NEW ISSUE
FULL BOOK-ENTRY-ONLY

RATINGS: Moody's Investors Service: "MIG 1"
(See "Ratings" herein)

DAC Bond®

In the opinion of Bond Counsel, assuming continuing compliance by the School District with certain covenants, interest on the Notes is excludable from gross income for federal income tax purposes under existing statutes, regulations and judicial decisions. Interest on the Notes is not an item of tax preference in computing the alternative minimum taxable income of individuals. Interest on the Notes, however, will be included in the computation of adjusted current earnings for purposes of alternative minimum tax for corporations. The Notes and the interest thereon will also be exempt from all State, county, municipal and school district and other taxes or assessments imposed within the State of South Carolina, except estate, transfer and certain franchise taxes. See "CERTAIN LEGAL MATTERS-Federal Income Tax Generally" for a brief description of alternative minimum tax treatment and certain other federal income tax consequences to certain recipients of interest on the Notes.

OFFERING MEMORANDUM
Relating to the Issuance of
$15,000,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES, SERIES 2017
OF THE SCHOOL DISTRICT OF DARLINGTON COUNTY, SOUTH CAROLINA

The General Obligation Bond Anticipation Notes, Series 2017 (the "Notes") of The School District of Darlington County, South Carolina (the "School District") shall be payable from the proceeds of the issuance of not exceeding $60,000,000 General Obligation Bonds of the School District. The full faith, credit, resources and taxing power of the School District will be irrevocably pledged for the payment thereof.

The Notes are issuable in fully registered form and when issued will be registered to Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), to which principal and interest payments on the Notes will be made. Individual purchases of beneficial ownership interests in the Notes will be made in book-entry form only, in the principal amounts of $5,000 or any whole multiple thereof. So long as Cede & Co., as nominee of DTC, is the registered owner of the Notes, references herein to the holders of the Notes or registered owners of the Notes shall mean Cede & Co. and shall not mean the beneficial owners of the Notes. So long as Cede & Co. is the registered owner of the Notes, the principal and interest on the Notes are payable to Cede & Co., as nominee for DTC, which will in turn remit such principal and interest to the DTC Participants (as defined herein) for subsequent disbursement to the beneficial owners of the Notes. **See "THE NOTES - Book-Entry-Only System."** The School District will serve as Registrar/Paying Agent for the Notes.

The Notes will be dated as of the date of delivery and payment thereof, which is expected to be on or about April 27, 2017, and shall be payable upon the stated maturity thereof on April 27, 2018. The Notes are not subject to redemption prior to maturity.

Due April 27	Principal Amount	Interest Rate	Reoffering Price	CUSIP
2018	$15,000,000	2.00%	101.060%	237289JG9

The Notes are offered when, as and if issued and subject to the approving opinion as to legality of Haynsworth Sinkler Boyd, P.A., Florence, South Carolina. It is expected that the Notes in definitive form will be available for delivery on or about April 27, 2017.

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

This Offering Memorandum is dated April 17, 2017.

No dealer, broker, salesman or other person has been authorized by the School District of Darlington County, South Carolina to give any information or to make any representations with respect to the Notes other than those contained in this Offering Memorandum, and, if given or made, such other information or representation may not be relied upon as having been authorized by any of the foregoing. This Offering Memorandum does not constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of the Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been provided by the School District and other sources which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Offering Memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the School District since the date hereof.

THE SCHOOL DISTRICT OF
DARLINGTON COUNTY, SOUTH CAROLINA

DARLINGTON COUNTY BOARD OF EDUCATION

Jamie O. Morphis, III, Chairman
Maureen Thomas, Vice Chairwoman
Charles Govan, Jr., Secretary
Billy Baldwin
Dr. Thelma Dawson
Connell Delaine
Wanda Hassler
Warren J. Jeffords

SCHOOL DISTRICT ADMINISTRATION

Dr. Edward E. Ingram .... District Superintendent
Ashley J. Smith....................................... Chief Financial Officer

BOND COUNSEL

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

FINANCIAL ADVISOR

Compass Municipal Advisors, LLC
Columbia, South Carolina

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INTRODUCTION

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

The Issuer

The $15,000,000 General Obligation Bond Anticipation Notes, Series 2017 (the "Notes") are being issued by The School District of Darlington County, South Carolina (the "School District"), a body politic and corporate and a political subdivision of the State of South Carolina.

Security

For the payment of the principal of and interest on the Notes, the full faith, credit, resources and taxing power of the School District are irrevocably pledged. See "THE NOTES – Security" herein.

Purpose of the Notes

The Notes are being issued by the School District for the purposes of defraying the costs of capital improvements to facilities of the School District, and paying costs of issuance of the Notes.

Details of the Notes

The Notes will be general obligation 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 Notes will be dated the date of delivery thereof, which is expected to be April 27, 2017, and shall be payable upon the stated maturity thereof on April 27, 2018. See "THE NOTES" for further information.

Tax Status of Interest on the Notes

In the opinion of Bond Counsel, subject to the conditions and limitations stated therein, interest on the Notes will be excludable from gross income for Federal income tax purposes and will not constitute an item of tax preference for purposes of the alternative minimum tax. Interest on the Notes, however, will be included in the computation of adjusted current earnings for the purpose of determining alternative minimum tax for corporations. Under the present laws of the State of South Carolina, the Notes and the interest thereon will also be exempt from all State, county, municipal and school district and other taxes or assessments imposed within the State of South Carolina, except estate, transfer and certain franchise taxes. See "CERTAIN LEGAL MATTERS – Federal Income Tax Generally" and "CERTAIN LEGAL MATTERS - Collateral Federal Tax Considerations" herein.

Professionals Involved in the Offering

Haynsworth Sinkler Boyd, P.A., Florence, South Carolina, is acting as Bond Counsel in connection with the issuance of the Notes and Compass Municipal Advisors, LLC, Columbia, South Carolina, is serving as Financial Advisor to the School District for the purpose of this matter. The School District, acting through the Secretary of the Darlington County Board of Education, the governing body of the School District (the "Board") is serving as Registrar and Paying Agent for the Notes.

Independent Auditors

The Financial Statements for the fiscal year ended June 30, 2016 (the "2015-16 Fiscal Year"), included as Appendix A, have been audited by Webster Rogers LLP, CPA's. A copy of the general purpose financial statements of the School District for the year ended June 30, 2016 is attached to this Offering Memorandum as Appendix A. Copies of complete audited financial statements for the year ended June 30, 2016 and prior years are available for inspection at the School District offices or on the School District's website at http://www.darlington.k12.sc.us.

Authorization

Pursuant to the provisions of Sections 59-71-10 to 59-71-190, inclusive, and Section 11-27-50, Code of Laws of South Carolina, 1976, as amended, the District is authorized to issue general obligation bonds, the proceeds of which are used to defray the cost of acquiring, constructing, improving, equipping, renovating and repairing school buildings or other school facilities of the District or the cost of the acquisition of land whereon to construct or establish such school facilities.

The Notes are being issued pursuant to the provisions and authorizations of Article X, Section 15 of the South Carolina Constitution; Sections 11-17-10 through 11-17-120, inclusive, Code of Laws of South Carolina, 1976, as amended; a referendum held in the School District on November 8, 2016; and a resolution duly adopted by the Board on February 13, 2017 (the "Bond Resolution").

Information Concerning Terms of the Offering

The Notes are being issued in book-entry-only form. It is expected that the Notes will be delivered to Cede & Co., at the offices of DTC, on or about April 27, 2017 and will be available for credit to the accounts of the participants and, through them, the beneficial owners on such date. Information on limitations on transfer of ownership is set forth in "THE NOTES - Book-Entry-Only System" and "THE NOTES - Discontinuance of Book-Entry-Only System".

General

This Offering Memorandum speaks only as of its date, and the information contained herein is subject to change. Copies of the Preliminary Offering Memorandum and the Offering Memorandum will be deposited with the Municipal Securities Rulemaking Board, 1900 Duke Street, Suite 600, Alexandria, Virginia 22314. Copies of the Preliminary Offering Memorandum, the Offering Memorandum, the resolution of the Board authorizing the issuance of the Notes and related documents and information are available by contacting Ashley J. Smith, Chief Financial Officer, The School District of Darlington County, 120 East Smith Street, Darlington, South Carolina 29532, telephone (843) 398-2275.

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THE NOTES

Description of the Notes

The Notes here offered constitute an issue of $15,000,000 General Obligation Bond Anticipation Notes, Series 2017, of the School District (the "Notes"). The Notes shall be dated and delivered on or about April 27, 2017, and will bear interest from that date, calculated on the basis of a 360-day year consisting of twelve 30-day months, at the interest rate of Two per centum (2.00%) per annum.

The Notes shall be issued under the DTC Book-Entry-Only System issued in the denominations of $5,000 or integral multiples thereof, registered in the name of Cede & Co., as the registered owner and nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Notes. The School District shall serve as Registrar and Paying Agent for the Notes for so long as the same are held under a Book-Entry-Only System (the "Registrar/Paying Agent").

The Notes are not subject to redemption prior to maturity.

Book-Entry-Only System

Beneficial ownership interests in the Notes will be available only in book-entry form. Beneficial Owners (as defined below) will not receive physical certificates representing their interests in the Notes purchased. So long as DTC or its nominee is the registered owner of the Notes, references in this Offering Memorandum to the Owners of the Notes shall mean DTC or its nominee and shall not mean the Beneficial Owners. The Bond Resolution contains provisions applicable to periods when DTC or its nominee is not the registered owner.

The following description of DTC, of procedures and record keeping on beneficial ownership interests in the Notes, payment of interest and other payments with respect to the Notes to DTC Participants or to Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Notes and of other transactions by and between DTC, DTC Participants and Beneficial Owners is based on information furnished by DTC.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Notes (the "Notes"). The Notes will be issued as fully-registered Notes registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for the Notes in the aggregate principal amount of such issue, as set forth on the front cover of this Offering Memorandum, and will be deposited with DTC. SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE NOTES, AS DTC'S PARTNERSHIP NOMINEE, REFERENCE HEREIN TO THE HOLDERS OR REGISTERED OWNERS OF THE NOTES SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE NOTES.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes 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 Notes 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 Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts the Notes 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 Notes may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults and proposed amendments to the security documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar/Paying Agent and request that copies of the notices be provided directly to them.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer 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 Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Notes 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 on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Registrar/Paying Agent or School District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the School District, the Treasurer of Darlington County, and the Registrar/Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of the Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Notes at any time by giving reasonable notice to the School District or Registrar/Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered to the Beneficial Owners as described in the Bond Resolution (as defined herein in "Authorization"). The Beneficial Owners of the Notes, upon registration of certificates held in the Beneficial Owners' names, will become the registered owners of the Notes.

The School District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the School District believes to be reliable, but the School District takes no responsibility for the accuracy thereof.

The School District has no responsibility or obligation to the Participants or the Beneficial Owners with respect to (1) the accuracy of any records maintained by DTC or any Participant, or the maintenance of any records; (2) the payment by DTC or any Participant of any amount due to any Beneficial Owner in respect of the Notes, or the sending of any transaction statements; (3) the delivery or timeliness of delivery by DTC or any Participant of any notice to any Beneficial Owner which is required or permitted under the Bond Resolution to be given to Owners; (4) the selection of the Beneficial Owners to receive payments upon any partial redemption of the Notes; or (5) any consent given or other action taken by DTC or its nominee as the registered owner of the Notes, including any action taken pursuant to an omnibus proxy.

BECAUSE DTC IS TREATED AS THE OWNER OF THE NOTES FOR SUBSTANTIALLY ALL PURPOSES UNDER THE BOND RESOLUTION, BENEFICIAL OWNERS MAY HAVE A RESTRICTED ABILITY TO INFLUENCE IN A TIMELY FASHION REMEDIAL ACTION OR THE GIVING OR WITHHOLDING OF REQUESTED CONSENTS OR OTHER DIRECTIONS. IN ADDITION, BECAUSE THE IDENTITY OF BENEFICIAL OWNERS IS UNKNOWN TO THE SCHOOL DISTRICT, TO DTC OR TO THE REGISTRAR/PAYING AGENT, IT MAY BE DIFFICULT TO TRANSMIT INFORMATION OF POTENTIAL INTEREST TO BENEFICIAL OWNERS IN AN EFFECTIVE AND TIMELY MANNER.

Discontinuance of Book-Entry-Only System

In the event that the Notes are no longer in book-entry-only form, the following provisions shall apply with respect to the Notes: The School District will appoint another securities depository for the Notes or the Notes held by DTC will be cancelled and the School District will execute and deliver the Notes in fully certificated form to the DTC Participants shown on the records of DTC. If no other securities depository is named, principal and interest on the Notes shall be payable to the Registered Owner at maturity upon presentation and surrender thereof to the Registrar/Paying Agent at its principal corporate trust office. The School District would then maintain through the Registrar/Paying Agent books of registry for the purpose of registering ownership and transfer of the Notes. The Notes would be transferable by the registered owner in person or by his duly authorized attorney upon surrender of the Note to be transferred together with a written instrument of transfer duly executed by the registered owner or his duly authorized attorney. The Registrar/Paying Agent will, upon receipt thereof, authenticate and deliver a new Note or Notes in like principal amount as the Note so presented. The School District and the Registrar/Paying Agent will deem and treat the person in whose name each Note is registered as the absolute owner thereof for all purposes.

Exchange and Transfer of Notes

Each Note shall be transferable only upon the books of the School District, which shall be kept for such purpose at the Corporate Trust Office of the Registrar which shall be maintained for such purpose by the Registrar, upon presentation and surrender thereof by the Holder of such Note in person or by his attorney duly authorized in writing, together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered Holder or his duly authorized attorney. Upon surrender for transfer of any such Note, the School District shall execute and the Registrar shall authenticate and deliver, in the name of the Person who is the transferee, one or more new Notes of the same aggregate principal amount, maturity and rate of interest as the surrendered Note.

All Notes surrendered in any exchanges or transfers shall be cancelled by the Registrar. For each such exchange or transfer of Notes, the School District or the Registrar may make a charge sufficient to reimburse it or them for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer, which sum or sums shall be paid by the Holder requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer. The School District shall not be obligated to issue, exchange or transfer any Note during the 15 days next preceding any Bond Payment Date.

Defeasance

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

(1) The Paying Agent shall hold, at the stated maturities of the Notes, in trust and irrevocably appropriated thereto, sufficient moneys for the payment of the Principal Installment and interest thereof; or

(2) If default in the payment of the principal of the Notes or the interest thereon shall have occurred on any Note Payment Date, and thereafter tender of such payment shall have been made, and at such time as the Paying Agent shall hold in trust and irrevocably appropriated thereto, sufficient moneys for the payment thereof to the date of the tender of such payment; or

(3) If the School District shall elect to provide for the payment of the Notes prior to the Bond Payment Dates and shall have deposited with the Paying Agent in an irrevocable trust moneys which shall be sufficient, or Government Obligations (as defined below), the principal of and interest on which when due will provide moneys, which together with moneys, if any, deposited with said Paying Agent at the same time, shall be sufficient to pay when due the Principal Installment and interest due and to become due on the Notes on the Bond Payment Dates.

Neither the Government Obligations nor moneys deposited with the Paying Agent pursuant to the foregoing, nor the principal or interest payments thereon shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the Principal Installment and interest on the Notes; provided that any cash received from such principal or interest payments on Government Obligations deposited with the Paying Agent, if not then needed for such purpose, shall, to the extent practicable, be invested and reinvested in Government Obligations maturing at times and in amounts sufficient to pay when due the Principal Installment and interest to become due on the Notes, and interest earned from such reinvestments not required for the payment of the Principal Installment and interest may be paid over to the School District, as received by the Paying Agent, free and clear of any trust, lien or pledge.

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

Debt Limit

Pursuant to the provisions of Section 15 of Article X of the Constitution of the State of South Carolina, the District may borrow that sum of money which is equal to 8% of the last completed assessment of all taxable property located in the District without the necessity of conducting a referendum. Bonds approved by referendum are not chargeable against this 8% debt limit.

On November 8, 2016, a referendum was held in the District, wherein those voting approved by a margin of 16,986 to 9,572 the issuance of not exceeding $60,000,000 general obligation bonds of the District (the "Bonds") to defray the cost of capital improvements to the District (the "2016 Referendum"). Improvements approved in the 2016 Referendum include acquiring (including the acquisition of real property), constructing, furnishing, and equipping three (3) elementary schools in the School District of Darlington County, with one (1) such school to be located within or within five miles (measured in a straight line) of the municipal limits of each of the Town of Lamar, the City of Hartsville, and the City of Darlington, respectively (the "2016 Improvements").

The Notes are issued in anticipation of the Bonds for the purpose of providing construction financing for the 2016 Improvements. Those voting in the 2016 Referendum also approved, by a vote of 15,434 to 9,372, the imposition of a 1% sales and use tax in the District for a term of fifteen (15) years to pay debt service on the Bonds. The entire principal amount of the Notes is chargeable against the authorization to issue general obligation debt provided by the 2016 Referendum and thus not subject to the District's 8% debt limit described above.

Security

For the payment of principal of and interest on the Notes, the full faith, credit, resources and taxing power of the School District will be irrevocably pledged. In addition thereto, the School District has by the Resolution irrevocably pledged to issue sufficient general obligation bonds to pay the principal of and interest on the Notes at the maturity thereof.

Additional Security for the Notes

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

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

During the fiscal years shown below, the School District received the following amounts of State appropriations which would have been subject to withholding under the foregoing provisions of Article X:

Year Ended June 30	Amount Received
2016	$43,557,232
2015	43,571,187
2014	43,707,682
2013	35,526,382
2012	37,847,519

Statutory Intercept Provisions

The South Carolina General Assembly adopted statutory enhancements to the Constitutional intercept provisions which became effective on July 1, 1997, and which apply to all school district general obligation bonds then and thereafter outstanding. Under the statutory intercept provision, a County Treasurer is required to notify the State Treasurer on the fifteenth day prior to the due date of any payment of principal or interest on school district general obligation bonds if the County Treasurer or any other paying agent does not have on deposit the sum required to make that payment. On the third business day prior to the due date of the payment, if the County Treasurer or any other paying agent does not have on hand the amount required to effect such payment, the State Treasurer is directed to transfer to the County Treasurer from the general fund of the State the sum necessary to effect such payment, provided that the total amount of the payments so transferred in any fiscal year may not exceed the amount appropriated in the State's budget under the Education Finance Act for that fiscal year. Thereafter, the State Treasurer shall withhold from the School District from funds payable to it from the State amounts necessary to reimburse the general fund of the State for any amounts so advanced, plus investment earnings foregone by the State on such amounts pending reimbursement. The provision contains a mechanism to reimburse the School District for such withholdings from taxes thereafter collected. If there is an advance from the State Treasurer under these provisions, the County Auditor is directed to adjust the millage levied for the payment of debt service on the Notes for the next fiscal year and to file a report with the State Treasurer demonstrating compliance not later than five business days after millage is set for the next fiscal year. In summary, the statutory intercept provisions enhance the Constitutional intercept provision by providing that: (i) the advance from the State Treasurer will be made in time to permit the timely payment of debt service on the Notes; (ii) the advance is not limited to amounts due to the School District from the State but, rather, by total State-wide appropriations under the Education Finance Act; and (iii) there is subsequent monitoring to prevent repetition.

The following table shows amounts appropriated under the Education Finance Act for the years indicated:

Year Ended June 30	Amount Appropriated
2017	$1,728,148,671
2016	1,548,569,004
2015	1,470,506,649
2014	1,335,811,295
2013	1,262,135,590

Miscellaneous

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

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THE SCHOOL DISTRICT

Description of the School District

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

The School District operates a total of 14 elementary schools, 4 middle schools, 4 high schools, and a career center. Kindergarten classes are available for all five-year-olds within the School District.

Operations of the School District

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

The Board consists of eight (8) members. The eight members are currently elected for four-year terms from single member districts with four members elected every two years on a staggered-term basis. The Board determines the fiscal policies of the School District and approves all contracts. The members of the Board, their occupations, the number of years each has served on the Board, and the expiration date of their current term are as follows:

Name	Occupation	Years Served	Term Expires
James O. Morphis, III, Chairman	Banker	16 years	12/31/20
Maureen Thomas, Vice Chairwoman	Retired	3 years	12/31/18
Charles H. Govan, Jr., Secretary	Retired Educator	16 years	12/31/20
Billy Baldwin	Retired	3 years	12/31/18
Dr. Thelma Dawson	Dentist	26 years	12/31/18
Connell Delaine	Retired Military	15 years	12/31/20
Wanda Hassler	Family Manager	3 years	12/31/18
Warren J. Jeffords	Owner, Insurance Company	25 years	12/31/20

The Superintendent, Dr. Edward E. Ingram, was appointed to such position by the Board starting July 15, 2013 and is responsible to the Board for the operation of all phases of the public school activities. Dr. Ingram is currently employed under the terms of a contract with the School District which expires on June 30, 2018. He received an Associate Degree in liberal arts from the College of the Albemarle, a Bachelor of Science degree in secondary English education from Old Dominion University, and a Masters of Education degree in English Education from East Carolina University. He has also earned an Education Specialist degree and a Doctor of Education degree from East Carolina University.

