NEW ISSUE **RATINGS: Moody's Investors Service: "Aa1"/"Aa2"**
FULL BOOK-ENTRY-ONLY **Standard & Poor's: "AA"/"AA"**
(See "Ratings" herein)

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

$119,080,000 GENERAL OBLIGATION BONDS, SERIES 2017B, OF FORT MILL SCHOOL DISTRICT NO. 4 OF YORK COUNTY, SOUTH CAROLINA

The General Obligation Bonds, Series 2017B (the "Bonds") will be general obligation bonds of Fort Mill School District No. 4 of York County, South Carolina (the "School District") and as such the full faith, credit, resources and taxing power of the School District will be irrevocably pledged for the payment thereof.

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

The Bonds will be dated as of the date of delivery and payment therefor, which is expected to be August 16, 2017, and will mature on March 1 in each of the years and in the principal amounts and bear interest from their date at the rates per annum shown below. Interest on the Bonds is first payable on March 1, 2018 and semiannually thereafter on each March 1 and September 1 until the Bonds are paid in full. The Bonds are subject to optional redemption in whole or in part at par, plus accrued interest to the date of redemption, at any time on and after March 1, 2027.

Due March 1	Principal Amount	Interest Rate	Reoffering Price	Due March 1	Principal Amount	Interest Rate	Reoffering Price
2018	$3,730,000	5.00%	102.259%	2028	$7,075,000	5.00%	124.759%
2019	3,120,000	5.00	106.230	2029	7,365,000	3.00	104.480
2020	2,200,000	5.00	110.013	2030	7,600,000	3.25	103.744
2021	3,850,000	5.00	113.472	2031	7,855,000	3.25	102.645
2022	5,575,000	5.00	116.698	2032	8,145,000	4.00	109.986
2023	7,400,000	5.00	119.425	2033	8,435,000	3.00	99.383
2024	7,780,000	5.00	121.660	2034	7,670,000	3.00	98.712
2025	250,000	5.00	123.424	2035	8,920,000	3.00	98.254
2026	6,670,000	5.00	124.871	2036	9,195,000	3.00	97.904
2027	6,245,000	5.00	125.940				

The Bonds are offered when, as and if issued and subject to the approving opinion as to legality of Haynsworth Sinkler Boyd, P.A., Columbia, South Carolina. It is expected that the Bonds in definitive form will be available for delivery on or about August 16, 2017.

This cover page contains certain information for quick reference only. It is not a summary of the issue. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision.

This Official Statement is dated August 2, 2017.

CITIGROUP

No dealer, broker, salesman or other person has been authorized by Fort Mill School District No. 4 of York County, South Carolina (the "School District") to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such other information or representation may not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy; nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been provided by the School District and other sources which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the School District since the date hereof.

FORT MILL SCHOOL DISTRICT NO. 4 OF
YORK COUNTY, SOUTH CAROLINA

SCHOOL DISTRICT BOARD OF TRUSTEES

Diane Dasher, Chairwoman
Wayne Bouldin, Vice Chairman
Thomas Audette
Michele Branning
Scott Frattaroli
Kristy Spears
Patrick M. White

SCHOOL DISTRICT ADMINISTRATION

James N. Epps, Jr., Ph.D., Superintendent
Leanne W. Lordo, Assistant Superintendent for Finance and Operations

BOND COUNSEL

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

FINANCIAL ADVISOR

Compass Municipal Advisors, LLC
Columbia, South Carolina

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I.

INTRODUCTION

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

The Issuer

The $119,080,000 General Obligation Bonds, Series 2017B (the "Bonds") are being issued by Fort Mill School District No. 4 of York 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 Bonds, the full faith, credit, resources and taxing power of the School District are irrevocably pledged. See "THE BONDS - Security" herein.

Purpose of the Bonds

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

Details of the Bonds

The Bonds will be general obligation bonds of the School District; will be issuable in fully registered form and, when issued, will be registered to Cede & Co. as nominee for The Depository Trust Company, New York, New York ("DTC"). Information on limitations on transfer of ownership is set forth in "THE BONDS - Book-Entry-Only System" and "THE BONDS - Discontinuance of Book-Entry-Only System."

The Bonds will be dated the date of delivery of the Bonds to DTC, which is expected to be August 16, 2017. The Bonds will bear interest from their date at the rates shown on the front cover hereof, payable initially on March 1, 2018, and semiannually thereafter on March 1 and September 1 of each year until they mature. The Bonds will mature in successive annual installments on March 1 in each of the years and in the principal amounts as set forth on the front cover hereof. The Bonds are subject to redemption prior to their respective maturities. See "THE BONDS" for further information.

Tax Status of Interest on the Bonds

In the opinion of Bond Counsel, subject to the conditions and limitations stated therein, interest on the Bonds will be excludable from gross income for Federal income tax purposes and will not constitute an item of tax preference for purposes of the alternative minimum tax. Under the present laws of the State of South Carolina, the Bonds and the interest thereon will be exempt from all State, county, municipal, school district, and all other taxes and assessments, direct or indirect, general and special, whether imposed for the purpose of general revenue or otherwise, except inheritance, estate and transfer taxes, but the interest thereon may be includable for certain franchise fees or taxes. See "LEGAL MATTERS - Tax Exemption" herein.

Professionals Involved in the Offering

Haynsworth Sinkler Boyd, P.A., Columbia, South Carolina, is acting as Bond Counsel in connection with the issuance of the Bonds. Compass Municipal Advisors, LLC, Columbia, South Carolina is serving as Financial Advisor to the School District for the purpose of this matter. Regions Bank, Atlanta, Georgia is serving as Registrar and Paying Agent (the "Registrar/Paying Agent") for the Bonds.

Independent Auditors

The financial statements of the School District for the fiscal years ended June 30, 2012 through June 30, 2016 have been audited by Greene, Finney & Horton, LLP, Mauldin, South Carolina. A copy of the basic financial statements of the School District for the year ended June 30, 2016 is attached to this Preliminary Official Statement 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.

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 Bonds will be issued pursuant to the Constitution and laws of the State of South Carolina, a referendum held in the District on May 5, 2015 and a resolution of the Board of Trustees of the School District (the "Board"), the governing body of the School District adopted on May 19, 2015 (the "Bond Resolution").

General

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of the Preliminary Official Statement and the Official Statement will be filed with the Municipal Securities Rulemaking Board, through its Electronic Municipal Market Access ("EMMA") system. Copies of the Preliminary Official Statement, the Official Statement, the Resolutions and related documents and information are available by contacting Leanne Lordo, Assistant Superintendent for Finance and Operations, Fort Mill School District No. 4 of York County, 2233 Deerfield Drive, Fort Mill, South Carolina 29715, telephone (803) 548-8212.

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II.

THE BONDS

Description of the Bonds

The Bonds here offered constitute an issue of $119,080,000 General Obligation Bonds, Series 2017B, of the School District (the "Bonds"). The Bonds bear interest from their date at the rates shown on the front cover hereof, payable initially on March 1, 2018, and semiannually thereafter on March 1 and September 1 of each year until they respectively mature.

The Bonds will be issued in fully registered book-entry form and will be dated as of August 16, 2017. The Bonds shall be issued under the DTC Book-Entry-Only System issued in the denominations of $5,000 or integral multiples thereof, registered in the name of Cede & Co., as the registered owner and nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Bonds. Regions Bank, Atlanta, Georgia shall serve as Registrar and Paying Agent for the Bonds for so long as the same are held under a Book-Entry-Only System (the "Registrar/Paying Agent").

Book-Entry-Only System

Beneficial ownership interests in the Bonds will be available only in book-entry form. Beneficial Owners (hereinafter defined) will not receive physical bond certificates representing their interests in the Bonds purchased. So long as DTC (hereinafter defined) or its nominee is the registered owner of the Bonds, references in this Official Statement to the Owners of the Bonds shall mean DTC or its nominee and shall not mean the Beneficial Owners.

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

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts the Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar/Paying Agent and request that copies of the notices be provided directly to them.

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

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

Redemption proceeds, distributions and dividend payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or Registrar/Paying Agent on each payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participants and not of DTC, Registrar/Paying Agent or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend 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 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. The School District can give no assurance that Direct and Indirect Participants will promptly transfer payments to Beneficial Owners.

DTC may discontinue providing its services as security depository with respect to the Bonds at any time by giving reasonable notice to the School District. 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 Bonds, upon registration of certificates held in the Beneficial Owners' names, will become the registered owners of the Bonds.

The Issuer 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 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 Bonds, or the sending of any transaction statements; (3) the delivery or timeliness of delivery by DTC or any Participant of any notice to any Beneficial Owner which is required or permitted under the Bond Resolution to be given to Owners; (4) the selection of the Beneficial Owners to receive payments upon any partial redemption of the Bonds; or (5) any consent given or other action taken by DTC or its nominee as the registered owner of the Bonds, including any action taken pursuant to an omnibus proxy.

BECAUSE DTC IS TREATED AS THE OWNER OF THE BONDS 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 Bonds are no longer in book-entry-only form, the certificates held by DTC or a successor securities depository will be canceled and the School District will execute and deliver the Bonds in fully registered form to the beneficial owners of the Bonds as shown on the records of the DTC Participants or the nominee of a successor securities depository. If no other securities depository is named, interest on the Bonds will be paid by check or draft of the Registrar/Paying Agent, mailed to the person in whose name the Bond is registered as of the close of business on the fifteenth day of each month immediately preceding such payment, and principal shall be payable to the Registered Owner at maturity upon presentation and surrender thereof to the Registrar/Paying Agent at its principal corporate trust office. In such event, the School District will maintain through the Registrar/Paying Agent books of registry for the purpose of registering ownership and transfer of the Bonds. The Bonds would be transferable by the registered owner in person or by his duly authorized attorney upon surrender of the Bonds to be transferred together with a written instrument of transfer duly executed by the registered owner or his duly authorized attorney. The Registrar/Paying Agent will, upon receipt thereof, authenticate and deliver a new Bond or Bonds in like principal amount as the Bond so presented. The School District and the Registrar/Paying Agent will deem and treat the person in whose name each Bond is registered as the absolute owner thereof for all purposes.

Exchange and Transfer of Bonds

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

All Bonds surrendered in any exchanges or transfers shall be cancelled by the Registrar/Paying Agent. For each such exchange or transfer of Bonds, the School District or the Registrar/Paying Agent 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 Bond after the 15th day of the month next preceding any Bond Payment Date.

Defeasance

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

(1) The Paying Agent shall hold, at the stated maturities of the Bonds, 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 Bonds or the interest thereon shall have occurred on any Bond Payment Date, and thereafter tender of such payment shall have been made, and at such time as the Paying Agent shall hold in trust and irrevocably appropriated thereto sufficient moneys for the payment thereof to the date of the tender of such payment; or

(3) If the School District shall elect to provide for the payment of the Bonds prior to their stated maturities and shall have deposited with the Paying Agent in an irrevocable trust moneys which shall be sufficient, or Government Obligations, the principal of and interest on which when due will provide moneys, which together with moneys, if any, deposited with the Paying Agent at the same time, shall be sufficient to pay when due the Principal Installment and interest due and to become due on the Bonds on and prior to their maturity dates.

"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.

Optional Redemption

The Bonds are subject to optional redemption in whole or in part at par, plus accrued interest to the date of redemption, at any time on and after March 1, 2027.

When any Bonds are to be redeemed, the Registrar/Paying Agent shall give notice of the redemption of the Bonds in the name of the District specifying (i) the Bonds and maturities to be redeemed; (ii) the redemption date; (iii) the redemption price; (iv) the numbers and other distinguishing marks of the Bonds to be redeemed unless all of the Bonds outstanding are to be redeemed; (v) the place or places where amounts due upon such redemption will be payable; and (vi) in the case of Bonds to be redeemed in part only, the respective portions of the principal thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the redemption price thereof, together with interest accrued to the redemption date, and that, from and after such date, interest thereon shall cease to accrue. The Registrar/Paying Agent shall mail by registered mail a copy of such notice, postage prepaid, not less than 30 days before the redemption date to the registered Holders of all Bonds or portions of Bonds which are to be redeemed at their addresses which appear upon the registration books, but failure to so mail any such notice to any of such Holders shall not affect the validity of the proceedings for the redemption of Bonds held by Holders to whom written notice has been mailed, and provided that for so long as the Bonds to be redeemed are held in book-entry-only form, notice of such redemption may be given by electronic communication acceptable to DTC or the successor Securities Depository. The obligation of the Registrar/Paying Agent to give the notice required by this Section shall not be conditioned upon the prior payment to the Registrar/Paying Agent of money or the delivery to the Registrar/Paying Agent of Government Obligations sufficient to pay the redemption price of the Bonds to which such notice relates or the interest thereon to the redemption date.

On and after the redemption date (unless the District shall default in the payment of the redemption price and accrued interest), such Bonds shall cease to bear interest, and such Bonds shall no longer be considered as outstanding. If money sufficient to pay the redemption price and accrued interest has not been made available by the District to the Registrar/Paying Agent on the redemption date, such Bonds shall continue to bear interest until paid at the same rate as they would have borne, had they not been called for redemption, until the same shall have been paid. If less than all of the Bonds of like maturity are to be redeemed, the particular Bonds or portions of Bonds to be redeemed shall be selected, not less than 45 days prior to the date fixed for redemption, by the Registrar/Paying Agent by lot or in such other manner as the Registrar/Paying Agent may deem to be appropriate, provided, however, that for so long as the Bonds are held in book-entry-only form, the selection of Bonds to be redeemed shall be in accordance with the rules of the Securities Depository.

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 May 5, 2015, a referendum was held in the District, wherein those voting approved by a margin of 3,265 to 2,189 the issuance of not exceeding $226,800,000 general obligation bonds of the District to defray the cost of capital improvements to the District (the "2015 Referendum"). Improvements approved in the 2015 Referendum include renovations to Fort Mill High School and to middle and elementary schools of the School District; acquisition of land for future school sites; constructing a new high school and a new middle school; acquiring and installing information technology products; constructing an aquatics facility and a facility for teacher training and other School District support activities; acquiring school buses; and, as funds are available, for renovating, repairing, expanding, equipping and furnishing of facilities of the District. On October 15, 2015, the School District issued its $10,020,000 General Obligation Bonds, Series 2015B (the "Series 2015B Bonds"). The last maturing $3,920,000 principal amount of the Series 2015B Bonds was authorized by the 2015 Referendum. On November 15, 2015, the School District issued its $77,500,000 General Obligation Bonds, Series 2015C (the "Series 2015C Bonds"). The entire principal amount of the Series 2015C Bonds is chargeable against the authorization to issue general obligation debt provided by the 2015 Referendum. On June 1, 2017, the School District issued its $7,600,000 General Obligation Bonds, Series 2017 (the "Series 2017 Bonds"). The final $4,100,000 principal amount of the Series 2017 Bonds to mature is authorized by the 2015 Referendum.

Security

For the payment of principal of and interest on the Bonds as they respectively mature and for the creation of such sinking fund as may be necessary therefor, the full faith, credit, resources and taxing power of the School District will be irrevocably pledged, and there shall be levied annually by the Auditor of York County, South Carolina and collected by the Treasurer of York County, in the same manner as county taxes are levied and collected, a tax, without limit, on all taxable property in the School District sufficient to pay the principal of and interest on the Bonds as they respectively mature, and to create such sinking funds as may be necessary therefor.

Additional Security for the Bonds

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

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

During the fiscal years shown below, the School District received the following amounts of State appropriations in its General Fund which would have been subject to being withheld under the foregoing provision of Article X:

Fiscal Year Ended June 30	Amount Received
2018[1]	$71,682,496
2017[2]	68,232,613
2016	61,056,187
2015	55,715,988
2014	53,940,769
2013	49,814,692
2012	46,864,480

(1) Budgeted.

(2) Unaudited.

Statutory Intercept Provisions

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

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

Fiscal Year	Amount Appropriated
2018	$1,777,702,211
2017	1,728,148,671
2016	1,548,569,004
2015	1,470,506,649
2014	1,335,811,295

Miscellaneous

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

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III.

FORT MILL SCHOOL DISTRICT NO. 4 OF YORK COUNTY

Description of the School District

The School District is the second largest of the four school districts in York County (the "County") and is located in a suburban area near the City of Charlotte, North Carolina, in the County's northeastern corner. The School District's 2000 population was 25,360, which represented a 46.2% increase over its 1990 population of 17,343. The 2010 population of the School District was 49,865, an increase of 96.6% over the 2000 population. The availability of upscale housing, a favorable job market, excellent schools, proximity to the City of Charlotte and close access to Interstates 77 and 85 all combine to stimulate population growth in the School District. The School District is bordered by Mecklenburg County, North Carolina, to the north and northwest, by Lancaster County to the east and by the Catawba River in the County to the south and west.

The School District was created by Act No. 729 of 1954 by the General Assembly. The act changed the name of the School District from Fort Mill District No. 28, which was created by the merger of five districts in 1926, to its present name. The School District currently operates nine elementary schools (grades K-5), four middle schools (grades 6-8), and two high schools (grades 9-12).

School District Operations

The School District is governed by a Board of Trustees (the "Board"). Pursuant to Act No. 270 of the 1981 Acts and Joint Resolutions of the General Assembly, as amended by Act No. 582 of the 1982 Acts and Joint Resolutions of the General Assembly and Act No. 617 of the 1984 Acts and Joint Resolutions of the General Assembly, the Board consists of seven members elected at large to four-year staggered terms by the qualified electors of the School District. The Board determines the operating policies of the School District and such policies are implemented by the Superintendent of the School District and his staff.

Current members of the Board, their occupations and their current terms of service are as follows:

Name	Occupation	Years Served	Term Expires
Thomas Audette	Management	4	2020
Wayne Bouldin	Product Development Engineer	7	2018
Michele Branning	Retired	2	2018
Diane Dasher	Interior Design	14	2018
Scott Frattaroli	Team Management	>1 year	2020
Kristy Spears	Retired	>1 year	2020
Patrick White	VP, Supply Chain Logistics	14	2018

The Superintendent is appointed by the Board and is responsible to the Board for the operation of all phases of the public school activities. James N. Epps, Jr., Ph.D. was appointed as Superintendent as of July 1, 2010, and is currently serving a contract that expires on June 30, 2018. Dr. Epps holds a Bachelor of Science degree in Administrative Management from Clemson University, Masters of Education and Education Specialist degrees in Educational Administration from Winthrop University and a Doctor of Philosophy degree in Educational Leadership from the University of South Carolina. He has nearly thirty years of service in public education and his school experiences have encompassed all levels of pre-K-12 education – elementary, middle, and secondary. He has served as a teacher assistant, classroom teacher, coach, assistant principal, principal, director, and assistant superintendent.

The Assistant Superintendent for Finance and Operations is employed by the Superintendent and with her staff is responsible for all the financial activities of the School District, including budgeting, accounting and audit practices of the School District. All disbursements of the School District are approved by the Assistant Superintendent for Finance and Operations and a monthly financial report is prepared by her office. Leanne W. Lordo, CPA, has served in this position since February, 2008. Mrs. Lordo received her B.S. degree in Business Administration with a major in accounting from the University of South Carolina in 1986. She became a certified public accountant in South Carolina in 1988 and in North Carolina in 1989, and has over twenty years of experience in governmental auditing and school district finance. Prior to coming to the School District, Mrs. Lordo was Executive Director of Financial Services with Rock Hill School District Three, also in the County. She is a member of the American Institute of Certified Public Accountants, the South Carolina Association of Certified Public Accountants, the North Carolina Association of Certified Public Accountants, and the Government Finance Officers Association.

Funds for the operation of the schools of the School District are primarily received from State and local sources. The following table shows the percentage of the State, local and Federal share of the revenues received by the School District in its General Fund:

School Year	% of State's Share	% of Local Share	% of Federal Share
2017-18(1)	61.3%	38.6%	0.1%
2016-17	61.9	38.0	0.1
2015-16	62.4	37.5	0.1
2014-15	63.1	36.8	0.1
2013-14	63.8	36.1	0.1
2012-13	63.3	36.5	0.2

(1) Projected.

Accreditation

All of the schools in the School District that are subject to accreditation 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.

Curriculum

Kindergarten. Full day kindergarten is provided for all students who are age 5 before September 1. Curriculum for kindergarten students is centered around the South Carolina Standards of Achievement in language arts, math, science and social studies. The 18 developmental objectives adopted by the State Education Board are also incorporated into the program.

Elementary Education. The South Carolina Standards of Achievement for grades 1-8 in math, language arts, science, and social studies have been implemented. Expectations for student achievement are established through these standards. Reading, music, art and physical education are provided for each child in the elementary setting. Media centers and a media specialist in each building help teachers expand the classroom learning opportunities. Gifted and talented programs established and conducted under South Carolina regulations are provided for eligible 3-8 graders. Each classroom in K-5 is equipped with five computer terminals for student use. Additionally, the School District is implementing the use of mobile devices in the curriculum throughout all schools.

Middle School Education. The School District operates four middle schools using the middle school team organizational concept. The South Carolina Standards of Academic Achievement for grades 6-8 in math, language arts, social studies and science have been implemented. Expectations for student achievement are established through these standards. Instrumental and choral music, art, health, physical education, home arts, industrial technology and foreign language are also offered. Gifted students in 8th grade may take Algebra I and English I for high school credit.

High School Education. The purpose of the high school program is to successfully prepare 100% of its graduates either for the workplace, the military or some postsecondary educational experience. Students are guided into one of four career clusters for the purpose of focusing their academic preparation on their chosen career pathway. Curriculum in language arts, math, science and social studies is based on the South Carolina Standards of Academic Achievement. The focus is academic preparation for continuing education for all students. A full range of extracurricular activities from over 35 sports teams to Model United Nations is available for student participation. Students who qualify may also enroll in advanced placement programs in Biology, Chemistry, Art, U.S. History, English, Calculus, Psychology and Environmental Science.

Adult and Community Education. The Adult and Community Education program for York District 1, Clover 2 and the School District provide educational opportunities for older youth dropouts and for adults in learning basic skills and/or in attaining high school credentials that can better equip them for the market place and additional training. The center in Fort Mill is housed at the Nesbitt Building on Elliott Street.

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

Alternative Program. The School District has established an alternative program for students who were having difficulty with attendance, behavior or grades and who needed additional counseling and community services. These students in grades 6-12 enter the program upon recommendation from the home school, with parent support, and on a space-available basis. The goal for each student is to return to the regular school program and be successful. The Alternative Program operates at both of the high schools and one middle school of the School District on a modified daytime schedule with expanded support programs for the students.

Citizens' Involvement

Advisory groups are used extensively throughout the School District. A School Advisory Council has been organized in each school and meets regularly with the principal.

Advisory committees serve as a two-way channel of communication between the school personnel and a cross-section of citizens from the community.

Volunteers serve in numerous capacities to assist with school programs and activities. Training sessions are arranged for citizens who volunteer for tutoring and assisting in other areas of the school program.

Parent Teacher Organizations are actively involved in the school program and give all parents many opportunities for school-related participation. Booster Clubs also serve high school athletic and band programs.

Task Forces are organized periodically for specific school studies. Recommendations from these groups often serve to evaluate and update operational procedures.

School District Employees

The following sets forth the projected professional public school staff for Fiscal Year 2017-18 in full time equivalencies:

Administrative:	
Superintendent	1
Assistant Superintendents	3
Directors, Coordinators and Supervisors	24
Principals	16
Assistant Principals and Administrative Assistants	32
Instructional:	
Teachers	994
Media and Technology Integration Specialists	19
Guidance Counselors, Psychologists and Therapists	64
Other Professional:	
Instructional/Classified	220
Non-instructional/Classified	361
Total(1)	1,734

(1) Projected.

