



NEW ISSUE - BOOK-ENTRY-ONLY

RATINGS:
Moody's: Aa1/Enhanced (Underlying Aa2)
S&P: AA/Enhanced (Underlying AA)
(See "Ratings" herein)

In the opinion of Nexsen Pruet, LLC ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. Bond Counsel observes, however, that interest on the Bonds must be included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that the Bonds and the interest thereon are presently exempt from all State, county, municipal, school district, and all other taxes or assessments imposed with the State of South Carolina, direct or indirect, general or special, whether imposed for the purposes of general revenue or otherwise, except estate or other transfer taxes and certain fees or franchise taxes. See "TAX EXEMPTION AND OTHER TAX MATTERS" herein. The Bonds are not "qualified tax-exempt obligations" under Section 265(b)(3) of the Code.

**\$10,000,000 GENERAL OBLIGATION BONDS, SERIES 2012A
SCHOOL DISTRICT NO. 2 OF RICHLAND COUNTY, SOUTH CAROLINA**

Dated: Date of Delivery

Due: May 1, as shown on the inside cover

The above-referenced general obligation bonds (the "Bonds") will be general obligation bonds of School District No. 2 of Richland 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. See "SECURITY" herein.

The Bonds will be issued only as fully-registered bonds, registered 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 and to which principal and interest payments on the Bonds will be made. Individual purchases of beneficial interests in the Bonds will be made in book-entry-only form, in the principal amount of \$5,000 or any integral multiple thereof. Beneficial owners of the Bonds will not receive physical delivery of bond certificates. See "BOOK-ENTRY-ONLY SYSTEM." The Treasurer of Richland County, South Carolina, will serve as Paying Agent for the Bonds so long as the Bonds remain in book-entry form.

Interest on the Bonds is payable at the rates set forth on the inside front cover hereof on each May 1 and November 1, commencing November 1, 2012. The Bonds will mature serially on May 1 in each of the years and in the principal amounts set forth on the inside front cover hereof. The Bonds are not subject to redemption prior to their stated maturities. See "THE BONDS – Redemption Provisions" herein.

Bids will be received until 11:00 a.m., South Carolina time, Tuesday, May 1, 2012, at the School District Offices, 6831 Brookfield Road, Columbia, South Carolina 29206. The Bonds are offered when, as and if issued and subject to the approving opinion as to legality of Nexsen Pruet, LLC, Columbia, South Carolina. It is expected that the Bonds in definitive form will be available for delivery on or about May 15, 2012.

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

Dated : May 1, 2012

MATURITY SCHEDULE

(May 1) <u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP No.</u>
2013	\$1,000,000	2.000%	0.200%	763682 A68
2014	2,000,000	3.000	0.350	763682 A76
2015	2,000,000	4.000	0.570	763682 A84
2016	2,050,000	4.000	0.770	763682 A92
2017	2,950,000	4.000	0.950	763682 B26

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds identified on the cover. 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 or the Underwriter. 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, 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.

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.

The School District agrees that, no more than seven business day 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 the 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.

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. 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.

Reference herein to laws, rules, regulations, 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 therein. Where full texts have not been included as appendices to the Official Statement, they will be furnished upon request.

**SCHOOL DISTRICT NO. 2 OF
RICHLAND COUNTY. SOUTH CAROLINA**

6831 Brookfield Road
Columbia, South Carolina 29206

BOARD OF TRUSTEES

Calvin “Chip” Jackson, M.P.A., Chair
Susan A. Brill, Vice Chair
James Manning, M.A.T., Secretary
Melinda S. Anderson
Stephanie Burgess, Ph.D.
William R. Flemming, Jr., D.M.D.
Barbara Specter

SUPERINTENDENT

Dr. Katie Brochu

CHIEF FINANCIAL OFFICER

Robert E. Davis

BOND COUNSEL

Nexsen Pruet, LLC
Columbia, South Carolina

FINANCIAL ADVISOR

Davenport & Company, LLC
Charlotte, North Carolina

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
THE BONDS	3
DESCRIPTION	3
REDEMPTION PROVISIONS	3
DEFEASANCE	3
AUTHORIZATION	3
PURPOSE	4
MISCELLANEOUS	4
SECURITY	4
BOOK-ENTRY-ONLY SYSTEM	5
THE SCHOOL DISTRICT	8
GENERAL DESCRIPTION	8
BOARD OF TRUSTEES AND ADMINISTRATIVE OFFICIALS	9
EDUCATIONAL PROGRAMS AND SERVICES	9
THE EDUCATION ACCOUNTABILITY ACT OF 1998	10
PUBLIC SCHOOL ENROLLMENT IN THE SCHOOL DISTRICT	11
SCHOOL FACILITIES AND CAPITAL PLAN	11
SCHOOL DISTRICT EMPLOYEES	11
DEBT STRUCTURE	12
LEGAL DEBT LIMIT OF THE SCHOOL DISTRICT	12
OUTSTANDING GENERAL OBLIGATION DEBT	13
COMPOSITE DEBT SERVICE	14
LEGAL DEBT LIMIT OF INCORPORATED MUNICIPALITIES AND SPECIAL PURPOSE DISTRICTS	14
OVERLAPPING DEBT	15
MISCELLANEOUS DEBT INFORMATION	15
CERTAIN FISCAL MATTERS	15
PROPERTY TAXATION AND ASSESSMENT	15
BUDGET PROCEDURE	17
GENERAL FUND BUDGET	18
TAX COLLECTION PROCEDURE	18
STATE TAX REFORM	19
PAYMENTS IN LIEU OF TAXES	21
ASSESSED VALUE	22
ESTIMATED ASSESSED AND TRUE VALUE OF TAXABLE PROPERTY	23
EXEMPT MANUFACTURING PROPERTY	23
TAX COLLECTIONS	23
TEN LARGEST TAXPAYERS	24
MILLAGE RATES	24
ECONOMIC AND DEMOGRAPHIC INFORMATION	24
LOCATION, HISTORY AND AGRICULTURE	24
COMMERCE AND INDUSTRY	25
CAPITAL INVESTMENT	28
POPULATION GROWTH	29
PER CAPITA PERSONAL INCOME	29
MEDIAN FAMILY INCOME	30
CONSTRUCTION ACTIVITY	30
RETAIL SALES	30
GOVERNMENT EMPLOYERS	31

MAJOR INDUSTRIAL EMPLOYERS	31
MAJOR NON-INDUSTRIAL EMPLOYERS	32
UNEMPLOYMENT RATES	32
MEDIAN AGE AND EDUCATION LEVELS	33
LABOR FORCE	33
OTHER FACILITIES LOCATED WITHIN OR SERVING RESIDENTS OF THE COUNTY	34
FINANCIAL INFORMATION	38
FIVE-YEAR SUMMARY OF GENERAL FUND OPERATIONS	38
FINANCIAL STATEMENTS.....	38
MANAGEMENT DISCUSSION	39
REVENUES.....	39
INVESTMENT POLICIES	42
SOUTH CAROLINA EDUCATIONAL ASSISTANCE ENDOWMENT FUND.....	42
ADJUSTMENTS TO STATE FUNDS	43
FRINGE BENEFITS, RETIREMENT AND HEALTH INSURANCE.....	43
INSURANCE.....	43
TAX EXEMPTION AND OTHER TAX MATTERS	44
OPINION OF BOND COUNSEL	44
INTERNAL REVENUE CODE OF 1986	44
SOUTH CAROLINA TAXATION.....	44
ORIGINAL ISSUE DISCOUNT.....	45
PREMIUM BONDS.....	45
LEGAL MATTERS	45
OPINIONS.....	45
LITIGATION	46
UNITED STATES BANKRUPTCY CODE.....	46
MISCELLANEOUS	46
CERTIFICATE AS TO THE OFFICIAL STATEMENT.....	46
RATINGS.....	47
CONTINUING DISCLOSURE.....	47
FINANCIAL ADVISOR.....	47
UNDERWRITING.....	48
CONCLUSION.....	48
Appendix A - Audited Financial Statements for Fiscal Year ended June 30, 2011	
Appendix B - Form of Opinion of Bond Counsel	
Appendix C - Form of Disclosure Dissemination Agent Agreement	

INTRODUCTION

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

The Issuer

The \$10,000,000 General Obligation Bonds, Series 2012A (the “Bonds”) are being issued by School District No. 2 of Richland County, South Carolina (the “School District”), a body politic and corporate and a political subdivision of the State of South Carolina (the “State”).

Security

For the payment of principal of and interest on the Bonds, as they respectively mature, the full faith, credit, resources and taxing power of the School District are irrevocably pledged. Also, Article X, Section 15, Paragraph 4 of the Constitution of the State of South Carolina provides that, if any school district fails to pay principal of or interest on bonds when due, the State Treasurer shall withhold moneys from State appropriations to which such school district may be entitled and effect payment of principal of or interest on such bonds from such appropriations. See “THE BONDS – Security” herein.

Purpose

The proceeds of the Bonds will be used to provide funds for (i) constructing, improving, equipping, renovating and repairing school buildings or other school facilities, including the cost of the acquisition of land whereon to construct such school facilities and certain other costs relating thereto; and (ii) paying legal fees and costs of issuance of the Bonds. See “THE BONDS – Purpose” herein.

Details of the Bonds

The Bonds will be general obligation bonds of the School District, will be issuable in fully registered form and, when issued, will be registered to Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”). The Bonds will be dated their date of delivery, and will bear interest from their date at the rates shown on the cover hereof. Interest on the Bonds is payable semiannually on May 1 and November 1 of each year until they mature, commencing November 1, 2012. The Bonds will mature serially in successive annual installments on May 1 in each of the years and in the principal amounts set forth on the cover hereof. The Bonds are not subject to redemption prior to their stated maturities. See “THE BONDS—Redemption Provisions” for further information.

Tax Status of Interest on the Bonds

In the opinion of Nexsen Pruet, LLC (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants by the School District, interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. Bond Counsel observes, however, that interest on the Bonds must be included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that the Bonds and the interest thereon are exempt from all State, county, municipal, school district, and all other taxes or assessments imposed within the State of South Carolina, direct or indirect,

general or special, whether imposed for the purposes of general revenue or otherwise, except estate or other transfer taxes and certain fees or franchise taxes. See “TAX EXEMPTION AND OTHER TAX MATTERS” herein. The Bonds are **not** “qualified tax-exempt obligations” under Section 265(b)(3) of the Code.

Professionals Involved in the Offering

Nexsen Pruet, LLC, Columbia, South Carolina, is serving as Bond Counsel. Davenport & Company, LLC, Charlotte, North Carolina, is serving as Financial Advisor.

Independent Auditors

The Financial Statements of the School District for the Fiscal Year ended June 30, 2011 (the “2010-11 Fiscal Year”), included as Appendix A, have been audited by McGregor & Company, LLP, Certified Public Accountants, Columbia, South Carolina, as stated in their report appearing in Appendix A.

Authority for the Issue

The Bonds are being issued pursuant to the Constitution and laws of the State of South Carolina, and a resolution duly adopted on March 13, 2012, by the Board of Trustees of the School District (“Board of Trustees” or “Board”) authorizing the issuance and sale of not exceeding \$10,100,000 aggregate principal amount general obligation bonds of the School District (the “Bond Resolution”).

Information Concerning Terms of the Offering

The Bonds are being issued in book-entry-only form. It is expected that the Bonds will be delivered to Cede & Co., at the offices of DTC, on or about May 15, 2012, and will be available for credit to the accounts of the DTC participants and, through them, the beneficial owners of the Bonds, on such date. Additional information regarding the DTC Book-Entry-Only System is set forth in “THE BONDS – Book-Entry-Only System.”

General

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of the Preliminary Official Statement and the Official Statement will be deposited with the Municipal Securities Rulemaking Board, 1150 18th Street, N.W., Suite 400, Washington, D.C. 20036. Copies of the Preliminary Official Statement, the Official Statement, the Bond Resolution and related documents and information are available by contacting Robert E. Davis, Chief Financial Officer, School District No. 2 of Richland County, South Carolina, 6831 Brookfield Road, Columbia South Carolina 29206, (803) 738-3293.

THE BONDS

Description

The Bonds will be general obligation bonds of the School District, will be issued in fully registered book-entry-only form, will be dated as of their date of delivery, and will bear interest from their date at the rates shown on the inside cover page hereof. Interest on the Bonds is payable semiannually on May 1 and November 1 of each year, commencing November 1, 2012 until maturity, and the Bonds will mature serially on May 1 of each of the years and in the principal amounts as shown on the inside cover page hereof.

Redemption Provisions

The Bonds are not subject to redemption prior to the stated maturities thereof.

Defeasance

If all of the Bonds issued pursuant to the Bond Resolution shall have been paid and discharged, then the obligations of the School District thereunder with respect to such Bonds, and all other rights granted thereby shall cease and determine. The Bonds shall be deemed to have been paid and discharged within the meaning of this Section under each of the following circumstances:

(i) If the Paying Agent, or other escrow agent designated by the School District shall hold, at the stated maturities of the Bonds, in trust and irrevocably appropriated thereto, moneys for the full payment thereof; or

(ii) If default in the payment of the principal of the Bonds or the interest thereon shall have occurred, and thereafter tender of payment shall have been made, and the Paying Agent shall hold, in trust and irrevocably appropriated thereto, sufficient moneys for the payment thereof to the date of the tender of such payment; or

(iii) If the School District shall have deposited with the Paying Agent, in an irrevocable trust, either moneys in an amount which shall be sufficient, or direct, non-callable general obligations of the United States of America, the principal of and interest on which, when due, will provide moneys, which, together with the moneys, if any, deposited with the Paying Agent at the same time, shall be sufficient, to pay, when due, the principal, interest and redemption premium or premiums, if any, due and to become due on the Bonds and the School District shall have irrevocably bound and obligated itself to give notice of redemption of the Bonds to be defeased; or

(iv) If there shall have been deposited with the Paying Agent either moneys in an amount which shall be sufficient, or direct, non-callable general obligations of the United States of America, the principal of and interest on which, when due, will provide moneys, which, together with the moneys, if any, deposited with the Paying Agent at the same time, shall be sufficient to pay, when due, the principal and interest due and to become due on the Bonds at the maturity thereof.

Authorization

The Bonds will be issued pursuant to and in accordance with the Constitution and statutes of the State, including Article X, Section 15 of the Constitution of the State of South Carolina, 1895, as

amended; Title 59, Chapter 71, Article 1, Code of Laws of South Carolina 1976, as amended; Title 11, Chapter 27, Code of Laws of South Carolina 1976, as amended, and the Bond Resolution.

Purpose

The proceeds of the Bonds will be used to provide funds for (i) constructing, improving, equipping, renovating and repairing school buildings or other school facilities, including the cost of the acquisition of land whereon to construct such school facilities and certain other costs relating thereto; and (ii) paying legal fees and costs of issuance of the Bonds.

Miscellaneous

Payment of principal of and interest on the Bonds and the pledge of the full faith, credit, resources and taxing power are enforceable by mandamus. The Bonds contain no provision for amendment of any of the terms thereof.

Security

For the payment of principal of and interest on the Bonds, as they respectively mature, and for the creation of such sinking fund as may be necessary 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 Richland County and collected by the Treasurer of Richland 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 of the State of South Carolina, 1895, as amended, contains the following State aid intercept clause:

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 State General Fund appropriations which were received by the School District during the past five fiscal years and which would have been subject to being withheld, as well as a projection for the current fiscal year.

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Amount</u>
2007	\$ 78,077,077
2008	115,629,221*
2009	123,427,895*
2010	113,629,087*
2011 ¹⁾	113,166,514*
2012 ⁽¹⁾	119,232,115*

*Includes property tax relief from passage of Act 388 and Education Finance Act funds specified below.

⁽¹⁾Projected.

Statutory enhancements to the Constitutional intercept provisions also apply to all school district general obligation bonds. Under the statutory intercept provision, a county treasurer is required to notify the State Treasurer on the fifteenth day prior to the due date of any payment of principal or interest on school district general obligation bonds if the county treasurer or any other paying agent does not have on deposit the sum required to make that payment. On the third business day prior to the due date of the payment, if the county treasurer or any other paying agent does not have on hand the amount required to effect such payment, the State Treasurer is directed to transfer to the county treasurer from the general fund of the State the sum necessary to effect such payment, provided that the total amount of the payments so transferred in any fiscal year may not exceed the amount appropriated in the State's budget under the Education Finance Act for that fiscal year. The amount appropriated in the Education Finance Act for the fiscal year beginning July 1, 2011, is \$1,004,394,001. Thereafter the State Treasurer shall withhold from such 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. In addition, the State Treasurer may direct the county treasurer to apply to the payment due on the bonds any monies being held by the county treasurer in any fund, other than the sinking fund, derived from State revenue for the school district. The statute 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 the bonds for the next fiscal year to the level necessary to provide for the punctual payment of all sums due during that year and to file a report with the State Treasurer demonstrating compliance not later than five business days after millage is set for the next fiscal year. In summary, the statutory intercept provisions enhance the Constitutional provision by providing that: (i) the advance from the State Treasurer will be made in time to permit the timely payment of debt service on the Bonds; and (ii) there is subsequent monitoring to prevent repetition.

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. The Depository Trust Company ("DTC"), New York, New York will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of 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"). 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 actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their 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 County 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.

THE SCHOOL DISTRICT

General Description

The School District is a body politic and corporate and a political subdivision of the State of South Carolina (the "State"). The School District is located in the northeastern section of Richland County (the "County") and is bordered on the south and west by School District No. 1 of Richland County, which includes the City of Columbia; on the east by Kershaw County; and on the north by Fairfield County. The land area of the School District is approximately 240 square miles, or about one-third of the land area of the County. The School District was established on January 1, 1953, by the consolidation of Blythewood School District No. 3 and Dentsville School District No. 2 of Richland County. The 2008 Census Bureau estimate of the population of the School District is 108,229.

The School District operates eighteen elementary schools, seven middle schools, four high schools, four magnet centers, two child development centers, two alternative schools, and an adult/community center. Twelve of the School District's schools have been named National Blue Ribbon Winners by the U.S. Department of Education.

The School District is in compliance with all known desegregation guidelines. The School District is fully accredited by the Southern Association of Colleges and Schools Council on Accreditation and School Improvement, a division of AdvancED.

Board of Trustees and Administrative Officials

The School District is governed by a seven-member Board of Trustees. Members of the Board must be residents of the School District and are elected at large by the registered voters in the School District to staggered 4-year terms of office. The members of the Board, their occupations, the number of consecutive years (tenure) each has served on the Board and the expiration dates of their current terms of office are as follows:

<u>Name</u>	<u>Occupation</u>	<u>Number of Years Served</u>	<u>Expiration Date</u>
Calvin “Chip” Jackson, M.P.A., Chair	Retired Educator	2	November 2012
Susan A. Brill, Vice Chair	Community Volunteer	4	November 2012
James Manning, M.A.T., Secretary	Information Technology Manager	1	November 2014
Melinda S. Anderson	Retired Nurse	20	November 2014
Stephanie Burgess, PhD, Chair	Professor	6	November 2012
William R. Flemming, Jr., D.M.D., Chair	Dentist	16	November 2014
Barbara Specter, Secretary	Homemaker	8	November 2014

The Superintendent of the School District is Dr. Katie Brochu. Dr. Brochu began her career in education teaching reading, math and physical education in 1983. That same year, she was named North Boston Elementary School Teacher of the Year. She earned a Bachelor of Science degree in Physical Education and Health from Central Michigan University (1981); a Master of Education from Georgia Southern College (1989) and Doctor of Education in Educational Administration from Auburn University (1993). Prior to coming to the School District Dr. Brochu served as superintendent of Whitfield County School District in Dalton, Georgia, a position she had held since 2005. Dr. Brochu also served as superintendent of Sumter County Schools in Georgia from 1994-2001 and as superintendent of York School District One in South Carolina from 2001-2005.

Mr. Robert E. Davis is the Chief Financial Officer of the School District. Mr. Davis became the Chief Financial Officer for the School District in January, 1998. Previously, since 1992, he was Senior Executive Assistant for the Division of Business with the South Carolina State Department of Education. Mr. Davis received a Bachelor’s degree in Business Administration from the University of South Carolina and a Master’s Degree in Management from Central Michigan University.

Educational Programs and Services

The School District provides primary and secondary education, as well as numerous special programs, to its residents. Among the School District’s accomplishments during the 2010-2011 and current academic year are the following:

1. Richland Northeast High School is officially an International Baccalaureate World School.
2. Thirty-seven School District teachers earned certification from the National Board for Professional Teaching Standards, the highest number in the State. To date, a total of 612 School District teachers have earned this achievement.

3. A total of 25 Richland Two schools – fifteen elementary, four middle, four high and two magnet centers – are recipients of 2011-2012 Palmetto Silver and Gold Awards.

4. North Springs Elementary School has been named a Magnet School of Distinction by Magnet Schools of America (MSA), the National Association of Magnet and Theme-Based Schools.

5. The Government Finance Officers Association awarded a Certificate of Achievement for Excellence in Financial Reporting to the School District for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2011. This was the 25th consecutive year that the School District has received this award.

6. The School District also received the Association of School Business Officials Certificate of Excellence in Financial Reporting for the year ended June 30, 2011. This was also the 25th consecutive year that the School District has received this award.

7. The Southern Association of Colleges and Schools Council on Accreditation and School Improvement (SACS-CASI) recommended continued District-wide accreditation for the School District for the next five years.

The Education Accountability Act of 1998

At its 1998 legislative session, the General Assembly of the State of South Carolina adopted the “Education Accountability Act of 1998” (the “Accountability Act”). The purpose of the Accountability Act is to establish a “performance based accountability system” which focuses on improving teaching and learning in order to equip students with a strong academic foundation. The Accountability Act requires all school district, among other things, to establish local accountability systems to stimulate quality teaching and learning practices and target assistance to low performing schools. The Accountability Act provides annual report cards to each school and school district, which are designed to furnish clear and specific information about school and district academics and other performance to parents and the public, with ratings in various categories ranging from unacceptable to excellent.

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

If a school receives a rating of below average or unsatisfactory, that school must review and revise its improvement plan (required of every school under the Education Finance Act). Once the revised plan is developed, a school district’s superintendent and board of trustees must review and approve the plan. In addition, schools that receive unsatisfactory ratings (or those receiving a below average rating which so request) will be assigned an external review. If these plans are not implemented satisfactorily or within the period expected, or if student academic performance has not met expected progress, the State Board of Education may declare a state of emergency in the school. The overall rating for the School District for 2011 was Good with a Growth rating of Average.

Public School Enrollment in the School District

The 135-day average daily membership in the School District for the last ten school years is shown in the following table.

<u>School Year</u>	<u>Kindergarten</u>	<u>Grades 1-8</u>	<u>Grades 9-12</u>	<u>Total</u>
2002-2003	1,282	11,482	5,712	18,476
2003-2004	1,278	11,798	5,829	18,905
2004-2005	1,394	12,393	6,043	19,830
2005-2006	1,478	13,049	6,381	20,908
2006-2007	1,542	13,800	6,683	22,025
2007-2008	1,636	14,416	7,149	23,201
2008-2009	1,703	14,872	7,375	23,950
2009-2010	1,717	15,048	7,508	24,273
2010-2011	1,849	15,831	7,620	25,300
2011-2012	1,853	15,675	7,809	25,337

Source: South Carolina Department of Education

School Facilities and Capital Plan

A comprehensive Capital Improvement Plan has been adopted by the Board to insure the continued upkeep of the School District's existing facilities and the construction of new buildings to meet the needs of increasing student enrollment. In order to keep up with its rapidly expanding student population, the School District periodically holds a referendum to authorize the issuance of general obligation bonds in excess of its constitutional debt limit (see "DEBT STRUCTURE – Legal Debt Limit of the School District") in addition to issuing general obligation bonds each year within its constitutional debt limit. In a referendum held on November 4, 2008, the electorate approved the issuance of up to \$306,000,000 in additional general obligation bonds. The funds have been and will be used for four elementary schools, one middle school, and one high school with a stadium and various classroom additions and renovations. The successful referendum, which received 67% yes votes, will accommodate growth of the student population and reinvestment in existing schools.

School District Employees

The following table sets forth a categorical breakdown of the total professional public school staff for the 2011-12 school year in full-time equivalencies:

Support	1,256
Education	1,911
Administrative	152
TOTAL	3,319

DEBT STRUCTURE

Legal Debt Limit of the School District

The School District is authorized by law to incur general obligation indebtedness and to contract for the acquisition of capital assets through lease-purchase agreements subject to annual appropriation termination clauses. The School District has issued general obligation bonded indebtedness as described this section, but has no other contractual liabilities or obligations of a capital nature other than a contract for energy management systems described in “Miscellaneous Debt Information.”