The Chief Financial Officer of the School District is recommended by the Superintendent and approved by the Board and is responsible for the financial activities of the School District including accounting and auditing practices of the School District. All funds of the School District are disbursed by the Chief Financial Officer and all accounts are audited on an annual basis by independent certified accountants. Ms. Ashley J. Smith has served in this position since March 15, 2016.

Accreditation

All twenty-three schools in the School District are fully accredited by the South Carolina State Department of Education and by the Southern Association of Colleges and Schools. Full accreditation assures minimum class size, more qualified teachers, adequate facilities, and quality instructional programs.

Enrollment of the School District

The following table shows the pupil enrollment in the schools of the School District for the following years:

School Year [1]	Kindergarten	Grades 1-8	Grades 9-12	Total	% Change
2016-2017	702	6,164	2,979	9,845	(0.97%)
2015-2016	703	6,278	2,960	9,941	(1.17%)
2014-2015	727	6,335	2,997	10,059	(0.75%)
2013-2014	709	6,501	2,924	10,134	(1.55%)
2012-2013	759	6,573	2,960	10,292	(0.58%)

[1] Figures are based on the 135-day average daily membership of school student count.

School District Employees

The following table sets forth a categorical breakdown of the employees of the School District for the 2016-17 school year in full time equivalencies:

Superintendent	1
Assistant Superintendents and Directors	12
Principals/Directors	22
Assistant Principals/Directors	17
Instruction Coordinators	11
Teachers	697
Media Specialists	17
Guidance Counselors	32
Nurses	13
Psychologists	9
All Others	1,109
Total Staff	1,940

None of the employees of the School District is represented by unions or other collective bargaining groups. The School District believes itself to have good relations with its employees.

Curriculum

Child Development. Child Development provides comprehensive developmental care for three and four-year-old children, and is designed to build a positive self-concept in each child, to instill a healthy attitude toward learning in each child, and to build individual skills needed to prepare a child for more formalized education.

Since play is a process through which the growing child learns, learning centers are developed around play activities. Opportunities are provided to allow each child to assume responsibility for his own actions, to share, to be creative, to respect the rights of others, to use materials wisely, and to acquire good work habits and skills. Equipment, materials and games in the centers aid in the development of skills for the child.

An important component of the program is Parent Involvement, where parents are asked and expected to actively participate in child development-sponsored activities with their children in and out of the center.

Kindergarten. Presently, all elementary schools have well-equipped kindergarten classes. The 18 kindergarten objectives adopted by the State Board of Education in 1979 have been incorporated in the School District program. These objectives provide teachers with suggestions for involving five-year-olds in meaningful development activities.

Elementary Education. The School District provides highly qualified instruction for elementary children in both open designed and self-contained classrooms. Teachers instruct for a basic understanding in reading, language arts, and mathematics while encouraging learning through discovery in science. The social studies curriculum challenges children to read and research in a program that is enriched with films, television, and other media. Reading, music, art, and physical education teachers assigned to each school also provide instruction in their fields. The media center and the librarian help teachers expand the classroom learning opportunities. Programs for gifted and talented children operate on a district-wide basis with 371 elementary students (grades 3-6), 291 middle school students (grades 7-8), and 538 high school students (grades 9-12) enrolled in 2016-17.

Middle School Education. The middle schools emphasize and reinforce the basic skills in language arts, mathematics, science and social studies. In addition, they expand the offerings to students to include instrumental and choral music, art, health, physical education and foreign language. Special interest classes teach students skills in homemaking, sewing and industrial arts.

High School Education. The high school curriculum accommodates a range of students' needs and interests. It challenges the college-bound student, but also provides career skills for those who complete their formal education. In high school, such courses as English, math, social studies, science, foreign languages, health, physical education, fine arts, office occupations and vocations offer students a variety of educational experiences. The International Baccalaureate program has been implemented. All senior high schools offer advanced placement programs for academically talented students. Approximately 300 students were enrolled in these classes.

Area Vocational Center. The Darlington County Institute of Technology center served approximately 1,134 students throughout the school year in 2015-16. Organized advisory committees assist the vocational staff in developing vocational programs that continue to train students toward meeting the employment needs of business and industries in the Darlington area.

Adult Education. The Adult programs provide educational opportunities for older youth dropouts and for adults to learn basic skills and/or to attain high school credentials that can prepare them for the market place and additional training. A total of 541 students were enrolled in the academic program.

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

The Education Accountability Act of 1998

At its 1998 legislative session, the General Assembly of the State of South Carolina adopted the "Education Accountability Act of 1998" (the "Accountability Act"). The purpose of the Accountability Act is to establish a "performance based accountability system" which focuses on improving teaching and learning in order to equip students with a strong academic foundation. The Accountability Act requires all school districts, among other things, to establish local accountability systems to stimulate quality teaching and learning practices and target assistance to low performing schools. The linchpin for the Accountability Act is the annual report cards that are provided to each school and school district. These report cards must furnish clear and specific information about school and district academic performance and other performance to parents and the public.

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

If a school receives a rating of "below average" or "at risk," that school must review and revise its improvement plan (required of every school under the EFA). Once the revised plan is developed, a school district's superintendent and board of education must review and approve the plan. In addition, schools which receive unsatisfactory ratings (or those receiving a below average rating which so request) will be assigned an external review. If these plans are not implemented satisfactorily or within the period expected, or if student academic performance has not met expected progress, the State Board of Education may declare a state of emergency in the school. Declaration of a state of emergency may be followed by direct management of the school or school district, as the case may be, by the State Board of Education.

The School District's overall rating for 2014 was "excellent." Within the School District, ten schools were rated "excellent," one was rated "good," ten were rated "average," one was rated "below average" and no schools were rated "at risk" for the same period. Additional resources have been provided to the latter school in order to promote improved achievement.

Although there are certain grants and other programs provided to help defray the cost of implementing the Accountability Act, the potential effect and cost of continuing to implement the Accountability Act on the School District cannot be determined at this time.

Charter Schools

The General Assembly has provided for the establishment of "charter schools" in the State pursuant to Section 59-40-10 *et seq.* of the Code of Laws of South Carolina, 1976, as amended (the "Charter School Act"). A 2006 amendment to the Charter School Act creates a State Charter School District (the "State Charter District"). The State Charter District is an alternative source of sponsorship for charter schools, the other source being the local school district. Pursuant to the Charter School Act, a charter school is a school of the school district in which it is located or of the State Charter District, but is governed according to a charter approved in accordance with the Act and by a "charter committee," rather than by the governing body of the school district or the State Charter District. An existing public school facility may be "converted" to a charter school of the local school district upon the vote of 2/3 of the parents of present students and school staff.

The funding sources for a charter school depend on the nature of its sponsor. Charter schools sponsored by a local school district are funded through the distribution of a proportional amount of the total general fund revenues of the sponsoring school district (state and local sources), based on relative weighted pupil units. The amount of funds which must be distributed to each charter school is calculated annually based upon the most recently completed audited financial statements of the school district, adjusted by an inflation factor. Charter schools sponsored by the State Charter District receive no local funds, but do receive on a per student basis a portion of State funding under the EFA which would have otherwise been distributed to the local school district in which the student resides. Federal funds are allocated to charter schools proportionately based upon the special student characteristics relevant to the funding. Federal funds for disabled students are not allocated to charter schools.

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

The School District and Florence County School District One previously sponsored one charter school, the CHOICES school, which provided training in job readiness, life management skills, character education, leadership development, anger management, and academic areas to approximately 40 at-risk youth from ages 12 to 17 who had been unable to succeed in traditional settings. CHOICES closed in December, 2013 due to unsustainable operational overhead.

There are presently no charter schools sponsored by the State Charter District within the School District. There are several virtual charter schools operated under the authority of the State Charter District which accept pupils on a state-wide basis, however.

Recent Legislation

The General Assembly in its 2013 Session approved for Fiscal Year 2013-14 the establishment of tax credits for persons making donations to qualifying non-profit organizations which make grants to students to offset tuition, transportation costs and textbook expenses incurred to attend private schools. This legislation was renewed in the 2014 of the General Assembly for Fiscal Year 2014-15. Students eligible for the grants under the 2014 legislation are only those having a neurodevelopmental disorder, a substantial sensory or physical impairment (such as deafness, blindness, or orthopedic disability) or some other disability or acute or chronic condition that significantly impedes the student's ability to learn and succeed in school without specialized instructional and associated supports and services tailored to the child's unique needs, and only if the parents or guardians of that student believe that the services provided by the school district of legal residence do not sufficiently meet the needs of that student. A grant not may exceed the lesser of total tuition costs to the grantee or ten thousand dollars, and the total amount of tax credits available in the State for Fiscal Years 2013-14 and 2014-15 was $8 million in each Fiscal Year. This legislation marks the first time the State has extended aid for the benefit of private school students, although a number of bills have been introduced in recent years to provide for similar or expanded schemes for private school support. A similar tax credit provision, but limited to a maximum of $4 million in tax credits, was adopted for Fiscal Year 2015-16, and is available for review via internet at http://www.scstatehouse.gov/sess121_2015-2016/bills/4230.htm at Section 9.

There is also presently pending in the South Carolina State Senate bill S241 ("S241"), which would provide to parents or guardians a state income tax deduction of up to $2,000 per home school student and a state income tax deduction of the lower of $10,000 or total cost of tuition per student for qualifying students who attend private independent schools, as well as $1,000 annual state income tax deduction per child who attends a public school outside of their district of residence. S241 provides that the amount of the deduction it sets forth must increase annually based upon inflation. S241 is available for review via internet at http://www.scstatehouse.gov/billsearch.php?billnumbers=241.

The provision of tax credits as described in the preceding paragraph could provide a sufficient incentive for a student to transfer from a given school district to an alternative educational source, including private schools, home school arrangements or other public school districts. In any case, the portion of State funding allocated to the public school district attended by that student on a per pupil basis would be lost by that public school district upon the transfer of the student out of that district.

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FINANCIAL AND TAX INFORMATION

Five Year General Fund Summary

Set forth below is a summary of the revenues, expenditures, and changes in fund balance of the School District's General Fund for the fiscal years ended June 30, 2012 through 2016. For more complete information, reference is made to the audited financial statements of the School District for fiscal years ended June 30, 2012 through 2016, copies of which are available on the School District's website at http://www.darlington.k12.sc.us/departments/finance_and_procurement/financial_audit_report.

	2012	2013	2014	2015	2016
Revenue					
Local	$27,192,467	$27,566,252	$27,851,977	$29,187,327	$30,278,625
State	40,947,928	42,857,710	43,780,815	46,466,656	46,924,123
Intergovernmental	168,581	83,835	190,373	110,152	283,589
Total Revenue	$68,308,976	$70,507,797	$71,823,165	$75,764,135	$77,486,337
Expenditures					
Instruction	$34,531,663	$38,860,132	$40,178,130	$40,763,348	$42,222,131
Support Services	27,014,080	28,984,561	30,630,616	33,297,940	35,378,220
Community Services	426	0	0	0	3,020
Intergovernmental	111,924	118,836	2,501	2,067	2,785
Debt Service					
Principal	76,501	16,906	0	0	0
Interest	584	28	0	0	0
Capital Outlay	0	472,305	1,100,336	3,255,924	4,713,588
Total Expenditures	$61,735,178	$68,452,768	$71,911,583	$77,319,279	$82,319,744
Excess of Revenues Over (Under) Expenditures	6,573,798	2,055,029	(88,418)	(1,555,144)	(4,833,407)
Other Financing Sources (Uses)					
Operating Transfers In	1,702,197	2,386,355	2,032,030	2,515,680	2,045,856
Operating Transfers Out	(45,048)	(54,138)	(362,081)	(7,113,138)	(45,450)
Total Other Financing Sources/Uses	1,657,149	2,332,217	1,669,949	(4,597,458)	2,000,406
Excess Revenues & Other Financing Sources Over (Under) Expenditures & Other Uses	8,230,947	4,387,246	1,581,531	(6,152,602)	(2,833,001)
Fund Balance, Beginning of Year	$24,463,685	$34,172,434[1]	$38,559,680	$40,141,211	$33,750,658[1]
Prior Period Adjustments					
Fund Balance, End of Year	$32,694,632	$38,559,680	$40,141,211	$33,988,609[2]	$30,917,657[3]

(1) Beginning fund balance restated.
(2) Reduction in Fund Balance due to use of approximately $18,000,000 to prepay a portion of the outstanding principal of the District's Series 2005 General Obligation Bonds.
(3) Reduction in Fund Balance due to a $2,600,000 technology purchases.

Management's Discussion

During the last four fiscal years, revenues from local sources, which consist primarily of tax revenues, increased from $27,192,467 in the Fiscal Year 2012 to $30,278,625 in Fiscal Year 2016, an average annual increase of 2.84%, primarily due to growth in real property values and vehicle taxes. Revenues from State sources increased from $40,947,928 in Fiscal Year 2012 to $46,924,123 in Fiscal Year 2016.

During the last four fiscal years, instruction expenditures increased from $34,531,663 in Fiscal Year 2012 to $42,222,131 in Fiscal Year 2016, and support services expenditures increased from $27,014,080 in Fiscal Year 2012 to $35,378,220 in Fiscal Year 2016. The increases in these expenditures over this period were primarily due to the loss of Federal Stimulus funds and expenditures returning to general operations.

Budget Procedure

The State Constitution requires that the School District adopt a balanced budget for each fiscal year. State law requires that the School District operate on a fiscal year that begins July 1 and requires the School District to adopt prior to the beginning of each of its fiscal years operating and capital budgets identifying the sources of anticipated revenues, including taxes necessary to meet the financial requirements of the budgets so adopted.

Each school within the School District is responsible for preparing a budget request and presenting it to the Superintendent's office. The Superintendent's office reviews each request, formulates the budget, and presents it to the Board for approval. Pursuant to Act No. 179 of 1997 ("Act 179"), the levy for operational taxes may not be increased more than five mills over the amount levied for the previous year unless approved by referendum. Act 388, however, has repealed the referendum provisions of Act 179 and further restricts the authority of the Board to increase operating millage rates. See "CERTAIN FISCAL MATTERS—Millage Levy Authority" herein.

Fiscal Year 2016-17 Budget Summary

Set forth on the following page is a summary of the School District's adopted budget for its General Fund for the years ended June 30, 2017.

Revenues:	FY 2016-2017
Local Sources	$26,950,000
State Sources	48,567,745
Intergovernmental and Transfers from Other Funds	2,229,468
Designation of Fund Balance	0.00
Total Revenues	$77,747,213
Expenditures:	
Instruction	$44,375,503
Support Services	33,045,954
Intergovernmental	1,500
Transfers to other Funds	326,256
Total Expenditures	$77,749,213

Revenues

The unaudited financial information of the School District for Fiscal Year 2016 indicates that 62% of general fund revenues were derived from the State and 38% of general fund revenues were provided by local sources.

Revenues from the State. The largest source of operating revenues for the School District is the State. These revenues include 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. During the years shown below, the School District received, or expects to receive, the following amounts as general fund revenues and special revenues from the State.

Fiscal Year	General Fund Revenues	Special and Other Revenues	Total
2016-17[1]	$48,567,745	$8,950,000	$57,517,745
2015-16	46,924,123	8,468,662	55,392,785
2014-15	46,466,656	10,735,145	57,201,801
2013-14	43,780,815	8,855,457	52,636,272
2012-13	42,857,710	7,956,797	50,814,507
2011-12	40,947,928	9,331,070	50,278,998

(1) Budgeted.

The School District, as described below under the heading *"Revenues from Ad Valorem Taxes,"* receives revenues from the State to replace *ad valorem* tax revenue losses resulting from homestead exemptions.

Education Finance Act. Almost half of the General Fund revenues received from the State are paid to the School District under the Education Finance Act (the "EFA"). The EFA was enacted in order to implement a basic education program, known as the Foundation Program. The State funds an average of 70% of the cost of the Foundation Program on a statewide basis, using an "index of taxpaying ability" to adjust the required local contribution and State contribution toward the cost of the Foundation Program. EFA funding for the School District runs very close to the statewide ratio. Beginning in Fiscal Year 2015, the State of South Carolina revised the funding formula to include certain funding under the EFA that was formerly funded under the EIA. Therefore, the EFA revenue has increased and EIA funding has decreased. Listed below are the State contributions to the Foundation Program for the fiscal years shown.

State Contributions to EFA Foundation Program

Fiscal Year	Amount
2016-17[1]	$24,528,623
2015-16	23,441,151
2014-15	22,633,213
2013-14	21,206,318
2012-13	20,498,388
2011-12	19,606,363

(1) Allocation.

Education Improvement Act. Most all of the special revenues received from the State are paid to the School District under the Education Improvement Act of 1984 (the "EIA"). The EIA was enacted to improve the quality of public education in the State through special programs and incentives. The EIA program is funded by a 1¢ increase (per dollar of taxable sales) in the general sales tax. Amounts received by the School District under the EIA are restricted to the programs authorized or mandated by the EIA. Amounts provided to the School District from the EIA for the fiscal years shown are as follows:

EIA Funding Amounts

Fiscal Year	Amount
2016-17[1]	$5,691,157
2015-16	5,761,527
2014-15	6,266,526
2013-14	6,546,186
2012-13	6,067,189
2011-12	6,484,756

[1] Budgeted.

Investment Policies

The School District holds and invests all operating funds directly. Bond proceeds and tax collections used to pay debt service on bonds are held and invested by the County Treasurer. Pursuant to the South Carolina Code, operating funds may be directly invested by the School District in investments specified in Sections 6-5-10, 6-6-30, and 11-1-60 of the South Carolina Code. Bond proceeds and tax collections used to pay debt service on bonds may be directly invested by the County Treasurer in investments specified in Sections 6-5-10, 6-6-30, 11-1-60, and 12-45-220 of the South Carolina Code. In both cases, the funds may be invested with the consent of the investor's governing body, by purchase of participation units in the South Carolina Pooled Investment Fund established under Section 6-6-10 of the South Carolina Code. The South Carolina State Treasurer manages the South Carolina Pooled Investment Fund, which may be comprised of the investments specified in Sections 6-5-10 and 11-9-660 of the South Carolina Code. Several of the applicable sections of the South Carolina Code are outlined below. For more detailed information, reference should be made to the specific South Carolina Code section.

Section 6-5-10 of the South Carolina Code authorizes the following investments: (1) obligations of the United States and its agencies; (2) obligations issued by the Federal Financing Bank, the Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration and the Farmers Home Administration, if at the time of the investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two rating categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations; (3) general obligations of the State of South Carolina or any of its political units; (4) savings and loan associations to the extent that the same are insured by an agency of the federal government; (5) certificates of deposit that are collaterally secured by securities of the type described in clauses (1) and (2) of this paragraph and held by a third party as escrow agent or custodian; (6) repurchase agreements when collateralized by securities as set forth in this paragraph; and (7) no load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in clauses (1), (2), (3) and (6) of this paragraph, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, values its assets by the amortized cost method.

Section 11-1-60 of the South Carolina Code authorizes investments in shares of any federal savings and loan association, FSLIC-insured shares of any South Carolina building and loan association, certain obligations of federal home loan banks, and certain obligations of the Federal Home Loan Bank Board. Section 12-45-220 authorizes the County Treasurer to make all of the investments authorized under Section 6-5-10 as described above, other than those described in clause (5).

Fringe Benefits, Retirement, and Health Insurance

The School District is responsible for providing certain fringe benefits to employees, including bus drivers. Those fringe benefits available include social security, the State retirement plan (which requires employee as well as employer contribution) and health and dental plans. The School District contributes to the South Carolina Retirement System (the "SCRS"). Employer contributions are set at a percentage of the total member's annual compensation, plus a percentage for group life insurance, and a percentage for retiree health insurance. Total employer retirement contributions to the SCRS paid on behalf of the School District are shown in the following table:

Fiscal Year	Employer Contribution	Group Life Insurance	Retiree Health Insurance	Total % Contribution	Total $ Contribution
2017	11.41%	0.15%	5.33%	16.89%	$10,215,775[(1)]
2016	10.91	0.15	5.33	16.39	9,336,574
2015	10.75	0.15	5.00	15.90	8,699,253
2014	10.45	0.15	4.92	15.52	8,280,361
2013	10.45	0.15	4.55	15.15	8,009,677
2012	9.385	0.15	4.30	13.84	7,112,050

(1) Estimate.

Act No. 278 of 2012 amends prior laws regarding the System in several material aspects. For example, employer and employee contributions, excluding group and health insurance components, will increase over three years, beginning in the fiscal year ending June 30, 2013, as follows:

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

The Board of Directors of the System may increase the contribution rate in the fiscal years ending June 30, 2017 and thereafter, provided that no increase may result in a differential between the employer contribution rate and the employee contribution rate in excess of 2.9% of compensation. Such rate increases are mandatory if rates in force are insufficient to maintain a thirty year amortization schedule for unfunded liabilities of the System. The Board of Directors of the System may, after the fiscal year ending June 30, 2016, reduce contribution rates if the ratio of the actuarial valuation of assets of the System to the actuarial accrued liability of the System is greater than or equal to 90%, but only to the extent that the Board of Directors of the System determines that reduction will not reduce such ratio below 90%.

The School District also provides comprehensive group health insurance through the State Employees Group Plan administered by Blue Cross-Blue Shield of South Carolina and various health maintenance organizations. Employees are eligible for the State of South Carolina Dental Program. The School District also offers a cancer policy, a term basic, optional, and dependent life insurance policy, an accidental death and dismemberment policy and a supplemental hospital plan. Employer contributions are made on behalf of the employees at fixed rates. Health and dental insurance contributions to the System paid on behalf of the employees are shown below:

Fiscal Year	Employer Contributions
2015-16	$8,258,676
2014-15	7,803,847
2013-14	7,371,406
2012-13	6,943,190
2011-12	6,552,568

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 until June 30, 2018 when the program ends. 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. Because participants are considered retired during the TERI period, they do not earn service credit and are not eligible to receive group life insurance benefits or disability retirement benefits. The School District continues to pay the employer's share during this period. Effective July 1, 2006, TERI participants who entered the program before July 1, 2005 do not have to contribute to SCRS as long as they are covered under the TERI program. Pursuant to Act No. 278 of 2012, any employee commencing participation in the TERI program after June 30, 2012 must end participation on the earlier occurring of (a) the fifth anniversary of such commencement or (b) June 30, 2018.

Certain School District employees have elected to participate and be covered under the Optional Retirement Program (ORP), a defined contribution plan. 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 thirty days of employment. Contributions to the ORP are required at the same rates as for the SCRS. Total contribution requirements are shown in the following table. Amounts were remitted to the Retirement Division of the State Budget and Control Board and to the ORP for distribution to the respective annuity policy providers. The obligation for payment of benefits resides with the insurance companies.

Fiscal Year	Contribution Rate	Incidental Death	Retiree Surcharge	Total ORP Contribution
2016	5.45%	0.15%	5.33%	11.39%
2015	5.45	0.15	5.00	10.90
2014	5.45	0.15	4.92	10.52
2013	5.45	0.15	4.55	10.15
2012	4.39	0.15	4.30	8.84
2011	4.24	0.15	3.90	8.29

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

Other Post-Employment Benefits

The School District is required to pay as part of its pension contributions a surcharge for retiree health and dental insurance. Except for such payments, post-employment benefits, such as health insurance, for School District employees are the responsibility of the State. The School District has no liability for such benefits, and will make no disclosure pertaining to such benefits under Governmental Accounting Standards Board Statement No. 45.

Liability Insurance

Subject to specific immunity set forth in the South Carolina Tort Claims Act, local governments including the School District are liable for damages not to exceed $300,000 per incident/person and $600,000 per occurrence/aggregate. No punitive or exemplary damages are permitted under the Tort Claims Act. Insurance protection to units of local government is provided from either the South Carolina Insurance Reserve Fund established by the State Budget and Control Board, private carriers, self-insurance, or pooled self-insurance funds. The School District currently maintains liability insurance coverage with the South Carolina School Boards Insurance Trust Fund sponsored by the South Carolina School Boards Insurance Trust. In the opinion of the Superintendent, the amount of liability coverage maintained by the School District is sufficient to provide protection against any loss arising under the Tort Claims Act. In the opinion of legal counsel for the School District, there is no litigation pending or threatened against the School District that is not adequately insured by such coverage, except as may be described herein at "CERTAIN LEGAL MATTERS—Litigation."

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CERTAIN FISCAL MATTERS

Property Taxation and Assessment

Article X of the South Carolina Constitution mandates that the assessment of all property, both real and personal, shall be equal and uniform and that the following ratios shall apply in the appropriate classifications of property:

(1) Real and personal property owned by or leased to manufacturers, utilities and mining operations and used in the conduct of such business - 10.5% of fair market value;
(2) Real and personal property owned by or leased to companies primarily engaged in transportation for hire of persons or property and used in the conduct of such business - 9.5% of fair market value;
(3) Legal residence and not more than five contiguous acres - 4% of fair market value (if the property owner makes proper application and qualifies);
(4) Agricultural real property used for such purposes owned by individuals and certain corporations - 4% of use value (if the property owner makes proper application and qualifies);
(5) Agricultural property and timberlands belonging to corporations having more than 10 shareholders - 6% of use value (if property owner makes proper application and qualifies);
(6) All other real property - 6% of fair market value;
(7) Business inventories - 6% of fair market value (as of 1988, there is available an exemption from taxation of property in this category, hence this item is no longer significant, except that the assessed value of business inventory as of tax year 1987 continues to be added to the total assessed value for purposes of the bonded debt limit);
(8) Personal motor vehicles which must be titled by a state or federal agency, limited to passenger motor vehicles and pickup trucks, as defined by law - 6% of fair market value; and
(9) All other personal property - 10.5% of fair market value.

The County Assessor appraises and assesses each year all real property and mobile homes located within the County and certifies the results to the County Auditor (with the exception of Manufacturer's Real Property which is certified by the South Carolina Department of Revenue (the "DOR")). The County Auditor appraises and assesses all motor vehicles (except for large trucks, which are appraised and assessed by the DOR), marine equipment, business personal property and airplanes. The DOR furnishes guides for use by the County in the assessment of automobiles, automotive equipment, and certain other classes of property and directly assesses the real and personal property of public utilities, manufacturers and business equipment.

In each year, upon completion of its work, the DOR certifies its assessments to the County Auditor. During August and September of each year the County Auditor prepares assessment summaries from the respective certifications, determines the appropriate millage levies, prepares the tax bills and then in September charges the County Treasurer with the collection. With the exception of motor vehicles, the South Carolina Tax Control date is December 31st for the ensuing tax year. South Carolina has no state-wide property tax.

The DOR has been charged with the responsibility of taking steps necessary to ensure equalization of assessments statewide in order that all property is assessed uniformly and equitably throughout the State, and may require reassessment of any part or all of the property within the School District. Under law enacted by the South Carolina General Assembly in 1995, every fourth year the County and the State are required by law to effect an appraisal of all property within the County and to implement that appraisal as a new assessment in the following year. Regulations of DOR effectively require that a reappraisal program must be instituted by a county if the median appraisal for all property in such county (as a whole or for any class of property) is higher than 105% or lower than 80% of fair market value. The County last completed and implemented a reassessment program for the 2014 tax year, and the next reassessment program is scheduled to take place in the 2019 tax year.

In addition to limits on growth in operating millage rates, Act 388 provides that the growth in valuation of real property attributable to reassessment may not exceed 15% for each five year reassessment cycle. Growth in valuation resulting from improvements to real property 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.

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

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

<u>Millage Levy Authority</u>

Pursuant to Act 388, the annual millage rate for operations of the School District may increase only at a rate which does not exceed the sum of (a) the increase in the consumer price index, plus (b) the rate of population growth of the political subdivision or school district. This limitation may be overridden by a vote of two-thirds of the Board, but only for the following purposes and only in a year in which such condition exists:

(1) a deficiency of the preceding year;
(2) any catastrophic event outside the control of the governing body such as a natural disaster, severe weather event, act of God, or act of terrorism, fire, war, or riot;
(3) compliance with a court order or decree;
(4) taxpayer closure due to circumstances outside the control of the governing body that decreases by ten percent or more the amount of revenue payable to the taxing jurisdiction in the preceding year; or
(5) compliance with a regulation promulgated or statute enacted by the federal or state government after the ratification date of this section for which an appropriation or a method for obtaining an appropriation is not provided by the federal or state government.

Legislation amending Act 388, adopted in 2011, allows a local government such as the School District to apply in any year millage rate increases which were permitted under Act 388, but not implemented, in any of the three most recent prior fiscal years under the inflation and population growth limitations imposed by Act 388. For example, if a local government was allowed a three mill increase in Fiscal Year 2014 and a five mill increase in Fiscal Year 2015 but implemented neither, it could implement an eight mill increase in Fiscal Year 2016 (along with any increase arising that year) under Act 388.

Homestead Exemption--Property Tax Relief

South Carolina provides, among other tax exemptions, several exemptions for homesteads. The first is a general exemption from all *ad valorem* property taxes and applies to the first $50,000 of value of the dwelling place of persons who are over 65 years of age, totally and permanently disabled, or legally blind (the "Homestead Exemption"). The revenues that would have been received by various taxing entities but for the Homestead Exemption are replaced by funds from the State; with respect to school districts, the amount reimbursed by the State is now static, and has not been increased in a number of years. The State pays each taxing entity the amount to which it is entitled by April 15 of each year from the State's general fund.

Beginning in Fiscal Year 1995, the first $100,000 of appraised value of homesteads was granted an exemption from school operating taxes; amounts which the school districts of the State would have otherwise received were replaced by State revenues (the "Property Tax Relief Exemption"). From Fiscal Year 1999 to Fiscal Year 2007, the replacement revenues appropriated to the school districts of the State pursuant to the Property Tax Relief Exemption were capped, and did not reflect changes in millage rates or changes in the number of exempt homesteads within a particular taxing jurisdiction. The following amounts were received by the School District as general fund revenues from the State on account of the Homestead Exemption and Property Tax Relief Exemption for the years shown:

Fiscal Year	Tax Year	Homestead Exemption	New Homestead and Property Tax Relief Exemption
2015-16	2015	$4,746,341	$5,614,176
2014-15	2014	4,746,341	5,894,607
2013-14	2013	4,746,341	5,129,765
2012-13	2012	4,746,341	5,328,669
2011-12	2011	4,746,341	4,536,768

Source: Darlington County Treasurer; School District.

Beginning in Fiscal Year 2008, the Property Tax Relief Exemption was amended pursuant to Act 388 such that 100% of the value of owner-occupied real property is exempt from all taxes levied for school district operating purposes (the "New Homestead Exemption"). A portion of the amounts which the school districts of the State would receive but for the New Homestead Exemption will be replaced with the proceeds of an additional one percent sales tax imposed State-wide.

Pursuant to Act 388, an additional one percent sales tax was imposed State-wide beginning on June 1, 2007. The additional tax does not apply to certain items, including certain accommodations (*e.g.*, hotels, motels, campgrounds and the like), items taxed at a defined maximum tax (*e.g.*, automobiles, taxed at a maximum of $300, regardless of sales price), and unprepared food (which has been exempt from the general sales tax since 2009). Receipts from the new one percent sales tax must be credited to the "Homestead Exemption Fund" created pursuant to Act 388.

As stated above, the New Homestead Exemption exempts all owner-occupied real property in the State from *ad valorem* property taxes levied for school district operations to the extent not exempted by reason of the Homestead Exemption and the Property Tax Relief Exemption. Proceeds of the sales tax deposited in the Homestead Exemption Fund are distributed to the school districts of the State in substitution for the *ad valorem* property taxes not collected as a consequence of the New Homestead Exemption, provided, however, that in no event is the amount of sales taxes distributed to the school district or districts within any county less than $2,500,000 in the aggregate. Act 388 contains provisions for distribution to multiple school districts within a single county of any amounts made available under the preceding sentence.

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

During its 2007 session, the General Assembly enacted Act No. 57 ("Act No. 57"), which amended Section 11-11-156 of the Code of Laws of South Carolina, 1976 as amended, to provide for the schedule for disbursement of funds to school districts from the Homestead Exemption Fund. The disbursements are divided into three tiers. The Tier 1 disbursement includes the amount of the Property Tax Relief Exemption. Tier 2 is the amount of the Homestead Exemption for all property taxes applied to the first $50,000 of fair market value of owner-occupied residential property of persons who are 65 years of age, permanently disabled or legally blind. Tier 3 is the amount of the New Homestead Exemption to be reimbursed from the 1% sales tax to replace revenue that would have been collected from the appropriation of school operating millage on owner-occupied residential property.

As amended by Act No. 57, Section 11-11-156(5)(b) provides that:

(i) ninety percent of the Tier 1 reimbursement must be paid in the last quarter of the calendar year no later than December first. The balance of the Tier 1 reimbursement must be paid in the last quarter of the fiscal year that ends June thirtieth following the first tier one reimbursement date;

(ii) Tier 2 reimbursements must be paid on the same schedule as the second Tier 1 reimbursement;

(iii) Tier 3 reimbursements must be paid in nine equal monthly installments based on one-tenth of the State estimate, beginning not later than October fifteenth. A final adjustment balance payment must be made before the closing of the State's books for the fiscal year.

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

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

The substitution of sales tax revenues for property tax revenues imposed by Act 388, to the extent that growth in its operating expenses exceeds the growth rate of sales tax reimbursements from the State, may have a material impact on School District operations. Growth in sales tax reimbursements is subject both to restrictions contained in Act 388 and to the growth in State sales tax collections generally.

The following amounts were distributed to the School District from the New Homestead Exemption (Tier 3) for the years shown:

Fiscal Year	District Allocation
2015-16	$5,239,350
2014-15	5,519,781
2013-14	4,758,939
2012-13	4,953,843
2011-12	4,091,425

The School District's ability to compensate for insufficiencies in sales tax reimbursements (regardless of the cause of insufficiency) through an increase in its millage rate will be limited as discussed under the heading "THE SCHOOL DISTRICT – Millage Levy Authority" above. The School District cannot predict whether in any year the sales tax reimbursement will be insufficient to meet growth in operating expenses.

Payments in Lieu of Taxes

South Carolina has adopted an array of property tax inducements and incentives to promote investment in the State. Qualifying investments of $5 million ($1 million in some counties and for certain "brownfield" sites) or more may be negotiated for payments in lieu of taxes for a period of 20 years based on assessment ratios of as little as 6% and using millage rates that are either fixed for 20 years or adjusted every fifth year. In some cases, owners of projects may also design a payment schedule so long as the present value of the payments under the schedule are equal to the present value of the payments that would have been made without the schedule. The State also provides a more generous inducement for projects creating at least 200 new jobs and providing new invested capital of not less than $200 million and a total investment of not less than $400 million. For these projects payments may be negotiated based on assessment ratios of as low as 4% and for a term of 30 years.

The State provides alternative provisions respecting the distribution of payments in lieu of taxes to entities having taxing jurisdiction at the location of the investment: (i) revenues received in respect of property that is not included in a multicounty industrial park ("MCIP") are allocated annually in proportion to the amounts that would have been received by the taxing entities if the payments were taxes, based on the relative millage rates of overlapping taxing entities in a given year; (ii) revenues received from property that is in an MCIP, however, is distributed in accordance with the agreement creating the park; the amount of the distribution to each taxing entity is, for all practical purposes, controlled by the County. Property may be included in an MCIP under terms of agreements between two or more counties with individual sites being determined primarily by the county in which they are located. Payments in lieu of taxes may be diverted from taxing entities to fund projects which support economic development activities, including projects that are used solely by a single enterprise, either directly or through the issuance of special source revenue bonds secured by payments in lieu of taxes. A county government may also divert payments in lieu of taxes derived from an MCIP to its own corporate purposes or those of other taxing entities in that county.

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

Projects on which these payments in lieu of taxes are made are considered taxable property at the level of the negotiated payment for purposes of calculating bonded indebtedness limits and for purposes of computing the index of taxpaying ability pursuant to the South Carolina Education Financing Act. If the property is situated in an MCIP, the calculation of assessed value for debt limit purposes is based upon the relative share of payments received by all taxing entities which overlap the MCIP. Accordingly, a recipient of payments from an MCIP is able to include only a fraction of the assessed value of property therein in calculating its debt limit.

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

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

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

<u>Exempt Manufacturing Property</u>

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

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Assessed and True Value of Taxable Property

The assessed and true value of all taxable property in the School District as of December 31, 2016 is set forth below:

	Class of Property	Market Value	Assessment Ratio	Assessed Value[1]
1.	Real Property and Mobile Homes	$1,553,109,750	4.00%	$62,124,390
		652,690,834	6.00	39,161,450
2.	Motor Vehicles	31,111,810	10.50	3,266,740
		393,714,067	6.00	23,622,844
3.	Utilities & Transportation	712,792,477	10.50	74,843,210
4.	Manufacturing Property	129,653,334	10.50	13,613,600
5.	Watercraft	8,340,496	10.50	875,752
6.	Airplanes	21,377,000	4.00	855,080
7.	Merchants' Inventory	28,452,667	10.50	2,987,530
8.	Other Personal Property	8,749,715	10.50	918,720
9.	Property Subject to Fee-In-Lieu of Taxes	40,890,784	6.00	2,453,447
10.	Property in a Multi-County Industrial Park	20,428,934	6.00	1,225,736
11.	Business Personal Property (DOR Assessment)	47,169,524	10.50	4,952,800
	Total	$3,648,481,392		$230,901,299

(1) Excludes reimbursements for motor carriers' assessment in the amount of $498,492 and manufacturer's depreciation assessment in the amount of $3,479,650.
Source: Office of the Comptroller General, State of South Carolina

Set forth below is the assessed value of taxable real and personal property of the School District as of December 31 for the years indicated.

Tax Year	Real Property[1]	Personal Property	Total[2]
2015	$100,752,770	$128,419,399	$229,172,169
2014[3]	100,586,980	123,866,121	224,453,101
2013	96,821,975	123,029,900	219,851,875
2012	95,479,875	122,317,607	217,797,482

(1) County assessment only.
(2) Excludes assessments for motor carrier reimbursements and manufacturers' depreciation.
(3) Reassessment.
Source: Darlington County Auditor.

Millage History

All residents of the School District pay property taxes to the School District, Darlington County, and all other overlapping governments which levy property taxes. Presented below is the millage history for School District taxes broken down into the debt service levy and the general operations levy for the fiscal years shown:

Year Ended June 30	Tax Year	School Debt Service	Operations Levy	Total
2016-17	2016	16.62	168.68	185.30
2015-16	2015	16.62	168.68	185.30
2014-15	2014	26.14	168.68	191.14
2013-14	2013	22.46	168.68	191.14
2012-13	2012	22.70	168.68	191.38

Source: Darlington County Auditor; Darlington County School District.

Tax Collection Procedure

In South Carolina, local taxes for counties, schools and special purpose districts are levied as a single tax bill which each taxpayer must pay in full. Taxes are levied by the Auditor of the various counties. In Darlington County, current and delinquent tax collections are made through the office of the Treasurer of Darlington County.

Real and personal property taxes in each of the counties are due on or before January 15 of each year with the exception of taxes on motor vehicles. All personal property taxes on motor vehicles are due on or before the last day of the month in which the license tag for each such motor vehicle expires. If property taxes, other than taxes on motor vehicles, are not paid on or before January 16, a penalty of 3% is added; if not paid by March 1, an additional penalty of 7% is added; if not paid on or before March 17, an additional penalty of 5% is added and taxes go into execution. Taxes on motor vehicles are subject to similar penalties measured from the due date thereof. Unpaid taxes, both real and personal, constitute a first lien against the property. The tax collector is empowered to seize and sell so much of the defaulting taxpayer's estate, real, personal, or both, as may be sufficient to satisfy the taxes.

Tax Collection Record

Set forth in the following table is information concerning property tax levies and collections (for both operational and debt service purposes) of the School District for the fiscal years indicated.

Fiscal Year	Amount Levied	Current Collections	Current % Collected	Delinquent Collections[(1)]	Total % Collected[(2)]
2016-17[(3)]	$46,287,350	$41,209,074	89.03%	$1,682,268	92.07%
2015-16	46,587,409	41,447,145	88.97	2,115,863	93.51
2014-15[(4)]	41,728,112	36,807,269	88.21	2,321,441	93.77
2013-14	37,081,666	34,794,767	93.83	1,761,235	98.58
2012-13	37,837,370	34,990,231	92.48	2,149,974	98.16
2011-12	35,046,183	28,142,527	80.30	2,325,307	86.94

(1) The figures in this column represent delinquent taxes collected during each respective fiscal year but levied during that year or a previous year.

(2) Includes delinquent taxes from previous years.

(3) Reflects collections through March 1, 2017.

(4) Reassessment.

Source: Darlington County Treasurer.

Ten Largest Taxpayers

The ten largest taxpayers in the School District, the 2015 assessed value for the taxable property located within the School District of each of these taxpayers, and the amount of 2015-16 taxes paid by these taxpayers, are shown below.

	Name	Assessed Value	School Taxes Paid[1]
1.	Duke Energy Center	$65,778,910	$16,722,641
2.	Sonoco Products Company	10,616,057	3,066,168
3.	Darlington County Nucor Steel	8,597,116	2,481,139
4.	Dixie Consumer Products	2,967,123	1,160,047
5.	Pee Dee Electric Cooperative	3,403,420	941,881
6.	Carolina Pines Regional Medical	2,357,100	865,401
7.	Galey & Lord(Swift Galey)[1]	2,090,090	596,858
8.	Bellsouth Telecommunications	1,180,955	406,349
9.	Roller Bearing Co. of America	1,544,590	370,826
10.	Darlington Raceway	1,092,093	317,515

[1] Bankruptcy.
Source: Darlington County Auditor; Darlington County Treasurer.

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DEBT STRUCTURE

Legal Debt Limit of the School District

The School District is authorized by law to incur general obligation indebtedness and may also contract for the acquisition of capital assets through lease-purchase agreements subject to annual appropriation termination clauses. The School District has issued general obligation bonded indebtedness as described below. Payment on debt service of the School District's obligations is handled by the Darlington County Treasurer.

The School District has a limit on the amount of general obligation debt it may incur from and after November 30, 1982, equal to 8% of the assessed valuation of property within its jurisdiction. Indebtedness outstanding on November 30, 1982, and any refunding thereof, and any indebtedness approved in a referendum or any refunding thereof is excluded from the limit. Also excluded from the calculation of a school district's debt limit is any indebtedness issued in anticipation of the collection of *ad valorem* taxes.

The School District's current general obligation bonded debt limitation is computed below:

2016 Assessed Value	$230,901,299
	x 8%
Constitutional Debt Limit	$18,472,104
Outstanding Debt Subject to Limit	$5,610,000
General Obligation Debt Available Without Referendum	$12,862,104

Statutes authorizing the payment of fees in lieu of taxes (See "CERTAIN FISCAL MATTERS—Payments in Lieu of Taxes" above) provide that the property from which such fees are derived may be included in the calculation of debt limit. These statutes provide formulae whereby the assessed value for debt limit purposes of property subject to a fee in lieu of taxes is determined, based upon the most recently received annual payments in lieu of taxes received by a particular taxing entity. The foregoing calculation of debt limit does not include that derived from property subject to fees in lieu of taxes.

Outstanding Debt

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

Date of Issue	Final Maturity	Amount Issued	Outstanding as of March 1, 2017
09/13/16	05/01/17	$5,610,000	$5,610,000

Composite Debt Service

The following table shows the annual debt service requirements on the School District's outstanding general obligation bonds, including the Series 2017 Notes:

Calendar Year	Series 2016 Bond	Series 2017 Note	Total
2017	$5,639,489.90		$5,639,489.90
2018		$15,300,000.00	15,300,000.00
Total	$5,639,489.90	$15,300,000.00	$20,939,489.90

Capital Needs

Owing to expected continued growth in the School District, additional capital needs will likely develop over time. Absent a change in State law, general obligation bonds are the only source of funding for such needs. Except as may be permitted under the School District's debt limit, such general obligation bonds must be approved by referendum. The School District believes that its additional capital needs within the next five years can be met through the annual issuance of general obligation bonds within its debt limit.

The issuance of up to $60,000,000 principal amount of general obligation bonds was approved by the 2016 Referendum. See "THE BONDS—Debt Limit." The remaining general obligation debt authorized by the 2016 Referendum must be issued no later than November 8, 2021; the School District presently anticipates that all such debt will be issued by the end of calendar year 2018.

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

Under the provisions of Article X, Section 14 of the South Carolina Constitution, each county, incorporated municipality, and special purpose district may, in such manner and upon such terms and conditions as the General Assembly shall prescribe by general law, incur general obligation debt authorized by a majority vote of the qualified electors thereof voting in a referendum, without limitation as to amount, and incur, without an election, general obligation debt (in addition to bonded indebtedness existing on November 30, 1977, and bonded indebtedness authorized by a majority vote of qualified electors) in an amount not exceeding 8% of the assessed value of all taxable property therein.

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.

ECONOMIC CHARACTERISTICS AND DATA

Description of Darlington County, South Carolina

Darlington County (the "County') was formed in 1785 and is located in the northeastern section of South Carolina, also known as the Pee Dee Region. The County contains approximately 561 square miles and is bordered by Florence, Lee, Marlboro and Chesterfield counties. The City of Darlington ("Darlington") is the County seat and had a July 1, 2015 population estimate of 6,155. It is home to the oldest elementary school in the state (c.1818) and Clemson University's Pee Dee Research and Education Center, and has 175 properties listed on the National Register of Historic Places. Agriculture has been an important factor in Darlington's economy, and for many years maintained the largest tobacco market in South Carolina. Today, Darlington is home to major industries such as Georgia Pacific, Nucor Steel and PolyQuest. The City of Hartsville ("Hartsville"), incorporated in 1891, is the largest city in the County with a July 1, 2015 population estimate of 7,826. Hartsville is diverse in its offering of historical sites, cultural events, educational opportunities and major businesses and is home to the South Carolina Governor's School for Science and Mathematics, one of only two in the State. Hartsville has numerous industries such as Sonoco headquarters, Duke Energy Progress and Hilex Poly. Duke Energy Center for Innovation supports economic development in Hartsville and surrounding areas and helps failing businesses find commercial success.

The County is home of the Darlington Raceway (NASCAR) and Darlington International Dragway, which together attract substantial numbers of race fans each year. Darlington Raceway has celebrated more than 67 years of racing and continues to keep pace with the booming NASCAR world with updates to the track's facilities and amenities. The track has a significant economic impact for the Pee Dee Region, generating over $50 million annually. Darlington International Dragway has operated for over 40 years and hosts the most heavily-attended sportsman crowd than any other track.

Commerce and Industry

In October 2015, Cypress Creek Renewables announced its investment of more than $10 million to establish solar power operations in the County with an expectation to create 40 to 60 jobs during construction. The 65-acre solar facility will produce ten megawatts of energy at full capacity which is enough to provide inexpensive, secure, clean energy to approximately 2,000 South Carolina homes. The company specializes in the ownership and development of long-term solar energy projects.

Rogers Brothers Farm invested approximately $6 million to establish a new peanut facility in the County in 2014, creating approximately 30 new jobs. The Farm buys, stores and shells locally grown peanuts for the company's commercial market at its new, 80,000-square foot facility in Hartsville. The raw shelled peanuts will be sold for food processing, wildlife feed and oil crushing. Founded in 1970, Rogers Brothers Farm has grown into the state's largest cotton farm and one of the largest modern row crop farms in South Carolina. The family-owned company produces five different crops: cotton, corn, peanuts, wheat and soybeans.

As part of a $100 million investment in the County, Sonoco dedicated a new biomass facility at its Hartsville plant in January 2014. This two-year project replaced two aging, coal-fired boilers and added a new biomass boiler which is fueled mostly by woody biomass from regional logging activity, but can also run on natural gas. The boiler will produce about 16 megawatts of green energy that will be consumed by the plant as well as steam to be used in the paper-making process. Sonoco is a multi-billion dollar global provider of packaging for a variety of industries and many of the world's most recognized brands, serving customers in 85 nations.

Birdsong Peanuts headquartered in Suffolk, VA, announced plans to locate a buying station in the County with an anticipated investment of $47 million and the creation of approximately 55 new, full-time jobs. The company operates plants in Georgia, Texas and Virginia and supplies manufacturers both domestically and internationally. The company purchases raw peanuts from peanut farmers, shells them, and markets them to customers worldwide. Originally a storage company in 1911, Birdsong Peanuts has become a world leader in the peanut industry.

Major Manufacturing Employers

Set forth below are the top ten manufacturing employers located in the County, their type of business, and approximate number of employees. There can be no assurance that any employer listed below will continue to be located in Darlington County. No independent investigation has been made of, and no representation can be made as to the stability or financial condition of, the employers listed below, except as noted:

Industry	Product or Service	Employees
Sonoco Products Company	Packing Products	1,347
Georgia Pacific	Paper	600
Nucor	Steel	505
RBC Bearings	Ball and Roller Bearings	200
Stingray Boats	Pleasure Boats	148
Citi Trends	Distribution Center	140
Chesterfield Lumber Company	Sawmill/Quality Flooring	125
Darlington Veneer	Wood Products	115
Diamond Hill Plywood	Distributor of Construction Products	105
JBE	Supply Chain Management	100

Source: Darlington County Economic Development, 2016

Retail Sales

The following table shows the level of gross retail sales for businesses located in the County for the last five years.

Year	Gross Retail Sales
2015	$1,259,440,253
2014	1,115,031,151
2013	1,079,869,926
2012	1,075,677,033
2011	1,045,226,025

Source: South Carolina Department of Revenue, Administrative Division.

Per Capita Personal Income

The per capita income in the County, the State, and the United States for each of the last five years for which information is available is shown below.

Year	Darlington County	South Carolina	United States
2015	$33,680	$38,302	$48,112
2014	32,553	36,860	46,414
2013	32,185	35,287	44,462
2012	31,022	35,461	44,266
2011	30,341	34,220	42,453

Sources: Board of Economic Advisors and Office of Economic Research of the South Carolina Revenue and Fiscal Affairs Office; U.S. Department of Commerce, Bureau of Economic Analysis.

Unemployment

The County's estimated unemployment rate as of December, 2016 was 5.2%. The following table shows County, State and national unemployment rates for the years shown:

Year	Darlington County	South Carolina	United States
2015	7.4%	6.0%	5.3%
2014	8.0	6.4	6.2
2013	9.3	7.6	7.4
2012	11.0	9.2	8.1
2011	12.9	10.6	8.9

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

Labor Force and Employment

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

	2015	2014	2013	2012	2011
Civilian Labor Force	30,054	29,666	30,063	30,373	30,451
Employment	27,829	27,307	27,260	27,020	26,518
Unemployment	2,225	2,359	2,803	3,353	3,933
% of Labor Force Unemployed	7.4%	8.0%	9.3%	11.0%	12.9%

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

Population Figures

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

Year	Population
2015[(1)]	67,548
2010	68,681
2000	67,394
1990	61,851
1980	62,717

[(1)] July 1, 2015 population estimate.
Source: U. S. Bureau of the Census; Board of Economic Advisors and Office of Economic Research of the South Carolina Revenue and Fiscal Affairs Office.

Facilities Serving the School District

Transportation –Darlington County is serviced by Interstates 95 and 20, US Highways 15, 52 and 401 and SC Highways 102 and 151. Genesee & Wyoming's South Carolina Central Railroad operates 27 miles within the County. The railway service interchanges with Class I Railroad CSXT in Florence, S.C. Florence Regional Airport is located just ten miles from the County and provides daily flights to Charlotte Douglas International Airport. Myrtle Beach International Airport and Columbia Metropolitan Airport are only 80 miles from the County.

Medical and Health Services – McLeod Regional Medical Center Darlington, part of McLeod Health, offers a wide range of outpatient services such as physical, occupational and speech therapy, digital mammography, laboratory and cardiopulmonary services. McLeod Darlington also provides acute care with 49 inpatient beds and a skilled care unit available for those in need of short-term care, such as hospice patients or patients waiting for a bed at an inpatient nursing facility. McLeod Behavioral Health Services is also located on the Darlington campus. The 23-bed short-term acute care inpatient facility provides care and treatment for a psychiatric illnesses and substance abuse issues. McLeod Health is a locally owned healthcare system with more than 750 physicians, 2,000 registered nurses and more than 8,200 employees. McLeod Health offers 931 acute licensed beds and has a network of seven hospitals located in Florence, Darlington, Dillon, Manning, Cheraw, Loris and Little River with a recent expansion into the Carolina Forest area of Myrtle Beach. McLeod Health is a medical leader and has established Centers of Excellence in Heart, Cancer, Surgery, Neurosurgery, Emergency Services, Children's and Women's services, Home Health and Hospice services.

Carolina Pines Regional Medical Center located in Hartsville is a 175,000 square-foot, 116-bed acute care hospital and medical complex. This facility offer the latest laboratory technology, advanced radiology and diagnostic imaging equipment, a 12-bed intensive care unit, a women's center, pediatric wing, labor and delivery services, cardiac care, cancer care, sleep center and general medical/surgical services, as well as a state-of-the-art 24-hour emergency department. In 2015, Carolina Pines partnered with the Medical University of South Carolina (MUSC) to allow telehealth staff and physicians at MUSC to work with Carolina Pines staff via Tele-ICU. The goal is to provide local care to patients so they don't have to travel long distances for certain specialized care. They also invested $2.1 million for a state-of-the-art MRI/Caring Suite; launched a new electronic health record system; and has invested more than $7.3 million in their facilities within the past year including technology replacement, information technology additions/updates and routine facility upkeep and maintenance.

Carolinas Hospital System in Florence, the largest hospital in the Pee Dee region, is a 420-bed facility with approximately 250 doctors representing all major specialties such as behavioral health, cancer care, bone and joint care, emergency and Level III trauma center, obstetrics, neurosurgery, labor and delivery, women's health, Bruce Hall, a center for the treatment of drug and alcohol dependency and the area's first accredited Chest Pain Center. Affiliates of Carolinas Hospital System include Carolinas Medical Alliance. In 2016, the hospital joined the Mayo Clinic Care Network, which will give physicians access to Mayo Clinic expertise to benefits patients. The goal of the network is to get answers to complex medical questions while staying close to home, and to improve the delivery of health care to patients through high-quality, data-driven, medical care and treatment.

Higher Education – The Florence-Darlington Technical Education Center ("FDTC") was established in 1963 to serve Florence, Darlington and Marion counties. In 1974, the FDTC received accreditation from the Southern Association of Colleges and Schools and changed its name to FDTC. FDTC is one of 16 technical colleges that make up the South Carolina Technical Education System, which is under the coordination of the South Carolina Board for Technical and Comprehensive Education. Its original campus of less than 10 acres has expanded to nearly 240 acres with a modern complex of ten major buildings totaling nearly 750,000 square feet. FDTC is a two-year technical school and had a Fall 2016 enrollment of 6,003. FDTC is home to an Advanced Welding and Cutting Center, the only American Welding Society certified facility of its kind in the southeast, and the Southeastern Institute of Manufacturing and Technology ("SiMT"). SiMT, located on a 146-acre campus in Florence, S.C., is a premiere technical service provider and training facility for industry in the southeastern U.S. The campus provides additive manufacturing and rapid prototyping, advanced machining, interactive digital center, advanced design engineering, 3D/virtual reality services as well as manufacturing workforce development and business process training in areas of robotics, electronics, health, safety, computing, environmental, and advanced and automated manufacturing technology services.

Coker College ("Coker"), located in Hartsville, S.C., is a private, coeducational college on 15 acres featuring Georgian-style buildings, some of which are listed on the National Register of Historic Places. Offering 50 areas of study and a student-to-faculty ratio of 12:1, 90% of the 63 full-time faculty hold a doctorate or highest equivalent degree. Focusing the curriculum on the liberal arts, degrees are awarded in Bachelor of Arts, Bachelor of Science, Bachelor of Social Work and Master of Science in College Athletic Administration. The Elizabeth Boatwright Coker Performing Arts Center is one of the most advanced facilities in the country for dance, theater, music and communication studies. Coker College is ranked among the "Best Colleges in the South" by both U.S. News & World Report and The Princeton Review. Fall 2016 enrollment for Coker was 1,225 students.

Francis Marion University ("FMU"), located in adjacent Florence County, is a four-year, comprehensive university founded in 1970. Providing a strong liberal arts education, FMU offers a broad range of undergraduate majors enhanced by three professional schools – the School of Business, School of Education and School of Health Sciences. FMU also offers graduate programs in business, education, psychology and nursing. The Luther F. Carter Center for Health Sciences opened in downtown Florence in the Fall of 2016 and houses FMU's Nurse Practitioner/Nurse Education program, the new Physicians' Assistant Program, Clinical Psychology Master's Program and USC's $3^{rd-}$and 4^{th-} year Medical Student Clinical programs. FMU also has an outstanding NCAA athletic program with seven sports each for men and women. The Robert E. McNair Center for Research and Service at FMU provides academic, research and outreach services to strengthen the ties between FMU and the community. The McNair Center houses programs such as the International Studies/Student Exchange Program, Model United Nations and Transatlantic Partners. The Pee Dee Education Center is located on the south end of the FMU campus. The Center works closely with FMU to provide resources and services to school districts in the Pee Dee region, such as the Pee Dee Mathematics and Science Regional Center. FMU had a Fall 2016 enrollment of 3,874 students.

Recreation – Kalmia Gardens of Coker College in Hartsville, S.C., is a unique botanical attraction which was given to Coker College in 1965. It has a boardwalk to Black Creek, a sensory garden, an herb garden and a memory garden which border the 700-acre Segars-McKinnon Heritage Preserve which together cover an area almost the size of New York's Central Park. The Cotton Trail stretches approximately ninety miles from I-20 to I-95 to showcase the impact of cotton on the rural south. The trail links smaller communities such as Bishopville, Society Hill, Cheraw and Bennettsville and includes museums, gardens, historic houses, working cotton fields and cotton gins. Byerly Park a 93-acre recreation complex located in Hartsville and provides year-round recreational activities such as soccer, softball, baseball, football, basketball, volleyball, tennis, track-and-field and horseshoes. The park also offers a 1.2 mile lighted walking trail, a track, a fitness center, picnic area and two playgrounds.

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

Year	Residential Permits[1]	Total Valuation	Commercial Permits [1]	Total Valuation
2015-16	377	$20,007,222	61	$3,813,615
2014-15	367	20,212,684	59	5,179,815
2013-14	297	16,685,555	69	23,167,549
2012-13	232	16,493,683	64	14,697,378
2011-12	233	15,122,023	73	25,866,963 [2]
2010-11	256	16,100,616	58	9,401,690

(1) Excludes mobile home permits; permits issued for multi-family units are counted as one. Includes additions and alterations.
(2) Includes a project of approximately $13 million for Sonoco Products Company.
Source: Darlington County Codes Enforcement

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CERTAIN LEGAL MATTERS

Litigation

There is no litigation presently pending or threatened challenging the validity of any general obligation debt issued or proposed to be issued by the School District, including the Notes. There is no litigation presently pending or threatened which would result in an uninsured loss by the School District.

On November 1, 1993, 29 small South Carolina school districts brought suit against the State of South Carolina and various state officials in an action styled *Allendale School District et al. v. The State of South Carolina, et al.* The complaint in this action alleges that the current method of funding school district operations in South Carolina discriminates against the plaintiff school districts. The plaintiffs further allege that they are entitled to various forms of relief, including a declaration that the Educational Finance Act is unconstitutional as it discriminates against smaller school districts, and a court order requiring the State of South Carolina to revise the present school funding method to remove the discriminatory effects of such method. In September, 1996, the trial court ruled against the plaintiffs in this action. An appeal of the trial court's ruling was made to the Supreme Court of South Carolina.

On April 22, 1999, the Supreme Court of South Carolina issued its opinion in the matter. The Court held that the Education Finance Act is constitutional. The Court dismissed several other federal constitutional challenges to the current method of funding school district operations in South Carolina; however, the Court held that the South Carolina Constitution "requires the General Assembly to provide the opportunity for each child to receive a 'minimally adequate' education."

The Court defined broadly what a "minimally adequate" education means as the ability to read, write, speak English and to know math, science, history and vocational skills. The Court remanded the case to the lower court system in South Carolina for determination of whether this standard is met.

Following a trial lasting approximately 17 months, the trial court issued an order on December 29, 2005, concluding that:

(a) instructional facilities in the plaintiff school districts are safe and adequate to provide the opportunity for a minimally adequate education;

(b) the South Carolina Curriculum Standards at the minimum encompass the knowledge and skills necessary to satisfy the definition of a minimally adequate education;

(c) the South Carolina system of teacher licensure is sufficient to ensure at least minimally competent teachers to provide instructions consistent with curriculum standards;

(d) inputs into the educational system, except for the funding of early childhood intervention programs, are sufficient to satisfy the constitutional standard of minimal adequacy;

(e) the constitutional requirement of adequate funding is not met by the State as a result of the failure to adequately fund early childhood intervention programs; and

(f) students in the plaintiff school districts are denied the opportunity to receive a minimally adequate education because of the lack of effective and adequately funded early childhood intervention programs designed to address the impact of poverty on their educational abilities and achievements.

On April 3, 2006, the parties in the case filed briefs supporting their respective motions for reconsideration; all such motions were denied in June, 2007. The parties then appealed to the South Carolina Supreme Court (the "Court"). The Court heard the case on June 25, 2008. On May 23, 2012, the Court ordered the parties to prepare for additional oral argument in the case. According to published reports, the parties were instructed to be prepared to address any recent legislation on public school financing that may have an impact on the case. Additional oral argument was heard by the Court on September 18, 2012.

On November 12, 2014, the Court issued an opinion in the case. By a 3-2 majority, the Court held that pupils in the plaintiff school districts have not been afforded an opportunity for a minimally adequate education. In so finding the Court focused on, among other things, pupil transportation, teacher quality, the allocation of resources between administrative and instructional functions, and the disparity in test scores among the school districts of the State. The Court, did not, however, mandate any specific remedies, stating that formulation of remedies is reserved to the General Assembly. The Court maintained jurisdiction of the case, however, and directed all parties to appear before the Court within a "reasonable time" and "present a plan to address the constitutional violation announced today..." The Court further invited the parties "to make additional filings suggesting a specific timeline for the reappearance, as well as specific, planned remedial measures." The opinion is available at http://www.judicial.state.sc.us/opinions/HTMLFiles/SC/27466.pdf. The School District cannot predict the ultimate impact this litigation may ultimately have on public education or the funding thereof in the State.

Legal Opinion

The form of the opinion of Bond Counsel, Haynsworth Sinkler Boyd, P.A., Florence, South Carolina, prepared in connection with the issuance of the Notes is attached to this Offering Memorandum as Appendix B. A certificate to the effect that there is no litigation threatened or pending to restrain the issuance and sale of the Notes will be delivered at closing.

Haynsworth Sinkler Boyd, P.A. has assisted the School District by compiling certain information supplied by the School District and others and included in this Offering Memorandum, but has not undertaken to verify the accuracy of such information. The opinion of Haynsworth Sinkler Boyd, P.A. will be limited solely to the legality and enforceability of the Notes, and no opinion will be given with respect to this Offering Memorandum.