Enrollment of the School District

Public school enrollment in the School District for the last five school years and for the current school year is shown in the following table. Except as noted below, these figures are based on 135-day average daily membership and include Special Education:

School Year	Kindergarten	Grades 1-8	Grades 9-12	Total(1)	% Change
2012-2013	851	7,027	3,165	11,043	3.2
2013-2014	887	7,293	3,444	11,624	5.3
2014-2015	937	7,641	3,602	12,180	4.8
2015-2016	963	8,158	3,849	12,970	6.5
2016-2017	1,056	8,765	4,095	13,916	7.3
2017-2018(2)	1,082	9,400	4,360	14,842	6.7

(1) Totals may not add due to rounding.
(2) Projected.

The Education Accountability Act of 1998

At its 1998 legislative session, the General Assembly 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 card which will be provided to each school and school district. These report cards are expected to furnish clear and specific information about school and district academic performance and other performance to parents and the public.

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

If a school receives a rating of "below average" or "unsatisfactory", 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 trustees 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.

If a school district receives a rating of "below average", the State Superintendent of Education, with the approval of the State Board of Education, will appoint an external review committee. If the recommendations of the external review committee either are not implemented satisfactorily or within the period expected, then the State Board of Education may declare a state of emergency.

In the most recently available ratings, the School District overall received an "excellent" absolute rating, and all schools in the School District received an "excellent" absolute rating.

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 implementing 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.

There are presently no charter schools sponsored by the School District or by the State Charter District within the District. There are several virtual schools of the State Charter District which operate State-wide. Two charter schools operating within the State Charter District, located in a neighboring school district in the County, will admit students residing in any of the school districts within the County. The School District does not anticipate a significant decrease in student population due to the charter school choice option.

Recent Legislation

The General Assembly, beginning in its 2013 Session, has authorized 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. For Fiscal Year 17-18, the General Assembly has continued from prior years the Educational Credit for "Exceptional Needs Children Fund" to provide tuition assistance, with a limit of $11 million in authorized tax credits. This legislation is included in Section 109.11 of Part IB of the 2018 Appropriations Act. See http://www.scstatehouse.gov/sess122_2017-2018/appropriations2017/tap1b.htm#s1. The School District expects that additional, broader tax credit proposals will be approved by the General Assembly in the present and future years.

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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IV.

FINANCIAL AND TAX INFORMATION

Education Finance Act

At its 1977 Session, the General Assembly enacted Act No. 163, the Education Finance Act (the "EFA"), which provided for a program designed to equalize educational opportunities of elementary, middle and high school students throughout the State. The EFA established a minimum foundation program for all students. Although the State historically provided a large portion of the moneys necessary to defray the cost of operating and maintaining the programs of the school districts, the implementation of the EFA required additional appropriations to be made by the State.

The procedure established by the EFA for the distribution of specified portions of State education funds recognizes the disproportionate distribution of wealth in the State. The distribution of these funds is determined by two factors: a school district's "Index of Taxpaying Ability" and its number of students, based on a weighted formula. A defined program is established annually by the State Board of Education with a baseline State funding level of 70% of the cost of the defined program. If a local school district's index of taxpaying ability indicates a greater or lesser ability to provide local funds, the State funds will be either reduced or increased from the baseline funding level accordingly. The remainder is funded locally. 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 Education Improvement Act of 1984, described in the following paragraph (the "EIA"). Therefore, the EFA revenue has increased and EIA funding has decreased. Listed below are the State contributions to the EFA Foundation Program for the years indicated:

Fiscal Year	School District Amount
2017-18(1)	$34,856,671
2016-17(2)	32,897,923
2015-16	28,072,059
2014-15	24,777,187
2013-14	23,726,820
2012-13	20,772,315

(1) Budgeted.
(2) Unaudited.

Education Improvement Act

At its 1984 Session, the General Assembly enacted the EIA, which provides for a program of strategies to improve public education in the State. The EIA program is funded with the special fund created by a 1¢ increase (per dollar of taxable sales) in the general sales tax. Amounts received by the School District under the EIA are restricted to the programs authorized or mandated by the EIA.

Listed below are the amounts received by the School District from the EIA for the fiscal years shown:

Fiscal Year	School District Amount
2017-18[1]	$7,378,386
2016-17[2]	6,962,168
2015-16	6,593,587
2014-15	5,849,566
2013-14	6,674,355
2012-13	6,929,251

[1] Budgeted.
[2] Unaudited.

The Fiscal Year 2017-18 budgeted amount is based on allocations appropriated to date in this fiscal year. These allocations will be adjusted throughout the fiscal year based on actual student enrollment and staffing. In Fiscal Year 2014-15, funds categorized for High Achievers and a portion of At Risk Student Learning were consolidated into the EFA Base Student Cost of $2,120. The State Department of Education allows for funding flexibility in some EIA funds. This allows the District to transfer up to 100% of funds between programs to any instructional program provided the funds are used for direct classroom instruction. Any transfers must be approved by the State Department of Education.

EIA allocations were categorized and used to implement the following strategies for Fiscal Year 2017-18:

Strategy	Estimated 2017-18 District Allocation
Aid to Districts	$430,470
At Risk Student Learning	667,702
Teacher Salary Increases	2,718,179
Fringe Benefits	414,801
Four-year-old Kindergarten	195,915
Professional Development	116,383
National Board Certified	1,558,075
Career/Technology Equipment	403,258
Teacher Supply Funds	267,300
Other	606,303

Impact Fees

Due to rapid population growth and development in the last 30 years, the County established a School Facilities impact fee to be imposed on all new residential development within the County, both in incorporated and in unincorporated areas, but conditioned upon the request of a school district that the impact fee be imposed within its boundaries. The School District was the only district in the County to adopt a resolution to authorize imposition of the impact fee within its boundaries, and, accordingly, is the only school district in the County in which the impact fee is imposed. The impact fees are collected by the County then transferred to the School District to be used exclusively for (a) school facilities required by new residential growth and (b) for the retirement of that portion of any outstanding bonded indebtedness which provides additional school capacity. Collection of the fees commenced in August 1997.

The following table shows impact fee collections and year-end balances for the years indicated:

Fiscal Year	Impact Fees Received	June 30 Balance
2017-18[1]	$4,250,000	$13,209,289
2016-17[2]	4,176,250	10,399,074
2015-16	3,931,250	7,662,608
2014-15	2,480,000	5,178,108
2013-14	1,760,000	4,689,094
2012-13	2,125,000	4,422,927

[1] Projected.
[2] Unaudited.

The School District has in the past applied on an annual basis $1,500,000 of the impact fees collected to pay debt service on outstanding general obligation bonds. The School District expects that in the future, $1,500,000 to $2,000,000 of impact fees will be applied annually to debt service. Impact fees are not pledged to payment of debt service on any debt of the School District.

Fringe Benefits and Retirement Plan

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%	$10,298,897
2016	10.91	0.15	5.33	16.39	9,089,860
2015	10.75	0.15	5.00	15.90	8,411,791
2014	10.45	0.15	4.92	15.52	7,587,037
2013	10.45	0.15	4.55	15.15	7,152,018
2012	9.385	0.15	4.30	13.84	6,196,821

House Bill 3726 was signed by the Governor of the State on April 25, 2017 and is effective immediately. This new law increases the employer contribution rate to 13.56% beginning July 1, 2017. Employer rates will continue to increase annually by 1% through July 1, 2022, which would result in the employer rate totaling 18.56% for fiscal year 2023 and thereafter. The legislation would also increase and cap the employee contribution rate to 9%, provides, after June 30, 2027, for a decrease in employer and employee contribution rates in equal amounts if the ratio between the actuarial value of SCRS Assets and the actuarial value of SCRS liabilities is equal to or greater than 85%, lower the assumed annual rate of return on pension investments from 7.50% to 7.25%, and for some years reduce the funding period of unfunded liabilities from 30 years to 20 years.

The School District also participates in the statewide health and dental insurance program administered by the South Carolina PEBA. Employers' contributions are made on behalf of the employees at fixed rates. The contributions for health and dental insurance fringe benefits are as follows:

Fiscal Year	State Amount	School District Amount
2016-17	$16,334,370	$8,938,989
2015-16	14,243,732	7,827,159
2014-15	12,750,989	6,085,422
2013-14	12,337,246	5,763,784
2012-13	10,965,661	5,326,630

Employees eligible for service retirement may participate in the Teacher and Employee Retention Incentive Program (TERI). TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits, which will include any cost of living adjustments granted during the TERI period. Even though participants are considered retired during the TERI period, they do make SCRS contributions and are eligible to receive group life insurance benefits; however, they do not earn service credit and are not eligible for disability retirement benefits. The School District continues to pay the employers 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, 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. 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.

Total contribution requirements are shown in the following table.

Fiscal Year	Contribution Rate	Retiree Surcharge	Total ORP Contribution
2017	11.56%	5.33	$2,274,017
2016	11.06	5.33	1,949,804
2015	10.90	5.00	1,703,035
2014	10.60	4.92	1,497,429
2013	10.60	4.55	1,232,159
2012	9.535	4.30	995,845

The School District has paid all required contributions for fringe benefits as they have come due and there are no liabilities for underfunding of such fringe 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 is 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 Claim Act, local governments including the School District are liable for damages not to exceed $300,000 per incident/person and $600,000 per occurrence/aggregate. No punitive or exemplary damages are permitted under the Act. Insurance protection to units of local government is provided from either the South Carolina Insurance Reserve Fund established by the State Budget and Control Board, the South Carolina School Boards Insurance Trust, 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. In the opinion of the Superintendent, the amount of liability coverage maintained by the School District is sufficient to provide protection against any loss arising under the Act. In the opinion of local legal counsel for the School District, there is no litigation pending or threatened against the School District which is not adequately insured by such coverage.

Budgetary Process

In January, the administration of each school meets with teachers, support staff, and school improvement councils to gather input on School District priorities for the next year. Beginning in February, the principals and department heads submit to the Assistant Superintendent for Finance and Operations their needs and requirements for the ensuing Fiscal Year. In addition, the annual school reports from the citizen-based school advisory councils are received. These reports contain a statement of school needs and goals. With direction from these reports along with direction from the Superintendent and the Board, the Assistant Superintendent for Finance and Operations prepares a proposed budget including costs for requests as well as administrative and support costs. After initial review by the Superintendent and Senior Staff, the proposed budget is submitted to the Board for review and evaluation. Final approval of the budget is provided by the Board in June of each year. In order to modify the final budget, formal action is required by the Board.

Subsequent to the adoption of the budget by the Board, the Board certifies to the County Auditor the amount of millage required to raise sufficient funds to defray the cost of operating the School District and to pay the bonded indebtedness incurred by the School District. Pursuant to Act No. 449 enacted during its 1975 Session, the General Assembly provided for the levying of school taxes for the School District. Part III, Section 6 of Act No. 449 empowers the Board of the School District to levy taxes to provide funds for school operating expenses provided such levy may not be increased more than four mills in any year over that levied for a preceding year without the approval of the qualified electors of the School District voting in a referendum. Act No. 744 enacted at the 1990 Session of the General Assembly increased this limitation from four mills to six mills. Legislation adopted in 2002 authorized the School District to increase millage up to ten mills for the 2002-2003 Fiscal Year. Beginning with Fiscal Year 2007-2008, the provisions of Act No. 388 of the 2006 Acts and Joint Resolutions of the General Assembly ("Act 388") will limit annual millage increases for operations to growth factors based upon inflation and population growth. See "**CERTAIN FISCAL MATTERS**–Millage Levy Authority" herein.

Since 1969, a county-wide millage has also been levied for the operation of the four school districts of the County pursuant to Act No. 1663 of the Acts and Joint Resolutions of the General Assembly for the year 1968. Beginning with the 1981-82 school year and continuing through the 1986-87 school year, the proceeds of the county levy were distributed on a per pupil (average daily membership) basis to the four districts within the County. However, pursuant to the provisions of Act No. 292 passed by the General Assembly in 1987, authorization was provided to distribute the receipts from one mill levied under the county-wide school levy to the school district with the lowest assessed value. Pursuant to the provisions of Act No. 744 enacted during the 1990 Session of the General Assembly, the county-wide levy was raised to thirty-three mills and the authorization to distribute the receipts from one mill to the district with the lowest assessed value was continued. The current county-wide millage has been reduced to thirty mills based on S.C. Code Ann. §12-37-251(E), which requires adjustment of operating millage rates upon reassessment of property values so as to neutralize growth in subsequent tax receipts.

Budget Summaries For Fiscal Year 2016-17 and Fiscal Year 2017-18

In developing its budget for Fiscal Year 2017 and following years, the School District is incorporating the costs of operation of a new middle school and a new high school. Funding for those two schools was approved in a referendum held in the District in March, 2015. The School District maintains separate from its General Fund a Special Revenue Fund from which the Board may appropriate funds to cover, among other things, the operating costs of new schools. The Board appropriated $1.8 million from this Special Revenue Fund for Fiscal Year 2016 to defray the cost of opening of two new elementary schools in Fiscal Year 2015 and continued increased operational costs due to student growth, leaving a planned balance of $10.8 million. During Fiscal Year 2016, however, revenues collected exceeded budget, which reduced the need to transfer any funds from the Special Revenue Fund.

The budget for Fiscal Year 2017 included a local tax increase in millage of 7.2 mills which was based on a State Base Student Cost allocation of $2,350 per student. Expenditure increases included 48.5 new classroom teaching positions to serve the continuing student growth in the School District as well as cost of living adjustments and step salary increases for current staff. It also included a transfer from the Special Revenue Fund of $1.0 million to defray the cost of new school operations. The School District intends to continue using Special Revenue Fund transfers over the next 5 years to cover projected new school operating costs.

The District prepared and adopted its FY 2017-18 general fund budget of $116.8 million based on a projection of $2.9 million in EIA Teacher Support for salary steps, $34.8 million in EFA State allocation for base student costs, $17.6 million in State allocation for Fringe Benefits, and $60.4 million in property tax collections. A transfer of $427,000 from the Special Revenue Fund was also budgeted to offset operational costs of school facilities. The District's General Fund adopted budget did require an increase in local property tax millage of 10.8 mills, and new revenue was projected in the areas of property taxes of $3.8 million and EFA base student costs of $4.0 million. The per pupil amount for base student cost will increase from $2,350 to $2,435 in FY 2017-18. Even with the increase in projected revenue, the District continues to closely monitor recurring expenditures; however, with the additional projected revenue, all eligible employees received a cost of living adjustment and a year of experience step increase. The FY 2017-18 general fund approved budget included 40 new classroom teaching positions due to growth, 5 special education teachers, instructional and support staffing for the opening of a new middle school, 3 school psychologists, technology and maintenance support, and funding for additional curriculum materials and professional development.

As set forth under "**CERTAIN FISCAL MATTERS**–Millage Levy Authority and Changes in Funding Sources" herein, the School District's ability to meet increased operating costs through millage rate increases is limited. The School District administration believes it likely that in future years cost-cutting measures such as increases in pupil to teacher ratios may be necessary to meet increased operating costs resulting from enrollment increases and the operation of new school facilities. The School District cannot predict whether or to what extent additional cost savings measures will be necessary.

Fort Mill School District No. 4 of York County
(General Fund Only)

	Budget Fiscal Year 2016-17	Budget Fiscal Year 2017-18
Revenue:		
Local	$38,186,324	$41,587,649
State	64,695,352	71,832,668
Federal	135,112	135,112
Transfers In[1]	3,840,749	3,285,594
Total Revenues	$106,857,537	$116,841,023
Expenditures:		
Instruction and Administration	$98,308,934	$107,493,741
Operations and Maintenance	8,548,603	9,347,282
Total Expenditures	$106,857,537	$116,841,023

(1) Budgeted transfers of $1,000,000 in Fiscal Year 2017 and $427,675 in Fiscal Year 2018 from the District's Special Revenue Fund for the opening of new schools.

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Five Year General Fund Summary

Fort Mill School District No. 4 of York County
Combined Statement of Revenues, Expenditures,
Transfers and Changes in Fund Balance
General Fund Ending June 30

Revenues	2013	2014	2015	2016	2017[1]
Local	$28,727,458	$30,489,920	$32,523,975	$36,659,087	$37,989,877
Intermediate	122,859	126,262	122,696	135,112	141,303
State	49,814,692	53,940,769	55,715,988	61,056,187	70,944,694
Total Revenue	$78,665,009	$84,556,951	$88,362,659	$97,850,386	$109,075,874
Expenditures					
General Instruction	$49,112,147	$52,611,284	$58,496,954	$63,335,180	$70,727,304
Pupil Services	3,389,541	3,779,175	4,293,739	4,313,658	4,817,124
General Administration	10,993,251	11,728,635	9,471,150	10,318,263	11,522,552
Finance & Operations	11,315,163	12,229,598	17,092,250	17,468,434	21,402,654
Other Uses	5,642	7,562	5,693	3,687	1,837
Other Sources	(65,523)	(2,778)	(14,951)	0	0
Transfer to Other Funds	5,521,520	4,834,189	1,489,594	4,154,142	2,218,646
Transfer from Other Funds	(2,178,174)	(2,128,698)	(3,540,432)	(2,460,525)	(3,114,243)
Total Expenditures	$78,093,567	$83,058,967	$87,293,997	$97,132,839	$107,575,874
Excess of Revenues over (under) Expenditures	571,442	1,497,984	1,068,662	717,547	1,500,000
Fund Equity Beginning of Year	$15,372,959	$15,944,401	$17,442,385	$18,511,047	$19,228,594
Fund Equity End of Year	$15,944,401	$17,442,385	$18,511,047	$19,228,594	$20,728,594

(1) Unaudited. The School District's General Fund Balance as of June 30, 2017 was $20,728,594, none of which is committed, assigned or reserved.

Fund Balance Policy

According to policy adopted by the Board, a fund balance equal to two months of General Fund operating expenses must be maintained. The School District has complied with this policy for all years presented above. Per the Board of Trustee's policy, the minimum fund balance requirements are shown below for the following fiscal years:

Fiscal Year	Fund Balance Requirement
2017-18[1]	$19,473,504
2016-17[1]	17,809,590
2015-16	16,258,744
2014-15	15,342,394
2013-14	13,745,823
2012-13	12,733,746

(1) Projected.

V.

CERTAIN FISCAL MATTERS

Assessment of Property in York County

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 of Manufacturers and Utilities - 10.5% of fair market value;
(2) Transportation Companies for Hire (railroads and pipelines) - 9.5% of fair market value;
(3) Inventories of Business Establishments - exempt, but exemption is conditioned upon reimbursement of foregone revenue, based upon 1987 values, by the S.C. General Assembly;
(4) Legal Residence and not more than five contiguous acres - 4% of fair market value (if the property owner annually makes proper application and qualifies);
(5) Agricultural property used for such purposes owned by individuals and certain small corporations - 4% of use value (if the property owner makes proper application and qualifies);
(6) Agricultural and timberlands belonging to large corporations (more than 10 shareholders) - 6% of use value (if the property owner makes proper application and qualifies);
(7) All other real property - 6% of fair market value;
(8) Motor vehicles – 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 DOR). The County Auditor appraises and assesses all motor vehicles (except for large trucks, which are appraised and assessed by the DOR), marine equipment, business personal property and airplanes. The DOR furnishes guides for use by the County in the assessment of automobiles, automotive equipment and certain other classes of property and directly assesses the real and personal property of public utilities, manufacturers and business equipment.

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

The South Carolina Department of Revenue ("DOR") has been charged with the responsibility of taking steps necessary to ensure equalization of assessments statewide in order that all property is assessed uniformly and equitably throughout the State, and may require reassessment of any part or all of the property within the School District.

Under law enacted by the 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 (corresponding to the School District's 2014-15 Fiscal 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 equal to the sum of (a) the increase in the consumer price index, plus (b) the rate of population growth of the political subdivision or school district. This limitation may be overridden by a vote of two-thirds of the Board, but only for the following purposes and only in a year in which such condition exists:

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

Legislation 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.

Act 388 provides that it does not amend or to repeal any caps on school millage provided by current law or statute or limitation on the fiscal autonomy of a school district that are "more restrictive" than the limits described above. A trial court judge in South Carolina has ruled that legislation similar to Act 744 of 1990, which authorizes the School District to impose millage increases in excess of six mills annually if approved by referendum, is less restrictive than the limits imposed by Act 388. This ruling is binding only in the judicial circuit in which the case was heard. Were this ruling to be extended to the School District, it would limit annual millage rate increases to levels compliant with Act 388. The School District cannot predict whether the trial court opinion described herein would be upheld if reviewed by an appellate court.

Homestead Exemptions-Property Tax Relief

South Carolina provides, among other tax exemptions, several exemptions for homesteads. The first is a general exemption from all *ad valorem* property taxes and applies to the first $50,000 of value of the dwelling place of persons who are over 65 years of age, totally and permanently disabled, or legally blind (the "Homestead Exemption"). The revenues that would have been received by various taxing entities but for the Homestead Exemption are replaced by funds from the State. The State pays each taxing entity the amount to which it is entitled by April 15 of each year from the State's general fund.

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

Beginning with Fiscal Year 2008, the Property Tax Relief Exemption has been amended pursuant to Act 388 such that 100% of the value of owner-occupied real property 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. See "**CERTAIN FISCAL MATTERS --** Changes In Funding Sources" herein.

The below table shows the amounts received by the School District from the State pursuant to the Homestead Exemption and the Property Tax Relief Exemption:

Fiscal Year	Homestead	New Homestead and Property Tax Relief[(1)]
2016-17	$551,283	$17,550,432
2015-16	551,283	17,331,970
2014-15	551,283	16,843,105
2013-14	551,283	16,590,391
2012-13	551,283	16,239,068

[(1)] The Property Tax Relief figures include non-varying Property Tax Relief Exemption reimbursements of $2,081,523 per year.
Source: County Auditor and School District.

Changes In Funding Sources

Pursuant to Act 388, an additional one percent sales tax was imposed State-wide beginning on June 1, 2007. The additional tax does not apply to certain items, including certain accommodations (e.g., hotels, motels, campgrounds and the like), items taxed at a defined maximum tax (e.g., automobiles, taxed at a maximum of $300, regardless of sales price), and unprepared food (upon which the present 5% tax was reduced to 3% on October 1, 2006). Receipts from the new one percent sales tax must be credited to the "Homestead Exemption Fund" created pursuant to Act 388.

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

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

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 established in 1995. 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 1 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 III) for the years shown:

Fiscal Year	District Allocation
2017-18[1]	$15,740,010
2016-17[2]	15,468,909
2015-16	15,250,447
2014-15	14,761,582
2013-14	14,508,867
2012-13	14,157,545

(1) Budgeted.
(2) Unaudited.

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 "**CERTAIN FISCAL MATTERS --** 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 York 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 a 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.

Exempt Manufacturing Property

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

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Assessed Values of the School District

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

	Non-Manufacturing		Manufacturing		
Tax Year	Real	Personal	Real	Personal	Total
2015[(1)]	$256,377,494	$80,019,299	$5,241,100	$8,419,825	$350,057,718
2014	240,248,253	74,599,043	5,144,000	7,371,670	327,362,966
2013	233,270,351	68,209,819	6,055,690	7,878,791	315,414,651
2012	223,582,847	64,236,346	6,311,720	6,202,740	300,333,653
2011[(1)]	217,948,448	59,937,621	6,310,910	6,393,980	290,590,959

Includes merchant's inventory, motor carrier reimbursement, reimbursements of manufacturer's depreciation, property in multicounty industrial parks and property otherwise subject to fee in lieu of taxes.
[(1)] Reassessment.
Source: County Auditor.