The School District has a limit on the amount of general obligation debt it may incur without voter referendum from and after November 30, 1982, equal to 8% of the assessed valuation of property within its jurisdiction. Indebtedness outstanding on November 30, 1982, and any refunding thereof, and any indebtedness approved in a referendum or any refunding thereof, is excluded from the limit. Existing judicial interpretations of the Constitution provide that debt issued to refund general obligation debt legitimately incurred are excluded from computations of “bonded indebtedness” for purposes of that issue. Also excluded from the debt limit is debt issued in anticipation of the collection of ad valorem taxes.

The School District’s debt limitation is computed below:

2010 Assessed Value* (as of June 30, 2011)	\$521,443,976
	<u> x 8%</u>
Constitutional Debt Limit	\$ 41,715,518
Outstanding Debt Subject to Limit	<u>17,320,000</u>
Legal Debt Available Without a Referendum	<u>\$ 24,395,518</u>

*Including merchant’s inventory of \$2,954,200. See item 7 under the heading “CERTAIN FISCAL MATTERS – Property Taxation and Assessment.”

Outstanding General Obligation Debt

As of the date hereof, the School District has the following outstanding issues of general obligation indebtedness:

<u>Date of Issue</u>	<u>Amount Issued</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Amount Outstanding</u>
11/01/02*	\$73,300,000	02/01/13-24	4.000-5.000%	\$ 3,000,000
03/01/05*	55,000,000	04/01/13-20	4.000-5.250%	15,000,000
02/01/06*	55,000,000	04/01/13-20	4.000-5.000%	39,000,000
06/01/07*	35,000,000	05/01/12-21	4.000-5.000%	32,000,000
02/14/08*	30,525,000	02/01/13-23	3.125-5.000%	28,500,000
03/01/08	9,100,000	05/01/12	3.250%	2,500,000
02/19/09*	70,000,000	02/01/13-23	5.000%	70,000,000
06/11/09**	18,500,000	03/01/13-21	3.000-5.000%	16,320,000
05/25/10*	18,235,000	05/01/12-27	1.200%-5.20%	17,200,000
05/25/10	9,560,000	05/01/12-13	3.00%	5,560,000
09/08/10**	83,260,000	02/01/14-24	5.00%	83,235,000
09/08/10*	42,625,000	09/01/12-27	1.000-4.750%	42,620,000
11/23/10*	60,000,000	05/01/12-28	1.80-5.25%	56,570,000
6/29/11	9,260,000	05/01/13-16	2.00%	9,260,000
10/19/11*	60,000,000	05/01/14-31	3.00-5.00%	<u>60,000,000</u>
TOTAL				\$470,765,000

* Authorized by referendum.

** Refunded Bonds which were authorized by referendum.

The following table sets forth the amount of general obligation indebtedness of the School District at the end of each of the past five fiscal years:

<u>Year Ended</u>	<u>General Obligation</u>
<u>June 30</u>	<u>Indebtedness</u>
2007	\$260,815,000
2008	324,065,000
2009	347,875,000
2010	351,190,000
2011	427,430,000

Source: School District

Composite Debt Service

The following table sets forth the debt service requirements for all outstanding general obligation indebtedness of the School District and the Bonds.

<u>Fiscal Year Ended June 30</u>	<u>Principal and Interest of Outstanding Bonds*</u>	<u>Principal and Interest on the Bonds</u>	<u>Total Debt Service</u>
2012	\$48,512,384	\$ 0	\$48,512,384
2013	49,472,057	1,346,000	50,818,057
2014	49,164,138	2,340,000	51,504,138
2015	50,988,488	2,280,000	53,268,488
2016	52,352,982	2,250,000	54,602,982
2017	53,365,432	3,068,000	56,433,432
2018	53,639,007	0	53,639,007
2019	51,858,869	0	51,858,869
2020	51,427,669	0	51,427,669
2021	46,341,044	0	46,341,044
2022	40,558,076	0	40,558,076
2023	36,434,718	0	36,434,718
2024	18,308,868	0	18,308,868
2025	15,679,693	0	15,679,693
2026	15,220,193	0	15,220,193
2027	14,751,618	0	14,751,618
2028	12,162,102	0	12,162,102
2029	4,788,000	0	4,788,000
2030	4,617,000	0	4,617,000
2031	<u>4,446,000</u>	<u>0</u>	<u>4,446,000</u>
Totals	\$674,088,338	\$11,284,000	\$685,372,338

Note: Totals may not add due to rounding.

*The School District expects the federal government to reimburse it for 100% of the interest, in the aggregate amount of \$7,277,649, payable on the qualified school construction bonds issued in May 2010, in the aggregate amount of \$34,666,004, as well as reimbursement of nearly all of the interest, in the aggregate amount of \$9,800,290, payable on the Build America Bonds issued in November 2010.

Legal Debt Limit of Incorporated Municipalities and Special Purpose Districts

Under the provisions of Article X, Sections 14 and 15 of the Constitution, each county, incorporated municipality, special purpose district and school district may, in such manner and upon such terms and conditions as the General Assembly shall prescribe by general law, incur general obligation debt authorized by a majority vote of the qualified electors thereof voting in a referendum, without limitation as to amount, and incur, without an election, general obligation debt (in addition to certain bonded indebtedness which was grandfathered, and bonded indebtedness authorized by a majority vote of qualified electors) in an amount not exceeding 8% of the assessed value of all taxable property therein.

Overlapping Debt

The following table provides the 2010 assessed values and outstanding general obligation indebtedness for each of the political units overlapping or located within the School District, which have debt outstanding as of April 1, 2012.

<u>Name of Unit</u>	<u>2010 Assessed Value</u>	<u>2010 Assessed Value within the School District⁽¹⁾</u>	<u>Outstanding General Obligation Indebtedness</u>
Richland County	\$1,480,613,010	\$518,489,776	\$34,130,000
Richland County Recreation District	1,010,034,191	487,660,516	35,375,000
East Richland Public Service District	238,991,309	182,574,759	9,627,570
Richland-Lexington Riverbanks Park District ⁽²⁾	1,480,613,010	518,489,776	8,795,000
Richland County Fire District	927,619,191	477,277,026	1,790,000

⁽¹⁾ Excludes Merchant’s Inventory of \$2,954,200.

⁽²⁾ Includes Richland County portion only.

Source: County Auditor, South Carolina Municipal Council

Miscellaneous Debt Information

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

CERTAIN FISCAL MATTERS

Property Taxation and Assessment

Article X, Section 1 of the State 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 investments exceeding \$400 million or, with certain employment criterion, \$150 million) and subject to possible limitations on millage rate increases;
- (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%.

The South Carolina Department of Revenue (“DOR”) has been charged with the responsibility of taking steps necessary to ensure equalization of assessments statewide in order that all property is assessed uniformly and equitably throughout the State, and may require reassessment of any part or all of the property within a County. Under law enacted by the South Carolina General Assembly in 1995, every fourth year the County and the State are required by law to effect an appraisal of all property within the County and to implement that appraisal as a new assessment in the following year. The County completed its latest reassessment in 2010 for implementation in Fiscal Year 2011. The next reassessment will take place in Fiscal Year 2014 and will be implemented in Fiscal Year 2015. 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.

Act No. 388 adopted by the South Carolina General Assembly on June 1, 2006 (“Act 388”), provides that, beginning July 1, 2007, the growth in valuation of real property attributable to reassessment may not exceed 15% for each five-year reassessment cycle. Growth in valuation resulting from improvements to real property is exempt from this restriction. Moreover, upon the sale of any parcel of real property or other “assessable transfer of interest,” including long-term leases, conveyances out of trusts, and other defined events, but excluding transfers between spouses, such parcel will be reassessed to its then-current market value. The foregoing limitation on increases in assessed value may materially affect the growth in the School District’s assessed value, and, thus, debt limit, over time.

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 the 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 County Treasurer with the collection. South Carolina has no statewide property tax.

Budget Procedure

The budget process begins each year with the Board setting its priorities for the upcoming school year. These priorities are summarized for the administrative staff of the School District. The finance staff seeks input from all stakeholders including the priorities from the elementary, middle and high schools. A detailed list of all budget requests is presented to the Superintendent's Cabinet in early February of each year.

Once the Board receives the budget, a public hearing is held for all members of the community to have input into the process. Once the Board has approved the budget, the administrative team presents the budget to Richland County Council ("County Council") for three readings, along with one session dedicated to public participation. County Council has final approval of the School District's budget, and appropriates a dollar amount that the School District will receive. The Board formally adopts the budget once County Council has given the School District an appropriated amount.

The operating budget as approved by the Board addresses general fund revenues and expenditures; it does not address income from sources which are restricted and which sources may not be transferred to the general fund. The income from these restricted sources, principally the School District's annual State entitlements and certain federal moneys, are included in the budget which is ultimately submitted to the State Board of Education.

Management of the School District is responsible for establishing and maintaining an internal control structure designed to insure that the assets of the School District are protected from loss, theft or misuse and to insure that adequate accounting data are compiled to allow for the preparation of financial statement in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the valuation of costs and benefits requires estimates and judgments by management.

General Fund Budget

The following is a summary of the School District's General Fund Budget for the 2010-2011 and 2011-2012 Fiscal Years:

Summary of School District Budget (General Fund Only)

<u>Estimated Revenues:</u>	FY 2010-2011 <u>Budget*</u>	FY 2011-2012 <u>Budget</u>
Local Sources	\$ 74,000,064	\$ 74,937,247
State Sources	111,365,750	119,232,116
Federal Sources	897,903	420,000
Transfers from Other Funds	2,286,250	2,425,358
Transfers from Reserve Fund	<u>812,083</u>	<u>---</u>
 Total Revenue	 <u>\$186,263,717</u>	 <u>\$197,014,721</u>
 <u>Estimated Expenditures:</u>		
Salaries	\$128,058,514	\$132,940,240
Benefits	41,544,256	42,906,799
Utilities (Gas, Electric, Water, Sewer)	2,609,792	7,633,327
Property Contracts	5,023,836	5,066,688
Repairs and Maintenance	1,179,764	1,179,764
Telephone	519,293	519,293
Purchased Services	3,214,898	3,252,754
Supplies	3,151,629	2,584,121
Equipment	552,683	552,683
Other	259,052	259,052
Board Contingency Fund	<u>150,000</u>	<u>150,000</u>
 Total General Fund Expenditures	 <u>\$186,263,717</u>	 <u>\$197,014,721</u>

*Budgeted expenditures in FY 10-11 have been reduced to reflect the expenditures that were funded from federal stimulus money.

Tax Collection Procedure

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 are payable without penalty on or before January 15 of each year with the exception of taxes on motor vehicles. All personal property taxes on motor vehicles are due on or before the last day of the month in which the license tag for motor vehicles expires. When taxes are not paid on or before January 15, a penalty of 3% is added thereon; if not paid on or before February 1, an additional penalty of 7% is added; if not paid on or before March 17, an additional penalty of 5% is added and the taxes go into execution. 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

As described above, Act 388 was adopted in June 2006, and 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.

Sales Tax Imposition; Exemption of Owner-Occupied Property from School Operating Taxes.

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

Effective beginning with tax year 2007, all owner-occupied real property in the State is exempt from *ad valorem* real property taxes levied for school district operations (the “New Homestead Exemption”). Proceeds of the sales tax deposited in the Homestead Exemption Fund will be distributed to all school districts of the State in substitution for the *ad valorem* real property taxes not collected as a consequence of the New Homestead Exemption, provided, however, that in no event shall the amount of sales taxes distributed to the school district or districts within one county be less than \$2,500,000 in the aggregate.

As described above, the New Homestead Exemption is for owner-occupied real property. Commercial property and other non-owner-occupied residences will continue to be subject to *ad valorem* real property taxes, including for school district operations. See “—*Local Option Sales Tax for Additional Tax Relief.*”

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

Any amounts remaining in the Homestead Exemption Fund after the distribution of moneys as described in the preceding paragraphs must be distributed to the 46 counties of the State, proportionately based upon population, and applied as a credit against *ad valorem* 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 revenues in the Homestead Exemption Fund are insufficient to pay all reimbursements to the school districts of the State as described above, the difference must be paid from the State’s general fund. Enforcement of the requirement described in the preceding sentence is not self-

executing, and will in each applicable year be subject to the appropriation of the necessary amounts by the General Assembly.

Limitation on Millage Increases

Act 388 also 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. An amendment to Act 388 (R 91) enacted in 2011 provides that there may be added to the operating millage increase any such increase, 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 40,000 acres of state forest land.

Local Option Sales Tax for Additional Tax Relief

Act 388 further authorizes the imposition within a county, subject to approval by referendum, of a local sales tax to provide additional property tax relief. The local sales 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 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 Code of Laws of South Carolina 1976, as amended.

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 South Carolina General Assembly on June 8, 2011 (“Act 57”) 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 be 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 of South Carolina 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 of up to 30 years based on assessment ratios of as little as 6% and using millage rates that are either fixed for up to 30 years or adjusted every fifth year. In some cases, owners of projects may also design a payment schedule so long as the present value of the payments under the schedule are equal to the present value of the payments that would have been made without the schedule. The State also provides a more generous inducement for projects creating at least 125 new jobs and providing new invested capital of not less than \$150 million or a total investment of not less than \$400 million without regard to job creation. For these enhanced investments payments may be negotiated based on assessment ratios of as low as 4% and for a term of 30 years (in some cases longer).

The State provides alternative provisions respecting the distribution of payments in lieu of taxes to entities having taxing jurisdiction at the location of the investment: (i) revenues received in respect of property that is not included in a multicounty park are allocated in proportion to the amounts that would have been received by the taxing entities if the payments were taxes; (ii) revenues received from property that is in a multicounty park, however, is distributed in accordance with the agreement creating the park; the amount of the distribution to each taxing entity is, for all practical purposes, controlled by the County. Property may be included in a multicounty park under terms of agreements between two or more counties with individual sites being determined primarily by the county in which they are located. Payments in

lieu of taxes may be diverted from taxing entities in the sole discretion of the County to fund projects which support economic development activities, including projects that are used solely by a single enterprise, and such other uses as directed by the County.

In addition to the above-described incentives, under South Carolina law a county may issue special source revenue bonds or grant equivalent credits against payments in lieu of taxes in order to pay for certain infrastructure costs to support economic development activities. Such bonds or credits are payable from, and effectively allow for the capturing of, portions of the payments in lieu of taxes payable by industry.

The effect of the above-described incentives is that, notwithstanding the fixed payments by the industry, the School District’s share of these payments will typically vary in each year in accordance with the ratio its millage rates for that year bear to the total millage that would otherwise apply to the property. Projects on which these payments in lieu of taxes are made are considered taxable property at the level of the negotiated payment for purposes of calculating bonded indebtedness limits and for purposes of computing the index of taxpaying ability pursuant to the South Carolina Education Financing Act. If the property is situated in a multicounty industrial park (“MCIP”), the calculation of assessed value for debt limit purposes is based upon the relative share of payments received by all taxing entities which overlap the MCIP. Accordingly, a recipient of payments from a MCIP is able to include only a fraction of the assessed value of property therein in calculating its debt limit.

Assessed Value

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

Tax Year	<u>Real</u>		<u>Personal</u>		<u>Total</u>	
	<u>Assessed</u>	<u>True</u>	<u>Assessed</u>	<u>True</u>	<u>Assessed</u> ⁽¹⁾	<u>True</u>
2005	\$274,653,480	\$5,841,686,700	\$113,244,976	\$1,331,738,670	\$387,898,456	\$ 7,173,425,370
2006	304,461,320	6,583,406,000	116,808,272	1,440,390,364	421,269,592	8,023,796,364
2007	326,116,970	7,067,735,823	123,292,513	1,581,007,630	449,409,483	8,648,743,453
2008	350,978,960	7,584,610,153	128,439,322	1,646,479,883	479,418,282	9,231,090,036
2009	394,760,080	8,567,754,735	126,619,972	1,609,850,471	521,380,052	10,177,605,206
2010	400,814,700	8,739,478,082	117,675,076	1,454,335,889	518,489,776	10,193,813,971

⁽¹⁾ Excludes Merchant’s Inventory of \$2,954,200.

Source: County Auditor

Estimated Assessed and True Value of Taxable Property

The following table sets forth a breakdown of the estimated 2010 assessed value and estimated 2010 true value by type of property:

<u>Classification of Property</u>	<u>Assessed Value⁽¹⁾</u>	<u>Estimated True Value⁽¹⁾</u>
Real Property (including Mobile Homes)	\$400,814,700	\$ 8,739,478,082
Motor Vehicles	42,560,784	674,268,633
Public Utilities and Railroads	21,544,430	206,010,670
Manufacturing Property	20,404,660	194,274,022
Marine Equipment/Boats/Planes	1,544,730	14,909,940
Business Personal – Auditor	6,066,010	57,321,026
Business Personal Property – State	16,233,425	152,200,981
Fee-in-Lieu	<u>9,321,037</u>	<u>155,350,617</u>
TOTALS	\$518,489,776	\$10,193,813,971

⁽¹⁾ Excludes Merchant’s Inventory of \$2,954,200.

Source: County Auditor

Exempt Manufacturing Property

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

Tax Collections

The following table shows School District operational and debt service taxes levied and collected during the fiscal year in which the levy was made, and the amount of delinquent School District taxes collected, which include taxes levied in prior years but collected in the year shown:

<u>Tax Year</u>	<u>Taxes Levied</u>	<u>Current Collections</u>	<u>% Total Levied</u>	<u>Delinquent Collections</u>	<u>Total Tax Collections</u>	<u>% Total Levied</u>
2007	\$129,834,400	\$123,945,138	95.5%	\$4,340,618	\$128,285,936	98.8%
2008	135,407,077	130,896,844	96.7	4,442,101	135,338,945	99.9
2009	163,174,553	151,742,391	93.0	5,430,184	157,172,575	96.3
2010	161,815,310	149,653,662	92.5	8,320,241	157,973,903	97.6
2011	164,126,526	131,462,710*	80.1	4,040,201	135,502,911	82.6

*Collections through 2/29/12.

Note: Each tax year corresponds to the succeeding fiscal year (e.g. Tax Year 2011 corresponds to 2011-2012 Fiscal Year.)

Source: County Treasurer

Ten Largest Taxpayers

The ten largest taxpayers in the School District, the 2011 tax year assessed value and School District taxes paid by each are shown below:

<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>School District Taxes Paid</u>	<u>% of Tax Levy</u>
South Carolina Electric & Gas	\$14,958,500	\$5,226,499.90	3.18%
Blue Cross – Blue Shield	8,060,432	2,816,314.94	1.72
FN Manufacturing	2,695,270	940,392.25	0.57
BellSouth Telecom Inc.	2,366,110	826,718.83	0.50
Bose Corporation	3,482,144	793,802.10	0.48
Koyo Corporation of USA	3,362,485	781,118.23	0.48
Century Realty LLC	2,184,880	763,397.07	0.47
Fairfield Electric Co-op Inc.	1,617,630	565,199.92	0.34
Amcor Rigid Plastics USA Inc.	1,646,324	538,553.30	0.33
CBL/Columbia Place LLC	1,517,130	530,085.22	0.32

Source: County Treasurer

Millage Rates

Below is the millage history for School District taxes broken down into Operations and Debt Service for the past five fiscal years:

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
Operations	220.6	233.0	250.3	258.3	269.4
Debt Service	<u>68.3</u>	<u>68.3</u>	<u>92.0</u>	<u>85.3</u>	<u>80.0</u>
Total	288.9	301.3	342.3	343.6	349.4

Source: County Auditor

ECONOMIC AND DEMOGRAPHIC INFORMATION

Location, History and Agriculture

Richland County is located in the central portion of South Carolina and has an area of approximately 756 square miles. The county seat is also the State capital – the City of Columbia.

Less than 13% of Richland County’s land is used for farming, according to the U.S. Department of Agriculture 2002 Census of Farms. In 2007, the latest year for which information is available, the county ranked 36th of the State’s 46 counties in agricultural production. Cash receipts for crop and livestock production in the county in 2007, amounted to \$14,614,000, including crops at \$5,226,000, and livestock and livestock products at \$9,388,000, according to the Department of Applied Economics & Statistics at Clemson University and the South Carolina Agricultural Statistics Service. Richland County’s main crops in 2007 included winter wheat, corn, and soybeans.

Richland County's land area is about 69% forested, and the county ranks 34th among the State's 46 counties in delivered value of timber. The delivered value of harvested timber sold in 2005, the latest year for which information is available, was \$9,983,794.

Commerce and Industry

In January 2011, AQT Solar, a developer of low-cost CIGS (copper-indium-gallium-diselenide) thin-film solar cells announced that its second manufacturing facility will be located in Richland County. AQT plans to create 1,000 jobs at the existing 184,000-square-foot LEED Silver Certified facility over the next four years. The site, which will be upfitted beginning in the first half of this year, will expand AQT's current production capacity and help to fill the current order backlog of 160MW, a portion of which will be delivered this year via AQT's Sunnysvale manufacturing site. The Richland County facility will begin producing AQT's CIGS solar cells by the beginning of 2012 and ultimately grow to approximately 1GW of annual capacity by the end of 2014. It will be built out in phases, targeting installation of 30-40MW annual production capacity and 60 jobs in 2011.

In December 2011, FedEx Ground Package System, Inc. announced plans to invest \$11,000,000 in a distribution facility to be located in the County.

Also in 2011, several existing manufacturing facilities announced plans to invest in an expansion to their current operations in the County, including, but not limited to, the following: Westinghouse Electric Company, LLC - \$60,000,000, Spirax Sarco - \$10,000,000 w/28 new jobs created; Koyo Corp. - \$20,000,000 w/25 new jobs; Mars Pet Care - \$136,188,000 w/277 jobs; and Sensor Electronic Technology, Inc. - \$20,000,000 w/150 new jobs.

In December 2010, Pure Power Technologies, a Navistar company, announced plans to invest \$25 million and create 200 new jobs over the next three years. The expansion will support increased operations at the current production facility and the current research and development facility, both in Richland County. Pure Power Technologies manufactures fuel injection components for MaxxForce® diesel engines for trucks and busses.

Also in December 2010, Owen Steel Company Inc., a structural steel fabrication company, announced plans to expand operations at its plant in Richland County. The \$5 million investment is expected to generate 30 new jobs over the next five years.

In October 2010, REI Automation, Inc., a technology company that designs and builds industrial automation equipment, will complete the expansion of its existing facility in Columbia. The \$500,000 investment is expected to generate 15 new jobs.

In September 2010, Aflac Group Insurance announced a seven-year lease of an additional 27,000 square feet of office space in the City of Columbia to accommodate expansion. Plans are to shift 120 employees from the current office to the new space in January 2011, then add 120 more employees over the next three to five years at the new location, while continuing full operations at the current office.

In May 2010, Palmetto State Armory announced that it will locate its new facility in Richland County. The \$2.9 million investment is expected to generate 50 new jobs. The company plans to use the facility to manufacture its own rifles, as well as have retail and distribution space for its own shooting sports products and other brands. The company has operated for the past two years as an online retailer.

Also in May 2010, Quality Software Services Inc. (QSSI) announced plans to locate its new facility in Richland County. The \$480,000 investment is expected to generate 70 new jobs. Founded in

1997, QSSI offers a range of healthcare information technology solutions, including software that addresses aspects of the Health Information Technology for Economic and Clinical Health (HITECH) Act enacted by the U.S. Congress in 2009. QSSI's Richland County facility will focus on custom software development, help desk support, and testing services.

In April 2010, Immedion LLC publicized plans for expansion of its operations into Richland County. The company has been operating an enterprise-level data center in Greenville, South Carolina since 2007. The company delivers fully redundant power, Internet bandwidth, cooling and humidity control to local business' IT infrastructure. Customers leverage the company's data centers to minimize critical computer system downtime caused by commercial power outages, internet problems, or other system failures. The new data center is to be located in a 15,000-square-foot space in the South Carolina Research Authority – University of South Carolina Innovation Center. The dollar amount of the investment is undisclosed, but is expected to be more than \$1 million. The company plans to generate 15 new jobs at the new data center.

The University of South Carolina's (USC's) main campus is located in downtown Columbia. USC, along with the USC Development Foundation, the City and the University Neighborhood Association collaborated to develop the Inn at USC, a state-of-the-art hotel with 117 rooms, including several two-room suites, three deluxe suites with fireplaces, and spacious meeting and seminar rooms. The Inn at USC is adjacent to, and services the National Advocacy Center. Marriott purchased and renovated another hotel on USC's Columbia campus. The Courtyard Marriott opened in 2007, with 189 rooms, 16 suites, and three meeting rooms with a capacity of 600.

USC's main campus is home to the Colonial Center – the largest arena in the State with 18,000 seats, and the tenth-largest on-campus basketball facility in the nation. This one-of-a-kind facility features 41 suites, four entertainment suites, and a full-service hospitality room with capacity for 300. The University completed construction of the Strom Thurmond Wellness and Fitness Center, new dormitory space and the University's Greek Village. Construction has also been completed on a new USC baseball stadium. The 6,800-seat stadium, at an estimated cost of \$30 million in construction, sits within a 29-acre tract along the Congaree River near downtown Columbia.

