This Preliminary Official Statement and information contained herein are subject to change, completion or amendment without notice. These securities may not be sold nor may offers 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 any 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.

PRELIMINARY OFFICIAL STATEMENT DATED MARCH 18, 2020

NEW ISSUE - BOOK-ENTRY-ONLY

RATINGS:
Moody's: Aa1/Aa1
(See "RATINGS" herein)

Assuming the School District's continued compliance with certain covenants, in the opinion of Bond Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations and court decisions. Interest on the Bonds is not an item of tax preference in computing the federal alternative minimum tax. Under the present laws of the State of South Carolina, the Bonds and the interest thereon will be exempt from all South Carolina income taxation except estate or other transfer taxes and certain franchise taxes. Such opinion is subject to certain limitations and conditions described in the Section of this Official Statement entitled "TAX EXEMPTION AND OTHER TAX MATTERS."

$124,610,000*
GENERAL OBLIGATION BONDS, SERIES 2020
SCHOOL DISTRICT OF BEAUFORT COUNTY, SOUTH CAROLINA

Dated: Date of Delivery **Due: March 1, as shown on the inside cover**

The $124,610,000* General Obligation Bonds, Series 2020 (the "Bonds") will be general obligation bonds of the School District of Beaufort County, South Carolina (the "School District"), and as such the full faith, credit, resources and taxing power of the School District will be irrevocably pledged for the payment thereof. Interest on the Bonds will be payable semiannually on March 1 and September 1 of each year, until the Bonds mature, commencing March 1, 2021. The principal of the Bonds will be payable at the corporate trust office of Regions Bank (the "Paying Agent") in Atlanta, Georgia. Payment of interest accruing on the Bonds will be made by check or draft mailed by the Paying Agent to the registered owner thereof. The Bonds will be issued in fully-registered form, in denominations of $5,000 or any integral multiple thereof, in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Bonds under a book-entry-only system, as described herein. So long as the Bonds are held in book-entry-only form, beneficial owners of the Bonds will not receive physical delivery of the Bonds. The Bonds will be dated their date of delivery, and will mature serially in successive annual installments on March 1 in each of the years and in the principal amounts as shown on the inside cover hereof The Bonds will be subject to redemption prior to their stated maturities.

The Bonds are offered when, as and if issued and subject to the approving opinion as to legality of Burr & Forman LLP (Burr Forman McNair), Columbia, South Carolina. Hilltop Securities, Charlotte, North Carolina, is acting as financial advisor to the School District with respect to the Bonds. It is expected that the Bonds in definitive form will be available for delivery on or about April 15, 2020.

This cover page contains certain information for quick reference only. It is **not** a summary of this issue. Investors must read the entire preliminary official statement to obtain information essential to the making of an informed decision. The School District deems this Preliminary Official Statement to be final as of its date for purposes of Rule 15c2-12 promulgated by the Securities and Exchange Commission, except information which may be omitted herefrom pursuant to such rule.

Dated: _________ __, 2020

*Preliminary, subject to adjustment

MATURITY SCHEDULE

(March 1) Year	Principal Amount*	Interest Rate	Yield	CUSIP No.
2021	$15,000,000			
2022	5,000,000			
2023	6,000,000			
2024	2,000,000			
2026	3,000,000			
2027	3,000,000			
2028	3,000,000			
2029	6,000,000			
2030	6,610,000			
2031	7,500,000			
2032	7,500,000			
2033	7,500,000			
2034	7,500,000			
2035	7,500,000			
2036	7,500,000			
2037	7,500,000			
2038	7,500,000			
2039	7,500,000			
2040	7,500,000			

*Preliminary, subject to adjustment

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds identified on the inside front cover hereof. No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the School District. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, this document as the same may be supplemented or corrected by the School District from time to time, may be treated as an "official statement" with respect to the Bonds that is deemed final as of the date hereof (or of any such supplement or correction) by the School District.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The School District agrees that, no more than seven business days after the date of execution of a purchase contract with the Underwriter and, in any event, in sufficient time to accompany confirmations requesting payment from customers, it shall provide without cost to the Underwriter copies of this Official Statement in an amount sufficient to permit the Underwriter to comply with Reg. §240.15c2-12(b)(4) promulgated by the Securities and Exchange Commission and with the rules of the Municipal Securities Rulemaking Board.

Upon execution and delivery, the Bonds will not be registered under the Securities Act of 1933 as amended or any state securities law, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency will have passed upon the accuracy or adequacy of this Official Statement or approved the Bonds for sale. Any representation to the contrary shall be a criminal offense.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT OR ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET, AND SUCH STABILIZING MAY BE DISCONTINUED AT ANY TIME.

Certain information contained in this Official Statement may have been obtained from sources other than records of the School District and, while believed to be reliable, is not guaranteed as to completeness or accuracy. This Official Statement is not to be construed as a contract or agreement between the School District and the underwriter and the purchasers or owners of any of the Bonds. 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 since the date hereof.

References herein to laws, rules, regulations, resolutions, agreements, reports, and other documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. Where full texts have not been included as appendices to this Official Statement, they will be furnished on request.

BOARD OF EDUCATION
OF THE SCHOOL DISTRICT
OF BEAUFORT COUNTY, SOUTH CAROLINA

Christina Gwozdz, Chair
Kathy Robine, Vice-Chair
William Smith, Secretary
Earl W. Campbell
Melvin Campbell
John R. Dowling
Tricia Fidrych
Richard Geier
JoAnn Orischak
David Striebinger
Rachel Wisnefski

Frank Rodriguez, Superintendent

Tonya Crosby, Chief Financial Officer

BOND COUNSEL

Burr Forman McNair
Columbia, South Carolina

FINANCIAL ADVISOR

Hilltop Securities
Charlotte, North Carolina

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INTRODUCTION

This Official Statement is provided for the purpose of furnishing certain information in connection with the public invitation for bids for the purchase of $124,610,000* General Obligation Bonds, Series 2020 (the "Bonds"), of the School District of Beaufort County, South Carolina (the "School District"). This Official Statement has been prepared under the supervision of Dr. Frank Rodriguez, Superintendent and Tonya Crosby, Chief Financial Officer. The information furnished herein includes a description of the Bonds, the School District and its indebtedness, tax information, economic data, financial information and other matters. Also included are certain information and data pertaining to Beaufort County, South Carolina (the "County"), and the State of South Carolina (the "State" or "South Carolina").

THE BONDS

Description

The Bonds will be general obligation bonds of the School District; will be issuable in fully registered form in denominations of $5,000 each or any integral multiple thereof and, when issued, will be registered to Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"); will be dated the date of their delivery; will bear interest payable on March 1, 2020, and semiannually on March 1 and September 1 of each year thereafter; and will mature serially in successive annual installments on March 1 in each of the years and in the principal amounts set forth on the inside cover hereof.

Redemption Provisions

The Bonds maturing prior to March 1, 2031 shall not be subject to redemption prior to their stated maturities. The Bonds maturing on and after March 1, 2031 shall be subject to redemption at the option of the School District on or after March 1, 2030, as a whole or in part at any time, in such order of redemption as the School District may determine, at par, plus accrued interest to the date fixed for redemption.

Notice of Redemption

If less than all the Bonds of any maturity are called for redemption, the Bonds of such maturity to be redeemed shall be selected by lot by the Registrar. In the event the Bonds shall be called for redemption, notice of the redemption, describing the Bonds to be redeemed, specifying the redemption date and the redemption price payable on such redemption, shall be mailed by first-class mail, postage prepaid, to the registered owner thereof not less than thirty (30) days and not more than sixty (60) days prior to the redemption date. If the Bonds to be redeemed shall have been duly called for redemption and notice of the redemption thereof mailed as aforesaid, and if on or before the date fixed for redemption, payment thereof shall be duly made or provided for, interest on the Bonds to be redeemed shall cease to accrue from and after the redemption date specified in such notice.

Book-Entry-Only System

Beneficial ownership interests in the Bonds will be available only in book-entry form. Beneficial owners of the Bonds ("Beneficial Owners") will not receive physical Bonds certificates representing their interests in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, references in this Official Statement to the Holders of the Bonds shall mean DTC or its nominee and shall not mean the Beneficial Owners. Unless and until the book-entry only system has been discontinued, the Bonds will be available only in book-entry form in principal amounts of $5,000 or any integral multiple thereof.

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

Depository Trust Company. DTC 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 the Bonds, and will be deposited with DTC.

DTC Participants and Indirect Participants. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. 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 certificated Bonds. 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 (the "Indirect Participants," and together with Direct Participants, "DTC Participants"). DTC has Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Beneficial Owners. 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 Beneficial Owner is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchases. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect 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 Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that the use of the book-entry only system for the Bonds is discontinued.

Transfers and Exchanges. 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 Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants; by Direct Participants to Indirect Participants; and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Resolution. 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 and request that copies of notices be provided directly to them.

Notices; Redemption. 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 the Bonds to be redeemed.

Consents and Voting. 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 MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Registrar, 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 and Interest Payments. Payment of principal, redemption premium, if any, and interest 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 and Paying Agent, on the 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, the Registrar and 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 payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the School District or the Paying Agent, and disbursement of such payments to the Direct Participants will be the responsibility of DTC, and disbursements of such payments to Beneficial Owners will be the responsibility of the Direct and Indirect Participants. THE SCHOOL DISTRICT CAN GIVE NO

ASSURANCE THAT DIRECT AND INDIRECT PARTICIPANTS WILL PROMPTLY TRANSFER PAYMENTS TO BENEFICIAL OWNERS.

DTC may discontinue providing its service as depository for the Bonds at any time by giving reasonable notice to the Registrar or the School District. Under such circumstances, in the event that a successor depository is not obtained, Bonds 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, Bonds 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 the School District believes to be reliable, but the School District takes no responsibility for the accuracy thereof.

SO LONG AS CEDE & CO., AS NOMINEE FOR DTC, IS THE SOLE HOLDER OF THE BONDS, THE SCHOOL DISTRICT SHALL TREAT CEDE & CO. AS THE ONLY HOLDER OF THE BONDS FOR ALL PURPOSES, INCLUDING RECEIPT OF ALL PRINCIPAL AND PREMIUM OF AND INTEREST ON THE BONDS, RECEIPT OF NOTICES, VOTING AND REQUESTING OR DIRECTING THE SCHOOL DISTRICT. THE SCHOOL DISTRICT, THE REGISTRAR AND THE PAYING AGENT HAVE NO RESPONSIBILITY OR OBLIGATION TO THE PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT, OR THE MAINTENANCE OF ANY RECORDS; (2) THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE BONDS, OR THE SENDING OF ANY TRANSACTION STATEMENTS; (3) THE DELIVERY OR TIMELINESS OF DELIVERY BY DTC OR ANY PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE RESOLUTION TO BE GIVEN TO BENEFICIAL OWNERS; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENTS UPON ANY PARTIAL REDEMPTION OF THE BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE BONDS, INCLUDING ANY ACTION TAKEN PURSUANT TO AN OMNIBUS PROXY.

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 cancelled 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 shall be payable to the Registered Owners on each interest payment date and principal of the Bonds at maturity upon presentation and surrender thereof to the Paying Agent at its corporate trust office. The Bonds would be transferable on the registration books of the School District maintained by the Registrar by the registered owner in person or by his duly authorized attorney upon surrender of the Bond to be transferred together with a written instrument of transfer duly executed by the registered owner or his duly authorized attorney. The Registrar will, upon receipt thereof, authenticate and deliver a new Bond or Bonds in like principal amounts as the Bond so presented. The School District and the Paying Agent will deem and treat the person in whose name each Bond is registered as the absolute owner thereof for all purposes.

Authorization

The Bonds will be issued pursuant to and in accordance with the Constitution of the State of South Carolina, 1895, as amended (the "Constitution") and laws of the State, including Article X, Section 15 of the Constitution; Title 59, Chapter 71, Article 1, Code of Laws of South Carolina, 1976, as amended (the "South Carolina Code"); Title 11, Chapter 27 of the South Carolina Code; and a Resolution duly adopted by the Beaufort County Board of Education (the "Resolution").

Purpose

On June 18, 2019, the School District adopted a resolution ordering a referendum (the "Referendum") be held in the School District on November 5, 2019, to submit the following questions to the qualified voters:

<u>Question 1</u>

Shall the Board of Education of the School District of Beaufort County, South Carolina (the "School District") be empowered to issue, at one time or from time to time, general obligation bonds of the School District, in a principal amount of not exceeding $290,555,000, the proceeds of which shall be used for the following purposes:

- Acquiring, installing and constructing safety and security improvements district wide;
- Constructing and equipping a replacement school for Robert Smalls International Academy; demolishing existing facility;
- Constructing and equipping additions at May River High School and River Ridge Academy;
- Constructing and equipping renovations at Beaufort Elementary School;
- Constructing and equipping renovations and additions at Battery Creek High School and Hilton Head Island Middle School including demolition where necessary; and
- Acquiring, installing and constructing technology infrastructure and related equipment district wide?

<u>Question 2</u>

If and only if Question 1 above is approved, shall the Board of Education of the School District of Beaufort County, South Carolina (the "School District") be empowered to issue, at one time or from time to time, general obligation bonds of the School District, in a principal amount of not exceeding $54,055,000, the proceeds of which shall be used for the following purposes:

- Constructing, renovating, expanding and equipping space for Career and Technology Education programs at Battery Creek High School and May River High School;
- Designing renovations for Hilton Head High School;

- Constructing and equipping athletic improvements at Beaufort Middle School, Whale Branch Middle School, River Ridge Academy, Bluffton Middle School and H. E. McCracken Middle School;

- Constructing and equipping athletic improvements at high schools district wide; and

- Constructing, equipping and improving playgrounds at early childhood centers, elementary schools, and PreK-8 schools district wide?

A majority of those voting in the Referendum voted in favor of the aforesaid questions.

A resolution adopted by the Board on March 3, 2020 (the "Resolution"), authorizing the issuance and sale of the Bonds provides that the proceeds of the Bonds will be used for the purposes of: (i) funding Referendum-approved projects; (ii) paying costs of issuance of the Bonds; and (iii) such other lawful corporate and public purposes as the Board shall determine.

Security

For the payment of principal of and interest on the Bonds as they respectively mature and to create such sinking fund as may be necessary therefor, the full faith, credit, resources, and taxing power of the School District will be irrevocably pledged, and there will be levied annually by the Auditor of the County and collected by the Treasurer of the 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 therefor.

In addition, Article X, Section 15, Paragraph 4 of the Constitution, provides in part:

> If at any time any school district shall fail to effect the punctual payment of the principal and interest of its general obligation debt, the State Treasurer shall withhold from such school district sufficient moneys from any state appropriation to which such school district may be entitled and apply so much as shall be necessary to the payment of the principal and interest on the indebtedness of the school district then due.

The following table shows the amount of such State appropriations subject to being withheld under the foregoing provisions of Article X received by the School District for the last five fiscal years, as well as a projection for the current fiscal year:

Fiscal Year Ended June 30	Amount
2015	$ 84,711,486
2016	84,024,473
2017	98,462,464
2018	98,459,180
2019	107,474,291
2020[1]	112,962,126

[1] Projected.

The Constitutional intercept provisions are enhanced by Section 59-71-155 of the South Carolina Code, which applies to all school district general obligation bonds outstanding. Under the statutory enhancement, 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 (defined herein) for that fiscal year. The amount appropriated in the Education Finance Act for the fiscal year beginning July 1, 2019, is $1,837,608,440. 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.

Defeasance

The obligations of the School District under the Resolution and the pledges, covenants and agreements of the School District therein made or provided for, shall be fully discharged and satisfied as to any portion of the Bonds, and such Bond or Bonds shall no longer be deemed to be outstanding when:

(a) such Bond or Bonds shall have been purchased by the School District and surrendered to the School District for cancellation or otherwise surrendered to the School District or the Paying Agent and is canceled or subject to cancellation by the School District or the Paying Agent; or

(b) payment of the principal of and interest on such Bonds either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for by irrevocably depositing with the Paying Agent in trust and irrevocably set aside exclusively for such payment (1) moneys sufficient to make such payment, or (2) Government Obligations (as defined below) maturing as to principal and interest in such amounts and at such times as will ensure the availability of sufficient moneys to make such payment and all necessary and proper fees, compensation and expenses of the Paying Agent. At such time as the Bonds shall no longer be deemed to be outstanding thereunder, such Bonds shall cease to draw interest from the due date thereof and, except for the purposes of any such payment from such moneys or Government obligations as set forth in (ii) above, shall no longer be secured by or entitled to the benefits of the Resolution.

"Government Obligations" means any of the following:

(i) direct obligations of the United States of America or agencies thereof or obligations, the payment of principal or interest on which, in the opinion of the Attorney General of the United States, is fully and unconditionally guaranteed by the United States of America; and

(ii) non-callable, U. S. Treasury Securities - State and Local Government Series ("SLGS").

(c) such Bond or Bonds shall be defeased as provided in Section 11-14-110 of the South Carolina Code, as such may be amended from time to time.

THE SCHOOL DISTRICT

General Description

The School District is coterminous with the County and is located in the southern coastal area of the State known as the "Lowcountry." The County, with a land area of 587 square miles, is bordered on the south by the Atlantic Ocean, the west by Jasper County, the north by Hampton County and the east by Colleton County and has a 2010 Census population of 162,233. The County stretches nearly 30 miles along the Atlantic Ocean and includes 64 major islands and hundreds of smaller islands. The topography of the region is relatively flat and characterized by rivers, inlets and marshes. Located within the County is the Town of Hilton Head Island with a permanent population of 37,099 people according to the 2010 Census. Town officials estimate that 1.65 million people visit Hilton Head Island annually.

The School District was established in 1968 when the two existing school districts in the County merged to form the School District. The School District currently operates 21 elementary schools, two Pre-K-8 schools, one K-8 school, six middle schools, seven high schools, one alternative school and one adult education center. As of the 2018-19 accreditation report, each of the schools within the School District (with the exception of Battery Creek High) were on "Accredited/All Clear" or "Monitored/All Clear" status with the South Carolina Department of Education. "Accredited/All Clear" indicates that a district or school is in compliance with the standards for a defined program and with all current statutes and regulations as prescribed by the South Carolina Board of Education and General Assembly of the State of South Carolina (the "General Assembly"). School and district that have gone through the desk audit process have the designation "Monitored." As of the 2018-19 accreditation report, Battery Creek High, the School District and the Board were on "Monitored/Advised" status with the South Carolina Department of Education. An "Advised" designation indicates that a district or school is not in compliance with the standards for a defined program and with all current statutes and regulations as prescribed by the South Carolina Board of Education and the General Assembly, but the deficiencies may be easily corrected and/or substantial progress can be made in removing existing deficiencies. Battery Creek High was on "Monitored/Advised" status as a result of a staff member not holding a South Carolina teaching certificate and the School District and the Board were on "Monitored/Advised" status as a result having one or more school on "advised" or lower status. The School District operates under a Title VI, 403(b) desegregation agreement with the United States Department of Education's Office for Civil Rights."

Section 59-20-90 of the South Carolina Code authorizes and directs the South Carolina Department of Education to work with superintendents and finance officers to develop and adopt a statewide program with guidelines for: (1) identifying fiscal practices and budgetary conditions that, if uncorrected, could compromise the fiscal integrity of a school district; and (2) advising a district identified in item (1) to take appropriate corrective actions. The program must include a series of criteria that the department shall use to establish three escalating levels of fiscal and budgetary concern, which must be "fiscal watch," "fiscal caution" and "fiscal emergency." Prior to the designation of a School District into any of the three levels of concern identified above, the South Carolina Superintendent shall notify or consult with the School District regarding such designation.

As of the date hereof, the School District has not received a designation of "fiscal watch," "fiscal caution" or "fiscal emergency" from the South Carolina Department of Education and has not received any notification, consultation or correspondence from the South Carolina Department of Education regarding such designations.

As of the date hereof, the School District has not received a designation of "fiscal watch," "fiscal caution" or "fiscal emergency" from the South Carolina Department of Education and has not received any notification, consultation or correspondence from the South Carolina Department of Education regarding such designations.

Board of Education

The School District is governed by the Board, which consists of eleven members elected from single member districts. The present members of the Board, the occupation of each member, and the number of years of consecutive service each member has served on the Board are as follows:

Name	Occupation	Years on Board
Christina Gwozdz, Chair	Self-Employed/ENT Physician	3
Cathy Robine, Vice-Chair	Retired Educator	*
William Smith, Secretary	Self-Employed	*
Earl W. Campbell	Retired Military	30
Melvin Campbell	Retired Educator	*
John R. Dowling	Retired	1
Tricia Fidrych	Retired Educator	*
Richard Geier	Retired Military	*
JoAnn Orischak	Homemaker	7
David Striebinger	Retired Financial Manager	4
Rachel Wisnefski	Vice President of Sales & Marketing	*

*less than one year

Frank Rodriguez began his service as Superintendent of the School District on July 1, 2019. During the past 25 years, Dr. Rodriguez served the South Florida education community in a variety of capacities: as a secondary Social Studies teacher; as a program coordinator for the Florida Department of Education; and in the Palm Beach County schools as an elementary and secondary principal, Area Director of Transformation Schools, Assistant Superintendent over six district departments, Area Superintendent and as a Regional Superintendent. He earned his Bachelor of Science degree in Social Science Education from Florida State University (1993), his Master's Degree in Curriculum and Instruction from Florida Atlantic University (2000), and his Doctorate in Educational Leadership from Florida Atlantic University (2009).

Tonya Crosby serves as the School District's Chief Financial Officer and has been in that position (or equivalent thereto) since March 21, 2017. A 1994 graduate of Clemson University, she is both a Certified Public Accountant and a Certified Government Finance Officer. Mrs. Crosby has been employed by the School District for 16 years, most recently serving as its Finance Services Officer. Her responsibilities in that role have included preparing the School District's annual budget, compiling its annual financial statements, supervising the School District's general accounting functions and training district and school-level staff in budget preparation and financial compliance.

School District Employees

The following sets forth the total estimated professional public school staff for the 2019-2020 Fiscal Year in full-time equivalencies:

Administrative	
Superintendents and Chief Officers	6
Supervisors, Directors, Officers	23
Principals and Assistant Principals	88
Instructional	
Teachers	1,676
Librarians	31
Guidance Counselors	61
Total Professional Staff	1,768

None of the School District employees belong to a union or other collective bargaining group. The School District enjoys a good relationship with its employees and there are no current or pending work stoppages.

Education Finance Act of 1977

In 1977 the General Assembly enacted the Education Finance Act of 1977 ("Education Finance Act") which established a procedure for the distribution of State education funds in order to guarantee to each student in the public schools the availability of at least minimum education programs and services appropriate to the student's needs. The Education Finance Act was enacted in order to implement a basic education program, known as the Foundation Program. The Education Finance Act established a procedure for the distribution of a specified portion of State education funds and is determined by two factors: the School District's "Index of Taxpaying Ability" and the number of students, based on a weighted formula. A defined minimum program is established annually by the South Carolina Board of Education wherein the State funds an average of 70% of the costs. If a local school district's Index of Taxpaying Ability indicates a greater or lesser ability to provide local funds, the State funds will be either reduced or increased accordingly. The remainder is funded locally.

The following table sets forth the amounts the School District has received under the Education Finance Act for the past five fiscal years, as well as the projected receipts for the current fiscal year.

Fiscal Year Ended June 30	Amount
2015	$ 7,611,829
2016	7,214,836
2017	13,674,235
2018	11,633,997
2019	15,738,868
2020(1)	17,062,545

(1 Projected.

Education Finance Act Litigation. On November 1, 1993, 29 small South Carolina school districts (not including the School District), brought an action against the State and various state officials in an action styled Abbeville County School District, et al. v. The State of South Carolina, et al. The complaint in this action alleged that the current method of funding school district operations in the State discriminates against the plaintiff school districts. The plaintiffs further alleged that they were entitled to various forms of relief, including a declaration that the Education Finance Act is unconstitutional in that it discriminates against smaller school districts, and a court order requiring the State 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, and plaintiffs appealed. On April 22, 1999, the Supreme Court of South Carolina issued its opinion in the matter. Abbeville County Sch. Dist. v. South Carolina, 515 S.E.2d 535 (S.C. 1999). 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 the State; however, the Court held that the State 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, and speak English and to know math, science, history and vocational skills. The Court remanded the case to the lower court system in the State for determination of whether this standard is met. This case was heard in South Carolina Circuit Court before Judge Thomas W. Cooper, Jr.

Judge Cooper issued an Order in the case on December 29, 2005 (the "Order"). The Order reflects the Circuit Court's holding that (i) the facilities in the plaintiff school districts were sufficient to provide a minimally adequate education, (ii) the South Carolina Curriculum Standards were likewise sufficient to meet the definition of minimally adequate, and (iii) the South Carolina system of teacher licensure is sufficient to ensure at least minimally competent teachers to provide instruction consistent with curriculum standards. The Circuit Court also held, however, that students in the plaintiff school districts were denied a minimally adequate education because of a lack of effective and adequately funded early childhood intervention programs designed to address the impact of poverty on the students' educational abilities and achievements.

On September 6, 2007, both parties filed appeals with the South Carolina Supreme Court. Oral arguments were held before the South Carolina Supreme Court on June 25, 2008. The South Carolina Supreme Court held oral re-arguments on September 18, 2012.

On November 12, 2014, the South Carolina Supreme Court held the State has failed in its duty to provide a "minimally adequate education" to children in the plaintiffs' school districts and that "[i]t is time for the [d]efendants to take a broader look at the principal causes for the unfortunate performance of students in the [plaintiffs' school districts], beyond mere funding." The South Carolina Supreme Court instructed both parties to reappear before the South Carolina Supreme Court within a reasonable time from the issuance of its opinion to present a plan to address the constitutional violation with special emphasis on the statutory and administrative pieces necessary to aid the myriad troubles facing the districts at both state and local levels.

On November 20, 2017, the South Carolina Supreme Court vacated its continuing jurisdiction over the matter and dismissed the case stating: "[t]o continue to exercise jurisdiction over the Legislative and Executive Branches under these circumstances would be a gross overreach of judicial power and violate separation of powers."

Education Improvement Act of 1984

At its 1984 Session, the General Assembly enacted the Education Improvement Act of 1984 ("EIA"), which provides for a program of strategies to improve public education in the State. Funding for the EIA is derived from a one cent increase in the sales tax (from $.04 to $.05 on the dollar).

The following table shows the total amount of EIA funds received by the School District during the last five fiscal years, as well as a projection for the current fiscal year:

Fiscal Year Ended June 30	Amount
2015	$11,454,749
2016	11,159,353
2017	13,287,438
2018	12,956,755
2019	16,604,018
2020[1]	14,236,531

[1] Projected.

The Education Accountability Act of 1998

The Education Accountability Act of 1998 (the "Accountability Act"), passed by the General Assembly and signed into law in 1998, established a "performance based accountability system" focused on improving teaching and learning. The Accountability Act also established annual report cards for each school and school district. The report cards were designed to provide parents and the public clear and specific information about school and district performance. Schools received an "absolute" rating and a growth rating. The ratings included (a) Excellent, (b) Good, (c) Average, (d) Below Average, and (e) At-Risk. According to the South Carolina Department of Education, the School District's overall rating for 2014 was Good (with a growth rating of Below Average). Within the School District, eleven schools were rated Excellent, eleven schools were rated Good, six schools were rated Average and two schools were rated Below Average. This ratings system was paused at the end of the 2014-2015 school year.

