 School District 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 School District, 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: \_\_\_\_\_, 2013

## 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 Advanced Refunding Bonds, Series 2013A

Date of Issuance: \_\_\_\_\_, 2013

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 \_\_\_\_\_, 2013. 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**  
**\$18,950,000\* General Obligation Advanced Refunding Bonds, Series 2013A**  
**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 \$18,950,000\* General Obligation Advanced Refunding Bonds, Series 2013A (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 true interest cost (TIC) 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>March 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Reoffering</u> <u>Price</u>
2018	\$155,000		
2019	2,985,000		
2020	3,240,000		
2021	3,525,000		
2022	4,120,000		
2023	4,475,000		
2024	450,000		

\*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 March 14, 2013, 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 \$ \_\_\_\_\_  
 True Interest Cost \_\_\_\_\_%

\_\_\_\_\_  
 Company Name

\_\_\_\_\_  
 Address

\_\_\_\_\_  
 Authorized Signature

\_\_\_\_\_  
 Contact Name and Telephone Number

The foregoing proposal accepted this \_\_\_\_ day of March, 2013.

\_\_\_\_\_  
 Chair, Board of Trustees

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