USC has formed a public/private partnership along with partners in business and government to build a new research campus called "Innovista" in downtown Columbia. Plans for Innovista facilities consist of the Arnold School of Public Health and two research complexes: Horizon Center and Discovery Plaza. The Arnold School of Public Health moved into its newly-constructed \$22 million, 104,860-square-foot building in late 2006. Horizon I contains 125,000 square feet of dry lab and wet lab space, and is home to the National Science Foundation Industry/University Cooperative for Fuel Cell Research. Discovery Plaza I houses a wet lab with vivarium lab for USC biomedical scientists. Both Horizon I and Discovery I became available for occupancy in 2009. The second building in each complex will be for private tenants and their research teams, working on projects related to those of the USC researchers. Horizon II is a privately-developed, five-story, 110,000-square-foot office/dry lab building, currently under construction. Discovery II is in the design and programming phase. Tenants will include private-sector firms and governmental units with collaborative USC research relationships. Private-sector tenants include Collexis, a software developer engaged in research projects to develop improved online searching applications in areas such as alternative fuels and medicine; Loccioni Group, an Italian engineering firm offering services in measurement and testing for measurement systems, quality control, automation, information and communication technology; TM Floyd, a Columbia-based information technology consulting firm; and VC3, a Columbia-based technology services provider. Each complex, Horizon Center and Discovery Plaza, will have its own attached parking deck. Innovista provides walking and bike paths tying its buildings and parking to Riverfront Park, the USC baseball stadium completed in February 2009, and the Strom Thurmond Wellness & Fitness Center. The total investment

for the first phase of construction was approximately \$140 million, with the total investment in Innovista expected to reach \$250 million at completion.

Vista

The City of Columbia, in cooperation with Richland County and neighboring Lexington County, has constructed a 142,000 square-foot, state-of-the-art convention center complex in the downtown “Vista” area at a cost of \$40 million. The Columbia Metropolitan Convention Center opened in September 2004. The convention center is complemented by a 300-room, full service Hilton Convention Center Hotel, along with an adjacent 800-car parking garage serving the hotel, convention center, and area businesses. Other major projects in the Vista area include renovation of the historic South Carolina Dispensary Warehouse for reuse as a Publix grocery store and condominiums, and development of Canal Front Park along the Columbia Canal. New residential projects in the Vista include Justice Square Town Homes, a 12-unit residential project. In addition, Renaissance Plaza Apartments provides live/work residential units, with 17 small storefronts and professional offices and 55 condominiums. The CanalSide development consists of 25 acres and 750 total units of single family attached, detached and multi-family residential options. Many of the multi-family buildings in CanalSide are completed. In addition to the above, many businesses, including restaurants, hotels, a bank, retail stores, apartments and other office buildings have been or are currently under development in the Vista area.

Fort Jackson

Fort Jackson (the Fort) was established in 1917 and designated as a permanent post of the United States Army in 1940. The Fort is the largest and most active Initial Entry Training Center in the United States Army, providing training to 50% of all soldiers and 70% of the women who enter the Army each year. While some installations have experienced downsizing and closure in past years, Fort Jackson has added several new schools and training institutions since 1995 including the U.S. Army Chaplain Center and School, the Department of Defense Joint Center of Excellence for Military Chaplaincy, the U.S. Army’s only Drill Sergeant School, the U.S. Army Soldier Support Institute, the Department of Defense Polygraph Institute, and one of four new Regional Readiness Sustainment Commands.

Soldiers, civilians, retirees and family members make up the Fort Jackson community that continues to grow in numbers and facilities. More than 3,900 active duty soldiers and their 14,000 family members are assigned to the installation and make this area their home. The installation instructs an average of 50,000 soldiers in basic training and advanced individual training each year. The Fort employs almost 5,200 civilians and provides services for more than 36,000 retirees and their family members. An additional 12,000 students attend courses at the Soldier Support Institute, Chaplain Center and School and Drill Sergeant School annually.

Fort Jackson, annexed into the City in October 1968, has a significant economic impact on the Midlands area, contributing approximately \$2.6 billion to the local economy. In addition, over 100,000 family members visit the Midlands area each year to attend basic training graduation activities, using local hotels, restaurants and shopping areas. The Fort encompasses more than 52,000 acres of land including over 53 ranges and field training sites and 1,160 buildings. Among the many improvements in 2005 were a new \$61 million “Starbase” barracks complex; Hilton Field renovations; and a \$20 million renovation program for enlisted housing.

Capital Investment

The following table sets forth the total announced capital investment for new and expanded industry within the County for the years shown, but only includes new and expanded industry that the South Carolina Department of Commerce was instrumental in bringing to the County.

<u>Year</u>	<u>Capital Investment</u>	<u>Jobs Created</u>
2007	41,626,000	986
2008	110,003,000	918
2009	67,000,000	180
2010	507,963,000	1,610
2011	278,070,000	1,535

Source: South Carolina Department of Commerce.

The totals in the previous table include the following companies and projects in which the South Carolina Department of Commerce played a major role from 2006 to 2010, the latest year for which information is available.

<u>Year</u>	<u>Company</u>	<u>Project Type</u>	<u>Investment</u>	<u>Jobs</u>
2006	Pure Power Technologies	Expansion	\$44,600,000	-
	Collexis Holdings, Inc.	New	300,000	50
	Sea Hunt Boats	Expansion	3,500,000	150
	SYSCO Corporation	Expansion	25,000,000	114
	Staples, Inc.	New	4,000,000	325
2007	Duck Creek Technologies, Inc.	New	2,000,000	200
	Absolute Total Care	New	4,000,000	101
	Hewlett Packard Enterprise Services	New	3,900,000	200
	Amerigroup Community Care of SC	New	-	50
	Loccioni Group	New	1,000,000	5
	Collexis Holdings, Inc.	Expansion	15,000,000	60
	Google	New	13,050,000	-
	EagleEye Analytics	New	276,000	70
	Computer Sciences Corporation (CSC)	New	2,400,000	300
	2008	Dovetail Insurance Corporation	New	1,700,000
Blue Cross Blue Shield		New	17,000,000	250
Computer Sciences Corporation (CSC)		Expansion	-	300
Strategic Resource Co.		Expansion	1,003,000	100
Jarden Corporation		New	500,000	70
Trulite, Inc.		New	1,500,000	9
Appalachian Underwriters, Inc.		Expansion	1,000,000	50
Bridge to Life, Ltd.		New	45,000,000	70
Koyo Corporation of USA		Expansion	30,000,000	-
Trane		Expansion	10,000,000	-
<i>confidential</i>		<i>confidential</i>	2,300,000	40
2009	Frontier Communications	Expansion	-	120
	Navistar, Inc.	New	-	-
	Frontier Communications	Expansion	40,000,000	-
2010	Trulite, Inc.	Expansion	5,000,000	25
	Immedion	New	2,000,000	15

Palmetto State Armory	New	2,948,923	50
QSSI, Inc.	New	480,000	70
REI Automation Inc.	Expansion	500,000	15
Navistar, Inc.	Expansion	25,000,000	200
Owen Steel Company, Inc.	Expansion	5,000,000	30
AQT Solar, Inc.	New	460,000,000	1,017

Source: South Carolina Department of Commerce.

Population Growth

The following table shows population information for the County for the last four decades for which census figures are available, with figures for the State and the United States for comparison purposes.

	<u>Richland County</u>		<u>South Carolina</u>		<u>United States</u>	
	<u>Population</u>	<u>% change</u>	<u>Population</u>	<u>% change</u>	<u>Population</u>	<u>% change</u>
1970	233,868	-	2,590,516	-	203,302,031	-
1980	269,735	15%	3,121,820	21%	226,545,805	11%
1990	286,321	6	3,486,703	12	248,709,873	10
2000	320,779	12	4,012,012	15	281,421,906	13
2010	384,504	20	4,625,364	15	308,745,538	10

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

Per Capita Personal Income

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

<u>Year</u>	<u>Richland County</u>	<u>South Carolina</u>	<u>United States</u>
2005	\$32,186	\$29,223	\$35,447
2006	34,413	30,927	37,728
2007	35,204	31,925	39,430
2008	36,006	32,495	40,208
2009	36,302	32,505	39,635

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

Median Family Income

Median family income statistics for Richland County are available only as combined figures for the Columbia Metropolitan Statistical Area (MSA) made up of Lexington, Richland, Calhoun, Fairfield, and Saluda counties (“Columbia MSA”). The median family income for the MSA for the last five years for which information is available is shown in the following table. Median family income figures for the State and United States are shown for comparison purposes.

<u>Year</u>	<u>MSA</u>	<u>State</u>	<u>United States</u>
2007	\$58,200	\$50,800	\$59,000
2008	59,200	52,900	61,500
2009	62,100	59,663	64,000
2010	62,400	55,700	64,400
2011	63,600*	55,100	64,200

*Estimate.

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

Construction Activity

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

<u>Year</u>	<u>Residential</u>		<u>Non-residential</u>		<u>Total</u>	
	<u>Permits</u>	<u>Construction Cost</u>	<u>Permits</u>	<u>Construction Cost</u>	<u>Permits</u>	<u>Construction Cost</u>
2007	3,205	\$549,836,585	2,646	\$503,668,051	5,851	\$1,053,504,636
2008	2,165	283,864,593	167	52,111,529	2,332	335,976,122
2009	1,316	174,863,603	126	54,468,538	1,442	229,332,141
2010	1,843	222,914,564	150	64,896,890	1,993	287,811,454
2011	1,714	227,164,202	216	81,657,729	1,930	308,821,931

Source: Central Midlands Council of Governments

Retail Sales

The following table shows the level of gross retail sales over the last five years for which information is available for businesses located in the County:

<u>Year</u>	<u>Retail Sales</u>
2007	\$10,875,923,391
2008	9,851,243,128
2009	9,711,230,968
2010	10,365,985,105
2011	10,544,798,279

Source: South Carolina Department of Revenue

Government Employers

Governmental entities are the largest employers in the County. These entities include State and local governments (including the City and the County), Fort Jackson, other federal government entities and local school districts. The table below shows employment by these entities at facilities located in the Columbia MSA in 2011:

<u>Name</u>	<u>Approximate Number of Employees</u>
Local Government	36,200
State Government	32,100
Federal Government	10,500

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

Major Industrial Employers

Some of the larger employers located in the County, their products and estimated number of employees are shown in the following table:

<u>Name</u>	<u>Product</u>	<u>Number of Employees</u>
Westinghouse Electric Corporation	Nuclear fuel assemblies	1,200
Bose Corporation	Radios	870
International Paper	Fine paper	726
Schneider Electric / Square D	Industrial electrical controls	565
FN Manufacturing	40-cal and 9-mm handguns	550
The State Record Co., Inc.	Newspapers	500
Continental	Diesel injectors	450
Intertape Polymer Group	Pressure-sensitive tapes	370
Hanson (Richtex Bricks)	Clay face brick	350
Consolidated Systems, Inc.	Steel roof & floor deck, centering	300

Source: Central South Carolina Alliance

Major Non-Industrial Employers

The following table shows the ten largest non-industrial employers located within Richland County and the type business for each:

<u>Name</u>	<u>Type of Business</u>
Palmetto Health Alliance Inc.	Health Care
Blue Cross Blue Shield of S.C.	Insurance
University of South Carolina	Education
Richland County School District 1	Education
Richland County School District 2	Education
Department of Defense	Military
SC Department of Mental Health	Government
SC Department of Corrections	Government
AT&T	Telecom

Source: South Carolina Employment Security Commission; Central South Carolina Alliance

Unemployment Rates

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

<u>Date</u>	<u>Unemployment</u>
March 2011	8.8%
April 2011	8.5
May 2011	9.3
June 2011	10.3
July 2011	10.2
August 2011	10.0
September 2011	9.4
October 2011	9.0
November 2011	8.3
December 2011	8.4
January 2012	8.1
February 2012	8.3

Source: South Carolina Employment Security Commission, 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.

<u>Year</u>	<u>County</u>	<u>State</u>	<u>United States</u>
2007	5.2%	5.6%	4.6%
2008	6.1	6.9	5.8
2009	9.5	11.7	9.3
2010	9.7	11.2	9.6
2011	9.2	10.3	8.9

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

Median Age and Education Levels

The following table illustrates the changes in the median age of the County and the percentage of the population 25 years old and older with a bachelor's degree or higher from Census 2000 to the latest estimate available from the U.S. Census Bureau. Median age and education statistics for the State and the United States are included for comparison purposes.

	<u>Median Age (in years)</u>			<u>Percentage over 25 with bachelor's degree</u>		
	<u>Richland County</u>	<u>South Carolina</u>	<u>United States</u>	<u>Richland County</u>	<u>South Carolina</u>	<u>United States</u>
2000	32.6	35.4	35.3	32.5%	20.4%	24.4%
2010	32.6	37.9	37.2	36.5	24.0	27.9

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

Labor Force

The composition of the civilian, nonagricultural labor force in the Columbia MSA (not seasonally adjusted), on a place-of-work basis, for the last five years for which information is available is as follows:

	<u>All Employees (thousands)</u>				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Manufacturing	31.5	30.6	27.5	27.1	28.0
Construction, Logging and Mining	21.6	19.6	16.6	15.0	14.5
Transportation & Public Utilities	12.1	11.6	10.5	10.4	10.7
Wholesale & Retail Trade	57.6	57.3	52.9	52.1	51.9
Information	6.1	5.9	5.8	5.6	5.5
Financial Activities	30.3	30.0	28.7	26.9	26.9
Professional and Business Services	43.5	41.6	37.8	40.	42.5
Education and Health Services	41.8	43.2	42.4	42.9	42.7
Leisure and Hospitality	31.1	31.5	31.1	31.5	31.9
Other Services	12.8	13.0	12.6	12.7	12.6
Government	<u>77.8</u>	<u>80.2</u>	<u>80.1</u>	<u>80.0</u>	<u>78.7</u>
TOTAL	366.1	364.3	346.1	344.4	345.8

Note: Totals may not add due to rounding.

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

The labor force participation rates of residents of the County (regardless of place of employment) for the five calendar years shown are as follows:

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Civilian Labor Force ⁽¹⁾	179,787	180,756	179,591	180,491	180,783
Employment	170,475	169,782	162,991	162,991	164,190
Unemployment	8,810	10,974	17,500	17,500	16,593

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

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

Other Facilities Located Within or Serving Residents of the County

Transportation. Interstate highways 1-77, 1-26 and 1-20 and 15 major federal and state highways traverse the Columbia MSA. More than \$155 million has been spent during recent years to improve state highways in Greater Columbia, including a new interstate bypass around the City of Columbia. The City of Columbia is one of only ten cities in America that have three major interstates transecting their metropolitan areas. Rail freight service is provided by CSX Transportation and Norfolk Southern Corporation. Rail passenger service is available through Amtrak. Nationwide motor freight service is available through approximately 50 motor freight lines regularly serving the area. The bus transportation system, previously owned and operated by South Carolina Electric & Gas Company, was transferred to the Central Midlands Regional Transit Authority (“CMRTA”) in the Fall of 2002. CMRTA has invested nearly \$11 million in a fleet of new buses which feature mechanical signs and improved handicapped accessibility. Since 2002, the CMRTA has provided transportation for more than 2 million passengers, expanded route services and introduced 43 new ADA accessible buses that offer a safer and more comfortable mode of transportation. Greyhound Bus Lines offers interstate bus service.

The Columbia Metropolitan Airport (the “Airport”), located in the unincorporated area of Lexington County, and approximately six miles southwest of the City of Columbia’s central business district, is comprised of two runways, associated taxiways, an air traffic control tower, aviation fuel storage facilities, aircraft parking aprons, a passenger terminal building, air cargo buildings, general aviation hangars and terminals, support facilities for the U.S. Army Reserve, the aeronautical facilities of the South Carolina Aeronautics Commission, roads, grounds and public parking facilities; all of which are located on approximately 2,600 acres. Air operations are conducted on an 8,600-foot x 150-foot runway and an 8,000-foot x 150-foot runway. The passenger terminal features a two-level concourse for common-use gates; a central food court within easy view of all gates; and a covered walkway between the terminal and parking lot. The FAA Southern Region Airports Division awarded the Airport the 2005 Air Carrier Airport Safety Award. The Airport has hired and maintained a competent, trained staff of airport rescue firefighters, maintenance technicians and operations coordinators.

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

In 1994, UPS selected the Columbia Metropolitan Airport as the site of its southeastern region Air/Ground Hub and Sortation Station for both its Next Day Air and Second Day Air package delivery

services (“UPS Hub”). Using its own funds, UPS constructed a package sortation building encompassing approximately 352,000 square feet on a 50-acre site near the Airport, which it purchased from the Airport. UPS is also leasing from the Airport a 35,000 square foot office building on a nine-acre site in CAE Park which houses the 200-person staff that reconciles and administers UPS’ system-wide COD delivery services. UPS is operating with a minimum of 20 daily jet freighter arrivals and 20 departures at the Airport.

In 2010, Atlantic Southeast Airlines, a wholly owned subsidiary of SkyWest, Inc., cut the ribbon on its regional jet maintenance facility at the airport. The airport is Atlantic Southeast’s primary overnight maintenance base for its regional jet fleet serving United Express, and the airline has invested significantly in refurbishing an existing facility that can accommodate up to three aircraft at a time. Atlantic Southeast brought more than 75 jobs to the Columbia area when it began performing overnight maintenance at the airport in 2009; refurbishments to its permanent hangar facility took place in 2010.

The Owens Field Airport, with a 4999-foot x 75-foot runway with a 400-foot stopway, is located in the southeast section of the City of Columbia and is used by private and other small aircraft.

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

Palmetto Health Baptist, which was founded in 1914, operates at capacity of 489 acute care beds, with approximately 2,629 employees, 800 physicians and numerous volunteers. The Birthplace of Palmetto Health Baptist delivers more than 3,000 babies each year. There are 20 private birthing rooms that feature birthing beds, whirlpool baths and sleeper chairs. The Birthplace also offers a high-risk antenatal obstetric unit, state-of-the-art monitoring systems and a Level III Neonatal Intensive Care Unit. Established more than a century ago, Palmetto Health Richland is a regional community teaching medical center with 649 beds. Some 4,300 employees and a medical and dental staff of approximately 900 provide a wide range of primary and specialty healthcare. Palmetto Health Richland offers the Midland’s only Pediatric Intensive Care Unit; a Level III Neonatal Intensive Care Unit; one of only two in the State of infant heart-lung bypass machines; STORK, the state’s first neonatal transport ambulance; the Children’s Center for Cancer and Blood Disorders; and the Children’s Emergency Center. In addition, the Children’s Hospital employs a full-time teacher to help patients keep up with their schoolwork.

In January 2006, Palmetto Health Heart Hospital located at the Richland campus opened its doors, becoming the most advanced, state-of-the-art cardiac care facility in the area. Serving patients from the Midlands and all over central South Carolina, the \$80 million, 200,000-square-foot hospital is the state’s only freestanding facility dedicated entirely to the prevention, diagnosis and treatment of cardiovascular diseases. Built specifically to meet the needs of the patients, there is a fluid transition between heart procedures and patient rooms. This unique building offers patients and visitors a comfortable and soothing experience complete with waterfalls and landscaped courtyards, and a view of the outside from each of the patient rooms. Attached to the Heart Hospital is a 100,000 square-foot medical office building which enables physicians and clinical staff to spend more time caring for the patients. To provide an unparalleled level of individualized care for residents of South Carolina, the

hospital includes: 124 private inpatient beds; Cardiovascular Intensive Care Unit; Critical Care Unit; Cardiac Diagnosis; Cardiac Cath and Electrophysiology labs; Cardiac Rehabilitation Program; Pulmonary Rehabilitation Program; Telemetry Units; labs and diagnostic test areas; landscaped atriums; 700-car parking garage; gift shop; and specialty coffee cart.

The Providence Hospitals, sponsored by the Sisters of Charity Health System, founded by the Sisters of Charity of Saint Augustine in 1938, is comprised of four entities: Providence Hospital, Providence Heart and Vascular Institute, Providence Hospital Northeast and Providence Orthopaedic & Neuro Spine Institute. The Providence Hospital is licensed for 304 beds and employs more than 1,900 individuals. Providence Hospital is best known for the expertise in cardiac care it provides through Providence Heart and Vascular Institute, which is recognized statewide as a referral center for the prevention, diagnosis and treatment of cardiovascular disease. Providence Hospital Northeast is a 46-bed community hospital established in 1999 that offers a range of medical services in surgery, emergency care, women's and children's services and rehabilitation. Providence Northeast is home to Providence Orthopaedic and Neuro Spine Institute, which provides medical and surgical treatment of diseases and injuries of the bones, joints and spine. The hospital campus also includes an after-hours care program at night and on the weekends for pediatric patients who require specialized treatment for illness and injuries.

The Veterans Administration operates Wm. Jennings Bryan Dorn VA Medical Center for veterans – a 216-bed facility encompassing acute medical, surgical, psychiatric and long-term care. An affiliation is held with the University of South Carolina School of Medicine, located on the hospital grounds. A sharing agreement exists among Moncrief Army Hospital - a military hospital serving active duty and retired military personnel and their families at Fort Jackson in Columbia – and Shaw Air Force Base in Sumter. Additionally, there is one private psychiatric hospital, Three Rivers Behavioral Health L.L.C.; four state-owned and operated psychiatric hospitals (G. Weber Bryan Psychiatric Hospital, S.C. State Hospital, Gilliam Psychiatric Hospital and William S. Hall Psychiatric Institute); and one rehabilitation hospital, Health South Rehabilitation Hospital. Among those hospitals, there are approximately 792 licensed psychiatric beds.

Recreation. The Columbia MSA offers many opportunities for recreation and leisure activities. The Columbia Museum of Art is South Carolina's premier international art museum with extraordinary collections of European and American fine and decorative art that span centuries. The South Carolina State Museum is the largest museum in South Carolina and is located in America's first electric-powered textile mill. It is a comprehensive museum with extensive exhibits in the disciplines of art, science and technology, cultural history and natural history. The Town Theatre is the oldest, continuously operating community theatre in the U.S. The theatre provides live community theatre performance throughout the year with an emphasis on musicals, comedies and youth productions. EdVenture Children's Museum, the South's largest children's museum, is the home of Eddie, the world's largest child, along with 300 exhibits to inspire children to experience the joy of learning. Riverbanks Zoo and Garden is located in Richland and Lexington counties on a 170-acre tract of land bisected by the Saluda River, which consists of a zoological park presently located on approximately 30 acres and a botanical garden and contiguous natural areas located on a seventy-acre tract of land on the western side of the Saluda River that is connected to the Zoo by a bridge. The Zoo and Garden attracts more than 850,000 visitors each year. The Zoo and Garden is committed to the conservation of wildlife, to the audience's education of natural history, and to the enhancement of the quality of life in its community through the provision of high-quality recreational opportunities. The University of South Carolina and other area universities and colleges offer a wide range of sports activities for both spectators and participants. Lake Murray, a 50,000-acre man-made lake with more than 500 miles of shoreline, provides opportunities for fishing, camping, boating, sailing and skiing as well as residential sites for single-family and multi-family development.

Libraries. The Richland County Public Library (RCPL) system—which includes the Main Library in downtown Columbia, nine branches located strategically across the County, and a bookmobile—is a community focal point that attracted more than 2.2 million visitors in 2009, and circulation is more than 3.7 million. 800 volunteers contributed 16,000 hours to RCPL in 2009. RCPL is recognized on state and national levels for its outstanding programs and services. For example, RCPL received the 2005 Elizabeth O’Neill Verner Governor’s Award for the Arts in the government category, the highest honor the State gives in this area.

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

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

Source: South Carolina Commission on Higher Education

Financial Institutions. According to the Federal Deposit Insurance Corporation, as of June 30, 2011, there were 100 branches of commercial banks and 4 branches of savings institutions in the County, with deposits at all financial institutions in the County totaling \$9,525,768,000. 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.

[Remainder of Page intentionally left blank]

FINANCIAL INFORMATION

Five-Year Summary of General Fund Operations

The following table sets forth a summary of the School District's General Fund operations for the Fiscal Years ended June 30, 2007, 2008, 2009, 2010 and 2011.