Proposed Education Reform Legislation

In recent years, education reform has been considered and debated within the General Assembly. On March 5, 2020, the South Carolina Senate (the "SC Senate") approved legislation aimed at overhauling education in South Carolina. Senate Bill 419, also known as the South Carolina Career Opportunity and Access for All Act, includes some policy commitments aimed at helping teachers. Among them are a guaranteed 30-minute duty-free lunch period for elementary teachers, compensation for work above and beyond the work days outlined in their teacher contracts and an increase, by double, of the reimbursement amount teachers receive for classroom supplies they purchase themselves. Legislators also praised the bill's expansion of a free 4-year-old kindergarten for low-income students and the elimination of three state-mandated tests. The bill will now go to a South Carolina House of Representatives (the "SC House") committee for review. Upset after the passage of the SC Senate bill they say did not go far enough to address their concerns, the grassroots teacher group SC for Ed has called for a march to be held on March 24, 2020 as a follow-up demonstration to a 10,000-person march held by their organization on May 1, 2019. The State budget, heading for debate on the floor of the SC House, also includes pay raises for teachers and an increase in the amount of money the State sends school districts based on the number and types of students enrolled, commonly referred to as the base student cost. While waiting on the SC Senate, the SC House has also passed three separate pieces of legislation, including a provision that would eliminate certain student standardized tests. In 2019, a bill involving teacher pay was passed out of the SC House and is still awaiting consideration by a SC Senate committee. The School District cannot predict the likelihood or timing of the enactment of any education reform legislation nor can the School District predict the ultimate impact any education reform legislation may have on public education or the funding thereof in the State.

Adjustments to State Funds

Appropriations made by the State are monitored against income throughout the fiscal year by the Executive Budget Office and the Revenue and Fiscal Affairs Office. If State revenues are below budget estimates, the Director of the Executive Budget Office has the authority to reduce appropriations during the fiscal year by amounts sufficient to maintain a balanced budget for the State.

All school districts may transfer State-allocated funds, such as EIA funds, between instructional programs with the same funding source provided that the expense is allowable under the guidelines set forth in the South Carolina Department of Education Funding Manual. Unless specifically prohibited by the South Carolina Department of Education, school districts also may carry forward unexpended State-allocated funds from the prior fiscal year into the current fiscal year, provided that they are used for the same purpose.

Retirement Plan

The School District contributes to the South Carolina Retirement System (the "SCRS"). The School District's actual retirement and incidental death program contributions to the System for the years ended June 30, 2017, 2018 and 2019 were:

Year Ended June 30	Retirement	Incidental Death
2017	$12,567,542	$165,217
2018	14,953,679	167,267
2019	16,104,498	167,639

The above amounts are equal to the required contributions. Per the provisions of Act 278 (defined below), employer contributions for the 2019-2020 fiscal year are set at 15.41% of the total member's annual contribution, plus 0.15% for group life insurance, and 6.05% for retiree health insurance, for a total of 21.61%.

Act No. 278 of 2012 amended prior laws regarding the SCRS in several material aspects. For example, employer and employee contributions, excluding group and health insurance components, increased as follows:

Fiscal Year	Employer Contribution	Employee Contribution
2013	10.60%	7.00%
2014	10.60	7.50
2015	10.90	8.00
2016	11.06	8.16
2017	11.56	8.66

Act No. 13 of 2017 which was signed by the Governor on April 25, 2017, and which was effective July 1, 2017, addressed funding of the SCRS. Significant features of this law include:

- Increased the employer contribution rate by 2% to 13.56% beginning July 1, 2017. Employer rates will continue to increase annually by 1% through July 1, 2022, which would result in the employer rate totaling 18.56% for Fiscal Year 2022-23 and thereafter.

- Increased and capped the employee contribution rate to 9% as of July 1, 2017.

- After June 30, 2027, authorizes the decrease in employer and employee contribution rates in equal amounts if the ratio between the actuarial value of SCRS assets and the actuarial value of SCRS liabilities is equal to or greater than 85%.

- Effective July 1, 2017, lowered the assumed annual rate of return from 7.5% to 7.25% and provides for a reset of the assumed rate of return every four years.

- Reduced the funding period (or amortization period) of unfunded liabilities, beginning in Fiscal Years 2017-18, from 30 years to 20 years for Fiscal Year 2027-28 and thereafter.

Based on the School District's best estimates at this time, the increase in retirement expenses for the 2019-20 Fiscal Year will be approximately $2,749,519.

Insurance

The State Supreme Court, in the case of McCall v. Batson on April 18, 1985, abolished the doctrine of sovereign immunity in the State of South Carolina. In response to this decision the General Assembly in its 1986 session enacted the South Carolina Torts Claim Act which reestablished a qualified doctrine of sovereign immunity with respect to local government in South Carolina. Subject to specific immunity set forth in the South Carolina Tort Claims Act, local governments including the School District are liable for damages not to exceed $300,000 per incident/person and $600,000 per occurrence/aggregate. No punitive or exemplary damages are permitted under the Act. Insurance protection to local government is provided from either the Insurance Reserve Fund established by the State Fiscal Accountability Authority, private carriers, self insurance or pooled self insurance fund. The School District currently maintains liability insurance coverage with the S.C. School Board Insurance Trust. The School District believes that it maintains sufficient liability coverage to provide protection against any loss arising under the Tort Claims Act.

Public School Enrollment in the School District

Public school enrollment in the School District based on a 135-day average daily membership for the last five school years and based on a 45-day average daily membership for the current school year is shown in the following table:

School Year	Kindergarten	Elementary Grades 1-8	High School Grades 9-12	Total[1]
2014-15	1,641	13,033	5,780	20,454
2015-16	1,611	13,078	6,055	20,745
2016-17	1,564	13,182	6,170	20,916
2017-18	1,585	13,300	6,260	21,145
2018-19	1,585	13,374	6,328	21,287
2019-20	1,568	13,458	6,473	21,498

[1] Totals do not include public school enrollment in pre-kindergarten class. Totals may not add due to rounding.
Source: South Carolina Department of Education.

DEBT STRUCTURE

Legal Debt Limit

Article X, Section 15 of the Constitution empowers each school district of the State to incur general obligation debt in such manner and upon such terms and conditions as the General Assembly shall prescribe by law. After November 30, 1982, each school district may incur general obligation debt, without an election and upon such terms and conditions as the General Assembly may prescribe, in an amount not exceeding 8% of the assessed value of all taxable property of such school district. Bonded indebtedness existing on November 30, 1982, and bonded indebtedness authorized by a majority vote of the qualified electors of the School District voting in a referendum will not be considered in the computation of the 8% limitation.

The School District's debt limitation is computed below:

Total assessed value as of June 30, 2019	$1,969,376,842
	x8%
Constitutional debt limit – 8% of total assessed value	$ 157,550,147
Amount of debt applicable to the debt limit	86,235,621
Legal debt margin	$ 71,314,526

Description of General Obligation Indebtedness by Issue

The following table gives specific information concerning the School District's general obligation debt outstanding as of the date hereof.

Date of Issue	Interest Rates	Maturity Dates	Amount Outstanding
12/01/2009[1]	1.05%	03/15/2026	$ 10,000,000
03/31/2011	5.08%	03/01/2021	1,503,303
12/22/2011	4.19%	03/01/2021	2,572,318
04/24/2012[2]	3.00%-5.00%	03/01/21-24	6,825,000
11/14/2013[1]	2.35%	03/01/21-28	16,713,000
04/23/2014[1]	4.00%-5.00%	03/01/21-34	20,230,000
02/19/2015[3]	5.00%	03/01/21-25	50,200,000
03/31/2015[1]	3.00%-5.00%	03/01/21-32	57,655,000
12/03/2015	0.85%	03/15/2025	6,775,000
02/02/2016[1]	5.00%	03/01/21-24	23,290,000
07/13/2017	5.00%	03/01/21	5,270,000
08/30/2018	5.00%	03/01/21-22	8,165,000
08/29/2019	3.00%-5.00%	03/01/21-23	7,910,000
Totals			$217,108,621

[1] Referendum Debt
[2] $3,840,000 counts against 8% debt limit
[3] $50,200,000 counts against 8% debt limit

Outstanding Indebtedness

The following table shows general obligation indebtedness of the School District as of the end of each of the last five fiscal years.

Year Ended June 30	General Obligation Indebtedness
2015	$325,600,621
2016	298,709,621
2017	279,030,621
2018	265,939,621
2019	250,983,621

Composite Debt Service

The following table sets forth the debt service requirements for the School District's outstanding bonds and the Bonds.

Calendar Year Ending December 31	Principal and Interest on Outstanding Bonds	Projected Principal and Interest on Proposed Bonds	Total Projected Debt Service
2020	$ 63,638,421		
2021	46,049,085		
2022	40,528,523		
2023	36,297,345		
2024	32,117,843		
2025	21,229,285		
2026	14,427,529		
2027	14,418,866		
2028	14,425,330		
2029	7,928,300		
2030	7,926,075		
2031	7,924,612		
2032	7,928,463		
2033	1,889,800		
2034	1,892,100		
Totals	$318,621,577		

On September 8, 2016, the SCAGO Educational Facilities Corporation for Beaufort School District (the "Corporation") issued its $29,050,000 Installment Purchase Refunding Revenue Bonds (the "Installment Bonds") for the primary purpose of refunding the Installment Purchase Refunding Revenue Bonds (School District of Beaufort County Project) Series 2006, issued by the Corporation in the principal amount of $39,050,000. In order to obtain the funds necessary to make the installment payments, the School District intends to issue on an annual basis general obligation bonds, the par amount of which will count against its 8% constitutional debt limit. The payments remaining on the Installment Bonds is as follows:

Fiscal Year Ending June 30	Installment Payments
2020	$ 2,726,657.00
2021	2,720,234.25
2022	2,718,326.50
2023	2,716,283.00
2024	2,714,550.75
2025	2,713,502.50
2026	2,708,280.50
2027	2,709,096.75
2028	2,706,065.50
2029	2,704,289.00
Total	27,137,285.75

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Overlapping Debt

The following table sets the total amount of general obligation indebtedness of each political subdivision overlapping the School District outstanding as of June 30, 2019.

Political Subdivision	Debt Outstanding
Beaufort County	$212,830,177
Incorporated Municipalities:	
City of Beaufort	15,104,000
Town of Bluffton	4,405,000
Town of Hilton Head Island	83,515,000
Town of Port Royal	None
Special Purpose Districts	
Broad Creek PSD	2,625,000
Fripp Island PSD	11,222,725
Hilton Head No. 1 PSD	6,823,102
Fire Districts	
Bluffton Fire District	12,355,000
Burton Fire District	55,334
Lady's Island /St. Helena Island Fire	5,145,000
Sheldon Fire District	940,000

Sources: Finance Departments of each Political Subdivision.

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

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, (a) incur general obligation debt authorized by a majority vote of the qualified electors thereof voting in a referendum, without limitation as to amount, and (b) 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 eight percent (8%) of the assessed value of all taxable property therein.

In addition, Article X, Section 14 and Section 12 of the Constitution provides that bonded indebtedness may be incurred by counties on such terms and provisions as the General Assembly may, by general law, prescribe for sewage disposal or treatment, fire protection, street lighting, garbage collection and disposal, water service, or any other service or facility benefiting only a particular geographical section of the county, without an election and without limitation as to amount, provided a special assessment, tax, or service charge, in an amount designed to provide debt service on bonded indebtedness incurred for such purposes, shall be imposed upon the area or persons receiving the benefit therefrom; and general obligation debt so incurred shall not be considered in computing the bonded indebtedness under the 8% debt limitation.

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 for current operating expenses at any time within the last 10 years.

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 (Certain real property owned by or leased to manufacturers for use in "research and development," office buildings and warehousing and wholesale distribution of wearing apparel is excluded from this classification, and would be subject to the six percent assessment ratio for other real property. Certain new industrial facilities may be entitled to pay a "fee-in-lieu-of-taxes" computed on an assessment ratio of not less than 6% (4% for certain projects involving extraordinary capital investment or job creation) of original cost less depreciation. For property tax years beginning after 2017, 14.2857% of the property tax value of manufacturing property assessed for property tax purposes will be exempt from property taxation; provided, however, the total amount of the exemption for all entities in the State for that fiscal year will not exceed $85 million. For any year in which the amount is projected to exceed $85 million, the exemption amount will be proportionally reduced. The full amount of the exemption will be phased in over six years.);

(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, an exemption is available 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);

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

(B) Personal motor vehicles - 6.00%.

The South Carolina Department of Revenue ("DOR") has been charged with the responsibility of taking steps necessary to ensure equalization of assessments statewide in order that all property is assessed uniformly and equitably throughout the State, and may require reassessment of any part or all of the property within a County. Under Section 12-43-217 of the South Carolina Code, once every fifth year the County or the State are required to appraise and equalize those properties under its jurisdiction. Property valuation must be complete at the end of December of the fourth year and the County or State shall notify every taxpayer of any change in value or classification if the change is $1,000 or more. In the fifth year, the County or State shall implement the program and assess all property on the newly appraised values. The County completed a reassessment in Fiscal Year 2018 which was implemented in Fiscal Year 2019. The next reassessment is scheduled for Fiscal Year 2023 to be implemented in Fiscal Year 2024. Regulations adopted by the DOR prior to the 1995 law and which are still in place also 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.

The Comptroller General of the State may extend the time for assessment and collection of taxes by county officials. Unpaid property taxes, both real and personal, constitute a first lien against the property taxed.

The County Assessor appraises and assesses all the real property and mobile homes located within such county and certifies the results to the County Auditor. The County Auditor appraises and assesses all motor vehicles, marine equipment, business personal property and airplanes. The DOR furnishes guides for use by the counties 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 also of business equipment.

Each year the DOR certifies its assessments to county auditors each of whom prepares assessment summaries from the respective certifications, determines the appropriate millage levies, prepares tax bills and then in September charges the applicable county treasurer with the collection. The State has no statewide property tax.

Budget and Tax Collection Procedure

Each year the Board notifies the County Council of the amount of levy upon all taxable property in the School District which is necessary, as a supplement to other funds accruing to the School District, for the proper operation of schools. After approval, the County Council certifies to the County Auditor the amount of levy and such levy is made by the Auditor. The taxes are collected by the Treasurer of the County as other taxes are collected and deposited to the credit of the School District.

In the County, taxes are collected for county and school purposes as a single tax bill, which must be paid in full by the individual taxpayer. Real and personal taxes in the County are payable on or before January 15 of each year without penalty (except taxes on motor vehicles which beginning January 1, 1981, are due and payable on a monthly basis in which the motor vehicle license expires). If taxes are not paid on or before January 15, a penalty of 3% thereon is added. If not paid on or before February 1, an additional penalty of 7% is added thereon. If taxes are not paid on or before March 16, an additional penalty of 5% plus collection costs is added, and the County Treasurer issues a tax execution for such taxes. The County Treasurer is responsible for the collection of delinquent taxes and is empowered to sell so much of the defaulting taxpayer's estate—real, personal or both—as may be sufficient to satisfy the taxes.

State Tax Reform

Act No. 388 adopted by the General Assembly on June 1, 2006 ("Act 388"), provides, among other things, a new mechanism for the funding of a portion of school operations and a limitation on annual growth in millage levied by political subdivisions and school districts for operations.

Homestead Exemptions; Sales Tax Imposition

Owner-occupied residences, or "homesteads," are subject to three tiers of exemptions which affect the amount of revenues school districts receive from local property taxes as a source of school funding. The State reimburses school districts for the property tax revenues not collected on homesteads due to the exemptions. The State funds the reimbursements from a combination of its general fund and revenues received from a specially imposed statewide one cent sales tax. All monies required to fund the reimbursements to the school districts must be deposited by the State in a segregated "Homestead Exemption Fund" and paid to the school districts as described below based on the "tier" of the exemptions for which a school district is being reimbursed.

The "tier one" exemption exempts the first $100,000 of the appraised value of a homestead from millage levied for school operating purposes. The tier one exemption was amended by Act 388, by extending the exemption from school operating taxes to 100% of the value of homesteads as described below. Accordingly, by State law, the amount of the reimbursement paid to a school district for the tier one exemption is capped at the amount received by the school district in fiscal year ending June 30, 2007 (the fiscal year following the year in which Act 388 was adopted). State law requires that ninety percent of the tier one reimbursement must be paid to school districts in the last quarter of the calendar year, but 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 30th following the first tier one reimbursement date, which is typically by April 15.

The "tier two" exemption exempts from all *ad valorem* property taxes 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 amount of the reimbursement paid to a school district because of the tier two exemption is also capped at the amount received by a school district in fiscal year ending June 30, 2007. State law requires that tier two reimbursements be paid at the same time as the balance of the tier one reimbursement referenced above.

The "tier three" exemption, created under Act 388, exempts 100% of the value of owner-occupied residences from millage levied for school operating purposes. A portion of the amounts which a school district would receive but for the tier three exemption is reimbursed from the revenues collected from a one percent sales tax imposed statewide pursuant to Act 388 (the remainder of the reimbursements due to a school district are funded through the tier one reimbursements and tier two reimbursements described above). The additional sales tax does not apply to certain items, including certain accommodations, items taxed at a defined maximum tax, and unprepared food. Receipts from the one percent sales tax must be credited to the Homestead Exemption Fund. Unlike the tier one exemption and the tier two exemption, the amount of the reimbursement to a school district under the tier three exemption increases annually by an amount equal to the percentage increase of the applicable Consumer Price Index over the previous year, plus the percentage increase in the population of the State over the previous year. If the total increase calculated pursuant to the formula is less than four percent, then to the extent revenues are available in the Homestead Exemption Fund, the annual tier three reimbursement is further increased, not to exceed a total of four percent. The aggregate amount of the tier three 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. Notwithstanding the foregoing, in no event shall the amount of tier three reimbursements distributed to the school district or districts within one county be less than $2,500,000 in the aggregate. State law requires that tier three reimbursements be paid in nine equal monthly installments based on the State's preliminary estimate of collections, beginning not later than October 15th. A final adjustment balance payment must be made before the closing of the State's books for the fiscal year.

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, except as may be required to increase of the tier three reimbursement by 4% annually, 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.

Any amounts remaining in the Homestead Exemption Fund after the distribution of moneys must be distributed to the 46 counties of the State, proportionately based upon population, and applied as a credit against *ad valorem* real 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 that growth in the School District's operating expenses exceeds the growth rate of the reimbursements received for the tier three exemption from the State, the School District's operations could be impacted. The School District's ability to compensate for insufficiencies in reimbursements from the State for the exemptions applicable to owner-occupied residences (regardless of the cause of insufficiency) through an increase in its millage rate will be limited as discussed under the subheading "*Limitation on Millage Increases*" below. The School District cannot predict whether in any year the reimbursement will be insufficient to meet growth in operating expenses.

Limitation on Millage Increases

Act 388 imposes a limitation on increases in millage levied for operational purposes by all political subdivisions and school districts. As of July 1, 2007, annual millage levies 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, as the case may be. However, an amendment to Act 388 enacted in 2011 allows for increases in operating millage to the extent allowed but not previously imposed for the three property tax years preceding the year to which the current limit applies. This limitation does not apply to millage that is levied to pay bonded indebtedness. This limitation may be overridden by a vote of two-thirds of the governing body of the political subdivision or school district, as applicable, but only for the following purposes:

(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;

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

(6) certain purchases of undeveloped real property or of the residential redevelopment rights in undeveloped real property near an operating United States Military base; or

(7) to purchase capital equipment and make expenditures related to the installation, operation, and purchase of the capital equipment, in a county having a population of less than one hundred thousand persons and having at least forty thousand acres of state forest land.

Local Option Sales and Use Tax for Local Property Tax Credits

Act 388 further authorizes the imposition within a county, subject to approval by referendum, of a local sales and use tax to provide additional property tax relief. The local sales and use tax authorized by Act 388 may only be imposed to the extent necessary to provide a 100% credit to all classes of taxable property against (a) county operating taxes, (b) school operating taxes, or (c) both, as set forth on the referendum ballot. In no event, however, may the rate of such local sales and use tax exceed one percent. Act 388 also provides a procedure for rescinding this local sales tax, as well as any other local sales taxes in force as of June 1, 2006. No assurance can be given that the County will not conduct such a referendum, or that such a local option sales tax will not be implemented within the County.

Act 388 further provides that if a county has enacted a tax increment financing redevelopment plan, or other financing plan that relies upon property tax for its funding to retire indebtedness or pay for project costs, the rate of the local option sales tax must be set in an amount that considers the full funding for the project or retirement of indebtedness, which includes compliance with any covenants in the governing documents authorizing the indebtedness. The revenues of such tax attributable to the funding replacement for a tax increment redevelopment financing plan or other plan that relies upon property tax for its funding must be distributed by the county treasurer pursuant to Title 4, Chapter 10 of the South Carolina Code.

Reassessment Valuations Limited

Act 388 also 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 is exempt from this restriction. Moreover, upon the sale (or other "assessable transfer of interest" including long-term leases, conveyances out of trusts, and other defined events, but excluding transfers between spouses) of any parcel of real property ("ATI Transfer"), such parcel will generally be reassessed to its then-current market value at the time of the ATI Transfer ("Market Value"). Act No. 57 adopted by the General Assembly on June 8, 2011 provides that real property subject to property tax at an assessment ratio of 6% which undergoes an ATI Transfer after 2010 will be valued for property tax purposes using an "exemption value" instead of the real property's Market Value if the property is subject to a 6% assessment ratio when held by the purchaser, unless the Market Value is lower than the value of the property reflected on the books of the property tax assessor at the time of the ATI Transfer (in which case the Market Value will be the value for property tax purposes). The "exemption value" is calculated by reducing the market value of property at the time of an ATI Transfer by twenty-five percent of the "ATI fair market value" of the property. "ATI fair market value" is the real property's fair market value as determined at the time the property last underwent an ATI Transfer. If the twenty-five percent reduction in market value results in a value which is lower than the value of the property reflected on the books of the property tax assessor at the time of the ATI Transfer, then the value of the property reflected on the books of the property will be the "exemption value."

Payments in Lieu of Taxes

The State has adopted an array of property tax inducements and incentives to promote investment in the State. Qualifying investments of $2.5 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 up to 30 years (up to 40 years for certain large investments) using assessment ratios of as little as 6% and using millage rates that are either fixed for the term of the incentive 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 enhanced investments, that is, those projects creating at least 125 new jobs and providing new invested capital of not less than $150 million, projects with a total investment of $400 million by a single sponsor and certain defined economic development projects. For these enhanced investments the fee-in-lieu of tax payments may be negotiated based on assessment ratios as low as 4% and for a term up to 50 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 or business 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; and (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 contiguous counties with individual sites being determined primarily by the county in which the site is 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 the County pay a "fee-in-lieu of taxes" with respect to new manufacturing projects, and each year new fee-in-lieu of tax 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 Education Finance 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 as a means for the owner to pay for costs incurred from economic development activities. 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 same 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 an MCIP, be, in effect, diverted to a county government and thus pledged or made subject to a credit against payments of the fee.

Assessed Value of Taxable Property

The assessed value of all taxable real and personal property in the School District for the last five tax years for which data is available is set forth below.

Tax Year	Real	Personal	Total
2014	1,481,192,978	224,587,180	1,705,780,158
2015	1,561,997,668	242,903,990	1,804,901,658
2016	1,574,340,200	243,803,862	1,818,144,062
2017	1,616,197,050	238,124,920	1,854,321,970
2018*	1,735,799,890	233,576,952	1,969,376,842

*Reassessment.
Source: School District's Comprehensive Annual Financial Report for fiscal year ended June 30, 2019.

Assessed and Estimated Actual Value of Taxable Property

The assessed value and estimated actual value of taxable property located within the School District for the last five fiscal years for which information is available is provided below.

Fiscal Year Ended June 30	Assessed Value	Actual Value**	Ratio of Total Assessed to Total Estimated Actual Value
2015	$1,705,780,158	$32,036,037,089	5.3
2016	1,804,901,658	35,302,446,098	5.1
2017	1,818,144,062	34,154,007,102	5.3
2018	1,854,321,970	34,924,575,714	5.3
2019*	1,969,376,842	37,473,746,376	5.3

*Reassessment.
**Actual value calculated using the data from the State's Index of Taxpaying Ability calculation.
Source: School District's Comprehensive Annual Financial Report for fiscal year ended June 30, 2019.

Exempt Manufacturing Property

Article X, Section 3 of the State 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 taxes.

Tax Rates

The millage assessed for School District purposes in each of the last five fiscal years is set forth below.

Fiscal Year	Operations	Debt Service	Total
2016	103.50	31.71	135.21
2017	111.50	31.71	143.21
2018	113.50	31.71	145.21
2019	104.60	31.71	136.31
2020	114.00	31.71	145.71

Source: County Auditor

Tax Collections

The following table shows the amount of School District taxes levied, 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 years for which information is available.

Fiscal Year Ended June 30	Taxes Levied	Taxes Collected	Percent Collected	Delinquent Collected	Total Collected	Total Percent Collected
2014	$112,368,118	$106,368,162	94.66%	$5,442,109	$111,810,272	99.50%
2015	122,729,837	115,553,666	94.15	5,153,388	120,707,054	98.35
2016	126,352,434	118,461,330	93.75	5,518,365	123,979,695	98.12
2017	137,055,562	128,572,677	93.81	5,733,766	134,306,443	97.99
2018	144,621,648	135,888,920	93.96	5,457,149	141,346,070	97.74
2019	138,394,227	130,583,688	94.36	2,642,023	133,225,711	96.27

Sources: County Treasurer.

Ten Largest Taxpayers in the School District

The ten largest taxpayers in the School District for tax year 2018 (the latest year for which such information is available), their assessed values, and the total amount of taxes paid by each are shown below.

Taxpayer	Assessed Value	Taxes Paid
South Carolina Electric and Gas	$25,941,180	$6,591,471.28
Marriott Ownership Resorts LLC	16,833,450	3,915,082.57
Palmetto Electric Co-Op	10,586,890	2,437,090.61
Bluffton Telephone Company	5,386,220	1,256,153.74
Columbia Properties Hilton Head LLC	4,880,580	1,164,078.20
Hargray Telephone Company	4,659,090	1,048,686.68
SCG Hilton Head Property LLC	4,335,720	1,021,929.75
PBLH LLC	3,425,070	914,677.41
Sea Pines Resort LLC	5,135,140	870,325.93
Shelter Cove III LLC	2,791,150	683,166.24

Source: County Treasurer.

ECONOMIC CHARACTERISTICS AND DATA

Location and History

The School District is coterminous with the County. The County is located in the southern coastal area of South Carolina known as the “Lowcountry.” The County is bordered on the east by the Atlantic Ocean, on the north by Colleton County, and on the west by Hampton and Jasper Counties. It includes more than 60 small islands designated as “sea islands,” the largest of which are connected by highway bridges.

The County was formed in 1769, and has a land area of 587 square miles. The County is one of the fastest growing in South Carolina. The County seat is the City of Beaufort. Since the 1600’s, agriculture has played an important role in the economy of the Lowcountry. Currently, however, the Lowcountry generally and the County, specifically, although farming and timber are still present, have significantly diversified their economic base.

Agriculture and Forestry

Only 15 percent of the County’s land is used for agriculture, according to the 2017 Census of Agriculture produced by the National Agricultural Statistics Service of the United States Department of Agriculture. In 2017, the County ranked 2nd in the State in production of vegetables, melons, potatoes and sweet potatoes. Sales for crops, livestock, poultry and related products in the County in 2017, the latest year for which information is available, amounted to $20,287,000, including crops at $19,216,000 and livestock, poultry and related products at $1,071,000.

About 32% of the County’s land is forested, and the County ranks 44th among the State’s 46 counties in delivered value of timber. The delivered value of harvested timber sold in 2015, the latest year for which information is available, was $5,885,303.

Tourism

In 2018, tourists spent approximately $1.4 billion in the County, according to a report by the U.S. Travel Association to the South Carolina Department of Parks, Recreation and Tourism entitled "The Economic Impact of Travel on South Carolina Counties 2018." In 2018, tourism was responsible for approximately $270.8 million in payroll, 14,590 jobs, and $42.1 million in local tax receipts in the County. With respect to total expenditures, employment and local tax receipts, the County ranked third behind only Horry County (where Myrtle Beach is located) and Charleston County. The County ranked fourth in payroll behind only Horry County, Charleston County and Greenville County. Approximately 10% of the total amount spent by tourists in all of South Carolina's 46 counties in 2018 was spent in the County.

Commerce and Development

The County is a center for tourism, recreation, retirement, associated services, and the military. The County is also the ideal location for business and industry. With locational proximity between two growing ports for shipping and receiving, and access to major transportation corridors and railways, movement of goods and products within our region rivals those in other parts of the nation. The County is competitively positioned to pursue business and industry in target clusters of healthcare aerospace/transportation, biomedical, back office, information technology, light manufacturing, logistics and distribution.

Hilton Head Island, Fripp Island and Hunting Island are all located in the County. Interstate Highway I-95, a major north-south artery from Maine to Florida, runs just a few miles outside the County and has helped promote the development of both the business and tourism industry significantly. Four-lane highways, U.S. Highway 21 and Highway 170 connect the County to I-95 and U.S. 278 to Hilton Head Island.

Major residential developments in the southern portion of the County include Sun City Hilton Head, a 5,000-acre community with more than 4,000 homes and about 8,000 residents within the County. The County portion of the community is built out. Continued expansion into a neighboring county will more than double its current number of homes. Sun City Hilton Head, a Del Webb / Pulte Homes senior community, has a significant economic impact. It has created more than 1,000 permanent jobs, will increase the County's tax base by 25 percent over five years, and was the spark for the increased commercial construction along the U.S. 278 Corridor, including a Target store, Wal-Mart Superstore, Home Depot and several major supermarkets. Additional developments in the southern part of the County include Spring Island, Callawassie Island, Colleton River Plantation, Palmetto Bluff, Belfair and Westbury Park. In northern Beaufort County, communities continue to develop on Lady's Island, Cat Island, Dataw Island, Bray's Island and in Habersham and throughout the City of Beaufort. Hilton Head Island is a major destination for tourists and anchors tourism in the region to the rest of the world. As such, several hotels and resorts embarked upon multi-million-dollar projects to improve and expand existing facilities and properties. The Inn at Harbour Town recently completed a multi-million-dollar renovation of all its guest rooms, common areas and meeting space. The Beach House, a Holiday Inn Resort, also recently complete a multi-million-dollar revitalization, which resulted in the facility's status being upgraded to the new boutique family of hotels known as The Beach House.

Several other establishments quickly followed suit, as The Sonesta Resort Hilton Head Island, The Westin Hilton Head Resort & Spa, Omni Hilton Head Oceanfront Resort, Sea Pines, and Hilton Head Marriott Resort and Spa also upgraded their facilities.

Other Hilton Head Island improvements include a $13 million investment by the town to convert the existing enclosed Coligny Mall into an open-air mixed-use development containing retail, restaurant and residential components, as well as a community park.

Southeastern (formerly called Blanchard and Calhoun) and Kroger Co. began redeveloping the old Shelter Cove Mall located on Hilton Head Island. The center, which now has about 30 restaurants and stores, was named the South Carolina Municipal Association's economic development project of the year in March 2016. Work on a luxury apartment complex adjacent to Shelter Cove is nearing completion. This marks the last major step in the successful redevelopment of the Shelter Cove shopping center.

RBC Bank and Boeing are in the midst of investing more than $25 million over five years in what's now known as the RBC Heritage, a major golf tournament that's been played on Hilton Head Island since 1969. However, the tournament is more than just a round of golf on Harbour Town Golf Links. The tournament is transmitted around the globe and the exposure translates into a stream of tourism and sales that fuels the economics of the Lowcountry and the entire State. According to the Clemson Economic Impact Study, the tournament infuses $96 million into the State each year.

The Port of Port Royal, the former break-bulk cargo port of the South Carolina State Ports Authority, is located in the County. In September 2017, the 317 acres formerly occupied by the port at the waterfront edge of downtown Port Royal was purchased at state auction for $9 million. While just 52 acres can be developed, developers expect about $200 million in development, which will include park and green space.

The U.S. Marine Corps Recruit Depot at Parris Island, the Marine Corps Air Station-Beaufort, and the Beaufort Naval Hospital are all located within the County. These locations have benefited by the Department of Defense closing certain other military bases in the nation. In 2014, the local population of the Department of Defense at the Recruit Depot alone was 288 Marine officers, 18,643 enlisted Marines (including 16,983 recruits) and 886 civilians. In 2009, Beaufort City Council signed a resolution supporting the Department of Defense's proposal to locate up to 11 joint strike fighter jets at the Air Station beginning in 2013. The Air Station began receiving the first F-35s in 2014.

Capital Investment

The following table sets forth the total announced capital investment for new and expanded industry within the County since 2015.

Year	Company	Industry	Project Type	Investment	Jobs
2015	Shelter Cove Towne Center	Retail	Redevelopment	$ 74,000,000	250
	Walmart Super Center (Bluffton/Lady's Island)	Retail	New	25,000,000	600
	Hilton Head Hospital – Bluffton Outpatient Facility	Healthcare	New	18,000,000	120
	Medical Development Corporation	Healthcare	New	12,000,000	65
2017	Geismar	Manufacturing	New	2,900,000	50
	Harris Pillow	Manufacturing	New	2,000,000	22
2018	Blue Sky Processing	Manufacturing	New	3,500,000	16
	Burnt Church Distilleries	Manufacturing	New	10,250,000	36
	Dust Solution	Manufacturing	Expansion	1,670,000	12
	Palmetto Medical	Healthcare	Expansion	10,350,000	25
	Alpha Genesis	Medical Research	Expansion	3,325,000	32
	Limuli Laboratories	Pharmaceutical	New	950,000	15
	Waterson Brands	Headquarters	New	1,500,000	19
	Adger Solar	Utility	New	100,000,000	4
2019	Salt Marsh Brewery	Manufacturing	New	4,960,000	53
	Stoneworks	Manufacturing	Expansion	3,860,000	26
	GlassWRX	Manufacturing	New	15,150,000	69
	L3/Harris	Manufacturing	Expansion	3,500,000	20
	Bluffton Center	Healthcare	New	10,350,000	25

Source: Beaufort County Economic Development Corporation.

Major Employers

The following table shows the largest employers located within the County and the type of business for each:

Name	Type of Business
Beaufort County School District	Education
Beaufort Memorial Hospital	Healthcare
Beaufort County	Local Government
Marine Corps Recruit Depot	Military
Marine Corp Air Station	Military
Hilton Head Medical Center	Healthcare
Wal-Mart Associates, Inc.	Retail
Hilton Head Marriott Golf and Beach Resort	Tourism
The Westin Resort	Tourism
Crowne Plaza Resort	Tourism

Source: Beaufort County Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2018.

Labor Force

The composition of the nonagricultural civilian labor force working in the County (regardless of place of residence), for the last five years for which information is available, is as follows:

Sector	2014	2015	2016	2017	2018
Manufacturing	1,026	1,067	984	1,046	1,080
Non-Manufacturing:					
Construction, Forestry & Mining	6,808	7,050	7,518	7,677	(D)
Transportation and Public Utilities	1,320	1,435	1,561	1,921	1,973
Wholesale and Retail Trade	13,283	13,345	13,154	13,565	13,849
Information	794	735	804	860	914
Finance, Insurance, and Real Estate	11,779	11,691	12,372	12,429	12,810
Services	45,636	48,027	49,232	51,069	53,304
Government	19,738	20,432	20,589	20,946	20,704
TOTAL	100,384	103,782	106,214	109,513	112,759

(D) Not shown to avoid disclosure of confidential information. Estimates are included in totals.
Notes: Totals may not add due to rounding.
Source: U.S. Bureau of Economic Analysis.

The labor force participation rate of residents of the County (regardless of place of employment) for the past five years is as follows:

	2014	2015	2016	2017	2018
Civilian Labor Force	69,412	71,601	72,435	74,198	75,517
Employment	65,463	67,680	68,957	71,174	73,082
Unemployment	3,949	3,921	3,478	3,024	2,435

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

Unemployment Rate

The average unemployment rate in the County for each of the last 12 months for which data is available is shown below.

Date	Unemployment Rate	Date	Unemployment Rate
January 2019	3.3%	July 2019	3.0%
February 2019	3.1	August 2019	2.7
March 2019	3.1	September 2019	1.6
April 2019	2.8	October 2019	1.9
May 2019	3.2	November 2019	1.9
June 2019	3.3	December 2019	2.1(P)

(P) Preliminary
Source: U.S. Department of Labor, Bureau of Labor Statistics.

The average unemployment rate in the County for each of the last five years is shown below. For comparison information for the State and the United States is shown.

Year	County	State	U.S.
2015	5.5%	6.0%	5.3%
2016	4.8	5.0	4.9
2017	4.1	4.3	4.4
2018	3.2	3.4	3.9
2019	2.7	2.9	3.7

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

Per Capita Personal Income

The County's per capita income has remained above state and national levels from 1996 to 2017. The per capita personal income in the County, the State and the United States for each of the last five years for which information is available is shown below.

Year	County	State	United States
2013	$45,050	$35,665	$44,826
2014	48,282	37,537	47,025
2015	50,785	39,424	48,940
2016	51,613	40,312	49,831
2017	52,763	41,633	51,640

Source: U.S. Department of Commerce; Bureau of Economic Analysis.

Median Family Income

The table below shows the median family income for a family of four in the County, State and the United States for the last five years:

Year	County	State	United States
2015	$68,900	$55,500	$65,800
2016	67,100	56,100	65,700
2017	70,300	58,300	68,000
2018	72,200	62,500	71,900
2019	83,000	65,400	75,500

Source: U.S. Department of Housing and Urban Development.

Retail Sales

The following table shows the level of gross retail sales for businesses located in the County:

Calendar Year Ended December 31	Total Retail Sales
2015	$4,353,268,764
2016	4,471,473,961
2017	4,631,672,263
2018	5,019,617,815
2019	5,536,344,591

Source: South Carolina Department of Revenue.

Median Age and Education Levels

The following table illustrates the changes in the median age of the County from Census 2000 to Census 2010, as well as an estimate for 2018. Median age statistics for the State and the United States are included for comparison purposes.

Year	County	South Carolina	United States
2000	35.8	35.4	35.3
2010	40.6	37.9	37.2
2018	46.4	39.6	38.2

Source: U.S. Department of Commerce, Bureau of the Census.

The following table illustrates the changes in the percentage of the population 25 years old and older with a bachelor's degree or higher for the years set forth below. Education statistics for the State and the United States are included for comparison purposes.

Year	County	South Carolina	United States
2000	33.2%	20.4%	24.4%
2010	36.5	24.5	28.2
2017	41.1	28.0	32.0

Sources: U.S. Department of Commerce, Bureau of the Census, Census 2000, 2010 American Community Survey 1-Year Estimates and 2017 American Community Survey 1-Year Estimates.

Construction Activity

The following table shows the approximate number of residential, commercial and miscellaneous building permits issued by the County for construction and the approximate cost of construction represented by those permits in each of the last five complete years for which information is available.

Year	Residential Permits	Commercial Permits	Miscellaneous Permits(1)	Total Permits	Total Construction Costs
2015	1,931	151	1,670	3,752	$225,487,000
2016	1,975	148	1,409	3,532	157,221,000
2017	2,161	217	1,119	3,497	239,901,000
2018	2,121	207	1,078	3,406	216,650,000
2019	2,692	198	1,133	4,023	329,102,000

(1) Includes HVAC and electrical permits.
Sources: County Building Inspector.

Population Growth

The following table shows population information for the County for the last four decades for which census figures are available.

	Beaufort County		South Carolina		United States	
	Population	% change	Population	% change	Population	% change
1980	65,364	8%	3,121,820	21%	226,545,805	11%
1990	86,425	32	3,486,703	12	248,709,873	10
2000	120,937	40	4,012,012	15	281,421,906	13
2010	162,233	34	4,625,364	15	308,745,538	10
2018*	188,715	16	5,084,127	10	327,167,434	6

*Estimate
Source: U.S. Department of Commerce, Bureau of the Census, Population Division.

The following table shows the 2000 Census population, 2010 Census population and 2018 estimated population of all incorporated municipalities located within the County:

Municipality	2000 Census	2010 Census	2018 Estimate
City of Beaufort	12,950	12,361	13,357
Town of Bluffton*	1,275	12,530	23,097
Town of Hilton Head Island	33,862	37,099	39,639
Town of Port Royal*	3,950	10,678	13,037

*A portion of this growth is due to annexation.
Source: U.S. Department of Commerce, Bureau of the Census, Population Division.

Facilities Located Within or Serving the County

Transportation. Three U.S. Highways run through the County. U.S. 17 runs north-south along the coast, connecting the County with Charleston to the north and Savannah, Georgia to the south. U.S. 21 connects U.S. 17 with the City of Beaufort, several islands in northern Beaufort County, and the furthest east point in the County: Hunting Island State Park. U.S. 278 connects U.S. 17 with southern Beaufort County, including Hilton Head Island. The County is served by approximately 133 motor freight carriers. Rail facilities are provided in the County by CSX Railroad which interfaces with Port Royal Railroad at Yemassee, and Amtrak provides passenger service.

There are two airports located in the County, the Beaufort County Airport, on Lady's Island, and the Hilton Head Island Airport. The Hilton Head Island facility is currently serviced by American Airlines, Delta Airlines and United Airlines with service from Atlanta, Charlotte, Chicago, Dallas, Newark, New York City, Philadelphia and Washington D.C. The terminal at the Hilton Head Island Airport was completed in November 2002. In 2015, the Hilton Head Island Airport announced that it had been awarded just over $13 million in Federal Aviation Administration grant funds to assist with safety projects. The Beaufort County Airport is maintained for general aviation service only.

Hospital Facilities. Beaufort Memorial Hospital ("Beaufort Memorial") is a non-profit hospital accredited by The Joint Commission on Accreditation of Healthcare Organizations for 197 beds (169 acute, 14 rehabilitation and 14 mental health). It employs 1,709 people, including a medical staff of nearly 230 board-certified or board-eligible providers. In 2011, Beaufort Memorial was designated as the first Pathway to Excellence hospital in the State and has continued to earn redesignation since then. The main hospital is located in the City of Beaufort. Beaufort Memorial's cancer center in the Town of Port Royal is affiliated with Duke University. Beaufort Memorial's clinic in the Town of Bluffton includes doctors' offices, laboratory, x-ray and health education programs. Hilton Head Regional Hospital, a 93-bed acute care hospital, is located within the Town of Hilton Head Island. A U.S. Naval Hospital is also located within the County which has 8 staffed beds.

Recreation. Hunting Island State Park ("Hunting Island") is located in the County. Hunting Island is South Carolina's most popular state park, attracting more than a million visitors each year. The 5,000-acre park includes five miles of beach, thousands of acres of marsh, tidal creeks and maritime forest, a saltwater lagoon and ocean inlet. Amenities include a fishing pier and some of the state's most desirable campsites and cabins, some of which were built by the Civilian Conservation Corps in the 1930s. The park also includes South Carolina's only publicly accessible historic lighthouse. Dating from the 1870s, the Hunting Island Lighthouse is 170 feet tall.

Higher Education. University of South Carolina – Beaufort ("USCB"), the Lowcountry's regional senior campus of the University of South Carolina, is located in the County. USCB itself has three campuses in the County: one in the City of Beaufort, one in the Town of Bluffton and one in the Town of Hilton Head Island. USCB offers baccalaureate degrees and provides local access to graduate courses and programs through the USC Extended Graduate Campus. In 2019, USCB's Small Business Development Center, a free consulting service for entrepreneurial start-ups, served 429 clients/citizens, helped 21 new businesses get started, assisted with the injection of $8.3 million in capital investment, and helped create or save 169 local jobs representing approximately $8.9 million in annual wages. In November 2018, USCB held a ribbon-cutting ceremony for its Hilton Head Island Campus. The $25 million, 40,000 square-foot classroom and office building houses USCB's hospitality management program. USCB had a Fall 2018 headcount enrollment of 2,116 students.

Technical College of the Lowcountry, a public two-year institution, has two campuses in the County: one in the City of Beaufort, the other in the Town of Bluffton. It also has field education offices at the Marine Corps Air Station and Parris Island Marine Recruit Depot. Technical College of the Lowcountry offers more than 80 degree, diploma, or certificate programs, and is fully accredited by the Commission on Colleges of the Southern Association of Colleges and Schools (SACS). In October 2019, a groundbreaking was held for the Technical College of the Lowcountry's future Culinary Institute of the South. The new 26,000 square-foot culinary training facility, which is set to open in the Fall of 202 with room for 300 students, will feature six academic classrooms, two teaching kitchens, two baking labs, a lecture theater and a teaching restaurant. The college had a Fall 2018 headcount enrollment of 2,247 students.

Financial Institutions

According to the Federal Deposit Insurance Corporation, as of June 30, 2019, there were 55 branches of commercial banks and 2 branches of savings institutions in the County, with total deposits of approximately $4.4 billion at all financial institutions. The continuing reorganization of the banking system in the United States, with its attendant mergers and consolidations, is likely to affect the total number of branch offices in the County.

FINANCIAL INFORMATION

Fiscal Year 2019-2020 Budget

The following is a summary of the School District's general fund budget for the fiscal year ending June 30, 2020.

General Fund Revenues and Other Financing Sources	
Local Sources	$151,651,605
State Sources	93,347,306
Federal Sources	690,000
Other Sources	7,535,948
Total Revenues and Other Financing Sources	$253,224,859
General Fund Expenditures and Other Financing Uses	
Instructional Expenses	$154,323,779
Support Service Expenses	93,392,462
Intergovernmental Expenses	6,526,201
Other	55,000
Total Expenditures and Other Financing Uses	$254,297,442

The School District intends to use fund balance for the difference between revenues and expenditures.

Financial Statements

The following summary of the School District's General Fund for fiscal years June 30, 2015 to 2019 should be reviewed together with the School District's complete audited financial statements as a whole, including but not limited to the report of the School District's independent certified public accountants and the notes to such financial statements. A copy of the financial statements of the School District which were audited by certified public accountants have been lifted from the audited financial report of the School District for fiscal year ended June 30, 2019, and are attached to this Official Statement as Appendix A. Copies of these financial statements containing the unqualified report of the independent certified public accountants are available at the office of Tonya Crosby, Chief Financial Officer, School District of Beaufort County, South Carolina, 2900 Mink Point Boulevard, Beaufort, South Carolina 29902; telephone (843) 322-2346. Copies of complete audited financial statements for prior years are available upon request from the School District.

SUMMARY OF GENERAL FUND

	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019
Revenues:					
Local:					
Total Local	$118,998,126	$124,676,850	$135,718,932	$142,903,153	$136,028,508
State	68,519,587	68,545,215	79,412,517	78,398,779	86,021,669
Federal	866,176	697,256	924,790	1,122,896	809,072
Total revenues	$188,383,889	$193,919,321	$216,056,239	$222,524,828	$222,859,249
Expenditures:					
Current:					
Instruction	$107,995,490	$116,762,562	$125,247,518	$131,852,779	$141,660,519
Support services	75,730,411	79,475,636	83,124,982	86,386,601	88,074,169
Intergovernmental	4,414,652	4,620,593	4,957,898	5,949,782	6,459,252
Debt service	43,769	39,964	78,285	106,282	23,660
Capital outlay	---	---	---	---	---
Total expenditures	$188,184,322	$200,898,755	$213,408,683	$224,295,444	$236,217,600
Excess (deficiency) of revenues over (under) expenditures	199,567	(6,979,434)	2,647,556	(1,770,616)	(13,358,351
Other financing sources (uses):					
Transfers in	$ 4,595,715	$ 4,661,198	$ 5,797,400	$ 6,009,100	$ 7,512,094
Transfers out	(737,440)	(743,134)	(806,472)	(894,714)	(213,870)
Total other financing sources (uses)	$ 3,858,275	$ 3,918,064	$ 4,990,928	$ 5,114,386	$ 7,298,224
Net change in fund balance	4,057,842	(3,061,370)	7,638,484	3,343,770	(6,060,127)
Fund balance - beginning	$ 27,628,173	$ 31,686,015	$ 28,624,645	$ 36,353,770	$ 39,606,899
Fund balance - ending	$ 31,686,015	$ 28,624,645	$ 36,263,129	$ 39,606,899	$ 33,546,772

TAX EXEMPTION AND OTHER TAX MATTERS

Internal Revenue Code of 1986

In the opinion of Bond Counsel, to be delivered on the date of issuance of the Bonds, assuming continuing compliance by the School District with certain covenants and the requirements of the Internal Revenue Code of 1986, as amended (the "Code") and the applicable regulations promulgated thereunder (the "Regulations"), interest on the Bonds is excludable from gross income of the registered owners thereof 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 federal alternative minimum tax. Bond Counsel has expressed no opinion regarding other federal tax law consequences arising with respect to the Bonds.

The Code and the Regulations impose various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The School District has covenanted to comply with certain covenants, restrictions, conditions and requirements designed to ensure that interest on the Bonds will not become includable in gross income. Failure to comply with these covenants could 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 opinion of Bond Counsel assumes the accuracy of certain representations of the School District with respect to the investment and use of proceeds of the Bonds and compliance by the School District with certain covenants.

Although Bond Counsel is of the opinion that interest on the Bonds is excludable from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. Bond Counsel expresses no opinion regarding any such consequences. Purchasers of the Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States of America), property and casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of Social Security or Railroad Retirement benefits, taxpayers otherwise entitled to claim the earned income credit and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations, are advised to consult their tax advisors as to the tax consequences of purchasing or holding the Bonds.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause the interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. Other proposals have been made that would significantly reduce the benefit of, or otherwise affect, the exclusion from gross income on obligations like the Bonds. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The Internal Revenue Service (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 owners of the Bonds regarding the tax-exempt status of the Bonds in the event of an audit by the IRS. Under current procedures, parties other than the School District and its appointed counsel, including the Bond owners, would have little, if any, right to participate in the audit process. Moreover, because achieving judicial review in connection with an audit 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 Bond owners to incur significant expense, regardless of the ultimate outcome.

South Carolina Taxation

The interest on the Bonds is exempt from all State taxation except estate or other transfer taxes. Section 12-11-20 of the South Carolina Code, imposes upon every bank engaged in business in the State a fee or franchise tax computed at the rate of 4-1/2% of the entire net income of such bank. Regulations of the South Carolina Department of Revenue require that the term "entire net income" includes income derived from any source whatsoever including interest on obligations of any state and any political subdivision thereof. Interest on the Bonds will be included in such computation.

[Original Issue Discount

Under existing laws, regulations, rulings and judicial decisions the excess, if any, of the principal amount payable at the scheduled maturity date of the Bonds of any maturity over the initial public offering prices of such Bonds ("Discount Bonds") constitutes original issue discount that is excludable from gross income for federal income tax purposes to the same extent as interest on the Bonds. For purposes of the preceding sentence, the "initial public offering price" refers to the initial offering price to the public at which a substantial amount of the Bonds of such a maturity was sold.

Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrues on a compounded basis. The amount of original issue discount that accrues to an owner of a Bond during any accrual period generally equals (i) the issue price of such Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity of such Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on such Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes, and will increase the owner's tax basis in such Bond. Any gain realized by an owner from a sale, exchange, payment or redemption of a Bond will be treated as gain from the sale or exchange of such Bond.

Purchasers of Discount Bonds should consult their own tax advisors with respect to the determination and treatment of original issue discount for federal income tax purposes, and with respect to the state and local tax consequences of owning Discount Bonds.

Premium Bonds

Certain of the Bonds have been sold at public offering prices which are greater than the amount payable at maturity ("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 Premium Bonds. A purchase of Premium Bonds must authorize any premium over such Bonds' 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 Premium Bonds.]

LEGAL MATTERS

Bond Counsel Opinion

The issuance of the Bonds is subject to the favorable opinion of Burr & Forman LLP (Burr Forman McNair), Bond Counsel, as to the validity of the issuance of the Bonds under the Constitution and laws of the State. The proposed form of Bond Counsel's opinion appears as Appendix C to this Official Statement.

Burr Forman McNair has assisted the School District by compiling certain information supplied to them by the School District and others and included in this Official Statement, but said firm has not made an independent investigation or verification of the accuracy, completeness or fairness of such information. The opinion of Burr Forman McNair will be limited solely to the legality and enforceability of the Bonds, and no opinion will be given with respect to this Official Statement.

Litigation

There is no litigation of any nature now pending or, to the knowledge of the School District, threatened to restrain or enjoin the issuance, sale, execution or delivery of the Bonds or the levy and collection of taxes to pay the Bonds; or questioning the proceedings or authority pursuant to which the Bonds are issued and taxes levied; or questioning or relating to the validity of the Bonds, or contesting the corporate existence of the School District or the titles of its present officers to their respective offices.

The absence of such litigation will be confirmed at the time of delivery of the Bonds.

United States Bankruptcy Code

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

RATINGS

Moody's Investors Service, Inc. ("Moody's") has assigned its municipal bond rating of "Aa1" to the Bonds upon the basis of the State statutory intercept provisions described under the heading "Security" herein. Moody's has assigned an underlying rating of "Aa1" to the Bonds. Such ratings reflect only the views of Moody's and an explanation of the significance of such ratings may be obtained from Moody's. The School District has furnished to Moody's certain information and materials respecting the School District and the Bonds. Generally, Moody's bases its 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 lowered or withdrawn entirely by Moody's, 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

[To Be Completed After The Sale]

The Bonds have been purchased at a competitive sale from the School District for resale by ____________________ (the "Purchaser"). The Purchaser has agreed, subject to certain conditions, to purchase the Bonds at par plus a bid premium of $_________. The initial public offering yields of the Bonds are as shown on the inside cover of this Official Statement and may be changed from time to time by the Purchaser. The Purchaser may also allow a concession from the public offering prices to certain dealers. If all of the Bonds are sold at the public offering yields or prices as set forth on the inside cover of this Official Statement, the Purchaser anticipates total selling compensation of $____________ for the Bonds. The Purchaser has received no fee from the School District for underwriting the Bonds.