Tax Year 2015 Market Value/Assessment Summary
of the School District

	Classification of Property	Assessed Value	Assessment Ratio	Market Value
1.	Real Property and Mobile Homes	$165,358,724	4.00%	$4,133,968,100
		85,339,408	6.00	1,422,323,467
2.	Motor Vehicles	41,422,712	6.00 & 10.50	502,093,479
3.	Public Utilities	11,072,059	10.50	105,448,181
4.	Manufacturing (Real and Personal)	12,832,540	10.50	122,214,667
5.	Marine Equipment	1,390,179	10.50	13,239,800
6.	Business Personal (Auditor)	896,883	10.50	8,541,743
7.	Business Personal (DOR)	8,320,550	10.50	79,243,333
8.	Aircraft	38,910	4.00	972,750
9.	Merchant's Inventory	1,685,765	6.00	28,096,083
	Total	$328,357,730		$6,416,141,603

Figures above do not include motor carrier reimbursements pursuant to §12-37-2810 *et seq*. of the South Carolina Code with an assessed value of $409,424; reimbursements of manufacturer's depreciation pursuant to §12-37-935(b) of the South Carolina Code with an assessed value of $680,400; property in multicounty industrial parks of $17,690,186; or property otherwise subject to fee in lieu of taxes in the School District with an assessed value of $2,606,132. Also excluded is the assessed value of $313,846 attributable to the manufacturer's depreciation for several fee-in-lieu of taxes.
Source: County Auditor.

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Millage History

The following table shows the millage history for School District Operations and Debt Service as well as the County-wide levy for the fiscal years shown:

	2012-13	2013-14	2014-15	2015-16	2016-17
County-Wide Levy	30.0	30.0	30.0	30.0	30.0
Local Levy – Operations	148.9	154.9	160.9	166.2	173.4
Local Levy - Debt Service	67.0	85.5	85.5	98.2	116.0
School District Total	245.9	270.4	276.4	294.4	319.4

Source: County Auditor.

Method by Which Tax Levy is Made

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 Auditors of the various counties. In the County, current and delinquent tax collections are made through the office of the County Treasurer.

Tax bills are mailed from the County Treasurer's office on September 30 or as soon thereafter as is practicable. Taxes are payable without penalty until January 15. A penalty of 3% is added on January 16th, an additional penalty of 7% is added on February 2nd and an additional penalty of 5% is added on March 17th, at which time the office of the County Treasurer issues orders of execution on all unpaid accounts.

Tax Collection Record of the School District

The following table shows all School District taxes levied (adjusted to include additions, abatements, and nulla bonae) and collected on taxpayers in the School District, taxes collected as of June 30 of the year following the year in which the levy was made, and the amount of delinquent taxes collected for the fiscal years shown. Delinquent taxes include taxes levied in prior years but collected in the year shown.

Fiscal Year	Amount Levied	Current Taxes Collected	Current % Collected	Delinquent Collections	Total Collections	Current % Collected
2016-17[(1)]	$100,423,122	$93,720,504	93.3%	$1,462,054	$95,182,558	94.8%
2015-16	89,779,043	86,726,446	96.5	1,606,390	88,332,836	98.3
2014-15	79,293,989	76,805,489	96.8	869,181	77,674,671	97.9
2013-14	75,866,745	72,727,494	95.8	907,059	73,634,553	97.0
2012-13	66,293,894	64,319,961	97.0	1,265,471	65,585,432	98.9

[(1)] Collections as of May 31, 2017.
Source: York County Treasurer and Auditor.

Ten Largest Taxpayers

The ten largest taxpayers in the School District, the preliminary 2016 assessed value of the taxable property of each that is located in the School District and the total amount of estimated 2016-17 school taxes paid by each is shown below:

	Name	2016 Assessed Value	School Taxes Paid
1.	Schaeffler Group USA Inc.*	$7,687,537	$2,455,399
2.	Duke Energy Corporation	5,735,760	1,832,002
3.	Ross Stores Inc.*	3,110,959	993,640
4.	York Electric Coop Inc.	2,776,570	886,836
5.	Ross Dress For Less Inc.*	2,666,667	851,733
6.	Big Box Property Owner E LLC	2,021,040	645,520
7.	Gateway Fort Mill LLC	1,907,219	609,166
8.	Black & Decker US Inc.	1,883,880	601,711
9.	LIC Charlotte Office Building	1,783,890	569,774
10.	351-355 Crestmont Drive LLC	1,661,790	530,776
	Total	$31,235,312	$9,976,557

Data as of March 31, 2017.
*Includes property for which a fee-in-lieu of tax is paid.
Source: York County Auditor.

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VI.

DEBT STRUCTURE

Legal Debt Limit of the School District

The School District may not incur general obligation debt in an amount greater than 8% of the assessed valuation of property within its jurisdiction unless the debt is approved in a referendum or refunds debt approved by a referendum. Any validly issued existing general obligation debt may also be refunded without regard to the limitation. General obligation debt issued in anticipation of the collection of *ad valorem* taxes is also excluded from the 8% limit.

The School District has issued general obligation bonded indebtedness and is the beneficiary of financing contract subject to appropriation as described below, but has no other contractual liabilities or obligations of a capital nature. Payment of debt service of the School District's obligations is handled by the York County Treasurer.

The School District's 2015 calculation of debt limitation is as follows:

2015 Assessed Value	$326,671,965
Plus Merchant's Inventory	1,685,765
Total	$328,357,730
	x 8%
Constitutional Debt Limit	$26,268,618
Outstanding Debt Subject to Limit[1]	$13,035,000
Legal Debt Available Without a Referendum	$13,233,618

[1] Principal amounts chargeable against the 8% debt limit consist of (1) Series 2011B Bonds maturing in the amount of $4,500,000 in 2025, (2) Series 2011D Bonds maturing in the amount of $1,500,000 in 2025, (3) Series 2011F Bonds maturing in the amount of $3,535,000 in 2025, and (4) Series 2017A Bonds maturing in the amount of $3,500,000 in 2018.

Statutes authorizing the payment of fees in lieu of taxes (See "**CERTAIN FISCAL MATTERS -** Payments in Lieu of Taxes" herein) 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.

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General Obligation Indebtedness

Shown below are the original and outstanding principal amounts of the School District's general obligation bonds:

General Obligation Debt	Issue Date	Date of Final Maturity	Amount Issued	Outstanding as of July 1, 2017
Series 2009A[(1), (2)]	09/30/09	3/1/33	$49,450,000	$49,450,000
Series 2009C[(1)]	09/30/09	3/1/24	26,400,000	7,155,000
Series 2011B[(3)]	06/22/11	3/1/25	4,500,000	4,500,000
Series 2011D[(3)]	10/26/11	3/1/25	1,500,000	1,500,000
Series 2011F[(3)]	12/21/11	3/1/25	3,560,000	3,535,000
Series 2012A[(1)]	08/16/12	3/1/34	50,435,000	44,485,000
Series 2013A[(1)]	02/20/13	3/1/33	20,115,000	18,635,000
Series 2013B[(1)]	09/19/13	3/1/33	56,345,000	47,655,000
Series 2013D[(1)]	12/05/13	3/1/24	15,560,000	10,490,000
Series 2015B[(4)]	10/15/15	3/1/18	10,020,000	1,365,000
Series 2015C[(1)]	11/10/15	3/1/36	77,500,000	66,580,000
Series 2016A[(4)]	06/23/16	3/1/19	9,640,000	3,220,000
Series 2016D[(1)]	12/13/16	3/1/26	27,515,000	26,440,000
Series 2017A[(5)]	06/01/17	3/1/20	7,600,000	7,600,000
Total General Obligation Debt			$360,014,000	$292,610,000

(1) Issued pursuant to referendum or refunded bonds issued pursuant to a referendum.

(2) Build America Bonds; 35% of each interest payment is expected to be paid from subsidy to be received from U.S. Treasury. Owing to federal budget sequestration, approximately 8.2% of subsidy payments have been withheld, and may continue to be withheld.

(3) Qualified School Construction Bonds; 100% of each interest payment is expected to be paid from subsidy to be received from U.S. Treasury. Owing to federal budget sequestration, approximately 8.2% of subsidy payments have been withheld, and may continue to be withheld.

(4) Outstanding principal issued pursuant to referendum.

(5) $4,100,000 principal amount issued pursuant to referendum.

Installment Purchase Obligations

Pursuant to a Base Lease and a School Facilities Purchase and Occupancy Agreement (collectively, the "Agreements") entered into on December 28, 2006, by the School District and Fort Mill School Facilities Corporation (the "Corporation"), a South Carolina nonprofit corporation, the School District has agreed to purchase from the Corporation an additional classroom wing to be constructed at Nation Ford High School and two new elementary schools (collectively, the "Installment Facilities") on an installment basis. The Corporation issued as of December 28, 2006 its $75,680,000 Installment Purchase Revenue Bonds, Series 2006 (the "2006 Installment Revenue Bonds"), to provide funds with which to defray the cost of the Installment Facilities and provide certain other property to the School District. During the term of the Agreements, the School District will be authorized to occupy the Installment Facilities, provided that it makes semi-annual acquisition payments to the Corporation. The acquisition payments have been calculated so as to provide to the Corporation amounts sufficient to allow it to pay debt service on the 2006 Installment Revenue Bonds. Payments of acquisition payments by the School District to the Corporation from year to year are subject to annual appropriation by the Board. Pursuant to Act 388, the School District may make acquisition payments only from the proceeds of general obligation bonds of the School District.

As of June 10, 2015, the Series 2006 Installment Revenue Bonds were defeased in their entirety through the issuance of $63,045,000 Installment Purchase Revenue Refunding Bonds (Fort Mill School District No. 4 of York County, South Carolina Project), Series 2015 (the "Series 2015 Revenue Bonds").

In connection therewith, the Facilities Agreement was amended to reflect the issuance of the Series 2015 Revenue Bonds the reduction in the amount of Acquisition Payments achieved thereby.

The Board of Trustees has in prior years directed the issuance of a general obligation bond of the School District, within the 8% debt limitation, to provide funds with which to make Acquisition Payments falling due within a given fiscal year. The School District anticipates that it will issue general obligation bonds each year to generate funds to pay Acquisition Payment due and presently expects that this practice will continue from year to year.

The table below shows, on a Fiscal Year basis, the annual debt service requirements on the Series 2015 Revenue Bonds.

Fiscal Year	Series 2015 Revenue Bond Debt Service[(1)]	Fiscal Year	Series 2015 Revenue Bond Debt Service[(1)]
2017	$5,412,913	2025	$5,410,688
2018	5,410,463	2026	5,414,688
2019	5,413,313	2027	5,412,913
2020	5,413,813	2028	5,410,725
2021	5,411,188	2029	5,411,438
2022	5,410,063	2030	5,414,000
2023	5,409,938	2031	5,414,656
2024	5,410,313		
Totals	$43,292,004		$37,889,108

[(1)]Totals may not add due to rounding.

The School District has entered into a $4,500,000 Installment Purchase, Use and Security Agreement (the "Agreement") to defray the cost of certain heating and air-conditioning equipment for use in the School District's schools and other facilities (the "Equipment"). Amounts due under the Agreement shall result in a transfer of a portion of the ownership of the Equipment from the Lender to the School District, such that the School District shall own 100% of the Equipment upon the making of all required sums due and payable under the Agreement. Debt service on the Agreement is due on December 1st in each of the years 2017 through 2026, inclusive, and is subject to annual appropriation of amounts by the Board. Annual debt service on the Agreement is as follows:

Date	Principal Component	Interest Component	Total	Date	Principal Component	Interest Component	Total
12/1/2017	$451,000	$48,127.50	$499,127.52	12/1/2022	$449,000	$50,159.55	$499,159.57
12/1/2018	413,000	86,608.11	499,608.13	12/1/2023	459,000	40,555.44	499,555.46
12/1/2019	421,000	77,774.04	498,774.06	12/1/2024	469,000	30,737.43	499,737.45
12/1/2020	430,000	68,768.85	498,768.87	12/1/2025	479,000	20,705.52	499,705.54
12/1/2021	440,000	59,571.15	499,571.17	12/1/2026	489,000	10,459.71	499,459.73
Totals	$2,155,000	$340,849.65	$2,495,849.75		$2,345,000	$152,617.65	$2,497,617.75

Composite Debt Service

The following table, based on a calendar year, shows the annual debt service requirements on the School District's outstanding general obligation bonds:

Calendar Year	Total Outstanding Bonds[(1)]	Series 2017B Bonds	Total
2017	$42,618,792.52	--	$42,618,792.52
2018	30,017,277.50	$8,605,903.65	38,623,181.15
2019	27,475,227.50	7,625,887.50	35,101,115.00
2020	23,353,477.50	6,572,887.50	29,926,365.00
2021	21,859,827.50	8,071,637.50	29,931,465.00
2022	21,869,802.50	9,561,012.50	31,430,815.00
2023	21,869,077.50	11,061,637.50	32,930,715.00
2024	21,869,802.50	11,062,137.50	32,931,940.00
2025	31,906,865.00	3,331,387.50	35,238,252.50
2026	22,831,090.00	9,578,387.50	32,409,477.50
2027	23,481,827.50	8,830,512.50	32,312,340.00
2028	23,384,180.00	9,327,512.50	32,711,692.50
2029	23,276,491.25	9,330,162.50	32,606,653.75
2030	23,165,445.00	9,331,187.50	32,496,632.50
2031	23,043,427.50	9,335,043.75	32,378,471.25
2032	23,335,477.50	9,334,500.00	32,669,977.50
2033	23,208,638.75	9,335,075.00	32,543,713.75
2034	9,146,600.00	8,328,500.00	17,475,100.00
2035	5,646,256.25	9,329,650.00	14,975,906.25
2036	5,642,037.50	9,332,925.00	14,974,962.50
TOTAL[(2)]	$449,001,621.27	$167,285,947.40	$616,287,568.67

[(1)] Amounts shown do not reflect the interest subsidy to be paid by U.S. Treasury applicable to Series 2009A General Obligation Build America Bonds, Series 2011B Qualified School Construction Bonds and Series 2011D Qualified School Construction Bonds and Series 2011F Qualified School Construction Bonds.

Use of Bond Proceeds Re Defaults, Operating Purposes

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.

Overlapping Debt

The following table sets forth the tax year 2015 assessed value of all taxable property in each political subdivision which overlaps the School District, either in whole or in part; the total amount of general obligation indebtedness of each such political subdivision which was outstanding as of March 2, 2017; and the general obligation debt of each political subdivision attributable to the School District (which is computed by multiplying the outstanding debt by the percentage of its assessed value within the School District).

Political Subdivision	2015 Tax Year Assessed Value	Assessed Value within the School District	General Obligation Indebtedness	GO Debt Attributable to School District
Counties:				
York County	$1,224,143,262	$328,357,730	$140,435,000	$37,669,543
Municipalities:				
Fort Mill	69,296,907	69,296,907	1,075,234	1,075,234
Tega Cay	50,923,111	50,923,111	6,528,000	6,528,000
Special Purpose Districts:				
Flint Hill Fire District	154,176,689	154,176,689	-0-	-0-
Riverview Fire District	62,237,955	49,192,372	-0-	-0-

Source: County Auditor; County Treasurer.

Anticipated 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 with respect to real property and improvements thereon. Except as may be permitted under the School District's debt limit, such general obligation bonds must be approved by referendum. The School District presently intends to issue approximately $2 million of general obligation bonds annually within its debt limit to meet ongoing capital needs.

The issuance of up to $226,800,000 principal amount of general obligation bonds was approved by a referendum held in 2015 (the "2015 Referendum"). To date, $89,620,000 principal amount of the bonds authorized by the 2015 Referendum have been issued. The Bonds are also issued under the authority of the 2015 Referendum. The remaining general obligation debt authorized by the 2015 Referendum, in a principal amount which may not exceed $27,180,000, must be issued no later than May 5, 2020 pursuant to South Carolina Constitution Art. X, Sec. 15(5)(b).

The timing of additional referenda is dependent on various factors including the rate of future growth in the number of residential units in the School District. The School District presently projects that a referendum will be necessary in 2018 in order to provide funding for additional school facilities. The estimate of the principal amount of bonds to be proposed in that referendum ranges from $90 million to $150 million, depending on the number of new schools to be financed through such bonds.

VII.

ECONOMIC CHARACTERISTICS AND DATA

Description of the County

The County is located in the Piedmont section of South Carolina and is bordered on the north by North Carolina and has a land area of 685 square miles. The County is located a few miles south of the City of Charlotte across the border of North and South Carolina. The Charlotte region is home to the headquarters of seven Fortune 500 firms, and over 290 Fortune 500 companies have a presence in the region including Bank of America, Domtar, Duke Energy, Family Dollar Stores, Lowe's, Nucor and Sonic Automotive.

Commerce and Industry

In May, 2017, Atlas Copco opened a new production facility in the County for its Medical Gas Solutions Division, along with production and assembly facilities for its North American Construction Technique division. The 197,000 square-foot facility is located on 34 acres in Riverwalk Business Park in Rock Hill across the Catawba River from the District, and employs more than 300. The $25 million, LEED-certified facility produces generators, portable compressors and other equipment. Founded in 1873, Atlas Copco manufactures equipment in more than 20 countries and specializes in compressors, vacuum solutions and air treatment systems, construction and mining equipment, power tools and assembly systems.

The Lash Group, Inc., a healthcare service provider and subsidiary of AmerisourceBergen Corporation, developed a new 250,000 square-foot national headquarters campus in Fort Mill which opened its first phase in March 2016 and employs 1,200 workers. The $57.3 million investment in the first phase is expected to reach $90 million as the company grows and adds a second facility. In March 2017, the company announced construction of an additional 173,000 square-foot building in Fort Mill which may increase the number of employees to 2,500. The second building and new 1,200 car parking deck will assist the company in handling its growing needs and help to better serve their clients and patients.

In January 2017, Oxco, Inc., a light manufacturer and supplier of non-woven materials, announced plans to establish new operations in the County to accommodate the company's continued growth. The company will construct a new 150,000 square-foot facility, expandable up to 200,000 square feet, in the Lakemont Business Park in Fort Mill. The project is expected to generate approximately $13 million in capital investment and create more than 130 new jobs.

OneMain Holdings, Inc. announced in November 2016 plans to expand its existing operations in the County by leasing approximately 58,000 square feet of new space adjacent to its current facility. The $279,000 investment is expected to create 175 new jobs. OneMain Holdings, Inc. is a leading consumer finance company with a primary focus on assisting customers with personal loans and services.

Crystal Distribution, Inc. (CDI) announced plans in November 2016 to establish new operations in the County to allow the company to relocate existing positions from its operations in Charlotte. CDI will construct a new 50,000 square-foot build-to-suit light manufacturing and distribution facility in Rock Hill's SouthCross Corporate Center. The $4.8 million investment is expected to create 83 positions in South Carolina. CDI is the leader in the curb adapter industry with both the fastest lead times and the largest quantity of curb adapters produced. Curb adapters allow broken or inefficient heating and cooling units to be upgraded on commercial building rooftops.

Sunbelt Rentals, Inc. announced in May 2016 plans to expand its existing corporate office building located in Fort Mill to provide support for its growing network of facilities. With a network of more than 550 locations, Sunbelt Rentals offers equipment rental services to a variety of industries including commercial, industrial, municipal and specialized service applications. Sunbelt's fleet of equipment includes general construction equipment, industrial tools, scaffolding, remediation and restoration equipment, HVAC equipment, pumps and power generation equipment. The expansion is expected to bring more than $8 million in capital investment.

In April 2016, CABTEQ Solutions announced plans to establish operations in the County and move into an 80,000 square-foot industrial facility. The company is investing $3 million in the facility which is expected to create 125 jobs. CABTEQ Solutions is a South Carolina-based company which specializes in commercial cabinetry.

MSI-Forks, Inc. announced in April 2016 plans to expand its operations in the County by constructing a new 40,000 square-foot facility in the Antrim Business Park in Rock Hill. The company is investing $3.5 million in the facility and expects to create 33 new jobs over the next five years. MSI-Forks, Inc. is a world leader in fork-arms manufacturing.

Schaeffler Group USA Inc. announced plans in April 2016 to expand its operations in the County for the second time in two years. The Fort Mill campus will be expanded to include an additional corporate building, expansion of one of the company's two manufacturing plants and a reworked plant entrance to accommodate the growth and increase in traffic. The company is investing $36.5 million in the expansion, which is scheduled for completion in the Fall of 2017, and anticipates creating 105 new jobs. Schaeffler Group USA Inc. is a worldwide manufacturer of high precision components and systems for the automotive industry as well as rolling and plain bearing solutions for 60 industrial sectors.

In November 2015, Silcotech celebrated the grand opening of its County operations in the East York Industrial Park and announced an additional $2.5 million investment in the facility. This $2.5 million investment adds to an initial $3.5 million investment which the company announced in August 2013. In production since January 2015, this facility represents the company's first in the U.S. Silcotech, headquartered in Ontario, Canada, produces specialized silicone components for the medical, healthcare, automotive, packaging, consumer electronics and consumer markets.

In 2015, Ashley Furniture Home Store licensee Broad River Furniture established a new 174,000 square-foot corporate campus and distribution center at Lakemont Business Park in Fort Mill. The $12.6 million investment is expected to create 200 jobs. Broad River Furniture is a locally-owned and operated home furnishings retailer which operates in three states and employs more than 500 full-time workers.

Major Private Employers

Some of the larger private employers located in the County, their products and approximate number of employees are shown below. There can be no assurance that any employer listed below will continue to be located in the 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:

Employer	Product or Service	Employees
Wells Fargo Home Mortgage*	Home Mortgage	1,828
Lash Group*	Headquarters	1,800
Ross Stores, Inc.*	Transportation and Warehousing	1,790
Piedmont Medical Center	Healthcare	1,600
Schaeffler Group USA, Inc.*	Engine components	1,270
Duke Energy-Catawba Nuclear Station	Nuclear Power generation	1,228
U.S. Foods, Inc.*	Food Distribution	735
Resolute Forest Products	Coated paper and Market pulp	613
Domtar*	Headquarters	600
Citi Financial*	Loan Services	450

*Located in the District.
Source: York County Economic Development.

Municipalities Located Within The School District

The Town is located in the geographic center of the School District, and is governed by a mayor and six council members who are elected for four-year staggered terms. The Town employs a city manager to administer the daily operations of the local government.

The City of Tega Cay ("the City"), located in the western portion of the School District, is situated on a 1,600 acre peninsula embraced by 16 miles of Lake Wylie's shoreline. The City was incorporated on April 19, 1982 and is governed by the mayor-council form of government. The following table shows the population of the Town and the City:

Year	Town of Fort Mill	City of Tega Cay
2016(1)	15,029	9,946
2010	10,811	7,620
2000	7,587	4,044
1990	4,930	3,016
1980	4,162	n/a

(1) July 1, 2016 population estimate.
Source: U.S. Census Bureau, Population Division; Board of Economic Advisors and Office of Economic Research of the State Revenue and Fiscal Affairs Office.

Population

The County is one of the fastest growing counties in South Carolina and in the nation. The following table shows the population of the County for the following years:

Year	Population
2016(1)	258,526
2010	226,073
2000	164,614
1990	131,497
1980	106,720

(1) July 1, 2016 population estimate.
Sources: U.S. Census Bureau, Population Division; Board of Economic Advisors and Office of Economic Research of the State Revenue and Fiscal Affairs Office.

Per Capita Personal Income

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

Year	County	South Carolina	United States
2015	$39,778	$38,302	$48,112
2014	38,183	36,860	46,414
2013	36,629	35,287	44,462
2012	36,888	35,244	44,267
2011	34,936	33,803	42,453

Sources: Board of Economic Advisors and Office of Economic Research of the State Revenue and Fiscal Affairs Office, U.S. Department of Commerce, Bureau of Economic Analysis, November, 2016.

Retail Sales

The following table shows the gross retail sales for the past five years for businesses located in the County:

Year	Gross Retail Sales
2016	$6,895,847,183
2015	6,878,102,480
2014	5,458,631,719
2013	5,175,492,547
2012	4,769,241,484

Source: South Carolina Department of Revenue, Administrative Division.