School District No. 2 of Richland County Summary of Revenues, Expenditures and Changes in Fund Balances - General Fund Fiscal Years Ended June 30, 2007 through June 30, 2011

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<u>Revenues:</u>					
Local	\$ 72,884,501	\$ 58,488,726	\$ 63,431,531	\$ 70,911,316	\$ 74,563,148
State	78,077,770	115,629,211	123,427,895	113,629,087	113,166,514
Federal	<u>506,800</u>	<u>490,184</u>	<u>585,066</u>	<u>587,046</u>	<u>753,596</u>
Total Revenues	\$151,469,071	\$174,608,131	\$187,444,492	\$185,107,449	\$188,483,258
<u>Expenditures:</u>					
Instruction	\$ 93,370,745	\$106,927,622	\$116,580,200	\$118,244,684	\$116,230,074
Support Services	56,842,113	64,032,888	68,513,198	65,041,124	65,296,564
Community Service	408,695	481,939	495,096	501,136	1,563,867
Other Charges	<u>160,691</u>	<u>193,301</u>	<u>91,196</u>	<u>128,864</u>	<u>1,573,384</u>
Total Expenditures	\$150,782,244	\$171,635,750	\$185,679,690	\$183,915,808	\$184,663,889
Excess of Revenues over (under)					
Expenditures	686,827	2,972,381	1,764,802	1,191,641	3,819,369
Other Financing Sources (Uses)	<u>1,710,703</u>	<u>643,331</u>	<u>47,772</u>	<u>1,112,443</u>	<u>494,782</u>
Excess of Revenues and other sources over(under)					
Expenditures and other uses	\$ 2,397,530	\$ 3,615,712	\$ 1,812,574	\$ 2,304,084	\$ 4,314,151
Fund Balance - July 1	<u>\$ 12,564,566</u>	<u>\$ 14,962,096</u>	<u>\$ 18,577,808</u>	<u>\$ 20,390,293</u>	<u>\$ 22,694,466</u>
Fund Balance - June 30	<u>\$ 14,962,096</u>	<u>\$ 18,577,808</u>	<u>\$ 20,390,382</u>	<u>\$ 22,694,466</u>	<u>\$ 27,008,617</u>

Note: This table is unaudited, but was prepared by the School District based on audited financial statements.

Financial Statements

The financial statements for the Fiscal Years ended June 30, 2007 and June 30, 2008 were audited by Elliott Davis, LLC and for Fiscal Years ended June 30, 2009 through June 30, 2011 were audited by McGregor & Company, LLP. A copy of the general purpose financial statements of the School District for the year ended June 30, 2011, is attached to this Official Statement as Appendix A. Copies of

complete comprehensive annual financial reports for Fiscal Year ended June 30, 2011, and prior years are available for inspection at the School District offices or on the School District's website.

Management Discussion

For Fiscal Year 2010-11, the General Fund ended the year with a surplus of \$4,314,151, which increased the total fund balance to \$27,008,617. Expenditures came in over budget by \$470,172, and other financing sources were \$278,532 less than was actually budgeted. Overall, the General Fund balance represents 14.50% of the Fiscal Year 2010-11 operating budget.

The School District conservatively budgeted revenue in the General Fund for the 2010-11 Fiscal Year using a base student cost of \$1,625, resulting in a budget of \$40,171,064. Richland County Council approved an appropriation based on revenue derived from a tax levy of 258.3 mills.

For Fiscal Year 2011-12 the School District has a balanced budget of \$197,014,721. The budget includes local revenue of \$74,361,800, EFA of \$48,798,222, the New Homestead Exemption to be \$45,349,893, and other state and local revenue of \$28,504,806. Millage was increased to the cap of 269.4 mills. The budget does not include a furlough for employees. The budget also provided for the opening of a new elementary school and a new middle school.

Revenues

The audited financial statements of the School District for the year ended June 30, 2011, indicates that 39.50% of general fund revenues came from local sources, 60.04% came from the State, and 0.46% from federal sources.

Revenues exceeded the budgeted revenues by \$5,317,874 during the 2010-11 Fiscal Year. The increase in revenue was due primarily to a 3% increase in student enrollment and an increase over budget in other State revenues which resulted in 4.6% over budgeted revenue for State funding.

A. *Revenues from Ad valorem Taxes.* A significant source of School District operating revenues come from ad valorem taxes paid by taxpayers within the School District. A discussion of general tax information, tax rates and millage levied upon taxpayers of the School District for School District purposes has been presented under the headings "Property Taxation and Assessment," "Assessed Value," "Tax Collection Procedure," "Tax Collections," "Ten Largest Taxpayers" and "Millage Rates" herein. All the revenues from ad valorem taxes are either general fund revenues, and may therefore be used by the School District on an unrestricted basis, or are collected for the purposes of paying debt service on general obligation bonds of the School District. During the past five fiscal years, the School District has received the following amounts as general fund revenues for operational purposes from ad valorem taxes:

School District General Fund Revenues from Ad Valorem Taxes

<u>Fiscal Year</u>	<u>Amount</u>
2006-07	\$71,253,115
2007-08	56,922,311
2008-09	62,217,193
2009-10	69,808,614
2010-11	70,625,051
2010-12 ⁽¹⁾	74,361,800

⁽¹⁾Projected.

B. *Revenues from the State.* Revenues from the State come in the form of general fund revenues, which are available for general operating expenses of the School District, and special revenues, which are available for use only in connection with specific programs. As noted above, the School District also receives payments from the State to reimburse it for Homestead Exemptions.

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

<u>Fiscal Year</u>	<u>General Fund</u>	<u>Special Revenue</u>	<u>Totals</u>
2006-07	\$ 78,077,770	\$17,807,294	\$ 95,885,064
2007-08	115,629,221	18,485,792	134,115,013
2008-09	123,427,895	19,807,515	143,235,410
2009-10	113,629,087	18,408,271	132,037,358
2010-11	113,166,514	17,502,295	130,668,809

Almost all of the general fund revenues received from the State are paid to the School District under the Education Finance Act of 1977 (“EFA”). The EFA was enacted in order to implement a basic education program, known as the Foundation Program. The State funds an average of 70% of the cost of the Foundation Program on a statewide basis, using an index of taxpaying ability to adjust the required local contribution and State contribution toward the cost of the Foundation Program. During the 2010-11 Fiscal Year, the State share of the Foundation Program for the School District was \$41,868,147 or 82% of the total cost and the School District share was \$8,954,296 or 18%. During the past five fiscal years and the current fiscal year shown below, the State’s contributions to the EFA Foundation Program have been or are projected to be as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2006-07	\$51,408,902
2007-08	56,623,085
2008-09	53,954,932
2009-10	44,129,161
2010-11	41,868,147
2011-12 ⁽¹⁾	48,798,222

⁽¹⁾Projected.

Appropriations made by the State are monitored against income through the fiscal year by the State Budget and Control Board. If State revenues are below budget estimates, the Budget and Control Board has the authority to reduce appropriations by amounts sufficient to maintain a balanced budget for the State. The reductions are applied to State general fund appropriations including EFA funding and various other State funded programs, but not EIA (see below). School districts in South Carolina, including the School District, accordingly are affected by these cuts and make budget revisions to accommodate funding reductions.

EFA 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 EFA 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. State, 515 S.E.2d 535 (S.C. 1999)). The Court held that the EFA 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, 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. If the Circuit Court’s Order is not amended, the State will be required to increase its investment in early childhood education programs for children who are considered “at risk” due to family poverty. The School District cannot predict the ultimate outcome of this litigation, or, to any certainty, what impact it may ultimately have on public education or the funding thereof in the State.

Education Improvement Act. Almost all of the special revenues received from the State are paid to the School District under the Education Improvement Act of 1984 (the “EIA”). The EIA was enacted in order to improve the quality of public education in the State, through special programs and incentives. The EIA program is funded with the special fund created by a 1¢ increase in the general sales tax. Amounts received by the School District under the EIA are restricted to the programs authorized or

mandated by the EIA. During the past five fiscal years and the current fiscal year shown below, the State contributions to the School District under EIA Program have been or are projected to be as follows:

State Contributions to EIA Program

<u>Fiscal Year</u>	<u>Amount</u>
2006-07	\$15,258,290
2007-08	14,963,587
2008-09	12,352,141
2009-10	11,532,845
2010-11	10,366,595
2011-12 ⁽¹⁾	11,485,000

⁽¹⁾Projected.

Investment Policies

The School District holds and invests all operating funds directly. Bond proceeds and tax collections used to pay debt service on bonds are held and invested by the County Treasurer. In both cases, the funds may only be invested in investments specified under Section 6-5-10 of the Code of Laws of South Carolina 1976, as amended or the South Carolina Pooled Investment Fund. Section 6-5-10 provides the following investments: (1) obligations of the United States and its agencies; (2) general obligations of the State or any of its political units; (3) savings and loan associations to the extent that the same are insured by an agency of the federal government; (4) certificates of deposit and repurchase agreements which are collateralized by securities of the type described in subsections (1), (2) or (3) of this paragraph; and (5) certain no load open-end or closed-end management type investment companies or trusts which are, in essence, an indirect investment in investments of the kind described in (1) and (2) above or repurchase agreements collateralized by such investments. The South Carolina Pooled Investment Fund is managed by the State Treasurer. In addition to the kinds of investments provided for in Section 6-5-10, the State Treasurer may also invest in obligations of private corporations so long as the obligations bear any of the three highest ratings from at least two nationally recognized rating services.

South Carolina Educational Assistance Endowment Fund

In 1995, the General Assembly established an Education Assistance Endowment Fund (the “EAEF”) to be funded initially from revenues derived from the extension of operations of a low-level nuclear waste disposal facility located in Barnwell County, South Carolina. Seventy percent of the funds deposited to the EAEF are required to be used for Public School Facilities Improvement with the balance being applied to Higher Education Scholarship Grants. The EAEF is to be managed so that its programs will be permanently funded from the amounts therein. The School District received \$458,460 in the 2008-09 Fiscal Year.

Although the 1995 legislation established the EAEF and specifies the percentage of the fund to be used for Public School Facilities Improvements, it did not provide a means of distributing those funds to local districts. Accordingly, in the legislative session in mid-June of 1996, the South Carolina General Assembly enacted the following provisions establishing the procedure for using and allocating these funds:

Use of Funds. Funds must be used for permanent school instructional facilities and fixed equipment, but school districts were allowed to use their Fiscal Year 1996-97 allocations for payment of debt service related to school facility financings, and may in subsequent years use their allocations for

debt service related to school facility financings once all constructions and renovation needs identified in a school district's facility improvement plan have been met. Annual allocations may be accumulated for up to seventy-two months.

Allocation of Funds. The amount made available to school districts for facilities needs is to be divided and allocated on four factors: (1) Thirty-five percent is to be allocated according to population, using weighted per pupil units; (2) thirty-five percent is to be allocated according to the preceding year's EFA formula; (3) fifteen percent is to be allocated based on a standardized assessment of needs and uniform estimate of costs; and (4) fifteen percent is to be allocated based on the efforts of school districts to meet their facilities needs, measured by their prior five-years' performance. A school district's allocation is the sum of these four amounts.

Adjustments to State Funds

Appropriations made by the State are monitored against income throughout the fiscal year by the State Budget and Control Board. If State revenues are below budget estimates, the State Budget and Control Board has the authority to reduce appropriations during the fiscal year by amounts sufficient to maintain a balanced budget for the State.

For the 2008-09 Fiscal Year, all school districts could transfer up to 100% of State-allocated funds, such as EIA funds, between instructional programs with the same funding source. 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. The School District did not use the flexibility transfer proviso for the 2008-09 Fiscal Year.

Fringe Benefits, Retirement and Health Insurance

The School District contributes to the South Carolina Retirement System (the "System"), a cost sharing, multiple employer, defined benefit pension plan. The System provides both retirement and death benefits on an employee and employer contribution basis. Member employees contributed 6.50% of their annual compensation during the 2010-11 Fiscal Year. Employer contributions were at the rate of 9.24% in the 2010-11 Fiscal Year. The School District's contribution to the System, including group life insurance and retiree health coverage, for the Fiscal Years ended June 30, 2011, 2010 and 2009 were \$16,769,313, \$16,395,014 and \$15,800,548, respectively, which are equal to the required contributions. The School District also provides comprehensive group health insurance through the State Employees Group Plan administered by Blue Cross-Blue Shield of South Carolina. Employees are eligible for the State of South Carolina Dental Assistance Program also administered by Blue Cross-Blue Shield of South Carolina. The School District also offers a health maintenance organization, a cancer policy, a term basic, optional and dependent life insurance policy, an accidental death and dismemberment policy and a supplemental hospital cash plan. Employer's contributions are made on behalf of the employees at fixed rates.

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

Insurance

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. The School District has purchased insurance from commercial insurers and believes the coverage provided is adequate.

TAX EXEMPTION AND OTHER TAX MATTERS

Opinion of Bond Counsel

Certain legal matters with regard to the issuance of the Bonds are subject to the approval of Nexsen Pruet, LLC, Columbia, South Carolina, Bond Counsel, whose approving opinion will be available at the time of the delivery of the Bonds. The proposed form of Bond Counsel's opinion appears as Appendix B to this Official Statement.

Internal Revenue Code of 1986

The Internal Revenue Code of 1986, as amended (the "Code") includes provisions that relate to tax-exempt obligations, such as the Bonds, including, among other things, permitted uses and investment of the proceeds of the Bonds and the rebate of certain net arbitrage earnings from the investment of such proceeds to the United States Treasury. Noncompliance with these requirements may result in interest on the Bonds becoming subject to federal income taxation retroactive to the date of issuance of the Bonds. The School District has covenanted to comply with the requirements of the Code to the extent required to maintain the exclusion of interest on the Bonds from gross income for federal tax purposes. Failure of the School District to comply with the covenant could cause the interest on the Bonds to be taxable retroactively to the date of issuance.

The Code imposes an alternative minimum tax on a taxpayer's alternative minimum taxable income. Interest on the Bonds is not an item of tax preference for purposes of the individual and corporate alternative minimum tax. However, interest on the Bonds will be includable in the adjusted net book income or adjusted current earnings of a corporation for purposes of computing the alternative minimum tax imposed on corporations.

Purchasers of the Bonds should consult their tax advisors with respect to collateral tax consequences of ownership of the Bonds, such as the calculation of alternative minimum tax, environmental tax or foreign branch profits tax liability, the tax on passive income of S corporations, the inclusion of Social Security or other retirement payments in taxable income, or the portion of interest expense of a financial institution which is allocable to tax-exempt interest.

On September 12, 2011, President Obama submitted the "American Jobs Act of 2011" (the "Jobs Act") to Congress. If enacted, the Jobs Act would limit for certain individual taxpayers the value of certain deductions and exclusions, including the exclusion for tax-exempt interest, to 28% irrespective of the actual marginal tax rate imposed on such taxpayers. The Jobs Act would be effective for taxable years beginning on or after January 1, 2013. No prediction can be made whether the Jobs Act or any other provision affecting the value of the exclusion for tax-exempt interest will ultimately be enacted.

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 of Laws of 1976, as amended, 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 (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) 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

For Bonds 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. A purchaser of Premium Bonds must amortize 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

Opinions

The issuance of the Bonds is subject to the favorable opinion of Nexsen Pruet, LLC, Bond Counsel, as to the validity of the issuance of the Bonds under the constitution and laws of the State of South Carolina. The issuance of the Bonds on a tax-exempt basis (the Bonds) is also subject to the favorable opinion of Bond Counsel as to the exemption of the Bonds from federal income taxation. The proposed alternative forms of Bond Counsel’s opinion appear in Appendix B to this Official Statement.

Nexsen Pruet, LLC 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 Nexsen Pruet, LLC has not made an independent investigation or verification of the accuracy, completeness or fairness of such information. The opinion of Nexsen Pruet, LLC 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 controversy or litigation of any nature now pending or, to the knowledge of the School District officials, 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.

MISCELLANEOUS

Certificate as to the Official Statement

The initial purchasers of the Bonds shall receive a certificate, dated the date of delivery of the Bonds, of the Superintendent of the School District stating that this Official Statement, as of the date hereof, does not contain any untrue statement of a material fact or omit to state any material fact required to be stated herein or necessary to make the statements herein, in light of the circumstances under which they are made, not misleading, and that there has been no material adverse change in the financial condition of the School District from that set forth in or contemplated by this Official Statement. In

providing such certificate, the Superintendent will state that he has not undertaken independently to verify information pertaining to nongovernmental data and activities contained in this Official Statement, but that such information has been obtained from sources which the School District believes to be reliable and that the School District has no reason to believe that they are untrue in any material respect.

Ratings

Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Rating Service, Inc. ("S&P") (collectively, the "Rating Services") have assigned their municipal bond ratings of "Aa1" and "AA," to the Bonds upon the basis of the State of South Carolina constitutional intercept provisions described under the heading "Security" herein. The Ratings Services have assigned underlying ratings of "Aa2," and "AA," respectively, to the Bonds. Such ratings reflect only the views of the Rating Services and an explanation of the significance of such ratings may be obtained from the Rating Services. The School District has furnished to the Rating Services certain information and materials respecting the School District and the Bonds. Generally, the Rating Services base their ratings on such information and materials and on investigations, studies and assumptions furnished to and obtained and made by them. There is no assurance that such ratings will remain unchanged for any period of time or that they may not be lowered or withdrawn entirely by the Rating Services, if in their judgment circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

Continuing Disclosure

In order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time, the School District has entered into a Disclosure Dissemination Agent Agreement ("Disclosure Dissemination Agreement") for the benefit of the holders of the Bonds with Digital Assurance Certification, L.L.C. ("DAC"), under which the School District has designated DAC as Disclosure Dissemination Agent. The form of Disclosure Dissemination Agreement is attached hereto as Appendix C.

In addition, the School District, pursuant to Section 11-1-85 of the Code of Laws of South Carolina 1976, as amended, has covenanted to file with a central repository for availability in the secondary bond market, when requested: (1) an annual independent audit within 30 days of its receipt; and (2) event-specific information, within 30 days of an event adversely affecting more than five percent of its revenue or tax base.

The School District has previously executed Continuing Disclosure Certificates and Disclosure Dissemination Agent Agreements in connection with the issuance of its outstanding debt listed in "Outstanding General Obligation Debt" herein. The School District is current with respect to its continuing disclosure requirements.

Financial Advisor

Davenport & Co., LLC, Charlotte, North Carolina has served as Financial Advisor (the "Financial Advisor") to the School District with respect to the issuance of the Bonds. The Financial Advisor does not assume any responsibility for the information, covenants, and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending, or future actions taken by any legislative or judicial bodies. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the School District and, as applicable, to investors under the federal securities laws as applied to the

facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information. The Financial Advisor has agreed not to bid for the Bonds either independently or as a member of a syndicate organized to submit a bid for the Bonds.

Underwriting

The Bonds have been purchased at a competitive sale from the School District for resale by J.P. Morgan Securities LLC (the “Purchaser”). The initial public offering yield of the Bonds is as shown on the inside cover page of this Official Statement and may be changed from time to time by the Purchaser. The Purchaser may also allow a concession from the public offering prices to certain dealers. The Purchaser of the Bonds has received no fee from the School District for underwriting the Bonds.

Conclusion

Further inquiries should be addressed to Robert E. Davis, Chief Financial Officer, School District No. 2 of Richland County, South Carolina, 6831 Brookfield Road, Columbia, South Carolina 29206, (803) 738-3293. Requests for additional copies of this Official Statement may be addressed to April C. Lucas, Esquire, Post Office Drawer 2426, Columbia, South Carolina 29202, (803) 540-2036, e-mail: alucas@nexsenpruet.com.

SCHOOL DISTRICT NO. 2 OF RICHLAND COUNTY, SOUTH CAROLINA

s/Dr. Katie Brochu
Superintendent

**AUDITED FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2011**

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT
OF
RICHLAND SCHOOL DISTRICT TWO
COLUMBIA, SOUTH CAROLINA

FOR THE
FISCAL YEAR ENDED
JUNE 30, 2011**

**Prepared by:
Office of Financial Services**

**Katie Brochu Ed.D.
Superintendent**

**Robert E. Davis
Chief Financial Officer**

(THIS PAGE INTENTIONALLY LEFT BLANK)

**RICHLAND SCHOOL DISTRICT TWO
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2011**

TABLE OF CONTENTS

	Reference	Page No.
INTRODUCTION SECTION		
Table of Contents		1-4
Principal Officers		5
Organizational Chart		6
Letter of Transmittal		7-10
Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting		11
Association of School Business Officials International Certificate of Excellence in Financial Reporting		12
FINANCIAL SECTION		
Report of Independent Certified Public Accountants		13-14
Management's Discussion and Analysis		15-23
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Assets	Exhibit 1	24
Statement of Activities	Exhibit 2	25
Fund Financial Statements:		
Balance Sheet - Governmental Funds	Exhibit 3	26
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	Exhibit 4	27
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	Exhibit 4 (cont.)	28
Statements of Net Assets - Proprietary Funds	Exhibit 5	29
Statements of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	Exhibit 6	30
Statements of Cash Flows - Proprietary Funds	Exhibit 7	31
Statement of Fiduciary Assets and Liabilities - Agency Fund	Exhibit 8	32
Notes to Basic Financial Statements		33-56

**RICHLAND SCHOOL DISTRICT TWO
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2011**

TABLE OF CONTENTS, Continued

	Reference	Page No.
FINANCIAL SECTION, Continued		
Required Supplementary Information		
Budgetary Comparison Schedule:		
General Fund	Schedule 1	57
Other Supplementary Schedules		
Combining Statements, Individual Fund		
Financial Statements and Schedules:		
Governmental Funds		
General Fund:		
Budgetary Comparison Schedule - Account Detail	Schedule A-1	58-67
Special Projects Fund:		
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - Special Projects Fund	Schedule B-1	68-77
Summary Schedule of Designated State Restricted Grants - Special Projects Fund	Schedule B-2	78
Education Improvement Act Fund:		
Combined Schedule of Revenues, Expenditures and Changes in Fund Balance - All Programs	Schedule B-3	79-84
Summary Schedule by Program	Schedule B-4	85
Debt Service Fund:		
Schedule of Revenues, Expenditures and Changes in Fund Balance	Schedule C-1	86
Capital Projects Fund:		
Schedule of Revenues, Expenditures and Changes in Fund Balance	Schedule D-1	87-88
Proprietary Fund:		
Enterprise Fund:		
Schedule of Revenues, Expenses and Changes in Net Assets - Food Service	Schedule E-1	89-90
Internal Service Fund:		
Statement of Changes in Net Assets and Liabilities	Schedule F-1	91
Schedule of Revenues, Expenses and Changes in Net Assets	Schedule F-2	92-93

**RICHLAND SCHOOL DISTRICT TWO
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2011**

TABLE OF CONTENTS, Continued

	Reference	Page No.
FINANCIAL SECTION, Continued		
Fiduciary Fund		
Fiduciary Fund Type:		
Agency Fund - Pupil Activities - Statement of Changes in Fiduciary Assets and Liabilities	Schedule G-1	94
Agency Fund - Pupil Activities - Schedule of Receipts, Disbursements and Changes in Due to Pupil Activities	Schedule G-2	95
Component Unit		
Richland Two Charter High School - Statement of Financial Position	Schedule H-1	96
Richland Two Charter High School - Schedule of Revenues, Expenses and Changes in Net Assets	Schedule H-2	97
Other Supplemental Schedules		
Detailed Schedule of Due to State Department of Education/ Federal Government	Schedule I-1	98
STATISTICAL SECTION (Unaudited)		
Net Assets by Component	1	99
Expenses, Program Revenues and Net (Expense)	2	100
General Revenues and Total Change in Net Assets	3	101
Fund Balances of Governmental Funds	4	102
Governmental Funds Revenues	5	103
Governmental Funds, Expenditures and Debt Service Ratio	6	104
Other Financing Sources and Uses and Net Change in Fund Balances, Governmental Funds	7	105
Assessed Value and Actual Value of Taxable Property	8	106
Direct and Overlapping Property Tax Rates	9	107
Principal Property Taxpayers	10	108
Property Tax Levies and Collections	11	109
Ratios of General Bonded Debt Outstanding	12	110
Legal Debt Margin	13	111
Direct and Overlapping Debt	14	112
Demographic and Economic Statistics	15	113
Principal Employers	16	114
Full-Time Equivalent School District Employees by Type	17	115
Operating Statistics	18	116
School Building Information	19	117-120
Teacher Base Salaries	20	121

**RICHLAND SCHOOL DISTRICT TWO
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2011**

TABLE OF CONTENTS, Continued

	Page No.
SINGLE AUDIT SECTION	
Schedule of Expenditures of Federal Awards	122
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	123-124
Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	125-126
Schedule of Findings and Questioned Costs	127-128

**RICHLAND SCHOOL DISTRICT TWO
PRINCIPAL OFFICERS
2010-2011**

MEMBERS OF THE BOARD OF TRUSTEES

The Honorable Stephanie E. Burgess, Ph.D., Chairman

The Honorable Calvin Jackson, Vice Chairman

The Honorable Barbara R. Specter, Secretary

The Honorable Susan A. Brill

The Honorable William Flemming, Jr., DMD

The Honorable Melinda S. Anderson, R.N.

The Honorable James Manning, M.A.T.