FINANCIAL ADVISOR

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

CERTIFICATE CONCERNING THE OFFICIAL STATEMENT

Concurrently with the delivery of the Bonds, the Superintendent of the School District will deliver to the purchaser of the Bonds a certificate stating that, to the best of his knowledge, this Official Statement did not as of its date and as of the sale date, and the final Official Statement does not, as of the date of delivery of the Bonds, contain any untrue statement of a material fact or omit to state a material fact required to be included therein for the purpose for which this Official Statement or the final Official Statement is to be used or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, providing such certificate shall not include consideration of information supplied by, or which should have been supplied by, the successful bidder for the Bonds.

CONTINUING DISCLOSURE UNDERTAKING

The School District has covenanted, pursuant to Section 11-1-85 of the South Carolina Code to file with a central repository for availability in the secondary bond market when requested, an annual independent audit within 30 days of its receipt and event specific information within 30 days of an event adversely affecting more than 5% of tax revenues or the School District's tax base.

In accordance with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the School District has covenanted in the Resolution to execute and deliver prior to closing, and to thereafter comply with the terms of, a Continuing Disclosure Certificate in substantially the form appearing as Appendix B to this Official Statement. In the event of a failure of the School District to comply with any of the provisions of the Continuing Disclosure Certificate, an event of default under the Resolution shall not be deemed to have occurred. In such event, the sole remedy of any holder of the Bonds shall be an action to compel performance by the School District. See Appendix B.

The School District has entered into continuing disclosure undertakings with regard to the Installment Bonds and bond issues set forth in the table entitled "Description of General Obligation Indebtedness by Issue" shown herein.

For fiscal year ended June 30, 2014, the School District caused the following documents to be filed on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") on the following dates: (i) its Comprehensive Annual Financial Report on January 5, 2015 (the "2014 CAFR") and (ii) its continuing disclosure report on January 26, 2015 and its budget for fiscal year ended June 30, 2015 on January 26, 2015 (collectively, the "2014 Annual Report"). The School District believes all or substantially all of the information required for the continuing disclosure report was included within either the 2014 CAFR or the 2014 Annual Report.

For fiscal year ended June 30, 2015, the School District caused the following documents to be filed on EMMA on the following dates: (i) its Comprehensive Annual Financial Report on December 11, 2015 (the "2015 CAFR") and (ii) its continuing disclosure report on December 15, 2015 and its budget for fiscal year ended June 30, 2016 on December 11, 2015 (collectively, the "2015 Annual Report"). The School District believes all or substantially all of the information required for the continuing disclosure report was included within either the 2015 CAFR or the 2015 Annual Report.

For fiscal year ended June 30, 2016, the School District caused the following documents to be filed on EMMA on the following dates: (i) its Comprehensive Annual Financial Report on December 6, 2016 (the "2016 CAFR") and (ii) its continuing disclosure report on January 6, 2017 and its budget for fiscal year ended June 30, 2017 on December 6, 2016 (collectively, the "2016 Annual Report"). The School District believes all or substantially all of the information required for the continuing disclosure report was included within either the 2016 CAFR or the 2016 Annual Report.

For fiscal year ended June 30, 2017, the School District caused its Comprehensive Annual Financial Report (the "2017 CAFR") and its continuing disclosure report and budget for the fiscal year ended June 30, 2018 (collectively, the "2017 Annual Report") to each be filed on EMMA on January 2, 2018. The School District believes all or substantially all of the information required for the continuing disclosure report was included within either the 2017 CAFR or the 2017 Annual Report.

For fiscal year ended June 30, 2018, the School District caused its Comprehensive Annual Financial Report and its continuing disclosure report (which included the budget for the fiscal year ended June 30, 2019) to each be filed on EMMA on December 27, 2018.

For fiscal year ended June 30, 2019, the School District caused its Comprehensive Annual Financial Report and its continuing disclosure report (which included the budget for the fiscal year ended June 30, 2020) to each be filed on EMMA on January 17, 2020.

In addition, the School District caused the following documents to be filed on EMMA on the following dates: (i) its Official Statement dated April 8, 2014 on April 15, 2014, (ii) its Official Statement dated January 22, 2015 on February 3, 2015, (iii) its Official Statement dated March 17, 2015 on March 24, 2015, (iv) its Official Statement dated January 12, 2016 on January 26, 2016, (v) its Official Statement dated November 28, 2016 on December 20, 2016, (vi) its Official Statement dated June 29, 2017 on July 13, 2017 and (vii) its Official Statement dated August 13, 2018 on August 30, 2018.

In the past five years there have been numerous rating actions reported by Moody's Investors Service, Standard & Poor's Rating Services and Fitch Ratings affecting the municipal bond insurance companies, some of which had insured bonds previously issued by or on behalf of the School District. Due to widespread knowledge of these rating actions, material event notices were not filed by the School District in each instance.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion or estimates, where or not expressly so stated, are intended as such and not as representations of fact.

Reference herein to the Constitution and legislative enactments are only brief outlines of certain provisions thereof and do not purport to summarize or describe all provisions thereof.

If there are further inquiries or requests for additional copies of this Official Statement, please address them to the School District's Bond Counsel, Francenia B. Heizer, Esquire, Burr Forman McNair, Post Office Box 11390, Columbia, South Carolina 29211, telephone (803) 799-9800, e-mail: fheizer@burr.com; or the School District's financial advisor, Chad Cowan, Director, Hilltop Securities, 5925 Carnegie Boulevard, Suite 380, Charlotte, North Carolina 28209, telephone (704) 654-3454, e-mail: Chad.Cowan@hilltopsecurities.com.

The delivery of this Official Statement and its use in connection with the sale of the Bonds has been duly authorized by the School District.

Superintendent, School District of Beaufort County,
South Carolina

APPENDIX A

AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2019

Independent Auditor's Report

Members of the Beaufort County Board of Education
Beaufort County School District
Beaufort, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Beaufort County School District (the School District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the School District as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension schedules, OPEB schedules and budgetary comparison schedules, as listed in the Table of Contents, 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the School District's basic financial statements. The introductory section, the statistical section, the other supplementary schedules, as listed in the Table of Contents, and the accompanying schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are not a required part of the basic financial statements.

The other supplementary 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. Such 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 basic financial statements or to the basic 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 taken as a whole.

The introductory and statistical sections have not been subjected to 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2019, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Elliott Davis, LLC

Charleston, South Carolina
November 20, 2019

As management of the Beaufort County School District (the School District), we offer readers of the Beaufort County School District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2019. Management encourages the readers to consider the information presented in this discussion in conjunction with additional information that is presented as part of this report. Readers are directed to the transmittal letter, financial statements, notes to the financial statements and statistical information to enhance their understanding of the School District's financial performance.

Financial Highlights

Net Position - The School District's total net position (as reported on the government-wide Statement of Net Position) as of June 30, 2019, was $-136.4 million. This amount reflects an increase of $8.3 million which is primarily attributable to a decrease in long-term liabilities.

Revenues, Other Financing Sources and Expenditures - Governmental revenues totaled $321.0 million, other financing sources/(uses) totaled $30.8 million, and expenditures totaled $351.4 million for all Governmental Funds at the fund level. Fund balances increased by $481,550. This is largely attributable to a shortfall in local property tax revenue in the general fund combined with increases in fund balance for the debt service and capital projects funds. General obligation bonds were issued in FY 2019 to be used for repair and maintenance of School District facilities.

General Fund/Fund Balance - The School District's principal operating fund, the General Fund, had $230.4 million in revenues and other financing sources and $236.4 million in expenditures and other financing uses, resulting in a net decrease in fund balance of $6.1 million. This resulted in the General Fund's fund balance decreasing from $39.6 million to $33.6 million or 13.2% of budgeted FY 2020 general fund expenditures.

General Fund Budget - Local tax collections were $9.3 million less than the amount budgeted. State revenues in the General Fund were $213,641 less than the amount budgeted. The original budget was designed with a planned deficit of $2.1 million; however, primarily due to a shortfall in local property tax collections, fund balance was reduced by $6.1 million.

Debt - The School District sold $29.3 million of general obligation bonds in FY 2019. New bonds were issued to fund the major capital improvements on existing schools. The fund balance of the Debt Service Fund increased by $3.1 million to a total of $19.1 million. This increase in fund balance was planned to maintain the debt service fund balance within the desired range for reserves.

Major Capital Additions - The School District's capital assets for governmental activities decreased by $1.7 million or .3%. This is largely attributable to the current year's depreciation exceeding the cost of construction or renovation of schools.

Proprietary Funds - The Enterprise Fund, the School District's Food Service Fund, ended the year with an increase in net position of $166,636. This increase is primarily due to an increase in revenue. The Internal Service Fund, used as an Insurance Reserve Fund, had an increase in fund balance of $358,391 to a net position of $1,377,723. The increase is attributable to the receipt of insurance proceeds received during the fiscal year.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements consist of three parts: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements - The government-wide financial statements (Statement of Net Position and Statement of Activities) are designed to provide readers with a broad overview of the School District's finances, in a manner similar to a private-sector business. Short-term and long-term information about the School District's overall financial status is provided in these statements. These statements use the economic resources measurement focus and the accrual basis of accounting used by most private-sector companies. This basis of accounting recognizes revenue when earned, and expenses are recorded when an obligation has been incurred.

The government-wide financial statements include not only the School District itself (known as the primary government), but also the component unit Riverview Charter School, a charter school sponsored by the School District. Financial information for the charter school is reported separately from the financial information presented for the primary government itself. Additional information on the School District's component unit can be found on page 42.

The Statement of Net Position and Statement of Activities report the School District's net position and changes in net position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. In the Statement of Net Position and the Statement of Activities, the School District is divided into two distinct kinds of activities:

> ***Governmental Activities*** - Most of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.
>
> ***Business-Type Activities*** - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The School District's food service activities are reported as business activities.

The Statement of Net Position presents information on all of the School District's assets plus deferred outflows, and liabilities plus deferred inflows (except for those related to fiduciary funds), with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position 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 (i.e. uncollected taxes and earned but unused vacation leave).

Both government-wide financial statements distinguish functions of the School District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the School District include general fund, special revenue fund, EIA fund, debt service, capital projects, and the internal service fund. The business-type activities of the School District include the food service fund.

The government-wide financial statements can be found on pages 31 and 32 of this report.

Fund Financial Statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

> ***Governmental funds*** - Most of the School District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for near-term spending. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which recognizes revenue when it is measurable and available, and expenses are recorded when the related fund liability is incurred Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's education programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.
>
> ***Proprietary funds*** - Services for which the School District charges a fee are generally reported in proprietary funds. Proprietary funds use the economic resources measurement focus and the accrual basis of accounting. The School District's food service fund and the internal service fund are the only proprietary funds.
>
> ***Fiduciary funds*** - The School District is the trustee, or fiduciary, for assets that belong to others. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations. The School District's Student Activities Fund is the only fiduciary fund. Fiduciary funds use the economic resources measurement focus and the accrual basis of accounting.

***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 41 to 86.

Other supplemental 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 School District's budget for the year and other supplementary information schedules required either by the State Department of Education or the Certificate-of-Excellence program of the Government Finance Officers Association.

Government-Wide Financial Analysis

The condensed statement of net position describes the financial position of the School District on June 30, 2019. In the case of the School District's Primary Government, assets and deferred outflows of resources were exceeded by liabilities and deferred inflows of resources by $136.4 million.

The largest portion of the School District's net position reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The School District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although net investment in its capital assets is reported, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The increase in net investment in capital assets of $22.1 million (9.39%) is due to current-year capital expenditures offset by the depreciation for ongoing capital projects and reductions in long-term debt.

Unrestricted Net Position, the portion of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, decreased $20.4 million (4.8%) from a $422.9 million deficit at June 30, 2018, to a $443.6 million deficit at June 30, 2019. The primary cause of the decrease in Unrestricted Net Position is an increase in net pension and OPEB obligations. A summary of the School District's net position for 2019 compared to 2018 is presented below:

Condensed Statement of Net Position

	Governmental activities		Business-type activities		Total School District		Total percent change
	2018	2019	2018	2019	2018	2019	2018-19
Current and other assets	$ 130,789,003	$ 125,290,282	$ 2,857,611	$ 2,852,112	$ 133,646,614	$ 128,142,394	-4.1%
Capital assets	515,850,709	514,109,944	2,254,971	2,112,047	518,105,680	516,221,991	-0.4%
Total assets	646,639,712	639,400,226	5,112,582	4,964,159	651,752,294	644,364,385	-1.1%
Deferred outflows of resources	73,464,987	61,612,705	181,042	137,237	73,646,029	61,749,942	-16.2%
Current liabilities	88,801,262	89,899,426	1,718,673	1,486,239	90,519,935	91,385,665	1.0%
Long-term liabilities	743,217,532	720,717,372	1,260,454	1,157,117	744,477,986	721,874,489	-3.0%
Total liabilities	832,018,794	810,616,798	2,979,127	2,643,356	834,997,921	813,260,154	-2.6%
Deferred inflows of resources	34,939,859	29,168,337	94,072	70,979	35,033,931	29,239,316	-16.5%
Net position							
Net investment in capital assets	233,115,201	255,368,095	2,254,971	2,112,047	235,370,172	257,480,142	9.4%
Restricted for:							
Capital projects	26,856,298	30,359,266	-	-	26,856,298	30,359,266	13.0%
Debt service	16,063,798	19,102,507	-	-	16,063,798	19,102,507	18.9%
Unrestricted	(422,889,252)	(443,602,072)	(34,546)	275,014	(422,923,798)	(443,327,058)	4.8%
Total net position	$ (146,853,955)	$ (138,772,204)	$ 2,220,425	$ 2,387,061	$ (144,633,530)	$ (136,385,143)	-5.7%

The following table presents a summary of the changes in net position for the fiscal year ended June 30, 2019:

Changes in Net Position

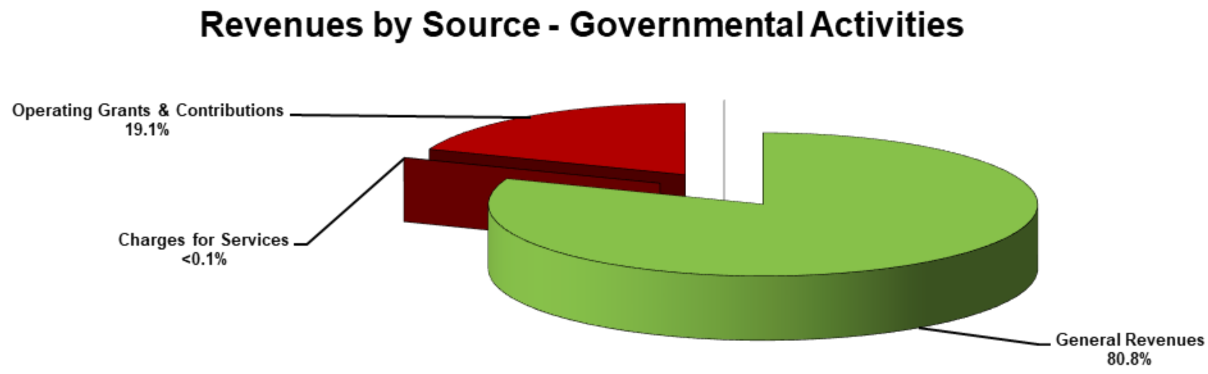
	Governmental activities		Business-type activities		Total School District		Total percent change
	2018	2019	2018	2019	2018	2019	2018-19
REVENUES							
Program revenues							
Charges for sales and services	$ 29,205	$ 74,350	$ 1,801,526	$ 1,750,372	$ 1,830,731	$ 1,824,722	-0.3%
Operating grants and contributions	51,750,456	61,358,358	8,786,844	8,906,330	60,537,300	70,264,688	16.1%
Capital grants and contributions	-	-	-		-	-	0.0%
General revenues							
Property taxes	197,909,041	195,213,645	-		197,909,041	195,213,645	-1.4%
Federal and state formula aid	57,301,376	57,713,475	-		57,301,376	57,713,475	0.7%
Other	3,543,921	6,305,689	2,089	1,920	3,546,010	6,307,609	77.9%
Total revenues	310,533,999	320,665,517	10,590,459	10,658,622	321,124,458	331,324,139	3.2%
EXPENSES							
Instruction	149,776,278	159,073,172	-		149,776,278	159,073,172	6.2%
Support services	143,204,186	137,217,839	-		143,204,186	137,217,839	-4.2%
Community services	276,218	269,169	-		276,218	269,169	-2.6%
Payments to charter schools and other governmental units	6,235,844	8,391,073	-		6,235,844	8,391,073	34.6%
Interest and other charges	12,989,483	7,636,395	-		12,989,483	7,636,395	-41.2%
Food service	-	-	10,288,065	10,488,104	10,288,065	10,488,104	1.9%
Total expenses	312,482,009	312,587,648	10,288,065	10,488,104	322,770,074	323,075,752	0.1%
Excess (deficiency) before transfers	(1,948,010)	8,077,869	302,394	170,518	-1,645,616	8,248,387	-601.2%
Transfers	(7,904)	3,882	7,904	(3,882)	-	-	0.0%
Increase in net position	(1,955,914)	8,081,751	310,298	166,636	(1,645,616)	8,248,387	-601.2%
Net position, beginning of year	64,931,943	(146,853,955)	2,475,073	2,220,425	67,407,016	(144,633,530)	-314.6%
Restatement for GASB 75	(209,829,984)	-	(564,946)	-	(210,394,930)	-	0.0%
Net position, beginning of year as restated	(144,898,041)	(146,853,955)	1,910,127	2,220,425	(142,987,914)	(144,633,530)	0.0%
Net position, end of year	**$ (146,853,955)**	**$ (138,772,204)**	**$ 2,220,425**	**$ 2,387,061**	**$ (144,633,530)**	**$ (136,385,143)**	**-5.7%**

Governmental Activities. Governmental activities increased the School District's net position by $8.1 million. Key elements of the increase are as follows:

> Capital Assets decreased by $1.7 million due primarily to the excess of depreciation expensed over new buildings and building improvements in the period.
>
> Long-term liabilities outstanding decreased by $22.5 million (3.03%). As new construction came to a close, the need for additional bond issuances declined. The decrease in debt outstanding resulted from the excess of principal payments made over new debt issued. The School District issued $29.3 million to fund ongoing capital improvements. Principal payments of $46.9 million were made.

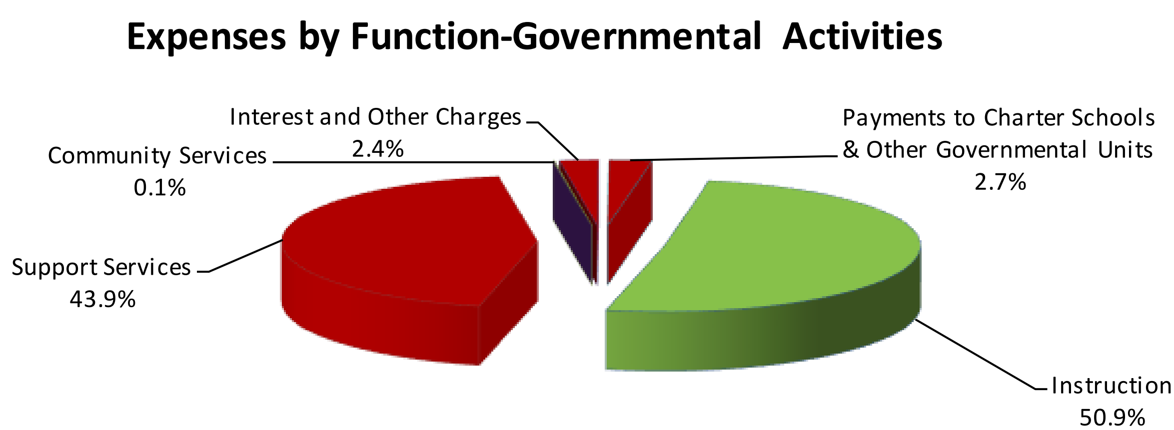
Beaufort County is still considered one of the wealthiest counties in the state since the state's primary funding formula, Education Finance Act (EFA), uses a wealth index based on county real estate values. Beaufort County's close proximity to the coast causes property values to have a higher value thereby providing less state support. The School District's EFA support was $15.7 million based on the wealth index, up $4.1 million from the prior year.

The School District's dependence on local and state tax revenues for government activities is apparent as is demonstrated below. Eighty-one percent of all revenues are provided by general revenues which include local property taxes and federal and state aid, the majority of which is local property taxes.



The total cost of governmental activity programs and services increased .03% to $312.6 million. Instructional expenses increased $9.3 million to $159.1 million, and support expenses combined with payments to charter schools decreased by $5.5 million to $143.6 million. Changes in instructional costs are attributable to an increase in staff to meet the needs of a growing population of students as well as increases in teacher's salaries and benefits.

The figure below represents the cost of five major School District activities: instruction, support services, community services, intergovernmental, and interest and other charges.



The table below shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the School District's taxpayers by each of these functions.

Net Cost of Governmental Activities						
	Total cost of services		Total percent change	Net cost of services		Total percent change
	2018	2019	2018-19	2018	2019	2018-19
Instruction	$ 149,776,278	$ 159,073,172	6.2%	$ 117,488,878	$ 120,887,530	2.9%
Support services	143,204,186	137,217,839	-4.2%	123,969,321	114,224,884	-7.9%
Community services	276,218	269,169	-2.6%	18,822	15,058	-20.0%
Payments to component units and Intergovernmental expenditures	6,235,844	8,391,073	34.6%	6,235,844	8,391,073	34.6%
Interest and other charges	12,989,483	7,636,395	-41.2%	12,989,483	7,636,395	-41.2%
Total	$ 312,482,009	$ 312,587,648	0.0%	$ 260,702,348	$ 251,154,940	-3.7%

The cost of all governmental activities this year was $312.6 million.

The federal and state governments subsidized certain programs with grants and contributions ($61.4 million).

Most of the School District's costs ($251.2 million), however, were financed by the School District and local taxpayers.

This portion of governmental activities was financed with $195.2 million in property taxes, $57.7 million from grants and contributions, $1.6 million of unrestricted investment earnings, and $4.7 million of miscellaneous revenues.

The increase in instructional costs are attributable to an increase in staff to meet the needs of a growing population of students as well as increases in teacher's salaries and benefits.

The decrease in support services is primarily due to a reduction in capital expenditures as most of the major capital projects have been completed.

The decrease in interest and other charges is primarily due to the effect of the timing of interest payments on the amount of interest accrued for outstanding bond issues.

Business Type Activities. The Net Position of business-type activities increased by $166,636 from June 30, 2018 to June 30, 2019 to $2.4 million. Key elements of the increase include:

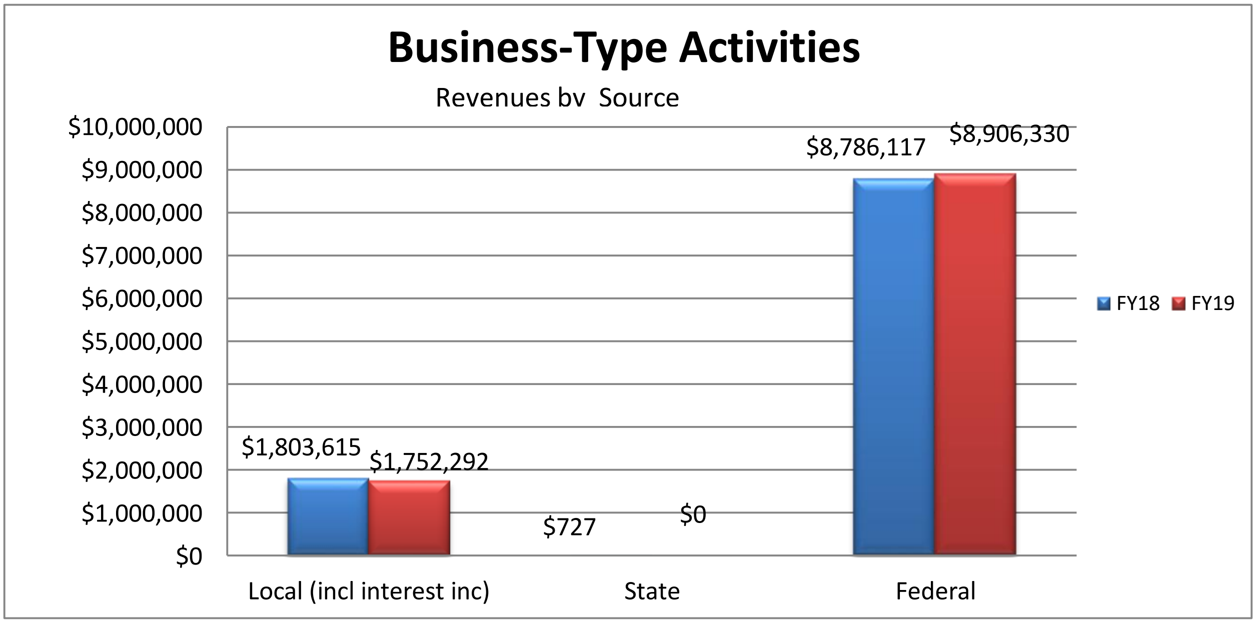
Business-type expenses increased by 1.9% to $10.5 million due primarily to an increase in number of meals served.

Program Revenues - Charges for sales and service, which are primarily proceeds from meal sales, decreased by 2.8% to $1.8 million.

Program Revenues – Operating Grants and Contributions, which are primarily federal reimbursements for meals served, increased by 1.4% to $8.9 million.

Food service operations produced a net gain of $166,636 compared to the prior year's net gain of $310,298.

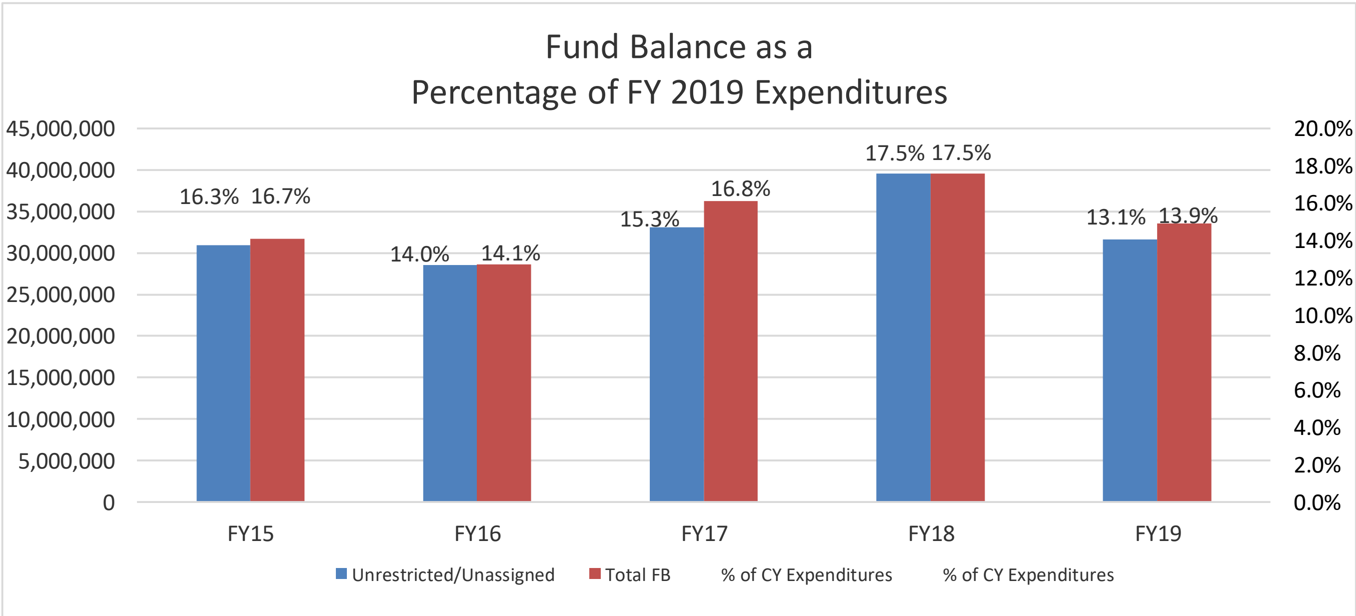
This operation receives no support from local property tax revenues. As demonstrated below, the majority of the revenue received (83.6%) is from federal sources, an increase of .64% of overall revenue from the prior year.