Unemployment Rates

The estimated unemployment rate for the County for April, 2017 was 3.4%. The following table shows County, State and national unemployment rates for the years shown:

Year	York County	South Carolina	United States
2016	4.5%	4.8%	4.9%
2015	5.5	6.0	5.3
2014	6.3	6.4	6.2
2013	7.7	7.6	7.4
2012	9.3	9.2	8.1

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

Labor Force and Employment

York County Labor Force Estimate[1]

	2012	2013	2014	2015	2016
Civilian Labor Force	118,566	119,613	122,734	126,736	129,912
Employment	107,576	110,406	115,040	119,770	124,111
Unemployment	10,990	9,207	7,694	6,966	5,801
Percent of Labor Force	9.3%	7.7%	6.3%	5.5%	4.5%

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

Construction Activity

The following table shows the approximate number and value of building permits issued by the Town for the past five years for which data is available.

Fiscal	Residential		Commercial		Alterations/Repairs	
Year Ended Sept. 30	# of Permits	Value of Permits	# of Permits	Value of Permits	# of Permits	Value of Permits
2016	656	$284,123,996	266	$58,623,015	584	$7,533,011
2015	538	204,080,569	199	189,307,350	464	7,957,646
2014	254	125,560,393	110	50,637,625	842	10,706,879
2013	261	116,226,566	81	3,545,497	411	3,856,960
2012	140	50,709,835	91	10,505,453	697	7,266,194
2011	80	26,389,383	82	4,696,986	1,517	12,702,473

Increase in 2011 due to hail storm in April, 2011.
Source: Town of Fort Mill Building Officials.

The following table provides the approximate number and value of building permits issued by the County for the years in which data is available:

	Residential		Commercial	
Calendar Year	# of Permits	Value of Permits	# of Permits	Value of Permits
2015	1,937	$604,161,034	50	$156,200,003
2014	1,253	395,328,259	41	123,298,277
2013	1,507	439,860,235	44	38,627,233
2012	1,070	294,672,894	54	93,640,636

Data for 2016 unavailable. Does not include multi-family, mobile homes or industrial permits.
Source: Catawba Regional Council of Governments; York County Planning and Development, Building and Codes Department.

Facilities Serving the County and School District

Highways: Interstate 77 provides a major thoroughfare connecting the County to Charlotte, North Carolina and to Columbia, South Carolina. Interstate 85 links the County to Raleigh, Durham and Greensboro, North Carolina and to Atlanta, Georgia. U.S. Highway 21 and South Carolina Highway 160 also serve the County and the School District. The County connects via I-77 and I-26 to the Port of Charleston, a 3-hour drive.

Railroads: Rail freight service is provided by CSX Transportation and Norfolk Southern Railway. Norfolk Southern recently opened a new terminal in Charlotte, a $2.5 billion infrastructure project constructing a rai connection between the Gulf Coast and New York City. The 2,500 mile route, which provides one of the fastest, most direct connections for intermodal cargo in the Eastern United States, is scheduled for completion in 2020. Amtrak passenger service is available out of Charlotte, North Carolina. Lancaster & Chester (L&C), a privately-owned, short line railroad based in Lancaster, South Carolina (35 miles south of Charlotte), also serves the area. L&C connects to the national rail network through both CSX and Norfolk Southern.

Airport Facilities: Charlotte/Douglas International Airport (CLT) is within a thirty-minute drive from the Town and offers more than 700 daily departures with nonstop service to over 140 cities, including nonstop international service to such destinations as Barbados, Cancun, Frankfurt, London, Mexico City, Munich, Paris and Toronto, Canada. Some of the airlines served by CLT are American Airlines (who operates its second largest hub at CLT), Delta Airlines, Frontier Airlines, JetBlue Airways, Southwest Airlines, United Airlines, ViaAir, Air Canada and Lufthansa German Airlines. CLT has completed various expansion projects necessary to accommodate current and future passenger growth. The construction projects were implemented in phases and included a new hourly parking deck and rental car facility; modified entrance to the Airport; terminal eastside expansion; dynamic signage boards; and baggage claim renovations. CLT is ranked the sixth busiest airport in the world, and had over 44 million people travel through the airport in 2016. Charlotte Air Cargo Center is adjacent to the airport's four runways and consists of approximately 570,000 square feet of facilities and over 50 acres of aircraft ramp space. When Norfolk Southern's rail and truck freight facility outgrew its location in uptown Charlotte, the Charlotte Regional Intermodal Facility was built next to CLT. The $96 million, 200-acre facility allows trailers and containers to be transferred between trucks and trains, and is capable of 200,000 lifts per year. The Charlotte Regional Intermodal Facility connects to intermodal facilities at the Port of Charleston. Wilson Air Center operates CLT's Fixed Base Operation and consists of over 50 acres of facilities and a variety of aircraft storage including heated storage, T-hangars, SunPorts and tie-downs. They also offer ground support services such as parking, fueling, rental cars, military support, freight handling and airline charter services.

Located five miles from the Town, the Rock Hill/York County Municipal Airport-Bryant Field is owned and operated by the City of Rock Hill. A joint city/county Airport Commission advises the Rock Hill City Council on operational matters, and advises both the Rock Hill City and York County Councils on planning and capital improvements. The airport runway is 5,500-feet by 100-feet with pilot-controlled lighting. The 7,200-square foot terminal building is designed for the business user and offers a concourse area with a pilot lounge and shop, flight planning facilities and a large conference room. Construction is complete on the taxilanes for t-hangers along with an entrance road/taxilane to serve the new corporate complex.

Recreational Facilities: The Town's Parks and Recreation Department manages the Town's recreation facilities and public parks. Each park provides various amenities which include picnic shelters, grills, children's play equipment, lighted basketball courts and lighted baseball fields. A water spray park is available at Steele Street Park. Other park and playground facilities are provided to the residents of the School District by the Recreation Complex on the Greenway, operated by the Anne Springs Close Greenway which offers a gym, fitness room and swimming pool. The Town's Parks and Recreation Department oversee the facilities outside which include a lighted multi-purpose athletic field, three lighted baseball/softball diamonds and fields and six lighted tennis courts. The complex offers an access point to Anne Springs Close Greenway. There is also a Fort Mill YMCA, a branch of the Upper Palmetto YMCA.

The Fort Mill Golf Course is an eighteen-hole championship course owned and operated by Leroy Springs & Company. The 6,801-yard layout features four sets of tees which accommodates all skill levels. The property also includes dining and banquet facilities, a golf shop, driving range and practice areas. Another public, eighteen-hole golf course is the Springfield Golf Course, which is also owned and operated by Leroy Springs &Company. The 6,906-yard par 72 layout is located on a heavily-wooded site and includes 13 holes that play near streams that feed into the Catawba River.

The Anne Springs Close Greenway consists of approximately 2,100 acres of oak-hickory dogwood forests, lakes and rolling pastures that provides a 40-mile trail for hiking, horseback riding, cycling, as well as picnicking, rental facilities, recreational and educational activities. The Greenway contains the 28-acre Lake Haigler, as well as four other fishing ponds, mixed hardwood forests, prairies, Steele Creek and vistas.

The City of Tega Cay offers many recreational facilities which including a 27-hole golf course, lighted tennis courts, athletic fields, a marina, playgrounds, four parks and miles of walking trails. The Tega Cay Beach Club has a junior Olympic swimming pool, fitness room, outdoor volleyball court, picnic area and snack bar.

The City of Rock Hill is home to the Giordana Velodrome located at the Rock Hill Outdoor Center at Riverwalk which is open year-round for cyclists of all ages. It is endorsed by USA Cycling and routinely hosts national and UCI caliber events. Cyclists use the 250-meter track for training and development. The Novant Health BMX Supercross Track was the first Olympic caliber training facility on the east coast. The facility hosts local, regional and national UCI caliber events also. Both facilities are open to the public and offer a variety of programs and instruction.

Both the Carolina Panthers of the National Football League and Charlotte Hornets of the National Basketball Association play their home games in downtown Charlotte. Professional baseball is also offered through the Charlotte Knights, a triple-A affiliate of the Chicago White Sox, that play its home games in the BB&T Ballpark located in Charlotte, N.C.

Law Enforcement and Fire Protection: The York County Sheriff's Department covers all unincorporated county areas in addition to several other towns. The Town and the City of York, as well as the cities of Tega Cay, Rock Hill and Clover and have fulltime police departments. Seventeen fire districts provide protection to the entire County with the exception of Rock Hill, which has its own fire department. The fire districts operate under a mutual aid agreement which provides back-up support should an emergency occur. The Town's fire department has 24 fulltime firefighters who operate out of two fire stations which house two engines, two ladder trucks, a tanker, grass truck, three command vehicles and a quick response vehicle.

Higher Education: Two institutions of higher learning are located within the County. Winthrop University, located in Rock Hill, is a state-supported, four-year, co-educational college which is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools to award bachelor's, master's and specialist degrees. Winthrop's undergraduate and graduate degrees are offered through the Colleges of Arts and Sciences, the College of Business Administration, the Richard W. Riley College of Education and the College of Visual and Performing Arts. A liberal arts core provides the foundation for all degree programs, which are furthered strengthened by University College, an academic division focusing on student achievement and engagement. Winthrop has been listed in U.S. News & World Report's edition of "America's Best Colleges" for the past 23 years. The Princeton Review again rated Winthrop among the "Best in the Southeast" in its "2016 Best Colleges: Region by Region." In addition to full institutional accreditation, has achieved 100% national accreditation in all eligible academic programs, and is among the top comprehensive teaching colleges and schools in the State to reach that level of accreditation. Winthrop University had a Fall 2016 enrollment of 6,109.

York Technical College is one of 16 technical colleges and technical education centers that make up the South Carolina Technical and Comprehensive Education System. It is a public, two-year associate degree-granting institution that is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools to award associate degrees, diplomas and certificates. The College offers 76 academic programs in the areas of engineering technology, industrial technology, information technology, business, health sciences and public service as well as transfer to senior colleges and universities. In addition, the College offers a comprehensive selection of corporate and continuing education courses designed to promote occupational advancement, personal interest, and business and industry growth. York Technical College had a Fall 2016 enrollment of 4,604 students. UNC-Charlotte, USC-Lancaster, and Limestone College in Gaffney, South Carolina are all located within one hour of the Town.

The ReadySC program is a workforce training resource for companies locating or expanding in the State. The State Board for Technical and Comprehensive Education operates the workforce training program and oversees the Technical Education College System. The program is funded entirely with state money. York Technical College is home to the region's Center for Advanced Manufacturing (CAM). CAM emphasizes pre-employment training for new and expanded industry in the County as well as a Continuing Education program for citizens to continually upgrade their skills. Students come from across the country to learn at CAM, including teams from industry leaders such as General Motors, John Deere and Harley-Davidson.

Medical Facilities: Piedmont Medical Center is located in Rock Hill and has 288 beds and a medical staff of more than 325. The hospital provides state-of-the-art health care with staff representation in all major specialties such as cancer, cardiac, critical care, maternity, orthopedics, pediatrics, surgical, and imaging/diagnostic services. In addition, the hospital offers a 43,000 square-foot Heart Center, a 90,000 square-foot Women's Center and a 48,000 square-foot Rehabilitation Center.

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VIII.

CERTAIN LEGAL MATTERS

Litigation

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

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 School District will furnish, without cost to the successful bidder, the opinion of Bond Counsel, Haynsworth Sinkler Boyd, P.A., Columbia, South Carolina, the form of which is attached hereto as Appendix B. A certificate to the effect that there is no litigation threatened or pending to restrain the issuance and sale of the Bonds will be delivered at the closing of the Bonds.

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

The legal opinion to be delivered concurrently with the delivery of the Bonds express 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. § 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 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 Tax Treatment of the Bonds

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

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

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

The opinion of Bond Counsel described above is subject to the condition that the Issuer 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 Bonds and the obligation to rebate certain earnings on investments of such gross proceeds to the United States Government, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The opinion of Bond Counsel delivered on the date of issuance of the Bonds is conditioned on compliance by the Issuer with such requirements and Bond Counsel has not been retained to monitor compliance with the requirements subsequent to the issuance of such Bonds.

State Tax Exemption

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

Collateral Federal Tax Considerations

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

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

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

Original Issue Discount

The Bonds maturing in the years 2033 through 2036, inclusive, have been sold at initial public offering prices which are less than the amount payable at maturity (the "Discount Bonds"). The difference between the initial public offering prices to the public (excluding bond houses and brokers) at which price a substantial amount of each maturity of the Discount Bonds is sold and the amount payable at maturity constitutes original issue discount, which will be treated as interest on such Discount Bonds and to the extent properly allocable to particular owners who acquire such Discount Bonds at the initial offering thereof, will be excludable from gross income for federal income tax purposes to the same extent as other interest on the Bonds. As discount is accrued, the purchaser's basis in such Discount Bond is increased by a corresponding amount, resulting in a decrease in the gain (or an increase in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Discount Bond prior to its maturity.

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

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

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

Original Issue Premium

The Bonds maturing in the years 2018 through 2032, inclusive, have been sold at initial public offering prices which are greater than the amount payable at maturity (the "Premium Bonds"). An amount equal to the excess of the purchase price of the Premium Bonds over their stated redemption prices at maturity constitutes premium on such Bonds. A purchaser of a Premium Bond must amortize any premium over such Bond's term using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the purchaser's basis in such Premium Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of any Bonds at a premium, whether at the time of initial issuance or subsequent thereto, should consult with their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such Bonds.

Closing Certifications

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

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

Continuing Disclosure

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

In accordance with the Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"), the School District has covenanted and will covenant in a Disclosure Dissemination Agent Agreement dated the Delivery Date (the "Disclosure Agreement") between the School District and Digital Assurance Certification, LLC, for the benefit of the beneficial owners of the Bonds, to provide certain financial information and operating data relating to the School District (the "Annual Report") by not later than February 1 of each year, commencing February 1, 2018, and to provide notices of the occurrence of certain enumerated events. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is set forth in the Disclosure Agreement attached as Appendix C hereto. These covenants have been made in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

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

Financial Advisor

Compass Municipal Advisors, LLC has acted as Financial Advisor to the School District in connection with the issuance of the Bonds. 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. Leanne Lordo, Assistant Superintendent for Finance and Operations, Fort Mill School District No. 4 of York County, 2233 Deerfield Drive, Fort Mill, South Carolina 29715, telephone (803) 548-8212. Requests for additional copies of this Official Statement may be addressed to Ms. Lordo or to Theodore B. DuBose, Bond Counsel, Haynsworth Sinkler Boyd, P.A., Post Office Box 11889, Columbia, South Carolina 29211, telephone (803) 540-7830.

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IX.

RATINGS

Moody's Investors Service, Inc. ("Moody's") and S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), (collectively, the "Rating Services"), have assigned their municipal bond ratings of "Aa1" and "AA", respectively, to the Bonds based on the State's statutory enhancement program (as described in "**THE BONDS** – Statutory Intercept Provisions"). Moody's has also assigned an underlying rating of "Aa2" to the Bonds, and S&P has also assigned an underlying rating of "AA" to the Bonds, which ratings do not take into account the Statutory Intercept Provisions. Such ratings reflect only the views of the Rating Services and an explanation of the significance of such ratings may be obtained from the Rating Services.

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

X.

UNDERWRITING

The Bonds have been purchased at a competitive sale from the School District for resale by Citigroup Global Markets Inc. (the "Purchasers"). The Purchasers have agreed, subject to certain conditions, to purchase the Bonds at 109.140% of par. The initial public offering prices of the Bonds are as shown on the front cover of this Official Statement and may be changed from time to time by the Purchasers. The Purchasers may also allow a concession from the public offering prices to certain dealers. The initial public offering prices average approximately $3.47 per $1,000 face amount of the Bonds in excess of the purchase price paid to the School District by the Purchasers. The Purchasers have received no fee from the School District for underwriting the Bonds.

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XI.

CERTIFICATION

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

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

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

FORT MILL SCHOOL DISTRICT NO. 4 OF YORK
COUNTY, SOUTH CAROLINA

By:____
Assistant Superintendent for Finance and Operations,
Fort Mill School District No. 4 of York County,
South Carolina

APPENDIX A

AUDITED FINANCIAL STATEMENTS

FOR FISCAL YEAR ENDED JUNE 30, 2016

COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF

FORT MILL SCHOOL DISTRICT NO. 4

FORT MILL, SOUTH CAROLINA

FOR THE
FISCAL YEAR ENDED
JUNE 30, 2016

Prepared By:
Fort Mill School District No. 4
Finance Department

Greene Finney & Horton
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Fort Mill School District No. 4
Fort Mill, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fort Mill School District No. 4, South Carolina (the "District"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards, i*ssued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fort Mill School District No. 4, South Carolina, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

www.gfhllp.com

Greenville	Mauldin	Mount Pleasant
(864) 451-7381	(864) 232-5204	(843) 735-5805

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, the supplementary information, the statistical section, and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Greene, Finney & Horton LLP

Greene, Finney & Horton, LLP
Mauldin, South Carolina
November 21, 2016

INTRODUCTION

This discussion and analysis of Fort Mill District No. 4's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2016 ("2016") compared to fiscal year ended June 30, 2015 ("2015"). The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter, the financial statements, and the notes to the financial statements to enhance their understanding of the District's financial performance.

The Fort Mill School Facilities Corporation ("FMSFC") was established in December 2006. Although the FMSFC is a legally separate entity, it is reflected as a blended component unit of the District and the financial activity of the FMSFC is reflected in an individual debt service fund in the financial statements.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2016 are as follows:

- In the Statement of Net Position, the liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by approximately $47.85 million. Unrestricted net position was a deficit of approximately $68.14 million. The deficit in net position is a result of pension accounting standards that were implemented in 2015 (the District's net pension liability).
- The District's total net position for 2016 increased by approximately $8.63 million compared to an increase of approximately $3.08 million in the prior year. This increase was primarily due to an increase in state and local revenues due to an increase in operations and debt service millages and strong growth in the student population, partially offset by higher expenses related to the growth of the District. The District's General Fund revenues increased from a property tax millage increase of 5.3 mills and from a higher base student cost of $2,220 per student compared to $2,120 received in the prior year, coupled with the growth in student enrollment which also generated additional State Education Finance Act ("EFA") revenue. However, this property tax and operating grant revenue increase was offset by higher instructional and support expenditures related to 22.5 new teaching positions, a salary step increase for existing teachers, and the shifting of current teaching positions from Special Revenue to General Fund due to the consolidation of State Lottery funds into Base Student Cost EFA funding.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of approximately $132.67 million, a net increase of approximately $67.28 million from the prior year. This increase is primarily due to an increase of approximately $62.46 million in the Capital Projects – District Fund due to the issuance of debt for future capital projects, and an increase of approximately $3.99 million in the Debt Service – District Fund primarily due to an increase in tax revenues from an increase in debt service millage of 12.7 mills. The District also had increases in all of its other fund balances. At the end of the current fiscal year, total fund balance for the General Fund (all of which is unassigned) was approximately $19.23 million, which is approximately 20% of total General Fund expenditures.
- The District's total capital assets were approximately $304.52 million, increasing by approximately $21.44 million (8%) during the current fiscal year. Key factors were capital asset additions of approximately $30.66 million primarily due to the purchase of land for new schools and construction in progress on a new high school, a new middle school, and an expansion of one of the high schools, partially offset by depreciation expense of approximately $9.19 million.
- The District's total debt was approximately $386.66 million, increasing by approximately $76.35 million (25%) during the current fiscal year primarily due to the issuance of approximately $97.16 million in debt and a net increase in premiums of approximately $1.78 million, partially offset by principal payments of approximately $22.59 million.
- During 2016, the District's governmental fund type revenues were approximately $153.32 million compared to approximately $135.20 million in the prior year. This increase was primarily due to an increase of approximately $12.44 million in property taxes, investment earnings, and other local revenues, and an increase of $5.90 million in state revenues, partially offset by a slight decrease in revenues from federal sources.

FINANCIAL HIGHLIGHTS (CONTINUED)

- The District had approximately $145.31 million in expenses related to governmental activities; approximately $60.05 million of these expenses were offset by program specific charges for services, operating grants and contributions. General revenues (primarily taxes) of approximately $93.89 million provided the remaining funding for these programs.
- The District's net pension liability increased by approximately $16.36 million (16%) to approximately $118.71 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and notes to those statements. The financial statements include two kinds of statements (*the government-wide financial statements and the fund financial statements*) that present different views of the District. The government-wide statements are intended to give the reader both an aggregate and long-term view of the District's finances. The fund financial statements are intended to provide a more detailed and short-term look at the District's finances.

Government-Wide Financial Statements

The first two statements are *government-wide financial statements* that provide a broad overview of the District's overall financial status, in a manner similar to a private-sector enterprise. These statements report information about the District as a whole.

Statement of Net Position
The Statement of Net Position presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between these items reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To assess the District's overall health, other non-financial factors, such as the District's property tax base, the condition and age of school buildings, as well as other physical assets, should be considered.

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

Government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). All of the District's activities are reported in governmental activities in the government-wide statements; the District does not report any business-type activities.

Fund Financial Statements

The government-wide financial statements can be found as listed in the table of contents of this report.

The remaining financial statements are *fund financial statements* that focus on *individual parts* of the District, and not the District as a whole. The fund financial statements report the District's operations in *more detail* than the government-wide statements, and focus on the District's most significant, or "major" funds.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements (Continued)

Governmental Funds
Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Almost all of the District's services are included within the governmental funds. The governmental funds generally focus on two things-how cash and other assets can readily be converted to cash and the balances left at year-end that are available for spending.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. The governmental fund statements provide a more detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. However the governmental fund statements do not encompass the additional long-term focus as that of the government-wide financial statements, and as a result additional information at the end of the governmental fund statements, in the form of a reconciliation, explains the relationship (or differences) between the governmental fund statements and the government-wide statements.

The District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Special Revenue Fund, Special Revenue - EIA Fund, Special Revenue – Food Service Fund, Debt Service Fund and Capital Projects Fund, all of which are considered to be major funds. In addition, FMSFC's Debt Service Fund is also a major fund and therefore shown in a separate column. The governmental fund financial statements can be found as listed in the table of contents of this report.

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

Notes to the Financial Statements
The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found as listed in the table of contents of this report.

Required Supplementary Information
The District adopts an annual appropriated budget only for its General Fund. A budgetary comparison schedule has been provided as required supplementary information for this fund to demonstrate compliance with the budgets. Required pension plan schedules have been included which provide relevant information regarding the District's participation in the South Carolina Retirement System and the South Carolina Police Officers Retirement System. Required supplementary information can be found as listed in the table of contents.

Supplementary Information
In addition to the financial statements, notes, and required supplementary information, this report includes certain supplementary information. The combining and individual fund financial schedules and the location reconciliation schedule can be found as listed in the table of contents of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements (Continued)

Major Features of the District's Government-Wide and Fund Financial Statements

		Fund Financial Statements	
	Government-Wide Financial Statements	Governmental Funds	Fiduciary Fund
Scope	Entire District (except fiduciary funds	The activities of the District that are not fiduciary	Instances in which the School is the trustee/agent for someone else's resources, such as the Pupil Activity Fund
Required Financial Statements	▪ Statement of Net Position ▪ Statement of Activities	▪ Balance Sheet ▪ Statement of Revenues, Expenditures, and Changes in Fund Balances	▪ Statement of Fiduciary Assets and Liabilities
Accounting and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting
Type of Balance Sheet Information	All balance sheet elements, both financial and capital, and short-term and long-term	All balance sheet elements that come due during the year or shortly thereafter; no capital assets or long-term obligations are included	All balance sheet elements, both short-term and long-term
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Table 1 provides a summary of the District's net position as of June 30, 2016 compared to June 30, 2015:

Table 1
Net Position

	Governmental Activities	
	June 30, 2016	June 30, 2015
Assets		
Current and Other Assets	$ 155,122,248	$ 83,126,938
Capital Assets, Net	304,522,935	283,078,355
Total Assets	459,645,183	366,205,293
Deferred Outflows of Resources		
Deferred Pension Charges	14,100,477	9,298,875
Deferred Refunding Charges	4,453,384	4,727,501
Total Deferred Outflows of Resources	18,553,861	14,026,376
Liabilities		
Other Liabilities	20,466,297	15,417,805
Net Pension Liability	118,711,747	102,350,454
Long-Term Liabilities	386,659,432	310,312,281
Total Liabilities	525,837,476	428,080,540
Deferred Inflows of Resources		
Deferred Pension Credits	212,193	8,630,387
Total Deferred Inflows of Resources	212,193	8,630,387
Net Position		
Net Investment in Capital Assets	(5,193,862)	(9,996,212)
Restricted	25,480,646	19,612,457
Unrestricted	(68,137,409)	(66,095,503)
Total Net Position	$ (47,850,625)	$ (56,479,258)

The District's current and other assets at June 30, 2016 increased by approximately $72.00 million from the prior year primarily due to an increase in unspent bond proceeds, as the District issued debt for future capital projects during the current fiscal year, most of which was not spent as of June 30, 2016. The District's capital assets at June 30, 2016 increased by approximately $21.44 million (8%) during the current fiscal year primarily due to capital asset additions of approximately $30.66 million, partially offset by depreciation expense of approximately $9.19 million and net disposals of approximately $18,000. The District's total liabilities at June 30, 2016 increased by approximately $97.76 million from the prior year primarily due to the issuance of new debt of approximately $97.16 million and a net increase in premiums of approximately $1.78 million, partially offset by principal payments of approximately $22.59 million. The changes in deferred outflows and deferred inflows of resources was primarily due to differences between expected and actual liability/investment experience and changes in the percentage of the District's share of the net pension liability in the State retirement plans.