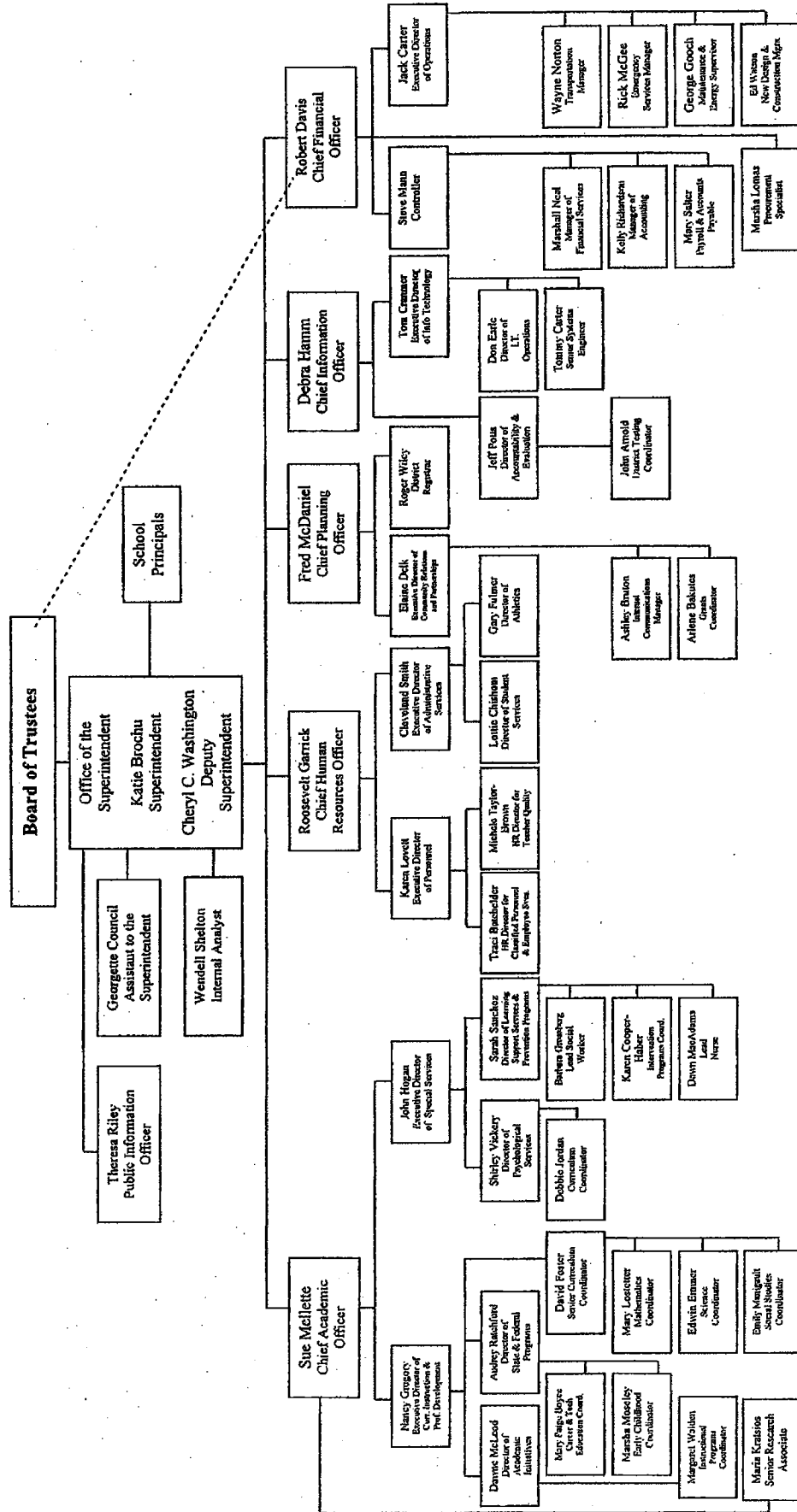
ADMINISTRATIVE STAFF

Katie Brochu Ed.D., Superintendent

Robert E. Davis, Chief Financial Officer

RICHLAND SCHOOL DISTRICT TWO 2010-2011 ORGANIZATIONAL CHART

As of July 1, 2010





Richland School District Two 6831 Brookfield Road Columbia, South Carolina 29206 (803) 787-1910
FAX # (803) 738-7393
www.richland2.org

ADMINISTRATIVE OFFICES

October 31, 2011

To the Citizens of Richland School District Two
Columbia, South Carolina

The Comprehensive Annual Financial Report of Richland School District Two for the fiscal year ended June 30, 2011, is submitted. Responsibility for both the accuracy of the data and the completeness of the information, including all disclosures, rests with the school district. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the school district.

This report consists of management's representations concerning the finances of the District. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of Richland School District Two has established a comprehensive internal control process that is designed both to protect the District's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with generally accepted accounting principles. As the cost of internal controls should not outweigh their benefits, the school district's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. Management asserts that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The independent audit of the financial statements of Richland School District Two was a part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements involving the administration of federal awards. These reports are available in the compliance section of this comprehensive annual financial report.

As part of the District's single audit, tests are made to determine the adequacy of the internal control structure, including the portion related to federal financial assistance programs, as well as to determine that the District has complied with applicable laws and regulations. The results of the Single Audit revealed no instances of material weakness in the internal control structure or significant violations of laws, regulations, contracts, or grants.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with the MD&A, which can be found immediately following the report of the independent auditors.

Profile of the School District

The District is a political subdivision of the State of South Carolina. The District is located in the northeastern section of Richland County and is bordered on the west by Richland School District One of Richland County, on the east and on the south by Kershaw County, and on the north by Fairfield County. The City of Columbia, the state capitol of South Carolina, is also the business and financial center of the state. The Columbia Metropolitan Statistical Area (MSA) has a 2010 estimated population of 767,598.

The District operates two early childhood development centers, eighteen elementary schools, seven middle schools, four high schools, three elementary magnet schools, two alternative schools and one adult education center.

Richland School District Two is governed by a seven member Board of Trustees elected at large by the voters of the District. Board members are elected to four year terms. As of the date of this letter, the District teaches 25,385 students in kindergarten through grade 12. The District continues to be one of the fastest growing districts in the state as it has been over the past decade.

Component Unit

The District does have a component unit consisting of a hybrid virtual charter high school serving some sixty 11th and 12th grade students predominately from the Richland Two area. The Richland 2 Charter High School is chartered by the District. It has an independent Board overseeing its operations.

A charter school is considered a state supported public school, and as a result, is part of the District for purposes of the State Constitution. The financial statements of the Richland Two Charter High School are presented as a discretely presented component unit because the charter school is financially dependent on the District.

The school is designed to reduce the dropout rate by addressing the needs of students who could not successfully participate in a traditional high school environment. It offers a small school setting with a flexible class schedule tailored to the individual needs of each student and provides career counseling and development of job skills through seminars, job shadowing, and internships. Funding for the charter high school consists of their fair share of local, state and federal per pupil allocations. The charter high school does reimburse the District for expenses incurred in providing support services.

Economic Condition

State and federal payrolls are major sources of employment and income for residents of the County. The state of South Carolina employs about 30,000 persons in the County. The County has experienced considerable expansion of Federal, State and County facilities. The headquarters of Blue Cross / Blue Shield of South Carolina is located in the School District where the company employs approximately 6,900 people. The headquarters of SCANA Corporation, a \$5 billion enterprise, the parent company of South Carolina Electric & Gas, is located in the Columbia MSA. There are significant industrial enterprises within the School District including Bose Corporation and FN Manufacturing, Inc.

Fort Jackson, the United States Army's largest training installation, is located within the District and is a major contributor to the economy. Fort Jackson employs approximately 5,200 civilian employees and provides services to 36,000 retired military personnel and their dependents living in the Columbia MSA. The Fort instructs in excess of 50,000 soldiers in basic training and advanced individual training each year.

Richland County/Columbia MSA's median household income was \$62,400 for 2010. The estimated unemployment rate for Richland County was 9.6% compared to the state unemployment rate of 11.2% for the 2010 year.

Long-term Financial Planning

As previously noted, Richland School District Two has been one of the fastest growing school districts in South Carolina over the past decade. To address this growth, the Board annually updates a 10 Year Facility Plan. As part of that plan, in November 2008, voters approved by a 67% yes vote a \$306 million referendum which funded four new elementary schools, a new middle school and a new high school along with expansions to several existing facilities.

The growth in student enrollment is projected to be 500 – 1000 per year which will put student enrollment around 35,000 in the 2017-2018 school year.

Budgetary Control

Richland School District Two exercises budgetary controls. The objective of these budgetary controls is to ensure compliance with the provisions set forth in the annual appropriation adopted by the Board of Trustees. The Board of Trustees annually adopts and approves the General Fund budget by June 30th. The District maintains the modified accrual system for all governmental funds, and uses encumbrance accounting to accomplish budgetary controls at the function level. The Chief Financial Officer has authority to approve line item transfers within a fund. The legal level of control is at the fund level. Board approval is needed for supplemental appropriations that are additions to the budget. Encumbrances are utilized to assist in budgetary control, and encumbrances lapse at fiscal year end. The Board of Trustees is given a budget status report on a quarterly basis which is reviewed by members of the Board.

Special Revenue fund budgets are controlled in conformance with the specific requirements of that fund, and budgets are not legally adopted. Budgets are not adopted for the Capital Projects Fund or the Debt Service Fund. Debt Service expenditures are set in accordance with bond issue requirements, with revenues needed to pay the debt service requirement levied by the County Auditor.

Economic Assessment

District policies are in place to assess and maintain the economic condition of the District. Among these is Policy DA which states the District's Fiscal Management Goals including a requirement to maintain a reserve fund of from seven to twelve percent of the General Fund Operating Budget. Other policies address managing indebtedness and debt service, determining a budget that reflects the education priorities of the District, maintaining a level of per student expenditures needed to provide a quality education, as well as other policies regarding investments, inventories and various other aspects of financial operations designed to assist in assessing and maintaining the economic condition of the District.

Cash Management

The District actively manages its investments by soliciting competition when looking to place funds with any financial institution or with the South Carolina Local Government Investment Pool. The District was able to place most of its idle cash into secured money market investments. Remaining funds were invested in the South Carolina Local Government Investment Pool. The District earned \$236,036.20 in General Fund interest and \$231,710.46 in Building Fund Interest.

Risk Management

The District was not exposed to any excess risk nor did the District have any unsettled claims for 2010-2011. Surry Insurance, of Dobson, North Carolina provides the District coverage for building, property, casualty and liability lines of insurance. The District self insures workers' compensation. Keenan Suggs Insurance of Columbia, South Carolina provides risk management advisory services to the District.

Awards and Acknowledgements for 2010-2011

1. Forty five additional district teachers earned certification from the National Board for Professional Teaching Standards for a total of 598 district teachers. The District is tied for 2nd in the state.
2. Blythewood High School and Kelly Mill Middle School were finalists for the Palmetto's Finest School award.
3. Sixteen schools received the State Department of Education's Palmetto Gold and Silver Awards. Bethel-Hanberry Elementary, Blythewood Middle, Bookman Road Elementary, Bridge Creek Elementary, Killian Elementary, Lake Carolina Elementary (2 gold awards), Round Top Elementary, Sandlapper Elementary, Center for Inquiry and Center for Knowledge received Gold Awards. Bethel-Hanberry Elementary, Bookman Road Elementary, Killian Elementary, L.W. Conder Elementary Arts Integrated Magnet, Lonnie B. Nelson Elementary School, Polo Road Elementary (2 silver awards), and Sandlapper Elementary received Silver Awards.
4. Lake Carolina Elementary was named a National School of Character.
5. Blythewood Middle was named a National School to Watch.
6. The district received competitive grants totaling \$9,023,134.
7. Richland Two students received more than \$79.5 million in scholarship offers.
8. The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Richland School District Two for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2010. This is the 24th consecutive year that the District has received this prestigious award.
9. The District also received a Certificate of Excellence in Financial Reporting for the fiscal year ended June 30, 2010 from the Association of School Business Officials International (ASBO). This was also the 24th consecutive year that the District has received this prestigious award.

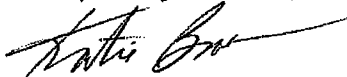
A Certificate of Achievement and a Certificate of Excellence in Financial Reporting are valid for one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement and Certificate of Excellence in Financial Reporting requirements. We are submitting it to GFOA and ASBO for review and consideration.

Acknowledgements

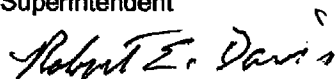
The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated efforts of the entire Financial Services office staff. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

In closing, without the leadership and support of the Richland School District Two Board of Trustees, preparation of the report would not have been possible.

Respectfully submitted,



Katie Brochu, Ed.D.
Superintendent



Robert E. Davis
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Richland School District Two
South Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

RICHLAND SCHOOL DISTRICT TWO

For its Comprehensive Annual Financial Report (CAFR)

For the Fiscal Year Ended June 30, 2010

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

President

Executive Director

FINANCIAL SECTION

(THIS PAGE INTENTIONALLY LEFT BLANK)

McGregor & COMPANY^{LLP}

CERTIFIED PUBLIC ACCOUNTANTS | SINCE 1930

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS • SOUTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS				ASSOCIATES	
C.C. McGregor, CPA 1906-1968	W.C. Stevenson, CPA B.T. Kight, CPA G.D. Skipper, CPA L.R. Leaphart, Jr, CPA M.J. Binnicker, CPA W.W. Francis, CPA	D.L. Richardson, CPA E.C. Inabinet, CPA S.S. Luoma, CPA T.M. McCall, CPA H.D. Brown, Jr, CPA L.B. Salley, CPA	D.K. Strickland, CPA J.P. McGuire, CPA L.H. Kelly, CPA	V.K. Laroche, CPA G.N. Mundy, CPA M.L. Layman, CPA P.A. Betette, Jr, CPA S. Wo, CPA	C.D. Hinchee, CPA J.R. Matthews, II, CPA D.E. Knobloch, CPA L.M. Harrelson, CPA M.J. Binnicker, Jr., CPA

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Honorable Chairman and Members of
the Board of Trustees of
Richland School District Two
Columbia, South Carolina

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 Richland School District Two (the School District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, 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, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2011, 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 15 through 23 and pages 58 through 67 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

McGregor & Company, LLP

Columbia, South Carolina
October 31, 2011

**RICHLAND SCHOOL DISTRICT TWO
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

INTRODUCTION

This narrative overview gives an analysis of the financial activities of the School District for the fiscal year ended June 30, 2011. Our purpose is to inform our citizens of the effect of our School District's operations and to present our financial position. We ask our citizens to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal as well as the basic financial statements and the associated notes to enhance understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

A sweeping piece of legislation impacting the funding of public K-12 education, Act 388, was passed by the South Carolina Legislature in 2007. This legislation removed taxes imposed for school operations for owner-occupied property in South Carolina. It was replaced by a one cent sales tax increase. Act 388 also imposed a cap on millage for school operations.

In this, the fifth year under this legislation, Richland School District Two found that the cap allowed for an adequate level of local funding for FY 2010-2011. The District was also fortunate to maintain its "Aa1" rating from Moody's; a AA- from Fitch Ratings; and Standard & Poors AA- for general obligation debt. All three firms cited the District's experienced and capable management, long-term capital facilities planning, and stable financial operations despite previous mid-year cuts in state aid in awarding their rating.

Our School District's overall financial picture improved in FY 2010-2011 as revenues again exceeded expenditures for the ninth year in a row and we were able to increase our General Fund Balance by \$4.3 million (19%). Our School District's General Fund Balance was \$27 million (13.7% of our operating budget). All of this was achieved even in the face of the loss of federal stimulus funding and the operational pressure of opening our 17th elementary school. Net assets for governmental activities, as reported in the government-wide financials, decreased by \$1.2 million.

Other key financial aspects were as follows:

- ***Net Assets*** - The School District's total net assets as of June 30, 2011, were \$171,644,317.
- ***Revenues, Other Financing Sources and Expenditures*** – Governmental revenues totaled \$275,161,512, other financing sources totaled \$120,335,578, and expenditures totaled \$376,643,867 for all Governmental Funds at the fund level. Revenues were less than expenditures by \$101,482,355. This is largely attributable to the capital projects fund expenditures of \$96,451,110, incurred to construct and renovate one new elementary school, one new middle school, and one new high school, as well as renovations to our existing schools.
- ***General Fund/Fund Balance*** - Our principal operating fund, the General Fund, had \$188,483,258 in fiscal year 2011 revenues; other financing sources (net) totaled \$494,782; expenditures totaled \$184,663,889, leaving a surplus for the year of \$4,314,151. This resulted in the General Fund's fund balance increasing from \$22,694,466 as of June 30, 2010 to \$27,008,617, or 13.7%, as of June 30, 2011.
- ***Bond Sales*** - The School District sold a total of \$195,145,000 in general obligation bonds. \$42,625,000 of these bonds, issued in September 2010, and \$60,000,000 of these bonds, issued in November 2010 were the third and fourth issuances from the \$306 million voter approved referendum in November 2008. The \$43.6 million was issued as Qualified School Construction Bonds, and the \$60 million was issued as Build America Bonds. Additionally, the School District issued \$9,260,000 in general obligation bonds that were

non-referendum bonds issued for capital and technology improvements. The District also issued \$83,260,000 in general obligation bonds to advance refund \$73,300,000 in debt outstanding issued in 2002 and \$55,000,000 in debt outstanding issued in 2005.

- **Major Capital Additions** - The School District's net capital assets for governmental activities increased by \$70,583,135 or 15.6%. This is largely attributable to the construction in progress of a new elementary school, a new middle school, and a new high school and renovations at various other schools.
- **Proprietary Funds** - The School District now maintains two Proprietary Fund types. The Enterprise Fund, which operates like a business, is the Food Service Fund. The fund ended the year with an increase in net assets of \$1,224,166 and total net assets equaling \$5,557,037. The Board of Trustees approved for the School District to self-insure for Worker's Compensation beginning in the 2008-2009 fiscal year. To fund the self-insurance program the School District transferred \$1 million in FY 2007-2008 to establish the Internal Service Fund to account for the Workers Compensation Program beginning July 1, 2008. The fund provides workers compensation benefits to School District employees and is a governmental activity. The fund ended the year with a decrease in net assets of \$55,793 and total net assets equaling \$1,530,190.
- **Cash and Investments (Governmental Activities)** - Cash and Investments increased by \$29,064,179 from June 30, 2010 to June 30, 2011 which is largely attributable to the bond proceeds issued for the capital projects referred to above.
- **Debt (Governmental Activities)** - The School District retired \$118,905,000 in principal and borrowed \$195,145,000 in new bond issues resulting in a net increase of outstanding debt of \$76,240,000. The Debt Service Fund Balance decreased by \$85,720 to a total of \$17,748,647.

OVERVIEW OF FINANCIAL STATEMENTS

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 comprise three components: 1) government-wide financial statements, 2) fund financial statements (General, Special Revenue, Debt Service, Capital, Fiduciary (Pupil Activity), and Proprietary (Food Service)) and 3) notes to the basic financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves. A description of these statements and some related definitions follow:

Government-wide Financial Statements - The government-wide financial statements are designed to provide readers with a broad overview of the School District's finances, in a manner similar to a private-sector business. These statements outline functions of the School District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the School District include instruction, support services, community services, and intergovernmental expenditures. The government-wide financial statements include not only the School District itself (known as the primary government), but also a discretely presented component unit. The component unit is a legally separate charter school. Financial information for the charter schools is reported separately from the financial information presented for the primary government itself; this information is not significant or material to the School District as a whole. See note 1A of the Notes to the Basic Financial Statement on page 33.

The government-wide financial statements can be found on pages 24 and 25 of this report.

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

Statement of Activities - The statement of activities presents information showing how the School District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the

underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

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, proprietary and fiduciary.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 26 and 28.

The School District maintains its accounting records in conformity with the South Carolina Department of Education's Financial Accounting Handbook. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Special Revenue, Education Improvement Act (EIA), Debt Service and Capital Projects Funds, all of which are considered to be major funds. The basic governmental funds financial statements can be found on pages 26 through 27 of this report.

Proprietary Funds - The School District uses two types of proprietary funds: enterprise and internal service funds. The School District uses an enterprise fund to account for its food service operations and is presented as business-type activities in the government-wide financial statements. The School District also uses an internal service fund to account for self-funded workers compensation benefits. Internal services benefit governmental activities and are included within that column in the government-wide financial statements. The School District's internal service fund is also presented in a single column in the proprietary fund financial statements as governmental activities. The basic proprietary fund financial statements can be found on pages 29 through 31 of this report.

Fiduciary Funds - Fiduciary (Pupil Activity) funds are used to account for resources held for the benefit of students and are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The basic fiduciary fund financial statement can be found on page 32 of this report.

Notes to basic 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 basic financial statements can be found on pages 33 through 56 of this report.

Supplemental information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the School District's budget

process. The School District legally adopts an annual budget for the General Fund. A budgetary comparison statement has been provided for the General Fund and other supplementary information schedules required by the State Department of Education, the certificate program of the Government Finance Officers' Association, or the Certificate of Excellence of the Association of School Business Officials International. The required supplementary information can be found on page 57 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS-THE GOVERNMENT AS A WHOLE

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the School District as a whole, total assets exceeded total liabilities by \$171,644,317 as of June 30, 2011. Overall, the School District's financial position improved slightly with an increase in total net assets of .025%.

By far the largest portion of the School District's assets (76%) reflects its investment in capital assets (e.g., land, buildings and improvements, vehicles, furniture and equipment and construction in progress). The School District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the School District's investment in its capital assets is reported net of related debt, 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 following table presents a summary of the School District's net assets at June 30, 2011 compared to June 30, 2010.

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Assets						
Current and Other Assets	164,284,387	139,084,341	2,301,661	1,444,491	166,586,048	140,528,832
Capital Assets	522,964,594	452,381,459	2,714,164	1,821,507	525,678,758	454,202,966
Total Assets	687,248,981	591,465,800	5,015,825	3,265,998	692,264,806	594,731,798
Liabilities						
Other Liabilities	94,386,106	82,781,737	(541,836)	(1,122,994)	93,844,270	81,658,743
Long-Term Liabilities	426,775,595	341,415,673	624	56,121	426,776,219	341,471,794
Total Liabilities	521,161,701	424,197,410	(541,212)	(1,066,873)	520,620,489	423,130,537
Net Assets						
Invested in Capital Assets, Net of Related Debt	64,763,449	85,100,593	2,714,164	1,821,507	67,477,613	86,922,100
Restricted	77,413,217	62,874,145	-	-	77,413,217	62,874,145
Unrestricted	23,910,614	19,293,652	2,842,873	2,511,364	26,753,487	21,805,016
Total Net Assets	166,087,280	167,268,390	5,557,037	4,332,871	171,644,317	171,601,261
Total Liabilities and Net Assets	\$ 687,248,981	\$ 591,465,800	\$ 5,015,825	\$ 3,265,998	\$ 692,264,806	\$ 594,731,798

The following table shows the changes in net assets for fiscal years ended June 30, 2010 and 2011:

	Changes in Net Assets					
	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Revenues						
Program Revenues:						
Charges for Services	\$ 1,587,399	\$ 1,100,840	\$ 3,437,746	\$ 3,270,710	\$ 5,025,145	4,371,550
Operating Grants	110,113,364	114,860,648	6,607,778	5,883,408	116,721,142	120,744,056
Capital Grants	477,640	-	-	-	477,640	-
General Revenue:						
Property Taxes	115,082,668	116,317,568	-	-	115,082,668	116,317,568
Federal and State Aid	46,990,976	42,205,859	8,557	-	46,999,533	42,205,859
Investment Earnings	598,909	917,688	16,386	12,432	615,295	930,120
Other	269,406	164,433	55,282	20,057	324,688	184,490
Total Revenues	275,120,362	275,567,036	10,125,749	9,186,607	285,246,111	284,753,643
Program Expenses						
Instruction	145,856,218	150,801,164	-	-	145,856,218	150,801,164
Supporting Services	101,600,103	98,710,389	-	-	101,600,103	98,710,389
Community Services	1,656,079	1,743,046	-	-	1,656,079	1,743,046
Interest and Fiscal Charges	25,826,729	15,533,783	-	-	25,826,729	15,533,783
Pupil Activities	190,400	80,200	-	-	190,400	80,200
Food Service	-	-	10,073,526	9,072,930	10,073,526	9,072,930
Total Program Expenses	275,129,529	266,868,582	10,073,526	9,072,930	285,203,055	275,941,512
Increase in Net Assets before Transfers	(9,167)	8,698,454	52,223	113,677	43,056	8,812,131
Transfers	(1,171,943)	(51,533)	1,171,943	51,533	-	-
Change in Net Assets	(1,181,110)	8,646,921	1,224,166	165,210	43,056	8,812,131
Net Assets, Beginning of Year	167,268,390	158,621,469	4,332,871	4,167,661	171,601,261	162,789,130
Net Assets, End of Year	\$ 166,087,280	\$ 167,268,390	\$ 5,557,037	\$ 4,332,871	\$ 171,644,317	\$ 171,601,261

Governmental Activities - The School District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

The School District's revenue for total governmental activities for FY 2011 was \$275,120,362 and was less than expenses by \$9,167. This decrease is primarily due to a decrease in local property taxes. Expenses increased primarily due to an increase in general obligation bond payments of 66%. In November 2008, voters approved a bond referendum to fund the construction of four new elementary schools, one new middle school, and one new high school, as well as renovations to our existing schools. With the passage of Act 388 by the South Carolina General Assembly, the classification of revenues for governmental activities reflects revenue that was formerly classified as Property Tax Revenue to now be classified as State Aid. Act 388 replaces local property taxes for owner occupied homes with an additional one cent sales tax collected by the State of South Carolina. Act 388 did not, however, affect property taxes collected for debt service purposes. Overall, the School District's financial position deteriorated slightly with net assets for governmental activities decreasing by .7%.