Financial Analysis of the School District's Funds

Governmental Funds. Information about the School District's major funds begins on page 33. These funds are accounted for using the modified accrual basis of accounting and include the following funds: General Fund, Special Revenue, Special Revenue-EIA, Debt Service, Debt Service-EFC and Capital Projects. As the School District completed the year, its government funds reported combined fund balances of $83.0 million - a $481,550 increase from last year's ending fund balances. The net change in fund balance was most significant in the general fund ($6.1 million decrease) and is primarily attributable to a shortfall in local property tax collections.

The general fund is the chief operating fund of the School District. The following graph shows the general fund's unassigned fund balance as a percentage of current year budgeted expenditures and other financing uses. Our Board requires a 15-17% fund balance measured against the next year's expenditure budget.



The graph above can be used to measure the overall financial health of the School District. The General Fund unassigned fund balance of $31,661,366 at June 30, 2019 represents 13.1% of budgeted FY 2019 expenditures or approximately forty-eight days of operations. The School District has engaged measures to ensure the fund balance is maintained within acceptable levels to meet Board policy. The Board's policy is to maintain a 15% to 17% unassigned fund balance of the next year's projected expenditure budget. Measures to do this include cost containment and seeking alternative revenue sources through grants and lease agreements, as well as a collaborative relationship with County Council who approves the millage rate for general operations. In FY 2019, the School District budgeted for a net decrease in fund balance of $2,107,727. However, due to a shortfall in local property tax collections, fund balance was reduced by $6.1 million.

The School District's Special Revenue and EIA Funds are used to account for revenues derived from the State of South Carolina and the Federal Government. Most Special Revenue Funds do not have fund balances as revenues should be expended, deferred or returned to the grantor. Total revenue for Special Revenue funds increased by $1.1 million and total revenue for EIA funds decreased by $1.7 million. The School District maintains adequate carryover balances to support long-term initiatives and to offset potential reductions in state and federal allocations.

The Debt Service fund shown in the accompanying financial statements of the School District includes the regular School District Debt Service fund and the EFC (Educational Facilities Corporation) Debt Service Fund. Both funds are used to account for the accumulation of funds for debt retirement. The debt millage rate held steady at 31.71 mills in FY 2019, a rate needed to adequately support the School District's scheduled debt payments. The fund balance for the regular School District Debt Service increased by $3.1 million primarily due to a $3.4 million increase in local property tax collections. The fund balance for the EFC Debt Service fund decreased by $14,165 to a total of $43,750. The EFC Debt Service fund is funded by the issuance of short-term bonds that are recorded as a transfer from the regular School District Debt Service fund to the EFC Debt Service Fund. The amount of the short-term bonds issued are planned to equal the debt payments made out of the EFC Debt Service fund so no material change in fund balance is expected.

The School District uses Capital Projects Funds to account for school construction and improvement projects which are primarily financed through bond referenda or 8% debt issues. The Capital Projects fund balance increased by $3.5 million to a total of $30.4 million. The relatively small change in fund balance is primarily due to the fact that the District currently does not have any large construction initiatives in place. General obligation bonds are issued annually in an amount to sustain ongoing repair and maintenance functions.

Proprietary Funds. The School District's proprietary funds consist of the School District's Food Service operations and the Internal Service Fund. The proprietary funds provide the same type of information found in the government-wide statements but in more detail.

Food Service operations, which are outsourced to an external vendor, are business-type activities, while the other proprietary fund, the Internal Service Fund, is a governmental activity. The Internal Service Fund was established at the end of FY 2006 for insurance and risk management services to include:

- Payment of claims (under $25,000 deductible per claim),
- Obtain services or programs to enable the School District to maintain insurance or purchase additional coverage,
- Provide services or programs aimed at reducing hazards or exposures thereby reducing the cost of insurance and
- Utilize actuarial or other consulting services related to our commercial insurance programs that will benefit the program.

Net position in the Internal Service Fund increased from $1,019,332 at June 30, 2018 to $1,377,723 at June 30, 2019. This is the result of insurance proceeds recorded in FY 2019.

General Fund Budgetary Highlights

As always, the School District's budget was developed utilizing a long-term approach. It is essential to consider projected expenditures over the next 5 years, especially for a School District that is experiencing an increase in enrollment. The School District faced $16.8 million in increased costs primarily due to enrollment growth, state and federally mandated increases, contractual increases and program expansion. In order to minimize the impact of these increases, $1.3 million of cost reductions were identified causing the School District's FY 2019 general fund expenditure budget to increase by $15.5 million to $241.3 million. Beaufort County Council decreased the operating millage from 113.5 to 104.6 due to county-wide reassessment.

The key revenue highlights for FY 2019 are as follows:

- Total actual property tax revenues for the General Fund of $134.4 million were less than the final budgeted revenues of $143.7 million. This $9.3 million deficit is primarily due to an excessive reduction in the millage rate during the reassessment millage rollback calculation.
- State revenues exceeded the final budget by $213,641 million primarily due to an increase in fringe benefits revenue.

- Federal revenues reflect collections of multi-year E-rate and impact aid reimbursements. These funds represent reimbursements for telecommunications upgrades, wireless access points and other technology infrastructure. The E-rate reimbursements are dependent upon the release of federal funds, therefore, very unpredictable and difficult to budget.
- A tax anticipation note (TAN) in the amount of $9.0 million was drawn down in the Fall of 2018 and repaid in January 2019. Since the fund balance is inadequate to support operational costs during periods of low revenue collections of local property taxes, the School District continues to be dependent on short-term borrowing. Once tax collections resume in January, the TAN is repaid.
- Total spending in the General Fund is reported at 98.0% of the $241.3 million budget. This represents under spending in the amount of $4.9 million.
- The School District's first charter school opened in FY 2010. Payments to the charter school are allocated using a state-required formula involving enrollment and District-wide revenues. Funding increased by $451,784 from FY 2018 to FY 2019 due to an increase in students.
- Office of the Superintendent salary expense exceeded the amount budgeted due to the payout of an outgoing Superintendent's contract.

Capital Asset and Debt Administration

Capital Assets - At the end of fiscal year 2019, the School District had invested $863.1 million in a broad range of capital assets, including school buildings, athletic facilities, and various types of equipment necessary to operate the School District's 32 schools and an administrative office. This amount represents an increase of $19.5 million from the prior year (more detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year was $21.2 million.

Capital Assets (net of accumulated depreciation)

	Governmental activities		Business-type activities		Percent change
	2018	2019	2018	2019	2018-19
Land	$ 41,299,484	$ 41,299,484	$ -	$ -	0.0%
Improvements	130,272,597	130,696,188	-	-	0.3%
Buildings	325,117,989	316,179,967	-	-	-2.7%
Equipment	8,909,355	7,906,855	2,091,260	2,112,047	-8.9%
Construction/equipment in progress	10,251,284	18,027,450	163,711	-	73.1%
Total	$ 515,850,709	$ 514,109,944	$ 2,254,971	$ 2,112,047	-0.4%

Capital expenditures consisted primarily of the mobile classroom project at May River High School, as well as minor renovations and preventive maintenance of existing facilities. The new facilities were funded using the School District's 8% debt capacity and will be open for operations by the end of the 2019-20 school year. No new schools are scheduled for construction at this time. The School District also continues to develop and update an annual 5-year capital improvement plan to cover the School District's prioritized capital renewal and new construction needs. Project priorities include the health and safety of children and staff, asset preservation, the adequacy of facilities for effective learning, the reduction of school overcrowding, and the completion of phased renovations and building modifications.

Long-Term Debt - At year-end, the School District had $273,905,621 in bonds outstanding (excluding short-term debt obligations, deferred charges and unamortized premiums)- a decrease of $16.9 million. Since new schools are not in the plans for the upcoming year, the only additions to debt included $29.3 million in bonds issued for ongoing capital improvements. More detailed information about long-term debt can be found in Note 10 of the financial statements.

State statutes limit the amount of general obligation debt a governmental entity may issue to eight percent (8%) of its total assessed valuation. The current debt limitation for the School District is $157.6 million which is in excess of the School District's applicable outstanding debt of $103.0 million, leaving capacity of $54.6 million.

Bond Ratings - The School District maintains an "Aa1" underlying rating from Moody's Investor Service and an "AA" rating from Standard & Poor's for general obligation debt. Additional security is provided by the South Carolina School District Credit Enhancement Program (Government Obligations Rated Aa1 and AA), which applies to all of the School District's outstanding general obligation debt.

Economic Factors and Next Year's Budgets and Rates

According to the 2018 Census estimates, Beaufort County has grown by 16.3% since the 2010 Census, making it the fifth fastest growing county in the state. The other four counties that grew faster during that period were Horry at 27.8%, Berkeley at 24.3%, Lancaster at 24.4%, and York at 21.3%. Since the 2010 Census, the student population has grown by 13.7% based on enrollment projected for the 2019-2020 school year.

The District also continues to derive economic benefits from the presence and expansion of military facilities, including the U.S. Marine Corps Recruit Depot, the Marine Corps Air Station and the Beaufort Naval Hospital. The military facilities provide steady employment during poor economic times. The U.S. Marine Corps Recruit Depot at Parris Island, the Marine Corps Air Station-Beaufort, and the Beaufort Naval Hospital are all located within the County.

Tourism is the major industry in Beaufort County. In 2018, tourists spent approximately $1.48 billion in Beaufort County, according to a report by Regional Transactions Concepts, LLC entitled "Estimated Impact of Beaufort County Tourism in 2018." In 2018, tourism was responsible for over 16,500 jobs, and approximately $15 million in net revenues for local governments. This figure excludes revenue generated by state and local accommodations tax, local hospitality and recreation taxes. Visitation to Beaufort County had decreased from the prior year as with other areas in this region due to adverse weather events.

Total retail sales were up 0.1% in 2018. Countywide, the number of residential new construction permits decreased from 2017 to 2018 by 47%. A large number of residences are currently under construction, particularly in the Bluffton area.

The county's unemployment rate at 3.3% remains below the State of South Carolina's rate of 3.6% as of June 2019. The rate remained steady with no change from the prior year. Business expansion in the area have contributed to a steady low unemployment rate.

The most recent available information shows the County has a median family income of $60,603 for calendar 2017. This income level continually ranks the County as one of the highest in the State and is above national levels.

During tax year 2018 (fiscal year 2019), the Beaufort County Council decreased the operating millage from 113.5 to 104.6 mills resulting in a negative variance in the amount of $9.3 million. This negative variance was a primary factor in not maintaining unassigned fund balance at a level that falls within the 15% to 17% range of budgeted expenditures required by Board policy. The Beaufort County Council increased the operating millage from 104.6 to 114.0 for tax year 2019 (fiscal year 2020).

The Board of Education and County Council continue to work as a team to determine a realistic mill value and set the millage at a level that supports the School District's instructional goals while minimizing the impact on taxpayers.

With the economy showing signs of stabilization, student enrollment continues a pattern of growth. As of the 45th day, the School District grew by 158 students to 22,345 from 22,187 in the prior year, an increase of .71%. The School District's student enrollment projections, as well as county growth projections indicate that the majority of the growth is occurring in the southern portion of our county, particularly in the Bluffton area.

The FY 2020 General Fund budget was approved at $254.3 million, an increase of 5.4% from the FY 2019 budget of $241.3 million. A portion of the rise in expenditures is state mandated, including $10.8 million for teacher step increases and a rise in retirement and health insurance costs. Increases due to enrollment growth amounted to $2.2 million. Increases due to safety and security, operational and other increases totaled $2.7 million. Budget reductions were needed to bring the budget to a level supported by County Council. The administration identified savings in custodial services, energy, property and athletic insurance, and telecommunications and was able to move staff members to Special Revenue Funds, all amounting to $2.7 million in budget reductions.

This FY 2020 budget represents a balance between keeping momentum in student achievement and minimizing tax-payer impact. Local tax revenues for FY 2020 are based upon a millage rate of 114.0. This represents an increase of 9.4 mills from the prior year. The debt millage maintained a rate of 31.71 mills. The School District continues to work with the County staff by preparing long-range plans to maintain continuity of the School District's excellent bond rating which ultimately saves interest costs for the taxpayers of Beaufort County.

Requests for Information

This financial report is designed to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department, Beaufort County School District, 2900 Mink Point Blvd, P.O. Drawer 309, Beaufort, South Carolina 29901. In addition, this Comprehensive Annual Financial Report may be found on the School District's website at http://www.beaufortschools.net.

BASIC FINANCIAL STATEMENTS

Beaufort County School District

Statement of Net Position

As of June 30, 2019

	Primary Government			Component Unit
	Governmental activities	Business-type activities	Total	Riverview Charter School
Assets				
Current assets				
Cash and investments	$ 21,048,671	$ 1,928,174	$ 22,976,845	$ 805,679
Deposits with Beaufort County Treasurer	83,340,081	-	83,340,081	-
Receivables				
Taxes, net	9,261,980	-	9,261,980	-
Due from other governmental units	9,489,887	379,731	9,869,618	39,246
Other	124,953	454,008	578,961	12,638
Internal balances	(45,092)	45,092	-	-
Inventories	-	45,107	45,107	-
Restricted cash and cash equivalents	46,549	-	46,549	-
Prepaid items	2,023,253	-	2,023,253	6,544
Deferred charges	-	-	-	-
Total current assets	125,290,282	2,852,112	128,142,394	864,107
Non-current assets				
Deposits	-	-	-	10,000
Non-depreciable capital assets	59,326,934	-	59,326,934	125,864
Depreciable capital assets, net of accumulated depreciation	454,783,010	2,112,047	456,895,057	-
Total non-current assets	514,109,944	2,112,047	516,221,991	135,864
Deferred outflows of resources				
Deferred outflows related to pensions	44,521,982	108,340	44,630,322	1,445,678
Deferred outflows related to OPEB	11,874,915	28,897	11,903,812	430,079
Deferred charge on refunding	5,215,808	-	5,215,808	-
Total deferred outflows of resources	61,612,705	137,237	61,749,942	1,875,757
Liabilities				
Current liabilities				
Accounts payable	7,043,864	1,306,168	8,350,032	28,090
Retainage payable	651,787	-	651,787	171,857
Due to other governmental units	74,777	-	74,777	5,961
Accrued salaries and benefits	19,731,627	39,623	19,771,250	-
Unearned revenue	5,256,850	140,448	5,397,298	39,443
Accrued interest	7,234,060	-	7,234,060	-
Short-term debt obligations	348,000	-	348,000	-
Long-term liabilities, due within one year	49,558,461	-	49,558,461	-
Total current liabilities	89,899,426	1,486,239	91,385,665	245,351
Long-term liabilities				
Long-term liabilities, net of current portion	246,236,214	2,509	246,238,723	-
Net pension obligation	263,731,317	641,767	264,373,084	7,160,840
Net OPEB obligation	210,749,841	512,841	211,262,682	5,763,177
Total long-term liabilities	720,717,372	1,157,117	721,874,489	12,924,017
Total liabilities	810,616,798	2,643,356	813,260,154	13,169,368
Deferred inflows of resources				
Deferred inflows related to pensions	11,082,248	26,968	11,109,216	347,159
Deferred inflows related to OPEB	18,086,089	44,011	18,130,100	471,366
Total deferred inflows of resources	29,168,337	70,979	29,239,316	818,525
Net position				
Net investment in capital assets	255,368,095	2,112,047	257,480,142	125,864
Restricted for:				
Capital projects	30,359,266	-	30,359,266	-
Debt service	19,102,507	-	19,102,507	-
Special Projects	-	-	-	104,364
Unrestricted	(443,602,072)	275,014	(443,327,058)	(11,342,393)
Total net position	$ (138,772,204)	$ 2,387,061	$ (136,385,143)	$ (11,112,165)

The accompanying notes are an integral part of these basic financial statements.

Beaufort County School District

Statement of Activities

For the fiscal year ended June 30, 2019

		Program revenues			Net (expense) revenue and changes in net position			
	Expenses	Charges for sales and service	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total	Component Unit Riverview Charter School
Functions/Programs								
Governmental activities								
Instruction	$ 159,073,172	$ 74,350	$ 38,111,292	$ -	$ (120,887,530)		$ (120,887,530)	
Support services	137,217,839	-	22,992,955	-	(114,224,884)		(114,224,884)	
Community services	269,169	-	254,111	-	(15,058)		(15,058)	
Payments to component units	6,347,868	-	-	-	(6,347,868)		(6,347,868)	
Intergovernmental expenditures	2,043,205	-	-	-	(2,043,205)		(2,043,205)	
Interest and other charges	7,636,395	-	-	-	(7,636,395)		(7,636,395)	
Total governmental activities	312,587,648	74,350	61,358,358	-	(251,154,940)		(251,154,940)	
Business-type activities								
Food service	10,488,104	1,750,372	8,906,330	-		$ 168,598	168,598	
Total business-type activities	10,488,104	1,750,372	8,906,330	-		168,598	168,598	
Total primary government	$ 323,075,752	$ 1,824,722	$ 70,264,688	$ -	(251,154,940)	168,598	(250,986,342)	
Component unit								
Charter school	$ 7,579,135	$ 441,747	$ 6,772,961	$ -				$ (364,427)
General revenues:								
Property taxes levied for:								
General purposes					135,222,656	-	135,222,656	-
Debt service					59,990,989	-	59,990,989	-
Federal and state aid not restricted for specific purpose					57,713,475	-	57,713,475	-
Unrestricted investment earnings					1,619,331	1,920	1,621,251	-
Miscellaneous					4,686,358	-	4,686,358	358,729
Subtotal, general revenues					259,232,809	1,920	259,234,729	358,729
Excess of revenues over (under) expenses					8,077,869	170,518	8,248,387	(5,698)
Transfers					3,882	(3,882)	-	-
Change in net position					8,081,751	166,636	8,248,387	(5,698)
Net position, beginning of year					(146,853,955)	2,220,425	(144,633,530)	(11,106,467)
Net position, end of year					$ (138,772,204)	$ 2,387,061	$ (136,385,143)	$ (11,112,165)

The accompanying notes are an integral part of these basic financial statements.

Beaufort County School District

Balance Sheet - Governmental Funds

As of June 30, 2019

	General	Special Revenue Funds: Special Projects	Special Revenue Funds: Education Improvement Act	Debt Service - District	Capital Projects	Non-Major: Debt Service - EFC	Total Governmental Funds
Assets							
Cash and investments	$ 14,061,454	$ -	$ -	$ -	$ 6,987,217	$ -	$ 21,048,671
Deposits with Beaufort County Treasurer	32,617,183	-	4,811,110	17,622,244	28,289,544	-	83,340,081
Receivables							
Accounts receivable	72,483	51,139	-	-	1,331	-	124,953
Taxes, net	7,036,806	-	-	2,225,174	-	-	9,261,980
Due from other governmental units	4,897,006	3,081,127	172,595	1,339,159	-	-	9,489,887
Prepaid items	1,885,406	129,141	8,706	-	-	-	2,023,253
Due from other funds	141,015	307	2,100	-	-	-	143,422
Restricted cash and cash equivalents	-	-	-	-	-	46,549	46,549
Total assets	$ 60,711,353	$ 3,261,714	$ 4,994,511	$ 21,186,577	$ 35,278,092	$ 46,549	$ 125,478,796
Liabilities							
Accounts payable	$ 3,667,435	$ 439,930	$ 67,209	$ -	$ 4,244,214	$ 2,799	$ 8,421,587
Retainage payable	-	-	-	-	651,787	-	651,787
Due from other governmental units	-	-	74,777	-	-	-	74,777
Due to other funds	178,224	8,620	1,670	-	-	-	188,514
Accrued salaries and benefits	17,301,633	1,094,960	1,312,209	-	22,825	-	19,731,627
Short-term debt obligations	-	-	-	348,000	-	-	348,000
Unearned revenue	-	1,718,204	3,538,646	-	-	-	5,256,850
Total liabilities	21,147,292	3,261,714	4,994,511	348,000	4,918,826	2,799	34,673,142
Deferred inflows of resources							
Unavailable revenue	6,017,289	-	-	1,779,820	-	-	7,797,109
Fund balances							
Nonspendable	1,885,406	129,141	8,706	-	-	-	2,023,253
Restricted	-	-	-	19,058,757	30,359,266	43,750	49,461,773
Unassigned	31,661,366	(129,141)	(8,706)	-	-	-	31,523,519
Total fund balances	33,546,772	-	-	19,058,757	30,359,266	43,750	83,008,545
Total liabilities, deferred inflows of resources, and fund balances	$ 60,711,353	$ 3,261,714	$ 4,994,511	$ 21,186,577	$ 35,278,092	$ 46,549	$ 125,478,796

The accompanying notes are an integral part of these basic financial statements.

(Continued)

Beaufort County School District

Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position

As of June 30, 2019

Total governmental fund balances	$	83,008,545
Amounts reported for governmental activities in the Statement of Net Position are different because of the following:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. The cost of assets is $863,100,612 and the accumulated depreciation is $348,990,668.		514,109,944
Property taxes receivable are not available to pay for current period expenditures and therefore are unavailable in the funds.		7,797,109
The internal service fund is used to fund insurance and risk management of the School District. The assets and liabilities of the internal service fund are included with governmental activities.		1,377,723
Pension related deferrals		16,537,996
OPEB related deferrals		(14,099,759)
Contributions to the pension plans in the current year		16,901,738
Contributions to the OPEB plans in the current year		7,888,585
Net pension obligation		(263,731,317)
Net OPEB obligation		(210,749,841)
Some liabilities and deferred amounts are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable		(273,905,621)
Acquisition note payable		(2,139,600)
Accrued compensated absences		(1,456,258)
Accrued interest payable		(7,234,060)
Unamortized bond premiums		(18,293,196)
Deferred charge on refunding		5,215,808
Net position of governmental activities	$	(138,772,204)

The accompanying notes are an integral part of these basic financial statements.

Beaufort County School District

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds

For the fiscal year ended June 30, 2019

	General	Special Revenue Funds: Special Projects	Special Revenue Funds: Education Improvement Act	Debt Service - District	Capital Projects	Non-Major: Debt Service - EFC	Total Governmental Funds
Revenues							
Local							
Property taxes	$ 135,222,656	$ -	$ -	$ 61,158,491	$ -	$ -	$ 196,381,147
Interest	354,161	-	-	171,190	1,089,473	4,507	1,619,331
Other	451,691	928,048	-	-	1,106,581	-	2,486,320
Total local	136,028,508	928,048	-	61,329,681	2,196,054	4,507	200,486,798
State	86,021,669	5,469,493	14,604,018	1,379,111	-	-	107,474,291
Federal	809,072	12,228,066	-	-	79,893	-	13,117,031
Total revenues	222,859,249	18,625,607	14,604,018	62,708,792	2,275,947	4,507	321,078,120
Expenditures							
Current							
Instruction	141,660,519	10,948,211	5,862,872	-	-	-	158,471,602
Support services	88,074,169	5,164,467	1,669,931	-	-	-	94,908,567
Community services	-	254,111	-	-	-	-	254,111
Debt service							
Principal	-	-	-	44,875,700	-	2,005,000	46,880,700
Interest and fiscal charges	23,660	-	-	12,080,006	-	737,630	12,841,296
Capital outlay	-	-	-	-	29,616,581	-	29,616,581
Intergovernmental expenditures							
Payments to other governmental units	6,459,252	1,810,776	121,045	-	-	-	8,391,073
Total expenditures	236,217,600	18,177,565	7,653,848	56,955,706	29,616,581	2,742,630	351,363,930
Excess (deficiency) of revenues over (under) expenditures	(13,358,351)	448,042	6,950,170	5,753,086	(27,340,634)	(2,738,123)	(30,285,810)
Other financing sources (uses)							
Transfers in	7,512,094	-	-	-	103,870	2,723,958	10,339,922
Transfers out	(213,870)	(448,042)	(6,950,170)	(2,723,958)	-	-	(10,336,040)
Proceeds from the sale of capital assets	-	-	-	-	4,000	-	4,000
Premium on bonds sold	-	-	-	23,746	1,485,732	-	1,509,478
Issuance of general obligation bonds	-	-	-	-	29,250,000	-	29,250,000
Total other financing sources (uses)	7,298,224	(448,042)	(6,950,170)	(2,700,212)	30,843,602	2,723,958	30,767,360
Net change in fund balances	(6,060,127)	-	-	3,052,874	3,502,968	(14,165)	481,550
Fund balances, beginning of year	39,606,899	-	-	16,005,883	26,856,298	57,915	82,526,995
Fund balances, end of year	$ 33,546,772	$ -	$ -	$ 19,058,757	$ 30,359,266	$ 43,750	$ 83,008,545

The accompanying notes are an integral part of these basic financial statements.

(Continued)

Beaufort County School District

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the fiscal year ended June 30, 2019

Total net change in fund balance - governmental funds	$	481,550
Amounts reported for governmental activities in the Statement of Activities are different because of the following:		
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which the net acquisition of capital assets ($19,465,409) was exceeded by depreciation expense ($21,206,174) in the period.		(1,740,765)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current year, these amounts consisted of:		
Bond principal retirement		46,186,000
Note payable repayment		694,700
Bond proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Position. In the current period, proceeds were received from bonds issued.		(29,250,000)
Premiums on bonds sold		(1,509,478)
Amortization of bond premiums		6,000,655
Because some property taxes will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues in the governmental funds. Unavailable tax revenues decreased by this amount this year.		(1,167,502)
In the Statement of Activities, certain operating expenses - compensated absences (vacation pay) - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation used exceeded the amounts earned.		(100,335)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		16,901,738
A 1% contribution made by the State on employers' behalves directly to PEBA in fiscal year 2019 is not included on the Statement of Activities as the measurement date for fiscal year 2020 is a year in arrears. Revenues and expenditures of $1,207,017 are excluded from the Statement of Activities.		-
A 1% contribution made by the State on employers' behalves directly to PEBA in the prior fiscal year is not reported as revenue in the governmental funds but is included on the Statement of Activities as the measurement date for fiscal year 2019 is a year in arrears.		1,207,017
Contributions to the OPEB plan in the current fiscal year are not included on the Statement of Activities		7,888,585
Non-employer contributions related to OPEB made by PEBA on behalf of the School District in fiscal year 2019 are not included on the Statement of Activities as the measurement date for fiscal year 2020 is a year in arrears. Revenues and expenditures of $1,537,968 are excluded from the Statement of Activities.		-
Non-employer contributions related to OPEB made by PEBA on behalf of the School District in the prior fiscal year are not reported as revenue in the governmental funds but are included on the Statement of Activities as the measurement date for fiscal year 2019 is a year in arrears.		1,594,167
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Amortization of deferred amount on refunding		(1,007,502)
School District's portion of net pension related expenses		(27,357,785)
School District's portion of net OPEB related expenses		(12,004,133)
An internal service fund is used to fund insurance and risk management of the School District. The net change in net position of the internal service fund is reported with governmental activities.		358,391
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		906,448
Change in net position of governmental activities	$	8,081,751

The accompanying notes are an integral part of these basic financial statements.

Beaufort County School District

Statements of Net Position - Proprietary Funds

As of June 30, 2019

	Business-type Activities Enterprise Fund-Student Nutrition	Governmental Activities Internal Service Fund
Assets		
Current assets		
Cash and cash equivalents	$ 1,928,174	$ 1,737,049
Due from other governmental units	379,731	-
Accounts receivable	454,008	-
Due from other funds, net	45,092	-
Inventories	45,107	-
Total current assets	2,852,112	1,737,049
Non-current assets		
Equipment and vehicles	5,619,464	-
Less: accumulated depreciation	(3,507,417)	-
Total non-current assets	2,112,047	-
Total assets	4,964,159	1,737,049
Deferred outflows of resources		
Deferred outflows related to pensions	108,340	-
Deferred outflows related to other postemployment benefits	28,897	-
Total deferred outflows of resources	137,237	-
Liabilities		
Current liabilities		
Accounts payable	1,306,168	533
Accrued salaries and benefits	39,623	-
Claims payable	-	358,793
Unearned revenue	140,448	-
Total current liabilities	1,486,239	359,326
Long-term liabilities		
Net pension obligation	641,767	-
Net other postemployment benefits liability	512,841	-
Accrued compensated absences	2,509	-
Total long-term liabilities	1,157,117	-
Total liabilities	2,643,356	359,326
Deferred inflows of resources		
Deferred inflows related to pensions	26,968	-
Deferred inflows related to other postemployment benefits	44,011	-
Total deferred inflows of resources	70,979	-
Net position		
Net investment in capital assets	2,112,047	-
Unrestricted	275,014	1,377,723
Total net position	$ 2,387,061	$ 1,377,723

The accompanying notes are an integral part of these basic financial statements.

Beaufort County School District

Statements of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds

For the fiscal year ended June 30, 2019

	Business-type Activities Enterprise Fund-Student Nutrition	Governmental Activities Internal Service Fund
Operating revenues		
Proceeds from sale of meals	$ 1,497,008	$ -
Miscellaneous	802,269	1,225,054
Total operating revenues	2,299,277	1,225,054
Operating expenses		
Food costs	680,418	-
Salaries, wages and benefits	346,295	536,898
Supplies	132,887	329,765
Depreciation	255,170	-
Supplies and materials	8,943,431	-
Total operating expenses	10,358,201	866,663
Operating income (loss)	(8,058,924)	358,391
Non-operating revenues (expenses)		
USDA reimbursements	7,677,007	-
Commodities received from USDA	680,418	-
Interest	1,920	-
Payments to charter school	(129,903)	-
Total non-operating revenues (expenses)	8,229,442	-
Transfers in (out), net	(3,882)	-
Change in net position	166,636	358,391
Net position, beginning of year	2,220,425	1,019,332
Net position, end of year	$ 2,387,061	$ 1,377,723

The accompanying notes are an integral part of these basic financial statements.

Beaufort County School District

Statements of Cash Flows - Proprietary Funds

For the fiscal year ended June 30, 2019

	Business-type Activities Enterprise Fund-Student Nutrition	Governmental Activities Internal Service Funds
Cash flows from operating activities:		
Operating cash receipts from customers and users	$ 2,944,905	$ -
Charges from other funds	-	1,225,054
Payments to and on behalf of employees	(432,422)	(510,691)
Payments to suppliers for goods and services	(9,935,899)	(343,209)
Net cash used by (for) operating activities	(7,423,416)	371,154
Cash flows from noncapital financing activities:		
USDA Reimbursements	8,357,425	-
Advances between funds	(3,882)	-
Payments to charter school	(129,903)	-
Net cash received from noncapital financing activities	8,223,640	-
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(112,246)	-
Net cash provided by (used for) capital and related financing activities	(112,246)	-
Cash flows from investing activities:		
Interest on investments	1,920	-
Net cash received from investing activities	1,920	-
Net change in cash and cash equivalents	689,898	371,154
Cash and cash equivalents, beginning of year	1,238,276	1,365,895
Cash and cash equivalents, end of year	$ 1,928,174	$ 1,737,049
Reconciliation of operating income (loss) to net cash used by operating activities:		
Operating income (loss)	$ (8,058,924)	$ 358,391
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	255,170	-
Changes in assets and liabilities:		
Accounts receivable	686,898	-
Inventories	21,636	-
Accounts payable	(206,152)	(13,444)
Accrued salaries and benefits	(3,502)	-
Accrued compensated absences	1,516	-
Claims payable	-	26,207
Due to/from other funds	(13,137)	-
Unearned revenue	(22,780)	-
Pension related deferred outflows / inflows and liabilities	(34,739)	-
OPEB related deferred outflows / inflows and liabilities	(49,402)	-
Net cash provided by (used for) operating activities	$ (7,423,416)	$ 371,154
Supplemental information:		
Non-cash commodities received from the USDA	$ 680,418	$ -

The accompanying notes are an integral part of these basic financial statements.

Beaufort County School District

Statement of Fiduciary Assets and Liabilities - Agency Fund

As of June 30, 2019

Assets		
Cash	$	2,876,881
Accounts receivable		1,700
Prepaid items		850
Total assets	$	2,879,431
Liabilities		
Accounts payable	$	242,201
Accrued salaries and benefits		31,275
Due to student organizations		2,605,955
Total liabilities	$	2,879,431

The accompanying notes are an integral part of these basic financial statements.

Note 1. Summary of Significant Accounting Policies

Beaufort County School District (the "School District") operates 17 elementary schools, 2 pre-K through 8th grade schools, 6 middle schools, 6 high schools, 1 special school, a charter school, and a career center within the limits of Beaufort County.

A. *Reporting Entity*

The School District is governed by an eleven member elected Board of Education (the "Board"). The School District provides regular and exceptional education for students in pre-school through grade twelve and funds two-thirds of the Beaufort Jasper Academy for Career Excellence, which provides vocational instruction.

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

The following is a summary of the more significant policies:

The School District's financial statements include all funds over which the Board is considered to be financially accountable. The School District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. However, the School District is not included in any other governmental reporting entity because it does not meet the financial accountability criteria for inclusion established by governmental accounting standards. Local board members have decision-making authority.

The School District has determined that there is one support entity that meets the requirements for inclusion as a blended component unit, and one as a discretely presented component unit.

Blended Component Unit - South Carolina Association of Governmental Organizations ("SCAGO") Educational Facilities Corporation for Beaufort County School District ("EFC") was incorporated on December 11, 2006, for educational and charitable purposes, specifically to undertake certain obligations with respect to the acquisition or sale of real and/or personal property in connection with the design, construction, operation, financing, and refinancing of education facilities to be used by the School District and such other projects located in and for the benefit of the School District as may be permitted by applicable law. The EFC is organized and shall be operated exclusively for the charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code. The EFC has five board members, three are appointed by the board of directors of the SCAGO and two consist of the Superintendent and the Director of Finance (or their equivalents) of the School District. The board of directors of the EFC may increase from a minimum of five to a maximum of 10; however, in all events, less than 50% of the members of the board of directors shall be representatives of or controlled by the School District. The EFC meets the criteria of a blended component unit and therefore, the operations of the EFC are blended with the operations of the School District as required by accounting principles generally accepted in the United States of America.

Note 1. Summary of Significant Accounting Policies, Continued

A. Reporting Entity, continued

Discretely Presented Component Unit - Riverview Charter School provides education to students in Kindergarten through eighth grade in an experiential-based learning environment. The school is owned and operated by a non-profit corporation. It operates under an agreement with the Beaufort County School District and began operations August 2009. The agreement is governed by state statutes which, as interpreted by the State Department of Education, require the inclusion of charter schools as discretely presented component units of the sponsoring district. Riverview Charter School is funded by Beaufort County School District and is located within the bounds of the School District. Financial statements of Riverview Charter School may be available at the school's administrative offices at 81 Savannah Hwy, Beaufort, SC 29906.

B. Basis of Presentation

The statements of the School District are presented as follows:

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the School District, except for fiduciary funds. The effect of interfund activity has been removed from these statements. Interfund services provided and used are not eliminated in the process of consolidation. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in part by fees and charged to external parties.

The government-wide statements are prepared using the *economic resources measurement focus*. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the financial statements for governmental funds.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function or program of the School District's governmental activities. *Direct expenses* are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function.

Depreciation expense has been allocated to individual functions in the governmental activities. *Program revenues* include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, including taxes, which are not classified as program revenues are presented as *general revenues* of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

Note 1. Summary of Significant Accounting Policies, Continued

B. Basis of Presentation, continued

Fund Financial Statements - Fund financial statements report detailed information about the School 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. Non-major funds, if any, are denoted as such.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of *current financial resources measurement focus*. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of *economic resources measurement focus*. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The Statement of Cash Flows provides information about how the School District finances and meets cash flow needs of its proprietary activities.

Statements of Cash Flows - For purposes of the Statement of Cash Flows, the proprietary fund considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

C. Measurement Focus and Basis of Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into governmental, proprietary, and fiduciary fund types.

Governmental Funds

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is separated as fund balance. The following are the School District's governmental funds:

General Fund (major fund) - to account for all financial transactions not properly accounted for in another fund. The School District uses this fund to account for expenditures principally for administration, instruction, pupil services, operation and maintenance of plant and related fixed charges.

Note 1. Summary of Significant Accounting Policies, Continued

C. Measurement Focus and Basis of Accounting, continued

Governmental Funds (continued)

Special Revenue Funds (major funds) - to account for the proceeds of specific revenue sources (other than debt service or major capital projects) that are restricted, committed, or assigned to expenditures for specified purposes. The School District has two special revenue funds:

(1) Special Projects Fund, a budgeted fund used to account for financial resources provided by federal, state, and local projects and grants.
(2) The Education Improvement Act ("EIA") Fund, a budgeted fund used to account for the revenue from the Education Improvement Act of 1984 and legally required to be accounted for as a specific revenue source.

Capital Projects (Building) Fund (major fund) – a fund that holds financial resources that are restricted, committed, or assigned to account for capital outlay expenditures.

Debt Service Fund - District (major fund) - a budgeted fund used to account for annual payments of principal and interest on long-term general obligation debt and related costs for non-EFC obligations.

Debt Service Fund - EFC (non-major fund) - a nonbudgeted fund used to account for annual payments of principal and interest on long-term general obligation debt and related costs for the EFC.

Proprietary Funds (major funds)

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to provide sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

Within proprietary funds, operating revenues and expenses are presented in the Statement of Revenue, Expenses, and Changes in Fund Net Position. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. Sales for food service represent the operating revenues of the School District's enterprise fund. Nonoperating revenues consist primarily of contributions of commodities and reimbursements from the United States Department of Agriculture and other state aid. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. Nonoperating expenses relate primarily to commodities from the United States Department of Agriculture and other state aid.

Enterprise Funds (major fund) - to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or covered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Student Nutrition Fund is the School District's only enterprise fund and is used to account for the United States Department of Agriculture (USDA) approved school breakfast and lunch programs.

Note 1. Summary of Significant Accounting Policies, Continued

C. Measurement Focus and Basis of Accounting, continued

Internal Service Funds (non-major fund) – a fund to account for the financing of goods and services provided by one department or agency to other departments or agencies of the School District. When services are rendered, charges are made to the users and revenue is accumulated in the Internal Service Funds to cover costs of operations. The School District has one such fund: Insurance Services. This fund accounts for the insurance and risk management services of the School District and services provided are on a cost reimbursement basis. The assets and related liabilities for the Internal Service Fund are included in the governmental activities column on the government-wide Statement of Net Position.

Fiduciary funds - funds used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. The School District's fiduciary funds consist of agency funds which are custodial in nature and do not involve measurement of results of operation. The agency funds are used to account for amounts held for student and faculty activity organizations. Fiduciary funds are not included in the government-wide financial statements.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. On the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred. Under the modified accrual basis of accounting, revenues and expenditures are recognized when they become both measurable and available.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 4). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes, interest, tuition, grants, student fees, and rentals.

Note 1. Summary of Significant Accounting Policies, Continued

C. Measurement Focus and Basis of Accounting, continued

Unearned and unavailable revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2019, but which have not met the revenue recognition criteria, have been recorded as unavailable revenue in the governmental funds. Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue. On the governmental fund balance sheets, receivables that will not be collected within sixty days have also been reported as unavailable revenue.

The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

D. Assets, Liabilities and Net Position/Fund Balance

Cash and Investments - South Carolina statutes authorize investments in certificates of deposit, savings accounts, repurchase agreements, the State Treasurer's Local Government Investment Pool (invested in government guaranteed securities), obligations of the U.S. Government, and government agencies unconditionally guaranteed by the U.S. Government. Investments are recorded at fair value.

The Beaufort County Treasurer invests in authorized instruments on behalf of the School District. The Beaufort County Treasurer invests School District and other entity funds on a pooled basis with the Treasurer of the State of South Carolina. The State Treasurer invests in certificates of deposit, insured savings accounts, repurchase agreements, obligations of the United States government, and government agencies guaranteed by the United States government.

Receivables and Payables - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. On fund financial statements, these receivables and payables, if containing a balance at the end of the fiscal year, are classified as *due from other funds* or *due to other funds* on the Balance Sheet. These amounts are eliminated in the governmental and business-type activities columns of the Statement of Net Position, except for net residual amounts due between governmental and business-type activities, which are presented as internal balances. Amounts due to and from outside sources are recorded when earned or payable. The School District records its property tax receivables as levied net of an allowance for uncollectible accounts.

Inventories - Under the system of accounting for inventories, materials and supplies are carried in an inventory account at cost using the first-in, first-out method of accounting and are subsequently charged to expense when consumed. Inventories include food, supplies, and commodities. An amount for commodities received from the USDA, but not consumed as of June 30, 2019, has been recorded at fair value as provided by the USDA.

Note 1. Summary of Significant Accounting Policies, Continued

D. Assets, Liabilities and Net Position/Fund Balance, continued

Prepaid Items - Payments made to vendors for services benefiting future periods are recorded as prepaid items in both government-wide and fund financial statements using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Capital Assets - Capital assets, which include property and equipment and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The cost and accumulated depreciation of property sold or retired are removed from the accounts, and gains or losses, if any, are reflected in revenue or expenditures/expenses for the year. Donated capital assets are recorded at acquisition value as of the date received. The School District maintains a capitalization threshold of $5,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed.

In the enterprise fund, assets acquired or constructed by grants and shared revenues externally restricted for capital acquisitions and construction are reported as revenue in the period received.

All reported capital assets other than land and construction-in-progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Improvements	15 - 50 years	N/A
Buildings	15 - 50 years	N/A
Equipment	5 - 25 years	3 - 12 years
Vehicles	5 - 10 years	5 - 10 years

Compensated Absences - Vacation leave may be accumulated up to a maximum of forty-five days and is fully vested when earned. The entire compensated absence liability is reported on the government-wide financial statements. Compensated absences will be paid from the fund where the employee’s salary is paid; typically this would include the general, special revenue, and food service funds.

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

Note 1. Summary of Significant Accounting Policies, Continued

D. Assets, Liabilities and Net Position/Fund Balance, continued

Accrued Liabilities and Long-Term Obligations - All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. 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.

Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

For governmental funds, bond premiums, and discounts are recognized during the period in which the underlying debt was issued. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as debt service expenditures. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Deferred outflows of resources and deferred inflows of resources - Changes in net pension liability and OPEB liability not included in pension expense or OPEB expense, respectively, are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension liability are reported as deferred outflows of resources.

When debt is refunded, the reacquisition price less the net carrying amount of the previous debt is calculated. The amount is either a gain or loss on refunding that is recognized as a component of interest expense, over the shorter of the new debt's life or the remaining life of the previous debt. The unamortized gain or loss is a deferred outflow/inflow of resources in the Statement of Net Position.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the South Carolina Retirement System ("SCRS") and the South Carolina Police Officers Retirement System ("PORS"), and additions to/deductions from SCRS's and PORS' fiduciary net position have been determined on the same basis as they are reported by SCRS or PORS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 1. Summary of Significant Accounting Policies, Continued

D. Assets, Liabilities and Net Position/Fund Balance, continued

Postemployment Benefits Other Than Pensions (OPEB) – For purposes of measuring the District's OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the South Carolina Retiree Health Insurance Trust Fund ("SCRHITF") and the South Carolina Long-Term Disability Insurance Trust Fund ("SCLTDITF"), collectively referred to as the Other Post-Employment Benefits Trust Funds ("OPEB Trusts"), and additions to/deductions from the OPEB Trusts fiduciary net position have been determined on the same basis as they are reported by the OPEB Trusts. For this purpose, the OPEB Trusts recognize benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

***Fund Balances and Net Position* - Government-Wide Statements** - Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Net Position Flow Assumption - Sometimes the School District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as "restricted net position" and "unrestricted net position" in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to consider "restricted net position" to have been depleted before "unrestricted net position" is applied.

Fund Balance Flow Assumption - Sometimes the School District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

***Fund Balances and Net Position* - Fund Statements** - Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes.

Note 1. Summary of Significant Accounting Policies, Continued

D. Assets, Liabilities and Net Position/Fund Balance, continued

The nonspendable fund balance classification represent portions of fund balances which are inherently nonspendable because of their form (such as inventory) or which are required to be maintained intact. Fund balance is reported as restricted when there are limitations imposed on its use either through the enabling legislations or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The School District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School District's highest level of decision-making authority. The School District's Board of Education is the highest level of decision-making authority for the government that can, by majority vote, prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as committed. Intent can be expressed by the School District's Board of Education or by an official or body to which the Board delegates its authority. As of June 30, 2019, no such delegation of authority had been made.

The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned fund balance includes all amounts not included in other spendable classifications. The General Fund is the only fund that can report a positive unassigned fund balance. However, in governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

The School District has adopted a minimum fund balance policy for the General Fund which requires the unassigned fund balance at year end to be no less than 10% of next year's budgeted expenditures. The desired target is to maintain an unassigned General Fund fund balance between 15-17% of annual operating expenditures for the next fiscal year. At June 30, 2019, the School District's unassigned General Fund fund balance was 13% of 2019 budgeted expenditures. Proprietary fund balance is classified the same as in government-wide statements.

Note 1. Summary of Significant Accounting Policies, Continued

D. Assets, Liabilities and Net Position/Fund Balance, continued

Interfund Activity - Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers between governmental funds and enterprise balances are eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the activities financial statements.

Operating Revenues and Expenses - Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues consist of sales of breakfasts and lunches to students and teachers.

***Use of Estimates* -** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the School District's financial position and results of operations and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

E. New accounting standards

Statement No. 88, “Certain Disclosures Related to Debt, Including Debt Borrowings and Direct Placements.” This Statement emphasizes that debt related disclosures should separate information regarding direct borrowings and direct placements from other types of debt as well as disclose information regarding unused lines of credit, if any, assets pledged as collateral for the debt, and terms specified in debt agreements related to significant events of default or termination events with finance related consequences and any subjective acceleration clauses. The requirements of this Statement are effective for the current fiscal year.

The GASB issued Statement No. 84, “Fiduciary Activities,” in January 2017. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for periods beginning after December 15, 2018.

Other accounting standards that have been issued or proposed by the GASB or other standards-setting bodies are not expected to have a material impact on the District’s financial position, changes in net position, or cash flows.

F. Subsequent Events

In preparing these financial statements, the School District’s management has evaluated events and transactions for potential recognition or disclosure through November 20, 2019, the date the financial statements were available for issuance.

Note 2. Stewardship, Compliance and Accountability

Budgetary Accounting - State statutes require a budget for operations be approved before any expenditures are made. The Board will usually approve the operating budget in May for the fiscal year beginning July 1. A budget is adopted by July 1 of each fiscal year for the General Fund and Special Revenue Funds on the same modified accrual basis used to reflect actual revenues and expenditures in the fund financial statements. Budget and actual comparisons are presented in the required supplementary information accompanying these financial statements. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts adopted in the original appropriations. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended budget issued during the year ended June 30, 2019. Each budget is prepared by function and object as dictated by the State-adopted Program Oriented Budgeting and Accounting System and for management control purposes. The School District's policies allow funds to be transferred between functions with administrative approval. The total budget cannot be increased beyond that level approved by the Board originally and in supplementary action. The legal level of control is at the fund level. No supplemental appropriations were necessary during the year.

Note 3. Deposits and Investments

A reconciliation of cash for the School District as of June 30, 2019 to total deposits is as follows:

Cash and cash equivalents - governmental funds	$ 14,061,454
Restricted cash and cash equivalents - governmental funds	7,033,766
Cash and cash equivalents - enterprise fund	1,928,174
Cash and cash equivalents - internal service fund	1,737,049
Cash - agency fund	2,876,881
	$ 27,637,324

Amounts on Deposit with Beaufort County Treasurer

Amounts on deposit with the Beaufort County Treasurer are not categorized since they cannot be identified by securities that exist in physical or book entry form. These amounts are subject to the same investment authorizations as the School District under state law. The carrying values of these investments approximate the fair values. The Beaufort County Treasurer is responsible for maintaining these investments in accordance with state laws.

Note 3. Deposits and Investments, Continued

Custodial Credit Risk - Deposits:

This is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. Deposits of the School District are subject to South Carolina state statutes for custodial credit risk. The statutes provide that banks accepting deposits of funds from local government units must furnish an indemnity bond or pledge as collateral obligations of the United States, South Carolina, political subdivisions of South Carolina, the Federal National Mortgage Association, the Federal Home Loan Bank, the Federal Farm Credit Bank, or the Federal Home Loan Mortgage Corporation. In accordance with the aforementioned statute, the School District's policy requires deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation ("FDIC") insurance. Deposited funds may be invested in demand or time deposits, continuously and fully secured with direct obligations of or obligations guaranteed by the United States of America having a market value not less than the amount of such monies. At June 30, 2019 the carrying amount of the School District's deposits was $27,637,324 and the bank balance was $27,835,533. All of these deposits were fully collateralized with securities held by the pledging financial institution's trust department in the School District's name or insured by the Federal Deposit Insurance Corporation. Information was not available regarding the custodial risk of deposits with the Beaufort County Treasurer of $83,340,081.

Custodial Credit Risk - Investments:

For an investment, this is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District does not have a formal investment policy to address custodial credit risk but follows the investment policy strategy of the State of South Carolina.

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The School District contracts with a banking institution for a guaranteed interest rate. The School District does not have a formal investment policy that limits investment maturities to reduce its exposure to fair value losses arising from increasing interest rates, but follows the investment policy strategy of the State of South Carolina. Information pertaining to the reported amounts, fair values, maturities, credit risk, interest rate risk and concentration risk is disclosed in the CAFR of the State of South Carolina

Credit Risk:

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District has adopted an investment policy in accordance with state statutes, which authorize the School District to invest in the following:

Note 3. Deposits and Investments, Continued

1. Obligations of the United States and agencies thereof;
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 categories, without regard to a refinement or gradation of rating by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations;
3. General obligations of the State of South Carolina or any of its political units;
4. Savings and loan association deposits to the extent insured by the Federal Deposit Insurance Corporation;
5. Certificates of deposit and repurchase agreements collateralized by securities of the type described in (1) and (2) above held by a third party as escrow agent or custodian, of a market value not less than the amount of certificates of deposit and repurchase agreements so secured, including interest; and
6. No-load open and closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit.

In addition, South Carolina state statutes authorize the School District to invest in the South Carolina Local Government Investment Pool ("SCLGIP"). The SCLGIP is an investment trust fund created by state legislation, in which public monies under the custody of any political subdivision in excess of current needs may be deposited. The SCLGIP is permitted to purchase obligations of the United States, its agencies and instrumentalities, and any corporation within the United States if such obligations bear any of the three highest ratings of at least two nationally recognized rating services. The SCLGIP is a 2a7-like pool, which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but has a policy that it will operate in a manner consistent with the SEC's rule 2a7 of the Investment Company Act of 1940. The fair value of the School District's position in the SCLGIP approximates the same value of the School District's LGIP shares. The SCLGIP is not rated. The SCLGIP's complete financial statements may be obtained by writing the Office of the State Treasurer, Local Government Investment Pool, Post Office Box 11778, Columbia, South Carolina 29211.

Fair value of financial instruments:

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Amounts on deposit in the SCLGIP are not categorized since they cannot be identified by securities that exist in physical or book entry form. These amounts are subject to the same investment requirements as the School District under state law. The carrying values of these investments approximate fair values. The SCLGIP is responsible for maintaining these investments in accordance with state law.

Note 4. Property Taxes

Property taxes attach as an enforceable lien on January 1 on property values assessed as of the same date. The School District's property tax is levied and billed each October on the assessed value listed as of the prior January 1 for all real and business personal property located in the School District. Taxes are delinquent on March 15, the collection date, following the October 1 levy date. If not paid by the following October 1, the property is subject to sale by the delinquent tax office. Taxes on licensed motor vehicles are levied during the month when the taxpayer’s license registration is due for renewal. The taxpayer must provide proof of payment to the Highway Department before that agency will renew the vehicle license. Total tax collections, which include delinquent tax collections and penalties, equaled approximately 94% of the current tax levy for the year ended June 30, 2019.

The assessed value of real and other personal property, exclusive of vehicles (valued at $107,122,140) is $1,862,254,702. The School District’s general operations millage is 104.6 mills ($10.46 per $100 assessed valuation), and debt service fund millage is 31.71 mills ($3.171 per $100 assessed valuation).

South Carolina Code Section 12-37-251(A) provides a property tax exemption for property classified pursuant to Section I2-43-220(C) (homestead exemption) from property taxes levied for other than bonded indebtedness and payments pursuant to lease purchase agreements for capital construction. The exemption applies against millage imposed for school operations and the amount of fair market value of the homestead that is exempt from such millage must be set by the Department of Revenue and Taxation based on the amount available in the State Property Tax Relief Fund.

Note 5. Receivables

Receivables at June 30, 2019 consisted of taxes, intergovernmental grants, and reimbursements. All intergovernmental receivables are considered collectible in full due to the stable condition of State programs and the current year guarantee of federal funds. Receivables as of year-end, including the applicable allowances for uncollectible accounts, are as follows:

	General	Special Projects	Education Improvement Act	Debt Service-District	Capital Projects	Food Service Program
Receivables						
Property taxes	$ 10,011,253	$ -	$ -	$ 3,138,076	$ -	$ -
Due from other governmental units	4,897,006	3,081,127	172,595	1,339,159	-	379,731
Other	72,483	51,139	-	-	1,331	454,008
Gross receivables	14,649,903	3,132,266	172,595	4,306,045	1,331	833,739
Less allowance for uncollectible property tax	(2,974,447)	-	-	(912,902)	-	-
Net receivables	$ 12,006,295	$ 3,132,266	$ 172,595	$ 3,564,333	$ 1,331	$ 833,739

Note 6. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2019 was as follows:

	Balance, July 1, 2018	Additions/ Transfers	Deductions/ Transfers	Balance, June 30, 2019
Governmental activities				
Capital assets, not being depreciated				
Land	$ 41,299,484	$ -	$ -	$ 41,299,484
Construction in progress	10,251,284	12,408,925	4,632,759	18,027,450
Total capital assets, not being depreciated	51,550,768	12,408,925	4,632,759	59,326,934
Capital assets, being depreciated				
Improvements	227,566,203	8,411,104	-	235,977,307
Buildings	524,148,599	2,331,087	-	526,479,686
Equipment	40,387,604	947,052	17,971	41,316,685
Total capital assets, being depreciated	792,102,406	11,689,243	17,971	803,773,678
Totals at historical cost	843,653,174	24,098,168	4,650,730	863,100,612
Less accumulated depreciation				
Improvements	97,293,606	7,987,513	-	105,281,119
Buildings	199,030,610	11,269,109	-	210,299,719
Equipment	31,478,249	1,949,552	17,971	33,409,830
Total accumulated depreciation	327,802,465	21,206,174	17,971	348,990,668
Total capital assets, being depreciated	464,299,941	(9,516,931)	-	454,783,010
Governmental activities capital assets, net	$ 515,850,709	$ 2,891,994	$ 4,632,759	$ 514,109,944

Depreciation expense was charged to governmental functions as follows:

Instruction	$ 501,235
Support services	20,689,881
Community services	15,058
Total depreciation expense	$ 21,206,174

Note 6. Capital Assets, Continued

	Balance, July 1, 2018	Additions/ Transfers	Deductions/ Transfers	Balance, June 30, 2019
Business-type activities				
Equipment	$ 5,120,048	$ 112,246	$ 163,711	$ 5,396,005
Vehicles	223,459	-	-	223,459
Equipment in progress	163,711	-	(163,711)	-
	5,507,218	112,246	-	5,619,464
Less accumulated depreciation				
Equipment	3,091,553	231,568	-	3,323,121
Vehicles	160,694	23,602	-	184,296
	3,252,247	255,170	-	3,507,417
Business-type activities capital assets, net	$ 2,254,971	$ (142,924)	$ -	$ 2,112,047

Note 7. Unavailable/Unearned Revenues and Deferred Inflows of Resources

Governmental funds report unavailable revenue in the fund financial statements 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, 2019, the various components of unavailable/unearned revenue were as follows:

	Fund Statements	Government wide
Property taxes	$ 7,797,109	$ -
Grant revenue	5,256,850	5,397,298
	$ 13,053,959	$ 5,397,298

Note 8. Transfers From (to) Other Funds

Transfers from (to) other funds for the year ended June 30, 2019 consisted of the following:

	Transfers In	Transfers Out
General Fund	$ 7,512,094	$ 213,870
Special Projects Fund	-	448,042
Education Improvement Act Fund	-	6,950,170
Debt Service Fund - District	-	2,723,958
Debt Service Fund - EFC	2,723,958	-
Capital Projects Fund	103,870	-
Total governmental funds	10,339,922	10,336,040
Food Service Fund	110,000	113,882
Total proprietary funds	110,000	113,882
Total transfers	$ 10,449,922	$ 10,449,922

Note 8. Transfers From (to) Other Funds, Continued

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

Transfers out of the Education Improvement Act and Special Projects Fund to the General Fund are to cover allowable salaries paid out of the General Fund. Transfers out of the School Food Service Fund to the General Fund are to cover indirect costs.

Transfers out of the Debt Service Fund - District to the Debt Service Fund - EFC are to make interest and principal payments on the Installment Purchase Revenue Bonds with proceeds from short term borrowings.

Note 9. Interfund Receivables and Payables

Interfund balances at June 30, 2019 consisted of the following individual fund receivables and payables:

	Receivable	Payable
General Fund	$ 141,015	$ 178,224
Special Projects Fund	307	8,620
Educational Improvement Act Fund	2,100	1,670
Total governmental funds	143,422	188,514
Food Service Fund	45,092	-
Total proprietary funds	45,092	-
	$ 188,514	$ 188,514

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

Note 10. Long Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2019 were as follows:

	Principal outstanding July 1, 2018	Additions	Reductions	Principal outstanding June 30, 2019	Amounts due in one year
Governmental activities					
Bonds Payable					
General obligation bonds	$ 235,770,000	$ 29,250,000	$ 43,075,000	$ 221,945,000	$ 40,310,000
Total bonded indebtedness	235,770,000	29,250,000	43,075,000	221,945,000	40,310,000
Unamortized bond premiums	22,784,373	1,509,478	6,000,655	18,293,196	5,131,477
Total bonds payable	258,554,373	30,759,478	49,075,655	240,238,196	45,441,477
Direct Borrowing/Direct Placement					
General obligation bonds	29,796,621	-	1,106,000	28,690,621	1,127,000
IPRB bonds	25,275,000	-	2,005,000	23,270,000	2,050,000
Note payable	2,834,300	-	694,700	2,139,600	703,900
	57,905,921	-	3,805,700	54,100,221	3,880,900
Other liabilities					
Pension obligation, net**	265,502,041		1,770,724	263,731,317	-
OPEB obligation, net**	202,281,964	8,467,877	-	210,749,841	-
Compensated absences	1,355,923	958,349	858,014	1,456,258	236,084
	469,139,928	9,426,226	2,628,738	475,937,416	236,084
Total governmental activities long-term liabilities	$ 785,600,222	$ 40,185,704	$ 55,510,093	$ 770,275,833	$ 49,558,461
Business-type activities					
Pension obligation, net**	$ 714,837	$ -	$ 73,070	$ 641,767	$ -
OPEB obligation, net**	544,624	-	31,783	512,841	-
Compensated absences	993	2,953	1,437	2,509	-
Total business-type activities long-term liabilities	$ 1,260,454	$ 2,953	$ 106,290	$ 1,157,117	$ -

*** The pension and OPEB obligation additions and reductions are presented net. Amounts due in one year are not readily available.*

General Obligation Bonds - The School District issues general obligation bonds, regular and direct issuance, to provide funds for the acquisition, construction, and major improvement of major capital facilities. No unusual events of default or termination exist for these debt issuances. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. These bonds generally are issued as 5 to 20 year serial bonds with principal maturing each year.

Note 10. Long Term Liabilities, Continued

Article X, Section 15 of the Constitution of the State of South Carolina, as amended, empowers each school district of the State to incur general obligation debt in such manner and upon such terms and conditions as the General Assembly shall prescribe by law. Each school district may incur general obligation debt, without an election and upon such terms and conditions as the General Assembly may prescribe, in an amount not exceeding 8% of the assessed value of all taxable property of such school district.

Bonded indebtedness authorized by a majority vote of the qualified electors of the School District voting in a referendum will not be considered in the computation of the 8% limitation.

General obligations bonds payable at June 30, 2019 are comprised of the following:

Date of Issue	Series	Interest Rates	Payment Dates	Maturity	Original Issue	Outstanding at June 30, 2019
December 1, 2009	2009E	1.05**	Sept,/Mar.	2026	$ 10,000,000	$ 10,000,000
March 31, 2011	2011A	5.08^	Mar./Sept.	2021	1,553,303	1,503,303
December 22, 2011	2011C	4.19^	Sept./Mar.	2021	2,622,318	2,572,318
December 22, 2011	2011D	3.0-5.0*	Sept./Mar.	2020	28,770,000	50,000
April 24, 2012	2012B	3.0-5.0*+	Sept./Mar.	2024	16,580,000	8,375,000
November 14, 2013	2013D	2.35**^	March	2028	22,000,000	17,840,000
March 1, 2014	2014B	1.25**	Sept./Mar.	2034	25,000,000	21,250,000
February 19, 2015	2015A	2.0-5.0*-	March	2025	95,945,000	64,230,000
March 31, 2015	2015B	3.5-5.0/	March	2023	62,500,000	58,990,000
December 3, 2015	2015F	0.85^	March	2025	6,788,000	6,775,000
February 2, 2016	2016A	5.0**	March	2024	28,090,000	27,790,000
July 13, 2017	2017B	5.0	Sept./Mar.	2021	28,570,000	12,235,000
August 30, 2018	2018B	5.0	March	2022	29,250,000	19,025,000
					$ 357,668,621	$ 250,635,621

* Approved in whole or in part by 1995/2000 bond referendum; not subject to assessed value issuance restrictions.
** Approved in whole or in part by 2008 bond referendum; not subject to assessed value issuance restrictions.
\+ Includes $3,840,000 of non-referendum debt.
\- Includes $56,665,000 of non-referendum debt.
/ Includes $26,545,500 of 2000/1995 referendum debt and $32,444,500 of 2006 referendum debt; not subject to assessed value issuance restrictions.
^ General obligation bond direct borrowing.

During May 2006, a $43,660,000 bond referendum was passed. In this referendum, the following facilities were approved: an elementary school, a middle school, land for a high school, and additional funding for the completion of a high school. During December 2007, the School District issued $43,660,000 in general obligation bonds under the referendum, with an annual interest rate ranging from 4.5% to 6.5%. Debt outstanding at June 30, 2019 against these bonds totaled $32,444,500.

On April 26, 2008, the voters of Beaufort County approved a $162,700,000 bond referendum. The bonds paid for the construction of two early childhood centers, two elementary schools, several building additions, land for future schools, and a performing arts center. Debt outstanding at June 30, 2019 against the $162,700,000 in General Obligation Bonds totaled $76,880,000.

Note 10. Long Term Liabilities, Continued

The total debt outstanding against the 2000 referendum general obligation bonds, the 1995 referendum general obligation bonds, the 2006 referendum general obligation bonds, and 2008 referendum general obligation bonds, not subject to the 8% limitation, was $38,695,500 at June 30, 2019. In addition, the 2016 EFC IPRB refunding bonds referenced below are not subject to the 8% limitation.

Direct Borrowing and Placement Debt:

IPRB Bonds - The December 1, 2006 IPRB Bonds are not an obligation of the School District; however, as the EFC is blended with the operations of the School District, the debt of the EFC is included with the School District's other obligations as required by accounting principles generally accepted in the United States of America. During the year ended June 30, 2017, the School District advance refunded these IPRB Bonds through the issuance of Series 2016 IPRB Bonds.

The EFC executed a trust agreement in connection with the IPRB Bonds and established several accounts as follows. Because these bonds were advance refunded during the year ended June 30, 2017, these accounts were liquidated as part of the advance refunding and deposited. These accounts established by the trust agreement were in compliance with the agreement.

The IPRB Bonds were issued pursuant to a Facilities Agreement between the School District and the EFC and evidence proportionate interests of the owners in certain rental payments be made by the School District under the terms of a Base Lease Agreement between the School District and the EFC. These agreements were authorized by the Board of Education of the School District on December 5, 2006. The School District will purchase the facilities from the EFC pursuant to the Facilities Agreement, which will obligate the School District to make installment payments of purchase price (lease rental payments) to the EFC in amounts calculated to be sufficient to enable the EFC to pay the principal and interest on the outstanding bonds. The refunding bonds bear interest at 1.9% to 3.3% and are payable in December of each year, maturing in 2028.

The School District's obligations under the Facilities Agreement are from year to year only and do not constitute a mandatory payment obligation of the School District in any fiscal year in which funds are not appropriated by the School District to pay the installment payments of purchase price due in such fiscal year. However, the School District would forfeit possession of the facilities for the remainder of the term of the lease if they were to not pay the installment payments.

Advance Refunding of IPRB Bonds - The School District issued $29,050,000 in IPRB bonds, series 2016, with an average coupon rate of 3.07%. The proceeds, along with EFC cash totaling $2,888,013, were used to advance refund $30,585,000 of outstanding 2006 IPRB bonds which had interest rates ranging from 4.0% to 5.0%. Total costs to issue the 2016 IPRB Bonds totaled $642,668. The net proceeds of $31,295,345 were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, $30,585,000 of the 2006 IPRB Bonds are considered defeased and the liability for those bonds has been removed from the Statement of Net Position.

The acquisition price exceeded the net carrying amount of the previous debt by $731,908. The School District refunded the bonds to reduce its total debt service payments over 16 years by approximately $5,200,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately $3,500,000.

Note 10. Long Term Liabilities, Continued

Acquisition Note Payable - The School District entered into an Acquisition, Use and Security Agreement to acquire school buses on July 1, 2017 at a cost of $3,500,000, bearing interest at 1.32%. The School District is required to make five annual payments on this note payable beginning December 1, 2016. The balance on this note was $2,139,600 as of June 30, 2019. A first priority lien and security interest in any and all of the School District's right, title and interest in and to the Acquisition Fund, the Equipment, all additions, attachments, accessions, substitutions and replacements thereto, and any and all proceeds thereof, including without limitation, any proceeds of insurance thereon. Upon the payment of each Acquisition Payment, unencumbered title to a portion of the Equipment vests with the School District such that the lien on that Equipment is released.

The annual requirements to amortize all bonds outstanding at June 30, 2019, including interest payments over the life of the debt are summarized as follows:

Years Ending June 30,	Principal	Premiums	Interest	Total
2020	$ 43,487,000	$ 5,131,477	$ 11,323,632	$ 59,942,109
2021	36,252,621	3,838,485	9,230,225	49,321,331
2022	32,254,000	2,976,111	7,547,633	42,777,744
2023	29,482,000	2,114,621	6,014,023	37,610,644
2024	30,879,000	1,349,420	4,618,501	36,846,921
2025-2029	75,791,000	2,242,615	11,131,689	89,165,304
2030-2034	25,760,000	640,467	2,273,275	28,673,742
	$ 273,905,621	$ 18,293,196	$ 52,138,978	$ 344,337,795

Repayment of the general obligation bonds is funded by the School District Debt Service Fund, while repayment of the IPRB bonds is funded by the EFC Debt Service Fund.

Note 11. Short-Term Obligations

The School District's short-term obligations for the year ended June 30, 2019 consisted of the following activity:

	Principal Outstanding July 1, 2018	Additions	Reductions	Principal outstanding June 30, 2019
Governmental activities				
General obligation bonds	$ 373,000	$ 3,457,000	$ 3,482,000	$ 348,000
Tax anticipation note	-	9,050,000	9,050,000	-
Total governmental activities	$ 373,000	$ 12,507,000	$ 12,532,000	$ 348,000

The School District issued general obligation bonds on September 27, 2018 in the amount of $3,109,000, bearing interest at 3.50%, for the purpose of making payments to EFC. The School District repaid the bonds, including interest of approximately $47,000, in March 2019.

The School District issued general obligation bonds on May 15, 2019 in the amount of $348,000, maturing in March 2020, bearing interest at 2.00%, for the purpose of making payments to EFC.

Note 11. Short-Term Obligations, Continued

The School District issued a Tax Anticipation Note on August 9, 2018 in the amount of $9,050,000, maturing in April 2019, bearing interest at 3.00%, to fund operations. The School District repaid the note, including interest of approximately $186,000, in January 2019.

None of the School District's short term obligations were direct issuances of the School District, and no unusual events of default or termination exist for these debt issuances. General Obligation Bonds are direct obligations and pledge the full faith and credit of the School District.

Note 12. Fund Balances and Net Position

The fund balances/net position have been classified to reflect the limitations and restrictions placed on the respective funds as follows:

Governmental fund financial statements

Fund balance - Nonspendable - balances that by their nature are unable to be spent.

Fund balances - Restricted - balances that can only be spent for the specific purpose stipulated by a constitution, external resources providers, or through enabling legislation.

Fund balances - Committed - balances that can only be used for the specific purpose determined by the Board of Education. The Board, as the School District's highest level of decision making authority, may commit fund balances by a formal vote prior to the School District's fiscal year end for that fiscal year. Further modification or rescission of committed funds must also be accomplished by a formal vote of the Board prior to fiscal year-end.

Fund balances - Assigned - balances classified as assigned are intended to be used by the government for specific purposes, but do not meet the criteria to be classified as committed. Intent can be expressed by the Board of Education or an official or body to which the Board delegates the authority. As of June 30, 2019, no such delegation of authority has been made.

Fund balances - Unassigned - balances that are spendable amounts not contained in other classifications. The General Fund is the only fund that reports a positive fund unassigned fund balance. In governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

Government-wide and proprietary fund financial statements

Net investment in capital assets - represents the net cost of capital assets less accumulated depreciation and outstanding debt less unexpended proceeds attributable to the investment in capital assets. To the extent debt has been incurred, but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets. Detail of net investment in capital assets is as follows:

Note 12. Fund Balances and Net Position, Continued

	Governmental Activities
Capital assets, net of accumulated depreciation	$ 514,109,944
Unspent bond proceeds	35,276,761
Deferred charge on refunding	5,215,808
Accounts and retainages payable	(4,896,001)
Bonds payable	(273,905,621)
Acquisition note payable	(2,139,600)
Unamortized bond premiums	(18,293,196)
	$ 255,368,095

Restricted net position - represents net position restricted externally by creditors, grantors, contributors or laws and regulations of other governments; or restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - represents the remainder of the School District's net position in government-wide and business-type activities.

Fund balances of the governmental-fund financial statements are as follows:

	General Fund	Special Revenue-Special Projects	Special Revenue-Education Improvement Act	Debt Service - District	Debt Service - EFC	Capital Projects	Total
Nonspendable:							
Prepaid items	$ 1,885,406	$ 129,141	$ 8,706	$ -	$ -	$ -	$ 2,023,253
	1,885,406	129,141	8,706	-	-	-	2,023,253
Restricted for:							
Debt service	-	-	-	19,058,757	43,750	-	19,102,507
Capital projects	-	-	-	-	-	30,359,266	30,359,266
	-	-	-	19,058,757	43,750	30,359,266	49,461,773
Unassigned	31,661,366	(129,141)	(8,706)	-	-	-	31,523,519
	$ 33,546,772	$ -	$ -	$ 19,058,757	$ 43,750	$ 30,359,266	$ 83,008,545

Note 13. Food Service

Federal Guidelines:

The School District's Food Service Fund administers the lunch programs in accordance with the United States Department of Agriculture (USDA) guidelines. Revenues are provided from USDA reimbursements and cash collections. The meals served to pupils are classified as regular, reduced, or free by the Food Service Program. The type of meal served and classification of students determines the amount of reimbursement from the USDA. Reimbursements may be in the form of cash or commodities. The food service expenditures are inclusive of $680,418 of commodities provided and consumed during the year ended June 30, 2019.

Administrative Costs:

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

Note 14. Retirement Benefits

Description of the entity:

The South Carolina Public Employee Benefit Authority ("PEBA"), created July 1, 2012 and governed by an 11-member Board, is the state agency responsible for the administration and management of the various Retirement Systems and retirement programs of the state of South Carolina (the "State"), including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state's employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems (the "Systems")' five defined benefit pension plans. The Retirement Funding and Administration Act of 2017, which became effective July 1, 2017, increased the employer and employee contribution rates, established a ceiling on the South Carolina Retirement System ("SCRS") and South Carolina Police Officers Retirement System ("PORS") employee contribution rates, lowered the assumed rate of return, required a scheduled reduction of the funding periods, and addressed various governance issues including the assignment of the PEBA Board as custodian of the retirement trust funds and assignment of the Retirement Systems Investment Commission ("RSIC") and PEBA as co-trustees of the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority ("SFAA"), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems' fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with GAAP. For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

PEBA issues a Comprehensive Annual Financial Report ("CAFR") containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan descriptions:

The SCRS, a cost–sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.

The State Optional Retirement Program ("ORP") is a defined contribution plan that is offered as an alternative to SCRS to certain newly hired employees of state agencies, institutions of higher education, public school districts and individuals first elected to the General Assembly at or after the general election in November 2012. State ORP participants direct the investment of their funds into an account administered by one of four third party record keepers.

Note 14. Retirement Benefits, Continued

Plan descriptions, continued:

The South Carolina Police Officers Retirement System (PORS), a cost–sharing multiple-employer defined benefit pension plan, was established July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits to police officers and firefighters. PORS also covers peace officers, coroners, probate judges and magistrates.

Membership:

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below.

SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

State ORP - As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State ORP. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the four third party record keepers. For this reason, State ORP assets are not part of the retirement systems' trust funds for financial statement purposes. Contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employer~~s~~ to the member's account with the ORP vendor for the employee contribution and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution, if applicable, which is retained by SCRS.

PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least $2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

Note 14. Retirement Benefits, Continued

Benefits:

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation/current annual salary. A brief summary of benefit terms for each system is presented below.

SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five-or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

PORS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

Contributions:

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. If the scheduled employee and employer contributions provided in statute, or the rates last adopted by the board, are insufficient to maintain the amortization period set in statute, the board shall increase employer contribution rates as necessary.

Note 14. Retirement Benefits, Continued

Contributions, continued:

After June 30, 2027, if the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than eighty-five percent, then the board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than eighty-five percent. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than eighty-five percent, then effective on the following July first, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than eighty-five percent.

The Retirement System Funding and Administration Act establishes a ceiling on employee contribution rates at 9 percent and 9.75 percent for SCRS and PORS, respectively. The employer contribution rates will continue to increase annually by 1 percent through July 1, 2022. The legislation's ultimate scheduled employer rate is 18.56 percent for SCRS and 21.24 percent for PORS. The amortization period is scheduled to be reduced one year for each of the next 10 years to a twenty year amortization schedule.

Required **employee** contribution rates[1] are as follows:

	Fiscal Year 2019[1]	Fiscal Year 2018[1]
SCRS		
Employee Class Two	9.00%	9.00%
Employee Class Three	9.00%	9.00%
State ORP		
Employee	9.00%	9.00%
PORS		
Employee Class Two	9.75%	9.75%
Employee Class Three	9.75%	9.75%

Note 14. Retirement Benefits, Continued

Contributions, continued:

Required **employer** contribution rates[1] are as follows:

	Fiscal Year 2019[1]	Fiscal Year 2018[1]
SCRS		
Employer Class Two	14.41%	13.41%
Employer Class Three	14.41%	13.41%
Employer Incidental Death Benefit	.15%	.15%
State ORP		
Employer Contribution[2]	14.41%	13.41%
Employer Incidental Death Benefit	.15%	.15%
PORS		
Employer Class Two	16.84%	15.84%
Employer Class Three	16.84%	15.84%
Employer Incidental Death Benefit	.20%	.20%
Employer Incidental Death Program	.20%	.20%

[1] Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.
[2] Of this employer contribution, 5% of earnable compensation must be remitted by the employer directly to the ORP vendor to be allocated to the member's account with the remainder of the employer contribution remitted to the SCRS.

Contributions to the SCRS, ORP, and PORS pension plans from the School District were $16,942,867 for the year ended June 30, 2019.

Net pension liability:

At June 30, 2019, the School District reported a liability of $264,315,046 and $58,038 for its proportionate share of the SCRS and PORS net pension liability ("NPL"), respectively. The NPL was measured as of June 30, 2018, and the total pension liability ("TPL") used to calculate the NPL was determined by an actuarial valuation as July 1, 2017 and projected forward. The School District's proportionate share of the NPL was based on a projection of the School District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the School District's proportionate share of the SCRS and PORS plans were 1.179 percent and 0.002 percent, respectively.

Note 14. Retirement Benefits, Continued

Non-employer contributions:

Employer's proportionate shares were calculated on the basis of employer contributions remitted to the plan by employers and non-employer contributions appropriated in the State's budget. In an effort to offset a portion of the burden of the increased contribution requirement for employers, the General Assembly funded 1 percent of the SCRS and PORS contribution increases for fiscal year 2018 and 2019. The State budget appropriated these funds directly to PEBA and a credit was issued for each employer to use when submitting their quarterly remittances to PEBA. For the year ended June 30, 2018 measurement period, PEBA provided non-employer contributions to the School District in the amount of $1,207,017 which is shown as a reduction of net pension liability and other grant revenue in the government-wide financial statements as of and for the year ended June 30, 2019, which are presented on the economic resources measurement focus and accrual basis of accounting.

Pension expense:

For the year ended June 30, 2019, the School District recognized pension expense (benefit) for the SCRS and PORS plans of $26,164,519 and ($11,087), respectively.

Deferred Inflows of Resources and Deferred Outflows of Resources:

At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SCRS	
	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 477,121	$ 1,555,421
Changes of assumptions	10,486,543	-
Net difference between projected and actual earnings on pension plan investments	13,087,312	8,888,662
Changes in proportion and differences between School District contributions and proportionate share of contributions	3,603,243	571,823
School District contributions subsequent to the measurement date	16,942,106	-
Total	$ 44,596,325	$ 11,015,906

Note 14. Retirement Benefits, Continued

Deferred inflows of resources and deferred outflows of resources, continued:

	PORS	
	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 1,788	$ -
Changes of assumptions	3,827	-
Net difference between projected and actual earnings on pension plan investments	3,593	2,433
Changes in proportion and differences between School District contributions and proportionate share of contributions	24,028	87,877
School District contributions subsequent to the measurement date	761	-
Total	$ 33,997	$ 90,310

The $16,942,106 and $761 reported as of June 30, 2019 as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date for the SCRS and PORS plans, respectively, will be recognized as a reduction of the net pension liabilities in the year ending June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the SCRS and PORS plans, respectively:

Year ended June 30:	SCRS
2020	$ 11,953,433
2021	8,081,335
2022	(2,949,953)
2023	(449,502)
	$ 16,635,313

Year ended June 30:	PORS
2020	$ (15,415)
2021	(15,750)
2022	(17,863)
2023	(8,046)
	$ (57,074)

Note 14. Retirement Benefits, Continued

Actuarial assumptions and methods:

Actuarial valuations of the plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ending June 30, 2015.

The June 30, 2018, total pension liability ("TPL"), net pension liability ("NPL"), and sensitivity information shown in this report were determined by the Systems' consulting actuary, Gabriel, Roeder, Smith and Company ("GRS") and are based on an actuarial valuation performed as of July 1, 2017. The TPL was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2018, using generally accepted actuarial principles.

	SCRS	PORS
Actuarial cost method	Entry age normal	Entry age normal
Investment rate of return[1]	7.25%	7.25%
Projected salary increases	3.0% to 12.5% (varies by service)[1]	3.5% to 9.5% (varies by service)[1]
Benefit adjustments	lesser of 1% or $500 annually	lesser of 1% or $500 annually

[1] ***Includes inflation at 2.25%***

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table (2016 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

Note 14. Retirement Benefits, Continued

Actuarial assumptions and methods, continued:

Assumptions used in the determination of the June 30, 2018, TPL are as follows.

Former Job Class	Males	Females
Educators	2016 PRSC Males multiplied by 92%	2016 PRSC Females multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2018, for SCRS and PORS are presented below.

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	$ 48,821,730,067	$ 26,414,916,370	$ 22,406,813,697	54.1%
PORS	7,403,972,673	4,570,430,247	2,833,542,426	61.7%

Long-term expected rate of return:

The long-term expected rate of return on pension plan investments is based upon 30 year capital market assumptions. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2018 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.28 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.03 percent real rate of return and a 2.25 percent inflation component.