The District's total net position for 2016 increased by approximately $8.63 million. This increase was primarily due to an increase in state and local revenues due to an increase in operations and debt service millages and steep growth in the student population, partially offset by higher expenses related to the growth of the District.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The District's net investment in capital assets of approximately ($5.19) million reflects its investment in capital assets (i.e., land, buildings, furniture and equipment, infrastructure, etc.) less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt generally must be provided from other sources, since generally the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net position of approximately $25.48 million represents resources that are subject to external restrictions on how they may be used. These net amounts are restricted primarily for debt service, capital projects, or special revenue programs. The remaining portion of the District's net position is unrestricted net position.

Table 2 shows the changes in the District's net position for 2016 compared to 2015:

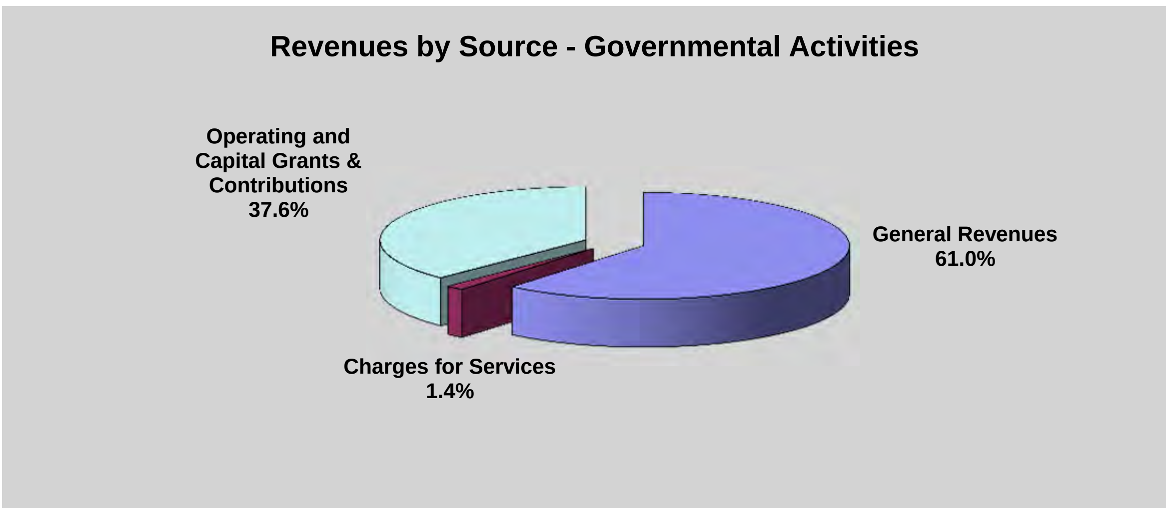
Table 2
Statement of Activities

	Governmental Activities	
	2016	2015
Revenues		
Program Revenues:		
Charges for Services	$ 2,234,436	$ 1,941,773
Operating Grants	57,813,343	52,656,265
General Revenues:		
Taxes	88,225,815	78,069,779
Federal, State, and Local Aid	4,607,385	3,084,553
Other	1,054,464	530,772
Total Revenues	153,935,443	136,283,142
Program Activities		
Instruction	77,257,745	70,806,097
Support Services	55,003,298	49,863,633
Community Services	312,801	134,002
Interest and other charges	12,732,966	12,403,478
Total Expenses	145,306,810	133,207,210
Change in Net Position	8,628,633	3,075,932
Net Position, Beginning of Year	(56,479,258)	(59,555,190)
Net Position, End of Year	$ (47,850,625)	$ (56,479,258)

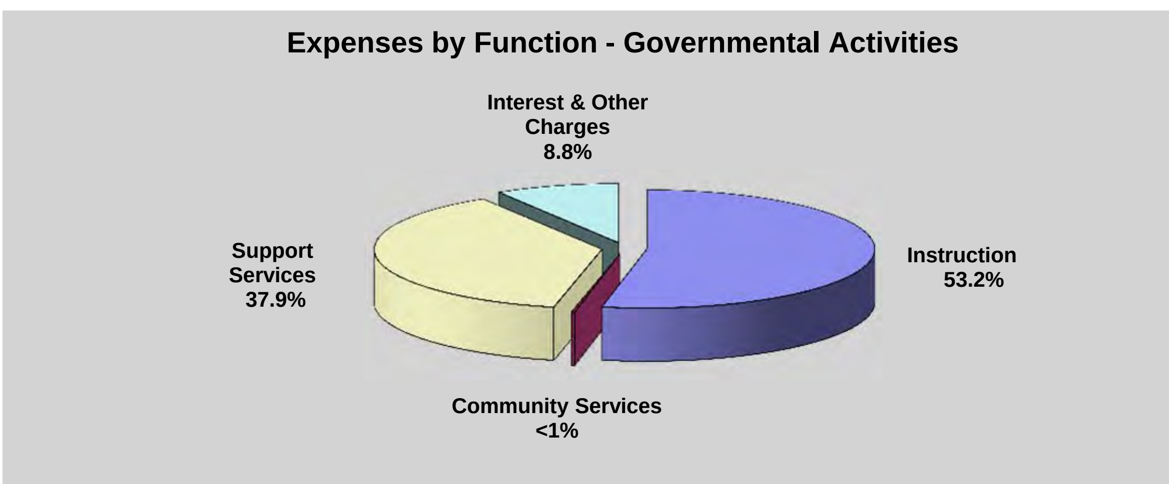
GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The District's governmental activities' net position increased approximately $8.63 million in 2016, due in large part to an increase in state and local revenues due to an increase in operations and debt service millages and steep growth in the student population, partially offset by higher instruction and support expenses related to the growth of the District.

General revenues, which are primarily property taxes and some federal/state/local aid, make up approximately 61% of revenues for governmental activities. The remainder of revenues is derived from grants and contributions and charges for services.



The figure below represents the cost of the District's governmental activities: instruction, support services, community services, and interest and other charges.



The following table on the next page shows the cost of major program services and the portion of those services covered by local property taxes and miscellaneous revenues. The following table shows that, on average approximately 59% of the cost of all governmental activities is supported by local taxes, federal and state and local aid, and other miscellaneous local revenue.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services	Percent Provided by Federal and State Grants and Charges for Services	Percent Provided by Taxes on Local Property and Miscellaneous Local Revenue
Instruction	$ 77,257,745	$ (40,988,957)	46.95%	53.05%
Support Services	55,003,298	(31,224,307)	43.23%	56.77%
Community Services	312,801	(312,801)	0.00%	100.00%
Interest and Other Charges	12,732,966	(12,732,966)	0.00%	100.00%
	$ 145,306,810	**$ (85,259,031)**	**41.32%**	**58.68%**

FUND ANALYSIS

The analysis of governmental funds serve the purpose of looking at what resources came into the funds, how they were spent and what is available for future expenditures. Did the government generate enough revenue to pay for current obligations? What is available for spending at the end of the year?

For the year ended June 30, 2016, the District's governmental funds reported a combined fund balance of approximately $132.67 million as compared to approximately $65.39 million for the prior year. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At June 30, 2016, the District's unassigned fund balance for all governmental funds was approximately $19.23 million which solely represents the General Fund. Of the remainder, approximately $18.70 million is restricted for debt service, approximately $80.15 million is restricted for capital projects (unspent bond proceeds), approximately $1.36 million is restricted for food service, approximately $0.50 million is assigned for special education programs, approximately $12.65 million is assigned for future school openings, and approximately $0.08 million is non-spendable (inventories).

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, total fund balance of the General Fund was approximately $19.23 million, which was all unassigned. The fund balance for the District's General Fund increased approximately $0.72 million, or 4%, from the prior fiscal year primarily due to higher property taxes and state revenue collected. The fund balance in the General Fund is approximately 20% of General Fund expenditures. Through conservative budgeting practices, the District continues to maintain a healthy fund balance.

General Fund revenues for the current year were approximately $97.85 million, which was an increase of approximately $9.49 million from the prior fiscal year. Taxes of approximately $36.36 million increased approximately $4.05 million (13%) due to a 5.3 mill millage increase (3%) combined with an increase in assessed values. Revenues from State sources of approximately $61.06 million increased approximately $5.34 million (10%) due to increases in base student cost to $2,220 from $2,120 in the prior fiscal year, coupled with the growth in student enrollment which generated additional State EFA revenue, and increases in State allocations for offsetting fringe benefits employer contributions. Expenditures for the current fiscal year were approximately $96.04 million, which was an increase of approximately $6.14 million (7%), primarily due to increases in instruction and support expenditures which are the result of additional teaching positions and other costs due to a higher student population.

FUND ANALYSIS (CONTINUED)

The District's Special Revenue Fund and Special Revenue – EIA Fund, are used to account for revenues derived from the State of South Carolina and the Federal Government. Special Revenue funds generally do not have fund balances as revenues should be expended, deferred, or returned to the grantor. The District transferred in approximately $2.00 million in 2014, $3.50 million in 2013, $6.57 million in 2012, and $4.05 million in 2011 for operational costs associated with future new schools. During the prior fiscal year, the District transferred approximately $2.38 million and $1.10 million out of these funds, respectively, for capital project expenditures, specifically, land acquisition and school renovations, and operating costs. The District did not need to make any such transfers in the current fiscal year.

The Special Revenue - Food Service Fund is utilized to account for food service operations. At the end of the current fiscal year, total fund balance of the Food Service Fund was approximately $1.43 million, an increase of approximately $0.11 million, or 8%, as state, local and federal revenue exceeded expenses.

The Debt Service Fund - District is used to account for the accumulation of funds for debt retirement. The District's debt millage rate increased 12.7 mills to 98.2 mills for the current fiscal year. The fund balance for the Debt Service Fund – District increased approximately $3.99 million in 2016. The fund balance for the Debt Service Fund – District is approximately $18.69 million, which is restricted for the payment of debt service. Revenues increased over the prior year by approximately $6.16 million, or 21%, primarily due to growth in property values and an increase in millage. Debt service payments increased over the prior year by approximately $10.92 million, or 54%, primarily due to an increase in regularly scheduled principal payments.

The Debt Service Fund – FMSFC is used to account for the activity associated with the Installment Purchase Revenue Bonds ("IPRB") and the Installment Purchase Refunding Revenue Bonds ("IPRRB") which were issued by the District's blended component unit, FMSFC, and were originally used for the acquisition and construction of major capital facilities that will be leased back to the District. These bonds are not subject to the 8% debt limit since they are not directly issued by the District. The full faith, credit, and taxing powers of the District are not pledged for the payment of principal nor the interest thereon. The fund balance for this fund did not change materially as compared to the prior year.

The Capital Projects Fund – District is utilized to account for major capital project expenditures. The fund balance for the Capital Projects Fund increased approximately $62.46 million from the prior fiscal year to approximately $80.15 million at June 30, 2016 primarily due to several debt issuances in the current year, the proceeds of which were mostly unspent at June 30, 2016.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget is prepared according to South Carolina law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2016, budget amendments within functions within the General Fund were made, but none that caused the total budget by function to exceed the original approved General Fund budget amounts.

Total revenues of approximately $97.85 million exceeded budget by approximately $4.34 million. Local revenue (primarily property taxes) was approximately $2.32 million higher and state sources were approximately $2.00 million higher than budget primarily due to continued growth in the tax base. Total expenditures of approximately $96.04 million came in slightly over budget by approximately $0.41 million. This was primarily due to Support services budgeted expenditures exceeding actual expenditures by approximately $0.40 million. All other categories were within a few thousand dollars of their budgeted amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2016 and 2015, the District had approximately $304.52 million and $283.08 million in net capital assets, respectively. Table 3 shows capital asset balances as of June 30, 2016 compared to June 30, 2015:

Table 3
Capital Assets, Net

	Governmental Activities	
	June 30, 2016	June 30, 2015
Land	$ 43,599,578	$ 35,370,099
Construction in Progress	13,168,657	24,825,822
Buildings	295,226,847	263,822,188
Improvements	13,093,570	12,893,570
Furniture and Equipment	15,994,833	13,697,446
Less: Accumulated Depreciation	(76,560,550)	(67,530,770)
Total	$ 304,522,935	$ 283,078,355

The total increase in the District's capital assets was approximately $21.44 million (approximately 8%) and primarily consisted of the following:

- Purchase of land of approximately $8.23 million.
- Construction costs of approximately $19.78 million related to the new middle school, a high school expansion, and other school improvements.
- Furniture, equipment, and other capital asset additions of $2.64 million.
- Depreciation expense of approximately $9.19 million.

The District has outstanding construction commitments of approximately $38.57 million at June 30, 2016. For more information regarding the District's capital assets and outstanding construction commitments, see Note III.C and Note IV.D in the notes to the financial statements.

Debt Administration

At fiscal year-end, the District had approximately $386.66 million in bonds and bond premiums outstanding versus approximately $310.31 million in the prior year, an increase of approximately 25%. All of the District's general obligation bonds ("GOB") are backed by the full faith and credit of the District. Table 4 shows the outstanding debt balances by category as of June 30, 2016 compared to June 30, 2015:

Table 4
Outstanding Debt

	Governmental Activities	
	June 30, 2016	June 30, 2015
General Obligation Bonds (Includes Refunding Bonds)	$ 311,342,000	$ 233,951,000
Installment Purchase Revenue Bond (Includes Refunding Bonds)	60,220,000	63,045,000
Bond Premiums	15,097,432	13,316,281
Total	$ 386,659,432	$ 310,312,281

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Debt Administration (Continued)

Key highlights related to the net increase in the District's debt of approximately $76.35 million for 2016 are as follows:

- The District issued three new general obligation bonds for approximately $97.16 million.
- Principal and refunding payments of approximately $22.59 million were made on the District's debt.
- Net increase in bond premiums of approximately $1.78 million.

Section 15 of Article X of the South Carolina State Constitution allows Districts to incur a legal debt limit not to exceed 8% of the assessed value of all taxable property in the District, unless approved by a majority vote in a referendum authorized by law. At June 30, 2016, the District's assessed property valuation was approximately $328.36 million and the legal debt limit was approximately $26.27 million. The District's outstanding debt applicable to the debt limit was approximately $15.40 million, resulting in a legal debt margin of approximately $10.87 million.

More detailed information about the District's debt and other long-term obligations is presented in Note III.G in the notes to the financial statements.

THE FUTURE

Fort Mill School District No. 4 is located in York County (the "County"), which is located in the northern piedmont portion of South Carolina and shares a common border with North Carolina. The County is an integral part of the Charlotte-Gastonia-Rock Hill Metropolitan Statistical Area and is one of the fastest growing areas of the State, which provides for annual growth in our tax base.

This growth has also brought an annual increase in the District's student population of 6.5% and 4.4% for the past two years, respectively. Enrollment grew by 790 students to approximately 12,970, not including the four-year old program. Student enrollment during the first 45 days of school in 2016-2017 showed the District again grew in student population and average daily membership is approximately 13,800 students. The projection by the Catawba Regional Council of Governments predicts we will exceed 15,600 students by the 2017-2018 school year.

The District's goal is to continue to provide the same level of educational programs and to continue to improve academic performance across the District. However, this goal continues to become more challenging with the effects of the passage of Act 388, which eliminated school operating millage on owner-occupied homes and replaced it with a less stable one percent sales tax increase.

South Carolina's economic status continues to be a concern since District operating funds are more dependent on the collection of sales tax revenue at the State level. The base student cost, which is the determining factor for the majority of the state's formula funding provided to public Districts, is projected to be funded at the rate determined by the State Budget and Control Board to keep pace with inflation. Even though the base student cost per pupil in the FY 2016-17 state budget allocation has increased from $2,220 to $2,350 per student, it remains below the projected amount determined by the State Budget and Control Board needed for inflation. The District continues to be conservative in budgeted the base student cost due to the uncertainty of its stability and the risk of the amount being capped at the State level due to statewide student enrollment exceeding the original estimate.

THE FUTURE (CONTINUED)

In preparing the FY 2016-17 budget, the District Administration and School Board strategically developed a four-year budget plan. This plan includes projections for inflationary increases, teachers needed for growth in future years, and assignment of unallocated funds to future years for the opening of new schools. The District prepared its four year budget plan based on property tax revenue reasonably expected to be collected locally and the reimbursement from the State Homestead Exemption Fund under the Act 388 formula, which only increases the base year amount by CPI plus state growth, which is significantly less than the student growth the District is experiencing. The District prepared and adopted its FY 2016-17 General Fund budget of $106.8 million based on a projection of $2.8 million in EIA Teacher Support for salary steps, $30.7 million in EFA State allocation for base student costs, $14.9 million in State allocation for Fringe Benefits, and $56.6 million in property tax collections. Additionally, a transfer of $1.0 million was budgeted from contingency reserve funds, held for the opening of future schools. No amendments to the adopted budget have been passed. The District's General Fund adopted budget did require an increase in local property tax millage of 7.2 mills and new revenue was projected in the areas of property taxes of $4.3 million and EFA base student costs of $3.7 million. The per pupil amount for base student cost increased from $2,220 to $2,350 in FY 2016-17. Even with the increase in projected revenue, the District continues to closely monitor recurring expenditures; however, with the additional projected revenue, all eligible employees received a 2% cost of living adjustment and a year of experience step increase. The District was also able to include 40.5 new classroom teaching positions in the budget, 8 new special education teachers, 2 school psychologists, a curriculum data specialist, and move from part-time reading coaches and lead teachers to full-time in all elementary schools. Final budgeted expenditures in the General Fund increased 9.5% from $97,552,463 to $106,857,537 for FY 2016-17.

With the passage of Act 388, the local School Board continues to be restricted in future years on its ability to raise the millage for general operating purposes to the prior year millage increased by the average twelve month Consumer Price Index plus the increase in population as determined by the Office of Research and Statistics of the State Budget and Control Board. We will continue to examine financial projections related to this significant change in funding source and also the State Budget and Control Board projections for FY 2016-17 as well as future years. We will plan carefully to provide the necessary resources to meet student and staff needs in the future and continue the successes of the District.

To continue addressing capital needs and student growth, the voters in the District passed a $226.8 million bond referendum in May 2015, the largest in the history of Fort Mill School District. The referendum provided funding for a new middle school, a new high school, an aquatics center, a Professional Learning Center, technology needs in all schools, additional Transportation busses, land acquisition for future school sites, and continued renovations at various schools. Planning for all of these projects is underway and construction is in process for Pleasant Knoll Middle School which will open in August 2017. Additionally, site work has begun for the Professional Learning Center adjacent to the District Office, with a planning opening in fall 2017, and the new high school, projected to be constructed for an opening in 2019. The School Board is currently evaluating building options related to the aquatics center.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department, Fort Mill School District No. 4, 2233 Deerfield Drive, Fort Mill, South Carolina, 29715. In addition, the Comprehensive Annual Financial Report may be found on the District's website at: www.fort-mill.k12.sc.us.

Basic Financial Statements

FORT MILL SCHOOL DISTRICT NO. 4
FORT MILL, SOUTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2016

		PRIMARY GOVERNMENT Governmental Activities
ASSETS		
Cash and Cash Equivalents	$	38,348,216
Cash and Cash Equivalents, Restricted		18,012
Cash and Investments Held by County Treasurer		108,354,664
Property Taxes Receivable, Net		6,419,789
Accounts Receivable, Net		38,754
Due from Other Governments		1,868,317
Inventories		74,496
Capital Assets:		
Non-Depreciable		59,203,298
Depreciable, Net		245,319,637
TOTAL ASSETS		**459,645,183**
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Pension Charges		14,100,477
Deferred Refunding Charges		4,453,384
TOTAL DEFERRED OUTFLOWS OF RESOURCES		**18,553,861**
LIABILITIES		
Accounts Payable		7,391,835
Retainage Payable		448,779
Accrued Salaries & Benefits		7,598,349
Accrued Interest Payable		4,022,382
Due to Other Governments		4,431
Unearned Revenue		1,000,521
Non-Current Liabilities:		
Net Pension Liability		118,711,747
Long-Term Obligations - Due Within One Year		26,317,000
Long-Term Obligations - Due in More than One Year		360,342,432
TOTAL LIABILITIES		**525,837,476**
DEFERRED INFLOWS OF RESOURCES		
Deferred Pension Credits		212,193
NET POSITION		
Net Investment in Capital Assets		(5,193,862)
Restricted For:		
Debt Service		16,385,941
Capital Projects		7,662,609
Food Services		1,432,096
Unrestricted		(68,137,409)
TOTAL NET POSITION	**$**	**(47,850,625)**

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

FORT MILL SCHOOL DISTRICT NO. 4
FORT MILL, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

FUNCTIONS/PROGRAMS		PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION
					Primary Government
PRIMARY GOVERNMENT:	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	$ 77,257,745	33,673	36,235,115	-	$ (40,988,957)
Support Services	55,003,298	2,200,763	21,578,228	-	(31,224,307)
Community Services	312,801	-	-	-	(312,801)
Interest and Other Charges	12,732,966	-	-	-	(12,732,966)
Total Governmental Activities	145,306,810	2,234,436	57,813,343	-	(85,259,031)
TOTAL PRIMARY GOVERNMENT	**$ 145,306,810**	**2,234,436**	**57,813,343**	**-**	**(85,259,031)**

GENERAL REVENUES:	
General Revenues:	
Property Taxes Levied for General Purposes	33,940,902
Property Taxes Levied for Debt Service	31,541,826
State Revenue in Lieu of Taxes	22,743,087
Federal, State, and Local Aid Not Restricted for a Specific Purpose	4,607,385
Unrestricted Investment Earnings	728,482
Miscellaneous	276,053
Gain on Disposal of Capital Assets	49,929
Total General Revenues	93,887,664
CHANGE IN NET POSITION	**8,628,633**
NET POSITION, Beginning of Year	(56,479,258)
NET POSITION, End of Year	**$ (47,850,625)**