(THIS PAGE INTENTIONALLY LEFT BLANK)

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S MAJOR FUNDS

As noted earlier, the School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements focus on individual parts of the School District and not on the School District as a whole, and report the School District's operations in more detail than the government-wide statements.

Governmental funds – The focus of the School District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the School District's net resources available for spending at the end of the fiscal year.

As the School District completed the year, its governmental funds reported a combined fund balance of \$104,421,834, an increase of \$18,853,223, due primarily to the bond proceeds issued to fund capital projects which include construction of a new elementary school scheduled to open in August 2011, a new middle school scheduled to open in August 2011, and a new high school scheduled to open in August 2012. Unassigned fund balance totaling \$12,639,592, is available for spending at the School District's discretion. Another \$13,791,031 is committed to meet the minimum reserve allowed by Board Policy of 7% of operating expenditures. \$577,994 is assigned for special programs. \$17,748,647 is restricted for debt service and \$59,649,553 is restricted for capital projects. Note 6 of the notes to the basic financial statements provides detail on fund balances for the governmental funds.

The General Fund is the principal operating fund of the School District. The fund balance in the General Fund increased by \$4,314,151, or by 19% over the prior year, due primarily to a 3% increase in student enrollment which resulted in a \$4.9 million increase in State funding, or 4.6% over budgeted revenue for State funding. The Debt Service Fund balance showed a decrease of \$85,720 from the prior year due to a 7 mill decrease, resulting in a decrease of \$63,896 in local property taxes. The Capital Projects Funds showed a fund balance increase of \$14,609,775, due primarily to the bond proceeds for debt issued to fund the ongoing construction projects mentioned above.

Proprietary Fund – The Proprietary Fund statements provide the same type of information found in the government-wide statements, except the information is provided in more detail. This fund is adjusted for internal service balances in the government-wide statements. The School District maintains two proprietary fund types—enterprise fund, to account for all food service activities, and an internal service fund to account for self-funded workers compensation benefits.

Net assets in the Enterprise Fund increased by \$1,224,166, due primarily to a transfer of \$1.2 million from the capital projects fund for new cafeteria equipment for the new schools opening in August 2011. Net assets in the Internal Service Fund decreased by \$55,793 due primarily to an increase in workers compensation claims as the District entered the third year of being self-insured for workers compensation.

BUDGETARY HIGHLIGHTS

The most significant budgeted fund is the General Fund. The FY 2010-2011 general fund budget was built with the anticipation of further State reductions and was based on a base student cost of \$1,625, the State lowered the base student cost at \$1,617. The general fund budget included increases for operational costs for opening a new elementary school, as well as administrative costs for a new middle school and a new elementary school set to open August 2011. The budget also included one furlough day, reductions in incentive compensations, as well as reductions in operational costs across the District. The District had no adjustments to the total budget for FY 10/11.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The School District's investment in capital assets for governmental activities at June 30, 2011 was \$522,964,594 net of accumulated depreciation. This investment in assets includes land, buildings, improvements other than buildings, construction in progress, and equipment. The total increase was \$70,583,135. The increase in capital assets is due in large part to ongoing construction projects mentioned above. See the relevant disclosures in the notes to the basic financial statements (Note 4) for more detailed information on capital asset activity.

The table below shows the School District's capital assets, net of accumulated depreciation, as of June 30, 2011 and 2010:

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 19,098,475	\$ 19,048,975	\$ -	\$ -	\$ 19,098,475	\$ 19,048,975
Buildings and improvements	497,992,026	456,207,332	-	-	\$ 497,992,026	\$ 456,207,332
Equipment	19,473,647	17,723,850	3,882,305	4,455,525	\$ 23,355,952	\$ 22,179,375
Construction in progress	111,632,993	71,695,477	-	-	\$ 111,632,993	\$ 71,695,477
Total before accumulated depreciation	648,197,141	564,675,634	3,882,305	4,455,525	\$ 652,079,446	\$ 569,131,159
Less accumulated depreciation	125,232,547	112,294,175	1,168,141	2,634,016	\$ 126,400,688	\$ 114,928,191
Net capital assets	\$ 522,964,594	\$ 452,381,459	\$ 2,714,164	\$ 1,821,509	\$ 525,678,758	\$ 454,202,968

Long-term Debt - At June 30, 2011, the School District had total general obligation debt outstanding of \$427,430,000. This is an increase of \$76,240,000 over the last fiscal year. The School District had four bond sales during FY 2011. The first two bond sales were in September 2010. One for \$42.6 million was issued as Qualified School Construction Bonds and was the third of four issuances made as a result of a 67% voter approval of a November 2008 bond referendum totaling \$306 million. The repayment of these bonds is scheduled for 14 years and will mature in 2024. The referendum will fund the construction of three new elementary schools, one new middle school, and one new high school, as well as renovations to our existing schools. One elementary school opened in August 2010, one is set to open in August 2011, and the third is scheduled to open in August 2013. The middle school is set to open August 2011, and the high school is set to open August 2012. The fourth issuance in September was an advance refunding with proceeds of \$83,260,000 to be used to advance refund general obligations bonds as follows: 2002B outstanding amount of \$73,300,000 to be refunded on February 1, 2013 in the amount of \$51,300,000, and 2005A outstanding amount of \$55,000,000 to be refunded on April 1, 2013 in the amount of \$38,000,000. These bonds mature in 2024. The third bond sale was for \$60 million and was the fourth referendum issuance. These bonds were issued as Build America Bonds. The bonds also fund the construction projects mentioned above. The repayment of these bonds is scheduled for 17 years and will mature in 2028.

The State of South Carolina's constitution allows school districts to issue up to 8% of the assessed value in General Obligation Bonds, without voter approval. The District issued \$9.3 million in general obligation bonds, and will be used for major maintenance on the District's existing facilities, along with technology expansion and/or replacement at our schools. The repayment of these bonds will take place over a five year period. These bonds mature in 2016.

The School District maintains a "Aa1" rating from Moody's; a AA- rating from Standard & Poors, and an AA- from Fitch Ratings for general obligation debt. State statutes currently limit the amount of general obligation debt a school district may issue to 8 percent of its total assessed valuation. As of June 30, 2011, the remaining debt margin available to the School District is approximately \$24,159,182. Other long-term obligations include unamortized bond premiums and accrued compensated absences. Additional information on the School District's long-term debt and other long-term liabilities can be found in Note 5 of the notes to the basic financial statements.

BASIC FINANCIAL STATEMENTS

RICHLAND SCHOOL DISTRICT TWO

STATEMENT OF NET ASSETS

JUNE 30, 2011

Assets	Primary Government		Total	Component Unit
	Governmental Activities	Business-Type Activities		
Current Assets				
Cash and Investments	\$ 115,119,163	\$ 1,963,613	\$ 117,082,776	
Deposits with Richland County Treasurer	30,022,960		30,022,960	
Accounts Receivable	745,705	47,219	792,924	\$ 76,949
Taxes Receivable, Net of Allowances	9,374,985		9,374,985	
Due from Other Governmental Units	8,040,866	193,827	8,234,693	116,154
Prepays	7,770		7,770	
Inventory	77,808	97,002	174,810	
Deferred Charges	895,130		895,130	
Total Current Assets	164,284,387	2,301,661	166,586,048	193,103
Long-Term Assets				
Non-Depreciable Capital Assets	130,731,468		130,731,468	
Depreciable Capital Assets, Net of Accumulated Depreciation	392,233,126	2,714,164	394,947,290	
Total Long-Term Assets	522,964,694	2,714,164	525,678,758	
Total Assets	687,248,981	5,015,825	692,264,806	193,103
Liabilities				
Current Liabilities				
Accounts Payable and Accrued Liabilities	30,036,160	1,024,490	31,060,650	49,870
Retainage Payable	3,585,449		3,585,449	
Internal Balances	1,666,403	(1,666,403)	-	
Due to Agency Fund	3,394,709		3,394,709	
Unearned Revenue	18,754,512	38,318	18,792,830	
Current Portion of Long-Term Liabilities:				
Accrued Interest	2,934,656		2,934,656	
Bonds Payable	33,869,530		33,869,530	
Accrued Compensated Absences	144,687	61,759	206,446	
Total Current Liabilities	94,386,106	(541,836)	93,844,270	49,870
Long-Term Liabilities				
Bonds Payable	424,331,615		424,331,615	
Accrued Compensated Absences	2,443,980	624	2,444,604	
Total Long-Term Liabilities	426,775,595	624	426,776,219	
Total Liabilities	521,161,701	(541,212)	520,620,489	49,870
Net Assets				
Invested in Capital Assets, Net of Related Debt	64,763,449	2,714,164	67,477,613	
Restricted for:				
Debt Service	17,748,647		17,748,647	
Capital Projects	59,649,553		59,649,553	
Special Projects	15,017		15,017	
Unrestricted	23,910,614	2,842,873	26,753,487	143,233
Total Net Assets	166,087,280	5,557,037	171,644,317	143,233
Total Liabilities and Net Assets	687,248,981	5,015,825	692,264,806	193,103

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

RICHLAND SCHOOL DISTRICT TWO

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Charges for Sales and Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Governmental Activities							
Instruction	\$ 145,856,218	\$ 1,173,357	\$ 65,410,715	\$ (79,272,146)		\$ (79,272,146)	
Support Services	101,600,103	414,042	43,916,274	(56,792,147)		(56,792,147)	
Community Services	1,656,079		786,375	(869,704)		(869,704)	
Interest and Other Charges	25,826,729			(25,826,729)		(25,826,729)	
Pupil Activities	190,400			(190,400)		(190,400)	
Total Governmental Activities	275,129,529	1,587,399	110,113,364	(162,951,126)		(162,951,126)	
Business-Type Activities							
Food Service	10,073,526	3,437,746	6,607,778		(28,002)	(28,002)	
Total Primary Government	285,203,055	5,025,145	116,721,142	(162,951,126)	(28,002)	(162,979,128)	
Component Units:							
Charter School	566,060	506,152	203,141				\$ 143,233
General Revenues:							
Property Taxes Levied for:							
General Purposes				70,625,051		70,625,051	
Debt Service				44,457,617		44,457,617	
Federal and State Aid Not Restricted for Specific Purpose				46,990,976	8,557	46,999,533	
Unrestricted Investment Earnings				588,909	16,386	615,295	
Miscellaneous				269,406	55,282	324,688	
Transfers				(1,171,943)	1,171,943	-	
Total General Revenues and Transfers				161,770,016	1,252,168	163,022,184	
Change in Net Assets				(1,181,110)	1,224,166	43,056	143,233
Net Assets, Beginning of Year				167,268,390	4,332,871	171,601,261	
Net Assets, End of Year				166,087,280	5,557,037	171,644,317	143,233

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

RICHLAND SCHOOL DISTRICT TWO

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2011

	Special Revenue Funds				Capital Projects	Total Governmental Funds
	General	Special Projects	Education Improvement Act	Debt Service		
Assets						
Cash and Investments	\$ 51,084,999	\$ 64,620			\$ 61,814,169	\$ 112,963,788
Deposits with Richland County Treasurer	3,132,674			\$ 17,341,393	9,548,893	30,022,960
Accounts Receivable	425,968	269,857				715,825
Interest Receivable	29,880					29,880
Taxes Receivable, Net of Allowances	6,526,025			2,848,960		9,374,985
Due from Other Funds			\$ 7,803,876	146,511	1,129,882	9,080,269
Due from Other Governmental Units	3,869,535	4,166,185	5,146			8,040,866
Prepays		7,770				7,770
Inventory	77,808					77,808
Total Assets	65,146,889	4,528,432	7,809,022	20,336,864	72,492,944	170,314,151
Liabilities and Fund Balances						
Liabilities:						
Accounts Payable	1,926,015	470,330	151,449	9,350	9,257,942	11,815,086
Retainage Payable					3,585,449	3,585,449
Accrued Liabilities	16,624,591		33,205			16,657,796
Due to Other Funds	13,420,574	1,646,485				15,067,059
Due to Other Governmental Units	116,156	12,415				128,571
Deferred Revenue	6,050,936	2,384,185	7,624,368	2,578,867		18,638,356
Total Liabilities	38,138,272	4,513,415	7,809,022	2,588,217	12,843,391	65,892,317
Fund Balances:						
Restricted		15,017		17,748,647	59,649,553	77,413,217
Committed	13,791,031					13,791,031
Assigned	577,994					577,994
Unassigned	12,639,592					12,639,592
Total Fund Balance	27,008,617	15,017	-	17,748,647	59,649,553	104,421,834
Total Liabilities and Fund Balances	65,146,889	4,528,432	7,809,022	20,336,864	72,492,944	170,314,151

Total Governmental Fund Balances \$ 104,421,834

Amounts reported for Governmental Activities in the Statement of Net Assets are different because of the following:

Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in governmental funds. The cost of assets is \$648,197,141 and the accumulated depreciation is \$125,232,547. 522,964,594

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. 1,530,190

Bond issuance costs are amortized over the life of the bonds in the government-wide statements, but are expenditures in the year they are incurred for the governmental funds. The bond issuance costs of \$1,243,851 are shown net of accumulated amortization expense of \$348,721. 895,130

Unearned bond premiums are deferred in the statement of net assets. The premiums of \$37,756,249 have been amortized by \$7,134,316. (30,621,933)

Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

General Obligation Bonds Payable	\$ (427,430,000)	
Long-Term Note Payable	(149,212)	
Accrued Compensated Absences	(2,588,667)	
Accrued Interest Payable	(2,934,656)	(433,102,535)

Net Assets of Governmental Activities 166,087,280

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

RICHLAND SCHOOL DISTRICT TWO
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Special Revenue Funds</u>				Capital Projects	Total Governmental Funds
	General	Special Projects	Education Improvement Act	Debt Service		
Revenues						
Local	\$ 74,497,904	\$ 1,610,268	-	\$ 46,508,756	\$ 246,931	\$ 122,863,859
State	113,166,514	7,135,700	\$ 10,366,595	-	56,479	130,725,288
Federal	753,596	20,361,175	-	-	-	21,114,771
Intergovernmental	65,244	392,350	-	-	-	457,594
Total Revenues	188,483,258	29,499,493	10,366,595	46,508,756	303,410	275,161,512
Expenditures						
Current						
Instruction	116,230,074	13,962,605	7,147,674	-	-	137,340,353
Support Services	65,295,564	14,679,903	1,097,389	-	10,124,309	91,198,165
Community Services	1,563,867	84,504	2,750	-	-	1,651,121
Debt Service						
Principal	-	-	-	29,605,000	-	29,605,000
Interest and Fiscal Charges	-	-	-	27,510,538	-	27,510,538
Other	-	-	-	599,760	-	599,760
Capital Outlay	910,200	208,257	282,532	-	86,326,801	87,727,790
Intergovernmental Expenditures	663,184	347,956	-	-	-	1,011,140
Total Expenditures	184,663,889	29,283,225	8,530,345	57,715,298	96,451,110	376,643,867
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,819,369	216,268	1,836,250	(11,206,542)	(96,147,700)	(101,482,355)
Other Financing Sources (Uses)						
Issuance of General Obligation Bonds	-	-	-	-	111,885,000	111,885,000
Premium on Bonds Sold	-	-	-	16,744,433	459,276	17,203,709
Proceeds of Refunding Debt	-	-	-	83,260,000	-	83,260,000
Proceeds from Long-Term Notes	-	-	-	-	149,212	149,212
Payments to Refunded Debt Escrow Agent	-	-	-	(89,300,000)	-	(89,300,000)
Transfers in	2,372,313	334,812	-	416,389	-	3,123,514
Transfers out	(1,877,531)	(536,063)	(1,836,250)	-	(1,736,013)	(5,985,857)
Total Other Financing Sources (Uses)	494,782	(201,251)	(1,836,250)	11,120,822	110,757,475	120,335,578
Net Change in Fund Balances	4,314,151	15,017	-	(85,720)	14,609,775	18,853,223
Fund Balances, Beginning of Year	22,694,466	-	-	17,834,367	45,039,778	85,568,611
Fund Balances, End of Year	27,008,617	15,017	-	17,748,647	59,649,553	104,421,834

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

RICHLAND SCHOOL DISTRICT TWO
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, 2011

Total Net Change in Fund Balances - Governmental Funds \$ 18,853,223

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 are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$84,095,868) exceed depreciation expense (\$13,448,654) in the period.	70,647,214
Repayment of long-term debt is an expenditure in the government funds, but the repayment reduces long-term liabilities in the statement of net assets.	29,605,000
Bond Principal Retirement	29,605,000
In the statement of activities, certain operating expenses - compensated absences (vacation and sick pay) are measured by the amounts <i>earned</i> 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 <i>paid</i>). This year, vacation and sick paid exceeded the amounts earned.	(263,462)
The loss on the disposal of capital assets is recorded in the Statement of Activities	(64,079)
An internal service fund is used to fund insurance and risk management of the School District. The net change in net assets of the internal service fund is reported with governmental activities.	(55,793)
Bond proceeds and loans provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net assets. In the current period, proceeds were received from general obligation bonds issued.	(105,994,212)
Governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Net amortization of bond premiums and deferred bond issuance costs totals \$1,751,014 in the current period.	(14,064,131)
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.	155,130
Change in Net Assets of Governmental Activities	<u><u>(1,181,110)</u></u>

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

RICHLAND SCHOOL DISTRICT TWO

STATEMENTS OF NET ASSETS

PROPRIETARY FUNDS

JUNE 30, 2011

Assets	Business-Type Activities	Governmental Activities
	Enterprise Fund - Food Services	Internal Service Fund
Current Assets		
Cash and Investments	\$ 1,963,613	\$ 2,155,375
Due From Other Governmental Units	193,827	
Accounts Receivable	47,219	
Prepaid Expenses		
Due From Other Funds	1,666,403	925,678
Inventory	97,002	
Total Current Assets	3,968,064	3,081,053
Long-Term Assets		
Furniture and Equipment, Net of Accumulated Depreciation	2,714,164	
Total Long-Term Assets	2,714,164	-
Total Assets	6,682,228	3,081,053
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	1,024,490	145,598
Claims Payable		1,405,265
Deferred Revenue	38,318	
Accrued Compensated Absences	61,759	
Total Current Liabilities	1,124,567	1,550,863
Long-Term Liabilities		
Accrued Compensated Absences	624	-
Total Long-Term Liabilities	624	-
Total Liabilities	1,125,191	1,550,863
Net Assets		
Invested in Capital Assets	2,714,164	
Unrestricted	2,842,873	1,530,190
Total Net Assets	5,557,037	1,530,190
Total Liabilities and Net Assets	6,682,228	3,081,053

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

RICHLAND SCHOOL DISTRICT TWO
STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Business-Type Activities	Governmental Activities
	Enterprise Fund - Food Services	Internal Service Fund
Operating Revenues		
Meal Sales	\$ 3,437,746	
Other Operating Revenues	8,557	
Total Operating Revenues	3,446,303	
Operating Expenses		
Food Costs	663,678	
Salaries and Benefits	2,864,358	\$ 1,371,282
Depreciation	270,416	
Supplies	78,582	1,515
Other	6,196,492	205,926
Total Operating Expenses	10,073,526	1,578,723
Operating Loss	(6,627,223)	(1,578,723)
Non-Operating Revenues		
Commodities Received from USDA	643,440	
USDA Reimbursements	5,964,338	
Other	55,282	
Interest	16,386	22,930
Total Non-Operating Revenues	6,679,446	22,930
Income Before Transfers	52,223	(1,555,793)
Transfers in, Net	1,171,943	1,500,000
Increase in Net Assets	1,224,166	(55,793)
Net Assets, Beginning of Year	4,332,871	1,585,983
Net Assets, End of Year	5,557,037	1,530,190

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

RICHLAND SCHOOL DISTRICT TWO
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Business-Type Activities	Governmental Activities
	Enterprise Fund - Food Services	Internal Service Fund
Cash Flows from Operating Activities:		
Received from Patrons	\$ 3,442,647	
Payments to Employees for Services	(2,863,228)	\$ (1,199,578)
Payments to Suppliers for Goods and Services	(5,839,045)	(112,716)
Net Cash Used for Operating Activities	(5,259,626)	(1,312,294)
Cash Flows from Noncapital Financing Activities:		
Non-Operating Grants Received	7,188,120	
Transfers in, Net	669,314	1,768,223
Net Cash Provided by Noncapital Financing Activities	7,857,434	1,768,223
Cash Flows from Capital and Related Financing Activities:		
Acquisition of Capital Assets	(1,272,267)	
Net Cash Used for Capital and Related Financing Activities	(1,272,267)	
Cash Flows from Investing Activities:		
Interest on Investments	16,386	22,930
Net Cash Provided by Investing Activities	16,386	22,930
Net Increase (Decrease) in Cash and Cash Equivalents	1,341,927	478,859
Cash and Cash Equivalents, Beginning of Year	621,686	1,676,516
Cash and Cash Equivalents, End of Year	1,963,613	2,155,375
Reconciliation of Operating Loss to Net Cash Used for Operating Activities		
Operating Loss	(6,627,223)	(1,578,723)
Adjustments to Reconcile Operating Gain (Loss) to Net Cash Used for Operating Activities:		
Depreciation	270,416	
Loss on Disposal of Capital Assets	109,197	
Changes in Deferred and Accrued Amounts:		
Accounts Receivable	(3,656)	
Inventories	(33,980)	
Prepaid Expenses		10,250
Accounts Payable	1,024,490	256,179
Accrued Compensated Absences	1,130	
Net Cash Used for Operating Activities	(5,259,626)	(1,312,294)

**Supplemental Disclosure of Non-Cash Capital
and Related Financing Activities**

During the fiscal year ended June 30, 2011, the School District received food commodities from the USDA which was recognized as revenues and expenses totalling \$643,440 each.

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

RICHLAND SCHOOL DISTRICT TWO
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUND

JUNE 30, 2011

Assets	
Cash and Investments	\$ 369,332
Accounts Receivable	31,872
Due from School District	<u>3,394,709</u>
Total Assets	<u>3,795,913</u>
Liabilities	
Accounts Payable	94,059
Due to Pupil Activities	<u>3,701,854</u>
Total Liabilities	<u>3,795,913</u>

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

RICHLAND SCHOOL DISTRICT TWO
NOTES TO BASIC FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Richland School District Two (the School District) is governed by a seven member elected Board of Trustees (Board). The School District provides regular and exceptional education for students in pre-school through grade twelve.

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 School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The following is a summary of the more significant policies.

A. Reporting Entity

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 governmental 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. Board members have decision-making authority, the power to designate management, the ability to significantly influence operations and the primary accountability for fiscal matters. The School District invests funds and receives property tax revenues through its relationship with Richland County.

The School District follows GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, which provides additional guidance to determine whether certain organizations (such as parent-teacher organizations, foundations and athletic booster clubs) for which the School District is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government. The School District has determined that there are no support entities that meet the requirements for inclusion as a discretely presented component unit under GASB No. 39.

Discretely Presented Component Unit: The component unit column in the basic financial statements includes the financial data of the District's component unit, the Richland Two Charter High School (the "Charter School)". This unit is reported in a separate column to emphasize that it is legally separate from the District. The Charter School operates under a charter granted by the District and is considered, under South Carolina law, to be a public school and part of the District. It is administered and governed by its governing body. The governing body is elected annually. The South Carolina Department of Education regulations require that charter schools be discretely presented in the financial statements, but blended with the School District balances in the supplementary schedules. As a result, the amounts reported as revenues, expenditures and changes in fund

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

A. Reporting Entity - (Continued)

balances in the Special Revenue Fund - Special Projects Fund in the supplementary schedules do not agree to the amounts reported as revenues, expenditures and changes in fund balances for the Special Revenue Fund-Special Projects Fund in the financial statements. Complete financial statements for the Charter School may be obtained at their administrative office, 750 Clemson Road, Columbia, South Carolina 29229.

The Charter School is fiscally dependent on the District and because the nature and significance of the relationship between the Charter School and District, the exclusion of the Charter School would cause the District's financial statements to be incomplete. The Charter School financial statements are included in the District's basic financial statements.