The legal opinion to be delivered concurrently with the delivery of the Notes expresses the professional judgment of the attorneys rendering the opinion as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to such transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

United States Bankruptcy Code

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

Federal Income Tax Generally

On the date of issuance of the Notes, Haynsworth Sinkler Boyd, P.A., Florence, South Carolina ("Bond Counsel"), will render an opinion that, assuming continuing compliance by the School District with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and the applicable regulations promulgated thereunder (the "Regulations") and further subject to certain considerations described in "Collateral Federal Tax Considerations" below, under existing statutes, regulations and judicial decisions, interest on the Notes is excludable from the gross income of the registered owners thereof for federal income tax purposes. Interest on the Notes will not be treated as an item of tax preference in calculating the alternative minimum taxable income of individuals or corporations; however, interest on the Notes will be included in the calculation of adjusted current earnings in determining the alternative minimum tax liability of corporations. The Code contains other provisions that could result in tax consequences, upon which no opinion will be rendered by Bond Counsel, as a result of (i) ownership of the Notes or (ii) the inclusion in certain computations (including, without limitation, those related to the corporate alternative minimum tax) of interest that is excluded from gross income.

The opinion of Bond Counsel will be limited to matters relating to the authorization and validity of the Notes and the tax-exempt status of interest on the Notes as described herein. Bond Counsel makes no statement regarding the accuracy and completeness of this Offering Memorandum.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Notes for federal income tax purposes. Bond Counsel's opinions are based upon existing law, which is subject to change. Such opinions are further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of a particular result, and are not binding on the Internal Revenue Service (the "IRS") or the courts; rather, such opinions represent Bond Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinions.

The opinion of Bond Counsel described above is subject to the condition that the School District comply with all requirements of the Code and the Regulations, including, without limitation, certain restrictions on the use, expenditure and investment of the gross proceeds of the Notes and the obligation to rebate certain earnings on investments of such gross proceeds to the United States Government, that must be satisfied subsequent to the issuance of the Notes in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The School District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Notes in gross income for federal income tax purposes retroactive to the date of issuance of the Notes. The opinion of Bond Counsel delivered on the date of issuance of the Notes is conditioned on compliance by the School District with such requirements and Bond Counsel has not been retained to monitor compliance with the requirements subsequent to the issuance of such Notes.

State Tax Exemption

Bond Counsel is of the further opinion that the Notes and the interest thereon are exempt from all taxation by the State of South Carolina, its counties, municipalities and school districts except estate, transfer or certain franchise taxes. Interest paid on the Notes is currently subject to the tax imposed on banks by Section 12-11-20, Code of Laws of South Carolina 1976, as amended, which is enforced by the South Carolina Department of Revenue as a franchise tax. The opinion of Bond Counsel is limited to the laws of the State of South Carolina and federal tax laws. No opinion is rendered by Bond Counsel concerning the taxation of the Notes or the interest thereon under the laws of any other jurisdiction.

Collateral Federal Tax Considerations

Prospective purchasers of the Notes should be aware that ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, life insurance companies, certain foreign corporations, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Bond Counsel expresses no opinion concerning such collateral income tax consequences and prospective purchasers of the Notes should consult their tax advisors as to the applicability thereof.

Future legislation, if enacted into law, or clarification of the Code may cause interest on the Notes to be subject, directly or indirectly, to federal income taxation, or otherwise prevent owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislation or clarification of the Code may also affect the market price for, or marketability of, the Notes. Prospective purchasers of the Notes should consult their own tax advisors regarding any pending or proposed federal tax legislation, as to which Bond Counsel expresses no opinion.

The IRS has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations is includable in gross income for federal income tax purposes. Bond Counsel cannot predict whether the IRS will commence an audit of the Notes. Bond Counsel's engagement with respect to the Notes ends with the issuance of the Notes, and, unless separately engaged, Bond Counsel is not obligated to defend the School District or the Owners regarding the tax-exempt status of the Notes in the event of an audit examination by the IRS. The IRS has taken the position that, under the standards of practice before the IRS, Bond Counsel must obtain a waiver of a conflict of interest to represent an issuer in an examination of tax-exempt bonds for which Bond Counsel had issued an approving opinion. Under current procedures, parties other than the School District and their appointed counsel, including the Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the School District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Notes for audit, or the course or result of such audit, or an audit of Notes presenting similar tax issues may affect the market price for, or the marketability of, the Notes, and may cause the School District or the Owners to incur significant expense, regardless of the ultimate outcome. Under certain circumstances, the School District may be obligated to disclose the commencement of an audit under the Disclosure Dissemination Agent Agreement. See, CONTINUING DISCLOSURE, herein.

Original Issue Premium

The Notes have been sold at initial public offering prices which are greater than the amount payable at maturity (the "Premium Notes"). An amount equal to the excess of the purchase price of the Premium Notes over their stated redemption prices at maturity constitutes premium on such Notes. A purchaser of a Premium Note must amortize any premium over such Note's term using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the purchaser's basis in such Premium Note 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 Note prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of any Notes 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 Notes.

Closing Certifications

The School District will furnish, without cost to the successful bidder, certifications by appropriate officials that the Offering Memorandum relating to the Notes as of its date and as of the date of delivery of the Notes, does not contain an untrue statement of a material fact or omit to state a material fact which should be included therein for the purpose for which the Offering Memorandum is intended to be used or which is necessary to make the statements contained therein, in the light of the circumstances in which they were made, not misleading.

Appropriate certification will be given by School District officials to establish that the Notes are not "arbitrage bonds" within the meaning of Section 148 of the Code, and applicable regulations thereunder in effect on the occasion of the delivery of the Notes.

Continuing Disclosure

In accordance with Act No. 442 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina for the year 1994, the School District has covenanted in the Bond Resolution to file with a central repository for availability in the secondary bond market when requested (1) an annual independent audit within thirty days of the School District's receipt of the audit; and (2) event specific information, within thirty days of an event adversely affecting more than five percent of the School District's revenue or tax base. The only remedy for failure by the School District to comply with this covenant shall be an action for specific performance. Moreover, the Board has specifically reserved the right to amend the covenant to reflect any change in Act 442 without the consent of any holder of a Note.

The School District has covenanted for the benefit of the holders and beneficial owners of the Notes to provide notice of the occurrence of certain enumerated events to the extent provided therein. The form of the Disclosure Dissemination Agent Agreement to be executed by the School District is attached to this Offering Memorandum as Appendix C. These covenants have been made in order to assist the Underwriters in complying with S.E.C. Rule 15c2-12(b)(5). The School District has within the past 5 years been timely in making filings under the Rule required in connection with previous offerings.

Financial Advisor

Compass Municipal Advisors, LLC has acted as Financial Advisor to the School District in connection with the issuance of the Notes. In this capacity, Compass Municipal Advisors, LLC provided technical assistance in the preparation of the offering documents and assisted the School District in preparing for this financing.

Conclusion

Further inquiries should be addressed to Ms. Ashley J. Smith, Chief Financial Officer, The School District of Darlington County, 120 East Smith Avenue, Darlington, South Carolina 29532, telephone (843) 398-2275. Requests for additional copies of this Offering Memorandum may be addressed to Benjamin T. Zeigler, Bond Counsel, Haynsworth Sinkler Boyd, P.A., Post Office Box 6617, Florence, South Carolina 29502, telephone (843) 673-5304.

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RATINGS

Moody's Investors Service ("Moody's") has assigned its municipal bond rating of "MIG 1" to the Notes. An explanation of the significance of such rating may be obtained from Moody's. The rating reflect only the view of such rating agency and the School District makes no representation as to the appropriateness of the rating.

There is no assurance that such rating will continue for any given period of time or that a rating will not be revised downward or withdrawn entirely, if in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Notes.

UNDERWRITING

The Notes have been purchased at a competitive sale from the School District for resale by J.P. Morgan Securities LLC (the "Purchasers"). The Purchasers have agreed, subject to certain conditions, to purchase the Notes at 101.037% of par. The initial public offering price of the Notes is as shown on the front page of this Offering Memorandum and may be changed from time to time by the Purchasers. The Purchasers may also allow a concession from the public offering prices to certain dealers. The Purchasers have received no fee from the School District for underwriting the Notes.

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CERTIFICATION

All quotations from and summaries and explanations of provisions of laws of the State herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof. All references to the Notes and the determinations of the Board of Education of the School District relating thereto are qualified in their entirety by reference to the definitive forms of the Notes and the authorizing resolution and to such determinations. All such summaries, explanations and references are further qualified in their entirety by reference to the exercise of sovereign police powers of the State and the constitutional powers of the United States of America, and to valid bankruptcy, insolvency, reorganization, moratorium and other laws for the relief of debtors.

Certain of the information set forth in this Offering Memorandum and in the appendices hereto has been obtained from sources other than the School District that are believed to be reliable but is not guaranteed as to accuracy or completeness by the School District. The information and expressions of opinion in this Offering Memorandum are subject to change, and neither the delivery of this Offering Memorandum nor any sale made under such document shall create any implication that there has been no change in the affairs of the School District.

This Offering Memorandum has been duly executed and delivered by the School District as of the date shown on the cover page.

THE SCHOOL DISTRICT OF DARLINGTON COUNTY,
SOUTH CAROLINA

By: /s/ Ashley J. Smith
Chief Financial Officer, The School District of
Darlington County, South Carolina

AUDITED FINANCIAL INFORMATION

FOR FISCAL YEAR ENDED JUNE 30, 2016

DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA

BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2016

DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA
YEAR ENDED JUNE 30, 2016

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Independent Auditors' Report

Board of Trustees
Darlington County School District
Darlington, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the ***Darlington County School District*** (the School District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, and schedules of pension liabilities and contributions on pages 3–10, 50–51 and 52-55 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.

WebsterRogers LLP

Summerville, South Carolina
January 11, 2017

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

Management's Discussion and Analysis

Our discussion and analysis of the Darlington County School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2016.

Please read it in conjunction with the District's basic financial statements which begin on page 11.

Financial Highlights

Darlington County School District Superintendent and Board of Education have exercised a conservative approach to budgeting and expenditures. During the fiscal year 2014, the Board of Education voted to commit future fund balance to specific functions. The statements reflect progress towards these items: first was the commitment of $6,900,000 of General Fund Balance to pay down the principal amount of the 2005 School Building Bonds (General Obligation Bonds). The second was the commitment of $11,445,000 of General Fund Balance to address prior deferred maintenance. After the non-spendable, restricted, committed, and assigned fund balance, there is $27,474,561 in unassigned fund balance at June 30, 2016. In 2009, the Government Finance Officer's Association approved a best practice for governmental entities, *at a minimum*, maintain in unrestricted (committed, assigned and unassigned) fund balance no less than three months of regular general fund operating expenses. The District chooses to focus on unassigned fund balance which, at June 30, 2016, yields at least three months balance of operating expenditures based on monthly average expenditures of the current fiscal year. General fund expenditures, before transfers in, exceeded revenues by $4,833,407. After transfers in and out from other financing sources, the District's net change in general fund balance was decreased by $2,833,001.

The financial and academic strength is the culmination of several years' effort of using outcome driven methodologies and fiscally conservative approaches to managing the educational process. This method involves every facet of the organization and community, but begins in each classroom. Teachers are rated on the outcomes achieved by their students; principals are rated by the outcomes of the collective student population in their schools. It has been this approach which has propelled this District to continually improve in all areas, and raising the bar incrementally, while not increasing the tax burden of the District.

Our focus will continue to be sustainable educational programs, surgical selection of new initiatives geared for student performance gains, and purposeful investment in the maintenance of the various subsystems which directly support the instructional process.

Overview of the Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 11 and 12) provide information about the activities of the District as a whole and present a longer-term view of their finances. Fund financial statements start on page 13. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. The remaining statements provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of student groups.

Reporting the District as a Whole

Government-wide Financial Statements

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

The Statement of Net Position and the Statement of Activities report the District's net position and changes in them. One can think of the District's net position – the difference between assets and liabilities – as one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. Other non-financial factors should be considered, however, such as changes in the District's property tax base, the support it receives from federal and state sources, and the condition of its school buildings.

In the Statement of Net Position and the Statement of Activities, the District is divided into two kinds of activities:

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

Reporting the District's Most Significant Funds

Fund Financial Statements

Analysis of the District's major funds begins on page 7. The fund financial statements begin on page 13 and provide detailed information about the most significant funds – not the District as a whole. Most funds are required to be established by the South Carolina State Department of Education. Other funds are established by the District to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The District's three kinds of funds – governmental, proprietary and fiduciary – use different accounting approaches.

- Governmental funds – Most of the District's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general governmental operations and the educational services that it provides. Governmental fund information helps to determine whether there are more or fewer financial resources than can be spent in the near future to finance the District's programs. We describe the relationship (or difference) between governmental activities (reported in the government-wide financial statements), and governmental fund statements are described in a reconciliation accompanying the fund financial statements.

- Proprietary funds – The District reports its food service operations in a proprietary fund. Proprietary funds are reported in the same way that all activities are reported in the government-wide financial statements (e.g., the Statement of Net Position and the Statement of Activities). In fact, the District's enterprise fund statements (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.

- Fiduciary funds – The District reports assets held by the School District in a trustee capacity or as an agent for specific schools, clubs, or groups within each school or other type of organization as fiduciary funds. Students engage in numerous curricular and extra-curricular activities that enhance their overall educational experience. Each school provides centralized accounting and control over the financial resources of these activities. These funds are held in a purely custodial capacity and do not have governmental operations. Therefore, they do not report changes in fiduciary net position.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The District's net position increased by $2,940,229 over last year. Total assets and deferred outflows of resources increased by $1,619,483 and total liabilities and deferred inflows of resources decreased by $1,320,746.

The largest portion of the District's net position reflects its investment in capital assets less any related debt used to acquire those assets that is still outstanding. An additional portion of the District's net position represents resources subject to external restrictions on how they may be used.

Table I
Net Position (In thousands) at June 30

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015 As restated *	2016	2015	2016	2015 As restated *
Current & other assets	$ 72,917	$ 73,380	$ 1,001	$ 1,257	$ 73,918	$ 74,637
Capital assets	102,177	100,271	860	606	103,037	100,877
Total assets	175,094	173,651	1,861	1,863	176,955	175,514
Deferred outflows	8,859	8,682	-	-	8,859	8,682
Current liabilities	14,787	12,438	43	26	14,830	12,464
Long term liabilities	124,884	120,238	-	-	124,884	120,238
Total liabilities	139,671	132,676	43	26	139,714	132,702
Deferred inflows	1,389	9,722	-	-	1,389	9,722
Net Position:						
Net investment in capital assets	87,246	80,403	860	606	88,106	81,009
Restricted	12,789	13,083	-	-	12,789	13,083
Unrestricted	(57,142)	(53,551)	958	1,231	(56,184)	(52,320)
Total Net Position	$ 42,893	$ 39,935	$ 1,818	$ 1,837	$ 44,711	$ 41,772

* Net of effect of restatement. Refer to Note III.F. Restatements in the accompanying footnotes for more information. This refers to the correction of capital assets, current liabilities and capital outlay.

The District is able to report positive balances in two of the three areas of net position both for the government as a whole as well as for its separate governmental-type activities.

Table II
Changes in Net Position
(in thousands) for Year Ended June 30

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015 As restated *	2016	2015	2016	2015 As restated *
Revenues						
Program revenue:						
Charges for services	$ 216	$ 26	$ 208	$ 224	$ 424	$ 250
Operating grants	54,299	55,658	5,692	5,590	59,991	61,248
Capital grants	-	59	-	-	-	59
General revenues:						
Property taxes	36,490	38,056	-	-	36,490	38,056
Sales taxes	5,313	5,262	-	-	5,313	5,262
State aid	12,530	12,420	-	-	12,530	12,420
Other general revenue	897	849	-	-	897	849
Total Revenue	109,745	112,330	5,900	5,814	115,645	118,144
Program expenses:						
Instruction	58,189	57,569	-	-	58,189	57,569
Support services	45,742	42,674	-	-	45,742	42,674
Community services	55	112	-	-	55	112
Intergovernmental	2,830	2,933	-	-	2,830	2,933
Interest on long term debt	(421)	1,392	-	-	(421)	1,392
Unallocated depreciation	391	375	-	-	391	375
Food service	-	-	5,919	5,609	5,919	5,609
Total Expenses	106,786	105,055	5,919	5,609	112,705	110,664
Excess before transfers	2,959	7,275	(19)	205	2,940	7,480
Transfers	-	289	-	(289)	-	-
Increase (decrease) in net position	$ 2,959	$ 7,564	$ (19)	$ (84)	$ 2,940	$ 7,480

*Net of effect of restatement. Refer to Note III.F. Restatements in the accompanying footnotes for more information. This refers to the correction of capital assets, current liabilities and capital outlay.

Total revenues decreased by 2.1% from the prior year. Program expenses increased 1.8% above last year. Total net position increased by $7,478,991 in 2015 and by $2,940,299 in 2016.

Governmental Activities

The unrestricted net position of the District's governmental activities decreased by $3,590,931 as a result of the application of GASB 68 and 71. These standards require the District to recognize its proportionate share of the state's long-term pension liability. At the same time, the District's net investment in capital assets increased by $6,843,406.

Business-Type Activities

The District's business-type activity is its food service operation. The United States Department of Agriculture reimburses the District under its child nutrition and agricultural commodity sharing programs which provides a significant portion of its revenue. Less than a quarter of the revenue is generated through direct charges to users of the food service. Since the federal government sets USDA reimbursements, the ability of food service to operate in the black is a function of operational efficiency. However, during the year, food service's total net position decreased for the year by $19,085 which is primarily due to an increase in salaries.

Financial Analysis of Governmental Funds

The District's governmental funds (as presented on the balance sheet beginning on page 13) reported a combined fund balance of $55,816,749 which decreased by $2,613,343 below last year's total of $58,430,092. The schedule below illustrates the fund balance and total change in fund balance as of June 30, 2016 and 2015.

	Fund Balance June 30, 2016	Fund Balance June 30, 2015 As restated *	Increase (Decrease)
General	$ 30,917,657	$ 33,750,658	$ (2,833,001)
Special Projects	3,118,988	2,971,022	147,966
School Building	10,530,502	10,413,385	117,117
Debt Service	11,249,602	11,295,027	(45,425)
Total	$ 55,816,749	$ 58,430,092	$ (2,613,343)

*Net of effect of restatement. Refer to Note III.F. Restatements in the accompanying footnotes for more information. This refers to the correction of capital assets, current liabilities and capital outlay.

The District's general fund balance decrease is due to the utilization of fund balance to acquire additional technology needs for the implementation of 1:1 technology.

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

	2016 Amount	2015 Amount	Percentage Change
Revenues			
Taxes	$ 30,029,171	$ 28,946,637	3.74%
Other local sources	249,454	240,690	3.64%
Intergovernmental	47,207,712	46,576,808	1.35%
	$ 77,486,337	$ 75,764,135	2.27%

	2016 Amount	2015 Amount As restated *	Percentage Change
Expenditures by object			
Salaries	$ 46,129,512	$ 44,760,302	3.06%
Fringe benefits	18,954,786	17,898,955	5.90%
Purchased services	3,888,009	4,542,444	-14.41%
Supplies and Materials	7,772,872	4,206,011	84.80%
Capital outlay	4,713,589	5,298,263	-11.04%
Miscellaneous	858,191	989,644	-13.28%
Intergovernmental	2,785	2,067	34.74%
	$ 82,319,744	$ 77,697,686	5.95%

*Net of effect of restatement. Refer to Note III.F. Restatements in the accompanying footnotes for more information. This refers to the correction of capital assets, current liabilities and capital outlay.

The table above shows that the largest portion (79.06%) of general fund expenditures is for salaries and fringe benefits. The District is a service entity and as such is labor intensive.

General fund expenditures increased $4,622,058 or 5.95% over the prior year. This is primarily attributed utilizing fund balance to purchase additional technology needs for the District approved in January of 2016 and deferred capital maintenance district-wide subsequent to action taken by the Board of Education in the Spring of 2014.

General fund revenue (including transfers in of $2,045,856) was below expenditures (including intergovernmental of $2,785) during the fiscal year resulting in a decrease to the general fund balance of $2,833,001.

Other Funds

The Special Projects fund operates essentially on a quasi-break-even basis. Revenues were greater than expenditures (including net transfers in and out of $289,338) during the fiscal year resulting in an increase of $147,966 to fund balance.

The Education Improvement Act (EIA) fund demonstrates a break-even increase in revenue (i.e., revenue and expenditures increased by the same amount). As for funds within this category, unused funds in the first year can remain unearned into the next year. Details are provided on pages 75 - 79.

The School Building fund increased in fund balance by $117,117. The primary reason for this increase is a major construction project that was begun at the end of the fiscal year and the ability to schedule the completion of items prior to year end. Most significant projects have to occur during the summer when school is not in session. These unspent funds that rolled into fund balance will be used to pay for the completion of these projects in the next fiscal year.

The Debt Service fund decreased by $45,425. The decrease was specifically due to the utilization of fund balance during the refunding of the 2005 Series General Obligation Bond and to lower our outstanding indebtedness.

The School District's only Proprietary Fund (Enterprise Fund) is the Food Service Fund. This program had a decrease in net position of $19,085 during 2016, compared to a decrease of $84,191 in the prior year. Total revenues increased by $85,773 to $5,899,893, primarily due to an increase in USDA reimbursements and commodities. Total expenses were $5,918,978 for the current year which was an increase of $309,671 or 6%. This increase was primarily due to salaries and food costs.

Budgetary Analysis

The District under estimated its general fund revenue by $4,391,047. The operational expenses exceeded budget by $7,586,969 primarily due to increased construction costs, all of which were funded through fund balance commitments. The other financing sources (uses) were under-estimated by $362,921 primarily due to an increase in transfers in from Special Revenue EIA Funds. The result was a fund balance decrease of $2,833,001.