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

FORT MILL SCHOOL DISTRICT NO. 4
FORT MILL, SOUTH CAROLINA

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2016

		GENERAL	SPECIAL REVENUE	SPECIAL REVENUE - EIA
ASSETS				
Cash and Cash Equivalents	$	38,348,216	-	-
Cash and Cash Equivalents, Restricted		-	-	-
Cash and Investments Held by County Treasurer		8,401,144	-	-
Receivables, Net:				
Taxes		4,553,336	-	-
Accounts		22,811	12,328	-
Due From:				
State Agencies		151,182	14,842	128,903
Federal Agencies		11,586	1,545,314	-
Other Funds		-	11,993,203	297,103
Inventories		-	-	-
TOTAL ASSETS	**$**	**51,488,275**	**13,565,687**	**426,006**
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES:				
Accounts Payable	$	7,391,835	-	-
Retainage Payable		-	-	-
Accrued Salaries & Benefits		7,598,349	-	-
Due To:				
State Department of Education		-	-	4,431
Other Funds		12,963,769	-	-
Unearned Revenue		-	413,955	421,575
TOTAL LIABILITIES		27,953,953	413,955	426,006
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes		4,305,728	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES		4,305,728	-	-
FUND BALANCES:				
Fund Balances				
Nonspendable:				
Inventories		-	-	-
Restricted:				
Food Services		-	-	-
Debt Service		-	-	-
Capital Projects		-	-	-
Assigned:				
Special Education Programs		-	503,834	-
Future School Openings		-	12,647,898	-
Unassigned		19,228,594	-	-
TOTAL FUND BALANCES		19,228,594	13,151,732	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	**$**	**51,488,275**	**13,565,687**	**426,006**

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

SPECIAL REVENUE - FOOD SERVICES	DEBT SERVICE - DISTRICT	DEBT SERVICE - FMSFC	CAPITAL PROJECTS - DISTRICT	TOTAL GOVERNMENTAL FUNDS
-	-	-	-	$ 38,348,216
-	-	18,012	-	18,012
-	18,523,858	-	81,429,662	108,354,664
-	1,866,453	-	-	6,419,789
3,615	-	-	-	38,754
-	-	-	-	294,927
16,490	-	-	-	1,573,390
1,502,486	-	-	-	13,792,792
74,496	-	-	-	74,496
1,597,087	**20,390,311**	**18,012**	**81,429,662**	**$ 168,915,040**
-	-	-	-	$ 7,391,835
-	-	-	448,779	448,779
-	-	-	-	7,598,349
-	-	-	-	4,431
-	-	-	829,023	13,792,792
164,991	-	-	-	1,000,521
164,991	-	-	1,277,802	30,236,707
-	1,704,568	-	-	6,010,296
-	1,704,568	-	-	6,010,296
74,496	-	-	-	74,496
1,357,600	-	-	-	1,357,600
-	18,685,743	18,012	-	18,703,755
-	-	-	80,151,860	80,151,860
-	-	-	-	503,834
-	-	-	-	12,647,898
-	-	-	-	19,228,594
1,432,096	18,685,743	18,012	80,151,860	132,668,037
1,597,087	**20,390,311**	**18,012**	**81,429,662**	**$ 168,915,040**

FORT MILL SCHOOL DISTRICT NO. 4
FORT MILL, SOUTH CAROLINA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

JUNE 30, 2016

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS		**$ 132,668,037**
Amounts reported for the governmental activities in the Statement of Net Position are different because:		
Property taxes receivable will be collected in the future but are not available soon enough to pay for the current period's expenditures and therefore are unavailable in the funds.		6,010,296
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is $381,083,485, and the accumulated depreciation is $76,560,550.		304,522,935
Deferred refunding charges are capitalized and amortized over the lives of the refunding bonds in the Statement of Net Position; however, the costs are recognized in the year incurred in the governmental funds.		4,453,384
Interest is recorded as an expenditure when due and payable in the governmental funds. Interest is recorded in the government-wide statements when due. This amount represents the amount due but unpaid at year-end.		(4,022,382)
The District's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State retirement plans are not recorded in the governmental funds but are recorded in the Statement of Net Position.		(104,823,463)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consisted of the following:		
Long-Term Debt	(371,562,000)	
Long-Term Debt Premiums	(15,097,432)	(386,659,432)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		**$ (47,850,625)**

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

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FORT MILL
SCHOOLS

2233 Deerfield Drive
Fort Mill, South Carolina 29715

FORT MILL SCHOOL DISTRICT NO. 4
FORT MILL, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2016

	GENERAL	SPECIAL REVENUE	SPECIAL REVENUE - EIA
REVENUES			
Local Sources:			
Taxes	$ 36,363,926	-	-
Investment Earnings	198,531	-	-
Other Local Sources	96,630	1,191,825	-
State Sources	61,056,187	1,340,266	6,593,587
Federal Sources	135,112	2,699,268	-
TOTAL REVENUES	**97,850,386**	**5,231,359**	**6,593,587**
EXPENDITURES			
Current:			
Instruction	63,334,945	2,675,378	2,976,608
Support Services	32,673,457	2,538,374	1,100,465
Community Services	8,682	304,119	-
Intergovernmental	3,687	186,972	8,000
Capital Outlay	24,051	38,336	55,694
Debt Service:			
Principal Retirement	-	-	-
Interest and Fiscal Charges	-	-	-
TOTAL EXPENDITURES	96,044,822	5,743,179	4,140,767
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	**1,805,564**	**(511,820)**	**2,452,820**
OTHER FINANCING SOURCES (USES)			
Premium on Issuance of Bonds	-	-	-
Issuance of General Obligation Bonds	-	-	-
Sale of Capital Assets	-	-	-
Transfers In	2,460,525	600,184	-
Transfers Out	(3,548,542)	(77,705)	(2,452,820)
TOTAL OTHER FINANCING SOURCES (USES)	(1,088,017)	522,479	(2,452,820)
NET CHANGES IN FUND BALANCES	**717,547**	**10,659**	**-**
FUND BALANCES, Beginning of Year	18,511,047	13,141,073	-
FUND BALANCES, End of Year	**$ 19,228,594**	**13,151,732**	**-**

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

SPECIAL REVENUE - FOOD SERVICES	DEBT SERVICE - DISTRICT	DEBT SERVICE - FMSFC	CAPITAL PROJECTS - DISTRICT	TOTAL GOVERNMENTAL FUNDS
-	32,779,116	-	-	$ 69,143,042
7,009	117,598	147	405,197	728,482
2,200,763	-	-	4,144,343	7,633,561
343	859,007	-	-	69,849,390
1,833,256	1,294,289	-	-	5,961,925
4,041,371	**35,050,010**	**147**	**4,549,540**	**153,316,400**
-	-	-	-	68,986,931
4,187,915	-	-	10,758,322	51,258,533
-	-	-	-	312,801
-	-	-	-	198,659
-	-	-	30,020,260	30,138,341
-	19,769,000	2,825,000	-	22,594,000
-	11,502,542	2,588,407	-	14,090,949
4,187,915	31,271,542	5,413,407	40,778,582	187,580,214
(146,544)	**3,778,468**	**(5,413,260)**	**(36,229,042)**	**(34,263,814)**
-	-	-	4,318,458	4,318,458
-	-	-	97,160,000	97,160,000
90	-	-	68,177	68,267
251,986	207,019	5,413,407	2,766,372	11,699,493
-	-	-	(5,620,426)	(11,699,493)
252,076	207,019	5,413,407	98,692,581	101,546,725
105,532	**3,985,487**	**147**	**62,463,539**	**67,282,911**
1,326,564	14,700,256	17,865	17,688,321	65,385,126
1,432,096	**18,685,743**	**18,012**	**80,151,860**	**$ 132,668,037**

FORT MILL SCHOOL DISTRICT NO. 4
FORT MILL, SOUTH CAROLINA

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	**$ 67,282,911**
Amounts reported for governmental activities in the Statement of Activities are different because:	
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. They are considered revenue in the Statement of Activities.	569,114
Repayment of bond principal (including refunding principal payments) is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position.	22,594,000
Bond and capital lease proceeds provide current financial resources to governmental funds, but issuing debt or entering into capital leases increases long term liabilities in the Statement of Net Position. This is the proceeds received in the current year (including premiums).	(100,214,115)
Interest on long-term debt and capital leases (if any) in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and payable, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This amount is the net change in accrued interest.	(905,207)
Bond premiums are recorded in the year they are received in governmental funds, but are amortized over the lives of the bonds in the Statement of Activities. This amount is the change in net premiums in the current year.	1,272,964
Deferred refunding charges are not recognized by the governmental funds but are amortized over the life of the refunding debt in the Statement of Activities. This amount is the change in deferred refunding charges in the current year.	(274,117)
Changes in the District's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources in the State pension plans for the current year are not reported in the governmental funds but are reported in the Statement of Activities.	(3,141,497)
In the Statement of Activities the loss on disposal of capital assets is reported, whereas in the governmental funds, proceeds from the disposal of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets disposed.	(18,338)
Governmental funds reported cash capital asset additions as expenditures. However, in the Statement of Activities, the cost of those capital assets is allocated over their estimated useful lived as depreciation expense. This is the amount by which capital asset additions of $30,656,498 exceeded depreciation expense of $9,193,580 in the current period.	21,462,918
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	**$ 8,628,633**

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

FORT MILL SCHOOL DISTRICT NO. 4
FORT MILL, SOUTH CAROLINA

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUND

JUNE 30, 2016

		AGENCY
ASSETS		
Accounts Receivable	$	1,846,941
TOTAL ASSETS	**$**	**1,846,941**
LIABILITIES		
Due to Student Organizations	$	1,846,941
TOTAL LIABILITIES	$	1,846,941

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

Fort Mill School District No. 4, South Carolina (the "District"), established in 1954, is controlled by a Board of Trustees (the "Board"), which has oversight responsibility over the public school education activities in the District. The District receives funding from local, state and federal government sources and must comply with the related requirements of these funding source entities. The District is governed by a seven member Board.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Government Accounting Standards Boards ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

All activities, for which the Board exercises oversight responsibility, have been incorporated into the financial statements to form the reporting entity. The District's financial statements include the accounts of all District operations, including, but not limited to, general operations and support services, food service operations, capital projects, debt service activities, and agency transactions.

As required by GAAP, the financial statements must present the District's financial information with any of its component units. The primary criterion for determining inclusion or exclusion of a legally separate entity (component unit) is financial accountability, which is presumed to exist if the District both appoints a voting majority of the entity's governing body, and either 1) the District is able to impose its will on the entity or, 2) there is a potential for the entity to provide specific financial benefits to, or impose specific financial burdens on the District. If either or both of the foregoing conditions are not met, the entity could still be considered a component unit if it is fiscally dependent on the District and there is a potential that the entity could either provide specific financial benefits to, or to impose specific financial burdens on the District.

In order to be considered fiscally independent, an entity must have the authority to do all of the following: (a) determine its budget without the District having the authority to approve or modify that budget; (b) levy taxes or set rates or charges without approval by the District; and (c) issue bonded debt without approval by the District. An entity has a financial benefit or burden relationship with the District if, for example, any one of the following conditions exists: (a) the District is legally entitled to or can otherwise access the entity's resources, (b) the District is legally obligated or has otherwise assumed the obligation to finance the deficits or, or provide financial support to, the entity, or (c) the District is obligated in some manner for the debt of the entity. Finally, an entity could be a component unit even if it met all the conditions described above if excluding it would cause the District's financial statements to be misleading.

Blended component units, although legally separate entities, are in substance part of the government's operations and data from these units are combined with data of the primary government in the financial statements. Discretely presented component units, on the other hand, are reported in a separate column in the financial statements to emphasize that they are legally separate from the District. The District has one blended component unit, as discussed below; the District does not have any discretely presented component units.

Blended Component Unit

Fort Mill School Facilities Corporation (the "Corporation" or "FMSFC"), a not-for-profit organization, was formed in December 2006 to (1) acquire, construct, finance, pledge, improve, maintain, operate, manage, lease and dispose of school buildings and other public education facilities for the use and benefit of the District and to (2) encourage and promote public education through cooperative arrangements with governmental entities and organizations exempt under Section 501(c)(3) that provide public education in York County, South Carolina.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. The Reporting Entity (Continued)

Blended Component Unit (Continued)

A voting majority of FMSFC's Board of Directors are appointed by the District. The District has a financial burden to FMSFC in that it is obligated for lease payments equaling the amount of debt to be relieved and associated interest payments. All of FMSFC's activities other than financing / servicing the outstanding indebtedness have ceased. These financing activities are reported in the Debt Service Fund - FMSFC of the District. Separate financial statements for FMSFC are not issued.

B. Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the District (the "Primary Government"). For the most part, the effect of interfund activity (except for interfund services provided and used between functions) 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 District does not report any business-type activities. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

The **government-wide financial statements** are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under 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.

The government-wide statements are prepared using a different measurement focus from the manner in which governmental fund financial statements are prepared (see further detail below). Governmental fund financial statements therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Governmental **fund financial statements** are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments and other long-term obligations, are recorded only when payment is due.

Property taxes, federal and state grant programs, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues are considered to be measurable and available only when cash has been received by the government.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

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

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

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

The following major categories of funds are used by the District:

Governmental Fund Types are those through which most governmental functions of the District are financed. The District's expendable financial resources and related assets and liabilities are accounted for through governmental funds. Governmental funds are accounted for using a current financial resources measurement focus and the modified accrual basis of accounting.

Following are the governmental funds used by the District:

The ***General Fund, a major fund*** and a budgeted fund, is the general operating fund of the District and accounts for all revenues and expenditures of the District except those required to be accounted for in another fund. All general tax revenues and other receipts that (a) are not allocated by law or contractual agreement to other funds or (b) that have not been restricted, committed, or assigned to other funds are accounted for in the General Fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

Special Revenue Funds are used to account for the proceeds of specific revenue sources (that are expected to continue to comprise a substantial portion of the inflows of the fund) that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The District has the following Special Revenue Funds:

i) The **Special Revenue Fund, a major fund** and an unbudgeted fund, is used to account for and report the financial resources provided by federal, state and local projects and grants that are restricted, committed or assigned for specific educational programs.

ii) The **Special Revenue – Education Improvement Act ("EIA") Fund, a major fund** and an unbudgeted fund, is used to account for and report the restricted revenue from the South Carolina Education Improvement Act of 1984 (which is legally required by the state to be accounted for as a specific revenue source) which are restricted for specific programs authorized or mandated by EIA.

iii) The **Special Revenue - Food Service Fund, a major fund** and an unbudgeted fund, is used to account for and report the financial resources received that are restricted for the cafeteria operations at school locations. These resources primarily consist of revenues received (a) from breakfast, lunch, and other food sales and (b) from the United States Department of Agriculture's ("USDA") approved school breakfast and lunch programs.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

The ***Debt Service Fund - District, a major fund*** and an unbudgeted fund, is used to account for and report the accumulation of financial resources that are restricted, committed, or assigned for the payment of all long-term debt principal, interest, and related costs of the District.

The ***Debt Service Fund - FMSFC, a major fund*** and an unbudgeted fund, is used to account for and report the accumulation of financial resources that are restricted, committed, or assigned for the payment of all long-term debt principal, interest, and related costs of FMSFC (the District's blended component unit).

The ***Capital Projects Fund - District, a major fund*** and an unbudgeted fund, is used to account for and report financial resources that are restricted, committed, or assigned for expenditures of capital outlay related to site acquisitions, construction, equipment, and renovation of all major capital facilities of the District.

Fiduciary Fund Types are used to account for expendable assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The fiduciary fund financial statements are presented using the *accrual basis of accounting*. Following is the fiduciary fund type and fund used by the District:

Agency Fund, an unbudgeted fund, accounts for the receipt and disbursement of monies to and from student activity organizations. These funds have no equity (assets are equal to liabilities) and do not include revenues and expenditures for general operation of the District. This accounting reflects the agency relationship of the District with the student activity organizations.

Change in Accounting Principle

The District implemented GASB Statement No. 72 "*Fair Value Measurement and Application*" ("GASB #72" or "Statement") for the year ended June 30, 2016. The primary objective of this Statement was to address accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The adoption of this Statement had no impact on the District's financial statements but did result in expanded note disclosures. See Note I.C.12 and Note III.A for more information regarding the District's fair value disclosures.

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity

1. Cash, Cash Equivalents, and Investments

Cash and Cash Equivalents

The District considers all highly liquid investments (including restricted assets) with original maturities of three months or less when purchased and investments in the South Carolina Local Government Investment Pool ("Pool") to be cash equivalents. Securities with an initial maturity of more than three months (from when initially purchased) that are not purchased from the Pool are reported as investments.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

1. Cash, Cash Equivalents, and Investments (Continued)

Investments

The District's investment policy is designed to operate within existing statutes (which are identical for all funds, fund types, and component units within South Carolina) that authorize the District to invest in the following:

(a) Obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States.

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

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

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

(e) Certificates of deposit where the certificates are collaterally secured by securities of the type described in (a) and b) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.

(f) Repurchase agreements when collateralized by securities as set forth in this section.

(g) No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (a), (b), (c), and (f) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

The District's cash investment objectives are preservation of capital, liquidity and yield. The District reports its cash and investments at fair value which is normally determined by quoted market prices. The District currently or in the past year has used the following investments:

- Open ended mutual funds, primarily money market funds which generally invest in short term obligations of the United States and related agencies.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

1. Cash, Cash Equivalents, and Investments (Continued)

Investments (Continued)

The District's cash investment objectives are preservation of capital, liquidity and yield. The District reports its cash and investments at fair value which is normally determined by quoted market prices. The District currently or in the past year has used the following investments:

- Repurchase agreements are a type of transaction in which a participant transfers cash to a broker-dealer or financial institution; the broker-dealer or financial institution transfers securities to the participant and promises to repay the cash plus interest in exchange for the return of the same securities.

- Cash and Investments held by the York County Treasurer which are property taxes collected and other funds received by the District's fiscal agent that have not been remitted to the District. The County Treasurer invests these funds in investments authorized by state statute as outlined above. All interest and other earnings gained are added back to the fund and are paid out by the County Treasurer to the respective governments on a periodic basis.

- South Carolina Local Government Investment Pool ("LGIP" or "Pool") investments are invested with the South Carolina State Treasurer's Office, which established the South Carolina Pool pursuant to Section 6-6-10 of the South Carolina Code. The Pool is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any city treasurer or any governing body of a political subdivision of the State, may be deposited. In accordance with GASB Statement No. 31 "*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*", investments are carried at fair value determined annually based upon quoted market prices for identical or similar investments. The total fair value of the Pool 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. Funds may be deposited by Pool participants at any time and may be withdrawn upon 24 hours' notice. Financial statements for the Pool may be obtained by writing the Office of State Treasurer, Local Government Investment Pool, P.O. Box 11778, Columbia, SC 29211-1960.

2. Receivables and Payables

Transactions between funds that are representative of reimbursement arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." These amounts are eliminated in the Statement of Net Position. All trade and property taxes receivable are shown net of an allowance for uncollectible amounts.

3. Prepaid Items and Inventories

Prepaid items in the governmental funds are accounted for using the purchase method (expensed when paid). Inventories for materials, supplies and purchased food are carried in an inventory account at average cost, determined using the first-in, first-out method, and are subsequently charged to expenditures when consumed rather than when purchased.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

4. Capital Assets

Capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position, but are not reported in the fund financial statements. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The cost and accumulated depreciation of property sold or retired are removed from the accounts, and gain or loss, if any, are reflected in the financial statements. Donated capital assets are recorded at estimated acquisition value (as estimated by the District) at the date of donation. The District maintains a capitalization threshold of $100,000 for assets with lives of 15 or more years and $5,000 for all other capital assets.

The District's infrastructure assets have been reported with the buildings and improvements. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets is not capitalized for governmental activities as allowed by GAAP. The District does not maintain ownership of any public domain ("infrastructure") capital assets.

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

Description	Estimated Lives
Computer and Audiovisual Equipment	3-5 years
Vehicles	7 years
Furniture and Equipment	10 years
Improvements	15 years
Buildings	40 years

5. Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16 "*Accounting for Compensated Absences.*" Employees may accumulate vacation leave up to a maximum of twenty days. However, employees forfeit unused vacation leave at June 30th of each year, therefore, no accrual is recorded for compensated absences. Sick leave does not accumulate or vest and thus no accrual for sick leave is recorded.

6. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Long-term 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

6. Accrued Liabilities and Long-Term Obligations (Continued)

In the government-wide financial statements, long-term debt/obligations are reported as liabilities on the Statement of Net Position. If material, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenses.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as expenditures.

7. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position and the Balance Sheet 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 District currently has two types of deferred outflows of resources: (1) The District reports *deferred refunding charges* in its government-wide Statement of Net Position. *Deferred refunding charges*, which are the differences between the reacquisition prices and the net carrying amount of the defeased debt, are deferred and amortized over the life of the refunding bonds, which has the same maturity as the bonds that were refunded. Amortization of *deferred refunding charges* is included in interest expense in the Statement of Activities. (2) The District also reports *deferred pension charges* in its Statement of Net Position in connection with its participation in the South Carolina Retirement System and the South Carolina Police Officers Retirement System. These *deferred pension charges* are either (a) recognized in the subsequent period as a reduction of the net pension liability (which includes pension contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension expense in future periods in accordance with GAAP.

In addition to liabilities, the Statement of Net Position and the Balance Sheet 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 District currently has two types of deferred inflows of resources: (1) The District reports *unavailable revenue – property taxes* only in the governmental funds Balance Sheet; it is deferred and recognized as an inflow of resources (property tax revenues) in the period the amounts become available. (2) The District also reports *deferred pension credits* in its Statement of Net Position in connection with its participation in the South Carolina Retirement System and South Carolina Police Officers Retirement System. These *deferred pension credits* are amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with GAAP.

8. Fund Balance

In accordance with GAAP, the District classifies its governmental fund balances as follows:

Nonspendable – includes amounts that inherently cannot be spent either because it is not in spendable form (i.e. prepaids, inventories, etc.) or because of legal or contractual requirements.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

8. Fund Balance (Continued)

Restricted – includes amounts that are constrained by specific purposes which are externally imposed by (a) other governments through laws and regulations, (b) grantors or contributions through agreements, (c) creditors through debt covenants or other contracts, or (d) imposed by law through constitutional provisions or enabling legislation.

Committed – includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action made by the highest level of decision making authority (Board of Trustees) before the end of the reporting period. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed amounts (if any) for the District consist of amounts approved by a majority vote of the Board of Trustees by resolution before the end of the reporting period.

Assigned – includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed and that such assignments are made before the report issuance date. Assigned fund balance for the District consists of (a) motions approved by the Board of Trustees before the report issuance date that are for a specific purposes or (b) appropriations of current fund balance (made in the annual budget process) for the succeeding budget year.

Unassigned – includes amounts that do not qualify to be accounted for and reported in any of the other fund balance categories. This classification represents the amount of fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts of restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The District generally uses restricted amounts to be spent first when both restricted and unrestricted (committed, assigned, and unassigned) fund balance is available unless there are legal documents, contracts, or agreements that prohibit doing such. Additionally, the District generally would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Board has formally adopted a minimum fund balance policy that requires the maintenance of two months of General Fund operating expenditures.

9. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the Statement of Net Position. Net position is classified as net investment in capital assets; restricted; and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Outstanding debt which has not been spent is included in the same net position component as the unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

10. Pensions

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting (see Note IV.B and the required supplementary information immediately following the notes to the financial statements for more information), regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The District recognizes a net pension liability for each qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, or the District's proportionate share thereof in the case of a cost-sharing multiple-employer plan, measured as of the District's fiscal year-end. Changes in the net pension liability during the period are recorded as pension expense, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

11. Other Postemployment Benefits

Other Postemployment Benefits ("OPEB") cost for retiree healthcare and similar, non-pension retiree benefits, is required to be measured and disclosed using the accrual basis of accounting (see Note IV.C), regardless of the amount recognized as OPEB expense on the modified accrual basis of accounting. Annual OPEB cost is equal to the annual required contributions to the OPEB Plan, calculated in accordance with GAAP.

12. Fair Value

The fair value measurement and disclosure framework provides for a three-tier fair value hierarchy that gives highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District can access at the measurement date.

Level 2 – Inputs to the valuation methodology, other than quoted prices included in Level 1 that are observable for an asset or liability either directly or indirectly and include:

- Quoted prices for similar assets and liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted market prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology that are unobservable for an asset or liability and include:

- Fair value is often based on developed models in which there are few, if any, observable inputs.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

12. Fair Value (Continued)

The valuation methodologies described above may produce a fair value calculation that may not be indicative of future net realizable values or reflective of future fair values. The District believes that the valuation methods used are appropriate and consistent with GAAP. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no significant changes from the prior year in the methodologies used to measure fair value.