B. Basis of Presentation

The statements of the School District are presented as follows:

Government-Wide Financial Statements - The statement of net assets 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 except for interfund services provided and used. 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 charged to external parties.

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 are therefore clearly identifiable to a particular function. 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.

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. The School District has no nonmajor funds. Fiduciary funds are reported by fund type.

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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation - (Continued)

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 assets. The statement of changes in fund net assets 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.

Cash Flow Statement- 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

Fund 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 the categories governmental, proprietary and fiduciary.

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 major governmental funds:

General 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.

Special Revenue Funds - to account for the proceeds of specific revenue sources (other than debt service or major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. The School District has two special revenue funds:

- (1) Special Projects Fund, a fund used to account for financial resources provided by federal, state and local projects and grants.
- (2) The Education Improvement Act (EIA) Fund, a 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Measurement Focus and Basis of Accounting - (Continued)

Capital Projects (Building) Fund - to account for the revenues and expenditures associated with building and site improvements.

Debt Service Fund - to account for annual payments of principal and interest on long-term general obligation debt and related costs.

Proprietary Funds

Proprietary funds are used to account for activities 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 Assets. 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 proprietary fund. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund.

Enterprise Funds - to account for operations (a) 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 Food Service 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.

Internal Service Funds - 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 or operations. The School District has one such fund: Workers Compensation Fund. 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 Assets.

Fiduciary Funds

Fiduciary funds are 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 activity organizations.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Measurement Focus and Basis of Accounting - (Continued)

Proprietary Funds - (Continued)

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.

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.

The School District follows GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions* to account for non-exchange revenues. 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 they are appropriated by the County (see Note 2). 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 a modified accrual basis, revenue from non-exchange 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.

Deferred revenue arises when assets are recognized before revenue recognition criteria has been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2011, but which have not met the revenue recognition criteria, have been recorded as deferred revenue. Grants and entitlements received before revenue recognition requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Assets, Liabilities and Equity

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), general obligations of the State of South Carolina or any of its political units, obligations of the U. S. Government and government agencies unconditionally guaranteed by the U. S. Government. Investments are recorded at fair value.

The Richland County Treasurer invests in authorized instruments on behalf of the School District. The Richland 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.

The District considers all highly liquid investments (including restricted assets) with original maturities of three months or less when purchased and investments in the South Carolina Pooled Investment Fund ("Pool") to be cash equivalents.

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

Inventory - 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, 2011, has been recorded at fair market value as provided by the United States Department of Agriculture.

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Assets, Liabilities and Equity - (Continued)

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 fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$5,000. Management may elect to include certain homogeneous asset categories with individual assets less than \$5,000 as composite groups for financial reporting purposes. 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 in accordance with GASB Statement No. 33.

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
Buildings and Improvements	20-39 Years	N/A
Furniture and Equipment	5 Years	12 Years
Instructional Materials	5 Years	N/A

Compensated Absences - The School District reports compensated absences (vacation pay and sick pay) in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*. Vacation leave is earned by employees up to a maximum of ten days. The District's policy at fiscal year end is to allow twelve-month employees to carry over five days, which are lost if not used by the following December 31. When an employee with over fifteen years of service retires or otherwise terminates, the District pays out all unused accrued annual and sick leave days at the current substitute rate of pay. Employees can accrue up to fifty-seven sick leave days.

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, as a result of employee resignations and retirements. In the proprietary funds, compensated absences are recorded as an expense and liability of the fund as the benefits accrue to employees.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Assets, Liabilities and Equity - (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.

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

Fund Balances, Equity and Net Assets - Reservations of fund balance represent amounts that are appropriated or are legally segregated for a specific purpose. Reservations of net assets, in the enterprise fund, are limited to outside third-party restrictions. Designations of fund balance represent tentative management plans that are subject to change.

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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 assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

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 financial sources/uses in governmental funds and other non-operating 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 financial statements.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Assets, Liabilities and Equity - (Continued)

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, teachers, and visitors.

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.

II. 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, on the same modified accrual basis used to reflect actual revenues and expenditures in the fund financial statements. The Board does not adopt a budget for the Special Revenue Fund. Special Revenue Fund budgets are controlled in conformance with the specific requirements of those funds (i.e., federal and state grant funds available are based on award amounts and the state EIA funds are based on the state appropriation). A budget and actual comparison is presented in the accompanying fund financial statements for the general fund. 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, 2011. The budget is prepared by function and object as dictated by the State-Adopted Program Oriented Budgeting and Accounting System and for management control purposes. Expenditures may not legally exceed budgeted appropriations at the fund level unless, in a supplementary action, the Board approves an increase or decrease to the fund or the School District's "per pupil" state allotment changes whereby management can increase or decrease expenditures to match the change in state appropriations. Supplemental budget appropriations are made by the Board for any expenditures exceeding total appropriations within the legal level of control. The chief financial officer has authority to approve line item transfers within a fund. The legal level of control is at the fund level.

All general fund appropriations lapse at the fiscal year end. The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. The initial step in the budget development process is the adoption by the Board of a set of priorities.
2. The Financial Services Office develops revenue projections based on enrollment projections and data received from the State Department of Education.
3. Input is obtained from faculties, school administrators, district staff and citizen advisory groups.
4. The Superintendent submits a budget to the Board for approval.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - (Continued)

Budgetary Accounting - (Continued)

5. The Board recommends a budget to County Council in April.
6. Richland County has three readings on the budget and a public hearing.
7. After approval by County Council, the Board approves a final budget.

The administration has discretionary authority to make transfers between appropriation accounts. The budget amounts in the financial statements are as amended by the administration. No supplemental appropriations were necessary during the year.

Encumbrances - The appropriations of the general fund and special revenue funds of the School District lapse at June 30 each year and the outstanding purchase orders, contracts and other commitments must be renewed. Therefore, there are no reservations of the fund balances at year end for encumbrances. Lapsed appropriations of the special revenue funds are reappropriated in the next budget year.

III. DETAILED NOTES ON ALL FUNDS

Note 1 Deposits, Amounts on Deposit with Richland County Treasurer and Investments

Richland School District Two is authorized by South Carolina state law to invest in the following types of investments:

1. Obligations of the United States and agencies thereof.
2. General obligations of the State of South Carolina or any of its political units.
3. Savings and loan associations to the extent they are guaranteed by the Federal Savings and Loans Insurance Corporation.
4. Deposits in certificates of deposit where the certificates are collaterally secured by securities of the type described in (1) and (2) above, held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificate of deposit so secured, including interest.
5. The State Treasurer's Local Government Investment Pool (monitored by the State Treasurer for investments invested in government guaranteed securities in accordance with South Carolina State laws).
6. Repurchase agreements.

III. DETAILED NOTES ON ALL FUNDS - (Continued)

Note 1 Deposits, Amounts on Deposit with Richland County Treasurer and Investments - (Continued)

Custodial Credit Risk - Custodial credit risk is the risk that the School District's deposits will not be returned to it. The School District has no formal policy regarding custodial credit risk. At June 30, 2011, the carrying amount of the School District's deposits, including deposits with Richland County Treasurer, was \$147,564,520 and the bank balance was \$154,621,894. At June 30, 2011, all of these deposits were collateralized with securities held by the pledging financial institution's trust department or its agent, and in the School District's name or insured by the Federal Deposit Insurance Corporation. Management believes there is no significant custodial credit risk associated with these deposits. Information was not available regarding the custodial credit risk of deposits with Richland County Treasurer of \$30,022,960.

At June 30, 2011, the School District had the following investments:

Investment	Maturity	Fair Value
Local Government Investment Pool	Various	<u>\$ 94,327,266</u>

Credit Risk - The School District has adopted a policy such that its investment program will be operated in conformance with federal, state and other legal requirements. South Carolina statutes authorize investments in certificates of deposit, savings accounts, repurchase agreements, the State Treasurer's Local Government Investment Pool, obligations of the U. S. Government and government agencies unconditionally guaranteed by the U. S. Government.

The State Treasurer's Local Government Investment Pool (LGIP) is not rated. The fair value of the School District's position in the LGIP approximates the same value of the School District's LGIP shares. The LGIP's complete financial statements may be obtained by writing to the following address:

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

Interest Rate Risk - As a means of managing its exposure to fair value losses arising from increasing interest rates, the School District has adopted a formal investment policy that limits investment maturities to a period not exceeding 24 months.

Note 2 Property Taxes

Property taxes are levied by Richland County (County) on real and personal properties owned on the preceding December 31 of each fiscal year ended June 30. Liens are attached to the property at the time the taxes are levied, which usually occurs in November of each year. These taxes are due without penalty through January 15. Penalties are added to taxes depending on the date paid as follows:

January 17 Through February 15	3% of Tax
February 15 Through March 15	10% of Tax
After March 15	15% of Tax Plus Collection Cost

III. DETAILED NOTES ON ALL FUNDS - (Continued)

Note 2 Property Taxes - (Continued)

Current year real and personal property taxes become delinquent on April 1. The levy date for motor vehicle taxes is the first day of the month in which the motor vehicle license expires. These taxes are due by the last day of the same month. Total tax collections, which include delinquent tax collections and penalties, equaled approximately 95% of the current tax levy for the year ended June 30, 2011.

South Carolina Code Section 12-37-251(A) provides a property tax exemption for property classified pursuant to Section 12-43-220(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 3 Receivables

Intergovernmental receivables at June 30, 2011, consisted of intergovernmental grants, reimbursements and interest. All intergovernmental receivables are considered collectible in full due to the stable condition of State programs and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	
General Fund	\$3,869,535
Special Projects	
Title I	354,071
IDEA	617,676
Occupational Education	210,360
IDEA ARRA	630,638
ARRA Energy Grant	538,513
Other Special Revenue Programs	1,814,927
Education Improvement Act	<u>5,146</u>
Total Governmental Activities	<u>\$8,040,866</u>

Receivables for property taxes are reported net of the allowance for uncollectible accounts. Governmental funds report deferred revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At June 30, 2011, deferred revenue related to property taxes reported in the governmental funds totaled \$5,947,576 and \$2,544,854 in the general and debt service funds, respectively.

III. DETAILED NOTES ON ALL FUNDS - (Continued)

Note 4 Capital Assets

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance, July 1, 2010	Additions/ Transfers	Deletions/ Transfers	Balance, June 30, 2011
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 19,048,975	\$ 49,500	-	\$ 19,098,475
Construction-in-Progress	71,695,477	81,918,605	\$41,981,089	111,632,993
Total Capital Assets, Not Being Depreciated	90,744,452	81,968,105	41,981,089	130,731,468
Capital Assets, Being Depreciated				
Buildings and Improvements	456,207,332	41,981,089	196,395	497,992,026
Furniture and Equipment	17,723,850	2,127,763	377,966	19,473,647
Total Capital Assets, Being Depreciated	473,931,182	44,108,852	574,361	517,465,673
Totals at Historical Cost	564,675,634	126,076,957	42,555,450	648,197,141
Less: Accumulated Depreciation				
Buildings and Improvements	99,239,527	11,263,261	147,097	110,355,691
Furniture and Equipment	13,054,648	2,185,393	363,185	14,876,856
Total Accumulated Depreciation	112,294,175	13,448,654	510,282	125,232,547
Governmental Activities Capital Assets, Net	452,381,459	112,628,303	42,045,168	522,964,594
Business-Type Activities				
Furniture and Equipment	4,455,523	1,272,267	1,845,485	3,882,305
Less: Accumulated Depreciation	2,634,016	270,413	1,736,288	1,168,141
Business-Type Activities Capital Assets, Net	1,821,507	1,001,854	109,197	2,714,164

Instructional materials have been included in improvements or buildings as schools were constructed and in furniture and equipment if purchased subsequent to such construction.

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

Government Activities:	
Instruction	\$ 8,069,192
Support Services	5,379,462
	<u>13,448,654</u>
Business-Type Activities:	
Food Service	\$ 270,413

III. DETAILED NOTES ON ALL FUNDS - (Continued)

Note 5 Long-Term Debt

Changes in long-term obligations for the year ended June 30, 2011, were as follows:

	Principal Outstanding July 1, 2010	Additions	Reductions	Principal Outstanding June 30, 2011	Amounts Due in One Year
Governmental Activities					
General Obligation Bonds					
March 1, 2001	\$ 1,500,000	-	\$ 1,500,000	-	-
September 1, 2002	1,115,000	-	1,115,000	-	-
December 1, 2002	60,300,000	-	54,300,000	\$ 6,000,000	\$ 3,000,000
April 1, 2004	1,855,000	-	1,855,000	-	-
March 1, 2005	50,000,000	-	40,000,000	10,000,000	5,000,000
February 1, 2006	47,000,000	-	3,000,000	44,000,000	5,000,000
May 16, 2007	1,000,000	-	1,000,000	-	-
June 1, 2007	33,000,000	-	1,000,000	32,000,000	2,000,000
February 14, 2008	30,525,000	-	-	30,525,000	2,025,000
March 1, 2008	6,500,000	-	4,000,000	2,500,000	2,500,000
February 18, 2009	70,000,000	-	-	70,000,000	3,500,000
March 1, 2009	2,500,000	-	2,500,000	-	-
June 11, 2009	18,100,000	-	145,000	17,955,000	1,635,000
May 25, 2010 (A)	18,235,000	-	1,035,000	17,200,000	1,075,000
May 25, 2010 (B)	9,560,000	-	4,000,000	5,560,000	3,560,000
September 8, 2010	-	\$ 83,260,000	25,000	83,235,000	-
September 8, 2010	-	42,625,000	-	42,625,000	1,959,243
November 9, 2010	-	60,000,000	3,430,000	56,570,000	-
June 8, 2011	-	9,260,000	-	9,260,000	-
Total General Obligation Bonds	351,190,000	195,145,000	118,905,000	427,430,000	31,254,243
Long-Term Notes Payable	-	149,212	-	149,212	49,737
Unamortized Bond Premiums	16,090,866	17,203,709	2,672,642	30,621,933	2,565,550
Total Bonds Payable	367,280,866	212,497,921	121,577,642	458,201,145	33,869,530
Accrued Compensated Absences	2,325,205	1,970,906	1,707,444	2,588,667	144,687
Total Governmental Activities General Long-Term Debt	369,606,071	214,468,827	123,285,086	460,789,812	30,514,217
Business-Type Activities					
Accrued Compensated Absences	61,253	61,903	60,773	62,383	61,759

Compensated absences will be paid from the general fund, special project funds and enterprise fund, depending on where the employee's salary is paid. Any capital lease obligations will be paid from the general and capital projects funds.

III. DETAILED NOTES ON ALL FUNDS - (Continued)

Note 5 Long-Term Debt - (Continued)

General obligation bonds consist of the following at June 30, 2011:

Date of Issue	Interest Rates	Payment Dates	Maturity	Original Issue	Outstanding at June 30, 2011
December 1, 2002	4.0 - 5.0	Feb./Aug.	2024	\$ 73,300,000	\$ 6,000,000
March 1, 2005	4.0 - 3.25	Oct./Apr.	2020	55,000,000	10,000,000
February 1, 2006	4.0 - 5.0	Oct./Apr.	2020	55,000,000	44,000,000
June 1, 2007	4.0 - 5.0	Nov./May	2021	35,000,000	32,000,000
February 14, 2008	3.13 - 5.0	Feb./Aug.	2023	30,525,000	30,525,000
March 1, 2008	3.0 - 3.25	Nov./May	2012	9,100,000	2,500,000
February 18, 2009	5.0%	Nov./May	2023	70,000,000	70,000,000
June 11, 2009	3.0 - 5.0	Sept./Mar	2021	18,500,000	17,955,000
May 25, 2010	.75 - 5.20	May/Nov.	2027	18,235,000	17,200,000
May 25, 2010	3.0	May/Nov.	2013	9,560,000	5,560,000
September 8, 2010	5.0	May/Nov.	2024	83,260,000	83,235,000
September 8, 2010	1.0 - 5.0	Mar./Sept.	2028	42,625,000	42,625,000
November 9, 2010	.5 - 5.25	May/Nov.	2028	60,000,000	56,570,000
June 8, 2011	2.0	May/Nov.	2016	9,260,000	9,260,000
				<u>569,365,000</u>	<u>427,430,000</u>

The annual requirements to amortize all general obligation bonds outstanding at June 30, 2011, and including interest payments over the life of the debt are as follows:

	Principal	Interest	Total
2012	\$ 27,754,243	\$ 15,787,155	\$ 43,541,398
2013	28,444,243	14,819,206	43,263,449
2014	28,754,243	13,724,131	42,478,374
2015	31,699,243	12,650,581	44,349,824
2016-2020	178,231,215	43,351,105	221,582,320
2021-2025	103,136,215	10,466,831	113,603,046
2026-2028	29,410,598	897,868	30,308,466
	<u>427,430,000</u>	<u>111,696,877</u>	<u>539,126,877</u>

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. After November 30, 1977, 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, 1977, 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. As of June 30, 2011, the remaining debt margin available to the School District was \$24,159,182.

III. DETAILED NOTES ON ALL FUNDS - (Continued)

Note 5 Long-Term Debt - (Continued)

On September 8, 2010, the School District issued \$83,260,000 in General Obligation Refunding Bonds (tax-exempt bonds) with an annual interest rate of 5%. These bonds mature on May 1, 2024.

On September 8, 2010, the School District issued \$42,625,000 in general obligation bonds (Qualified School Construction Bonds) with annual interest rates ranging from 1.0% to 5.00% to fund anticipated capital projects. These bonds mature on March 1, 2028.

On November 9, 2010, the School District issued \$60,000,000 in general obligation bonds (Build America Bonds) with annual interest rates ranging from 0.5% to 5.25% to fund anticipated capital projects. These bonds mature on May 1, 2028.

In January, 2010, the School District received a South Carolina Energy Office State Energy Program ARRA Award by which the District received \$447,639 in grant proceeds and \$149,212 in a no-interest loan to provide for energy efficient and renewable energy improvements to the District's facilities. The loan is to be repaid by the District in three annual repayments of \$49,737 beginning in the fiscal year 2011-2012.

Note 6 Fund Balances and Net Assets

Beginning in fiscal year 2011, the District implemented GASB 54 "Fund Balance Reporting and Governmental Fund Type Definitions". This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

Government Fund Financial Statements

- Nonspendable Fund Balance – amounts that are not in a spendable form or are required to be maintained in tact;
- Restricted Fund Balance – amounts constrained to specific purposes by their providers (such as grants, bondholders and higher levels of government) through constitutional provisions of enabling legislation;
- Committed Fund Balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned Fund Balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which governing body delegates the authority.

III. DETAILED NOTES ON ALL FUNDS - (Continued)

Note 6 Fund Balances and Net Assets (Continued)

- Unassigned Fund Balance -- amounts that are available for any purpose; positive amounts are reported only in the general fund.

When committed, assigned or unassigned resources or available for use, it is the District's policy to use committed, assigned and unassigned resources, respectively.

The net assets and other credits have been classified to reflect the limitations and restrictions placed on the respective funds as follows:

Government-Wide and Proprietary Fund Financial Statements

Invested in Capital Assets, Net of Related Debt - represents the net cost less accumulated depreciation and outstanding debt less unexpended proceeds attributable to the organization of the capital assets.

Restricted Net Assets - represents net assets 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 - represents the remainder of the School District's net assets in government-wide and business-type activities.

The Fund Balances of the Governmental Funds are as follows as of June 30, 2011:

	General Fund	Special Projects	Debt Service	Capital Projects	Total
Fund Balances:					
Restricted for:					
Medicaid Program		\$15,017			\$ 15,017
Debt Service			\$17,748,647		17,748,647
Capital Projects	-			\$59,649,553	59,649,553
Total Restricted	-	15,017	17,748,647	59,649,553	77,413,217
Committed for:					
7% Reserve	\$ 13,791,031				13,791,031
Assigned for:					
Tri-District Arts Consortium	84,511				84,511
Spears Creek Road Child Development	27,909				27,909
E-Rate Program	174,621				174,621
TestView Program	266,437				266,437
Summer School Program	24,516				24,516
Total Assigned	577,994	-	-	-	577,994
Unassigned	12,639,592	-	-	-	12,639,592
Total Fund Balances	27,008,617	15,017	17,748,647	59,649,553	104,421,834

Note 7 Transfers In and Out/Interfund Balances

During the course of normal operations, the School District has transactions between funds to provide services, construct assets, service debt, etc. These transactions are generally reflected as transfers. Total transfers during the year ended June 30, 2011, consisted of the following individual fund amounts:

	Transfers In	Transfers Out
General Fund	\$ 2,372,313	\$ 1,877,531
Special Projects	334,812	536,063
Education Improvement Act	-	1,836,250
Debt Service Fund	416,389	-
Capital Projects Fund	-	1,736,013
Proprietary Fund	1,693,297	521,354
Internal Service Fund	1,500,000	-
Pupil Activity Fund	190,400	-
	<u>6,507,211</u>	<u>6,507,211</u>

Interfund balances are comprised of expenditures and expenses paid on behalf of one fund by another and are to be repaid. All cash activities are recorded in the general fund, and as a result, receivables and payables exist at year end that are either due to or due from the general fund to/from other funds. Various differences include special revenue payments not received from the State Department of Education until after the fiscal year end, fringe amounts paid by the general fund for food service, taxes receivable for debt service, and building project costs. As of June 30, 2011, amounts due from (to) other funds related to the School District's pooled cash are as follows:

	General Fund	Special Projects	Education Improvement Act	Debt Service Fund	Capital Projects Fund	Enterprise Fund	Internal Service Fund	Pupil Activity	Total
Due from General Fund			\$7,803,876	\$146,511	\$1,129,882	\$1,666,403	\$925,678	\$3,394,709	\$15,067,059
Due to General Fund		\$1,646,485							1,646,485
Due to Other Funds	\$13,420,574								13,420,574
	<u>(13,420,574)</u>	<u>(1,646,485)</u>	<u>7,803,876</u>	<u>146,511</u>	<u>1,129,882</u>	<u>1,666,403</u>	<u>925,678</u>	<u>3,394,709</u>	<u>-</u>

III. DETAILED NOTES ON ALL FUNDS - (Continued)

Note 8 Arbitrage Rebate

In accordance with the provisions of Section 148(f) of the Internal Revenue Code of 1986, as amended, bonds must satisfy certain arbitrage rebate requirements. Positive arbitrage is the excess of (1) the amount earned on investments purchased with bond proceeds over (2) the amount that such investments would have earned had such investments been invested at a rate equal to the yield on the bond issue. In order to comply with the arbitrage rebate requirements, positive arbitrage must be paid to the U. S. Treasury at the end of each five year anniversary date of the bond issue.

During the 2010-2011 fiscal year, the School District issued bonds which are subject to arbitrage regulations described above. Management has estimated that no rebate liability existed as of June 30, 2011.

IV. OTHER INFORMATION

Note 9 Retirement Benefits

Substantially all School District employees are members of the South Carolina Retirement System (SCRS), a cost-sharing, multiple-employer defined benefit pension plan administered by the Retirement Division of the State Budget and Control Board. The System provides retirement and disability benefits, cost of living adjustments on an ad hoc basis, life insurance benefits and survivor benefits. The Plan's provisions are established under Title 9 of the South Carolina Code of Laws. The System issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information for the South Carolina Retirement System. That report may be obtained by writing the South Carolina Retirement System, Post Office Box 11960, Columbia, South Carolina 29211-1960.

Both employees and employers are required to contribute to the Plan under authority of Title 9 of the South Carolina Code of Laws. Employees are required to contribute 6.50% of their annual covered salary, and the School District is required to contribute at an actuarially determined rate. The current rate is 9.24% of annual covered payroll. In addition, the School District contributes .15% of payroll to a group life insurance benefit for their participants and 3.90% for retiree health care coverage. The School District's contributions to the System, including group life insurance and retiree health coverage, for the years ended June 30, 2011, 2010, and 2009 were \$16,769,313, \$16,395,041, and \$15,800,548, respectively, which are equal to 100% of the required contributions.

Normal retirement age is defined as 28 years of service or age 65 with five years of earned service. Plan members who are at least age 55 with 25 years of service or age 60 with 5 years of earned service may elect early retirement with reduced benefits from the retirement system.

Certain School District safety officials are members of the SCRS Police Officers' Retirement System (PORS). Participating employees are required to contribute 6.50% of their annual covered salary, and the School District is required to contribute at an actuarially determined rate. The current rate is 11.13% plus the retiree surcharge of 3.90% of annual covered payroll. For the fiscal year, total contribution requirements to the PORS were \$35,436 (excluding the surcharge) from the School District as employer and \$19,977 from its employees as plan members.

IV. OTHER INFORMATION - (Continued)

Note 9 Retirement Benefits - (Continued)

Employees eligible for service retirement may participate in the Teacher and Employee Retention Incentive Program (TERI). TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. TERI participants with retirement dates prior to July 1, 2005, do not make SCRS contributions, do not earn service credit and are ineligible to receive group life insurance benefits or disability retirement benefits. TERI participants with retirement dates on or after July 1, 2005, make the same pre-tax contributions to the SCRS as active members. In addition, they are eligible to receive group life insurance benefits, but are ineligible to receive service credit or disability retirement benefits.