The budgets for the special projects fund and the EIA fund are functions of grant applications and awards. The District State Department of Education provides guidance as to allowable expenditures.

In order to monitor progress during a multi-year construction program, the building fund budget reflects the total anticipated costs for the project rather than an annual budget.

Capital Assets

As has already been noted, the District completed the implementation of a $48,000,000 capital improvement plan in 2007. This included the construction of two new middle schools, one each in the Darlington and Hartsville sections of the District; and the construction of a new vocational (technical) education campus. In addition, the plan included the construction of additional classrooms at two existing middle schools in the Lamar and Society Hill sections of the District. The final phase of construction was the renovation of the old Hartsville Junior High School which is the new location for Thornwell School for the Arts. The major building construction for the $48,000,000 projects was completed August 2007.

This year the Board of Education approved a General Obligation Bond in the amount of $5,000,000 for capital improvements and technology throughout the District and committed, in 2014, $11,445,000 of fund balance of the general fund towards deferred maintenance of facilities.

Facility construction and renovation is a major component of capital asset additions; following are significant highlights from 2016:

- Roofing projects at Hartsville High School and St. John's Elementary of $707,565
- New stadium lighting and renovations at Lamar High School of $618,412
- Security Fencing at various locations of $193,683

There were 50 open construction projects in progress at June 30, 2016. Included was the construction of multiple roofing projects in all major areas of the District, a major renovation for Mayo High School Gym, improved fire alarms throughout the District, stadium renovation projects, restroom renovations, sidewalk replacements, canopy replacements, and phase three of enhanced security measures for our schools.

Debt

As indicated above, the capital project was financed with the issuance of $48,000,000 in general obligation bonds. The issuance occurred in January 2005 and was refinanced in the prior fiscal year. The bonds will be repaid from the proceeds of a 1% sales tax. The current year $5,000,000 general obligation bond is primarily repaid from the property tax collections.

Factors Expected to Have an Effect on Future Operations

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

Contacting District Officials

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

BASIC FINANCIAL STATEMENTS

DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 11,587,050	$ 103	$ 11,587,153
Cash and investments with County Treasurer	50,226,756	-	50,226,756
Investment funds in escrow with bond refunding agent	1,033,130	-	1,033,130
Due from other governmental units	9,176,718	14,433	9,191,151
Internal balances	(962,998)	962,998	-
Taxes receivable	1,747,402	-	1,747,402
Accounts receivable	15,000	-	15,000
Inventories	93,998	24,015	118,013
Prepaids	1,009	-	1,009
Capital assets not being depreciated	14,300,613	-	14,300,613
Capital assets, net of accumulated depreciation	87,876,235	859,850	88,736,085
TOTAL ASSETS	175,094,913	1,861,399	176,956,312
DEFERRED OUTFLOWS OF RESOURCES			
Pension contributions made subsequent to measurement date	6,195,424	-	6,195,424
Differences between expected and actual experience	2,663,522	-	2,663,522
TOTAL DEFERRED OUTFLOWS OF RESOURCES	8,858,946	-	8,858,946
LIABILITIES			
Accounts payable	4,353,373	43,320	4,396,693
Accrued expenses	4,832,658	-	4,832,658
Unearned revenues	5,309,911	-	5,309,911
Due to other governmental units	113,038	-	113,038
Accrued interest payable	178,050	-	178,050
Noncurrent liabilities			
Due within one year	5,210,106	-	5,210,106
Due in more than one year	10,781,300	-	10,781,300
Net pension liability	108,892,592	-	108,892,592
TOTAL LIABILITIES	139,671,028	43,320	139,714,348
DEFERRED INFLOWS OF RESOURCES			
Deferred gain on refunding	789,911	-	789,911
Net differences between projected and actual earnings on pension plan investments	599,506	-	599,506
TOTAL DEFERRED INFLOWS OF RESOURCES	1,389,417	-	1,389,417
NET POSITION			
Net investment in capital assets	87,246,587	859,850	88,106,437
Restricted for			
Special projects			
Art supplies	356	-	356
Classroom supplies	25,164	-	25,164
Classroom supplies/technology	20,092	-	20,092
IB program supplies	5,955	-	5,955
Nurse salary/supplies	19,327	-	19,327
Food service equipment	9,500	-	9,500
Debt service	12,708,808	-	12,708,808
Unrestricted	(57,142,375)	958,229	(56,184,146)
TOTAL NET POSITION	$ 42,893,414	$ 1,818,079	$ 44,711,493

The accompanying Notes to Financial Statements are an integral part of this financial statement.

DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position – Primary Government: Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental activities							
Instruction	$ 58,188,575	$ 215,757	$47,218,797	$ -	$ (10,754,021)	$ -	$ (10,754,021)
Support services	45,741,692	-	7,080,765	-	(38,660,927)	-	(38,660,927)
Community services	55,309	-	-	-	(55,309)	-	(55,309)
Intergovernmental	2,830,016	-	-	-	(2,830,016)	-	(2,830,016)
Interest expense, net of deferred charges and premium amortization	(420,872)	-	-	-	420,872	-	420,872
Depreciation - unallocated *	391,280	-	-	-	(391,280)	-	(391,280)
Total governmental activities	106,786,000	215,757	54,299,562	-	(52,270,681)	-	(52,270,681)
Business-type activities							
Food services	5,918,978	208,179	5,691,714	-	-	(19,085)	(19,085)
Total business-type activities	5,918,978	208,179	5,691,714	-	-	(19,085)	(19,085)
Total primary government	$112,704,978	$ 423,936	$ 59,991,276	$ -	(52,270,681)	(19,085)	(52,289,766)
General revenues							
Property taxes levied for							
General purposes					29,771,579	-	29,771,579
Florence-Darlington Technical College					2,740,499	-	2,740,499
Debt service					3,978,701	-	3,978,701
Sales taxes					5,312,768	-	5,312,768
Grants and contributions not restricted to specific programs					12,255,875	-	12,255,875
Unrestricted revenue from use of money and property					273,495	-	273,495
Miscellaneous					897,078	-	897,078
Total General Revenues and Transfers					55,229,995	-	55,229,995
Change in Net Position					2,959,314	(19,085)	2,940,229
Net Position							
July 1, 2015, as restated					39,934,100	1,837,164	41,771,264
June 30, 2016					$ 42,893,414	$ 1,818,079	$ 44,711,493

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

The accompanying Notes to Financial Statements are an integral part of this financial statement.

DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Special Projects Fund	EIA Fund	School Building Fund	Debt Service Fund	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 10,715,671	$ -	$ -	$ 871,379	$ -	$ 11,587,050
Cash and investments						
Cash and investments with County Treasurer	32,503,335	224,955	-	8,070,922	9,427,544	50,226,756
Property taxes receivables, net of allowance	1,444,697	126,917	-	-	175,788	1,747,402
Accounts receivable	15,000	-	-	-	-	15,000
Due from other governmental units						
Sales taxes due from state	-	-	-	-	1,434,436	1,434,436
SC Department of Education	217,272	14,567	-	-	-	231,839
Other agencies	-	117,326	-	-	-	117,326
Federal government	-	7,393,117	-	-	-	7,393,117
Due from other funds	10,873,150	5,728,430	2,495,072	4,111,499	350,070	23,558,221
Prepaids	1,009	-	-	-	-	1,009
Inventories	93,998	-	-	-	-	93,998
TOTAL ASSETS	$ 55,864,132	$ 13,605,312	$ 2,495,072	$ 13,053,800	$ 11,387,838	$ 96,406,154
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES						
LIABILITIES						
Accounts payable	$ 4,300,248	$ 9,816	$ -	$ 43,309	$ -	$ 4,353,373
Accrued liabilities	4,832,658	-	-	-	-	4,832,658
Due to other governmental units	795	66,843	45,400	-	-	113,038
Due to other funds	14,556,364	7,484,866	-	2,479,989	-	24,521,219
Unearned revenues	37,731	2,822,508	2,449,672	-	-	5,309,911
TOTAL LIABILITIES	23,727,796	10,384,033	2,495,072	2,523,298	-	39,130,199
DEFERRED INFLOWS OF RESOURCES						
Unavailable property taxes	1,218,679	102,291	-	-	138,236	1,459,206
TOTAL DEFERRED INFLOWS OF RESOURCES	1,218,679	102,291	-	-	138,236	1,459,206
FUND BALANCES						
Nonspendable	95,007	-	-	-	-	95,007
Restricted	70,894	9,500	-	-	11,249,602	11,329,996
Committed	2,748,719	3,109,488	-	10,530,502	-	16,388,709
Assigned	529,485	-	-	-	-	529,485
Unassigned	27,473,552	-	-	-	-	27,473,552
TOTAL FUND BALANCES	30,917,657	3,118,988	-	10,530,502	11,249,602	55,816,749
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 55,864,132	$ 13,605,312	$ 2,495,072	$ 13,053,800	$ 11,387,838	$ 96,406,154

The accompanying Notes to Financial Statements are an integral part of this financial statement.

DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS		$ 55,816,749
Amounts reported for governmental activities in the Statement of Net Position are different because of the following:		
Property tax revenue is recognized in the period for which levied rather than when "available". A portion of the deferred property tax revenue is not available.		1,459,206
Cash in escrow with bond refunding agent is not a financial resource and therefore is not reported as an asset in governmental funds. It is reported as a restricted asset in the statement of net position.		1,033,130
Capital assets used for governmental activities are not financial resources and therefore are not reported in governmental funds. The cost of assets is $231,041,816, and the accumulated depreciation is $128,864,968.		102,176,848
Other long term assets related to pension expense are not available to pay for current expenditures and are, therefore, not reported or deferred in the funds:		
Contributions made subsequent to measurement date	$ 6,195,424	
Differences between expected and actual experience	2,663,522	
		8,858,946
Some liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:		
Net pension liability	$ (108,892,592)	
Bonds payable	(14,165,578)	
Issuance premium	(764,683)	
Deferred gain on refunding	(789,911)	
Compensated absences payable	(1,061,145)	
Accrued interest payable	(178,050)	
		(125,851,959)
Other long term liabilities related to pension expense do not consume current financial resources and are, therefore, not reported in the funds		
Investment earnings on retirement plan fiduciary held assets		(599,506)
NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 42,893,414

The accompanying Notes to Financial Statements are an integral part of this financial statement.

DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	General Fund	Special Projects Fund	EIA	School Building Fund	Debt Service Fund	Total Governmental Funds
REVENUES						
Local property taxes	$ 30,029,171	$ 2,740,499	$ -	$ -	$ 3,978,701	$ 36,748,371
Sales taxes	-	-	-	-	5,312,768	5,312,768
Other local	249,454	2,290,705	-	50,542	40,592	2,631,293
Total local	30,278,625	5,031,204	-	50,542	9,332,061	44,692,432
State	46,924,123	2,219,567	6,249,095	-	218,206	55,610,991
Federal	-	9,415,893	-	-	-	9,415,893
Intergovernmental	283,589	-	-	-	-	283,589
Total Revenues	77,486,337	16,666,664	6,249,095	50,542	9,550,267	110,002,905
EXPENDITURES						
Current						
Instruction	42,222,131	7,299,672	3,407,826	-	-	52,929,629
Support services	35,378,220	5,996,014	1,084,751	2,314,947	-	44,773,932
Community services	3,020	52,289	-	-	-	55,309
Intergovernmental	2,785	2,827,231	-	-	-	2,830,016
Debt service						
Principal	-	-	-	515,515	8,885,000	9,400,515
Interest	-	-	-	18,862	710,692	729,554
Fees	-	-	-	37,890	-	37,890
Capital outlay	4,713,588	54,154	-	2,046,211	-	6,813,953
Total Expenditures	82,319,744	16,229,360	4,492,577	4,933,425	9,595,692	117,570,798
Excess of Revenues Over (Under) Expenditures	(4,833,407)	437,304	1,756,518	(4,882,883)	(45,425)	(7,567,893)
OTHER FINANCING SOURCES (USES)						
General obligation issuance	-	-	-	5,000,000	-	5,000,000
Transfers in	2,045,856	-	-	-	-	2,045,856
Transfers out	(45,450)	(289,338)	(1,756,518)	-	-	(2,091,306)
Total Other Financing Sources (Uses)	2,000,406	(289,338)	(1,756,518)	5,000,000	-	4,954,550
Net Change in Fund Balance	(2,833,001)	147,966	-	117,117	(45,425)	(2,613,343)
FUND BALANCE						
July 1, 2015, as restated	33,750,658	2,971,022	-	10,413,385	11,295,027	58,430,092
June 30, 2016	$ 30,917,657	$ 3,118,988	$ -	$ 10,530,502	$ 11,249,602	$ 55,816,749

The accompanying Notes to Financial Statements are an integral part of this financial statement.

DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

TOTAL NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS		$ (2,613,343)
Amounts reported for governmental activities in the Statement of Activities are different because of the following:		
Because some property taxes will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues and are deferred inflows in the governmental funds. Deferred inflows and tax revenues decreased by this amount during the year.		(257,592)
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay ($6,813,953) exceeded depreciation expense ($4,891,002) in the period.		1,922,951
In the Statement of Activities, only the gain or loss on the sale or disposals of assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources and the loss decreases financial resources. Thus the change in net position difference from the change in fund balance by the cost of the capital asset.		
Net book value of assets sold		(16,902)
Pension expense that is related to the net pension liability as recorded in the Statement of Activities is based on the School District's proportionate share of the pension expense of the retirement system as a whole, whereas pension expense recorded in the funds is based on the use of current financial resources (e.g. required contributions). The differences are as follows:		
Amount recorded in the Statement of Activities	$ 7,782,181	
Amount recorded in the governmental funds	(9,365,266)	
		(1,583,085)
In the Statement of Net Position, accumulated payments to escrow agent and investment earnings accrued in escrow in connection with an advance refunding of bonds are treated as an asset. This is the amount that relates to the adjustment for the change in the fair market value of that asset.		7,773
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The net effect of these differences in the treatment of debt and related items is as follows:		
Issuance of general obligation bonds		
General obligation bond proceeds	$ (5,000,000)	
Principal repayments:		
Bonds payable	9,400,515	
Amortization of deferred refunding	554,001	
Amortization of bond premiums	536,842	
		5,491,358

DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. The details are as follows:		
Compensated absences		
Current year	$ (1,061,145)	
Prior year	1,017,489	
Accrued interest		
Current year	(178,050)	
Prior year	229,860	
		$ 8,154
Change in Net Position of Governmental Activities		$ 2,959,314

The accompanying Notes to Financial Statements are an integral part of this financial statement.

DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA
STATEMENT OF NET POSITION –
PROPRIETARY FUNDS
JUNE 30, 2016

	Enterprise Fund - Food Service Program
ASSETS	
Current assets	
Cash and cash equivalents	$ 103
Due from other governmental units	14,433
Due from other funds	962,998
Inventories	24,015
Total current assets	1,001,549
Noncurrent assets	
Equipment	3,440,583
Less accumulated depreciation	(2,580,733)
Total noncurrent assets	859,850
Total assets	1,861,399
LIABILITIES	
Current liabilities	
Accounts payable	43,320
Total current liabilities	43,320
Total liabilities	43,320
NET POSITION	
Net investment in capital assets	859,850
Unrestricted	958,229
Total net position	$ 1,818,079

The accompanying Notes to Financial Statements are an integral part of this financial statement.

DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016

	Enterprise Fund - Food Service Program
OPERATING REVENUES	
Proceeds from sale of meals	$ 81,653
Special sales and miscellaneous	126,446
Interest income	80
Total Operating Revenues	208,179
OPERATING EXPENSES	
Food costs	2,762,314
Salaries and wages	2,157,792
Supplies and materials	663,264
Depreciation	114,183
Other operating costs	221,425
Total Operating Expenses	5,918,978
Operating Loss	(5,710,799)
NONOPERATING REVENUES (EXPENSES)	
USDA Reimbursements	5,329,047
Commodities received from USDA	362,232
Other federal and state aid	435
Total Nonoperating Revenues (Expenses)	5,691,714
EXCESS OF REVENUES OVER (UNDER) EXPENSES	(19,085)
Change in Net Position	(19,085)
NET POSITION	
July 1, 2015	1,837,164
June 30, 2016	$ 1,818,079

The accompanying Notes to Financial Statements are an integral part of this financial statement.

DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA
STATEMENT OF CASH FLOWS –
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016

	Enterprise Fund - Food Service Program
CASH FLOWS FROM OPERATING ACTIVITIES	
Received from patrons	$ 208,099
Payments to employees for services	(2,157,792)
Payments to suppliers for goods and services	(3,029,612)
Net cash used in operating activities	(4,979,305)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	80
Net cash provided by investing activities	80
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Nonoperating grants received	5,329,482
Net cash provided by noncapital financing activities	5,329,482
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(368,079)
Net cash used in capital and related financing activities	(368,079)
Net decrease in cash and cash equivalents	(17,822)
Cash and cash equivalents - July 1, 2015	17,925
Cash and cash equivalents - June 30, 2016	$ 103
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (5,710,799)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:	
Depreciation	114,183
Commodities used	362,232
Changes in assets and liabilities:	
(Increase) decrease in due from governmental units	1
(Increase) decrease in due from other funds	237,352
Increase (decrease) in payables	17,726
Net cash used in operating activities	$ (4,979,305)

Noncash noncapital financing activities:
During the year, the District received $362,232 of food commodities from the U.S. Department of Agriculture.

The accompanying Notes to Financial Statements are an integral part of this financial statement.

DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA
STATEMENT OF FIDUCIARY NET POSITION –
AGENCY FUNDS
JUNE 30, 2016

	Agency Funds
ASSETS	
Cash and cash equivalents	$ 906,222
TOTAL ASSETS	$ 906,222
LIABILITIES	
Due to schools	$ 906,222
TOTAL LIABILITIES	$ 906,222

The accompanying Notes to Financial Statements are an integral part of this financial statement.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Darlington County School District (the School District) operates 14 elementary schools, 3 middle schools, 4 high schools, 1 alternative school, and 1 career center within the limits of Darlington County.

A. The Reporting Entity

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

B. Basis of Presentation

Government-wide Statements:
The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The School District has a food service fund that is presented as business-type activities.

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

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

The School District reports the following major governmental funds:

1. General Fund – The General Fund of the School District is used to account for all financial resources except those required to be accounted for in another fund. All property taxes, intergovernmental revenue, charges for services, Education Finance Act revenue, and miscellaneous revenue are recorded in this fund except amounts which are specifically collected to service debt or for which the School District collects funds in a fiduciary capacity. Operational expenditures for general instruction, support services, general administration, and other departments of the School District are paid through the General Fund.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

2. Special Revenue Funds –

    a. Special Projects Funds account for the operations of federal and state projects, which are required by the South Carolina State Department of Education to be accounted for in separate funds.
    b. Education Improvement Act Fund – The Education Improvement Act Fund is used to account for the School District's expenditures as a result of receiving state funds used in a comprehensive education reform plan which are required to be accounted for in separate programs and strategies.

3. Debt Service Fund – This fund accounts for the accumulation of resources for, and the payment of, general long-term debt principal and interest. The School District's Debt Service Fund was established and is maintained in accordance with acts passed by the General Assembly of South Carolina authorizing the sale of general obligation bonds of the School District.

4. School Building Fund – The School Building Fund is used to account for financial resources to be used for the acquisition and construction of major capital facilities, renovations, and extensive repairs which tend to extend the life of the asset.

The School District has no non-major governmental funds.

Additionally the School District reports the following fund types:

Proprietary Funds:

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

Fiduciary Funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

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

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

Amounts reported as *program revenues* include: 1) charges to students for tuition, fees, rental, material, supplies, or services provided; 2) operating grants and contributions; and 3) capital grants and contributions. *General revenues* include all taxes, investment income and grants and contributions not restricted to specific programs.

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

D. Assets, Liabilities and Net Position/Fund Balance

1. Deposits and investments

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

2. Receivables and payables

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position/Fund Balance (Continued)

3. Prepaids

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 expenditures/expense is reported in the year in which services are consumed.

4. Inventory

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

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

5. Capital assets

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

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

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

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

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

6. Due from other governmental units

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position/Fund Balance (Continued)

7. Deferred Outflows / Inflows of Resources and Unearned Revenue

Deferred Outflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The School District has three items that qualify for reporting in this category and are related to pension obligations. The first item is pension contributions made subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the subsequent year. The second item is the differences between expected and actual experience which is amortized into pension expense beginning in the year the deferral occurs over a closed period equal to the average remaining service lives of all plan participants. The third is the difference between the projected and actual earnings on pension plan investments and is amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with generally accepted accounting principles.

Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has three items that qualify for reporting in this category on the Statement of Net Position. A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other two items are related to pension obligations. The first is the differences between expected and actual experience which is amortized into pension expense beginning in the year the deferral occurs over a closed period equal to the average remaining service lives of all plan participants. The second is the changes in proportionate and differences between the District's contributions and proportionate share of contributions which are amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with generally accepted accounting principles. The government has inflows which arise under modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds Balance Sheet.

The School District recognizes deferred inflows in the fund statements for an acquisition of net position pertaining to property taxes that were billed but remain unavailable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Unearned Revenue

The School District also defers revenue recognition in connection with resources such as grants, that have been billed or received, but not yet earned.

8. Compensated absences

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position/Fund Balance (Continued)

8. Compensated absences (Continued)

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

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

9. Accrued liabilities and long-term obligations

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

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

10. Pensions

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

The General Fund pays for pension expense district-wide and therefore pension liabilities resulting from the implementation of GASB 68, *Accounting and Financial Reporting for Pensions*, are reported in the governmental activities as permitted under the standard.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position/Fund Balance (Continued)

11. Net position and fund balance

Government-wide Statements:

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

a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

b. Restricted net position – Consists of net positions with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

c. Unrestricted net position – All other net positions that do not meet the definition of “net investment in capital assets” or “restricted.”

Net Position Flow Assumption

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

Fund Statements:

Classifications of fund balance are hierarchical and are based primarily on the extent to which the School District is bound to honor constraints on specific purposes for which amounts in the funds may be spent. The District’s accounting and finance policies are used to interpret the nature and/or requirements of the funds and their corresponding assignment of nonspendable, restricted, committed, assigned, or unassigned.

Nonspendable – Amounts that cannot be spent either because they are not in spendable form, such as inventory or prepaid items or which are required to be maintained intact, such as a trust.

Restricted – Amounts that can be spent only for specific purposes because of state or federal laws or externally imposed restrictions on use by their providers, such as grantors, bondholders, and higher levels of government, millage adopted by the primary government to pay the School District’s debt, through contractual or constitutional provisions or as outlined by enabling legislation.

Committed – Amounts constrained to specific purposes pursuant to constraints imposed by formal action (ordinance or resolutions) of the government’s highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Assigned – Amounts the School District intends to use for a specific purpose. Intent can be expressed by the Board of Education, or by an official or body to which the Board of Education delegates the authority. The Board of Education has delegated the authority to assign fund balance to the superintendent or to the superintendent’s designee (the finance director).

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position/Fund Balance (Continued)

11. Net position and fund balance (Continued)

Unassigned – All amounts not included in other spendable classifications. These amounts are available for any purpose. Positive amounts are reported only in the general fund.

Fund Balance Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balances). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. In the governmental funds, the School District's policy is to first apply the expenditure toward restricted fund balance and then to other, less restricted classifications – committed and then assigned fund balances before using unassigned fund balance.

12. Accounting Estimates

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

13. Fair Value

Investments are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

14. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures are recorded to reflect the use of the applicable spending appropriations, is used by the General Fund during the year to control expenditures. Encumbrances do not constitute expenditures or liabilities. Encumbrances and unused expenditure appropriations lapse at year end.

II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

Deposits

Custodial Credit Risk – Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. Deposits of the School District are subject to South Carolina state statutes for custodial credit risk. The statutes provide that banks accepting deposits of funds from local government units must furnish an indemnity bond or pledge as collateral obligations of the United States, South Carolina, political subdivisions of South Carolina, the Federal National Mortgage Association, the Federal Home Loan Bank, the Federal Farm Credit Bank, or the Federal Home Loan Mortgage Corporation. In accordance with the aforementioned statute, the School District's policy requires deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. Deposited funds may be invested in demand or time deposits, continuously and fully secured with direct obligations of or obligations guaranteed by the United States of America having a market value not less than the amount of such monies. At June 30, 2016, the carrying amount of the School District's deposits was $12,508,461 and the bank balance was $15,944,393. All of these deposits were fully collateralized with securities held by the pledging financial institution's trust department in the School District's name or insured by the Federal Deposit Insurance Corporation. Information was not available regarding the custodial risk of deposits with the Darlington County Treasurer of $50,226,756.

Investments

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

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – Credit risk is the risk that an issuer to an investment will not fulfill its obligations. The School District follows state statutes concerning allowable investments but has not adopted a formal investment policy.

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

(1) Obligations of the United States and agencies thereof;

(2) General obligations of the State of South Carolina or any of its political units;

(3) Savings and loan association deposits to the extent insured by the Federal Deposit Insurance Corporation;

(4) Certificates of deposit and repurchase agreements collateralized by securities of the type described in (1) and (2) above held by a third party as escrow agent or custodian, of a market value not less than the amount of certificates of deposit and repurchase agreements so secured, including interest; and

(5) No-load open and closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company, savings and loan association, or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit.

II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

In addition, South Carolina state statutes authorize the District to invest in the South Carolina Local Government Investment Pool (SCLGIP). The SCLGIP is an investment trust fund, created by state legislation, in which public monies under the custody of any political subdivision in excess of current needs may be deposited. The SCLGIP is permitted to purchase obligations of the United States, its agencies and instrumentalities, and any corporation within the United States if such obligations bear any of the three highest ratings of at least two nationally recognized rating services. The SCLGIP is not registered with the SEC. It is similar to a money market fund in that it is offered at a stable price and is guided by risk control principles such as significant overnight Repurchase Agreements for liquidity; attention to credit quality, portfolio diversification and maintenance of a short average maturity of fixed and floating rate investments.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and as amended by GASB Statement No. 72, *Fair Value Measurement and Application*, investments in the SCLGIP are carried at fair value. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. Fair value for all investments of the SCGLIP is determined on a recurring basis based upon quoted market prices. The total fair value of the SCLGIP is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of $1.00.

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

As of June 30, 2016, $3,500,482 was in a repurchase agreement held by the counterparty, or its trust department or agent for the School District. These funds are held in a money market account and invested in governmental securities and backed by the sole obligations of the United States.

As of June 30, 2016, the School District had the following investments

Investment Type	Fair Value Level	Credit Rating ^	Fair Value	Investment Maturities in Years <1 yr.
Cash and Investments held by County Treasurer	N/A	NR	$ 46,726,274	$ 46,726,274
Repurchase Agreement	Level 1	AAA	3,500,482	3,500,482
Total			$ 50,226,756	$ 50,226,756

^ If available, credit ratings are for Standard & Poor's
NR - Not rated
N/A - Not applicable
See Note I. D. 13 for details of the School District's fair value hierarchy

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

II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

B. Property Taxes

Property taxes for school operations are levied and collected by the County. The County appropriates an amount for general operations and to maintain the local level of effort as required by the State Department of Education. This appropriation is funded by and reported as ad valorem taxes and state revenues in lieu of taxes. Excess collections above the approved appropriation are retained by the county in escrow for subsequent periods and is reflected in these financial statements as Cash with the County Treasurer. The principal source of local revenue in the debt service fund are property taxes and 1% sales tax revenue.

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

The assessed value of real and other personal property, exclusive of vehicles (valued at $26,918,404), is $209,348,550. The general operations millage is 168.68 mills ($16.868 per $100 assessed valuation), and debt service fund millage is 23.50 mills ($2.35 per $100 assessed valuation).

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

C. Receivables

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

	General	Special Projects	Debt Service	Food Service Program
Receivables				
Property taxes	$ 3,547,744	$ 280,043	$ 487,288	$ -
Sales taxes	-	-	1,434,436	-
Intergovernmental	217,272	7,525,010	-	14,433
Accounts	15,000	-	-	-
Gross receivables	3,780,016	7,805,053	1,921,724	14,433
Less allowance for uncollectible property tax	(2,103,047)	(153,126)	(311,500)	-
Net receivables	$ 1,676,969	$ 7,651,927	$ 1,610,224	$ 14,433

II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

D. Capital Assets

Capital assets activity for the year ended June 30, 2016, was as follows:

	Balance 6/30/2015	Restatement *	6/30/2015 As Restated	Additions	Deletions	Transfers	Balance 6/30/2016
Governmental Activities							
Capital assets, not being depreciated							
Land	$ 6,281,409	$ -	$ 6,281,409	$ -	$ -	$ -	$ 6,281,409
Construction in progress	2,696,375	680,980	3,377,355	6,164,493	(2,983)	(1,519,661)	8,019,204
Total capital assets, not being depreciated	8,977,784	680,980	9,658,764	6,164,493	(2,983)	(1,519,661)	14,300,613
Capital assets, being depreciated							
Building and improvements	190,092,881	-	190,092,881	436,821	(15,175)	748,345	191,262,872
Land improvements	10,870,604	-	10,870,604	147,826	-	771,316	11,789,746
Equipment	13,623,772	-	13,623,772	64,813	-	-	13,688,585
Total capital assets, being depreciated	214,587,257	-	214,587,257	649,460	(15,175)	1,519,661	216,741,203
Totals at historical cost	223,565,041	680,980	224,246,021	6,813,953	(18,158)	-	231,041,816
Less accumulated depreciation for							
Building and improvements	(111,271,077)	-	(111,271,077)	(3,924,873)	1,256	-	(115,194,694)
Land improvements	(3,649,302)	-	(3,649,302)	(517,865)	-	-	(4,167,167)
Equipment	(9,054,843)	-	(9,054,843)	(448,264)	-	-	(9,503,107)
Total accumulated depreciation	(123,975,222)	-	(123,975,222)	(4,891,002)	1,256	-	(128,864,968)
Total capital assets, being depreciated, net	90,612,035	-	90,612,035	(4,241,542)	(13,919)	1,519,661	87,876,235
Governmental activities capital assets, net	$ 99,589,819	$ 680,980	$ 100,270,799	$ 1,922,951	$ (16,902)	$ -	$ 102,176,848

* Refer to Note III. F for details on restatement

	Balance 6/30/2015	Additions	Deletions	Balance 6/30/2016
Business-type Activities				
Capital assets, being depreciated				
Food service equipment	$ 3,072,504	$ 368,079	$ -	$ 3,440,583
Total capital assets, being depreciated	3,072,504	368,079	-	3,440,583
Less accumulated depreciation for				
Food service equipment	(2,466,550)	(114,183)	-	(2,580,733)
Total accumulated depreciation	(2,466,550)	(114,183)	-	(2,580,733)
Total capital assets, being depreciated, net	605,954	253,896	-	859,850
Business-type activities capital assets, net	$ 605,954	$ 253,896	$ -	$ 859,850

II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

D. Capital Assets (Continued)

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

Governmental activities	
Instruction	$ 4,255,172
Support Services	244,550
Unallocated	391,280
Total governmental activities	$ 4,891,002

Business-type activities	
Food Service	$ 114,183
Total business-type activities	$ 114,183

E. Transfers From (To) Other Funds

Transfers from (to) other funds for the year ended June 30, 2016, consisted of the following:

	Transfers In	Transfers Out
General Fund	$ 2,045,856	$ 45,450
Special Projects Fund	-	289,338
Education Improvement Act Fund	-	1,756,518
Total governmental funds	2,045,856	2,091,306
Pupil Activities Fund	45,450	-
Total fiduciary funds	45,450	-
Total transfers	$ 2,091,306	$ 2,091,306

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

II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

F. Interfund Receivables and Payables

Interfund balances at June 30, 2016, consisted of the following individual fund receivables and payables:

	Receivable	Payable
General Fund	$ 10,873,150	$ 14,556,364
Special Projects Fund	5,728,430	7,484,866
Education Improvement Act Fund	2,495,072	-
School Building Fund	4,111,499	2,479,989
Debt Service Fund	350,070	-
Total governmental funds	23,558,221	24,521,219
Food Service Fund	962,998	-
Total proprietary fund	962,998	-
Total balances	$ 24,521,219	$ 24,521,219

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

G. Long-Term Debt

Changes in Long-Term Liabilities

During the year ended June 30, 2016, the following changes took place in the long-term liabilities:

	Balance 6/30/2015	Additions	Reductions	Balance 6/30/2016	Due Within One Year
General obligation bonds	$ 18,566,093	$ 5,000,000	$ 9,400,515	$ 14,165,578	$ 4,585,578
Plus deferred amount:					
For issuance premium	1,301,525	-	536,842	764,683	-
Total general obligation bonds	19,867,618	5,000,000	9,937,357	14,930,261	4,585,578
Compensated absences	1,017,489	394,716	351,060	1,061,145	624,528
Total long-term liabilities	$ 20,885,107	$ 5,394,716	$ 10,288,417	$ 15,991,406	$ 5,210,106

Interest and other charges paid on long term debt for the year totaled $767,444.

II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

G. Long-Term Debt (Continued)

General Obligation Bonds

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

General obligation bonds payable at June 30, 2016, are comprised of the following individual issues:

	Interest Rates	Balance
2014 Refunding	3 – 5%	$ 12,245,000
2014 Improvement	0.98%	520,578
2006 Advance Refunding Bonds (QZAB)	3.50%	1,400,000
		$ 14,165,578

The annual requirements for debt service on General Obligation Bonds outstanding at June 30, 2016, are summarized as follows:

Year ending June 30,	Principal	Interest	Total
2017	$ 4,585,578	$ 547,950	$ 5,133,528
2018	4,275,000	339,588	4,614,588
2019	5,305,000	117,150	5,422,150
Subtotal	14,165,578	1,004,688	15,170,266
Plus deferred amounts:			
Bond premiums	764,683	-	764,683
Total	$ 14,930,261	$ 1,004,688	$ 15,934,949

In October 2014, the School District issued an Equipment, Acquisition and Use Agreement, Series 2014 in the amount of $1,036,093 and incurred $10,000 in bond issuance costs. The net proceeds were used to purchase computers. Payments are due annually in two equal installments of $525,690 which include principal and interest at a rate of 0.982%. These bonds mature in October 2016.

Refunding

In January 2005, the School District issued $48,000,000 in general obligation bonds under the referendum, with an annual interest rate ranging from 3.25% to 5.13% (2005 School Building Bonds). Debt outstanding at June 30, 2014, against the $48,000,000 in general obligations bonds totaled $36,905,000.

II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

G. Long-Term Debt (Continued)

In July 2014, the School District issued General Obligation Refunding Bonds, Series 2014 in the amount of $16,130,000 plus a premium of $1,617,665 and incurred $130,375 of bond issuance costs. The net proceeds along with $6,900,000 from the General Fund and $12,387,710 from the Debt Service Fund were used to refund the outstanding principal of the 2005 School Building Bonds. The new bond bears interest from 3% to 5% and is due in annual installments ranging from $4,022,150 to $4,603,900.

The difference in the reacquisition price of the old debt and the net carrying amount of the old debt was $1,669,368 and related to the unamortized premium associated with the old debt. This amount is reported as a deferred inflow of resources and is being amortized over the life of the new debt.

Advance Refunding

During the 2006 fiscal year, the District issued a Qualified Zone Academy Bond (QZAB) in the amount of $1,400,000. Under the agreement, the District deposited $700,000 in an escrow account and is required to pay an additional $139,007 in annual payments of $8,688 over sixteen years. Because the amount deposited did not completely satisfy the District's financial commitment to retire the bonds, the transaction does not qualify as an in-substance defeasance. Therefore, the debt of $1,400,000 and an accumulated restricted asset of $1,033,130 on deposit with the advance refunding agent are included in the government-wide Statement of Net Position. The balance on deposit has been invested in U.S. Treasury and Agency obligations and is not collateralized or insured against declines in value.

Short Term Debt Issuance

The District issued $5,000,000 of General Obligation Improvement Bonds, Series 2015 during the current fiscal year, which were repaid by June 30, 2016. This activity is included in the disclosure of the changes in long-term liabilities.

H. Food Service

Federal Guidelines

The School District's Food Service Fund administers the lunch programs in accordance with the United States Department of Agriculture (USDA) guidelines. Revenues are provided from USDA reimbursements and cash collections. The meals served to pupils are classified as regular, reduced, or free lunches by the Food Service Program. The type of meal served determines the amount of reimbursement from the USDA. Reimbursements may be in the form of cash or commodities. The food service expenditures are inclusive of $362,232 of commodities consumed during the year ended June 30, 2016.

Administrative Costs

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

II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

I. Fund Balances

The following classifications describe the relative strength of the spending constraints:

	General Fund	Special Projects Fund	School Building Fund	Debt Service Fund
Fund balances:				
Nonspendable				
Inventories	$ 93,998	$ -	$ -	$ -
Restricted:				
Contractual obligations	-	-	-	11,249,602
Grants	-	9,500	-	-
Other sources	70,894	-	-	-
Restricted total	70,894	9,500	-	11,249,602
Committed:				
E Rate funding	-	1,043,774	-	-
Medicaid	-	1,424,457	-	-
Activity buses	-	444,512	-	-
Adult banquet	-	49,946	-	-
Capital maintenance	2,748,719	-	-	-
Florence Darlington Technical College	-	146,799	-	-
Capital projects	-	-	10,530,502	-
Committed total	2,748,719	3,109,488	10,530,502	-
Assigned:				
Landscaping	65,868	-	-	-
School cameras	299,706	-	-	-
Other	163,911	-	-	-
Assigned total	529,485	-	-	-
Unassigned	27,474,561	-	-	-
	$ 30,917,657	$ 3,118,988	$ 10,530,502	$ 11,249,602

III. OTHER INFORMATION

A. Defined Benefit Pension Plans

The South Carolina Public Employee Benefit Authority ("PEBA"), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the Budget and Control Board (restructured into the Department of Administration on July 1, 2015), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems ("Systems") and serves as a co-trustee of the Systems in conducting that review.

PEBA issues a Comprehensive Annual Financial Report ("CAFR") containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. PEBA is considered a division of the primary government of the state of South Carolina, and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

III. OTHER INFORMATION (CONTINUED)

A. Defined Benefit Pension Plans (Continued)

Plan Description

• The South Carolina Retirement System ("SCRS"), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions.

• The South Carolina Police Officers Retirement System ("PORS"), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firemen of the state and its political subdivisions.

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

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

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

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

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

III. OTHER INFORMATION (CONTINUED)

A. Defined Benefit Pension Plans (Continued)

Plan Description (Continued)

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

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

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

Contributions
Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may increase the SCRS and PORS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS and 5 percent for PORS. An increase in the contribution rates adopted by the Board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the board are insufficient to maintain a 30-year amortization schedule of the unfunded liabilities of the plans, the board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the 30-year amortization period; this increase is not limited to one-half of one percent per year.

Required employee contribution rates for the plan's fiscal years are as follows:

	Fiscal year ended June 30, 2015	Fiscal year ended June 30, 2016
Employee Class Two	8.00% of earnable compensation	8.16% of earnable compensation
Employee Class Three	8.00% of earnable compensation	8.16% of earnable compensation

	Fiscal year ended June 30, 2015	Fiscal year ended June 30, 2016
Employer Class Two	10.75% of earnable compensation	10.91% of earnable compensation
Employer Class Three	10.75% of earnable compensation	10.91% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation	0.15% of earnable compensation

III. OTHER INFORMATION (CONTINUED)

A. Defined Benefit Pension Plans (Continued)

Actuarial Assumptions and Methods (Continued)

The School District's actual contributions to SCRS and PORS for the year ended June 30, 2016, were $6,195,424 and $-0-, respectively, which equaled the required contributions.

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2010, and the next experience study performed on data through June 30, 2015, is currently underway.

The most recent annual actuarial valuation reports adopted by the PEBA Board are as of July 1, 2014. The net pension liability of each defined benefit pension plan was therefore determined by the consulting actuary, Gabriel, Roeder, Smith and Company ("GRS"), based on the July 1, 2014, actuarial valuations, using membership data as of July 1, 2014. The total pension liability was rolled forward from the valuation date to the plan's fiscal year ended June 30, 2015, using generally accepted actuarial procedures. Information included in the following schedules is based on the certification provided by GRS.

The following provides a summary of the actuarial assumptions and methods used in the July 1, 2014, valuations for SCRS and PORS.

	SCRS	PORS
Actuarial cost method	Entry age normal	Entry age normal
Actuarial assumptions:		
Investment rate of return	7.50%	7.50%
Projected salary increases	3.5% to 12.5% (varies by service)*	4.0% to 10.0% (varies by service)*
Benefit adjustments	lesser of 1% or $500	lesser of 1% or $500

* Includes inflation at 2.75%

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000. Assumptions used in the July 1, 2014, valuations for SCRS and PORS are as follows:

Former Job Class	Males	Females
Educators and Judges	RP-2000 Males (with White Collar adjustment) multiplied by 110%	RP-2000 Females (with White Collar adjustment) multiplied by 95%
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety, Firefighters and members of the South Carolina National Guard	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

III. OTHER INFORMATION (CONTINUED)

A. Defined Benefit Pension Plans (Continued)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67 less that System's fiduciary net position. The School District's proportional share of the NPL amounts for SCRS and PORS are presented below:

Measurement Period Ended June 30,	Fiscal Year Ended June 30,	SCRS	PORS	Total
2014	2015	$ 99,349,740	$ 3,561	$ 99,353,301
2015	2016	108,892,592	-	108,892,592

The total pension liability is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The School District's proportionate share of the net pension liability was calculated on the basis of historical employer contributions. Although GASB 68 encourages the use of the employer's projected long-term contribution effort to the retirement plan, allocating on the basis of historical employer contributions is considered acceptable. For the measurement period ended June 30, 2015 and 2014, the School District's percentage of the SCRS and PORS net pension liability were 0.574162% and 0.577055% and 0% and .00019%, respectively.

Long-term Expected Rate of Return
The long-term expected rate of return on pension plan investments, as used in the July 1, 2014, actuarial valuations was based upon the 30-year capital market outlook at the end of the fourth quarter 2013, as developed by Retirement System Investment Commission ("RSIC") in collaboration with its investment consultant, Aon Hewitt. The long-term expected rates of return represents assumptions developed using an arithmetic building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. Long-term assumptions for other asset classes are based on historical results, current market characteristics, and professional judgment.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation as adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.50 percent assumed annual investment rate of return set in statute and used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

Discount Rate
The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

III. OTHER INFORMATION (CONTINUED)

A. Defined Benefit Pension Plans (Continued)

Net Pension Liability (Continued)

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Short Term	**5.00%**		
Cash	2.00%	1.90%	0.04%
Short Duration	3.00%	2.00%	0.06%
Domestic Fixed Income	**13.00%**		
Core Fixed Income	7.00%	2.70%	0.19%
Mixed Credit	6.00%	3.80%	0.23%
Global Fixed Income	**9.00%**		
Global Fixed Income	3.00%	2.80%	0.08%
Emerging Markets Debt	6.00%	5.10%	0.31%
Global Public Equity	**31.00%**	7.10%	2.20%
Global Tactical Asset Allocation	**10.00%**	4.90%	0.49%
Alternatives	**32.00%**		
Hedge Funds (Low Beta)	8.00%	4.30%	0.34%
Private Debt	7.00%	9.90%	0.69%
Private Equity	9.00%	9.90%	0.89%
Real Estate (Broad Market)	5.00%	6.00%	0.30%
Commodities	3.00%	5.90%	0.18%
Total Expected Real Return	100.00%		6.00%
Inflation for Actuarial Purposes			2.75%
Total Expected Nominal Return			8.75%

Sensitivity Analysis
The following table presents the collective net pension liability of the School District calculated using the discount rate of 7.50 percent, as well as what the School District's net pension liability would be if it were calculated using a discount rate that is 1.00 percent lower (6.50 percent) or 1.00 percent higher (8.50 percent) than the current rate.

Sensitivity of the District's Proportional Share of Net Pension Liability to Changes in the Discount Rate

System	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
SCRS	$ 137,282,443	$ 108,892,592	$ 81,997,812

III. OTHER INFORMATION (CONTINUED)

A. Defined Benefit Pension Plans (Continued)

Plan Fiduciary Net Position

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

Pension Expense and Deferred Outflows (Inflows) of Resources

For the year ended June 30, 2016, the School District recognized pension expense of $7,782,181 in the Statement of Activities.

At June 30, 2016, the School District reported deferred outflows (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions made subsequent to measurement date	$ 6,195,424	$ -
Differences in actual and expected experience	1,934,650	194,735
Changes in proportion and differences between Company's contributions and proportionate share of contributions	-	404,771
Net differences between projected and actual earnings on plan investments	728,872	-
	$ 8,858,946	$ 599,506

The School District reported $6,195,424 deferred outflows of resources related to contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows (inflows) of resources will be recognized in pension expense in future years. The following schedule reflects the amortization of the School District's proportional share of the net balance of remaining deferred outflows (inflows) of resources at June 30, 2016. Average remaining service lives of all employees provided with pensions through the pension plans at June 30, 2015, measurement date was 4.164 years for SCRS and 4.796 years for PORS.

Measurement Period Ending June 30,	Fiscal Year Ending June 30,	SCRS & PORS
2016	2017	$ 338,423
2017	2018	338,423
2018	2019	(326,098)
2019	2020	1,713,268
Net Balance of Deferred Outflows / (Inflows) of Resources		$ 2,064,016

III. OTHER INFORMATION (CONTINUED)

A. Defined Benefit Pension Plans (Continued)

Payables to the pension plans

At June 30, 2016, the School District reported a payable of $2,409,045 for the outstanding amount of contributions due to SCRS. The liability will be paid in the normal course of paying year-end obligations.

B. Defined Contribution Pension Plan

The School District contributes to the State Optional Retirement Program ("State ORP"), a defined contribution pension plan that is offered as an alternative to the SCRS defined benefit plan. Participation in the State ORP is available to certain newly hired state, public school, and higher education employees, and individuals newly elected to the SC General Assembly beginning with the November 2012 general election. Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers. For this reason, State ORP programs are not considered part of the retirement systems for financial statement purposes. Employee and Employer contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employers to the member's account with investment providers for the employee contribution (8 percent) and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution (5.91 percent) and an incidental death benefit contribution (.15 percent), if applicable, which is retained by SCRS.

For the year ended June 30, 2016, employee contributions totaled $154,687, and the School District recognized pension expense of $117,175.

Employees are immediately vested in both their own and the employer contributions and earnings on those contributions.

C. Commitments and Contingent Liabilities

Litigation

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

Grants

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

III. OTHER INFORMATION (CONTINUED)

C. Commitments and Contingent Liabilities (Continued)

Construction Commitments

The School District has entered into contracts for various construction projects. Outstanding obligations at June 30, 2016, are as follows:

Project	Contract Amounts	Expended to Date	Remaining Commitment
HHS Band Room Renovations	$ 75,765	$ 70,982	$ 4,783
SECC Canopy Project	218,290	196,918	21,372
DHS Metal Roof	1,411,000	1,342,858	68,142
SECC Metal Roof Project	1,090,000	587,117	502,883
Mayo Gym Renovations	2,290,000	658,259	1,631,741
Fire Alarm Reno* 1 & 2 (SES, CES, SECC, BDE, DHS)	968,543	892,750	75,793
Fire Alarm Reno Phase 3 - Mayo & Cain	529,000	62,121	466,879
Fire Alarm Renovation Phase 4-HHS	794,300	750,382	43,918
BA Gary Roof Project	705,000	338,964	366,036
	$ 8,081,898	$ 4,900,351	$ 3,181,547

D. Risk Management

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

During 2016, the School District was a participant in the South Carolina Insurance Reserve Fund (the Reserve Fund), a public entity risk pool operating as a common risk management and insurance program for local governments. The School District pays annual premiums to the Reserve Fund for certain general insurance coverage. The Reserve Fund is self-sustaining through member premiums and reinsures through commercial companies for certain claims. The vehicle insurance under the Reserve Fund is retrospectively rated based on the average number of vehicles covered for the participant during the year.

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

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

III. OTHER INFORMATION (CONTINUED)

E. Pending GASB Statements

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68 and Amendments to Certain Provision of GASB Statement 67 and 68.* The requirements of this Statement will improve financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. The provisions in Statement 73 are effective for fiscal years beginning after June 15, 2015—except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. The School District will implement the new guidance with the 2017 financial statements.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016. The School District will implement the new guidance with the 2017 financial statements.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. The School District will implement the new guidance with the 2018 financial statements.

GASB Statement No. 77, *Tax Abatement Disclosures*, requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements, and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. The School District will implement the new guidance with the 2017 financial statements.

GASB Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14,* requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. The District will implement the new guidance with the 2017 financial statements.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements,* requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. The District will implement the new guidance with the 2018 financial statements.

III. OTHER INFORMATION (CONTINUED)

E. Pending GASB Statements (Continued)

GASB Statement No. 82, *Pension issues – an amendment of GASB Statements No. 67, No. 68, and No. 73,* requires the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure. This Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits). The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. The District will implement the new guidance with the 2017 financial statements.

Management has not yet determined the impact implementation of these standards will have on the School District's financial statements, if any.

F. Restatements

Management discovered and corrected errors during the current fiscal year. The first error discovered related to the understatement of accounts payable and capital outlay for construction in progress on the fund statements and the understatement of capital assets and accounts payable on the government wide statements as of June 30, 2015. The second error discovered related to misclassification of expenditures on the fund statement for the year ended June 30, 2015 and the understatement of capital assets on the government wide statements as of June 30, 2015. The expenditures were classified as operating expenses when they should have been included as capital outlays for construction in progress having no impact on the fund balance.

The effect of the restatements on governmental activities capital assets discussed above is as follows:

		Governmental Activities
Construction in progress, as originally presented, June 30, 2015		$ 2,696,375
Restated for:		
Changes were made to capital outlays for the year ended June 30, 2015, to properly include construction in progress expenditures.	$ 237,951	
Changes were made to capital outlays for the year ended June 30, 2015, to properly include construction in progress expenditures.	140,456	
Changes were made to capital assets as of June 30, 2015, to properly include construction in progress.	302,573	
		680,980
Construction in progress, as restated, June 30, 2015 (Note II.D)		$ 3,377,355

III. OTHER INFORMATION (CONTINUED)

F. Restatements (Continued)

The effect of the restatements on fund balance and net position discussed above are as follows:

	Governmental Activities	General Fund	School Building Fund
Fund balance/net position, as originally presented, June 30, 2015	$ 39,631,527	$ 33,988,609	$ 10,553,841
Restated for:			
Changes were made to capital outlays as of June 30, 2015, to properly include construction in progress expenditures.	-	(237,951)	(140,456)
Changes were made to capital assets as of June 30, 2015, to properly include construction in progress.	302,573	-	-
Net position as restated July 1, 2015	$ 39,934,100	$ 33,750,658	$ 10,413,385

G. Subsequent Events

In September 2016, the School District issued a General Obligation Bond, Series 2016 in the amount of $5,610,000 at a .83% interest rate. Principal plus interest in the amount of $5,639,490 are due in May 2017.

In September 2016, the School District entered into a lease purchase agreement in the amount of $2,600,000 at a 1.35% interest rate, with final payment due on December 1, 2020.

In November 2016, a resolution was passed to extend the penny sales tax for fifteen years to acquire, construct, furnish and equip three schools within the District. The referendum further states that the District is authorized to issue and sell, either as a single issue or as several issues, general obligation bonds in the principal amount of not exceeding $60,000,000 to defray the cost of the improvements.

The School District entered into various contracts for construction, repairs and equipment purchases for approximately $726,000 subsequent to year end.

Subsequent events have been evaluated through January 11, 2017, which is the date the financial statements were available to be issued.

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

DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)
BUDGETARY COMPARISON SCHEDULE – BUDGETED MAJOR GOVERNMENTAL FUND - GENERAL FUND
YEAR ENDED JUNE 30, 2016

	Budgeted Amounts			Variance -
	Original	Final	Actual	Over (Under)
REVENUES				
Local	$ 26,150,000	$ 26,150,000	$ 30,278,625	$ 4,128,625
State	46,775,290	46,775,290	46,924,123	148,833
Intergovernmental	170,000	170,000	283,589	113,589
Total Revenue	73,095,290	73,095,290	77,486,337	4,391,047
EXPENDITURES				
Current				
Instruction	42,603,430	42,612,366	42,222,131	(390,235)
Support services	32,050,571	32,041,635	40,091,808	8,050,173
Community services	-	-	3,020	3,020
Intergovernmental	1,500	1,500	2,785	1,285
Total Expenditures	74,655,501	74,655,501	82,319,744	7,664,243
Excess of Revenues Over (Under) Expenditures	(1,560,211)	(1,560,211)	(4,833,407)	(3,273,196)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,886,468	1,886,468	2,045,856	159,388
Transfers out	(326,257)	(326,257)	(45,450)	280,807
Total Other Financing Sources	1,560,211	1,560,211	2,000,406	440,195
Net Change in Fund Balance	$ -	$ -	(2,833,001)	$ (2,833,001)
FUND BALANCE				
July 1, 2015, as restated			33,750,658	
June 30, 2016			$ 30,917,657	

The accompanying Notes to Budgetary Comparison Schedule are an integral part of this schedule.

NOTES TO BUDGETARY COMPARISON SCHEDULE – BUDGETED MAJOR GOVERNMENTAL FUND - GENERAL FUND

YEAR ENDED JUNE 30, 2016

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

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

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

A budget is prepared for the general fund. The budget is prepared by function and object and includes current year estimates and requested appropriations for the next fiscal year.

Budget appropriations lapse at year-end. Encumbrances are re-appointed on a yearly basis and are reflected as an increase in budgeted expenditures in the next year.

The final budget amendments presented are necessary based on the operating activities of the District. The budget was amended to move funds from support services to instruction to allow purchases for classroom supplies and materials rather than purchases for administration. These amendments are allowed as the policy allows for funds to be transferred between functions.

DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
SOUTH CAROLINA RETIREMENT SYSTEM
LAST THREE FISCAL YEARS

Year Ended June 30	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability (asset)	School District's covered employee payroll	School District's share of the net pension liability (asset) as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.574162%	$ 108,892,592	$ 54,957,042	198%	57.00%
2015	0.577055%	$ 99,349,740	$ 52,746,766	188%	59.92%
2014	0.577055%	$103,503,082	$ 51,397,206	201%	56.39%

Note: Each year the School District will add an additional year of data until a total of ten years is presented.

DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
POLICE OFFICER'S RETIREMENT SYSTEM
LAST THREE FISCAL YEARS

Year Ended June 30	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability (asset)	School District's covered employee payroll	School District's share of the net pension liability (asset) as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.00000%	$ -	$ -	0.0%	64.60%
2015	0.00019%	$ 3,561	$ 1,981,779	0.2%	67.55%
2014	0.00019%	$ 3,856	$ 1,904,256	0.2%	62.98%

Note: Each year the School District will add an additional year of data until a total of ten years is presented.

DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA
SCHEDULE OF THE SCHOOL DISTRICT'S CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM
LAST THREE FISCAL YEARS

Year Ended June 30	Statutorily required contribution	Contributions relative to statutorily required contributions	Contribution deficiency (excess)	School District's covered employee payroll	Contributions as a percentage of covered employee payroll
2016	$ 6,078,249	$ 6,078,249	$ -	$ 54,957,042	11.06%
2015	$ 5,749,399	$ 5,749,399	$ -	$ 52,746,766	10.90%
2014	$ 5,553,238	$ 5,553,238	$ -	$ 51,397,206	10.80%

Note: Each year the School District will add an additional year of data until a total of ten years is presented.

DARLINGTON COUNTY SCHOOL DISTRICT
DARLINGTON, SOUTH CAROLINA
SCHEDULE OF THE SCHOOL DISTRICT'S CONTRIBUTIONS
POLICE OFFICER'S RETIREMENT SYSTEM
LAST THREE FISCAL YEARS

Year Ended June 30	Statutorily required contribution	Contributions relative to statutorily required contributions	Contribution deficiency (excess)	School District's covered employee payroll	Contributions as a percentage of covered employee payroll
2016	$ -	$ -	$ -	$ -	0.00%
2015	$ -	$ -	$ -	$ -	0.00%
2014	$ 287	$ 287	$ -	$ 2,270	12.64%

Note: Each year the School District will add an additional year of data until a total of ten years is presented.

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

J.P. Morgan Securities LLC
New York, New York

Re: $15,000,000 General Obligation Bond Anticipation Notes, Series 2017, of the School District of Darlington County, South Carolina

Sirs:

We have examined the record of proceedings and other proofs submitted to us, including the Constitution and Statutes of the State of South Carolina, in relation to the issuance of the $15,000,000 General Obligation Bond Anticipation Notes, Series 2017, of the School District of Darlington County, South Carolina (the "Notes").

The Notes are issued pursuant to the provisions of Sections 11-17-10 through 11-17-120 inclusive, Code of Laws of South Carolina, 1976, as amended, and as amended and supplemented by Act No. 113 of the Acts and Joint Resolutions of 1999 of the General Assembly of the State of South Carolina (together, the "Enabling Act"), a referendum held on November 8, 2016, and a resolution (the "Bond Resolution") duly adopted by the Board of Education of the School District of Darlington County, South Carolina (the "Board"), the governing body of the School District of Darlington County (the "School District").

In our opinion, the said proceedings are regular and in due form of law, and the Notes constitute valid and binding obligations of the School District, and are payable, both principal and interest, from the proceeds of not exceeding $60,000,000 general obligation bonds to be issued by the School District.

Pursuant to Section 12-2-50 and Section 11-17-110 of the South Carolina Code of Laws 1976, as amended, the Notes and the interest thereon are exempt from all taxation by the State of South Carolina, its counties, municipalities and school districts except estate, transfer or certain franchise taxes. Interest paid on the Notes is currently subject to the tax imposed on banks by Section 12-11-20, Code of Laws of South Carolina 1976, as amended, which is enforced by the South Carolina Department of Revenue as a franchise tax. The opinion of Bond Counsel is limited to the laws of the State of South Carolina and federal tax laws. No opinion is rendered by Bond Counsel concerning the taxation of the Notes or the interest thereon under the laws of any other jurisdiction.

Interest on the Notes (including any original issue discount properly allocable to an owner thereof) is excludable from gross income of the registered owners thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. The opinion set forth in the preceding sentence is subject to the condition that the School District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Notes in order that interest thereon be (or continue to be) excludable from gross income for federal income tax purposes. Failure to comply with certain of such requirements may cause interest on the Notes to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Notes. The Board has covenanted to comply with all such requirements. It should be noted, however, that for the purpose of computing the alternative minimum tax imposed on certain corporations (as defined for federal income tax purposes), interest on the Notes is taken into account in determining adjusted current earnings. We express no opinion regarding other federal tax consequences arising with respect to the Notes.

It is to be understood that the obligations of the School District under the Notes and the Resolution, and the enforceability thereof, may be subject to judicial discretion, the valid exercise of the sovereign police powers of the State of South Carolina and of the constitutional powers of the United States of America, and applicable bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights.

We express no opinion herein regarding the accuracy, adequacy or completeness of the Offering Memorandum dated April 17, 2017 relating to the Notes. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

We have been advised on this date that there is no litigation threatened or pending, which, in any manner, affects the validity of the Notes.

We have examined an executed Bond of said issue, and in our opinion, its form and execution are in due form of law.

Very truly yours,

DISCLOSURE DISSEMINATION AGENT AGREEMENT

This Disclosure Dissemination Agent Agreement (the "Disclosure Agreement"), dated as of April 27, 2017, is executed and delivered by The School District of Darlington 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 Notes (hereinafter defined) and in order to provide certain continuing disclosure with respect to the Notes 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 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.

"Annual Report" means an Annual Report described in and consistent with Section 3 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.

"Notes" means the notes 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 Notes and the 9-digit CUSIP numbers for all Notes to which the document applies.

“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.

“Disclosure Representative” means Chief Financial Officer, 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.

“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 Notes (including persons holding Notes through nominees, depositories or other intermediaries) or (b) treated as the owner of any Notes 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 Notes (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 Notes, as listed on Appendix A.

“Trustee” means the institution, if any, identified as such in the document under which the Notes 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 seven months after the end of each fiscal year of the Issuer, commencing with the fiscal year ending June 30, 2017. 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:

"Principal and interest payment delinquencies;"

"Non-Payment related defaults, if material;"

"Unscheduled draws on debt service reserves reflecting financial difficulties;"

"Unscheduled draws on credit enhancements reflecting financial difficulties;"

"Substitution of credit or liquidity providers, or their failure to perform;"

"Adverse tax opinions, IRS notices or events affecting the tax status of the security;"

"Modifications to rights of securities holders, if material;"

"Bond calls, if material;"

"Defeasances;"

"Release, substitution, or sale of property securing repayment of the securities, if material;"

"Rating changes;"

"Tender offers;"

"Bankruptcy, insolvency, receivership or similar event of the obligated person;"

"Merger, consolidation, or acquisition of the obligated person, if material;" and

"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–Enrollment of the School District"; "THE NOTES-Additional Security for the Notes"; "THE SCHOOL DISTRICT-Education Finance Act"; "THE SCHOOL DISTRICT-Education Improvement Act"; "CERTAIN FISCAL MATTERS-Assessed and True Value of Taxable Property of the School District"; "CERTAIN FISCAL MATTERS-Millage History"; "CERTAIN FISCAL MATTERS-Tax Collection Record of the School District"; "CERTAIN FISCAL MATTERS-Ten Largest Taxpayers"; and "CERTAIN FISCAL MATTERS-Homestead Exemptions-Property Tax Relief."

(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 Notes 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 Notes, or other material events affecting the tax status of the Notes;

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 Notes, 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 Notes and the 9-digit CUSIP numbers for the Notes 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.

(c) 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.

(d) 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 Notes upon the legal defeasance, prior redemption or payment in full of all of the Notes, when the Issuer is no longer an obligated person with respect to the Notes, 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 Notes. 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 Notes or under any other document relating to the Notes, 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 Notes 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 Notes.

(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 Notes 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 Notes, the Disclosure Dissemination Agent, the underwriter, and the Holders from time to time of the Notes, 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.

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:

THE SCHOOL DISTRICT OF DARLINGTON
COUNTY, SOUTH CAROLINA
as Issuer

By: ____
Name:
Title:

EXHIBIT A

NAME AND CUSIP NUMBERS OF NOTES

Name of Issuer	The School District of Darlington County, South Carolina
Obligated Person(s)	The School District of Darlington County, South Carolina
Name of Bond Issue:	$15,000,000 General Obligation Bond Anticipation Notes, Series 2017
Date of Issuance:	April 27, 2017
Date of Official Statement	April 27, 2017

CUSIP Number: 237289JG9

EXHIBIT B

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Issuer:	The School District of Darlington County, South Carolina
Obligated Person:	The School District of Darlington County, South Carolina
Name(s) of Bond Issue(s):	$15,000,000 General Obligation Bond Anticipation Notes, Series 2017
Date(s) of Issuance:	April 27, 2017
Date(s) of Disclosure Agreement:	April 27, 2017
CUSIP Number:	237289JG9

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Notes as required by the Disclosure Agreement 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

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 notes 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.
315 East Robinson Street
Suite 300
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 April 27, 2017, 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 notes 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.
315 East Robinson Street
Suite 300
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 April 27, 2017 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 notes 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.
315 East Robinson Street
Suite 300
Orlando, FL 32801
407-515-1100

Date: ____________________