13. 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. For budget purposes encumbrances and unused expenditure appropriations lapse at year end.

14. Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and deferred outflows of resources (if any) and liabilities and deferred inflows of resources (if any) and disclosure of these balances as of the date of the financial statements. In addition, they affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates and assumptions.

15. Comparative Data

Comparative data (i.e. presentation of prior year totals by fund type) has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Formal budgetary accounting is employed as a management tool for the District. The budget is presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United State of America. Prior to July 1 of each fiscal year, the District Board of Trustees legally adopts an operating budget for the General Fund; budgets are not adopted for the District's other funds. The budget is a legal document that establishes total expenditure limits with the same basis of accounting being used to reflect actual revenues and expenditures under accounting principles generally accepted in the United States of America. The budget is prepared by function and object as dictated by the State-adopted Program Oriented Budgeting and Accounting System.

The District's policies allow funds to be transferred within the same fund. The total budget cannot be increased beyond that level approved by the Board of Trustees originally and 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 financial statements:

(1) In the winter, the District sets its budget calendar for the preparation of the budget for the next succeeding fiscal year beginning on July 1.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

(2) The finance department develops each school's allocation based on membership projections. Each principal uses this allocation to develop the individual school budgets.

(3) The District's Administrative Cabinet, consisting of the superintendent, assistant superintendents and directors, reviews the requests and presents a proposed budget to the Board of Trustees.

(4) After review and preliminary approval by the Board of Trustees, the proposed budget is presented at a public hearing. Following the public hearing, the Board of Trustees adopts the budget.

All appropriations lapse at fiscal year-end. While budgets were transferred between function and object, there were no supplemental appropriations for the fiscal year that changed the total amount of the budget. Encumbrance accounting is utilized to assist in budgetary control through the use of purchase orders, which are recorded in order to reserve the portion of the applicable appropriation during the year. Encumbrances lapse at year-end lapse; they are subject to reappropriation in the subsequent year and are not carried forward.

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

A. Deposits and Investments

Deposits

Custodial Credit Risk for Deposits: Custodial credit risk for deposits is the risk that, in the event of a bank failure, the District's deposits might not be recovered. The District does not have a deposit policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of June 30, 2016, none of the District's bank balances of approximately $95,000 (which had a negative carrying value of approximately $551,000 due to outstanding checks) were exposed to custodial credit risk.

Investments

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

Investment Type	Fair Value Level (1)	Credit Rating *		Fair Value	WAM (In Years)
State Local Government Investment Pool	N/A	UR	$	37,680,418	< 1yr
Cash and Investments Held by County Treasurer ^	N/A	UR		108,354,664	< 1yr
Repurchase Agreement	N/A	UR		1,219,007	< 1yr
Treasury Money Market Fund	Level 1	AAAm, Aaa-mf, UR		18,012	< 1yr
Total			$	147,272,101	

(1) See Note I.C.12 for details of the District's fair value hierarchy.
* Credit ratings noted above are by Standard & Poors, Moody's Services, and Fitch Ratings, respectively.
^ The County Treasurer invests the monies it holds in trust for governmental entities in separate accounts with the Pool. For weighted average maturity purposes, we have included the weighted average maturity of the Pool.
WAM – Weighted Average Maturity.
N/A – Not Applicable.
UR – Unrated

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

A. Deposits and Investments (Continued)

Investments (Continued)

Interest Rate Risk: The District does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

Custodial Credit Risk for Investments: Custodial credit risk for investments is the risk that, in the event of a bank failure, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have an investment policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of June 30, 2016 approximately $1,219,000 of the District's investments are exposed to custodial credit risk because the securities are uninsured, unregistered and are being held by the counterparty's agent but not in the government's name.

Concentration of Credit Risk for Investments: The District places no limit on the amount the District may invest in any one issuer. Investments issued by or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools and other pooled investments are exempt from concentration of credit risk disclosures.

Credit Risk for Investments: Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District does not have an investment policy for credit risk but follows the investment policy statutes of the State of South Carolina.

Certain cash, cash equivalents and investments of the District are legally restricted for specified purposes. The major types of restrictions at June 30, 2016 were those imposed by the revenue source (i.e. bond proceeds, grants, etc.).

B. Property Taxes Receivable and Unavailable/Unearned Revenues

Property taxes are levied and billed by York County on real and personal property (excluding motor vehicles) on or around October 1 based on assessed value determined as of the preceding January 1. All unpaid taxes levied October 1 become delinquent January 15 of the following year, and property taxes attach as an enforceable lien if not paid by March 16 of the following year. Penalties are added to taxes depending on the date paid as follows:

January 16 through February 1	-	3% of tax
February 2 through March 16	-	10% of tax
After March 17	-	15% of tax plus collection costs

Motor vehicle taxes are levied on the first day of the month in which the motor vehicle license expires and is due by the end of the month. Property taxes are billed and collected by York County. Property tax revenue is recognized when collected and deposited to the District's account by the County Treasurer's Office. Real property taxes collected within 60 days after fiscal year end are also recognized as revenue for the year. Assessed values for real estate are established annually by the York County Tax Assessor at 4% of market value for legal residence and 6% of market value for rental and other real property.

For the year ended June 30, 2016, millage was set at 166.2 mills (160.9 mills for the prior year) to cover the District's general operating services and uses. In addition, there is a County-wide 30 mill levy for school operations. Of this 30 mills, 1 mill is provided to the District having the lowest assessed valuation in the County, with the other 29 mills being divided between the four school districts within the County, based on pupil attendance. The millage to cover the District's scheduled debt service requirements was increased to 98.2 mills (85.5 mills for the prior year).

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

B. Property Taxes Receivable and Unavailable/Unearned Revenues (Continued)

The records of the York County Treasurer's Office reported uncollected delinquent property taxes at June 30, 2016 of approximately $4,553,000 for the General Fund (net of allowance for uncollectible portion of approximately $292,000) and approximately $1,866,000 for the Debt Service Fund (net of allowance for uncollectible portion of approximately $136,000). These amounts are also reflected as unavailable revenue – property taxes (a component of deferred inflows of resources) in the governmental fund Balance Sheet as of June 30, 2016 as they were not collected within sixty days of year end and are not considered available. Allowances for uncollectibles were not necessary for the other receivable accounts.

C. Capital Assets

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

Governmental Activities:	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital Assets, Non-Depreciable:					
Land	$ 35,370,099	8,229,479	-	-	$ 43,599,578
Site Improvements	2,235,063	200,000	-	-	2,435,063
Construction-in-Progress	24,825,822	19,582,261	-	(31,239,426)	13,168,657
Total Capital Assets, Non-Depreciable	62,430,984	28,011,740	-	(31,239,426)	59,203,298
Capital Assets, Depreciable:					
Improvements	10,658,507	-	-	-	10,658,507
Buildings	263,822,188	165,233	-	31,239,426	295,226,847
Furniture and Equipment	13,697,446	2,479,525	(182,138)	-	15,994,833
Total Capital Assets, Depreciable	288,178,141	2,644,758	(182,138)	31,239,426	321,880,187
Less Accumulated Depreciation:					
Improvements	6,261,366	457,701	-	-	6,719,067
Buildings	53,304,851	7,236,937	-	-	60,541,788
Furniture and Equipment	7,964,553	1,498,942	(163,800)	-	9,299,695
Total Accumulated Depreciation	67,530,770	9,193,580	(163,800)	-	76,560,550
Total Capital Assets, Depreciable, Net	220,647,371	(6,548,822)	(18,338)	31,239,426	245,319,637
Total Capital Assets, Net	$ 283,078,355	21,462,918	(18,338)	-	$304,522,935

Capital asset additions and depreciation expense were charged to functions/programs of the District as follows:

Governmental Activities:	Capital Asset Additions	Depreciation Expense
Instruction	$ -	$ 5,792,798
Support Services	30,656,498	3,400,782
Total	$ 30,656,498	$ 9,193,580

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

D. Interfund Receivables and Payables

Interfund receivables and payables at June 30, 2016 are as follows:

	Interfund Receivables	Interfund Payables
Governmental Funds:		
General Fund	$ -	$ 12,963,769
Special Revenue Fund	11,993,203	-
Special Revenue - EIA Fund	297,103	-
Special Revenue - Food Service	1,502,486	-
Capital Projects Fund - District	-	829,023
Totals	$ 13,792,792	$ 13,792,792

All cash activities are recorded in the General Fund, and as a result, receivable and payables exist at year end that are either due to or due from the General Fund in the other funds. Various differences include Special Revenue Fund payments not received from the State Department of Education until after the fiscal year ended, fringe amounts paid by the General Fund for the Food Service Fund, and building project costs. In addition, the District's Special Revenue Fund has an interfund receivable from the General Fund related to transfers in 2011 through 2014 totaling approximately $16,124,000 for operational costs associated with future new schools (which will be used in future years). During 2015, the District utilized approximately $3,476,000 of these funds which reduced the outstanding interfund balance to approximately $12,648,000. All other balances are expected to be repaid within one year.

E. Transfers In and Out

Transfers between funds for the year ended June 30, 2016, consisted of the following:

	Transfers In	Transfers Out
Governmental Funds:		
General Fund	$ 2,460,525	$ 3,548,542
Special Revenue Fund	600,184	77,705
Special Revenue - EIA Fund	-	2,452,820
Special Revenue - Food Service	251,986	-
Debt Service Fund - District	207,019	-
Debt Service Fund - FMSFC	5,413,407	-
Capital Projects Fund - District	2,766,372	5,620,426
Totals	$ 11,699,493	$ 11,699,493

Transfers are routinely made for indirect charges between the Special Revenue Fund, Special Revenue - EIA Fund, Food Service Fund, and the General Fund.

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

E. Transfers In and Out (Continued)

In addition, the District's General Fund transferred to the Special Revenue Fund of approximately $391,000 in fiscal year 2016 for non-recurring purchases of curriculum materials for Gifted and Talented math, elementary guided reading level book sets, elementary novel sets for classrooms, middle school supplemental books for science, social studies, and writing strategies, media center book updates, implementation of the STAR Progress Monitoring program for elementary grades, and a personnel online screening tool for applications. A transfer of $310,000 was made from the District's General Fund to the Capital Projects Fund for middle school band instruments and classroom small capital items. Additionally, transfers of approximately $456,000 and $2,000,000 were made from the General Fund to the Capital Projects Fund to complete installation of artificial turf athletic fields at all middle schools. Funds were also transferred to the Debt Service Funds from the Capital Projects Fund for debt service payments.

F. Short-Term Obligations

Changes in the District's short-term obligations for the year ended June 30, 2016, were as follows:

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance
Series 2015A Government Obligation Bonds	$ -	1,315,000	1,315,000	$ -

The District issued its Series 2015A General Obligation Bonds in October 2015 for the purpose of making payments to FMSFC for its required debt service. The District incurred issuance costs of approximately $24,000 related to this issuance. The District paid interest of approximately $7,000 when the debt was retired in March 2016.

G. Long-Term Obligations

The District issues bonds to provide funds for the acquisition and construction of major capital facilities. General Obligation Bonds ("GOB") and General Obligation Refunding Bonds ("GORB") are direct obligations and pledge the full faith and credit of the District and are subject to the 8% debt limit if not issued under a bond referendum. Principal and interest payments on the District's GOB and GORB are secured solely by ad valorem property taxes.

The American Recovery and Reinvestment Act ("ARRA") of 2009 allowed governments to issue taxable bonds such as Build America Bonds ("BAB") and Qualified School Construction Bonds ("QSCB") to finance capital expenditures and to elect to receive a subsidy payment from the United States Treasury equal to varying amounts of each interest payment on such taxable bonds. These bonds are not subject to the 8% debt limit as the full faith, credit, and taxing powers of the District are not pledged for the payment of principal nor the interest thereon.

Installment Purchase Revenue Bonds ("IPRB") were issued by FMSFC, the District's blended component unit, and were used for the acquisition and construction of major capital facilities that are being leased back to the District. These bonds are not subject to the 8% debt limit since they are not directly issued by the District. The full faith, credit, and taxing powers of the District are not pledged for the payment of principal nor the interest thereon.

Interest paid on most of the debt issued by the District is exempt from federal income tax. The District sometimes temporarily reinvests the proceeds of such tax-exempt debt in materially higher-yielding taxable securities, especially during construction projects. The federal tax code refers to this practice as arbitrage. Excess earnings (the difference between the interest on the debt and the investment earnings received) resulting from arbitrage must be rebated to the federal government on the fifth anniversary of the issuance of the tax-exempt debt and every five years, thereafter, until the debt has been repaid, in accordance with the arbitrage regulations. As of June 30, 2016, the District does not have positive arbitrage on any of its outstanding indebtedness.

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

G. Long-Term Obligations (Continued)

Details on the District's outstanding debt issues (including its blended component unit - FMSFC) as of June 30, 2016 are as follows:

Type and Year of Issue	Description	Outstanding at June 30, 2016
General Obligation Bonds		
*2009C Series:	Original issue of $26,400,000 principal due in annual installments of $160,000 to $4,030,000 through March, 2024; interest from 3% to 5% paid semiannually. A premium of approximately $3,081,000 was received and will be amortized over the life of the debt.	$ 24,635,000
*2013A Series:	Original issue of $20,115,000 principal due in annual installments of $390,000 to $2,950,000 through March, 2033; interest at 2.75% to 4% paid semiannually. A premium of approximately $1,396,000 was received and will be amortized over the life of the debt.	19,425,000
*2013B Series:	Original issue of $56,345,000 principal due in annual installments of $475,000 to $5,555,000 through March 2033; interest at 3% to 5% paid semiannually. A premium of approximately $2,289,000 was received and will be amortized over the life of the bonds.	48,130,000
2014A Series:	Original issue of $2,750,000 principal due in annual installments of $327,000 to $1,609,000 through March 2017; interest at 0.930% paid semiannually.	327,000
2015B Series:	Original issue of $10,020,000 principal due in annual installments of $1,295,000 to $7,360,000 through March 2018; interest at 0.582% paid semiannually.	2,660,000
*2015C Series:	Original issue of $77,500,000 principal due in annual installments of $505,000 to $8,640,000 through March 2036; interest at 3.054% paid semiannually. A premium of approximately $3,054,000 was received and will be amortized over the life of the bonds.	75,220,000
2016A Series:	Original issue of $9,640,000 principal due in annual installments of $6,420,000 to $1,570,000 through March 2019; interest at 0.812% paid semiannually. $5,540,000 of this issue is subject to the District's constitutional debt limit of 8%.	9,640,000
General Obligation Refunding Bonds		
*2007 Series:	Original issue of $19,490,000 principal due in annual installments of $50,000 to $1,730,000 through March, 2026; interest from 4% to 5% paid semiannually.	14,250,000
*2012A Series:	Original issue of $50,435,000 principal due in annual installments of $615,000 to $3,580,000 through March, 2034; interest from 2% to 4% paid semiannually. A premium of approximately $3,972,000 was received and is being amortized over the life of the debt. The reacquisition price exceeded the net carrying amount of the old debt by approximately $3,331,000 and is being amortized over the life of the new debt, which has the same life as the old debt.	46,325,000
*2013D Series:	Original issue of $15,560,000 principal due in annual installments of $50,000 to $1,930,000 through March, 2024; interest from 2% to 5% paid semiannually. A premium of approximately $1,557,000 was received and is being amortized over the life of the debt.	$ 11,745,000

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

G. Long-Term Obligations (Continued)

Type and Year of Issue	Description	Outstanding at June 30, 2016
Build America Bonds and Qualified School Construction Bonds		
*2009A Series	Original issue of $49,450,000 of Build America Bonds, principal due in annual installments of $4,675,000 to $6,365,000 through March, 2033; interest from 5.5% to 5.85% paid semiannually. These bonds receive a subsidy payment from the United States Treasury equal to 35% of the amount of each interest payment made on such taxable bonds. This subsidy is included as revenue of the Debt Service Fund - District.	$ 49,450,000
2011B Series:	Original issue of $4,500,000 of Qualified School Construction Bonds, principal due at maturity in March 2025; interest of 4.55% paid semiannually. These bonds receive a subsidy payment from the United States Treasury equal to 100% of the amount of each interest payment made on such taxable bonds. This subsidy is included as revenue of the Debt Service Fund - District.	4,500,000
2011D Series:	Original issue of $1,500,000 of Qualified School Construction Bonds, principal due at maturity in March 2025; interest of 4.25% paid semiannually. These bonds receive a subsidy payment from the United States Treasury equal to 100% of the amount of each interest payment made on such taxable bonds. This subsidy is included as revenue of the Debt Service Fund - District.	1,500,000
2011F Series:	Original issue of $3,560,000 of Qualified School Construction Bonds, principal of $25,000 due in March 2016, with the balance due at maturity in March 2025; interest of 4% paid semiannually. These bonds receive a subsidy payment from the United States Treasury equal to 100% of the amount of each interest payment made on such taxable bonds. This subsidy is included as revenue of the Debt Service Fund - District.	3,535,000
Installment Purchase Refunding Revenue Bonds		
2015 Series:	Original issue of $63,045,000 of principal due in annual installments of $500,000 to $5,315,000 beginning December 2015 through December, 2030; interest from 3% to 5% paid semiannually. A premium of approximately $4,710,000 was received and is being amortized over the the life of the new debt. The reacquisition price exceeded the net carrying amount of the old debt by approximately $1,857,000 and is being amortized over the life of the new debt. These bonds were issued by FMSFC, the District's blended component unit and are not subject to the District's constitutional debt limit of 8%.	60,220,000
Total Outstanding Debt		$ 371,562,000

* This debt, or a portion of this debt, is not subject to the constitutional debt limit of 8% as it was approved in a referendum.

The District has continuous authority to issue general obligation bonds each calendar year, subject to a constitutional debt limit equal to 8% of the assessed value of all taxable property in the District. The debt limitation does not apply to debt approved through a district-wide voter referendum and original or refunding debt for obligations issued on or before November 30, 1982. At June 30, 2016, the District's assessed property valuation for purposes of calculation of its legal debt margin was approximately $328 million, and the legal debt limit was approximately $26,269,000. The District's outstanding debt applicable to the legal debt limit was $15,402,000, resulting in a legal debt margin of approximately $10,867,000 at June 30, 2016.

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

G. Long-Term Obligations (Continued)

Presented below is a summary of the changes in long-term obligations for the year ended June 30, 2016:

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Debt:					
District					
GORB, 2007 Series	$ 15,350,000	-	1,100,000	14,250,000	$ 1,155,000
BAB, 2009A Series	49,450,000	-	-	49,450,000	-
GOB, 2009C Series	24,795,000	-	160,000	24,635,000	1,250,000
QSCB,2011B Series	4,500,000	-	-	4,500,000	-
QSCB, 2011D, Series	1,500,000	-	-	1,500,000	-
QSCB, 2011F Series	3,560,000	-	25,000	3,535,000	-
GORB, Series 2012A	48,100,000	-	1,775,000	46,325,000	1,840,000
GOB, Series 2012B	400,000	-	400,000	-	-
GOB, Series 2013A	20,115,000	-	690,000	19,425,000	790,000
GOB, Series 2013B	50,570,000	-	2,440,000	48,130,000	475,000
GORB, Series 2013D	13,675,000	-	1,930,000	11,745,000	1,255,000
GOB, Series 2014A	1,936,000	-	1,609,000	327,000	327,000
GOB, Series 2015B	-	10,020,000	7,360,000	2,660,000	1,295,000
GOB, Series 2015C	-	77,500,000	2,280,000	75,220,000	8,640,000
GOB, Series 2016A	-	9,640,000	-	9,640,000	6,420,000
FMSFC (Component Unit)					
IPRRB, 2015 Series	63,045,000	-	2,825,000	60,220,000	2,870,000
Subtotal	296,996,000	97,160,000	22,594,000	371,562,000	26,317,000
Bond Premiums	13,316,281	3,054,115	1,272,964	15,097,432	-
Total	$ 310,312,281	100,214,115	23,866,964	386,659,432	$ 26,317,000

Payments for the bonds are funded and recorded in both the Debt Service Fund - District and Debt Service Fund – FMSFC.

FMSFC (Component Unit)

The original IPRB in the amount of $75,680,000 were issued by FMSFC in fiscal year 2007 to purchase land and construct and equip new schools as well as make improvements to several existing schools of the District, collectively referred to as "facilities." FMSFC executed a trust agreement in connection with the IPRB and established several accounts as follows:

Project Account – Proceeds in these funds were used to pay administrative fees, as well as construction costs on the facilities. There were no remaining proceeds in this account as of June 30, 2016.

Reserve Account – Funds may only be used to make bond payments. There were no remaining proceeds in this account as of June 30, 2016.

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

G. Long-Term Obligations (Continued)

FMSFC (Component Unit) (Continued)

The IPRB and IPRRB were issued pursuant to a facilities agreement between the District and FMSFC and evidence proportionate interests of the owners in certain rental payments be made by the District under terms of a Base Lease Agreements between the District and FMSFC. These agreements were authorized by the Board of Trustees of the District in fiscal year 2007. The District will purchase the Facilities from FMSFC pursuant to the Facilities Agreement, which will obligate the District to make installment payments of purchase price (lease rental payments) to FMSFC in amounts calculated to be sufficient to enable FMSFC to pay the principal and interest on the outstanding bonds. The District's obligations under the Facilities Agreement are from year to year only and do not constitute a mandatory payment obligation of the District in any fiscal year in which funds are not appropriated by the District to pay the installment payments of purchase price due in such fiscal year. However, the District would forfeit possession on the Facilities for the remainder of the term of the Lease.

Debt Maturity Schedule

Annual debt service requirements to maturity for the District's bonds (including its blended component unit - FMSFC) are as follows:

Year Ended	Bonds		
June 30,	Principal	Interest	Total
2017	$ 26,317,000	15,805,332	$ 42,122,332
2018	16,130,000	14,745,247	30,875,247
2019	17,405,000	14,022,297	31,427,297
2020	13,510,000	13,187,549	26,697,549
2021	14,155,000	12,557,340	26,712,340
2022-2026	102,915,000	51,273,900	154,188,900
2027-2031	118,200,000	27,218,787	145,418,787
2032-2036	62,930,000	5,298,235	68,228,235
Totals	$ 371,562,000	154,108,687	$ 525,670,687

IV. OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to torts, theft of damage to, and destruction of assets, errors or omissions, injuries to employees, and natural disasters. The District participates with other school districts in the South Carolina School Boards Insurance Trust, a self-funded risk financing pool administered by the South Carolina School Boards Association. Through the Trust, the District maintains general liability protection of $1 million per occurrence, property coverage up to $350 million per occurrence ($100 million maximum pool blanket per occurrence limit, $100 million earthquake (annual pool aggregate), $100 million flood zone other than A and/or V (annual pool aggregate) $50 million flood zone A and/or V (annual pool aggregate) and $100 million newly acquired/ builder's risk automatic limit), crime protection of $100,000 per occurrence, automobile coverage to $1 million per occurrence, school board legal liability of $1 million per occurrence, boiler and machinery of $50 million per occurrence and activity bus accidents coverage to $50,000 per occurrence.

IV. OTHER INFORMATION (CONTINUED)

A. Risk Management (Continued)

The Trust is reinsured through commercial companies for losses in excess of $75,000 per occurrence. The District pays annual premiums to the public entity risk pools for its (a) workers' compensation based upon the total payroll of the District for each plan year and the (b) property liability insurance coverage based upon the replacement value of the District's buildings, furnishings, and vehicles for each plan year. The District maintains workers' compensation benefits coverage up to statutory limits through the Trust. There have been no significant reductions in insurance coverage as compared to the previous year. Insurance settlements did not exceed insurance coverage in the past three years.

The District also participates in the State Health Plan through the South Carolina State Budget and Control Board Office of Insurance Services, a self-insured medical plan trust administered by the State Board. Through the Plan, permanent full time employees have the option of receiving health care benefits through health maintenance organizations and insurance carriers.

B. Retirement Plans

The District participates in the State of South Carolina's retirement plan, which is administered by the South Carolina Public Employee Benefit Authority ("PEBA"), which was created on July 1, 2012 and administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors ("PEBA Board"), 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 (State Fiscal Accountability Authority effective 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.

The PEBA issues a Comprehensive Annual Financial Report ("CAFR") containing financial statements and required supplementary information for the System' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on the 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. The PEBA is considered a division of the primary government of the State of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan 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 State Optional Retirement Program ("ORP") is a defined contribution plan that is offered as an alternative to certain newly hired state, public school, and higher education employees. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers.

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.

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Plan Membership

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

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

- State ORP - As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State Optional Retirement Program (State ORP), which is a defined contribution plan. 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 (8.16%) and a portion of the employer contribution (5%). A direct remittance is also required to SCRS for the remaining portion of the employer contribution (5.91%) and an incidental death benefit contribution (0.15%), if applicable, which is retained by SCRS.

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

Plan 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 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.

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Plan Benefits (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.

Plan Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. Upon recommendation by the actuary in the annual actuarial valuation, the PEBA Board may adopt and present to the Budget and Control Board for approval an increase in the SCRS and PORS employer and employee contribution rates, but any such increase may not result in a differential between the employee and total employer contribution rate that exceeds 2.9 percent of earnable compensation for the SCRS and 5 percent for the PORS. An increase in the contribution rates adopted by the PEBA 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 PEBA Board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the PEBA Board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one-half of one percent per year.

As noted earlier, both employees and the District are required to contribute to the Plan at rates established and as amended by the PEBA. The District's contributions are actuarially determined but are communicated to and paid by the District as a percentage of the employees' annual eligible compensation.

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Plan Contributions (Continued)

Required employer and employee contribution rates for the past three years are as follows:

	SCRS and State ORP Rates			PORS Rates		
	2014	2015	2016	2014	2015	2016
Employer Rate:^						
Retirement *	10.45%	10.75%	10.91%	12.44%	13.01%	13.34%
Incidental Death Benefit	0.15%	0.15%	0.15%	0.20%	0.20%	0.20%
Accidental Death Contributions	0.00%	0.00%	0.00%	0.20%	0.20%	0.20%
	10.60%	10.90%	11.06%	12.84%	13.41%	13.74%
Employee Rate	7.50%	8.00%	8.16%	7.84%	8.41%	8.74%

^ Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

* Of the rate for the State ORP Plan, 5% of earnable compensation must be remitted by the employer directly to the ORP vendor to be allocated to the member's account with the remainder of the employer contribution remitted to the SCRS.

The required contributions and percentages of amounts contributed by the District to the Plans for the past three years were as follows:

Year Ended	SCRS Contributions		State ORP Contributions		PORS Contributions	
June 30,	Required	% Contributed	Required	% Contributed	Required	% Contributed
2016	$ 6,129,641	100%	$ 720,916	100%	$ 4,497	100%
2015	5,762,494	100%	631,944	100%	4,335	100%
2014	$ 5,178,233	100%	$ 540,309	100%	$ 3,848	100%

Eligible payrolls of the District covered under the Plans for the past three years were as follows:

Year Ended June 30,	SCRS Payroll	State ORP Payroll	PORS Payroll	Total Payroll
2016	$ 55,421,711	11,896,301	32,729	$ 67,350,741
2015	52,866,918	10,710,913	32,327	63,610,158
2014	$ 48,851,259	9,648,382	29,967	$ 58,529,608

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. Actuarial assumptions and methods used during the annual valuation process are subject to periodic revision, typically with an experience study, as actual results over an extended period of time are compared with past expectations and new estimates are made about the future. South Carolina state statute requires than 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.

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Actuarial Assumptions and Methods (Continued)

The June 30, 2015 total pension liability, net pension liability, and sensitivity information were determined by the PEBA's consulting actuary, Gabriel, Roeder, Smith and Company ("GRS") and are based on the July 1, 2014 actuarial valuations as adopted by the PEBA Board and Budget and Control Board which utilized 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 principles. Information included in the following schedules is based on the certification provided by GRS.

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2014, valuations for the 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 annually	Lesser of 1% or $500 annually

* 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 the SCRS and PORS are as follows:

Former Job Class	Males	Females
Educators	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 and Firefighters	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

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 the Retirement Systems Investment Commission ("RSIC") in collaboration with its investment consultant, Aon Hewitt. The long-term expected rate of returns represent 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.

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Long-term Expected Rate of Return (Continued)

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted by the RSIC for fiscal year 2015. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.5 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.

Asset Class	Target Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Short Term	**5.0%**		
Cash	2.0%	1.90%	0.04%
Short Duration	3.0%	2.00%	0.06%
Domestic Fixed Income	**13.0%**		
Core Fixed Income	7.0%	2.70%	0.19%
Mixed Credit	6.0%	3.80%	0.23%
Global Fixed Income	**9.0%**		
Global Fixed Income	3.0%	2.80%	0.08%
Emerging Markets Debt	6.0%	5.10%	0.31%
Global Public Equity	**31.0%**	7.10%	2.20%
Global Tactical Asset Allocation	**10.0%**	4.90%	0.49%
Alternatives	**32.0%**		
Hedge Funds (Low Beta)	8.0%	4.30%	0.34%
Private Debt	7.0%	9.90%	0.69%
Private Equity	9.0%	9.90%	0.89%
Real Estate (Broad Market)	5.0%	6.00%	0.30%
Commodities	3.0%	5.90%	0.18%
Total Expected Real Return	100.0%		6.00%
Inflation for Actuarial Purposes			2.75%
Total Expected Nominal Return			8.75%

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

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 No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2015 measurement date, for the SCRS and PORS are presented in the following table:

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	$ 44,097,310,230	25,131,828,101	$ 18,965,482,129	57.0%
PORS	$ 6,151,321,222	3,971,824,838	$ 2,179,496,384	64.6%

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

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 net pension liability is disclosed in accordance with the requirements of GASB No. 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.

At June 30, 2016, the District reported liabilities of approximately $118,655,000 and $57,000 for its proportionate share of the net pension liabilities for the SCRS and PORS, respectively. The net pension liabilities were measured as of June 30, 2015, and the total pension liabilities for the Plans used to calculate the net pension liabilities were determined based on the most recent actuarial valuation report of July 1, 2014 that was projected forward to the measurement date. The District's proportion of the net pension liabilities were based on a projection of the District's long-term share of contributions to the Plans relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At the June 30, 2015 measurement date, the District's SCRS proportion was 0.62564 percent, which was an increase of 0.03143 from its proportion measured as of June 30, 2014. At the June 30, 2015 measurement date, the District's PORS proportion was 0.00261 percent, which was an increase of 0.00012 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of approximately $9,991,000 and $6,000 for the SCRS and PORS, respectively. At June 30, 2016, the District reported deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
SCRS		
Differences Between Expected and Actual Experience	$ 2,108,092	$ 212,193
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	794,216	-
Changes in Proportion and Differences Between the District's Contributions and Proportionate Share of Contributions	4,339,441	-
District's Contributions Subsequent to the Measurement Date	6,850,557	-
Total SCRS	14,092,306	212,193
PORS		
Differences Between Expected and Actual Experience	1,127	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	623	-
Changes in Proportion and Differences Between the District's Contributions and Proportionate Share of Contributions	1,924	-
District's Contributions Subsequent to the Measurement Date	4,497	-
Total PORS	8,171	-
Total SCRS and PORS	$ 14,100,477	$ 212,193

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Approximately $6,851,000 and $4,000 that were reported as deferred outflows of resources related to the District's contributions subsequent to the measurement date to the SCRS and PORS, respectively, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the SCRS and PORS will be recognized in pension expense as follows:

Year Ended June 30,	SCRS	PORS	Total
2017	$ 1,879,491	684	$ 1,880,175
2018	1,879,491	684	1,880,175
2019	1,155,395	634	1,156,029
2020	2,115,179	1,672	2,116,851
Total	$ 7,029,556	3,674	$ 7,033,230

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that the funding policy specified in the South Carolina State Code of Laws will remain unchanged in future years. 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.

The following table presents the sensitivity of the District's proportionate share of the net pension liability of the Plans as of June 30, 2015 to changes in the discount rate, calculated using the discount rate of 7.5 percent, as well as what it would be if it were calculated using a discount rate that is 1% point lower (6.5 percent) or 1% point higher (8.5 percent) than the current rate:

System	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability of the SCRS	$ 149,589,904	118,654,884	$ 92,727,404
District's proportionate share of the net pension liability of the PORS	77,461	56,863	38,450
Total Net Pension Liability	$ 149,667,365	118,711,747	$ 92,765,854

Plans Fiduciary Net Position

Detailed information regarding the fiduciary net position of the Plans administered by the PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for the SCRS and PORS. The CAFR is publicly available through the Retirement Benefits' link on the 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.

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Payable to Plans

The District reported a payable of approximately $1,336,000 to the PEBA as of June 30, 2016, representing required employer and employee contributions for the month of June 2016 for the SCRS and PORS. This amount is included in Accrued Salaries and Benefits on the financial statements and was paid in July 2016.

C. Other Postemployment Benefits

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State of South Carolina ("State") provides health, dental, and long-term disability benefits ("OPEB Plan") to retired State and school district employees and their covered dependents. The OPEB plans have been determined to be cost-sharing multiple-employer defined benefit plans and are administered by the Employee Insurance Program ("EIP"), a part of the State Budget and Control Board ("SBCB").

Generally, retirees are eligible for the health and dental benefits if they have established 10 years of retirement service credit. For new hires on or after May 2, 2008, retirees are eligible for benefits if they have established 25 years of service for 100% employer funding and 15 – 24 years of service for 50% employer funding. Benefits become effective when the former employee retirees under a state retirement system (i.e. SCRS, PORS, etc.). Basic long-term disability ("BLTD") benefits are provided to active state, school district and participating local government employees approved for disability. Complete financial statements for the OPEB plans may be obtained by writing to the PEBA Retirement Benefits and Insurance Benefits, 202 Arbor Lake Drive, Suite 360, Columbia, SC 29223.

The Code of Laws of the State, as amended, requires these post-employment healthcare and long-term disability benefits be funded through annual appropriation by the General Assembly for active employees to the EIP and participating retirees to the SBCB except for the portion funded through the pension surcharge (retiree surcharge) who are not funded by State General Fund appropriations. Employers participating in the healthcare plan are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget. The EIP sets the employer contribution rate based on a pay-as-you-go basis. The District has no liability beyond the payment of monthly contributions.

The required employer contribution surcharge percentages were 5.33%, 5.00%, and 4.92% for the years ended June 30, 2016, 2015, and 2014, respectively. The actual required employer contribution surcharge amounts were approximately $3,590,000, $3,181,000, and $2,880,000 for the years ended June 30, 2016, 2015, and 2014, respectively. The actual contribution rates and amounts were 100% of the required employer contribution surcharge percentages and amounts for the OPEB Plan for all years presented.

D. Commitments and Contingencies

In May 2015, the voters of Fort Mill Township approved a $226.8 million bond referendum for which the proceeds will be used for the construction of a new middle school, a new high school, an aquatics center, and a Professional Learning Center. It also included funding for technology needs in all schools, additional Transportation busses, land acquisition for future school sites, and continued renovations at various schools. Planning for all of these projects is underway and site work has begun for the new middle school with a projected opening date of August 2017. The new high school is under design and projected to be constructed for an opening in 2019.

IV. OTHER INFORMATION (CONTINUED)

D. Commitments and Contingencies (Continued)

The District has several ongoing construction projects (primarily related to the bond referendum) as of June 30, 2016. Total outstanding construction commitments for these projects at June 30, 2016 were approximately $38,571,000.

The District participates in a number of state and federally assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The amount of program expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, would not have a material adverse effect on the financial condition of the District.

E. Subsequent Events

Millage Increase

In conjunction with approving the fiscal year 2017 General Fund budget, the Board of Trustees approved an increase of 7.2 mills in the property tax rates applicable for general operations for calendar year 2016 (fiscal year 2017 for the District). The total millage for general operations will be 203.4 mills for calendar year 2016 (fiscal year 2017 for the District). Debt service millage will increase 17.8 mills to 116.0 mills for calendar year 2016 (fiscal year 2017 for the District).

In July 2016 and September 2016, the District entered into two large construction-related contracts. One was for early site grading for High School #3 ($4,837,000) and one for construction on a new training and support facility ($4,393,000). The combined amount of these two contracts was approximately $9,230,000.

Debt Issuances

In November 2016, the District issued $1,265,000 in Series 2016B taxable General Obligation Bonds. The proceeds will be used to make payments to FMSFC (Component Unit) for a portion of the installment purchase price due in FY 2017. These are short term bonds with a final payment due at maturity in March 2017. Interest is at 1.46%. These bonds are subject to the 8% debt limit requirements.

In November 2016, the District issued $4,195,000 in Series 2016C General Obligation Bonds. The proceeds will be used to make payments to FMSFC (Component Unit) for a portion of the installment purchase price due in FY 2017. These are short term bonds with a final payment due at maturity in March 2017. Interest is at 0.95%. These bonds are subject to the 8% debt limit requirements.

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FORT MILL
SCHOOLS

2233 Deerfield Drive
Fort Mill, South Carolina 29715

APPENDIX B

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

Citigroup Global Markets Inc.
New York, New York

Re: $119,080,000 General Obligation Bonds, Series 2017B,
of Fort Mill School District No. 4 of York County, South Carolina

Sirs:

We have examined the Transcript of Proceedings and other proofs submitted to us, including the Constitution and Statutes of the State of South Carolina, in relation to the issuance of the $119,080,000 General Obligation Bonds, Series 2017B, of Fort Mill School District No. 4 of York County, South Carolina (the "Bonds").

The Bonds are issued pursuant to the provisions of Sections 59-71-10 to 59-71-190, Code of Laws of South Carolina, 1976, as amended, and as amended and supplemented by Act No. 113 of the Acts and Joint Resolutions of 1999 of the General Assembly of South Carolina (collectively, the "Enabling Act"), a referendum held on May 5, 2015, and a resolution (the "Bond Resolution") duly adopted by the Board of Trustees of Fort Mill School District No. 4 of York County, South Carolina (the "Board"), the governing body of Fort Mill School District No. 4 of York County (the "School District").

In our opinion, the said proceedings are regular and in due form of law, and the Bonds constitute valid and binding obligations of the School District, and are payable, both principal and interest, from a direct *ad valorem* tax upon all taxable property in the School District, without limit as to rate or amount. Provision has been made for the levy and collection of the tax to meet the payment of the principal of and interest on the Bonds, as the same respectively mature, except to the extent that the enforceability of the Bonds may be limited as described below.

Pursuant to Section 12-2-50 and Section 59-71-160 of the South Carolina Code of Laws 1976, as amended, the Bonds and the interest thereon are exempt from all taxation by the State of South Carolina, its counties, municipalities and school districts except estate, transfer or certain franchise taxes. Interest paid on the Bonds is currently subject 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 Bonds or the interest thereon under the laws of any other jurisdiction.

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

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

We express no opinion herein regarding the accuracy, adequacy or completeness of the Official Statement dated August 2, 2017 relating to the Bonds. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

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

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

Very truly yours,

DISCLOSURE DISSEMINATION AGENT AGREEMENT

This Disclosure Dissemination Agent Agreement (the "Disclosure Agreement"), dated as of ______________, 2017, is executed and delivered by Fort Mill School District No. 4 of York County, South Carolina (the "Issuer") and Digital Assurance Certification, L.L.C., as exclusive Disclosure Dissemination Agent (the "Disclosure Dissemination Agent" or "DAC") for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) and in order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the "Rule").

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

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

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

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

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

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

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

"Certification" means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure required to be submitted to the MSRB under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Issuer and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

"Disclosure Representative" means the Assistant Superintendent for Finance and Operations or his or her designee, or such other person as the Issuer shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

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

"Failure to File Event" means the Issuer's failure to file an Annual Report on or before the Annual Filing Date.

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

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

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

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

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

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

"Official Statement" means that Official Statement prepared by the Issuer in connection with the Bonds, as listed on Appendix A.

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

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

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

SECTION 2. Provision of Annual Reports.

(a) The Issuer shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent, together with a copy for the Trustee, not later than the Annual Filing Date. Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide an Annual Report to the MSRB not later than 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:

1. "Principal and interest payment delinquencies;"

2. “Non-Payment related defaults, if material;”

3. “Unscheduled draws on debt service reserves reflecting financial difficulties;”

4. “Unscheduled draws on credit enhancements reflecting financial difficulties;”

5. “Substitution of credit or liquidity providers, or their failure to perform;”

6. “Adverse tax opinions, IRS notices or events affecting the tax status of the security;”

7. “Modifications to rights of securities holders, if material;”

8. “Bond calls, if material;”

9. “Defeasances;”

10. “Release, substitution, or sale of property securing repayment of the securities, if material;”

11. “Rating changes;”

12. “Tender offers;”

13. “Bankruptcy, insolvency, receivership or similar event of the obligated person;”

14. “Merger, consolidation, or acquisition of the obligated person, if material;” and

15. “Appointment of a successor or additional trustee, or the change of name of a trustee, if material;”

(v) upon receipt (or irrevocable direction pursuant to Section 2(c) of this Disclosure Agreement, as applicable), promptly file a completed copy of Exhibit B to this Disclosure Agreement with the MSRB, identifying the filing as “Failure to provide annual financial information as required” when filing pursuant to Section 2(b)(ii) or Section 2(c) of this Disclosure Agreement;

(vi) upon receipt, promptly file the text of each Voluntary Event Disclosure received under Section 7(a) with the MSRB, identifying the Voluntary Event Disclosure as instructed by the Issuer pursuant to Section 7(a) (being any of the categories set forth below) when filing pursuant to Section 7(a) of this Disclosure Agreement:

1. “amendment to continuing disclosure undertaking;”

2. “change in obligated person;”

3. “notice to investors pursuant to bond documents;”

4. “certain communications from the Internal Revenue Service;”

5. “secondary market purchases;”

6. “bid for auction rate or other securities;”

7. “capital or other financing plan;”

8. “litigation/enforcement action;”

9. “change of tender agent, remarketing agent, or other on-going party;”

10. “derivative or other similar transaction;” and

11. “other event-based disclosures;”

(vii) upon receipt, promptly file the text of each Voluntary Financial Disclosure received under Section 7(b) with the MSRB, identifying the Voluntary Financial Disclosure as instructed by the Issuer pursuant to Section 7(b) (being any of the categories set forth below) when filing pursuant to Section 7(b) of this Disclosure Agreement:

1. “quarterly/monthly financial information;”

2. “change in fiscal year/timing of annual disclosure;”

3. “change in accounting standard;”

4. “interim/additional financial information/operating data;”

5. “budget;”

6. “investment/debt/financial policy;”

7. “information provided to rating agency, credit/liquidity provider or other third party;”

8. “consultant reports;” and

9. “other financial/operating data.”

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

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

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

SECTION 3. Content of Annual Reports.

(a) Each Annual Report shall contain Annual Financial Information with respect to the Issuer, including the information provided in the Official Statement under the headings: "THE SCHOOL DISTRICT–Enrollment of the School District"; "THE BONDS-Additional Security for the Bonds"; "THE SCHOOL DISTRICT-Education Finance Act"; "THE SCHOOL DISTRICT-Education Improvement Act"; "CERTAIN FISCAL MATTERS-Market Value/Assessment Summary 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 Bonds constitutes a Notice Event:

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

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

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

7. Modifications to rights of Bond holders, if material;

8. Bond calls, if material, and tender offers;

9. Defeasances;

10. Release, substitution, or sale of property securing repayment of the Bonds, if material;

11. Rating changes;

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

    Note to subsection (a)(12) of this Section 4: For the purposes of the event described in subsection (a)(12) of this Section 4, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

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

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

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

(c) If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in subsection (a) or (b)(ii) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with MSRB in accordance with

Section 2 (e)(iv) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

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

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

SECTION 7. Voluntary Filing.

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

(b) The Issuer may instruct the Disclosure Dissemination Agent to file a Voluntary Financial Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Financial Disclosure (which shall be any of the categories set forth in Section 2(e)(vii) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in this Section 7(b) to file a Voluntary Financial Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Financial Disclosure with the MSRB in accordance with Section 2(e)(vii) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-3.

(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 Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the Issuer is no longer an obligated person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of counsel expert in federal securities laws to the effect that continuing disclosure is no longer required.

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

SECTION 10. Remedies in Event of Default. In the event of a failure of the Issuer or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

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

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

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

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

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

SECTION 12. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the Issuer and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither the Issuer or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

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

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

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

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Remainder of page intentionally left blank]

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

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

By: ______________________________
Name: ______________________________
Title: ______________________________

FORT MILL SCHOOL DISTRICT NO. 4
OF YORK COUNTY, SOUTH CAROLINA
as Issuer

By: ______________________________
Name: ______________________________
Title: ______________________________

EXHIBIT A

NAME AND CUSIP NUMBERS OF BONDS

Name of Issuer	Fort Mill School District No. 4 of York County, South Carolina
Obligated Person(s)	Fort Mill School District No. 4 of York County, South Carolina
Name of Bond Issue:	**[A3]**________________________
Date of Issuance:	**[A4]**________________________
Date of Official Statement	**[A5]**________________________

CUSIP Number:	**[A6]**____________________	CUSIP Number:	________________________
CUSIP Number:	________________________	CUSIP Number:	________________________
CUSIP Number:	________________________	CUSIP Number:	________________________
CUSIP Number:	________________________	CUSIP Number:	________________________
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CUSIP Number:	________________________	CUSIP Number:	________________________
CUSIP Number:	________________________	CUSIP Number:	________________________

[A7]

Name of Issuer	________________________
Obligated Person(s)	________________________
Name of Bond Issue:	________________________
Date of Issuance:	________________________
Date of Official Statement:	________________________

CUSIP Number:	________________________	CUSIP Number:	________________________
CUSIP Number:	________________________	CUSIP Number:	________________________
CUSIP Number:	________________________	CUSIP Number:	________________________
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CUSIP Number:	________________________	CUSIP Number:	________________________

EXHIBIT B

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Issuer:	**[B1]** ________________________
Obligated Person:	**[B2]** ________________________
Name(s) of Bond Issue(s):	**[B3]** ________________________
Date(s) of Issuance:	**[B4]** ________________________
Date(s) of Disclosure Agreement:	**[B5]** ________________________
CUSIP Number:	**[B6]** ________________________

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above named Bonds as required by the Disclosure Agreement 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 **[B7]**______________].

Dated: **[B8]**_____________________________

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

____

cc: **[B9]**
[B10]

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:

[C1] ____

Issuer's Six-Digit CUSIP Number:

[C2] ____

____

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

[C3] ____

Number of pages attached: **[C4]_____**

____ Description of Notice Events (Check One): **[C5]**

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. **[C6]**

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

Signature:

____

Name: **[C7]** ________________________________ Title: **[C8]** ________________________________

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

Date: **[C9]**

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 **[C10] _____** between the Issuer and DAC.

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

[C1] ____

Issuer's Six-Digit CUSIP Number:

[C2] ____

____

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

[C3] ____

Number of pages attached: **[C4]_____**

____ Description of Voluntary Event Disclosure (Check One): **[C11]**

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: **[C7]** ________________________________ Title: **[C8]** __________________________________

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

Date: **[C9]**

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 **[C9] _____** between the Issuer and DAC.

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

[C1] ____

Issuer's Six-Digit CUSIP Number:

[C2] ____

____

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

[C3] ____

Number of pages attached: **[C4]_____**

____ Description of Voluntary Financial Disclosure (Check One): **[C12]**

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: **[C7]** ____________________________ Title: **[C8]** ______________________________

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

Date: **[C9]**