Note 14. Retirement Benefits, Continued

Long-term expected rate of return, continued:

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Global Equity:			
Global Public Equity	33.0%	6.99%	2.31%
Private Equity	9.0%	8.73%	0.79%
Equity Options Strategies	5.0%	5.52%	0.28%
Real Assets:			
Real Estate (Private)	6.0%	3.54%	0.21%
Real Estate (REITs)	2.0%	5.46%	0.11%
Infrastructure	2.0%	5.09%	0.10%
Opportunistic:			
GTAA/Risk Parity	8.0%	3.75%	0.30%
Hedge Funds (non-PA)	2.0%	3.45%	0.07%
Other Opportunistic Strategies	3.0%	3.75%	0.11%
Diversified Credit:			
Mixed Credit	6.0%	3.05%	0.18%
Emerging Markets Debts	5.0%	3.94%	0.20%
Private Debt	7.0%	3.89%	0.27%
Conservative Fixed Income:			
Core Fixed Income	10.0%	0.94%	0.09%
Cash and Short Duration (Net)	2.0%	0.34%	0.01%
Total Expected Real Return	100.0%		5.03%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.28%

Discount rate:

The discount rate used to measure the TPL was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the System's fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Note 14. Retirement Benefits, Continued

Sensitivity analysis:

The following table presents the collective NPL of the School District calculated using the discount rate of 7.25 percent, as well as what the School District's NPL would be if it were calculated using a discount rate that is 1.00 percent lower (6.25 percent) or 1.00 percent higher (8.25 percent) than the current rate.

Sensitivity of the net pension liability to changes in the discount rate			
System	1.00% decrease (6.25%)	Current discount rate (7.25%)	1.00% Increase (8.25%)
SCRS	$ 337,745,545	$ 264,315,046	$ 211,819,273
PORS	$ 78,242	$ 58,038	$ 41,489

Additional financial and actuarial information

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the Systems' audited financial statements for the fiscal year ended June 30, 2018 (including the unmodified audit opinion on the financial statements). Additional actuarial information is available in the accounting and financial reporting actuarial valuation as of June 30, 2018.

Note 15. Post-Employment Benefits Other Than Pensions (OPEB)

General information:

As previously discussed, PEBA is a state agency responsible for the administration and management of the state's employee insurance programs, other post-employment benefits trusts and retirement systems and is part of the State of South Carolina primary government (the "State"). The laws of the State and the policies and procedures specified by the State for State agencies are applicable to all activities of PEBA. By law, the State Fiscal Accountability Authority ("SFFA"), which consists of five elected officials, also reviews certain PEBA Board decisions in administering the State Health Plan and OPEB.

PEBA issues audited financial statements and required supplementary information for the OPEB Trust Funds. This information is publicly available through the Insurance Benefits' link on PEBA's website at www.peba.sc.gov or a copy may be obtained by submitting a request to PEBA - Insurance Benefits, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina, and therefore, the financial information of the OPEB Trust funds is also included in the comprehensive annual financial report of the State.

Note 15. Post-Employment Benefits Other Than Pensions (OPEB), Continued

Plan descriptions:

The OPEB Trusts collectively refers to the SCRHITF and SCLTDITF, and were established by the State of South Carolina as Act 195, which became effective on May 2008. The SCRHITF was created to fund and account for the employer costs of the State's retiree health and dental plans. The SCLTDITF was created to fund and account for the employer costs of the State's Basic Long-Term Disability Income Benefit Plan. In accordance with Act 195, the OPEB Trusts are administered by PEBA, Insurance Benefits. The State Treasurer is the custodian of the funds held in trust. The Board of Directors of PEBA has been designated as the Trustee.

The OPEB Trusts are cost-sharing multiple-employer defined benefit plans. Article 5 of the State Code of Laws defines the two plans and authorizes the Trustee to at any time adjust the plans, including its benefits and contributions, as necessary to insure the fiscal stability of the plans. In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents.

Benefits:

The SCRHITF is a healthcare plan that covers retired employees of the State of South Carolina, including all agencies, and public school districts. The SCRHITF provides health and dental insurance benefits to eligible retirees. Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires beginning employment May 2, 2008 and after, retirees are eligible for benefits if they have established 25 years of service for 100% employer funding and 15-24 years of service for 50% employer funding.

The SCLTDITF is a long-term disability plan that covers employees of the State of South Carolina, including all agencies and public school districts and all participating local governmental entities. The SCLTDITF provides disability payments to eligible employees that have been approved for disability.

Contributions:

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment and long-term disability benefits to be funded through non-employer and employer contributions for active employees and retirees to PEBA, Insurance Benefits. Non-employer contributions consist of an annual appropriation by the General Assembly and the statutorily required transfer from PEBA, Insurance Benefits reserves.

The SCRHITF is funded through participating employers that are mandated by the State statute to contribute at a rate assessed each year by the Department of Administration Executive Budget Office on active employee covered payroll The covered payroll surcharge for the year ended June 30, 2018 was 5.50 percent. The South Carolina Retirement System collects the monthly surcharge for all participating employers and remits it directly to the SCRHITF. Other sources of funding for the SCRHITF include mandatory transfers of accumulated PEBA, Insurance Benefits' reserves and income generated from investments.

Note 15. Post-Employment Benefits Other Than Pensions (OPEB), Continued

Contributions, continued:

Employer contributions also include the implicit subsidy, or age-related subsidy inherent in the healthcare premiums structure. The implicit subsidy represents a portion of the health care expenditures paid on behalf of the employer's active employees. For purposes of GASB Statement No. 75, this expenditure on behalf of the active employee is reclassified as a retiree health care expenditure so that the employer's contributions towards the plan reflect the underlying age-adjusted, retiree benefit costs. Non-employer contributions include the mandatory transfer of accumulated PEBA - Insurance Benefits' reserves and the annual appropriation budgeted by the General Assembly. It is also funded through investment income. Therefore, employers should classify this revenue in the same manner as it classifies grants from other entities.

The SCLTDITF is funded through employer contributions for active employees that elect health insurance coverage. For this group of active employees, PEBA, Insurance Benefits, bills and collects premiums charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee was $3.22 for the fiscal year ended June 30, 2018. The SCLTDITF premium is billed monthly by PEBA, Insurance Benefits and transferred monthly to the SCLTDITF. It is also funded through investment income.

The allocation percentage of the OPEB amounts are calculated differently for each OPEB Trust. For the SCRHITF, the allocation percentage is based on the covered payroll surcharge contribution for each employer.

Contributions to the SCRHITF and SCLTDITF plans pension plans from the School District were $7,750,891 and $156,890 for the year ended June 30, 2019, respectively.

OPEB liabilities and OPEB expense:

At June 30, 2019, the School District reported liabilities of $211,225,322 and $37,360 for its proportionate shares of the SCRHITF and SCLTDITF net OPEB liabilities, respectively, measured at June 30, 2018. The net OPEB liabilities are calculated separately for each OPEB Trust Fund and represents that particular Trust's total OPEB liability determined in accordance with GASB No. 74, less that Trust's fiduciary net position. The collective net OPEB liabilities were determined based upon actuarial valuations performed on June 30, 2017 which were then rolled forward to the June 30, 2018 measurement date. The School District's proportion of the collective net OPEB liability was determined using the School District's payroll-related contributions over the measurement period. This method is expected to be reflective of the School District's long-term contribution effort, as well as, be transparent to individual employers and their external auditors. At June 30, 2018, the School District's proportionate shares of the SCRHITF and SCLTITF plans' net OPEB liabilities were 1.49 percent and 1.23 percent, respectively.

Note 15. Post-Employment Benefits Other Than Pensions (OPEB), Continued

Deferred outflows of resources and deferred inflows of resources related to OPEB:

For the year ended June 30, 2019, the School District recognized OPEB expense of $12,209,551 and $98,624 for the SCRHITF and SCLTDITF plans, respectively. At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SCRHITF	
	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 3,164,251	$ 73,597
Changes of assumptions	-	17,200,113
Net difference between projected and actual earnings on OPEB plan investments	809,920	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	-	849,155
School District contributions subsequent to the measurement date	7,750,891	-
Total	$ 11,725,062	$ 18,122,865

	SCLTDITF	
	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ -	$ 2,301
Changes of assumptions	-	2,452
Net difference between projected and actual earnings on OPEB plan investments	21,860	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	-	2,482
School District contributions subsequent to the measurement date	156,890	-
Total	$ 178,750	$ 7,235

Note 15. Post-Employment Benefits Other Than Pensions (OPEB), Continued

Deferred outflows of resources and deferred inflows of resources related to OPEB, continued:

Of the total amount reported as deferred outflows of resources related to OPEB, $7,907,781 resulting from School District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2019.

OPEB liabilities are generally liquidated by the fund from which the fund liability was incurred. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the School District's OPEB expense as follows:

Years ending June 30:	SCRHITF
2019	$ (2,658,842)
2020	(2,658,842)
2021	(2,658,842)
2022	(2,745,571)
2023	(2,883,004)
Thereafter	(543,593)
	$ (14,148,694)

Years ending June 30:	SCLTDITF
2019	$ 5,322
2020	5,322
2021	5,322
2022	2,637
2023	(814)
Thereafter	(3,164)
	$ 14,625

Actuarial assumptions:

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plans (as understood by the employer and plan participants) and include the types of benefits provided at the time the valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Note 15. Post-Employment Benefits Other Than Pensions (OPEB), Continued

Actuarial assumptions, continued:

The total OPEB liabilities were determined by actuarial valuations performed as of June 30, 2017. Update procedures were used to roll forward the total OPEB liabilities to June 30, 2018. The actuarial valuations were performed using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Additional information as of the latest actuarial valuation for SCRHITF:

SCRHITF:	
Valuation Date:	June 30, 2017
Actuarial Cost Method:	Entry Age Normal
Inflation:	2.25%
Investment Rate of Return:	4.00%, net of OPEB Plan investment expense; including inflation
Single Discount Rate:	3.62% as of June 30, 2018
Demographic Assumptions:	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2015
Mortality:	For healthy retirees, the 2016 Public Retirees of South Carolina Mortality Table for Males and the 2016 Public Retirees of South Carolina Mortality Table for Females are used with fully generational mortality projections based on Scale AA from the year 2016. Multipliers are applied to the base tables based on gender and employment type.
Health Care Trend Rate:	Initial trend starting at 6.75% and gradually decreasing to an ultimate trend rate of 4.15% over a period of 14 years
Aging Factors:	Based on plan specific experience
Retiree Participation:	79% for retirees who are eligible for funded premiums 59% participation for retirees who are eligible for Partial Fund Premiums 20% participation for retirees who are eligible for Non-Funded Premiums
Notes:	There were no benefit changes during the year. The discount rate changed from 3.56% as of June 30, 2017 to 3.62% as of June 30, 2018.

Note 15. Post-Employment Benefits Other Than Pensions (OPEB), Continued

Actuarial assumptions, continued:

Additional information as of the latest actuarial valuation for SCLTDITF:

SCLTDITF:	
Valuation Date:	June 30, 2017
Actuarial Cost Method:	Entry Age Normal
Inflation:	2.25%
Investment Rate of Return:	4.00%, net of Plan investment expense; including inflation
Single Discount Rate:	3.91% as of June 30, 2018
Salary, Termination, and Retirement Rates:	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2015
Disability Incidence:	The rates used in the valuation are based on the rates developed for the South Carolina Retirement Systems pension plans
Disability Recovery:	For participants in payment, 1987 CGDT Group Disability; for active employees, 60% were assumed to recover after the first year and 92% were assumed to recover after the first two years
Offsets:	40% are assumed to be eligible for Social Security benefits; assumed percentage who will be eligible for a pension plan offset varies based on employee group
Expenses:	Third party administrative expenses were included in the benefit projections.
Notes:	There were no benefit changes during the year. The discount rate changed from 3.87% as of June 30, 2017 to 3.91% as of June 30, 2018.

The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2017 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation.

This information is summarized in the following table:

Asset Class	**Target Asset Allocation**	**Expected Arithmetic Real Rate of Return**	**Allocation-Weighted Long-Term Expected Real Rate of Return**
U.S. Domestic Fixed Income	80.00%	2.09%	1.67%
Cash	20.00%	0.84%	0.17%
Total	100.00%		1.84%
Expected Inflation			2.25%
Total Return			4.09%
Investment Return Assumption			**4.00%**

Note 15. Post-Employment Benefits Other Than Pensions (OPEB), Continued

Discount rate:

The Single Discount Rate of 3.62% was used to measure the total OPEB liability for the SCRHITF. The accounting policy for this plan is to set the Single Discount Rate equal to the prevailing municipal bond rate. Due to the plan's investment and funding policies, the difference between a blended discount rate and the municipal bond rate would be less than several basis points (several hundredths of one percent).

A Single Discount Rate of 3.91% was used to measure the total OPEB liability for the SCLTDITF. This Single Discount Rate was based on an expected rate of return on plan investments of 4.00% and a municipal bond rate of 3.62%. The projection of cash flows to determine this Single Discount Rate assumed that employer contributions will remain $38.64 per year for each covered active employee. Based on these assumptions, the plan's Fiduciary Net Position and future contributions were sufficient to finance the benefit payments through the year 2037. As a result, the long-term expected rate of return on plan investments was applied to project benefit payments through the year 2037, and the municipal bond rate was applied to all benefit payments after that date.

Sensitivity analysis:

The following table presents the SCRHITF's net OPEB liability calculated using a Single Discount Rate of 3.62%, as well as what the plan's net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher. In addition, regarding the sensitivity of the SCRHITF's net OPEB liability to changes in the healthcare cost trend rates, the following table presents the plan's net OPEB liability, calculated using the assumed trend rates as well as what the plan's net OPEB liability would be if were calculated using a trend rate that is one percent lower or one percent higher.

	1% Decrease 2.62%	Current Discount Rate 3.62%	1% Increase 4.62%
SCRHITF Net OPEB Liability	$ 248,843,721	$ 211,225,322	$ 180,901,914

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
SCRHITF Net OPEB Liability	$ 173,804,338	$ 211,225,322	$ 259,603,725

The following table presents the SCLTDITF's net OPEB liability calculated using a Single Discount Rate of 3.91%, as well as what the plan's net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

	1% Decrease 2.91%	Current Discount Rate 3.91%	1% Increase 4.91%
SCLTDITF Net OPEB Liability	$ 56,238	$ 37,630	$ 19,469

Note 15. Post-Employment Benefits Other Than Pensions (OPEB), Continued

OPEB plan fiduciary net position:

Detailed information about the OPEB Trusts' fiduciary net position is available in the separately issued PEBA financial report.

Note 16. Deferred Compensation Plan

School District employees may participate in the 457 and/or 401(k) deferred compensation plans available to state and local governmental employees through the state public employee retirement system. These programs are administered by a state approved nongovernmental third party. Contributions by District employees under the 457 and 401(k) programs totaled $334,380 for the year ended June 30, 2019.

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

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

Note 17. Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the School District carries commercial insurance. During the year ended June 30, 2019, the School District obtained its general liability and property insurance through the South Carolina School Boards Insurance Trust (the Trust) which represents the majority of South Carolina school districts joined together in a public entity risk pool. The School District pays an annual premium to the Trust for its general liability and property insurance. The agreement for formation of the Trust provides that the Trust will be self-sustaining through member premiums.

The School District obtains its employee health and life insurance through the South Carolina State Budget and Control Board's Office of Insurance Services which represents all school agencies and most State agencies in South Carolina joined together in a public entity risk pool. The School District pays a portion of monthly premiums based on each participating employee. Life insurance is also obtained through the South Carolina State Budget and Control Board's Office of Insurance Services and the carrier is Met Life.

The School District is self-insured for Workers' Compensation and Brentwood Services Administrators acts as third party administrator. The School District's risk management activities related to workers' compensation insurance are recorded in the Insurance Reserve Fund (Internal Service Fund).

Note 17. Risk Management, Continued

The School District establishes an estimated liability for workers' compensation claims and judgments based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of subrogation and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claim costs depend on such complex factors as inflation, changes in doctrines of legal liability and damage awards, the process used in computing claim liabilities does not necessarily result in an exact amount. Adjustments to claim liabilities are charged or credited to expense in the period in which they are made.

Claims liability in excess of available financial resources is recorded in the Statement of Net Position as a current liability. The specific stop-loss and aggregate retention provisions for workers' compensation are $450,000 and $2,270,526, respectively.

Changes in the balances of liability for claims and judgments during the last two years were as follows:

Year	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2018	$ 478,658	$ 458,775	$ (604,847)	$ 332,586
2019	$ 332,586	$ 940,832	$ (914,629)	$ 358,793

Prior to July 1, 1978, school districts in South Carolina were exempt from unemployment taxes. Effective July 1, 1978, school districts were no longer exempted from these taxes. As a result, the School District established a limited risk management program for unemployment compensation. The School District reimburses the South Carolina Department of Employment and Workforce for actual claims paid attributable to service in the employ of the School District. Claims paid during the year ended June 30, 2019 were $914,629 and were reported in the General Fund. No separate liability for unemployment claims has been established due to the insignificant amounts of the expenditures.

The School District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 18. Related Party Transactions

Related organizations - Beaufort-Jasper Academy for Career Excellence is a career center that was created by an agreement between the School District and Jasper County School District dated June 13, 1975, under the provisions of legislation enacted by the General Assembly of the State of South Carolina. The Academy operates as a vocational school for high school students in Beaufort and Jasper Counties. The Academy's Board of Directors is comprised of three members from each of the Boards of Education of the respective two School Districts, along with the Superintendent of each School District as ex-officios. Budgetary controls are held by the Board of Education of the respective two School Districts. The agreement states that the responsibility for the Academy's general fund cost of maintenance, support, and operation of the Academy shall be borne jointly and on an enrollment ratio of two to one, respectively. The School District assumes the responsibility for two-thirds of these costs and Jasper County School District assumes the responsibility for one-third of these costs. During the year ended June 30, 2019 the School District's expenses related to this agreement were $1,843,547 and included in the General Fund instruction (Career and Technology Education) expenditures.

Note 18. Related Party Transactions, Continued

Component unit - Allocated funding from the School District to Riverview Charter School during 2019 amounted to $6,810,903.

Note 19. Commitments and Contingencies

Construction Commitments

The School District has entered into contracts for various construction projects. Outstanding obligations at June 30, 2019 are as follows:

	Contract Amount	Expended as of June 30, 2019	Remaining Commitment
Whale Branch Early College High	$ 15,911,325	$ 15,334,692	$ 576,633
Hilton Head Island Elementary	2,346,300	561,078	1,785,222
Multiple Schools/Contracts	8,121,266	2,128,939	5,992,327
	$ 26,378,891	$ 18,024,709	$ 8,354,182

Litigation

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

Grants

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

Operating Leases

The School District has entered into non-cancellable operating leases for office machines and exterior lighting at the high schools, which vary in terms from four to ten years. Payments under such leases totaled approximately $405,105 for the fiscal year ended June 30, 2019.

Annual lease commitments are as follows for the years ending June 30:

2020	$ 336,556
2021	223,134
2022	104,996
2023	61,787
2024	22,800
Thereafter	1,983
	$ 751,256

Note 20. Subsequent Events

The School District issued a Tax Anticipation Note through South Carolina Association of Governmental Organizations ("SCAGO") on August 2, 2019 in the amount of $14,005,000, maturing in April 2020, bearing interest at 5.00%, to facilitate operating cash flow needs until the collection of future levied property taxes.

The School District issued General Obligation Bonds on August 29, 2019 in the amount of $19,300,000, maturing in March 2023, bearing interest at 5.00%, to fund construction projects.

The School District issued General Obligation Bonds through SCAGO on September 25, 2019 in the amount of $3,142,000, maturing in March 2020, bearing interest at 2.00%, for the purpose of making payments to the EFC.

APPENDIX B

FORM OF CONTINUING DISCLOSURE CERTIFICATE

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the School District of Beaufort County, South Carolina (the "School District") in connection with the issuance of not exceeding $_________ General Obligation Bonds, Series 2020, of the School District (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted by the Board of Education of the School District (the "Resolution"). The School District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the School District for the benefit of the holders of the Bonds and in order to assist the Participating Underwriters (defined below) in complying with the Rule (defined below).

SECTION 2. Definitions. The following capitalized terms shall have the following meanings:

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

"Dissemination Agent" shall mean 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.

"Financial Obligation" is defined by the Rule as and for purposes of this Disclosure Certificate shall mean (1) a debt obligation, (2) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (3) a guarantee of either of the foregoing; provided, however, that a "Financial Obligation" shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

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

"National Repository" shall mean for purposes of the Rule the Electronic Municipal Market Access (EMMA) system created by the Municipal Securities Rulemaking Board.

"Participating Underwriter" shall mean ______________ and any other original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

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

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

SECTION 3. Provision of Annual Reports.

(a) The School District shall, or shall cause the Dissemination Agent to provide, not later than February 1 of each year, commencing in 2021, to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than fifteen (15) business days prior to such date the School District shall provide the Annual Report to the Dissemination Agent, if other than the School District; provided, that if the audited financial statements required pursuant to Section 4 hereof to be included in the Annual Report are not available for inclusion in the Annual Report as of such date, unaudited financial statements of the School District may be included in such Annual Report in lieu thereof, and the School District shall replace such unaudited financial statements with audited financial statements within fifteen (15) days after such audited financial statements become available for distribution. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the School District may be submitted separately from the balance of the Annual Report.

(b) If the School District is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the School District shall send a notice to the National Repository and State Depository, if any, in substantially the form attached hereto as Exhibit A.

(c) The Dissemination Agent shall:

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

(2) if the Dissemination Agent is other than the School District, file a report with the School District and (if the Dissemination Agent is not the Registrar) the Registrar certifying whether the Annual Report has been provided pursuant to this Disclosure Certificate, and, if provided, stating the date it was provided, and listing all the Repositories to which it was provided.

SECTION 4. Content of Annual Reports. The School District's Annual Report shall contain or incorporate by reference the most recent audited financial statements, which shall be prepared in conformity with generally accepted accounting principles (or, if not in such conformity, to be accompanied by a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information) applicable to governmental entities such as the School District, and shall, in addition, contain or incorporate by reference the following information relating to the most recently completed fiscal year:

(a) School District enrollment;
(b) Total state appropriations subject to withholding under Article X, Sec. 15, South Carolina Constitution;
(c) Outstanding Indebtedness of the School District;
(d) Assessed Value of Taxable Property in the School District;
(e) Assessed and Estimated Actual Value of Taxable Property in the School District;
(f) Tax collections for the School District; and
(g) Ten largest taxpayers for the School District.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the School District is an "obligated person" (as defined by the Rule), which have been filed with 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 National Repository. The School District shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

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

(1) Principal and interest payment delinquencies;
(2) Non-payment related defaults;
(3) Unscheduled draws on debt service reserves reflecting financial difficulties;
(4) Unscheduled draws on credit enhancements reflecting financial difficulties;
(5) Substitution of credit or liquidity providers, or their failure to perform;
(6) Adverse tax opinions, 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 tax status of the security, or other material events affecting the tax status of the security;
(7) Modifications to rights of security holders;
(8) Bond calls;
(9) Tender offers;
(10) Defeasances;
(11) Release, substitution, or sale of property securing repayment of the securities;
(12) Rating changes;
(13) Bankruptcy, insolvency, receivership or similar event of the School District;
(14) The consummation of a merger, consolidation, or acquisition involving the School District or the sale of all or substantially all of the assets of the School District 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 actions, other than pursuant to its terms;
(15) Appointment of a successor or additional trustee or the change of name of a trustee;
(16) Incurrence of a Financial Obligation of the School District; or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the School District, any of which affect security holders; and
(17) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the School District, any of which reflect financial difficulties.

(b) Whenever the School District obtains knowledge of the occurrence of a Listed Event described in subsections (a)(2), (7), (8), (11), (14), (15) or (16) above, the School District shall as soon as possible determine if such event would be material under applicable federal securities laws. If the School District determines that knowledge of the occurrence of such event would be material under applicable federal securities laws, the School District shall promptly, and no later than ten business days after the occurrence of the event, file a notice of such occurrence with the Repository.

(c) Whenever the School District obtains knowledge of the occurrence of a Listed Event described in subsections (a)(1), (3), (4), (5), (6), (9), (10), (12), (13) or (17) above, the School District shall promptly, and no later than ten business days after the occurrence of the event, file a notice of such occurrence with the Repository.

(d) Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8), (9), and (10) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Bonds. For the purposes of the event identified in (a)(13) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the School District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the School District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the School District.

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

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

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, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to the School District, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

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, or the Dissemination Agent to comply with any provision of this Disclosure Certificate, any beneficial owner may take such actions as may be necessary and appropriate, including seeking injunctive relief or specific performance by court order, to cause the School District, or the Dissemination Agent, as the case may be, 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, or the Dissemination Agent to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The provisions of this Section 11 shall apply if the School District is not 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 they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the School District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 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, entity or institution.

SECTION 13. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SCHOOL DISTRICT OF BEAUFORT COUNTY,
SOUTH CAROLINA

By:____
Superintendent

Dated: ______________

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

[Date of Delivery]

Beaufort County Board of Education
School District of Beaufort County, South Carolina
Beaufort, South Carolina

SCHOOL DISTRICT OF BEAUFORT COUNTY, SOUTH CAROLINA
GENERAL OBLIGATION BONDS, SERIES 2019B
$__________

We have served as bond counsel for the School District of Beaufort County, South Carolina (the "School District") in connection with the issuance of $__________ General Obligation Bonds, Series 2019B dated _______ __, 2019 (the "Bonds"). In such capacity, we have examined such law and certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied on the representations of the School District contained in the Resolution of the School District authorizing the Bonds and the Federal Tax Certificate of the School District dated the date hereof, and in the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation. We have assumed that all signatures on documents, certificates and instruments examined by us are genuine, all documents, certificates and instruments submitted to us as originals are authentic and all documents, certificates and instruments submitted to us as copies conform to the originals. In addition, we have assumed that all documents, certificates and instruments relating to the issuance of the Bonds have been duly authorized, executed and delivered by all parties thereto other than the School District, and we have further assumed the due organization, existence and powers of such other parties other than the School District.

As bond counsel, we have been retained solely for the purpose of examining the validity and legality of the Bonds and of rendering the specific opinion herein stated and for no other purpose. We have not acted as municipal advisor (within the meaning of Section 15B of the Securities Exchange Act of 1934) to the School District. We have not verified the accuracy, completeness or fairness of any representation or information concerning the business or financial condition of the School District or the purchaser of the Bonds in connection with the sale of the Bonds. Accordingly, we express no opinion on the completeness, fairness or adequacy of any such representation or information.

We refer you to the Bonds and the Resolution for a further description of the Bonds the purposes for which the Bonds are issued, the uses of the proceeds from the sale of the Bonds and the security therefor.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Bonds have been authorized and executed by the School District and are valid and binding general obligations of the School District.

2. The School District has power and is obligated to cause to be levied and collected annually a tax, without limit, on all taxable property in the School District sufficient to pay the principal of and interest on the Bonds as they respectively mature and to create such sinking fund as may be necessary therefor.

3. Interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes in computing the federal alternative minimum tax. The opinion set forth in the preceding sentence is subject to the condition that the School District comply with all requirements of the Internal Revenue Code of 1986, as amended, 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. The School District has covenanted to comply with the requirements. Failure to comply with certain of such requirements may cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

4. Under the laws of the State of South Carolina (the "State"), the Bonds and the interest thereon are presently exempt from all taxation in the State, except estate or other transfer taxes. It should be noted, however, that Section 12-11-20, Code of Laws of South Carolina 1976, as amended, imposes upon every bank engaged in business in the State a fee or franchise tax computed on the entire net income of such bank which includes interest paid on the Bonds.

The rights of the owners of the Bond and the enforceability of the Bond are limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

We express no opinion regarding the accuracy, adequacy, or completeness of the Official Statement relating to the Bonds. Further, we express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

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.

Very truly yours,

BURR & FORMAN LLP