Certain School District employees may elect to participate in the Optional Retirement Program (ORP), a defined contribution plan. The ORP was established in 1987 under Title 9, Chapter 17, of the South Carolina Code of Laws. The ORP provides retirement and death benefits through the purchase of individual fixed or variable annuity contracts which are issued to, and become the property of, the participants. The School District assumes no liability for this plan other than for payment of contributions to designated insurance companies. To elect participation in the ORP, eligible employees must irrevocably waive SCRS membership within their first ninety days of employment.

Under State law, employee contributions to the ORP are required at the same rates as for the SCRS, 6.50% of their annual covered salary in fiscal year 2011. The School District is required to contribute at an actuarially determined rate. The current rate is 4.24% plus the retiree surcharge of 3.90% and the group health insurance benefit of .15% of annual covered payroll. In addition, the School District contributes 5% of annual covered payroll to the respective annuity policy providers. The School District's contributions to the System, including group life insurance and retiree health coverage for the years ended June 30, 2011 and 2010 were \$1,801,529 and \$1,787,530, respectively, which are equal to the required contributions. All amounts were remitted to the respective annuity policy providers as required. The obligation for payment of benefits resides with the insurance companies.

Plan Description - 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. The District contributes to the Retiree Medical Plan (RMP) and the Long-Term Disability Plan (LTDP), cost-sharing multiple-employer defined benefit postemployment healthcare and long-term disability plans administered by the Employee Insurance Program (EIP), a part of the State Budget and Control Board (SBCB). 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 May 2, 2008 and after, retirees are eligible for benefits if they have established twenty-five years of service for 100% employer funding and fifteen through twenty-four years of service for 50% employer funding. Benefits become effective when the former employee retires under a State retirement system. Basic Long-Term Disability Benefits (BLTD) are provided to active state, public school district and participating local government employees approved for disability.

IV. OTHER INFORMATION - (Continued)

Note 10 Post-Employment Benefits Other Than Pensions (Continued)

Funding Policies - Section 1-11-710 and 1-11-720 of the South Carolina Code of Laws of 1976, as amended, requires these post employment healthcare and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the EIP and participating retirees to the SBCB except the portion funded through the pension surcharge and provided from other applicable sources of the EIP for its active employees who are not funded by state general fund appropriations. Employers participating in the RMP are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 3.50% of annual covered payroll for 2011 and 2010. The EIP sets the employer contribution rate based on a pay-as-you-go basis. The District paid \$5,780,605 and \$5,260,718 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2011 and 2010, respectively. BLTD benefits are funded through a per person premium charged to State agencies, public school districts, and other participating local governments.

Effective May 1, 2008, the State established two trust funds through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits and long-term disability insurance benefits. The South Carolina Retiree Health Insurance Trust Fund is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated EIP reserves, and income generated from investments. The Long-Term Disability Insurance Trust Fund is primarily funded through investment income and employer contributions.

One may obtain complete financial statements for the benefit plans and the trust funds from Employee Insurance Program, 1201 Main Street, Suite 360, Columbia, South Carolina 29201.

Note 11 Deferred Compensation/Salary Deferral Plan

School District employees may participate in the 457 and/or 401(k) defined contribution 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 non-governmental third party.

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.

IV. OTHER INFORMATION (Continued)

Note 12 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, 2011, the School District obtained its general liability, workers' compensation, and property insurance through Surry of NC.

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. The School District reimburses the South Carolina Employment Security Commission for actual claims paid attributable to service in the employ of the School District. Claims paid during the year ended June 30, 2011 were \$171,576 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. There were no significant reductions in coverage during the year ended June 30, 2011.

During 2008, the School District evaluated the cost effectiveness of continuing to pay for commercial insurance for worker's compensation or to become self-insured effective July 1, 2008. The choice to become self-insured resulted in the School District setting up an Internal Service Fund, along with hiring a third party administrator to handle the processing of claims. The School District transferred \$1,500,000 during the year into a separate checking account, and the Internal Service Fund is shown on the Statement of Net Assets Proprietary Funds (Exhibit 5). The School District has purchased excess insurance should the payouts exceed \$1.9 million in claims for the 2010-2011 fiscal year.

IV. OTHER INFORMATION (Continued)

Note 13 Commitments

The following capital projects are in process at June 30, 2011. A summary of the contracts on these projects are as follows:

	Contract Amount	Expended as of June 30, 2011	Remaining Commitment
Catawaba Trail Elementary School	\$ 17,685,936	\$ 15,321,950	\$ 2,363,986
Elementary #19	2,632,186	1,246,991	1,385,195
Muller Road Middle School	28,829,817	27,023,525	1,806,292
Richland Northeast High School	13,352,328	8,536,825	4,815,503
Ridge View High School	11,348,120	8,880,168	2,467,952
Westwood High School	61,835,560	45,533,574	16,301,986
District Stadium #3	6,548,006	5,089,960	1,454,046
	<u>142,231,953</u>	<u>111,632,993</u>	<u>30,598,960</u>

The School District has entered into operating leases, generally for office machines, which are cancelable within one year. Payments under such leases totaled approximately \$583,400 for the year ended June 30, 2011. The School District anticipates annual payments to approximate this amount on an on-going basis.

Note 14 Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

In addition to those lawsuits in which claims for liability are adequately covered by insurance, the School District is a defendant in various other suits arising in the normal course of business. It is the opinion of the School District's management, after conferring with legal counsel, that the liability, if any, which might arise from these lawsuits would not have a material adverse effect on the School District's financial position.

Note 15 Subsequent Events

In October, 2011 the District sold \$60,000,000 General Obligation Bonds authorized by a November, 2008 referendum at an interest rate of 3.594443%. The proceeds will fund on-going construction projects which include the construction of new elementary schools, new middle schools, a new high school, as well as renovations to existing schools.

The District evaluated the effects subsequent events would have on the financial statements through the date of the auditors' report, which is the date the financial statements were available for issuance.

APPENDIX B

FORM OF BOND COUNSEL OPINION

[Date of Delivery]

Board of Trustees
School District No. 2 of Richland County,
South Carolina
Columbia, South Carolina

SCHOOL DISTRICT NO. 2 OF RICHLAND COUNTY, SOUTH CAROLINA
GENERAL OBLIGATION BONDS, SERIES 2012A, \$10,000,000

We have served as bond counsel for School District No. 2 of Richland County, South Carolina (the "School District") in connection with the issuance of \$10,000,000 General Obligation Bonds, Series 2012A dated May __, 2012 (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 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 levy and collect 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 of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the School District comply with all requirements of the Internal Revenue Code of 1986, as amended, (the "Code") that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The School District has covenanted to comply with such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

4. Under the laws of the State of South Carolina, the Bonds and the interest thereon are presently exempt from all State, county, municipal, school district, and all other taxes or assessments imposed within the State, direct or indirect, general or special, whether imposed for the purposes of general revenue or otherwise, except estate or other transfer taxes and certain fees or franchise 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 Bonds and the enforceability of the Bonds are subject to bankruptcy, insolvency, 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,

NEXSEN PRUET, LLC

APPENDIX C

FORM OF DISCLOSURE DISSEMINATION AGENT AGREEMENT

FORM OF DISCLOSURE DISSEMINATION AGENT AGREEMENT

This Disclosure Dissemination Agent Agreement (the “Disclosure Agreement”), dated as of May ___, 2012, is executed and delivered by School District No. 2 of Richland County, South Carolina (the “Issuer”) and Digital Assurance Certification, L.L.C., as exclusive Disclosure Dissemination Agent (the “Disclosure Dissemination Agent” or “DAC”) for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) and in order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the “Rule”).

The services provided under this Disclosure Agreement solely relate to the execution of instructions received from the Issuer through use of the DAC system and do not constitute “advice” within the meaning of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Act”). DAC will not provide any advice or recommendation to the Issuer or anyone on the Issuer’s behalf regarding the “issuance of municipal securities” or any “municipal financial product” as defined in the Act and nothing in this Disclosure Agreement shall be interpreted to the contrary.

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Official Statement (hereinafter defined). The capitalized terms shall have the following meanings:

“Annual Report” means an Annual Report described in and consistent with Section 3 of this Disclosure Agreement.

“Annual Filing Date” means the date, set in Sections 2(a) and 2(f), by which the Annual Report is to be filed with the MSRB.

“Annual Financial Information” means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

“Audited Financial Statements” means the financial statements (if any) of the Issuer for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

“Bonds” means the bonds as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

“Certification” means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure required to be submitted to the MSRB under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Issuer and

include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

“Disclosure Representative” means the Finance Director, the senior member of the Issuer or his or her designee, or such other person as the Issuer shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

“Disclosure Dissemination Agent” means Digital Assurance Certification, L.L.C, acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Issuer pursuant to Section 9 hereof.

“Failure to File Event” means the Issuer’s failure to file an Annual Report on or before the Annual Filing Date.

“Force Majeure Event” means: (i) acts of God, war, or terrorist action; (ii) failure or shut-down of the Electronic Municipal Market Access system maintained by the MSRB; or (iii) to the extent beyond the Disclosure Dissemination Agent’s reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Disclosure Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Disclosure Dissemination Agent from performance of its obligations under this Disclosure Agreement.

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

“Information” means, collectively, the Annual Reports, the Audited Financial Statements (if any), the Notice Event notices, the Failure to File Event notices, the Voluntary Event Disclosures and the Voluntary Financial Disclosures.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

“Notice Event” means any of the events enumerated in paragraph (b)(5)(i)(C) of the Rule and listed in Section 4(a) of this Disclosure Agreement.

“Obligated Person” means any person, including the Issuer, who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities), as shown on Exhibit A.

“Official Statement” means that Official Statement prepared by the Issuer in connection with the \$10,000,000 General Obligation Bonds, Series 2012A, as listed on Appendix A.

“Trustee” means the institution, if any, identified as such in the document under which the Bonds were issued.

“Voluntary Event Disclosure” means information of the category specified in any of subsections (e)(vi)(1) through (e)(vi)(11) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(a) of this Disclosure Agreement.

“Voluntary Financial Disclosure” means information of the category specified in any of subsections (e)(vii)(1) through (e)(vii)(9) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(b) of this Disclosure Agreement.

SECTION 2. Provision of Annual Reports.

(a) The Issuer shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent, together with a copy for the Trustee, not later than the Annual Filing Date. Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide an Annual Report to the MSRB not later than 210 days after the end of each fiscal year of the Issuer, commencing with the fiscal year ending June 30, 2010. Such date and each anniversary thereof is the Annual Filing Date. 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 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the Issuer of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Report and the Certification no later than two (2) business days prior to the Annual Filing Date, or (ii) instruct the Disclosure Dissemination Agent in writing that the Issuer will not be able to file the Annual Report within the time required under this Disclosure Agreement, state the date by which the Annual Report for such year will be provided and instruct the Disclosure Dissemination Agent that a Failure to File Event has occurred and to immediately send a notice to the MSRB in substantially the form attached as Exhibit B, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 6:00 p.m. Eastern time on Annual Filing Date (or, if such Annual Filing Date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Report, a Failure to File Event shall have occurred and the Issuer irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached as Exhibit B without reference to the anticipated filing date for the Annual Report,

accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(d) If Audited Financial Statements of the Issuer are prepared but not available prior to the Annual Filing Date, the Issuer shall, when the Audited Financial Statements are available, provide in a timely manner an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certification, together with a copy for the Trustee, for filing with the MSRB.

(e) The Disclosure Dissemination Agent shall:

- (i) verify the filing specifications of the MSRB each year prior to the Annual Filing Date;
- (ii) upon receipt, promptly file each Annual Report received under Sections 2(a) and 2(b) with the MSRB;
- (iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with the MSRB;
- (iv) upon receipt, promptly file the text of each Notice Event received under Sections 4(a) and 4(b)(ii) with the MSRB, identifying the Notice Event as instructed by the Issuer pursuant to Section 4(a) or 4(b)(ii) (being any of the categories set forth below) when filing pursuant to Section 4(c) of this Disclosure Agreement:
 1. “Principal and interest payment delinquencies;”
 2. “Non-Payment related defaults, if material;”
 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, IRS notices or events affecting the tax status of the security;”
 7. “Modifications to rights of securities holders, if material;”
 8. “Bond calls, if material;”
 9. “Defeasances;”
 10. “Release, substitution, or sale of property securing repayment of the securities, if material;”
 11. “Rating changes;”

12. “Tender offers;”
 13. “Bankruptcy, insolvency, receivership or similar event of the obligated person;”
 14. “Merger, consolidation, or acquisition of the obligated person, if material;” and
 15. “Appointment of a successor or additional trustee, or the change of name of a trustee, if material;”
- (v) upon receipt (or irrevocable direction pursuant to Section 2(c) of this Disclosure Agreement, as applicable), promptly file a completed copy of Exhibit B to this Disclosure Agreement with the MSRB, identifying the filing as “Failure to provide annual financial information as required” when filing pursuant to Section 2(b)(ii) or Section 2(c) of this Disclosure Agreement;
- (vi) upon receipt, promptly file the text of each Voluntary Event Disclosure received under Section 7(a) with the MSRB, identifying the Voluntary Event Disclosure as instructed by the Issuer pursuant to Section 7(a) (being any of the categories set forth below) when filing pursuant to Section 7(a) of this Disclosure Agreement:
1. “amendment to continuing disclosure undertaking;”
 2. “change in obligated person;”
 3. “notice to investors pursuant to bond documents;”
 4. “certain communications from the Internal Revenue Service;”
 5. “secondary market purchases;”
 6. “bid for auction rate or other securities;”
 7. “capital or other financing plan;”
 8. “litigation/enforcement action;”
 9. “change of tender agent, remarketing agent, or other on-going party;”
 10. “derivative or other similar transaction;” and
 11. “other event-based disclosures;”
- (vii) upon receipt, promptly file the text of each Voluntary Financial Disclosure received under Section 7(b) with the MSRB, identifying the Voluntary Financial Disclosure as instructed by the Issuer pursuant to Section 7(b)

(being any of the categories set forth below) when filing pursuant to Section 7(b) of this Disclosure Agreement:

1. “quarterly/monthly financial information;”
2. “change in fiscal year/timing of annual disclosure;”
3. “change in accounting standard;”
4. “interim/additional financial information/operating data;”
5. “budget;”
6. “investment/debt/financial policy;”
7. “information provided to rating agency, credit/liquidity provider or other third party;”
8. “consultant reports;” and
9. “other financial/operating data.”

(viii) provide the Issuer evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) The Issuer may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent, Trustee (if any) and the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

(g) Any Information received by the Disclosure Dissemination Agent before 6:00 p.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Disclosure Agreement and that is accompanied by a Certification and all other information required by the terms of this Disclosure Agreement will be filed by the Disclosure Dissemination Agent with the MSRB no later than 11:59 p.m. Eastern time on the same business day; provided, however, the Disclosure Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event provided that the Disclosure Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

SECTION 3. Content of Annual Reports.

(a) Each Annual Report shall contain Annual Financial Information with respect to the Issuer, including the information provided in the Official Statement under the headings: “THE SCHOOL DISTRICT — Public School Enrollment in the School District,” “THE BONDS — Security,” “FINANCIAL INFORMATION,” “DEBT STRUCTURE – Outstanding General Obligation Debt,” “CERTAIN FISCAL MATTERS – Assessed Value,” “— Estimated True Value of Taxable Property,” “— Tax Collections,” and “— Ten Largest Taxpayers.”

(b) Audited Financial Statements prepared in accordance with generally accepted accounting principles (“GAAP”) as described in the Official Statement will be included in the Annual Report. If audited financial statements are not available, then, unaudited financial statements, prepared in accordance with GAAP as described in the Official Statement will be included in the Annual Report. Audited Financial Statements (if any) will be provided pursuant to Section 2(d).

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the Issuer is an “obligated person” (as defined by the Rule), which have been previously filed with the Securities and Exchange Commission or available on the MSRB Internet Website. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer will clearly identify each such document so incorporated by reference.

Any Annual Financial Information containing modified operating data or financial information is required to explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

SECTION 4. Reporting of Notice Events.

(a) The occurrence of any of the following events with respect to the Bonds constitutes a Notice Event:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
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 Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to rights of Bond holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds, if material;
11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;

Note to subsection (a)(12) of this Section 4: For the purposes of the event described in subsection (a)(12) of this Section 4, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person 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 Obligated Person, 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 Obligated Person.

13. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Issuer shall, in a timely manner not in excess of ten business days after its occurrence, notify the Disclosure Dissemination Agent in writing of the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c) and shall be accompanied by a Certification. Such notice or Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(b) The Disclosure Dissemination Agent is under no obligation to notify the Issuer or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within two business days of receipt of such notice (but in any event not later than the tenth business day after the occurrence of the Notice Event, if the Issuer determines that a Notice Event has occurred), instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c) of this Section 4, together with a Certification. Such Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure

Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(c) If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in subsection (a) or (b)(ii) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with MSRB in accordance with Section 2 (e)(iv) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

SECTION 5. CUSIP Numbers. Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements, Notice Event notices, Failure to File Event notices, Voluntary Event Disclosures and Voluntary Financial Disclosures, the Issuer shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

SECTION 6. Additional Disclosure Obligations. The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer, and that the duties and responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement do not extend to providing legal advice regarding such laws. The Issuer acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 7. Voluntary Filing.

(a) The Issuer may instruct the Disclosure Dissemination Agent to file a Voluntary Event Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Event Disclosure (which shall be any of the categories set forth in Section 2(e)(vi) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in this Section 7(a) to file a Voluntary Event Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Event Disclosure with the MSRB in accordance with Section 2(e)(vi) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

(b) The Issuer may instruct the Disclosure Dissemination Agent to file a Voluntary Financial Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Financial Disclosure (which shall be any of the categories set forth in Section 2(e)(vii) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and

identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in this Section 7(b) to file a Voluntary Financial Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Financial Disclosure with the MSRB in accordance with Section 2(e)(vii) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-3.

The parties hereto acknowledge that the Issuer is not obligated pursuant to the terms of this Disclosure Agreement to file any Voluntary Event Disclosure pursuant to Section 7(a) hereof or any Voluntary Financial Disclosure pursuant to Section 7(b) hereof.

Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure, in addition to that required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure.

SECTION 8. Termination of Reporting Obligation. The obligations of the Issuer and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds when the Issuer is no longer an obligated person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of counsel expert in federal securities laws to the effect that continuing disclosure is no longer required.

SECTION 9. Disclosure Dissemination Agent. The Issuer has appointed Digital Assurance Certification, L.L.C. as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The Issuer may, upon thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the Issuer or DAC, the Issuer agrees to appoint a successor Disclosure Dissemination Agent or, alternately, agrees to assume all responsibilities of Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the Issuer shall remain liable until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the Issuer.

SECTION 10. Remedies in Event of Default. In the event of a failure of the Issuer or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation

under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Issuer has provided such information to the Disclosure Dissemination Agent as required by this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the Issuer and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Issuer's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the Issuer has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon Certifications of the Issuer at all times.

The obligations of the Issuer under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The reasonable fees and expenses of such counsel shall be payable by the Issuer.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Agreement shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

SECTION 12. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the Issuer and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and 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; provided neither the Issuer or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Disclosure Dissemination Agent shall have the right to adopt amendments to this Disclosure Agreement necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time by giving not less than 20 days written notice of the intent to do so together with a copy of the proposed amendment to the Issuer. No such amendment shall become effective if the Issuer shall, within 10 days following the giving of such notice, send a notice to the Disclosure Dissemination Agent in writing that it objects to such amendment.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Trustee of the Bonds, the Disclosure Dissemination Agent, the underwriter, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of Florida (other than with respect to conflicts of laws).

SECTION 15. Counterparts. This Disclosure Agreement 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.

[Remainder of page intentionally left blank.]

The Disclosure Dissemination Agent and the Issuer have caused this Continuing Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C.,
as Disclosure Dissemination Agent

By: _____
Name: _____
Title: _____

SCHOOL DISTRICT NO. 2 OF RICHLAND
COUNTY, SOUTH CAROLINA, as Issuer

By: _____
Name: Robert E. Davis
Title: Chief Financial Officer

EXHIBIT A

NAME AND CUSIP NUMBERS OF BONDS

Name of Issuer	School District No. 2 of Richland County, South Carolina
Obligated Person(s)	School District No. 2 of Richland County, South Carolina
Name of Bond Issue:	\$10,000,000 General Obligation Bonds, Series 2012A
Date of Issuance:	May ____, 2012
Date of Official Statement	May ____, 2012

CUSIP Number: _____	CUSIP Number: _____
CUSIP Number: _____	CUSIP Number: _____
CUSIP Number: _____	CUSIP Number: _____
CUSIP Number: _____	CUSIP Number: _____
CUSIP Number: _____	CUSIP Number: _____
CUSIP Number: _____	CUSIP Number: _____
CUSIP Number: _____	CUSIP Number: _____
CUSIP Number: _____	CUSIP Number: _____
CUSIP Number: _____	CUSIP Number: _____
CUSIP Number: _____	CUSIP Number: _____
CUSIP Number: _____	CUSIP Number: _____
CUSIP Number: _____	CUSIP Number: _____
CUSIP Number: _____	CUSIP Number: _____
CUSIP Number: _____	CUSIP Number: _____
CUSIP Number: _____	CUSIP Number: _____
CUSIP Number: _____	CUSIP Number: _____

EXHIBIT B
NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer	School District No. 2 of Richland County, South Carolina
Obligated Person(s)	School District No. 2 of Richland County, South Carolina
Name of Bond Issue:	\$10,000,000 General Obligation Bonds, Series 2012A
Date of Issuance:	May ____, 2012
Date of Disclosure Agreement	May ____, 2012
CUSIP Number:	_____

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by the Disclosure Agreement dated as of _____, 2012 between the Issuer and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. The Issuer has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by _____.

Dated: _____

Digital Assurance Certification, L.L.C., as
Disclosure Dissemination Agent, on behalf of the
Issuer

cc: Issuer
Obligated Person

EXHIBIT C-1
EVENT NOTICE COVER SHEET

This cover sheet and accompanying "event notice" will be sent to the MSRB, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and/or Other Obligated Person's Name:

Issuer's Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the bonds to which this event notice relates:

Number of pages attached: _____

____ Description of Notice Events (Check One):

1. _____ "Principal and interest payment delinquencies;"
2. _____ "Non-Payment related defaults, if material;"
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, IRS notices or events affecting the tax status of the security;"
7. _____ "Modifications to rights of securities holders, if material;"
8. _____ "Bond calls, if material;"
9. _____ "Defeasances;"
10. _____ "Release, substitution, or sale of property securing repayment of the securities, if material;"
11. _____ "Rating changes;"
12. _____ "Tender offers;"
13. _____ "Bankruptcy, insolvency, receivership or similar event of the obligated person;"
14. _____ "Merger, consolidation, or acquisition of the obligated person, if material;" and
15. _____ "Appointment of a successor or additional trustee, or the change of name of a trustee, if material."

____ Failure to provide annual financial information as required.

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date: _____

EXHIBIT C-2
VOLUNTARY EVENT DISCLOSURE COVER SHEET

This cover sheet and accompanying "voluntary event disclosure" will be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated as of _____ between the Issuer and DAC.

Issuer's and/or Other Obligated Person's Name:

Issuer's Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

Number of pages attached: _____

_____ Description of Voluntary Event Disclosure (Check One):

1. _____ "amendment to continuing disclosure undertaking;"
2. _____ "change in obligated person;"
3. _____ "notice to investors pursuant to bond documents;"
4. _____ "certain communications from the Internal Revenue Service;"
5. _____ "secondary market purchases;"
6. _____ "bid for auction rate or other securities;"
7. _____ "capital or other financing plan;"
8. _____ "litigation/enforcement action;"
9. _____ "change of tender agent, remarketing agent, or other on-going party;"
10. _____ "derivative or other similar transaction;" and
11. _____ "other event-based disclosures."

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date: _____

EXHIBIT C-3
VOLUNTARY FINANCIAL DISCLOSURE COVER SHEET

This cover sheet and accompanying "voluntary financial disclosure" will be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated as of _____ between the Issuer and DAC.

Issuer's and/or Other Obligated Person's Name:

Issuer's Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

Number of pages attached: _____

_____ Description of Voluntary Financial Disclosure (Check One):

1. _____ "quarterly/monthly financial information;"
2. _____ "change in fiscal year/timing of annual disclosure;"
3. _____ "change in accounting standard;"
4. _____ "interim/additional financial information/operating data;"
5. _____ "budget;"
6. _____ "investment/debt/financial policy;"
7. _____ "information provided to rating agency, credit/liquidity provider or other third party;"
8. _____ "consultant reports;" and
9. _____ "other financial/operating data."

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date: