

NEW ISSUE - BOOK-ENTRY-ONLY

RATINGS:
Moody's: MIG-1
S&P: SP-1+
(See "Ratings" herein)

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

**\$26,000,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES, SERIES 2019
SCHOOL DISTRICT NO. 2 OF RICHLAND COUNTY, SOUTH CAROLINA**

**Interest Rate: 3.00%; Yield: 1.58%
CUSIP No. 763682L33**

Dated: Date of Delivery

Due: October 1, 2019

The \$26,000,000 General Obligation Bond Anticipation Notes, Series 2019 (the "Notes") will be general obligation bond anticipation notes of School District No. 2 of Richland County, South Carolina (the "School District"). For the payment of principal of and interest on the Notes as they respectively mature, the School District has pledged the proceeds of its general obligation bonds to be issued prior to the maturity of the Notes in addition to the full faith, credit, resources, and taxing power of the School District. See "THE NOTES – Security" herein.

The Notes will be issued initially as a single fully registered note in book-entry only form and when issued will be registered to Cede & Co., as nominee for the Depository Trust Company, New York, New York ("DTC"), to which principal and interest payments on the Notes will be made. Individual purchases of Notes will be made in book-entry form only, in the principal amounts of \$5,000 or any integral multiple thereof. So long as Cede & Co., as nominee of DTC, is the registered owner of the Notes, references herein to the holders of the Notes or registered owners of the Notes shall mean Cede & Co. and shall not mean the beneficial owners of the Notes. So long as Cede & Co. is the registered owner of the Notes, the principal and interest on the Notes are payable to Cede & Co. as nominee for DTC, which in turn will remit such principal and interest to the DTC Participants (as defined herein) for subsequent disbursements to the beneficial owners of the Notes. See "THE NOTES – Book-Entry-Only System." U.S. Bank National Association, St. Paul, Minnesota will serve as Paying Agent for the Notes so long as the Notes remain in book-entry form. The Notes shall not be subject to redemption prior to their stated maturities.

The Notes are offered when, as and if issued and subject to the approving opinion as to legality of Burr & Forman LLP (Burr Forman McNair), Bond Counsel, Columbia, South Carolina. Compass Municipal Advisors, LLC, Columbia, South Carolina, is serving as financial advisor to the School District with respect to the Notes. It is expected that the Notes in definitive form will be delivered to DTC and be available for credit to the account of the DTC Participants on or about May 2, 2019.

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

Dated: April 11, 2019

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

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

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

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

Certain information contained in this Official Statement may have been obtained from sources other than records of the School District and, while believed to be reliable, is not guaranteed as to completeness or accuracy. THE INFORMATION AND EXPRESSIONS OF OPINION IN THIS OFFICIAL STATEMENT ARE SUBJECT TO CHANGE, AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE UNDER SUCH DOCUMENT SHALL CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE SCHOOL DISTRICT SINCE THE DATE HEREOF.

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

U.S. Bank National Association, as Paying Agent has not provided, or undertaken to determine, the accuracy of, any of the information contained in this Official Statement and makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information, (ii) the validity of the Notes; or (iii) the tax exempt status of the interest on the Notes.

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

763 Fashion Drive
Columbia, South Carolina 29229

BOARD OF TRUSTEES

Amelia B. McKie, Chair
Monica Elkins-Johnson, Ed. D., Vice Chair
Lindsay Agostini, Secretary
Cheryl Caution-Parker, Ed. D.
Teresa Holmes, Ed. S., Ed. D.
James Manning, M.A.T.
James “Jamie” Shadd III

SUPERINTENDENT

Baron R. Davis, Ph. D.

CHIEF FINANCIAL OFFICER

Harry W. Miley, Ph. D.

BOND COUNSEL

Burr Forman McNair
Columbia, South Carolina

FINANCIAL ADVISOR

Compass Municipal Advisors, LLC
Columbia, South Carolina

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INTRODUCTION

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

The Issuer

The \$26,000,000 General Obligation Bond Anticipation Notes, Series 2019 (the “Notes”) are being issued by School District No. 2 of Richland County, South Carolina (the “School District”), a body politic and corporate and a political subdivision of the State of South Carolina (the “State” or “South Carolina”).

Security

For the payment of principal of and interest on the Notes as they respectively mature, the School District has pledged the proceeds of its general obligation bonds to be issued prior to the maturity of the Notes in addition to the full faith, credit, resources, and taxing power of the School District. Also, Article X, Section 15, Paragraph 4 of the Constitution of the State of South Carolina, 1895, as amended (the “Constitution”) provides that, if any school district fails to pay principal of or interest on bonds when due, the State Treasurer shall withhold moneys from State appropriations to which such school district may be entitled and effect payment of principal of or interest on such bonds from such appropriations. See “THE NOTES – Security” herein.

Purpose

The proceeds of the Notes will be used to provide funds for (i) funding a portion of the projects approved in the Referendum (defined herein) and (ii) paying costs of issuance of the Notes.

Details of the Notes

The Notes will be general obligation bond anticipation notes of the School District, will be issuable initially as a single fully registered note in denominations of \$5,000 each or any integral multiple thereof; when issued, will be registered to Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”). The Notes will be dated their date of delivery, on or about May 2, 2019, and will bear interest from their date payable along with principal at maturity on October 1, 2019 as set forth on the front cover hereof.

Redemption Provisions

The Notes shall not be subject to redemption prior to their stated maturities.

Tax Status of Interest on the Notes

Assuming the School District’s continued compliance with certain covenants, in the opinion of Bond Counsel, interest on the Notes are excludable from gross income for federal income tax purposes under existing statutes, regulations and court decisions. Interest on the Notes is not a specific item of tax preference for purposes of an individual’s alternative minimum tax. Under the present laws of the State, the Notes and the interest thereon will also be exempt from all taxes in the State except estate or other transfer and certain franchise taxes. Such opinion is subject to certain limitations and conditions

described in the form of opinion of Bond Counsel, set forth in Appendix B, and under the caption. See “TAX EXEMPTION AND OTHER TAX MATTERS” herein.

Professionals Involved in the Offering

Burr Forman McNair, Columbia, South Carolina, is serving as Bond Counsel. Compass Municipal Advisors, LLC, Columbia, South Carolina, is serving as Financial Advisor.

Independent Auditors

The Financial Statements of the School District for the Fiscal Year ended June 30, 2018, included as Appendix A, have been audited by Burkett & Burkett, Certified Public Accountants, P.A., West Columbia, South Carolina, as stated in their report appearing in Appendix A.

Authority for the Issue

The Notes will be issued pursuant to and in accordance with the Constitution and statutes of the State, including Article X, Section 15 of the Constitution, as amended; Title 59, Chapter 71, Article 1, Code of Laws of South Carolina 1976, as amended (the “South Carolina Code”); Title 11, Chapters 17 and 27 of the South Carolina Code; the favorable results of the Referendum; and a resolution duly adopted on January 22, 2019 by the Board of Trustees of the School District (the “Board”).

Information Concerning Terms of the Offering

The Notes are being issued in book-entry-only form. It is expected that the Notes will be delivered to Cede & Co., at the offices of DTC, on or about May 2, 2019, and will be available for credit to the accounts of the DTC participants and, through them, the beneficial owners of the Notes, on such date. Additional information regarding the DTC Book-Entry-Only System is set forth in “THE NOTES – Book-Entry-Only System.”

General

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of the Preliminary Official Statement and the Official Statement will be deposited with the Municipal Securities Rulemaking Board, 1300 I Street NW, Suite 1000, Washington, D.C. 20005. Copies of the Preliminary Official Statement, the Official Statement, the Resolution and related documents and information are available by contacting Harry W. Miley, Jr., Chief Financial Officer, School District No. 2 of Richland County, South Carolina, 6831 Brookfield Road, Columbia South Carolina 29206, (803) 738-3293.

THE NOTES

Description

The Notes will be general obligation bond anticipation notes of the School District, will be issuable initially as a single fully registered note in denominations of \$5,000 each or any integral multiple thereof; when issued, will be registered to Cede & Co., as nominee for DTC. The Notes will be dated their date of delivery, on or about May 2, 2019, and will bear interest from their date payable along with principal at maturity on October 1, 2019 as set forth on the front cover hereof.

Redemption Provisions

The Notes are not subject to redemption prior to their stated maturities.

Defeasance

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

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

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

“Government Obligations” means any of the following:

- (i) direct obligations of the United States of America or agencies thereof or obligations, the payment of principal or interest on which, in the opinion of the Attorney General of the United States, is fully and unconditionally guaranteed by the United States of America;
- (ii) non-callable, U. S. Treasury Securities - State and Local Government Series (“SLGS”);
- (iii) general obligation bonds of the State, its institutions, agencies, school districts and political subdivisions, which, at the time of purchase, carry a AAA rating from Standard & Poor’s or a Aaa rating from Moody’s Investors Service; and
- (iv) a defeasance obligation as defined in Section 6-5-10 of the South Carolina Code, as such may be amended from time to time.

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

Purposes

On July 24, 2018, the School District adopted a resolution ordering a referendum (the “Referendum”) be held in the School District on November 6, 2018 to submit the following questions to the qualified voters:

Question 1

Shall the Board of Trustees of School District No. 2 of Richland County, South Carolina (the “School District”) be empowered to issue, at one time or from time to time, general obligation bonds of the School District, in a principal amount of not exceeding \$381,952,000, the proceeds of which shall be used for the following purposes:

- Constructing, equipping and furnishing safety and security improvements at all existing School District facilities
- Acquiring new school buses and acquiring and installing safety and security improvements in all new and existing buses
- Constructing, equipping and furnishing replacement schools for Bethel-Hanberry Elementary, Forest Lake Elementary and Center for Knowledge North
- Constructing, equipping and furnishing a replacement school for E.L. Wright Middle, except the three-story existing building that will be improved and renovated
- Constructing, equipping and furnishing renovations, additions and other improvements to academic learning spaces at schools and facilities all across the School District
- Constructing, equipping and furnishing renovations, additions and other improvements to other facilities across the School District
- Acquisition and installation of technology infrastructure improvements
- Costs related to the foregoing, including architectural and engineering fees, costs of removal of existing facilities, cost of land acquisition, if necessary, legal fees, and costs of issuance of the bonds?

Question 2

If and only if Question 1 above is approved, shall the Board of Trustees of School District No. 2 of Richland County, South Carolina (the “School District”) be empowered to issue, at one time or from time to time, general obligation bonds of the School District, in a principal amount of not exceeding \$86,454,000, the proceeds of which shall be used for the following purposes:

- Constructing, equipping and furnishing renovations and additions to athletic facilities at Richland Northeast High and Ridge View High including additions, major renovations, and expansions of football stadiums
- Constructing, equipping and furnishing renovations and additions to other athletic facilities across the School District
- Constructing, equipping and furnishing a new School District Fine Arts Center

- Costs related to the foregoing, including architectural and engineering fees, costs of removal of existing facilities, cost of land acquisition, if necessary, legal fees and costs of issuance of the bonds?

The Referendum was duly conducted and a majority of the qualified electors of the School District voted in favor of the issuance of the general obligation bonds set forth in both questions.

A Resolution adopted by the Board on January 22, 2019 (the “Resolution”), authorizing the issuance and sale of the Notes provides that the proceeds of the Notes will be used for the purposes of: (i) funding a portion of the projects approved in the above Referendum and (ii) paying costs of issuance of the Notes.

Authorization

The Notes will be issued pursuant to and in accordance with the Constitution and statutes of the State, including Article X, Section 15 of the Constitution; Title 59, Chapter 71, Article 1 of the South Carolina Code; Title 11, Chapters 11 and 27 of the South Carolina Code; the favorable results of the Referendum; and the Resolution.

Miscellaneous

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

Security

For the payment of principal of and interest on the Notes as they respectively mature, the School District has pledged the proceeds of its general obligation bonds to be issued prior to the maturity of the Notes in addition to the full faith, credit, resources, and taxing power of the School District. For the payment of the principal of and interest on the bonds and to create such sinking fund as may be necessary therefor, the full faith, credit, resources, and taxing power of the School District will be irrevocably pledged, and there will be levied annually by the Auditor of the Richland County (the “County Auditor”) and collected by the Treasurer of the Richland County (the “County Treasurer”) in the same manner as county taxes are levied and collected, a tax, without limit, on all taxable property in the School District sufficient to pay the principal of and interest on the bonds as they respectively mature and to create such sinking fund as may be necessary therefor.

In addition, Article X, Section 15, Paragraph (4) of the Constitution contains the following State aid intercept clause:

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

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

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Amount*</u>
2014	\$135,775,297
2015	142,205,131
2016	148,226,198
2017	157,595,779
2018	168,210,278
2019 ⁽¹⁾	169,442,856

*Includes property tax relief from passage of Act 388 (defined herein) and the Education Finance Act of 1977 (the "Education Finance Act") funds specified below.

⁽¹⁾Projected.

Statutory enhancements to the Constitutional intercept provisions also apply to all school district general obligation bonds. Under the statutory intercept provision, the County Treasurer is required to notify the State Treasurer on the fifteenth day prior to the due date of any payment of principal or interest on school district general obligation bonds if the County Treasurer or any other paying agent does not have on deposit the sum required to make that payment. On the third business day prior to the due date of the payment, if the County Treasurer or any other paying agent does not have on hand the amount required to effect such payment, the State Treasurer is directed to transfer to the County Treasurer from the general fund of the State the sum necessary to effect such payment, provided that the total amount of the payments so transferred in any fiscal year may not exceed the amount appropriated in the State's budget under the Education Finance Act for that fiscal year. The amount appropriated in the Education Finance Act for the fiscal year beginning July 1, 2018, is \$1,822,608,440. Thereafter the State Treasurer shall withhold from such school district from funds payable to it from the State amounts necessary to reimburse the general fund of the State for any amounts so advanced, plus investment earnings foregone by the State on such amounts pending reimbursement. In addition, the State Treasurer may direct the County Treasurer to apply to the payment due on the bonds any monies being held by the County Treasurer in any fund, other than the sinking fund, derived from State revenue for the school district. The statute contains a mechanism to reimburse the School District for such withholdings from taxes thereafter collected. If there is an advance from the State Treasurer under these provisions, the County Auditor is directed to adjust the millage levied for the payment of the bonds for the next fiscal year to the level necessary to provide for the punctual payment of all sums due during that year and to file a report with the State Treasurer demonstrating compliance not later than five business days after millage is set for the next fiscal year. In summary, the statutory intercept provisions enhance the Constitutional provision by providing that: (i) the advance from the State Treasurer will be made in time to permit the timely payment of debt service on the Notes; and (ii) there is subsequent monitoring to prevent repetition.

Book-Entry-Only System

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

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

Depository Trust Company. DTC will act as securities depository for the Notes. The Notes will be issued as fully registered Notes registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued in the aggregate principal amount of each maturity of the Notes, and will be deposited with DTC.

DTC Participants and Indirect Participants. 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, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of certificated notes. 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," and together with Direct Participants, "DTC 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.

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

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

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

Redemption Notices. Redemption notices shall be sent to DTC. If less than all of the Notes of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Notes to be redeemed.

Consent and Voting. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Registrar/Paying Agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Because DTC is treated as the Owner of the Notes for substantially all purposes under the 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 the 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. Beneficial Owners should make appropriate arrangements with their broker or dealer regarding distribution of information regarding the Notes that may be transmitted by or through DTC.

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

A Beneficial Owner shall give notice to elect to have the Notes purchased or tendered, through its Participant, to the Tender Agent, and shall effect delivery of such Notes by causing the Direct Participant to transfer the Participant's interest in the Notes, on DTC's records, to the Tender Agent. The requirement for physical delivery of the Notes in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Notes are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Notes to the Tender Agent's DTC account.

DTC may discontinue providing its service as depository with respect to the Notes at any time by giving reasonable notice to the School District or Registrar/Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Note certificates are required to be printed and delivered.

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

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

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

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

Discontinuance of Book-Entry-Only System. In the event that the Notes are no longer in book-entry-only form, the certificates held by DTC or a successor securities depository will be cancelled and the School District will execute and deliver the Notes in fully registered form to the Beneficial Owners of the Notes 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 Notes shall be payable to the Registered Owners on each interest payment date and principal of the Notes at maturity upon presentation and surrender thereof to the Paying Agent at its corporate trust office. The Notes would be transferable on the registration books of the School District maintained by the Registrar by the registered owner in person or by his duly authorized attorney upon surrender of the Note to be transferred together with a written instrument of transfer duly executed by the registered owner or his duly authorized attorney. The Registrar will, upon receipt thereof, authenticate and deliver a new Note or Notes in like principal amounts as the Note so presented. The School District and the Registrar/Paying Agent will deem and treat the person in whose name each Note is registered as the absolute owner thereof for all purposes.

THE SCHOOL DISTRICT

General Description

The School District is a body politic and corporate and a political subdivision of the State. The School District is located in the northeastern section of Richland County (the “County”) and is bordered on the south and west by School District No. 1 of Richland County, which includes the City of Columbia; on the east by Kershaw County; and on the north by Fairfield County. The land area of the School District is approximately 240 square miles, or about one-third of the land area of the County. The School District was established on January 1, 1953, by the consolidation of Blythewood School District No. 3 and Dentsville School District No. 2 of Richland County. The 2010 United States Census Bureau population of the School District is 123,150.

The School District operates twenty elementary schools, seven middle schools, five high schools, four magnet centers, a child development center, one alternative schools, an adult education center and a charter high school. Fourteen of the School District’s schools have been named National Blue Ribbon Winners by the United States Department of Education. The School District is in compliance with all known desegregation guidelines.

As of the 2017-18 accreditation report, the School District and each of the schools within the School District were on either “AdvancED Accredited” or “Accredited/All Clear” status with the South Carolina Department of Education. “Accredited/All Clear” indicates that a district or school is in compliance with the standards for a defined program and with all current statutes and regulations as prescribed by the South Carolina Department of Education and the General Assembly of the State of South Carolina (the “General Assembly”). Schools and districts that are accredited by AdvancED and have not been selected to undergo the monitoring process are classified as “AdvancED Accredited.”

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

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

Board of Trustees and Administrative Officials

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

<u>Name</u>	<u>Occupation</u>	<u>Number of Years Served</u>	<u>Term Expiration Date</u>
Amelia B. McKie, Chair	Community Volunteer	4	November 2022
Monica Elkins-Johnson, Ed. D., Vice Chair	Educator	4	November 2020
Lindsay Agostini, Secretary	Businesswoman	2	November 2020
Cheryl Caution-Parker, Ed. D.	Retired Educator	4	November 2022
Teresa Holmes, Ed. S., Ed. D.	Educator	*	November 2022
James Manning, M.A.T.	Information Technology	8	November 2022
James “Jamie” Shadd III	Attorney	2	November 2020

* Less than a year.

The Superintendent of the School District is Dr. Baron R. Davis. An educator for almost 20 years, Dr. Davis served as one of the School District’s assistant superintendents prior to his transition year as superintendent-elect. As an assistant superintendent, he supported overall educational excellence in the schools by providing leadership, administrative direction, supervision and technical support.

Dr. Davis earned a Bachelor of Science degree in sociology from Francis Marion University. From the University of South Carolina, he earned master’s degrees in school counseling and educational administration, and Educational Specialist and Doctor of Philosophy degrees in educational counseling. He holds superintendent, school counseling, and secondary principal and secondary supervision certifications. In addition to his formal educational training, Dr. Davis has participated and completed numerous educational leadership programs offered through the South Carolina Department of Education including the Tapping Executive Educators Program, the School Leadership Executive Institute and the South Carolina Education Policy Fellowship Program, and the Riley Institute at Furman University Diversity Leaders Initiative.

During his educational career, Dr. Davis has served as a successful school leader in rural, urban and suburban school systems where his schools were recognized for closing the achievement gap, increasing graduation rates and increasing Advanced Placement participation rates. While principal of Spring Valley, the school was recognized by the Washington Post as one of America’s Most Challenging High Schools and by Newsweek as one of America’s Top High Schools.

In the role of assistant superintendent, Dr. Davis helped to establish the Richland Two Assistant Principal Academy, the Administrators Development Series, the Training Administrators Program and the Administrators Mentoring Program. Under his guidance, all five of the School District’s high schools were accepted to TransformSC’s network of innovative schools in May 2016. He also provided overall

supervision for the opening of R2i2; which included the selection, development and implementation of academic areas of focus, course development, establishment of partnerships, selection of personnel, development of organizational structure, building supervision, and day to day operations.

Dr. Harry W. Miley, Jr. assumed the position of Chief Financial Officer for the School District in September 2013. Dr. Miley earned his Doctorate and undergraduate degrees in Economics from the Moore Business School at the University of South Carolina. Dr. Miley served on the faculty of the Moore Business School and as its Associate Director of the Division of Research. Dr. Miley acted as Senior Executive Assistant for Economic Development to Governor Carroll Campbell from 1987 to 1989 during which he was Governor Campbell's principal advisor on the State's policies for economic development, employment and training, work force and adult literacy, technical education and transportation issues. From 1991 to 1999, Dr. Miley headed the South Carolina Board of Economic Advisors ("BEA") as its Chairman. The BEA is responsible for estimating the State's revenues for the Governor and the General Assembly to use in formulating the State's annual budget. In 1993, Dr. Miley founded Miley & Associates, Inc. The firm specialized in economic impact analyses, fiscal impact analyses, public finance, feasibility reports, and benefit/cost modeling. Dr. Miley has over 30 years of experience working with private companies and local, regional and state government entities. Between 2001 and 2013, Dr. Miley frequently served as a Visiting Assistant Professor of Economics at South Carolina State University in Orangeburg, South Carolina.

Educational Programs and Services

The School District provides primary and secondary education, as well as numerous special programs, to its residents. Among the School District's accomplishments during the 2017-2018 and current academic year were the following:

- The School District continues to lead the State in the number of National Board Certified Teachers, with 714 educators who have earned this distinction.
- The Class of 2018 included a US President Scholars Semifinalist.
- Richland Northeast High School garnered the National Model United Nations Award of Distinction for the 29th time in 36 years.
- School District students received more than \$112.9 million in scholarship offers.
- The School District is home to 11 magnet programs that earned national certification from the Magnet Schools of America. Five of the 11 earned recognition as Magnet Schools of America Demonstration Schools.
- The Government Finance Officers Association awarded a Certificate of Achievement for Excellence in Financial Reporting to the School District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017. This was the 31st consecutive year that the School District has received this award.
- The School District also received the Association of School Business Officials International Certificate of Excellence in Financial Reporting for the year ended June 30, 2017. This was also the 31st consecutive year that the School District has received this award.

The Education Accountability Act of 1998

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

Every Student Succeeds Act

The Every Student Succeeds Act (“ESSA”) reauthorized the 1965 Elementary and Secondary Education Act when it was approved by the U.S. Congress in December 2015. Key elements of this legislation include (a) limitations on the power of the federal government to set education policy for states, (b) increased state flexibility to design accountability systems, interventions, and student supports, (c) increased state and local flexibility in the use of federal funds, (d) provision for flexibility for states to work with local stakeholders to develop educator evaluation and support systems, and (e) annual assessments for grades 3-8 and specified high school subjects.

South Carolina Succeeds

The State has developed a consolidated plan, which was implemented starting with the 2017-18 school year. The Education Oversight Committee invited stakeholders and the public to be involved in the development of the ESSA State Plan prior to its submission to the U.S. Department of Education (the “USDE”) on October 13, 2017. The plan received final approval from the USDE on May 3, 2018.

Under the South Carolina Succeeds Plan, schools will be rated based on (a) academic achievement in English Language Arts and mathematics as measured by the SC READY tests (grades 3-8) and the End of Course tests (high school), (b) growth from year to year in English Language Arts and mathematics in grades 3-8, (c) growth in English language proficiency among English Language Learners, (d) performance on science and social studies as measured by the SCPASS tests (grades 4-8), and (e) the results of a student engagement survey. High schools do not have a growth measure and will instead be rated their four year, adjusted cohort graduation rate.

Public School Enrollment in the School District

The 135-day average daily membership in the School District for the last four school years and the 45-day average daily membership for the current school year is shown in the following table.

<u>School Year</u>	<u>Kindergarten</u>	<u>Grades 1-8</u>	<u>Grades 9-12</u>	<u>Total</u>
2014-2015	1,842	16,488	8,197	26,527
2015-2016	1,840	16,672	8,175	26,687
2016-2017	1,855	16,903	8,294	27,052
2017-2018	1,850	16,990	8,398	27,238
2018-2019*	1,860	17,105	8,559	27,523

* Based on 45-day average daily membership.

Note: Total may not add up due to rounding.

Source: South Carolina Department of Education.

School Facilities and Capital Plan

A comprehensive Capital Improvement Plan has been adopted by the Board to insure the continued upkeep of the School District's existing facilities and the construction of new buildings to meet the needs of increasing student enrollment. In order to keep up with its rapidly expanding student population, the School District periodically holds a referendum to authorize the issuance of general obligation bonds in excess of its constitutional debt limit (see "DEBT STRUCTURE – Legal Debt Limit of the School District") in addition to issuing general obligation bonds each year within its Constitutional debt limit. In a referendum held on November 6, 2018, the electorate approved the issuance of up to \$468,406,000 in additional general obligation bonds. See "THE NOTES – Purpose." The successful referendum will accommodate growth of the student population and reinvestment in existing schools.

School District Employees

The following table sets forth a categorical breakdown of the estimated total School District employees by category for the 2018-19 school year in full-time equivalencies:

Instruction	2,624
School Administration	122
Other Administration and Support	995
TOTAL	3,741

DEBT STRUCTURE

Legal Debt Limit of the School District

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

The School District's debt limitation is computed below:

Assessed Value as of June 30, 2018	\$556,664,136
Merchant's Inventory*	<u>2,954,200</u>
Total	\$559,618,336
	<u>x 8%</u>
Constitutional Debt Limit	44,769,466
Outstanding Debt Subject to Limit	<u>33,540,000</u>
Legal Debt Available Without a Referendum	\$ 11,229,466

* See item 7 under the heading "CERTAIN FISCAL MATTERS – Property Taxation and Assessment."

Outstanding General Obligation Debt

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

<u>Date of Issue</u>	<u>Amount Issued</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Amount Outstanding</u>
06/11/09 ⁽²⁾	\$18,500,000	03/01/20-21	5.000%	\$ 3,585,000
05/25/10 ⁽¹⁾	18,235,000	05/01/19-27	4.400%-5.200%	9,675,000
09/08/10 ⁽²⁾	83,260,000	02/01/20-24	5.000%	28,725,000
09/08/10 ⁽¹⁾⁽³⁾	42,625,000	09/01/27	4.875%	42,620,000
11/23/10 ⁽¹⁾	60,000,000	05/01/19-28	3.800%-5.250%	43,570,000
10/19/11 ⁽¹⁾	60,000,000	05/01/19-21	4.000%-5.000%	11,550,000
12/27/12 ⁽²⁾	28,215,000	04/01/20-21	3.000%-5.000%	7,720,000
05/09/13 ⁽¹⁾	55,140,000	05/01/19-33	2.900%-5.000%	55,115,000
05/21/14	9,430,000	05/01/19-23	5.000%	9,430,000
03/17/15 ⁽²⁾	60,010,000	02/01/20-23	5.000%	58,745,000
03/17/15	10,000,000	02/01/20	1.750%	3,440,000
05/31/16	10,000,000	03/01/20-21	5.000%	6,850,000
05/30/17	10,000,000	03/01/20-22	2.000%-5.000%	5,895,000
11/30/17 ⁽²⁾	40,880,000	03/01/20-31	3.000%-5.000%	39,490,000
06/12/18	10,000,000	03/01/20-22	5.000%	<u>7,925,000</u>
TOTAL				\$334,335,000

⁽¹⁾ Authorized by referendum.

⁽²⁾ Refunded Bonds which were authorized by referendum.

⁽³⁾ Does not reflect sinking fund payments made in the amount of \$15,638,946.

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

Year Ended	General Obligation
<u>June 30</u>	<u>Indebtedness</u>
2014	\$489,560,000
2015	462,360,000
2016	434,695,000
2017	404,735,000
2018	369,100,000

Note: The general obligation indebtedness figures above do not reflect sinking fund payments made with respect to the School District's original principal amount \$42,625,000 General Obligation Bonds, Series 2010D (Taxable Qualified School Construction Bonds – Direct Payment) (the "Series 2010D Bonds").
Source: School District.

Composite Debt Service

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

Fiscal Year Ended	Debt Service on	Debt Service	Total
<u>June 30</u>	<u>Outstanding Bonds*</u>	<u>on the Notes</u>	<u>Debt Service</u>
2020	\$ 60,757,476	\$26,322,833	\$ 87,080,309
2021	59,097,751	---	59,097,751
2022	56,760,183	---	56,760,183
2023	52,168,825	---	52,168,825
2024	21,184,475	---	21,184,475
2025	18,369,550	---	18,369,550
2026	17,626,550	---	17,626,550
2027	17,515,725	---	17,515,725
2028	56,950,713	---	56,950,713
2029	9,137,600	---	9,137,600
2030	9,131,400	---	9,131,400
2031	9,132,250	---	9,132,250
2032	4,280,000	---	4,280,000
2033	<u>4,140,000</u>	<u>---</u>	<u>4,140,000</u>
Totals	\$396,252,498	\$26,322,833	\$422,575,331

* Excludes subsidy on the Series 2010D Bonds.

Legal Debt Limit of Incorporated Municipalities and Special Purpose Districts

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

Overlapping Debt

The following table provides the tax year 2017 assessed values and outstanding general obligation indebtedness for each of the political units overlapping or located within the School District, which have debt outstanding as of June 30, 2018.

Name of Unit	2017 Assessed Value	2017 Assessed Value within the School District	Outstanding General Obligation Indebtedness
Richland County	\$1,616,792,632	\$556,664,136	\$371,960,000 ⁽²⁾
City of Columbia	541,814,237	46,279,649	25,345,000
Richland County Recreation District	1,074,978,395	510,384,487	34,640,000
East Richland Public Service District	235,287,935	176,677,855	14,790,280
Richland-Lexington Riverbanks Park District ⁽¹⁾	1,616,792,632	556,664,136	30,475,000
Richland-Lexington Airport District ⁽¹⁾	1,616,792,632	556,664,136	6,525,000

⁽¹⁾ Includes Richland County portion only.

⁽²⁾ Includes special assessment districts.

Sources: County Auditor, Financial Departments of each Political Subdivision.

Miscellaneous Debt Information

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

CERTAIN FISCAL MATTERS

Property Taxation and Assessment

Article X, Section 1 of the Constitution requires equal and uniform assessments of property throughout the State for the following classes of property and at the following ratios of fair market value of such property:

- (1) Real and personal property owned by or leased to manufacturers, utilities and mining operations and used in the conduct of such business - 10.5% of fair market value (Certain real

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

- (2) Real and personal property owned by or leased to companies primarily engaged in transportation for hire of persons or property and used in the conduct of such business - 9.5% of fair market value;
- (3) Legal residence and not more than five contiguous acres - 4% of fair market value (if the property owner makes proper application and qualifies);
- (4) Agricultural real property used for such purposes owned by individuals and certain corporations - 4% of use value (if the property owner makes proper application and qualifies);
- (5) Agricultural property and timberlands belonging to corporations having more than 10 shareholders - 6% of use value (if property owner makes proper application and qualifies);
- (6) All other real property - 6% of fair market value;
- (7) Business inventories - 6% of fair market value (as of 1988, an exemption is available from taxation of property in this category, hence this item is no longer significant, except that the assessed value of business inventory as of tax year 1987 is taken into account in determining total assessed value for purposes of the bonded debt limit);
- (8) (A) Except as set forth in (B) below, all other personal property - 10.5% of fair market value; and

(B) Personal motor vehicles - 6.00%.

The South Carolina Department of Revenue (“DOR”) has been charged with the responsibility of taking steps necessary to ensure equalization of assessments statewide in order that all property is assessed uniformly and equitably throughout the State, and may require reassessment of any part or all of the property within a County. Under Section 12-43-217 of the South Carolina Code, once every fifth year the County or the State are required to appraise and equalize those properties under its jurisdiction. Property valuation must be complete at the end of December of the fourth year and the County or State shall notify every taxpayer of any change in value or classification if the change is \$1,000 or more. In the fifth year, the County or State shall implement the program and assess all property on the newly appraised values. The County completed its latest reassessment in 2014 for implementation in Fiscal Year 2015. The next reassessment will take place in Fiscal Year 2019 and will be implemented in Fiscal Year 2020. Regulations adopted by the DOR prior to the 1995 law and which are still in place also require that a

reappraisal program must be instituted by a county if the median appraisal for all property in such county (as a whole or for any class of property) is higher than 105% or lower than 80% of fair market value.

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

The County Assessor appraises and assesses all the real property and mobile homes located within such county and certifies the results to the County Auditor. The County Auditor appraises and assesses all motor vehicles, marine equipment, business personal property and airplanes. The DOR furnishes guides for use by the counties in the assessment of automobiles, automotive equipment, and certain other classes of property and directly assesses the real and personal property of public utilities, manufacturers and also of business equipment.

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

State Tax Reform

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

Homestead Exemptions; Sales Tax Imposition

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

The “tier one” exemption exempts the first \$100,000 of the appraised value of a homestead from millage levied for school operating purposes. The tier one exemption was amended by Act 388, by extending the exemption from school operating taxes to 100% of the value of homesteads as described below. Accordingly, by State law, the amount of the reimbursement paid to a school district for the tier one exemption is capped at the amount received by the school district in fiscal year ending June 30, 2007 (the fiscal year following the year in which Act 388 was adopted). State law requires that ninety percent of the tier one reimbursement must be paid to school districts in the last quarter of the calendar year, but no later than December first. The balance of the tier one reimbursement must be paid in the last quarter of the fiscal year that ends June 30th following the first tier one reimbursement date, which is typically by April 15.

The “tier two” exemption exempts from all *ad valorem* property taxes the first \$50,000 of the fair market value of the dwelling place of persons who are over 65 years of age, totally and permanently disabled, or legally blind. The amount of the reimbursement paid to a school district because of the tier two exemption is also capped at the amount received by a school district in fiscal year ending June 30,

2007. State law requires that tier two reimbursements be paid at the same time as the balance of the tier one reimbursement referenced above.

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

To the extent revenues in the Homestead Exemption Fund are insufficient to pay all reimbursements to the school districts of the State as described above, except as may be required to increase of the tier three reimbursement by 4% annually, the difference must be paid from the State’s general fund. Enforcement of the requirement described in the preceding sentence is not self-executing, and will in each applicable year be subject to the appropriation of the necessary amounts by the General Assembly.

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

To the extent that growth in the School District’s operating expenses exceeds the growth rate of the reimbursements received for the tier three exemption from the State, the School District’s operations could be impacted. The School District’s ability to compensate for insufficiencies in reimbursements from the State for the exemptions applicable to owner-occupied residences (regardless of the cause of insufficiency) through an increase in its millage rate will be limited as discussed under the subheading “*Limitation on Millage Increases*” below. The School District cannot predict whether in any year the reimbursement will be insufficient to meet growth in operating expenses.

Limitation on Millage Increases

Act 388 imposes a limitation on increases in millage levied for operational purposes by all political subdivisions and school districts. As of July 1, 2007, annual millage levies may increase only at a rate equal to the sum of (a) the increase in the consumer price index, plus (b) the rate of population growth of the political subdivision or school district, as the case may be. However, recent legislative enactments allow for increases in operating millage to the extent allowed but not previously imposed for the three property tax years preceding the year to which the current limit applies. This limitation does not apply to millage that is levied to pay bonded indebtedness. This limitation may be overridden by a vote of two-thirds of the governing body of the political subdivision or school district, as applicable, but only for the following purposes:

- (1) a deficiency of the preceding year;
- (2) any catastrophic event outside the control of the governing body such as a natural disaster, severe weather event, act of God, or act of terrorism, fire, war, or riot;
- (3) compliance with a court order or decree;
- (4) taxpayer closure due to circumstances outside the control of the governing body that decreases by ten percent or more the amount of revenue payable to the taxing jurisdiction in the preceding year;
- (5) compliance with a regulation promulgated or statute enacted by the federal or state government after the ratification date of Act 388 for which an appropriation or a method for obtaining an appropriation is not provided by the federal or state government;
- (6) certain purchases of undeveloped real property or of the residential redevelopment rights in undeveloped real property near an operating United States Military base; or
- (7) to purchase capital equipment and make expenditures related to the installation, operation, and purchase of the capital equipment, in a county having a population of less than one hundred thousand persons and having at least forty thousand acres of state forest land.

Local Option Sales and Use Tax for Local Property Tax Credits

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

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

for a tax increment redevelopment financing plan or other plan that relies upon property tax for its funding must be distributed by the county treasurer pursuant to Title 4, Chapter 10 of the South Carolina Code.

Reassessment Valuations Limited

Act 388 also provides that the growth in valuation of real property attributable to reassessment may not exceed 15% for each five-year reassessment cycle. Growth in valuation resulting from improvements to real property is exempt from this restriction. Moreover, upon the sale (or other “assessable transfer of interest” including long-term leases, conveyances out of trusts, and other defined events, but excluding transfers between spouses) of any parcel of real property (“ATI Transfer”), such parcel will generally be reassessed to its then-current market value at the time of the ATI Transfer (“Market Value”). Act No. 57 adopted by the General Assembly on June 8, 2011 provides that real property subject to property tax at an assessment ratio of 6% which undergoes an ATI Transfer after 2010 will be valued for property tax purposes using an “exemption value” instead of the real property’s Market Value if the property is subject to a 6% assessment ratio when held by the purchaser, unless the Market Value is lower than the value of the property reflected on the books of the property tax assessor at the time of the ATI Transfer (in which case the Market Value will be the value for property tax purposes). The “exemption value” is calculated by reducing the market value of property at the time of an ATI Transfer by twenty-five percent of the “ATI fair market value” of the property. “ATI fair market value” is the real property’s fair market value as determined at the time the property last underwent an ATI Transfer. If the twenty-five percent reduction in market value results in a value which is lower than the value of the property reflected on the books of the property tax assessor at the time of the ATI Transfer, then the value of the property reflected on the books of the property will be the “exemption value.”

Payments in Lieu of Taxes

The State has adopted an array of property tax inducements and incentives to promote investment in the State. Qualifying investments of \$2.5 million (\$1 million in some counties and for certain “brownfield” sites) or more may be negotiated for payments in lieu of taxes for a periods up to 30 years (up to 40 years for certain large investments) using assessment ratios of as little as 6% and using millage rates that are either fixed for the term of the incentive or adjusted every fifth year. In some cases, owners of projects may also design a payment schedule so long as the present value of the payments under the schedule are equal to the present value of the payments that would have been made without the schedule. The State also provides a more generous inducement for enhanced investments, that is, those projects creating at least 125 new jobs and providing new invested capital of not less than \$150 million, projects with a total investment of \$400 million by a single sponsor and certain defined economic development projects. For these enhanced investments the fee-in-lieu of tax payments may be negotiated based on assessment ratios as low as 4% and for a term up to 50 years.

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

taxes. A county government may also divert payments in lieu of taxes derived from an MCIP to its own corporate purposes or those of other taxing entities in that county.

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

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

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

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

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

Assessed Value

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

Tax Year	<u>Real</u>		<u>Personal</u>		<u>Total</u>	
	<u>Assessed</u>	<u>True</u>	<u>Assessed</u>	<u>True</u>	<u>Assessed⁽¹⁾</u>	<u>True</u>
2013	\$414,201,660	\$9,069,862,050	\$135,129,099	\$1,736,060,994	\$549,330,759	\$10,805,923,044
2014	380,188,860	8,250,836,720	137,722,914	1,785,430,842	517,911,774	10,036,267,562
2015	389,892,460	8,466,308,860	143,192,835	1,867,523,548	533,085,295	10,333,832,408
2016	398,138,830	8,653,428,450	147,487,771	1,910,910,660	545,626,601	10,564,339,110
2017	411,907,320	8,947,211,680	144,756,816	1,874,515,236	556,664,136	10,821,726,916

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

Sources: School District's Comprehensive Annual Financial Report for fiscal year ended June 30, 2018.

Estimated Assessed and True Value of Taxable Property

The following table sets forth a breakdown of the estimated tax year 2017 assessed value and estimated tax year 2017 true value by type of property:

<u>Classification of Property</u>	<u>Assessed Value⁽¹⁾</u>	<u>Estimated True Value</u>
Real Property (including Mobile Homes)	\$411,907,320	\$ 8,007,608,616
Motor Vehicles	67,157,211	1,305,557,428
Public Utilities and Railroads	29,604,690	575,524,540
Manufacturing Property	15,315,620	297,740,498
Marine Equipment/Boats/Planes	1,882,440	36,595,229
Business Personal – Auditor	8,381,695	162,942,803
Business Personal Property – State	13,919,610	270,601,622
Fee-in-Lieu	<u>8,495,550</u>	<u>165,156,180</u>
TOTALS	\$556,664,136	\$10,821,729,916

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

Source: County Auditor.

Exempt Manufacturing Property

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

Budget Procedure

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

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

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

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

Tax Collection Procedure

Taxes are collected for County and school purposes as a single tax bill which must be paid in full by the individual taxpayer. Real and personal taxes are payable without penalty on or before January 15 of each year with the exception of taxes on motor vehicles. All personal property taxes on motor vehicles are due on or before the last day of the month in which the license tag for motor vehicles expires. When taxes are not paid on or before January 15, a penalty of 3% is added thereon; if not paid on or before February 1, an additional penalty of 7% is added; if not paid on or before March 16, an additional penalty of 5% is added and the taxes go into execution. The County Treasurer is responsible for the collection of delinquent taxes and is empowered to sell so much of the defaulting taxpayer’s estate – real, personal or both – as may be sufficient to satisfy the taxes.

Millage Rates

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

	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
Operations	298.0	304.0	319.0	321.2	331.6
Debt Service	<u>108.0</u>	<u>108.0</u>	<u>108.0</u>	<u>108.0</u>	<u>108.0</u>
Total	406.0	412.0	427.0	429.2	439.6

Source: School District.

Tax Collections

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

<u>Tax Year</u>	<u>Taxes Levied</u>	<u>Current Collections</u>	<u>% Total Levied</u>	<u>Delinquent Collections</u>	<u>Total Tax Collections</u>	<u>% Total Levied</u>
2014	\$189,847,194	\$180,132,555	94.9%	\$5,741,862	\$185,874,417	97.9%
2015	196,680,705	185,422,876	94.3	5,811,445	191,234,321	97.2
2016	205,108,413	195,103,235	95.1	4,661,425	199,764,660	97.4
2017	208,589,109	198,444,887	95.1	5,089,424	203,534,311	97.6
2018*	220,168,204	188,592,313	85.7	2,052,150	190,644,463	86.6

* Through January 31, 2019.

Note: Each tax year corresponds to the succeeding fiscal year (e.g. Tax Year 2017 corresponds to 2017-2018 Fiscal Year; this chart includes reimbursements received from the Homestead Exemption Fund pursuant to Act 388.

Source: County Treasurer.

Ten Largest Taxpayers

The ten largest taxpayers in the School District, the 2018 tax year assessed value and School District taxes paid as of January 31, 2019, by each are shown below:

<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>School District Taxes Paid</u>	<u>% of Tax Levy</u>
South Carolina Electric & Gas	\$21,195,710	\$9,317,634	3.68%
Blue Cross – Blue Shield	9,188,180	3,709,949	1.47
JTEK North American Corp.	7,537,650	1,125,369	0.44
The Kroger Co	2,500,180	1,099,079	0.43
Fairfield Electric Co-op Inc.	2,072,860	911,229	0.36
Bellsouth Telecommunications	1,975,900	868,606	0.34
Edward Rose Development LLC	1,941,100	853,308	0.34
Time Warner Cable SE LLC	1,917,580	842,968	0.33
FN America LLC	1,913,930	830,608	0.23
Shakespeare Company LLC	1,424,830	628,259	0.25

Source: County Treasurer.

FINANCIAL INFORMATION

Five-Year Summary of General Fund Operations

The following table sets forth a summary of the School District's General Fund operations for the Fiscal Years ended June 30, 2014, 2015, 2016, 2017 and 2018.

School District No. 2 of Richland County Summary of Revenues, Expenditures and Changes in Fund Balances - General Fund Fiscal Years Ended June 30, 2014 through June 30, 2018

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>Revenues:</u>					
Local	\$ 86,572,626	\$ 88,551,305	\$ 90,213,995	\$ 96,154,058	\$ 98,316,624
State	135,775,297	142,205,131	148,226,198	157,595,779	168,210,278
Federal	380,933	393,463	233,775	230,102	298,988
Intergovernmental	<u>92,980</u>	<u>164,177</u>	<u>174,437</u>	<u>258,128</u>	<u>181,149</u>
Total Revenues	\$222,821,836	\$231,314,076	\$238,848,405	\$254,238,067	\$267,007,039
<u>Expenditures:</u>					
Instruction	\$136,374,511	\$142,264,939	\$147,802,165	\$151,298,356	\$155,545,436
Support Services	83,546,117	88,023,440	93,330,048	100,827,570	107,003,627
Community Service	1,112,303	1,023,228	285	53,502	199,544
Intergovernmental	1,242,356	1,218,289	1,128,961	1,245,588	1,233,301
Capital Outlay	<u>53,986</u>	<u>73,119</u>	<u>345,997</u>	<u>109,197</u>	<u>584,414</u>
Total Expenditures	\$222,329,273	\$232,603,015	\$242,607,456	\$253,534,213	\$264,566,322
Excess of Revenues over (under) Expenditures	\$ 492,563	\$ (1,288,939)	\$ (3,759,051)	\$ 703,854	\$ 2,440,717
<u>Other Financing Sources (Uses)</u>					
Sale of Capital Assets	\$ 45,849	\$ 3,812	\$ ---	\$ 216	\$ 2,139
Transfers In	6,201,055	6,819,514	6,634,668	7,851,993	7,618,831
Transfers Out	<u>(2,154,816)</u>	<u>(4,235,670)</u>	<u>(2,275,664)</u>	<u>(2,621,118)</u>	<u>(3,290,691)</u>
Total Other Financing Sources (Uses)	\$ 4,092,088	\$ 2,587,656	\$ 4,359,024	\$ 5,231,091	\$ 4,330,279
Net Change in Fund Balance	\$ 4,584,651	\$ 1,298,717	\$ 599,973	\$ 5,934,945	\$ 6,770,996
Fund Balance - July 1	<u>\$ 33,784,265</u>	<u>\$ 38,368,916</u>	<u>\$ 39,667,633</u>	<u>\$ 40,267,606</u>	<u>\$ 46,202,551</u>
Fund Balance - June 30	<u>\$ 38,368,916</u>	<u>\$ 39,667,633</u>	<u>\$ 40,267,606</u>	<u>\$ 46,202,551</u>	<u>\$ 52,973,547</u>

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

Financial Statements

The financial statements for the fiscal years ended June 30, 2014 through June 30, 2018 were audited by Burkett & Burkett, Certified Public Accountants, P.A. A copy of the general purpose financial statements of the School District. A copy of the general purpose financial statements of the School District for the year ended June 30, 2018, is attached to this Official Statement as Appendix A. Copies of complete comprehensive annual financial reports for Fiscal Year ended June 30, 2018, and prior years are available for inspection at the School District offices or on the School District's website.

Management Discussion

For Fiscal Year 2017-18, the General Fund ended the year with a surplus of \$6,770,996, which increased the total fund balance to \$52,973,547. General Fund Revenues exceeded budget by \$382,973 and expenditures and other sources (uses) came in under budget by a net of \$6,388,023 (use net of variance of total expenditures and total other financing sources and (uses)). Overall, the General Fund balance represents a little over 19.3% of the Fiscal Year 2017-18 operating revenue budget.

The School District conservatively budgeted revenue in the General Fund for the 2017-18 Fiscal Year using a base student cost of \$2,435, resulting in a budget of \$75,850,912 related to Education Finance Act funding. County Council approved an appropriation based on revenue derived from a tax levy of 321.2 mills for general operations.

For Fiscal Year 2018-19 the School District has a balanced budget of \$284,616,391. The budget includes local property tax revenue of \$101,893,890, Education Finance Act of \$77,726,361, Property Tax Relief of \$50,392,895, and other state and local revenue of \$54,603,245. Millage was budgeted to increase by 10.4 mills, which was below the millage cap.

Revenues

The audited financial statements of the School District for the year ended June 30, 2018, indicate that 36.8% of general fund revenues came from local sources, 63.0% came from the State, and 0.2% came from other sources.

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

School District General Fund Revenues from Ad Valorem Taxes

<u>Fiscal Year</u>	<u>Amount*</u>
2013-14	\$80,543,130
2014-15	82,381,447
2015-16	84,937,693
2016-17	90,298,744
2017-18	92,165,519

*Does not include revenue in lieu of taxes or penalties and interest on delinquent taxes.

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

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

<u>Fiscal Year</u>	<u>General Fund</u>	<u>Special Revenue</u>	<u>Totals</u>
2013-14	\$135,775,297	\$23,116,484	\$158,891,781
2014-15	142,205,131	22,271,810	164,476,941
2015-16	148,226,198	19,556,370	167,782,568
2016-17	157,595,779	20,215,095	177,810,874
2017-18	168,210,278	24,035,930	192,246,208

Almost all of the general fund revenues received from the State are paid to the School District under the Education Finance Act. The Education Finance Act was enacted in order to implement a basic education program, known as the Foundation Program. The State funds an average of 70% of the cost of the Foundation Program on a statewide basis, using an index of taxpaying ability to adjust the required local contribution and State contribution toward the cost of the Foundation Program. During the 2016-17 Fiscal Year, the State share of the Foundation Program for the School District was \$76,186,541 or 84% of the total cost and the School District share was \$14,865,565 or 16%. During the past five fiscal years and the current fiscal year shown below, the State's contributions to the Education Finance Act Foundation Program have been as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2013-14	\$57,000,947
2014-15	61,228,465
2015-16	64,493,667
2016-17	70,312,436
2017-18	76,186,540
2018-19 ⁽¹⁾	77,726,361

⁽¹⁾ Projected.

Education Finance Act Litigation. On November 1, 1993, 29 small South Carolina school districts (not including the School District), brought an action against the State and various state officials in an action styled Abbeville County School District, et al. v. The State of South Carolina, et al. The complaint in this action alleged that the current method of funding school district operations in the State

discriminates against the plaintiff school districts. The plaintiffs further alleged that they were entitled to various forms of relief, including a declaration that the Education Finance Act is unconstitutional in that it discriminates against smaller school districts, and a court order requiring the State to revise the present school funding method to remove the discriminatory effects of such method. In September 1996, the trial court ruled against the plaintiffs in this action, and plaintiffs appealed. On April 22, 1999, the Supreme Court of South Carolina issued its opinion in the matter. Abbeville County Sch. Dist. v. South Carolina, 515 S.E.2d 535 (S.C. 1999). The Court held that the Education Finance Act is constitutional. The Court dismissed several other federal constitutional challenges to the current method of funding school district operations in the State; however, the Court held that the State Constitution “requires the General Assembly to provide the opportunity for each child to receive a ‘minimally adequate’ education.”

The Court defined broadly what a “minimally adequate” education means as the ability to read, write, and speak English and to know math, science, history and vocational skills. The Court remanded the case to the lower court system in the State for determination of whether this standard is met. This case was heard in South Carolina Circuit Court before Judge Thomas W. Cooper, Jr.

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

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

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

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

Education Improvement Act. Almost all of the special revenues received from the State are paid to the School District under the Education Improvement Act of 1984 (the “EIA”). The EIA was enacted in order to improve the quality of public education in the State, through special programs and incentives. The EIA program is funded with the special fund created by a 1¢ increase in the general sales tax. Amounts received by the School District under the EIA are restricted to the programs authorized or mandated by the EIA. During the past five fiscal years and the current fiscal year shown below, the State contributions to the School District under the EIA program have been or are projected to be as follows:

State Contributions to EIA Program

<u>Fiscal Year</u>	<u>Amount</u>
2013-14	\$20,101,967
2014-15	19,110,992
2015-16	16,076,246
2016-17	18,028,745
2017-18	19,382,823
2018-19 ⁽¹⁾	23,094,755

⁽¹⁾ Projected.

Investment Policies

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

Adjustments to State Funds

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

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

Fringe Benefits, Retirement and Health Insurance

The School District contributes to the South Carolina Retirement System (the “SCRS”), a cost sharing, multiple employers, defined benefit pension plan. The SCRS provides both retirement and death benefits on an employee and employer contribution basis. Act No. 278 of 2012 amended prior laws regarding the SCRS in several material aspects. For example, employer and employee contributions, excluding group and health insurance components, increased as follows:

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

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

- Increased the employer contribution rate by 2% to 13.56% beginning July 1, 2017. Employer rates will continue to increase annually by 1% through July 1, 2022, which would result in the employer rate totaling 18.56% for Fiscal Year 2022-23 and thereafter.
- Increased and capped the employee contribution rate to 9% as of July 1, 2017.
- After June 30, 2027, authorizes the decrease in employer and employee contribution rates in equal amounts if the ratio between the actuarial value of SCRS Assets and the actuarial value of SCRS liabilities is equal to or greater than 85%.
- Effective July 1, 2017, lowered the assumed annual rate of return from 7.5% to 7.25% and provides for a reset of the assumed rate of return every four years.
- Reduced the funding period (or amortization period) of unfunded liabilities, beginning in Fiscal Years 2017-18, from 30 years to 20 years for Fiscal Year 2027-28 and thereafter.

The School District’s contribution to the SCRS for the years ending June 30, 2018, 2017 and 2016 were \$29,799,307, \$26,184,600 and \$24,623,214, respectively. The School District’s contributions were at the actuarially required contribution rates. Employer contributions for the 2018-2019 fiscal year are set at 14.41% of the total member’s annual contribution, plus 0.15% for group life insurance, and 6.05% for retiree health insurance, for a total of 20.61%. Based on the School District’s best estimates at this time, the increase in retirement expenses for the 2018-19 fiscal year will be approximately \$2,031,182, of which increased State revenues are expected to reimburse approximately \$1,547,000, leaving a net increase to the School District’s retirement contribution of approximately \$484,176.

Insurance

The State Supreme Court, in the case of McCall v. Batson on April 18, 1985, abolished the doctrine of sovereign immunity in the State. In response to this decision the General Assembly in its 1986 session enacted the South Carolina Tort Claims Act which reestablished a qualified doctrine of sovereign immunity with respect to local government in the State. Subject to specific immunity set forth in the South Carolina Tort Claims Act, as amended, 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 South Carolina Tort Claims Act. Insurance protection to local government is provided from either the Insurance Reserve Fund established by the State Fiscal Accountability Authority, private carriers, self-insurance or pooled self-insurance fund. The School District has purchased insurance from commercial insurers and believes the coverage provided is adequate.

General Fund Budget

The following is a summary of the School District's General Fund Budget for the 2017-2018 and 2018-2019 Fiscal Years:

Summary of School District Budget (General Fund Only)

	FY 2017-2018 <u>Budget</u>	FY 2018-2019 <u>Budget</u>
<u>Estimated Revenues:</u>		
Local Sources	\$100,422,171	\$104,747,048
State Sources	173,090,419	179,469,343
Federal Sources	250,000	250,000
Intergovernmental Sources	<u>150,000</u>	<u>150,000</u>
Total Revenue	<u>\$273,912,590</u>	<u>\$284,616,391</u>
<u>Estimated Expenditures:</u>		
Salaries	\$173,161,320	\$177,758,362
Benefits	65,928,364	70,926,147
Utilities (Gas, Electric, Water, Sewer)	11,138,192	11,222,828
Property Contracts	9,786,395	10,087,802
Repairs and Maintenance	1,165,764	1,165,764
Purchased Services	4,205,519	4,347,328
Supplies and Equipment	6,242,712	6,823,836
Other	<u>2,284,324</u>	<u>2,284,324</u>
Total General Fund Expenditures	<u>\$273,912,590</u>	<u>\$284,616,391</u>

ECONOMIC AND DEMOGRAPHIC INFORMATION

Location, History and Agriculture

The County is located in the central portion of the State and has an area of approximately 756 square miles. The City of Columbia (the “City”) is the County seat and is also the State capital.

According to the U.S. Department of Agriculture 2012 Census of Agriculture, the County had 60,836 acres of land in farms. In 2012, the latest year for which information is available, the County ranked 33rd of the State’s 46 counties in agricultural production. Cash receipts for crop and livestock production in the County in 2012 amounted to \$30,038,000, including crops at \$23,096,000, and livestock and livestock products at \$6,942,000. The County’s main crops in 2012 included corn, wheat, winter wheat, soybeans and peanuts.

The County’s land area is about 68% forested, and the County ranks 19th among the State’s 46 counties in delivered value of timber. The delivered value of harvested timber sold in 2015, the latest year for which information is available, was \$24,040,901.

Commerce and Industry

Highlights of the County’s recent recruitment activity include the following new and expanding companies:

In January 2019, Miwon Specialty Chemical Co. USA announced its plans to locate a new 65,000 square-foot production facility in the County. Miwon is a specialty chemical manufacturer of raw materials. The company’s \$195 million investment is projected to create 25 new jobs. The facility is expected to come online in the third quarter of 2020, with hiring projected to begin in the first quarter of 2020.

In December 2018, Owens Corning, a developer and producer of insulation, acquired an existing manufacturing facility in the County, where it will manufacture coated, non-woven projects for a variety of applications within the North American building materials industry. The company’s \$13.6 million capital investment is projected to bring 16 new jobs.

In August 2018, Capgemini, a global consulting and technology firm, announced its plans to expand its operations in the County with the opening of an advanced technology and development center. The new center is projected to create at least 200 jobs, with the potential for additional positions in the future.

In September 2018, Experience Columbia held its ribbon cutting ceremony for the brand new state-of-the-art Columbia SC Visitors Center. The 500 square-foot facility will be a resource for visitors and City of Columbia residents to find gift items, purchase tickets for area attractions and even embark on a walking tour.

Colite International, a world leader in full-service sign manufacturing, announced in March 2018 a \$2.5 million investment into its current operations in the County. The investment will allow the purchase of state-of-the-art equipment to keep the company competitive in national and international markets.

In January 2018, Carolina’s Rigging & Crane and Charleston’s Rigging & Marine Hardware, manufacturers and suppliers of wire rope, rigging and safety solutions for a wide variety of industries,

announced plans to expand operations in Charleston and Richland Counties. In the County, the company will move into an existing manufacturing complex adjacent to the Pineview Industrial Park. This facility, complete with multiple overhead bridge cranes, large fabrication area and a crane and rigging safety training center, will help support Carolina's Rigging & Crane customers in the Midlands and throughout the Southeast. To accommodate its growth in the County, Carolina's Rigging & Crane will be adding 17 jobs in the County. The joint investment of \$3.4 million is expected to create 35 new jobs.

In November 2017, The Ritedose Corporation, a pharmaceutical products manufacturer, announced plans to invest \$10 million constructing a new 140,000 square foot facility within the Enterprise Industrial Campus of Midlands Technical College. The latest expansion is in addition to plans announced in 2014 to add 80,000 square feet to their existing 120,000 square foot facility, investing \$110 million and creating 65 new jobs. The Ritedose Corporation specializes in the production of inhalation products, eye drops, ear drops and oral liquids.

In November 2017, Woodfield Systems USA, a designer and manufacturer of bulk liquid and gas handling equipment, announced plans to establish a new manufacturing center in Richland County. In connection with these plans, the company intends to invest \$1.5 million and create 50 new jobs. The company's Richland County operations will produce loading arms, metering and process skids to support the loading and unloading of bulk tanker trucks and rail cars in the refined fuel, industrial and chemical and industrial HVAC markets.

In September 2017, Charter Nex, one of North America's leading independent producers of high-performance specialty films used in flexible packaging and other critical performance applications, announced plans to invest \$85 million and create 110 new jobs in connection with its proposed 140,000-square-foot facility to be constructed in the Carolina Pines Industrial Park in the County.

In August 2017, Trane, a leading global provider of indoor comfort systems and services, announced plans to expand its existing operations in the County with a capital investment of \$96 million and the creation of 700 new jobs. Trane currently has approximately 600 employees in the State. The company's existing facility will increase in size by 680,000 square feet once the expansion is completed.

In May 2017, China Hengshi Foundation Company, a fiberglass fabric provider, announced plans to occupy a 111,000-square-foot facility located in the City. The company's new operations are expected to bring \$11.1 million in capital investment and lead to the creation of 48 new jobs. Founded in 2000, China Hengshi specializes in the research, development, production and marketing of a variety of fiber-weaving products for export around the world. Primarily used in wind turbine blades, the company's products are also used, for example, in space flight, aviation, construction, transportation, and environmental protection.

In April 2017, LuLaRoe, a national provider of women's and men's clothing, is locating a new distribution center in the County. This project is expected to bring approximately \$35 million of new capital investment and create 1,000 new jobs over the next few years. Founded in 2013 in California, LuLaRoe clothing is sold by more than 80,000 Independent Fashion Retailers through the U.S.

In March 2017, Alimex, a producer of precision aluminum plates, announced the establishment of a new \$2 million manufacturing facility in the County. The investment is expected to create 27 new jobs over five years. Founded in Germany, Alimex supplies the worldwide metal distribution, machining and processing industry with high-precision aluminum cast plates.

In January 2017, TCube Solutions, a software services provider and innovation firm, announced plans to expand its existing operations in the County which will create 100 new jobs. To accommodate its continued growth, the company is investing \$1.7 million in a new 25,000 square-foot facility in the First

Base Building at Spirit Communications Park, and adding additional equipment. Founded in 2007 with the assistance of the USC-Columbia Technology Incubator program, TCube provides software systems implementation, configuration, maintenance and integration services to insurance industry clients worldwide.

In June 2016, China Jushi, a global manufacturer of fiberglass products, announced the location of their first U.S. manufacturing operating in the County, with an expectation to produce 80,000 tons of fiberglass annually. The first phase of the project is expected to bring \$300 million in capital investment and create 400 new jobs. Once completed, the project is expected to become the largest consumer of water and sewer service from the City. China Jushi broke ground on December 8, 2016. The first phase of the project is anticipated to be completed in early 2019.

In April 2016, IBM, USC and Fluor Corporation held the ribbon cutting for the Center for Applied Innovation. The Center will provide application services to both public and private sector organizations across North America with specialties in the areas of analytics and higher education industry solutions. As part of the initiative, the organizations will collaborate on tailored IT curriculums and advanced analytic techniques for personalized learning. The Center is expected to create 100 new jobs over five years.

In January 2016, Dominion Carolina Gas Transmission announced its plans to establish operations in the County. Dominion's new facility will incorporate 120,000 square feet of office space on a nine acre campus. This move comes on the heels of their acquisition of Carolina Gas Transmission from SCANA Corporation. Dominion is expected to invest \$10 million in its new facility as well as bring around 100 high wage paying jobs to the County.

University of South Carolina

The University of South Carolina's ("USC") main campus is located in downtown Columbia. USC, along with the USC Development Foundation, the City and the University Neighborhood Association collaborated to develop the Inn at USC, a state-of-the-art hotel with 117 rooms, including several two-room suites, three deluxe suites with fireplaces, and spacious meeting and seminar rooms. The Inn at USC joined the Wyndham Hotel Group in August 2012 and is now known as the Inn at USC Wyndham Garden Columbia. The Inn is the first Wyndham Garden hotel in South Carolina. The Inn at USC Wyndham Garden Columbia is adjacent to, and services the National Advocacy Center. Marriott purchased and renovated another hotel on USC's Columbia campus. The Courtyard Marriott opened in 2007, with 189 rooms, 16 suites, and three meeting rooms with a capacity of 600.

USC's main campus is home to the Colonial Life Arena - the largest arena in the State with 18,000 seats, and the tenth-largest on-campus basketball facility in the nation. This one-of-a-kind facility features 41 luxury suites, four entertainment suites, and a full-service hospitality room with capacity for 300. Also located on USC's main campus is the Strom Thurmond Wellness and Fitness Center and the Greek Village, which consists of 20 residential housing units, each accommodating 35 to 40 resident students. Located on a 29-acre tract along the Congaree River near downtown Columbia is the USC baseball stadium built in 2009 with a seating capacity of 8,242.

USC formed a public/private partnership with partners in business and government to build a 500-acre research campus called "Innovista" in downtown Columbia for research on hydrogen and other technologies. Innovista facilities consist of the Arnold School of Public Health and two research complexes: Horizon Center and Discovery Plaza. The Arnold School of Public Health, situated on a \$22 million, 104,860-square-foot facility, is the only school of public health in the State. Students become equipped to receive master and doctoral degree programs in public health, medicine, pharmacy,

environment, kinesiology, physical therapy and health systems management. The exercise science program is ranked one of the top five nationally. Horizon I contains 125,000 square feet of dry lab and wet lab space, and is home to the National Science Foundation Industry/University Cooperative for Fuel Cell Research. Discovery Plaza I houses a wet lab with vivarium lab for USC biomedical scientists. The second building in each complex will be for private tenants and their research teams, working on projects related to those of the USC researchers, and each complex will have its own attached parking deck. Horizon II is a privately developed, five-story, 110,000-square-foot office/dry lab building, currently under construction. Discovery II is in the design and programming phase. Tenants will include private-sector firms and governmental units with collaborative USC research relationships. Innovista provides walking and bike paths tying its buildings and parking to Riverfront Park, the USC baseball stadium, and the Strom Thurmond Wellness & Fitness Center. The total investment for the first phase of construction was approximately \$140 million, with the total investment in Innovista expected to reach \$250 million at completion. The new, 250,000 square-foot, \$90 million Darla Moore School of Business, also located in Innovista opened for classes for the Fall 2014 semester.

In May 2017, the University of South Carolina School of Law, located in downtown, opened its new \$80 million, 187,500 square-foot facility at Bull and Gervais streets. The building features 17 classrooms, ranging in size from 20 to 95 seats, and two realistic courtrooms, including one that also can be used as a 300-seat auditorium. The new School of Law building anchors a legal corridor along the north edge of the campus that comprises the school's Children Law Center, the National Advocacy Center, the South Carolina State House, Supreme Court and Court of Appeals.

The 60,000 square-foot, \$26 million Alumni Center, located in the Vista, opened in the summer of 2015 and is a place for alumni engagements and to celebrate life's milestones.

Located on the USC campus adjacent to the Strom Thurmond Fitness Center, Moore Business School, Colonial Life Arena and Greek Village is 650 Lincoln - a private, resort-style student housing development including a six-story, 919-bed apartment complex which opened in 2016. The complex features two- and four-bedroom apartments, a campus dining facility, gaming lounge, a fitness center, outdoor dining terrace and courtyard, a pool and other high-end amenities.

Partners in Off-Campus Living are privately-owned apartment complexes that have a close working relationship with the University of South Carolina's Off-Campus Student Services Office, and cater their services directly to USC students. Several of the off-campus apartment complexes are: Greene Crossing, 21 Oaks, Pulaski Square, The Lofts at USC, Station at Five Points, The Hub on Compass, Riverside and Aspyre.

Downtown Columbia

In November 2018, a grand opening was held for The Busby Street Community and Resource Training Center. The complex is comprised of two buildings, the Columbia Parks & Recreation Department's 6,968-square-foot community center and the Columbia Police Department's 1,439-square-foot Office of Community Services. The community center houses a large multipurpose room that can be divided into three smaller meeting spaces, state-of-the-art audiovisual equipment, three office spaces, a kitchen and conference room. The Police Department's Office of Community Services is also equipped with state-of-the-art audiovisual equipment, three office spaces and a conference room. The Busby Street Complex also includes a playground and walking trail.

The Commons at Bull Street is a 181-acre, planned development intending to provide a live-work-play community in the City's downtown. The first phase of development includes The First Base (office) Building and Bone-In Barbeque, a restaurant which opened in June 2018. The 196-unit Merrill

Gardens, a senior-living community, and 28 residential townhomes, are each under construction. The historic Bakery at Bull Street building is home to the SOCO co-work and event space. The Central Energy Facility is the future home of Downtown Church and plans are being formulated to locate a new USC Health Sciences campus on The Commons at Bull Street.

Station at Five Points Apartments is a new student housing complex including one, two, three, and four bedroom apartments, with numerous amenities, including electronic building access, study rooms, a 24-hour business center, community-wide high-speed Wi-Fi, media center, fire pit and grilling area, fitness center, pool, gaming room and golf simulator.

Empire is a new private student housing complex located a few blocks from the USC Horseshoe featuring one, two, three, four and five bedroom apartments with private parking and street-level retail. The latest entry into downtown's upscale student housing market includes two glass-covered towers 12-stories high, with a theater, fitness center and rooftop pool. It is situated along Assembly, Pendleton and Park streets, across Assembly from the State House. Construction of the \$60 million, 435,000-square-foot complex was completed in 2018.

In January 2018, the Hunter-Gatherer Brewery opened in Columbia's historic Depression-era Curtiss-Wright hangar at Jim Hamilton-L.B. Owens Airport. The hangar underwent a complete renovation and re-opened as a craft brewery owned and operated by Hunter Gatherer. The brewery takes up the entire 13,000-square-foot hangar and includes a tap room, event space, an open-to-the-public brewery and an observation deck overlooking the commuter airport near Rosewood Drive.

In November 2017, the City announced the Azurest at Heritage Creek project, will be located in the City's northern area. The project is a mixed-use development of commercial, residential and retail space to include single- and multi-family housing, retail and recreation to 80, currently-undeveloped, acres. The development is expected to include more than 100 homes, a senior assisted-living facility, a school, boutique shops, medical clinics, and restaurants.

In August 2017, University of South Carolina trustees approved a \$460 million plan to transform the south side of USC's downtown Columbia campus into a 3,750-bed "Campus Village" student housing complex. The 18-acre site – bordered by Pickens, Heyward and Sumter streets – call for cast-stone or brick buildings of up to six stories, a 945-space parking garage, several courtyards, retail shops, a cafeteria and restaurants.

Downtown Columbia's 1600 block of Main Street continues its transformation. Anchored by early adopters Mast General and the Nick Theater, the block now contains a yoga studio, wine parlor, event venue, vegan restaurant, boutique cigar store, specialty ice cream shop, bowling alley, golf driving range entertainment facility, and a web development company. In addition to the numerous retail establishments, restaurants, and businesses, Main Street is also home to Soda City and Famously Hot New Year's celebration. Soda City is Columbia's Main Street Farmers Market open every Saturday from 9am – 1 pm, year round. Soda City offers visitors the opportunity to shop for gifts, fresh produce, locally-sourced fresh and prepared food, and craft items. Columbia's Famously Hot New Year's Celebration is South Carolina's largest New Year's Eve event, hosted on Main Street. Started in 2011, Famously Hot New Year is a free, outdoor celebration that draws a diverse, all-ages crowd of tens of thousands of guests – from 48 states and 11 countries – to downtown Columbia.

Spirit Communications Park ("Park"), home to the Columbia Fireflies, an affiliated Minor League Baseball team, hosted its first game in April 2016. The Park is a state-of-the-art, multi-use sports and entertainment venue situated in "The Commons at Bull Street" in Downtown Columbia. The Park was named the 2016 Ballpark of the Year by Ballpark Digest. The Park will anchor various projects at The Commons at Bull Street. The Columbia Fireflies staffs approximately 550 part-time and 35 full-time employees. The Park seats approximately 8,000 fans for baseball games and 14,000 for concerts.

Columbia Marriott located on Main Street in Downtown Columbia invested approximately \$12 million in renovations to its facilities. A new restaurant concept was a main focus of the renovations, which included updates to all guest rooms and suites and a broad transformation throughout the lobby, the concierge lounge, and the hotel's 27,000-square-foot of meeting space. A 20-story office building adjoining the Columbia Marriott was, after the relocation of its primary tenant, renovated and converted in 2015 into an 850-bed apartment facility targeted to USC students.

Vista

The City, in cooperation with the County and neighboring Lexington County, constructed a 142,500 square-foot, state-of-the-art meeting and convention center in the downtown "Vista" area at a cost of \$40 million. The Columbia Metropolitan Convention Center is complemented by a 222-room, full service Hilton Convention Center Hotel, along with an adjacent 829-space parking garage serving the hotel, convention center and area businesses. Other major projects in the Vista area include renovation of the historic South Carolina Dispensary Warehouse for reuse as a Publix grocery store and condominiums, and the development of Canal Front Park along the Columbia Canal.

Residential projects in the Vista include Justice Square Town Homes, a 12-unit residential project. In addition, Renaissance Plaza Apartments provides live/work residential units, with 17 small storefronts and professional offices and 55 condominiums. The Canal Side development consists of 25 acres and 750 total units of single-family attached, detached and multi-family residential options, a central park area, open space adjacent to the Congaree River and Columbia Canal, and a limited amount of complementary retail and commercial space. In addition to the above, many businesses, including over 60 restaurants and bars, approximately 40 art galleries and specialty shops, hotels, banks, retail stores, and other office buildings have been or are currently under development in the Vista area.

In and near the Vista are various museums and theatres, including the Columbia Museum of Art, the Historic Columbia Foundation, the South Carolina Confederate Relic Room and Military Museum, the South Carolina State Museum, the Koger Center for the Arts, EdVenture Children's Museum, and the Trustus Theatre.

In February 2017, the new Aloft Hotel opened, bringing a new, unique boutique hotel option to the Vista. The five-story, 107 room hotel provides another contemporary and artsy offering for those looking to stay downtown providing easy walking access to most restaurants and the Convention Center. Aloft is a spinoff of the Starwood company's trendy W hotels.

In August 2016, Congaree Vista Guild announced the opening of four housing developments: The Apartments at Palmetto Compress, GreeneCrossing, ParkPlace, and 650 Lincoln, which all offer residents an urban environment convenient to the University of South Carolina, shops, restaurants, nightlife and more. These developments have added approximately 2,000 new residents to the population of Vista, and estimated to now include 5,000 residents, doubling the resident population in the Vista.

In March of 2015, Hyatt Place opened their new Columbia hotel downtown in the heart of the Vista. The hotel represents an \$18 million investment to the popular downtown hotel market, providing guests access to the most popular entertainment district in the City. The hotel features 130 guestrooms, a 24-hour gym with an indoor pool, and more than 2,000 square feet of flexible, high tech meeting space.

The Vista offers various hotels and places to stay overnight, including the Courtyard Columbia Downtown at USC, the Hampton Inn Downtown Historic District, the Holiday Inn Express and Suites, the Sheraton Columbia Downtown, the Springhill Suites Columbia Downtown, Staybridge Suites, the Hyatt Place, and Aloft.

In addition to the above, many businesses, including restaurants, hotels, banks, retail stores, apartments and other office buildings, have been or are currently under development in the Vista area.

Fort Jackson

Fort Jackson ("Fort") was established in 1917 and designated as a permanent post of the United States Army in 1940. The Fort is the largest and most active Initial Entry Training Center in the United States Army, providing training to 54% of the Army's Basic Combat Training load and 61% of the women who enter the Army each year. While some installations have experienced downsizing and closure in past years, the Fort has added several new schools and training institutions since 1995, including the Army's Drill Sergeant; Master Fitness and Master Resiliency Schools; the Soldier Support Institute and their Adjutant General, Financial Management, Non-Commissioned Officers Academy, and Inter-Service Postal Training Activity; the National Center for Credibility Assessment; and the Armed Forces Chaplaincy Center and School training Army, Air Force, and Naval Chaplains. These schools and training institutions provide advance training to over 24,000 students.

More than 3,500 active duty soldiers and their 12,000 family members are assigned to the Fort. The Fort instructs more than 50,000 soldiers in basic training and advanced individual training each year. The Fort employs almost 3,500 civilians and provides services for more than 46,000 retirees and their family members.

The Fort also provides numerous support services for soldiers and their families, including the Moncrief Army Community Hospital ("Moncrief"), a 60-bed general medical and surgical hospital located on the base. Moncrief provides primary care, immunization services, lab services, radiology services, and behavioral health services to personnel and families assigned to the Fort, the Shaw Air Force Base, along with thousands of military retirees living in the midlands area.

The Fort, annexed into the City in October 1968, has a significant economic impact on the midlands area, contributing approximately \$2.2 billion to the local economy. In addition, approximately 200,000 friends and family members visit the midlands area each year to attend basic training graduation activities, using local hotels, restaurants and shopping areas. The Fort encompasses more than 52,000 acres of land including over 100 ranges and field training sites and 1,160 buildings. Recent improvements include a Basic Combat Training star base, dual dining facility, Family Life and Resiliency Center, the 80 Regional Reserve Command and a Residential Communities Initiative which will result in the demolition and renovation of 640 new and 210 renovated homes for Army families.

Approximately 15,000 acres of the 52,000-acre base are licensed to the South Carolina Army National Guard, which operates the McGrady National Training Center. The McGrady National Training Center is responsible for training members of the South Carolina Army National Guard and is the central training facility for Navy and Air Force Personnel assigned as Individual Augmentees.

Capital Investment

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

<u>Year</u>	<u>Capital Investment</u>	<u>Jobs Created</u>
2014	\$ 33,600,711	490
2015	7,515,000	265
2016	415,000,000	879
2017	254,050,000	2,076
2018	29,505,496	296
2019*	19,500,000	25

* Through February 8, 2019.

Source: South Carolina Department of Commerce.

Population Growth

The following table shows population information for the County for the last five decades for which census figures are available, including 2017 estimates, with figures for the State and the United States for comparison purposes.

	<u>Richland County</u>		<u>South Carolina</u>		<u>United States</u>	
	<u>Population</u>	<u>% change</u>	<u>Population</u>	<u>% change</u>	<u>Population</u>	<u>% change</u>
1970	233,868	-	2,590,516	-	203,302,031	-
1980	269,735	15%	3,121,820	21%	226,545,805	11%
1990	286,321	6	3,486,703	12	248,709,873	10
2000	320,779	12	4,012,012	15	281,421,906	13
2010	384,504	20	4,625,364	15	308,745,538	10
2017*	411,592	7	5,024,369	9	325,719,178	5

*Estimate

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

Per Capita Personal Income

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

<u>Year</u>	<u>County</u>	<u>State</u>	<u>United States</u>
2013	\$38,291	35,665	\$44,826
2014	40,125	37,537	47,025
2015	41,946	39,424	48,940
2016	42,423	40,312	49,831
2017	43,863	41,633	51,640

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

Median Family Income

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

<u>Year</u>	<u>Columbia MSA</u>	<u>State</u>	<u>United States</u>
2014	\$58,000	\$54,300	\$63,900
2015	64,700	55,500	65,800
2016	64,100	56,100	65,700
2017	67,000	58,300	68,000
2018	69,900	62,500	71,900

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

Construction Activity

The following tables show building permits issued in the County for residential construction and commercial construction and the estimated value of construction in each of the last five years for which information is available.

<u>Year</u>	<u>Residential</u>		<u>Non-Residential</u>		<u>Total</u>	
	<u>Permits</u>	<u>Construction Cost</u>	<u>Permits</u>	<u>Construction Cost</u>	<u>Permits</u>	<u>Construction Cost</u>
2013	2,014	\$344,275,347	304	\$ 94,201,932	2,318	\$438,477,279
2014	2,494	430,563,711	234	158,407,289	2,728	588,972,000
2015	2,626	461,609,952	361	226,209,603	2,987	687,819,444
2016	2,055	371,360,491	319	221,161,201	2,374	592,521,695
2017	2,064	392,444,110	365	225,272,950	2,429	617,717,060

Source: Central Midlands Council of Governments.

Retail Sales

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

<u>Year</u>	<u>Retail Sales</u>
2014	\$11,202,170,793
2015	11,002,836,490
2016	11,168,872,837
2017	11,419,480,074
2018	11,661,031,877

Source: South Carolina Department of Revenue.

Government Employers

Governmental entities are the largest employers in the County. These entities include State and local governments (including the City and the County), the Fort (excluding military personnel), other

federal government entities and local school districts. The table below shows employment by these entities at facilities located within the County and the City as of November 15, 2018:

<u>Name</u>	<u>Approximate Number of Employees</u>
State Government	31,166
Local Government	15,617
Federal Government	19,608

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

Major Industrial Employers

The following table shows the ten largest industrial employers located within the County and the products and estimated number of employees for each:

<u>Name</u>	<u>Product</u>	<u>Number of Employees</u>
Westinghouse Electric	Nuclear fuel assemblies	1,200
Square D/Schneider Electric	Industrial electrical controls	800
International Paper Co.	Cutsized copier paper	647
McEntire Produce	Fresh produce	600
The State Media Co.	Newspaper	560
Aramark	Food and facilities management services	540
FN Manufacturing	DOD Contractor and gun manufacturing	530
LuLa Roe	Clothing distributor	500
Sysco	Food distribution	500
Pure Power Technologies	Diesel fuel components; fuel injector mfg.	373

Source: Central South Carolina Alliance.

Major Non-Industrial Employers

The following table shows the ten largest non-industrial employers located within the County, the type of business and estimated number of employees for each:

<u>Name</u>	<u>Type of Business</u>	<u>Number of Employees</u>
State of South Carolina	Government	32,085
Prisma Health	Healthcare	15,000
Blue Cross Blue Shield of SC	Insurance	10,500
University of South Carolina	Education	8,500
Richland County School District 1	Education	4,265
S.C. Department of Transportation	State Agency	4,179
Richland County School District 2	Education	3,654
S.C. Department of Health and Environmental Control	State Agency	2,982
City of Columbia	Government	2,523
AT&T	Telecommunications	2,100

Source: Central South Carolina Alliance.

Unemployment Rates

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

<u>Year</u>	<u>County</u>	<u>State</u>	<u>U.S.</u>
2014	6.0%	6.5%	6.2%
2015	5.7	6.0	5.3
2016	4.7	5.0	4.9
2017	4.3	4.3	4.3
2018	3.6	3.6	3.9

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

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

<u>Date</u>	<u>Unemployment Rate</u>
March 2018	4.0%
April 2018	2.8
May 2018	2.9
June 2018	3.7
July 2018	3.6
August 2018	3.7
September 2018	3.3
October 2018	3.3
November 2018	3.1
December 2018	3.2
January 2019	3.7
February 2019	3.1(P)

(P) Preliminary

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

Median Age and Education Levels

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

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

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

Labor Force

The composition of the civilian, nonagricultural labor force in the County, on a place-of-work basis, for the last five years for which information is available is as follows:

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Forestry, Fishing, and Related Activities	(D)	(D)	(D)	(D)	1,030
Mining	(D)	(D)	(D)	(D)	358
Utilities	562	566	487	514	485
Construction	9,304	9,425	9,037	10,090	10,472
Manufacturing	10,315	10,288	10,639	10,298	10,707
Wholesale Trade	7,523	8,211	8,150	8,077	7,935
Retail Trade	24,016	24,159	24,241	24,873	24,754
Transportation and Warehousing	3,201	3,482	4,034	4,460	4,812
Information	5,394	4,446	4,289	4,311	4,175
Finance and Insurance	20,706	20,660	20,907	21,439	21,753
Real Estate and Rental and Leasing	11,886	12,250	12,560	12,730	12,958
Professional, Scientific and Technical Services	15,947	16,097	16,852	17,069	17,283
Management of Companies and Enterprises	2,144	1,852	1,819	2,073	2,056
Administrative and Waste Services	21,946	21,815	22,936	22,934	22,507
Educational Services	6,581	6,935	6,888	7,089	6,818
Health Care and Social Assistance	27,440	28,256	29,506	30,579	31,104
Arts, Entertainment, and Recreation	4,699	4,864	4,742	4,934	5,016
Accommodation and Food Services	20,261	20,736	21,537	22,247	23,083
Other Services, Except Public Administration	14,807	15,371	16,139	16,247	16,285
Government and Government Enterprises	<u>65,456</u>	<u>65,626</u>	<u>66,899</u>	<u>66,763</u>	<u>67,067</u>
TOTALS	273,468	276,282	282,973	288,034	290,658

(D): Not shown separately to avoid disclosure of confidential information. The estimates are included in the totals.

Note: Totals may not add due to rounding.

Source: South Carolina Department of Employment and Workforce, Labor Market Information Division.

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Civilian Labor Force	190,577	193,973	198,717	200,496	199,987
Employment	177,504	182,384	187,477	190,862	191,462
Unemployment	13,073	11,589	11,240	9,634	8,525

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

Facilities Located Within or Serving Residents of the County

Transportation. Interstate highways I-77, I-26 and I-20 and a network of U.S. and State highways traverse the Columbia MSA. Rail freight service is provided by CSX Transportation and Norfolk Southern Corporation. Rail passenger service is available through Amtrak. Nationwide freight service is available through approximately 50 motor freight lines regularly serving the area. Intercity bus service is provided by Greyhound Lines, Inc.

The Columbia Metropolitan Airport (the “Airport” or “CAE”), located in the unincorporated area of Lexington County, and approximately six miles southwest of the City’s central business district, is comprised of two runways, associated taxiways, an air traffic control tower, aviation fuel storage facilities, aircraft parking aprons, a passenger terminal building, air cargo buildings, general aviation hangars and terminals, support facilities for the U.S. Army Reserve, the aeronautical facilities of the South Carolina Aeronautics Commission, roads, grounds and public parking facilities; all of which are located on approximately 2,600 acres. Air operations are conducted on an 8,600-foot x 150-foot runway and an 8,000-foot x 150-foot runway. The passenger terminal features a two-level concourse for common-use gates; a central food court within easy view of all gates; expanded airline ticket counter; baggage claim area; valet parking; and a covered walkway between the terminal and parking lot. A multi-level parking structure and surface parking lots provide a combined 3,505 public parking spaces. The Airport serves more than 1.2 million passengers annually and processes more than 168,000 tons of air cargo. A 108-acre parcel of the Airport property has been designated as Foreign Trade Zone 127 by U.S. Customs. The Columbia Airport Enterprise Park is a 435-acre industrial park located on the Airport complex. The FAA Southern Region Airports Division awarded the Airport the 2005 Air Carrier Airport Safety Award. The Airport has hired and maintained a competent, trained staff of Airport rescue firefighters, maintenance technicians and operations coordinators.

The passenger airlines currently serving the Airport are: American Airlines, Delta Air Lines, United and Via Airlines, which provide over 60 non-stop departures to 10 major airports and 9 destinations. The major air cargo companies serving the Airport include Delta, Mountain Air Cargo, Martinaire, Federal Express and United Parcel Service (“UPS”).

The Airport is the site of UPS’ southeastern region Air/Ground Hub and Sortation Station for both its Next Day Air and Second Day Air package delivery services. Using its own funds, UPS constructed a package sortation building encompassing approximately 352,000 square feet on a 50-acre site near the Airport, which it purchased from the Airport. UPS is also leasing from the Airport a 35,000 square foot office building on a nine-acre site in CAE Park which houses the 200-person staff that reconciles and administers UPS’ system-wide COD delivery services. UPS is operating with a minimum of 20 daily jet freighter arrivals and 20 departures at the Airport.

In June 2017, the Airport completed the process of transforming five acres of Airport property to a 4,320 solar farm, the first solar farm at an airport in the State. CAE dedicated \$60 million to implement environmentally-friendly projects as a part of their Enhanced Construction Opportunities Program. The solar farm is located between two runways and can produce enough energy to power 225 homes. The new solar farm is expected to save the Airport approximately \$250,000 a year.

The Jim Hamilton-L.B. Owens Airport, with a 5,011-foot x 75-foot runway and 400-foot stopway, is located in the southeast section of the City and is used by private and other small aircraft.

Medical Facilities. The County is a regional health center with five primary acute care hospitals: Prisma Health Richland, Prisma Health Baptist, and Prisma Health Baptist Parkridge (“Parkridge”), Providence Hospital and Providence Hospital North East located in Columbia. Prisma Health Baptist, Prisma Health Richland and Parkridge, comprise a portion of the newly created Prisma Health System, which was formed by a merger of the Greenville Health System and Palmetto Health (“Prisma Health”). Prisma Health offers a broad range of medical services at both Columbia campuses, such as Behavioral Health Services, The Birthplace, Chest Pain ER, Children’s Hospital, Emergency and Trauma Center, Geriatric Medicine, Prisma Health Breast Center, Prisma Health Heart Hospital, Prisma Health Cancer Center, South Carolina Comprehensive Breast Center and Stork’s Landing. Prisma Health offers a total of 12 medical residency programs at its two teaching hospitals, Prisma Health Richland and Prisma Health Baptist with more than 230 residents on staff.

Prisma Health Baptist operates at capacity of 489 acute care beds, with approximately 2,300 employees and a medical staff of over 700. The Birthplace of Prisma Health Baptist delivers more than 3,300 babies each year. There are 16 private birthing rooms that feature birthing beds, 29 postpartum rooms as well as the 13-bed Nesting Place for mother and newborn. The Birthplace also offers a high-risk antenatal obstetric unit, state-of-the-art monitoring systems and a Level III Neonatal Intensive Care Unit.

Prisma Health Richland is a 649-bed regional community teaching medical center consisting of more than 4,900 employees and a medical and dental staff of approximately 900. Prisma Health Richland offers the Midland’s only Pediatric Intensive Care Unit; a Level III Neonatal Intensive Care Unit; a day hospital featuring a pediatric sedation unit; STORK, the State’s first neonatal transport ambulance; the Children’s Center for Cancer and Blood Disorders; and the Children’s Emergency Center. In addition, the Children’s Hospital has an education coordinator to arrange for educational assistance to help patients keep up with their schoolwork.

Prisma Health Heart Hospital (“Heart Hospital”) located at the Richland campus is a state-of-the-art cardiac care facility, which is the State’s only freestanding facility dedicated entirely to the prevention, diagnosis and treatment of cardiovascular diseases. To provide an unparalleled level of individualized care for residents of the State, the hospital includes: 124 private inpatient beds; Cardiovascular Intensive Care Unit; Critical Care Unit; Cardiac Diagnosis; Cardiac Cath and Electrophysiology labs; Cardiac Rehabilitation Program; Pulmonary Rehabilitation Program; Telemetry Units; labs and diagnostic test areas; landscaped atriums; 700-car parking garage; gift shop; and specialty coffee cart. Attached to the Heart Hospital is a 100,000 square-foot medical office building which enables physicians and clinical staff to spend more time caring for the patients.

Parkridge, located in the northwest portion of Columbia is Prisma Health’s newest full-service community hospital offering state-of-the-art inpatient, surgical, medical and emergency care. The Parkridge facility includes 76 in-patient beds, an intensive care unit, a labor and delivery unit and newborn nursery, six operating rooms, and diagnostic and treatment services, which include imaging, laboratory, pharmacy and more. Additional services are planned for Parkridge, including non-invasive cardiology, neurosurgery, orthopedics, and outpatient rehabilitation to name a few.

The Veterans Administration operates Wm. Jennings Bryan Dorn VA Medical Center for veterans – a 216-bed facility encompassing acute medical, surgical, psychiatric and long-term care. An affiliation is held with the USC School of Medicine, located on the hospital grounds. A sharing agreement exists among Moncrief Army Hospital – a military hospital serving active duty and retired military personnel and their families at the Fort in Columbia – and Shaw Air Force Base in Sumter. Additionally, there is one private psychiatric hospital, Three Rivers Behavioral Health L.L.C.; three State-owned and operated psychiatric hospitals (G. Werber Bryan Psychiatric Hospital, South Carolina State

Hospital, and William S. Hall Psychiatric Institute); and one rehabilitation hospital, Health South Rehabilitation Hospital.

Recreation. The Columbia MSA offers many opportunities for recreation and leisure activities. The Columbia Museum of Art is South Carolina's premier international art museum with extraordinary collections of European and American fine and decorative art that span centuries. The South Carolina State Museum is the largest museum in South Carolina, located in America's first electric-powered textile mill with extensive exhibits in the disciplines of art, science and technology, cultural history and natural history. There are 12 art and historical museums in the area. The Town Theatre is the oldest, continuously operating community theatre in the U.S. and is listed on the National Register of Historical Places. The theatre provides live community theatre performances throughout the year with an emphasis on musicals, comedies and youth productions. EdVenture Children's Museum, the South's largest children's museum at 67,000 square feet, houses hundreds of interactive exhibits to inspire children to experience the joy of learning. Riverbanks Zoo and Garden ("Riverbanks"), ranked among the top ten zoos in the nation, is home for more than 2,000 animals housed within naturalistic exhibits and a botanical garden. Riverbanks is committed to the conservation of wildlife, to the audience's education of natural history, and to the enhancement of the quality of life in its community through the provision of high-quality recreational opportunities. Riverbanks recently completed the single largest expansion in its 40-year history which included upgrades to the entryway, ticketing facilities, parking lot and restrooms, the construction of a new children's garden and new animal exhibits such as Grizzly Ridge, Otter Run and Sea Lion Landing.

The University of South Carolina and other area universities and colleges offer a wide range of sports activities for both spectators and participants. Lake Murray, a 50,000-acre man-made lake with more than 500 miles of shoreline, provides opportunities for fishing, camping, boating, sailing and skiing, as well as residential sites for single-family and multi-family development.

Higher Education. There are eight main institutions of higher education in the Columbia MSA, the largest being the main campus of the University of South Carolina. The table below lists these institutions and the Fall 2018 headcount enrollment figures.

<u>College/University</u>	<u>Enrollment</u>
University of South Carolina (Columbia Campus)	34,795
Midlands Technical College	9,892
Benedict College	2,155
Southern Wesleyan University	1,551
Columbia College	1,252
Columbia International University	1,195
South University	987
Allen University	590 ⁽¹⁾

⁽¹⁾ Fall 2017 headcount enrollment.

Source: South Carolina Commission on Higher Education

Midlands Technical College ("MTC") is a comprehensive, multi-campus, two-year college serving the primary region of Richland, Lexington and Fairfield counties. One of South Carolina's largest two-year colleges, MTC enrolls students seeking to develop career skills or transfer to a four-year institution. MTC employs approximately 600 permanent faculty and staff and approximately 400 adjunct faculty. More than three-quarters of MTC's faculty hold a master's degree or doctorate degree in their teaching field. MTC offers approximately 100 associate degrees, diploma and certificate programs of study and an estimated 70% of the courses are in the career program area. MTC is comprised of six

campuses – Beltline, Airport, Batesburg-Leesville, Fairfield and Harbison and the 100-acre Northeast Campus which contains MTC’s Enterprise Campus and Center of Excellence for Technology. MTC also has a teaching location at Fort Jackson that serves enlisted personnel and civilians, and a Continuing Education Division which provides continuing education opportunities to more than 30,000 individuals annually and is one of the largest providers of noncredit professional upgrade training of any two-year college in the State. In 2016, MTC opened a new 34,000 square-foot, two-story Advanced Manufacturing and Skilled Crafts Center. MTC is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools and is part of the South Carolina Technical College System.

Financial Institutions. According to the Federal Deposit Insurance Corporation, as of June 30, 2018, there were 89 branches of commercial banks in the County, with deposits at all financial institutions in the County totaling nearly \$14 billion. The continuing reorganization of the banking system in the United States, with its attendant mergers and consolidations, is likely to affect the total number of branch offices.

TAX EXEMPTION AND OTHER TAX MATTERS

Internal Revenue Code of 1986

In the opinion of Bond Counsel, to be delivered on the date of issuance of the Notes, assuming continuing compliance by the School District with certain covenants and the requirements of the Code and the applicable regulations promulgated thereunder (the “Regulations”), interest on the Notes is excludable from gross income of the registered owners thereof for federal income tax purposes under existing statutes, regulations, and judicial decisions. Interest on the Notes is not an item of tax preference in computing the alternative minimum taxable income of individuals. Bond Counsel has expressed no opinion regarding other federal tax law consequences arising with respect to the Notes.

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

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

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause the interest on the Notes to be subject, directly or indirectly, to federal income taxation or to be

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

The Internal Revenue Service (the “IRS”) has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations is includable in gross income for federal income tax purposes. Bond Counsel cannot predict whether the IRS will commence an audit of the Notes. Bond Counsel’s engagement with respect to the Notes ends with the issuance of the Notes, and, unless separately engaged, Bond Counsel is not obligated to defend the School District or owners of the Notes regarding the tax-exempt status of the Notes in the event of an audit by the IRS. Under current procedures, parties other than the School District and its appointed counsel, including the Note owners, would have little, if any, right to participate in the audit process. Moreover, because achieving judicial review in connection with an audit of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the School District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Notes 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 Notes, and may cause the School District or the Note owners to incur significant expense, regardless of the ultimate outcome.

South Carolina Taxation

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

Premium Notes

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

LEGAL MATTERS

Opinion

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

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

Litigation

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

The School district is aware that members of the public have called for the resignation of the current Chair of the Board (the "Board Chair") because of fines owed by the Board Chair to the South Carolina State Ethics Commission and because the Board Chair did not have on file a current Statement of Economic Interest prior to being sworn in to a second term as a Board member. The School District is not aware of any litigation, regulatory effort, or official proceeding challenging the Board Chair's right and title to serve as a Board member or Board Chair.

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

United States Bankruptcy Code

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

confirmation of the plan, the commencement of a case under the Bankruptcy Code, or the appointment of or taking possession by a trustee in a case under the Bankruptcy Code or by a receiver or other custodian prior to the commencement of a case under the Bankruptcy Code.

MISCELLANEOUS

Certificate as to the Official Statement

The initial purchasers of the Notes shall receive a certificate, dated the date of delivery of the Notes, of the Superintendent of the School District stating that this Official Statement, as of the date hereof, does not contain any untrue statement of a material fact or omit to state any material fact required to be stated herein or necessary to make the statements herein, in light of the circumstances under which they are made, not misleading, and that there has been no material adverse change in the financial condition of the School District from that set forth in or contemplated by this Official Statement. In providing such certificate, the Superintendent will state that he has not undertaken independently to verify information pertaining to nongovernmental data and activities contained in this Official Statement, but that such information has been obtained from sources which the School District believes to be reliable and that the School District has no reason to believe that they are untrue in any material respect.

Ratings

Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Rating Service, Inc. ("S&P," and together with Moody's, the "Rating Services") have assigned their municipal bond ratings of "MIG-1" and "SP-1+," respectively, to the Notes. 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 Notes. 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 Notes.

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 when requested, an annual independent audit within 30 days of its receipt and event specific information within 30 days of an event adversely affecting more than 5% of tax revenue or the School District's tax base.

In accordance with the Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, the School District has covenanted for the benefit of the holders of the Notes to provide notice of the occurrence of certain enumerated events within 10 business days of their occurrence (the "Events Notices"). Because the Notes have a maturity of 18 months or less, the School District is not required to provide annual financial information. Such covenant shall only apply so long as the Notes remain outstanding under the Resolution. Any Events Notices will be filed by the School District with the Disclosure Dissemination Agent as described in the Disclosure Dissemination Agent Agreement, a copy of which is attached hereto as Appendix C. The specific nature of the information to be contained in the Events Notices are described in Appendix C, which shall be executed by the School District at the time of issuance of the Notes. In the event of a failure of the School District to comply with the provisions of the Disclosure Dissemination Agent

Agreement, the sole remedy of any noteholder or beneficial owners shall be an action to compel performance by the School District.

The School District has entered into continuing disclosure undertakings with regard to certain bond issues set forth in the table entitled “Outstanding General Obligation Debt” shown herein. For fiscal year ended June 30, 2014, the School District caused its Comprehensive Annual Financial Report, its operating data, and its budget for fiscal year ended June 30, 2015 to each be filed on the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (“EMMA”) on January 23, 2015 (collectively, the “FY 2014 Filings”). Except as otherwise described below, the information required to be included in the School District’s annual report for fiscal year ended June 30, 2014 was included in the FY 2014 Filings or the School District’s Official Statement dated May 21, 2014, which was incorporated by reference on EMMA on June 12, 2014. Information regarding the tax year 2013 assessed values of each of the political units overlapping or located within the School District was included in the School District’s Official Statement dated March 3, 2015, which was incorporated by reference on EMMA on March 13, 2015 (the “2015 OS”). In addition, a Notice of Failure to File was filed on EMMA on May 21, 2018 relating to the inclusion of such information in the 2015 OS.

For fiscal year ended June 30, 2015, the School District caused its Comprehensive Annual Financial Report, its operating data, and its budget for fiscal year ending June 30, 2016 to each be filed on EMMA on January 19, 2016 (collectively, the “FY 2015 Filings”). Except as otherwise described below, the information required to be included in the School District’s annual report for fiscal year ended June 30, 2015 was included in the FY 2015 Filings or the 2015 OS. Information regarding the tax year 2014 assessed values of each of the political units overlapping or located within the School District was included in the School District’s Official Statement dated May 17, 2016, which was incorporated by reference on EMMA on May 31, 2016 (the “2016 OS”). In addition, a Notice of Failure to File was filed on EMMA on May 21, 2018 relating to the inclusion of such information in the 2016 OS.

For fiscal year ended June 30, 2016, the School District caused its Comprehensive Annual Financial Report, its operating data, and its budget for fiscal year ending June 30, 2017 to each be filed on EMMA on January 10, 2017 (collectively, the “FY 2016 Filings”). The School District caused a supplement to its operating data to be filed on EMMA on May 8, 2017 (the “FY 2016 Supplement”) to include the following information that was not included in the FY 2016 Filings: (a) information regarding the tax year 2015 assessed values of each of the political units overlapping or located within the School District and (b) information regarding the total amount of School District taxes paid by the ten largest taxpayers in the School District for tax year 2015. In addition, a Notice of Failure to File was filed on EMMA on May 8, 2017 relating to the filing of the FY 2016 Supplement.

For fiscal year ended June 30, 2017, the School District caused its Comprehensive Annual Financial Report, its operating data, and its budget for fiscal year ending June 30, 2018 to each be filed on EMMA on January 22, 2018 (collectively, the “FY 2017 Filings”). The School District caused a supplement to its operating data to be filed on EMMA on May 21, 2018 (the “FY 2017 Supplement”) to include information regarding the total amount of School District taxes paid by the ten largest taxpayers in the School District for tax year 2016. In addition, a Notice of Failure to File was filed on EMMA on May 21, 2018 relating to the filing of the FY 2017 Supplement.

For fiscal year ended June 30, 2018, the School District caused its Comprehensive Annual Financial Report, its budget for fiscal year ending June 30, 2019 and its operating data to be filed on EMMA on January 16 2019, January 16, 2019 and January 23, 2019.

In addition, the School District caused Notices of Material Event to be filed on EMMA on April 8, 2014 (bond insurer rating upgrade), May 30, 2014 (bond insurer rating upgrade), February 27, 2015 (rating upgrade), February 27, 2015 (bond call), March 12, 2015 (advance refunding), March 17, 2015 (advance refunding), February 25, 2016 (bond call), May 5, 2017 (rating affirmation), October 26, 2017 (rating affirmation), November 30, 2017 (advance refunding), November 30, 2017 (defeasance), December 6, 2017 (bond insurer rating change), December 7, 2017 (bond call), January 22, 2018 (bond insurer rating downgrade), May 17, 2018 (rating affirmation) and December 4, 2018 (bond call).

With regard to the Notice of Material Event filed on February 27, 2015, the School District also caused to be filed a Notice of Failure to File on February 27, 2015. With regard to the Notice of Material Event filed on March 12, 2015, the School District also caused to be filed a Notice of Failure to File on March 12, 2015.

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 may not have been 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 Notes. In this capacity, Compass Municipal Advisors, LLC provided technical assistance in the preparation of the offering documents and assisted the School District in preparing for this financing.

Underwriting

The Notes have been purchased at a competitive sale from the School District for resale by Morgan Stanley & Co. LLC (the "Purchaser"). The Purchaser has agreed, subject to certain conditions, to purchase the Notes at par plus a bid premium of \$148,460.00. The initial public offering yield of the Notes is as shown on the front page of this Official Statement and may be changed from time to time by the Purchaser. The Purchaser may also allow a concession from the public offering prices to certain dealers. If the Notes are sold at the public offering yield or price as set forth on the front page of this Official Statement, the Purchaser anticipates total selling compensation of \$3,120.00 for the Notes. The Purchaser of the Notes has received no fee from the School District for underwriting the Notes.

The Purchaser, as underwriter of the Notes, has entered into a distribution agreement with its affiliate, Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, the Purchaser may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, the Purchaser may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Notes.

Conclusion

Further inquiries should be addressed to Harry Miley, Ph.D., Chief Financial Officer, School District No. 2 of Richland County, South Carolina, 6831 Brookfield Road, Columbia, South Carolina 29206, (803) 738-3293. Requests for additional copies of this Official Statement may be addressed to the School District's Bond Counsel, Francenia B. Heizer, Burr Forman McNair, Phone: (803) 799-9800 or e-mail: fheizer@burr.com.

SCHOOL DISTRICT NO. 2 OF RICHLAND COUNTY, SOUTH CAROLINA

s/Baron R. Davis

Superintendent

APPENDIX A

**AUDITED FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2018**



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit and each major fund of Richland School District Two ("the School District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, the business-type activities, the aggregate discretely presented component unit and each major fund of Richland School District Two, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The introductory section, supplementary information, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also 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 and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2018, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



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

November 30, 2018

**RICHLAND SCHOOL DISTRICT TWO
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

INTRODUCTION

This narrative overview gives an analysis of the financial activities of the School District for the fiscal year ended June 30, 2018. Our purpose is to inform our citizens of the effect of our School District's operations and to present our financial position. We ask our citizens to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal as well as the basic financial statements and the associated notes to enhance understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

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

In this, the eleventh year under this legislation, Richland School District Two found that the cap allowed for an adequate level of local funding for FY 2017-2018. The School District was also fortunate to maintain its "Aa1" rating from Moody's and "AA" from Standard & Poor's for general obligation debt. Both firms cited the School District's experienced and capable management, satisfactory level of fund balance, long-term capital facilities planning, and stable financial operations in awarding their rating.

The School District's overall financial picture improved in FY 2017-2018 as revenues exceeded expenditures resulting in an increase the General Fund Balance by over \$6.7 million. As of June 30, 2018, the School District's General Fund Balance was over \$52.9 million (19.3% of the total School District operating budget), exceeding the range of 7 - 16.7% as preferred in Board Policy.

Other key financial aspects were as follows:

- **Revenues, Other Financing Sources and Expenditures** – Governmental revenues totaled over \$371.2 million, other financing sources/uses totaled more than \$8.7 million, and expenditures totaled over \$371.2 million for all Governmental Funds at the fund level. Revenues were less than expenditures by a little over \$24 thousand. Other Financing Sources exceeded other Financing Uses by more than \$8.7 million, primarily due to funding from issuance of debt exceeding total debt payments for the year.
- **General Fund/Fund Balance** - Our principal operating fund, the General Fund, had over \$267.0 million in fiscal year 2018 revenues; other financing sources/uses (net) totaled more than \$4.3 million; expenditures totaled over \$264.5 million, leaving a surplus for the year of more than \$6.7 million. This resulted in the General Fund's fund balance increasing from \$46.2 million as of June 30, 2017 to \$52.9 million, or 19.3% of the operating budget, as of June 30, 2018.
- **Bond Sales** - The School District issued \$10.0 million in general obligation bonds that were non-referendum bonds issued for capital and technology improvements during the 2017-2018 fiscal year. The District also did an advanced refunding issue of \$40.8 million, which partially refunded Series 2011B (previously issued bond referendum debt).
- **Major Capital Additions** - The School District's net capital assets for governmental activities decreased by \$16.5 million or 2.9%. This is largely attributable to a decrease in facility improvements and additions, as existing projects have come to a close.
- **Proprietary Funds** – The School District maintains two Proprietary Fund types. The Enterprise Fund, which operates like a business, is the Food Service Fund. The fund ended the year with a decrease in net position of a little over \$50 thousand and total net position at year end equaled was a deficit of close to \$1.3 million. This deficit primarily relates to the impact from the adoption of GASB 75 (additional information can be found in the Notes to the Financial Statements.) The Board of Trustees approved for the School District to self-insure for Worker's Compensation beginning in the 2008-2009 fiscal year. To fund the self-insurance program the School District transferred \$1 million in FY 2007-2008 to establish the Internal

**RICHLAND SCHOOL DISTRICT TWO
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Service Fund to account for the Workers Compensation Program beginning July 1, 2008. The fund provides workers compensation benefits to School District employees and is a governmental activity. The fund ended the year with an decrease in net position of \$234 thousand and total net position exceeding \$169 thousand.

- **Cash and Investments (Governmental Activities)** - Cash and Investments increased by over \$32.4 million from June 30, 2017 to June 30, 2018 which is largely attributable to an increase in funds received from the county prior to year end over the prior year.
- **Debt (Governmental Activities)** - The School District retired \$86.7 million in principal during the 2017-2018 fiscal year. In addition, the School District borrowed \$50.8 new bond and advanced refunding issues resulting in a net decrease of outstanding debt of close to \$36.0 million. The Debt Service Fund Balance increased by over \$1.7 million to a total in excess of \$26.6 million.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements (General, Special Revenue, Debt Service, Capital Projects, Fiduciary (Pupil Activity), Proprietary (Food Service) and the Internal Service) and 3) Notes to the basic financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves. A description of these statements and some related definitions follow:

Government-wide Financial Statements - The government-wide financial statements are designed to provide readers with a broad overview of the School District's finances, in a manner similar to a private-sector business. These statements outline functions of the School District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the School District include instruction, support services, community services, and intergovernmental expenditures. The government-wide financial statements include not only the School District itself (known as the primary government), but also a discretely presented component unit. The component unit is a legally separate charter school. Financial information for the charter schools is reported separately from the financial information presented for the primary government itself; this information is not significant or material to the School District as a whole. See note 1A of the Notes to the Basic Financial Statement on page 36.

The government-wide financial statements can be found on pages 26 and 27 of this report.

Statement of Net Position - The statement of net position presents information on all of the School District's assets and liabilities, with the difference between the two 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 School District is improving or deteriorating.

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

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

**RICHLAND SCHOOL DISTRICT TWO
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 29 and 31.

The School District maintains its accounting records in conformity with the South Carolina Department of Education's Financial Accounting Handbook. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Special Revenue, Education Improvement Act (EIA), Debt Service and Capital Projects Funds, all of which are considered to be major funds. The basic governmental funds financial statements can be found on pages 28 and 30.

Proprietary Funds - The School District uses two types of proprietary funds: enterprise and internal service funds. The School District uses an enterprise fund to account for its food service operations and is presented as business-type activities in the government-wide financial statements. The School District also uses an internal service fund to account for self-funded workers compensation benefits. Internal services benefit governmental activities and are included within that column in the government-wide financial statements. The School District's internal service fund is also presented in a single column in the proprietary fund financial statements as governmental activities. The basic proprietary fund financial statements can be found on pages 32 through 34 of this report.

Fiduciary Funds - Fiduciary (Pupil Activity) funds are used to account for resources held for the benefit of students and are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The basic fiduciary fund financial statement can be found on page 35 of this report.

Notes to basic financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 36 through 62 of this report.

Supplemental information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. A budgetary comparison statement has been provided for the General Fund, which is legally adopted by the Board, as well as several other pension related supplementary information schedules required by the State Department of Education. The required supplementary information can be found on pages 72-76 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS-THE GOVERNMENT AS A WHOLE

Net position may serve over time as a useful indicator of a government's financial situation. In the case of the School District as a whole, total liabilities and deferred inflows of resources exceeded total assets and deferred outflows of resources by over \$373.8 million as of June 30, 2018. Overall, the School District's change in net position for the year was over a \$9.6 million increase. However, with the cumulative effect of the adoption of GASB 75 in the amount of \$301.3 million, the overall financial position decreased by more than \$291.7 million during 2017-2018.

**RICHLAND SCHOOL DISTRICT TWO
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

By far the largest portion of the School District's assets, \$557.9 million (78.8%) reflects its investment in capital assets, net of accumulated depreciation (e.g., land, buildings and improvements, vehicles, furniture and equipment and construction in progress). The School District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the School District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table presents a summary of the School District's net position at June 30, 2018 compared to June 30, 2017.

	Net Position					
	Governmental Activities		Business-Type Activities		Totals	
	2017	2018	2017	2018	2017	2018
Assets						
Current and Other Assets	\$ 137,774,003	\$ 145,700,629	\$ 2,195,863	\$ 3,842,575	\$ 139,969,866	\$ 149,543,204
Capital Assets	572,930,104	556,393,805	1,862,896	1,517,687	574,793,000	557,911,492
Total Assets	710,704,107	702,094,434	4,058,759	5,360,262	714,762,866	707,454,696
Deferred Outflows of Resources						
Deferred Outflows related to Pension Liability	55,413,379	58,749,488	506,894	537,914	55,920,273	59,287,402
Deferred Outflows related to OPEB Liability	-	10,637,393	-	98,675	-	10,736,068
Total Deferred Outflow of Resources	55,413,379	69,386,881	506,894	636,589	55,920,273	70,023,470
Liabilities						
Other Liabilities	78,433,001	80,982,489	9,349	1,201,662	78,442,350	82,184,151
Long-Term Liabilities	759,554,753	1,023,619,317	2,892,349	5,701,818	762,447,102	1,029,321,135
Total Liabilities	837,987,754	1,104,601,806	2,901,698	6,903,480	840,889,452	1,111,505,286
Deferred Inflows of Resources						
Unearned Revenue	9,828,372	9,486,686	119,675	109,675	9,948,047	9,596,361
Deferred Inflows related to Net Pension Liability	1,992,519	2,688,278	15,641	22,095	2,008,160	2,710,373
Deferred Inflows related to Net OPEB Liability	-	27,289,077	-	253,139	-	27,542,216
Total Deferred Inflow of Resources	11,820,891	39,464,041	135,316	384,909	11,956,207	39,848,950
Net Position						
Net Investment in Capital Assets	158,447,739	180,950,749	1,862,896	1,517,687	160,310,635	182,468,436
Restricted	21,330,566	23,136,508			21,330,566	23,136,508
Unrestricted	(263,469,464)	(576,671,789)	(334,257)	(2,809,225)	(263,803,721)	(579,481,014)
Total Net Position	\$ (83,691,159)	\$ (372,584,532)	\$ 1,528,639	\$ (1,291,538)	\$ (82,162,520)	\$ (373,876,070)

**RICHLAND SCHOOL DISTRICT TWO
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

The following table shows the changes in net position for fiscal years ended June 30, 2017 and 2018:

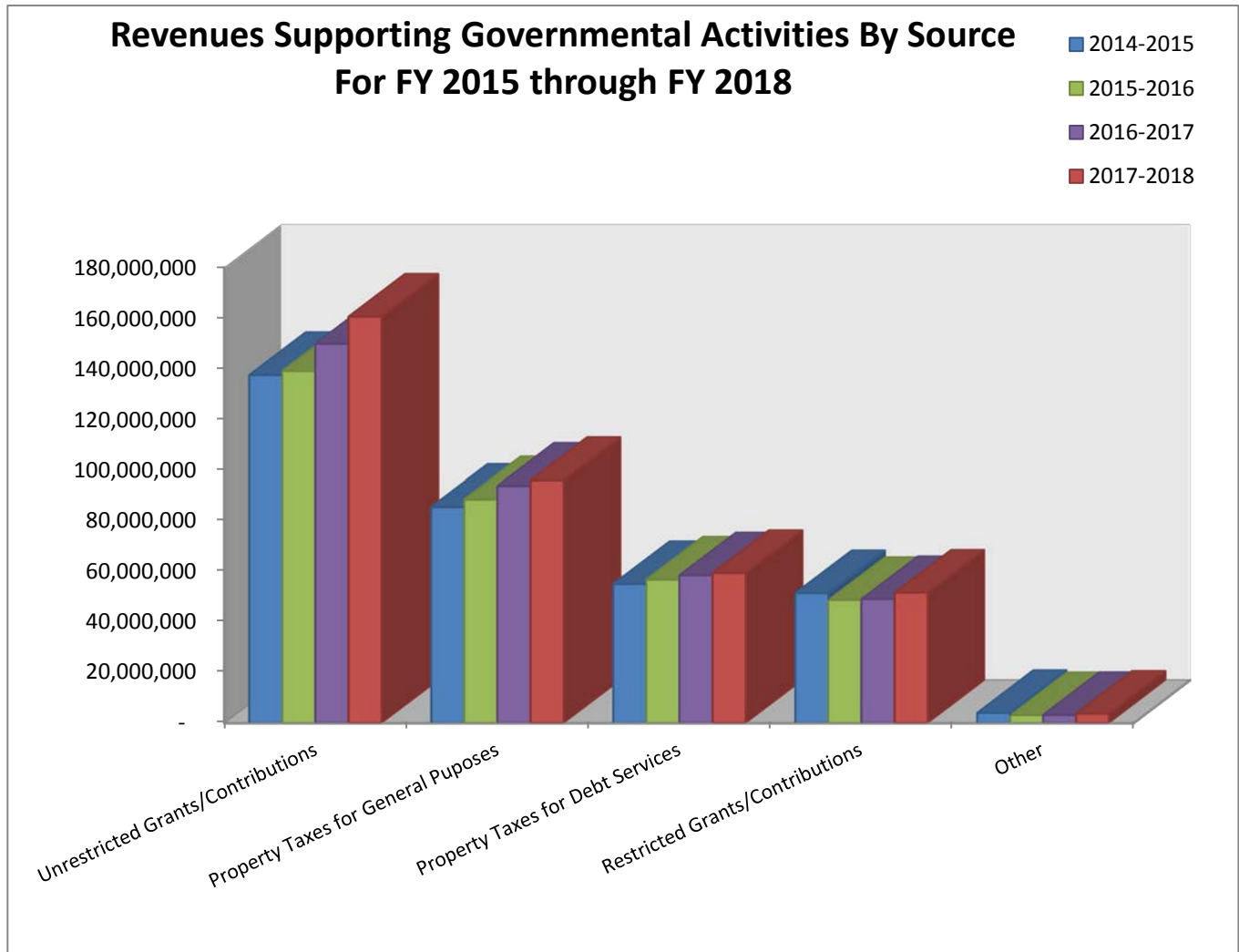
	Changes in Net Position					
	Governmental Activities		Business-Type Activities		Totals	
	2017	2018	2017	2018	2017	2018
Revenues						
Program Revenues:						
Charges for Services	\$ 433,849	\$ 834,986	\$ 2,752,009	\$ 2,621,519	\$ 3,185,858	\$ 3,456,505
Operating Grants	149,846,237	160,595,221	8,632,309	9,131,491	158,478,546	169,726,712
General Revenue:						
Property Taxes	152,292,647	155,432,223			152,292,647	155,432,223
Federal and State Aid	49,061,032	51,581,912			49,061,032	51,581,912
Investment Earnings	757,078	1,729,617	845	1,373	757,923	1,730,990
Other	1,963,685	1,082,236	302,668	140,124	2,266,353	1,222,360
Total Revenues	354,354,528	371,256,195	11,687,831	11,894,507	366,042,359	383,150,702
Program Expenses						
Instruction	178,527,719	200,253,684			178,527,719	200,253,684
Supporting Services	150,532,971	147,675,895			150,532,971	147,675,895
Community Services	190,015	297,796			190,015	297,796
Interest and Fiscal Charges	9,148,324	13,360,729			9,148,324	13,360,729
Food Service			12,181,857	11,900,159	12,181,857	11,900,159
Total Program Expenses	338,399,029	361,588,104	12,181,857	11,900,159	350,580,886	373,488,263
Change in Net Position before Transfers	15,955,499	9,668,091	(494,026)	(5,652)	15,461,473	9,662,439
Transfers	(358,280)	44,590	358,280	(44,590)	-	-
Change in Net Position	15,597,219	9,712,681	(135,746)	(50,242)	15,461,473	9,662,439
Net Position, Beginning of Year	(99,288,378)	(83,691,159)	1,664,385	1,528,639	(97,623,993)	(82,162,520)
Cumulative Effect of GASB 75 Adoption	-	(298,606,054)		(2,769,935)	-	(301,375,989)
Net Position, End of Year	\$ (83,691,159)	\$ (372,584,532)	\$ 1,528,639	\$ (1,291,538)	\$ (82,162,520)	\$ (373,876,070)

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

The School District's revenue for total governmental activities for FY 2018 was over \$371.3 million and exceeded expenses by \$9.7 million. In November 2008, voters approved a bond referendum to fund the construction of four new elementary schools, one new middle school, and one new high school, as well as renovations to our existing schools. With the passage of Act 388 by the South Carolina General Assembly, the classification of revenues for governmental activities reflects revenue that was formerly classified as Property Tax Revenue to now be classified as State Aid. Act 388 replaces local property taxes for owner occupied homes with funds generated from an additional one cent sales tax collected by the State of South Carolina. Act 388 did not, however, affect property taxes collected for debt service purposes. Overall, the School District's net position for governmental activities decreased by approximately \$288.8 million primarily related to the cumulative effect of the adoption of GASB 75.

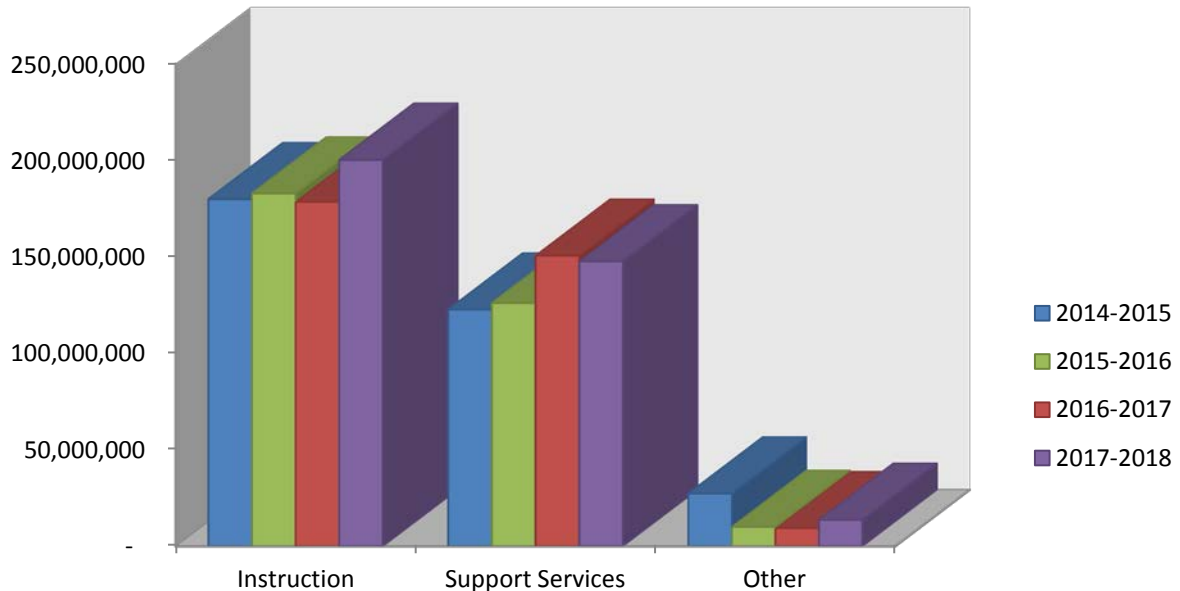
**RICHLAND SCHOOL DISTRICT TWO
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

The following charts show the breakdown of revenues supporting governmental Activities and the net cost of services related to governmental activities for the 2015 fiscal year through 2018 fiscal year:



**RICHLAND SCHOOL DISTRICT TWO
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**Governmental Activities - Expenses by Function
For FY 2015 through FY 2018**



Business-type Activities – Net position for the School District's business-type activities decreased by a little over \$50 thousand. Program revenues increased by \$368 thousand, or 3.2%, and program expenses decreased by \$281 thousand, or 2.3%. The increase in revenue relates primary to an increase in the cost charged for paid meals. The decrease in expenses is primarily due to a reduction in salary costs and supply costs.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S MAJOR FUNDS

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

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

As the School District completed the year, its governmental funds reported a combined fund balance of \$106.0 million, an increase of a little over \$8.6 million. This increase was due primarily to a significant cost savings in energy costs resulting from a mild climate, combined with salary related cost savings from attrition and unfilled positions. Unassigned fund balance totaling \$52.9 million, is available for spending at the School District's discretion. There was \$26.6 million restricted for debt service and \$26.4 million restricted for capital projects. Note 11 of the notes to the basic financial statements provides detail on fund balances for the governmental funds.

**RICHLAND SCHOOL DISTRICT TWO
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

The General Fund is the principal operating fund of the School District. The fund balance in the General Fund increased by more than \$6.7 million, due primarily to an increase in the state revenue and cost savings, related to energy and personnel costs. These changes generated an additional \$2.2 million in local ad valorem tax dollars in the general fund over the prior year. State revenue increases, and increases in related transfers from state funding sources, also resulted in revenues in excess of budget of approximately \$1.5 million. The Debt Service Fund balance showed an increase of \$1.7 million from the prior year due to an increase in assessed value. The Capital Projects Funds showed a slight fund balance increase of \$180 thousand.

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

Net position in the Enterprise Fund decreased by \$2.8 million, due primarily to the cumulative effect of the adoption of GASB 75. Net assets in the Internal Service Fund decreased by over \$234 thousand. This was due primarily to the successful settlement of several outstanding cases from prior years during the current year.

BUDGETARY HIGHLIGHTS

The most significant budgeted fund is the district's General Fund. The FY 2017-2018 general fund budget was built with a state base student cost of \$2,435. The general fund budget included increases to operational costs for utilities and employee benefits. The budget added 20 additional classroom teachers, as well as funding to continue district support of the National Board Certification program. Some other significant highlights of initiatives funded in the 2017-2018 budget included:

- A step increase of approximately 1-2% for employees
- Addition of 6 Teaching Assistant Positions for Special Education classrooms
- Funding to support district magnet programs
- Additional funding to cover the increased costs for State Retirement and Health insurance plans
- Funding for new elementary reading curriculum
- Addition of 2 Response to Intervention Specialists
- Addition of 2 Math/ELA Interventionist at the Middle School Level
- A District Fine Arts Coordinator
- Addition of 2 ESOL teachers
- An additional FTE for a bilingual social worker
- Funding for the opening of Jackson Creek Elementary
- Other cost associated with contractual and operational increases

**RICHLAND SCHOOL DISTRICT TWO
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

The School District had no adjustments to the total general fund budget for FY 2017-2018. The following table shows the Budget to Actual variances for the General Fund as of June 30, 2018:

	Original Budget	Final Budget	Actual	Variance to Final Budget
REVENUES:				
Local Property Tax	\$ 97,869,013	\$ 97,869,013	\$ 96,013,376	\$ (1,855,637)
Other Local Revenue	1,603,158	1,603,158	2,303,248	700,090
Intergovernmental Sources	150,000	150,000	181,149	31,149
State Sources	166,751,895	166,751,895	168,210,278	1,458,383
Federal Sources	250,000	250,000	298,988	48,988
Total Revenues - All Sources	266,624,066	266,624,066	267,007,039	382,973
EXPENDITURES:				
Instruction	161,834,526	159,622,100	155,554,691	4,067,409
Support Services	112,078,064	109,892,265	107,571,811	2,320,454
Community Services	-	47,973	206,519	(158,546)
Other Charges	-	1,233,301	1,233,301	-
Total Expenditures	\$ 273,912,590	\$ 270,795,639	\$ 264,566,322	\$ 6,229,317
OTHER FINANCING SOURCES(USES):				
Sale of Capital Assets			2,139	(2,139)
Transfer In	7,288,524	7,288,524	7,618,831	(330,307)
Transfer Out		(3,116,951)	(3,290,691)	173,740
Total Other Financing Sources (Uses)	\$ 7,288,524	\$ 4,171,573	\$ 4,330,279	\$ (158,706)

The District's general fund budget is prepared according to South Carolina law. The District did not amend the general fund budget for increases or decreases in total budget. The District made categorical budget amendments during the year to ensure that expenditures were charged to the proper account codes as required by the South Carolina Department of Education. Actual total revenue came in above the original budget by \$382 thousand as a result of final state revenue allocations exceeding anticipated budget by approximately \$1.4 million.

The final amended budgeted expenditures of the District had a positive variance from the actual expenditures of over \$6.2 million. Several factors impacted these savings, including district-wide energy cost savings of \$334 thousand in the general fund as a result of mild temperatures and continued energy conservation measures. The District also utilized substitutes or existing personnel to cover vacated positions which were a factor in actual expenditures being less than budget. Savings from staff attrition also created some additional cost reductions.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The School District's investment in capital assets for governmental activities at June 30, 2018 exceeded \$556.3 million net of accumulated depreciation. This investment in assets includes land, buildings, improvements other than buildings, construction in progress, and equipment. The total net decrease exceeded \$16.5 million. The decrease in net capital assets is due primarily to an increase in accumulated depreciation. See the relevant disclosures in the notes to the basic financial statements (Note 5) for more detailed information on capital asset activity.

**RICHLAND SCHOOL DISTRICT TWO
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

The table below shows the School District's capital assets, net of accumulated depreciation, as of June 30, 2017 and 2018:

	Governmental Activities		Business-Type Activities		Total	
	2017	2018	2017	2018	2017	2018
Land	\$ 27,397,176	\$ 27,397,176	\$	\$	\$ 27,397,176	\$ 27,397,176
Buildings and improvements	717,291,593	749,252,933			717,291,593	749,252,933
Furniture and Equipment	21,872,547	22,280,818	4,964,290	4,990,188	26,836,837	27,271,006
Vehicles	5,466,939	5,462,726			5,466,939	5,462,726
Construction in progress	29,651,824	45,717			29,651,824	45,717
Total before accumulated depreciation	801,680,079	804,439,370	4,964,290	4,990,188	806,644,369	809,429,558
Less accumulated depreciation	228,749,975	248,045,565	3,101,394	3,472,501	231,851,369	251,518,066
Net capital assets	\$ 572,930,104	\$ 556,393,805	\$ 1,862,896	\$ 1,517,687	\$ 574,793,000	\$ 557,911,492

Long-term Debt - At June 30, 2018, the School District had total general obligation debt outstanding of over \$370.6 million. This is a decrease of over \$35.9 million from the last fiscal year. The School District had a \$10 million bond sale during FY 2018, in addition to advance refunding of the 2011B issue.

The State of South Carolina's constitution allows school districts to issue up to 8% of the assessed value in General Obligation Bonds, without voter approval. The School District issued \$10,000,000 million in general obligation bonds that will be used for major maintenance on the School District's existing facilities, along with technology expansion and/or replacement at our schools. The repayment of these bonds will take place over a four year period. These bonds mature in FY 2022.

The School District maintains an "Aa1" rating from Moody's and a AA rating from Standard & Poor's for general obligation debt. State statutes currently limit the amount of general obligation debt a school district may issue to 8 percent of its total assessed valuation. As of June 30, 2018, the remaining debt margin available to the School District is just over \$658 thousand. Other long-term obligations include unamortized bond premiums and accrued compensated absences.

Additional information on the School District's long-term debt and other long-term liabilities can be found in Note 8 of the notes to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The School District, a suburban residential and shopping area located northeast of Columbia, the state capital and most populous city in South Carolina, is one of the fastest growing areas in the state. State and federal payrolls are major sources of employment and income and economic stability. Fort Jackson, the United States Army's largest training installation is located within the school district. Private employers such as the state headquarters for Blue Cross/Blue Shield of South Carolina and The Village at Sandhills, one of the largest shopping complexes in the southeast, contribute to a diverse and stable economy.

Many factors were considered by the School District's administration during the process of developing the FY 2018-2019 budget. The School District's top two budget goals are to provide a quality education for all students through student engagement and to manage its growth of an estimated 300 to 400 students annually. These matters were considered when adopting the budget for FY 2018-2019. The total approved General Fund budget exceeded \$284.6 million, a \$10.7 million increase over prior year. Approximately, \$4.0 million (37.6% of the increase) was funded with increased local tax dollars and the remaining increase related primarily to increases in State funding allocations totaling in excess of \$6.3 million.

**RICHLAND SCHOOL DISTRICT TWO
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Division of Business Services, Richland School District Two, 124 Risdon Way, Columbia, South Carolina 29223 (Telephone number 803-787-1910).

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BASIC FINANCIAL STATEMENTS

RICHLAND SCHOOL DISTRICT TWO
STATEMENT OF NET POSITION
JUNE 30, 2018

	PRIMARY GOVERNMENT			COMPONENT UNIT
	Governmental Activities	Business-type Activities	Totals	CHARTER HIGH SCHOOL
ASSETS				
Cash and Investments	\$ 115,092,269	\$ 1,187,739	\$ 116,280,008	\$
Deposits with Richland County Treasurer	23,776,747		23,776,747	
Taxes Receivable, Net of Allowances	1,064,821		1,064,821	
Prepaid Expenses	150,807		150,807	
Accrued Intergovernmental Revenue Receivable	813,647		813,647	
Due From:	-			
Federal Agencies	3,966,614	214,140	4,180,754	
State Department of Education	703,580		703,580	
Other Governmental Units	-			934,138
Internal Balances	(2,295,356)	2,295,356		
Other Receivables	98,547	145,340	243,887	
Receivable from Other Funds	2,328,953	-	2,328,953	
Inventories	-	-		
Capital assets:				
Land	27,397,176		27,397,176	
Construction in Progress	45,717		45,717	
Buildings	535,968,695		535,968,695	
Building Additions and Improvements	213,284,238		213,284,238	
Furniture and Equipment	22,280,818	4,990,188	27,271,006	
Vehicles	5,462,726		5,462,726	
Less: Accumulated Depreciation	(248,045,565)	(3,472,501)	(251,518,066)	
TOTAL ASSETS	702,094,434	5,360,262	707,454,696	934,138
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows related to Pension Liability	58,749,488	537,914	59,287,402	195,300
Deferred Outflows related to OPEB Liability	10,637,393	98,675	10,736,068	22,736
TOTAL DEFERRED OUTFLOWS OF RESOURCES	69,386,881	636,589	70,023,470	218,036
LIABILITIES				
Accounts Payable	6,590,370	1,194,794	7,785,164	767
Retainage Payable	166,669		166,669	
Payable to Charter High School	934,138		934,138	
Due to State Department of Education	31,329		31,329	
Accrued Salaries and Related Liabilities	20,945,066		20,945,066	
Non-current Liabilities:				
Due within One Year	52,314,917	6,868	52,321,785	
Due in more than One Year	1,023,619,317	5,701,818	1,029,321,135	1,328,389
TOTAL LIABILITIES	1,104,601,806	6,903,480	1,111,505,286	1,329,156
DEFERRED INFLOWS OF RESOURCES				
Unearned Revenue	9,486,686	109,675	9,596,361	
Deferred Inflows related to Net Pension Liability	2,688,278	22,095	2,710,373	3,959
Deferred Inflows related to Net OPEB Liability	27,289,077	253,139	27,542,216	52,566
TOTAL DEFERRED INFLOWS OF RESOURCES	39,464,041	384,909	39,848,950	56,525
NET POSITION				
Net Investment in Capital Assets	180,950,749	1,517,687	182,468,436	
Restricted For:				
Debt Service	23,119,192		23,119,192	
Special Projects	17,316		17,316	
Unrestricted	(576,671,789)	(2,809,225)	(579,481,014)	(233,507)
TOTAL NET POSITION	\$ (372,584,532)	\$ (1,291,538)	\$ (373,876,070)	\$ (233,507)

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

**RICHLAND SCHOOL DISTRICT TWO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
PRIMARY GOVERNMENT:							
Governmental Activities:							
Instruction	\$ 200,253,684	\$ 364,633	\$ 130,871,005	\$ (69,018,046)	\$	\$ (69,018,046)	\$
Supporting Services	147,675,895	470,353	29,724,216	(117,481,326)		(117,481,326)	
Community Services	297,796			(297,796)		(297,796)	
Interest and Other Charges	13,360,729			(13,360,729)		(13,360,729)	
Total Governmental Activities	361,588,104	834,986	160,595,221	(200,157,897)		(200,157,897)	-
Business-Type Activities:							
Food Services	11,900,159	2,621,519	9,131,491		(147,149)	(147,149)	
Total Business-Type Activities	11,900,159	2,621,519	9,131,491		(147,149)	(147,149)	-
TOTAL - PRIMARY GOVERNMENT	373,488,263	3,456,505	169,726,712	(200,157,897)	(147,149)	(200,305,046)	-
Component Units:							
Charter School	\$ 1,012,805	\$	\$ 943,800				(69,005)
General Revenues:							
Property Taxes Levied for General Purposes				95,996,569		95,996,569	
Property Taxes Levied for Debt Service				59,435,654		59,435,654	
Miscellaneous				1,082,236	140,124	1,222,360	
Unrestricted Investment Earnings				1,729,617	1,373	1,730,990	
Federal and State aid not restricted for specific purpose				51,581,912		51,581,912	
Transfers				44,590	(44,590)	-	
Total General Revenues and Transfers				209,870,578	96,907	209,967,485	-
CHANGE IN NET POSITION				9,712,681	(50,242)	9,662,439	(69,005)
NET POSITION - Beginning of Year				(83,691,159)	1,528,639	(82,162,520)	410,983
Cumulative Effect of GASB 75 Adoption				(298,606,054)	(2,769,935)	(301,375,989)	(575,485)
NET POSITION - End of Year				\$ (372,584,532)	\$ (1,291,538)	\$ (373,876,070)	\$ (233,507)

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

**RICHLAND SCHOOL DISTRICT TWO
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018**

	GENERAL	SPECIAL REVENUE - SPECIAL PROJECTS	SPECIAL REVENUE - EIA	DEBT SERVICE	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
ASSETS						
Cash and Investments	\$ 86,852,154	\$ 505,484	\$	\$ 15,206,597	\$ 10,794,151	\$ 113,358,386
Deposits with Richland County Treasurer	2,127,003			11,046,631	10,603,113	23,776,747
Taxes Receivable, Net of Allowances	732,592			332,229		1,064,821
Due From Federal Agencies	98,784	3,867,830				3,966,614
Due From State Department of Education	305,575	70,000	328,005			703,580
Due From:						
General Fund		328,782	4,979,394	190,030	7,039,712	12,537,918
Other Receivables	3,439	95,108				98,547
Receivable from Other Funds	2,328,953					2,328,953
TOTAL ASSETS	92,448,500	4,867,204	5,307,399	26,775,487	28,436,976	157,835,566
LIABILITIES						
Accounts Payable	2,125,911	481,167	114,988		1,859,727	4,581,793
Retainage Payable	.				166,669	166,669
Due To:						
Special Revenue - Special Projects	328,782					328,782
Special Revenue - EIA	4,979,394					4,979,394
Internal Service Fund	293,503					293,503
Enterprise - Food Service Fund	2,295,356					2,295,356
Debt Service	190,030					190,030
Capital Projects	7,039,712					7,039,712
Payable to Charter High School	934,138					934,138
Due To State	10,855		20,474			31,329
Unearned Revenue		4,368,721	5,117,965			9,486,686
Accrued Salaries and Related Liabilities	20,891,094		53,972			20,945,066
TOTAL LIABILITIES	39,088,775	4,849,888	5,307,399	-	2,026,396	51,272,458
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue - Property Taxes	386,178			129,848		516,026
DEFERRED INFLOWS OF RESOURCES	386,178	-	-	129,848	-	516,026
FUND BALANCES						
Fund Balances						
Restricted		17,316		26,645,639	26,410,580	53,073,535
Unassigned	52,973,547					52,973,547
TOTAL FUND BALANCES	52,973,547	17,316	-	26,645,639	26,410,580	106,047,082
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 92,448,500	\$ 4,867,204	\$ 5,307,399	\$ 26,775,487	\$ 28,436,976	\$ 157,835,566

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

RICHLAND SCHOOL DISTRICT TWO
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS		\$ 106,047,082
Amounts reported for the governmental activities in the Statement of Net Position are different because of the following:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets were \$804,439,370 and the accumulated depreciation was \$248,045,565.		556,393,805
The internal service fund is used to fund insurance and risk management of the School District. The assets and liabilities of the internal service fund are included with governmental activities.		169,616
Property Taxes Receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the governmental funds. Unearned Property Tax at year end consists of:		
General Fund	\$ 386,178	
Debt Service Fund	<u>129,848</u>	516,026
Accrued interest on bonds payable in governmental funds is not due and payable in the current period and is therefore, not reported as a liability in the funds.		(4,469,942)
Unearned bond premiums are unearned in the statement of net position. The net premiums of \$71,078,739 have been amortized by \$39,871,103 with a remaining unamortized net bond discount.		(31,207,636)
Rebatable interest receivable on Build America Bonds in governmental funds is not a current financial resource in the current period and is, therefore, not reported as an asset in the funds.		813,647
The District's proportionate share of the deferred outflows of resources and deferred inflows of resources related to its participation in the State pension plans are not recorded in the governmental funds but are recorded in the Statement of Net Position.		56,061,210
The District's proportionate share of the deferred outflows of resources and deferred inflows of resources related to its participation in the State insurance plans are not recorded in the governmental funds but are recorded in the Statement of Net Position.		(16,651,684)
Long-term liabilities, including bonds payable, are not due or payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consisted of:		
General Obligation Bonds Payable	\$ 370,646,000	
Accrued Compensated Absences	4,112,642	
Net Pension Liability	376,864,533	
Net OPEB Liability	<u>288,633,481</u>	(1,040,256,656)
TOTAL NET POSITION - GOVERNMENTAL FUNDS		<u>\$ (372,584,532)</u>

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

RICHLAND SCHOOL DISTRICT TWO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	GENERAL	SPECIAL REVENUE - SPECIAL PROJECTS	SPECIAL REVENUE - EIA	DEBT SERVICE	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
REVENUES						
Local Property Tax	\$ 96,013,376	\$	\$	\$ 59,442,239	\$	\$ 155,455,615
Other Local Revenue	2,303,248	1,315,265		852,741	284,553	4,755,807
Total Revenue from Local Sources	98,316,624	1,315,265	-	60,294,980	284,553	160,211,422
State Sources	168,210,278	4,653,104	19,382,826			192,246,208
Federal Sources	298,988	18,316,672				18,615,660
Intergovernmental Sources	181,149					181,149
TOTAL REVENUES ALL SOURCES	267,007,039	24,285,041	19,382,826	60,294,980	284,553	371,254,439
EXPENDITURES						
Current:						
Instruction	155,545,436	8,829,389	9,125,642			173,500,467
Support Services	107,003,627	12,663,806	3,473,643		4,476,039	127,617,115
Community Services	199,544	98,128	124			297,796
Intergovernmental	1,233,301	2,510,764	10,862			3,754,927
Capital Outlay	584,414	89,896	90,243		6,170,691	6,935,244
Debt Service:						
Principal Retirement				43,972,984		43,972,984
Interest				14,819,341		14,819,341
Fiscal Charges for Cost of Issuance				320,928	60,017	380,945
TOTAL EXPENDITURES	264,566,322	24,191,983	12,700,514	59,113,253	10,706,747	371,278,819
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,440,717	93,058	6,682,312	1,181,727	(10,422,194)	(24,380)
OTHER FINANCING SOURCES (USES)						
Issuance of Debt				40,880,000	10,000,000	50,880,000
Payment to Refunded Debt Escrow Agent				(46,822,585)		(46,822,585)
Premium on Bonds Issued				6,157,556	689,239	6,846,795
Sale of Capital Assets	2,139				11,424	13,563
Transfers In	7,618,831	440,400		327,381		8,386,612
Transfers Out	(3,290,691)	(533,458)	(6,682,312)		(97,848)	(10,604,309)
TOTAL OTHER FINANCING SOURCES (USES)	4,330,279	(93,058)	(6,682,312)	542,352	10,602,815	8,700,076
NET CHANGE IN FUND BALANCE	6,770,996	-	-	1,724,079	180,621	8,675,696
FUND BALANCES, Beginning of Year	46,202,551	17,316	-	24,921,560	26,229,959	97,371,386
FUND BALANCES, End of Year	\$ 52,973,547	\$ 17,316	\$ -	\$ 26,645,639	\$ 26,410,580	\$ 106,047,082

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

RICHLAND SCHOOL DISTRICT TWO
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 8,675,696
Amounts reported for governmental activities in the statement of activities are different because of the following:	
Property tax revenues not considered current financial resources are unearned in the governmental funds but are not in the statement of activities. Unearned taxes receivable increased by \$23,392 over the year ended June 30, 2018.	(23,392)
Rebatable interest receivable on Build America Bonds in governmental funds is not a current financial resource in the current period and is, therefore, not reported as an asset in the funds.	(16,475)
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which depreciation expense and noncapital expenditures of \$19,543,595 exceeded capital outlays of \$3,007,296.	(16,536,299)
Repayment of long-term liabilities, such as Bonds and Notes Payable and Capital Leases is an expenditure in the governmental funds, but merely reduces liabilities in the statement of net position.	86,783,000
Amortization of bond premiums as income over the terms of the associated bonds. The amount recognized as income for the year ended June 30, 2018 is \$9,802,483.	9,802,483
The internal service fund is used to fund insurance and risk management of the School District. The net change in net position of the internal service fund is reported with governmental activities.	(234,458)
Bonds proceeds and loans provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net position. In the current period, proceeds were received from general obligation bonds issued.	(57,726,795)
Employer pension costs are recognized in the governmental funds only when contributions to the defined benefit plan are paid in cash. However, in the Statement of Activities, the expense is recorded based on the results of an actuarial valuation of the plan. This is the net change for these transactions during the year.	(14,784,983)
Employer insurance costs are recognized in the governmental funds only when contributions to the defined benefit plan are paid in cash. However, in the Statement of Activities, the expense is recorded based on the results of an actuarial valuation of the plan. This is the net change for these transactions during the year.	(6,679,111)
Interest on long-term debt in the statement of activities differs from the governmental funds because governmental funds recognize interest expense only when it is paid. In the statement of net position, interest expense is recognized as it accrues. Accrued interest payable decreased for the year ended June 30, 2018 by \$19,497.	(19,497)
The cost of compensated employee absences is recognized in the governmental funds only when actually paid in cash. However, in the statement of net position, the expense is recorded when the employees earn the benefits. The total liability for compensated absences increased by \$472,512 during this fiscal year.	472,512
TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 9,712,681

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

RICHLAND SCHOOL DISTRICT TWO
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	BUSINESS-TYPE ACTIVITIES	GOVERNMENTAL ACTIVITIES
ASSETS	ENTERPRISE FUND- FOOD SERVICES	INTERNAL SERVICE FUND
Current Assets		
Cash and Investments	\$ 1,187,739	\$ 1,733,883
Accounts Receivable	145,340	
Due From Federal	214,140	
Prepaid Expense		150,807
Due from General Fund	2,295,356	293,503
Total Current Assets	<u>3,842,575</u>	<u>2,178,193</u>
Noncurrent Assets		
Machinery and Equipment	4,990,188	
Less: Accumulated Depreciation	(3,472,501)	
Total Noncurrent Assets	<u>1,517,687</u>	<u>-</u>
TOTAL ASSETS	<u><u>5,360,262</u></u>	<u><u>2,178,193</u></u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows related to Net Pension Liability	537,914	
Deferred Outflows related to Net OPEB Liability	98,675	
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u><u>636,589</u></u>	<u><u>-</u></u>
LIABILITIES		
Current Liabilities		
Accounts Payable	1,194,794	1,328
Claims Payable		2,007,249
Unearned Revenue	109,675	
Accrued Compensated Absences	6,868	
Total Current Liabilities	<u>1,311,337</u>	<u>2,008,577</u>
Long-Term Liabilities		
Net Pension Liability	2,989,345	
Net OPEB Liability	2,677,428	
Accrued Compensated Absences	35,045	
Total Long-Term Liabilities	<u>5,701,818</u>	<u>-</u>
TOTAL LIABILITIES	<u><u>7,013,155</u></u>	<u><u>2,008,577</u></u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows related to Pension Liability	22,095	
Deferred Inflows related to OPEB Liability	253,139	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u><u>275,234</u></u>	<u><u>-</u></u>
NET POSITION		
Invested in Capital Assets	1,517,687	
Unrestricted	(2,809,225)	169,616
TOTAL NET POSITION	<u><u>\$ (1,291,538)</u></u>	<u><u>\$ 169,616</u></u>

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

RICHLAND SCHOOL DISTRICT TWO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	BUSINESS-TYPE ACTIVITIES	GOVERNMENTAL ACTIVITIES
	ENTERPRISE FUND- FOOD SERVICES	INTERNAL SERVICE FUND
OPERATING REVENUES		
Meal Sales	\$ 2,603,159	\$
Other Operating Revenue	18,360	24,803
Total Operating Revenues	2,621,519	24,803
OPERATING EXPENSES		
Salaries and Benefits	1,713,538	2,265,278
Depreciation	371,108	
Purchased Services	8,800,950	
Supplies	953,776	7,801
Equipment	49,491	
Other	11,296	248,814
Total Operating Expenses	11,900,159	2,521,893
Operating Income (Loss)	(9,278,640)	(2,497,090)
NON-OPERATING REVENUE (EXPENSES)		
Commodities Received from USDA	904,443	
USDA Reimbursements	8,227,048	
Interest	1,373	345
Other	140,124	
Total Non-Operating Revenues	9,272,988	345
Income (loss) Before Transfers	(5,652)	(2,496,745)
TRANSFERS IN (OUT)		
Transfer from General Fund	358,471	2,262,287
Transfer from Building Fund		
Transfer (to) General Fund	(403,061)	
Total Transfers	(44,590)	2,262,287
CHANGE IN NET POSITION	(50,242)	(234,458)
TOTAL NET POSITION - Beginning of Year, as previously reported	1,528,639	404,074
Cumulative Effect of GASB 75 Adoption	(2,769,935)	
TOTAL NET POSITION - End of Year	\$ (1,291,538) \$	169,616

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

**RICHLAND SCHOOL DISTRICT TWO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	BUSINESS-TYPE ACTIVITIES	GOVERNMENTAL ACTIVITIES
	ENTERPRISE FUND- FOOD SERVICES	INTERNAL SERVICE FUND
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Participants	\$ 2,468,761	\$ 24,803
Cash Paid to Employees for Services	(1,544,511)	(830,324)
Cash Paid to Suppliers of Goods and Services	(10,515,356)	(282,650)
Net Cash Provided (Used) by Operating Activities	(9,591,106)	(1,088,171)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from General Fund	358,471	2,262,287
Transfers to General Fund	(403,061)	
Other Federal/State Reimbursements	8,367,172	
Net Cash Provided (Used) by Noncapital Financing Activities	8,322,582	2,262,287
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of Equipment	(25,898)	
Net Cash Provided(Used) in Capital and Related Financing Activities	(25,898)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments	1,373	345
Net Cash Provided by Investing Activities	1,373	345
Net Increase (Decrease) in Cash and Cash Equivalents	(1,293,049)	1,174,461
Cash and Cash Equivalents - Beginning of Year	2,480,788	559,422
Cash and Cash Equivalents - End of Year	\$ 1,187,739	\$ 1,733,883
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Net Operating Income (Loss)	(9,278,640)	(2,497,090)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Commodities Received from USDA	904,443	
Amortization of Net Pension Liability	125,954	
Amortization of Net OPEB Liability	61,957	
Depreciation	371,108	
Changes in Assets and Liabilities:		
Decrease (Increase) in Receivables and Due from Others	(142,758)	1,065,476
Decrease (Increase) in Prepaid Expenses		10,143
Increase (Decrease) in Accounts Payable and Due to Others	(1,604,286)	333,300
Increase (Decrease) in Accrued Salaries & Benefits	(18,884)	
Increase (Decrease) in Deferred Inflows of Resources	(10,000)	
Net Cash Provided (Used) by Operating Activities	\$ (9,591,106)	\$ (1,088,171)
NONCASH TRANSACTIONS		
Non-cash donation - USDA Commodities Received and Used	\$ 904,443	

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

RICHLAND SCHOOL DISTRICT TWO
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2018

ASSETS

Cash and Investments	\$ 6,152,029
Accounts Receivable	6,278
TOTAL ASSETS	<u>6,158,307</u>

LIABILITIES

Accounts Payable	2,412,500
Due to Pupil Activities	3,745,807
TOTAL LIABILITIES	<u>\$ 6,158,307</u>

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

RICHLAND SCHOOL DISTRICT TWO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Richland County School District Two (the School District) is governed by a seven member elected Board of Trustees (the Board). The School District is located in suburban Columbia, SC, in the Northeast section of Richland County. The School District provides a broad range of general and specialized elementary and secondary educational services for students in pre-school through grade twelve, and derives its local revenue from the tax base in these areas. In addition, the School District receives funding from the State of South Carolina and the United States Federal Government and must comply with the related requirements of these funding source entities.

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

A. Reporting Entity

The School District's financial statements include all funds over which the Board is considered to be financially accountable. The School District receives funding from local, state and federal governmental sources and must comply with the requirements of these funding source entities. Richland County School District Two is the lowest level of government which has financial accountability and control over all activities related to public school education in the School District. The School District is not included in any other governmental "reporting entity", since members of the School Board of Trustees are elected by the public and since members have decision making authority, the power to designate management, the ability to significantly influence operations, and have primary accountability for fiscal matters. The School District invests funds and receives property tax revenues through its relationship with Richland County.

The School District has determined that there are no affiliate entities (such as parent-teacher organizations, foundations and athletic booster clubs) that meet the requirements for inclusion as a discretely presented component.

Discretely Presented Component Unit. The component unit column in the basic financial statements includes the financial data of the School District's component unit, the Richland Two Charter High School ("the Charter School"). This unit is reported in a separate column to emphasize that it is legally separate from the School District. The Charter School operates under a charter granted by the School District and is considered, under South Carolina law, to be a public school and part of the School District. It is administered and governed by its annually elected governing body. The South Carolina State Department of Education ("SDE") regulations require that charter schools be discretely presented in the basic financial statements, but blended with the School District balances in the supplementary schedules. If this presentation format were followed, the amounts reported as revenues, expenditures and changes in fund balances for the General Fund and Special Revenue Funds in the supplementary schedules would not agree to the amounts reported as revenues, expenditures and changes in fund balances for the General Fund and Special Revenue Funds in the basic financial statements. The School District has not prepared the supplemental schedules in accordance with the SDE requirements as the School District does not believe that this presentation is consistent with accounting principles generally accepted in the United States of America ("GAAP").

RICHLAND SCHOOL DISTRICT TWO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

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

The statements of the School District are presented as follows:

Government-Wide Financial Statements - The Statement of Net Position and the Statement of Activities report information about the School District as a whole. Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the cash flows. These statements include the financial activities of the School District, except for the fiduciary funds. The effect of inter-fund activity has been eliminated from the statements in the consolidation process, with the exception of the inter-fund services provided and used. Governmental activities, which normally are supported by taxes and intergovernmental revenues, and other non-exchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function or program of the School District's governmental activities. Direct expenses are those that are 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. Revenues, including taxes, which are not classified as program revenues are presented as general revenues of the School District with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements - Fund financial statements report detailed information about the School District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. The governmental fund financial statements are reported using the flow of 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 and claims and judgments, are recorded only when payment is due.

Because the government-wide financial statements and the fund financial statements are prepared using a different measurement focus, the financial section of the statements includes a reconciliation with brief explanations to better identify the relationship between the government-wide and governmental fund statements.

RICHLAND SCHOOL DISTRICT TWO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Fund financial statements report detailed information about the School District. The financial statements for governmental funds are the balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balance, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financial uses) of current financial resources. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type. All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Cash Flow Statement - The statement of cash flows provides information about how the School District finances and meets cash flow needs of its proprietary activities. For purposes of the statement of cash flows, the proprietary fund considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

FUND ACCOUNTING

As outlined above, the accounts of the School District are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The various funds of the School District are grouped into the categories governmental, proprietary and fiduciary.

The School District has the following major funds and fund types:

Governmental Fund Types

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

General Fund - The General Fund is a budgeted fund and serves as the primary operating fund of the School District. The School District uses this fund to account for expenditures principally for administration, instruction, pupil services, operations and maintenance of plant and related fixed charges. It accounts for all revenues and expenditures of the School District except those required to be accounted for in another fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to other funds are accounted for in the General Fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

RICHLAND SCHOOL DISTRICT TWO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

1. **The Special Projects Fund**, used to account for financial resources provided by federal, state, local projects and grants. Budgets are prepared on a per project basis, generally with approval of the funding source. These budgets are not a part of the formal budget process approved by the board of trustees.
2. **The Education Improvement Act (EIA) Fund**, used to account for the revenue from the South Carolina Education Improvement Act of 1984, which is legally required by the state to be accounted for as a specific revenue source. Budgets are prepared on a per project basis. These budgets are not part of the formal budget process approved by the board of trustees.

Capital Projects Fund – used to account for financial resources to be used for site acquisitions, construction of major capital facilities, equipment and renovation of all major capital facilities.

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

Proprietary Fund Types

Proprietary funds are accounted for based on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the School District is that periodic determination of revenues earned, expenses incurred, and net income is necessary for management accountability. The Food Service Fund is the School District's only enterprise fund and is also used to account for the United States Department of Agriculture's (USDA) approved school breakfast and lunch programs.

The principal operating revenues of the Enterprise Fund – Food Service include charges to students and teachers for breakfast, lunch and special sales. Operating expenses for the fund includes cost of sales, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

RICHLAND SCHOOL DISTRICT TWO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Internal Service Fund is used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the School District. When services are rendered, charges are made to the users and revenue is accumulated in the Internal Services Fund to cover costs of operations. The Worker's Compensation Fund is the School District's only Internal Service Fund. This fund accounts for the insurance and risk management services of the School District and services provided are on a cost reimbursement basis. The assets and related liabilities for the Internal Service Fund are included in the governmental activities column on the government-wide Statement of Net position.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the government in a trustee capacity or as an agent on behalf of others, and include trust funds and agency funds. The Agency Fund is the only Fiduciary Fund type maintained by the School District. The Fund accounts for the receipt and disbursement of monies to and from student activity organizations, and/or on behalf of outside parties. These funds have no equity and do not include revenues and expenditures for general operation of the School District. The Agency Fund is custodial in nature and does not involve measurement of results of operation.

BASIS OF ACCOUNTING

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Propriety and fiduciary funds also use the accrual basis of accounting.

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

The School District follows GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions* to account for non-exchange revenues. Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, property tax revenues are recognized in the fiscal year for which they are appropriated by the County. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end; property taxes, interest, tuition, grants, student fees and rentals.

RICHLAND SCHOOL DISTRICT TWO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Deferred Revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2018, but which have not met the revenue recognition criteria, have been recorded as deferred revenue. Grants and entitlements received before revenue recognition requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

C. Assets, Liabilities and Equity

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

South Carolina Local Government Investment Pool ("SC Pool" or "LGIP") investments are invested with the South Carolina State Treasurer's Office, which established the LGIP pursuant to Section 6-6-10 of the South Carolina Code. The LGIP 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. The LGIP is a 2a 7-like pool which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but has a policy that it will operate in a manner consistent with the SEC's Rule 2a 7 of the Investment Company Act of 1940. 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. The total fair value of the LGIP 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 LGIP may be obtained by writing the Office of the State Treasurer, Local Government Investment Pool, P.O. Box 11778, Columbia, SC 292111960.

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

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

Interfund Receivables and Payables - Transactions between funds that represent reimbursement arrangements outstanding at the end of the year are referred to as "due from other funds" or "due to other funds" on the fund financial statements. These amounts are eliminated in the governmental and business-

RICHLAND SCHOOL DISTRICT TWO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as "internal balances". All trade and property tax receivables are shown net of an allowance for uncollectible amounts.

Prepaid Items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year consumed.

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value. The district maintains a capitalization threshold of \$5,000. Management may elect to include certain homogeneous asset categories with individual assets less than \$5,000 as composite groups for financial reporting purposes. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset's life are not capitalized. For purposes of reporting state and federal funds, small equipment items that may not be capitalized are still categorized as capital outlays in the supporting schedules. The School District does not maintain any infrastructure. Improvements to existing capital assets are capitalized; however, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed.

In the enterprise fund, assets acquired or constructed by grants and share revenues externally restricted for capital acquisitions and construction are reported as revenue in the period received in accordance with Governmental Accounting Standards Board Statement No. 33.

All reported capital assets, except land and construction in progress, are depreciated. Construction projects begin being depreciated once they are complete, at which time the complete costs of the project are transferred to the appropriate capital asset category. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Buildings and Improvements	20-39 years	N/A
Furniture and Equipment	5 years	12 years
Vehicles	5 years	N/A

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Compensated Absences – Compensated absences are payments to employees for accumulated vacation and sick leave. Vacation leave is earned by employees up to a maximum of ten days. The School District's policy at fiscal year-end is to allow twelve-month employees to carry over five days, which are lost if not used by the following December 31. When an employee with over fifteen years of service retires or otherwise terminates the School District pays out all unused accrued annual and sick leave days at the current substitute rate of pay. Employees can accrue up to fifty-seven sick leave days.

All vacation pay is accrued when incurred in the government-wide financial statements. Liabilities for compensated absences are reported as fund liabilities when amounts are due and payable rather than to the extent that they will be paid with current, expendable and available financial resources. In the proprietary funds, compensated absences are recorded as an expense and liability of the fund as the benefits accrue to employees.

Accrued Liabilities and Long-term Obligations - All payables, accrued liabilities and long-term obligations are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the non-current portion of capital leases, contractually required pension contributions and special termination benefits, and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current expendable, available, financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Typically, the General Fund is used to liquidate any liability related to compensated absences. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

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

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

Net OPEB Liability - For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF) and additions to/deductions from SCRHITF' and SCLTDITF' fiduciary net position have been determined on the same basis as they are reported by SCRHITF or SCLTDITF. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

RICHLAND SCHOOL DISTRICT TWO
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Deferred Outflows of Resources and Deferred Inflows of Resources - Deferred outflows of resources represent consumption of net position that is applicable to a future period. Deferred inflows of resources represent acquisition of net position that is applicable to a future period. Changes in net pension liability not included in pension expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension liability are reported as deferred outflows of resources. Likewise, changes in net OPEB liability not included in OPEB expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net OPEB liability are reported as deferred outflows of resources.

Fund Balances, Equity and Net Position – The School District reports fund balance in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement defines five classifications of governmental fund balances: non-spendable, restricted, committed, assigned and unassigned. Where applicable, these classifications are presented on the face of the governmental fund balance sheet. The School District's highest level of decision-making authority is the Board of Trustees.

The School District classifies fund balances as follows:

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

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

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

Assigned – This includes amounts that the School District intends to use for specific purposes that are neither considered restricted nor committed and these assignments are made before the report issuance date. The intent to assign these balances can be expressed by the Board of Trustees with a resolution or approval of recommendation by the Board of Trustees.

Unassigned – This includes amounts that do not qualify to be accounted for or reported in any of the other fund balance categories. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

The School District applies restricted resources when expenditures are incurred for the purposes for which both restricted and unrestricted Net Positions are available. The School District applies assigned, then unassigned fund balance. Committed resources can only be applied if the Board of Trustees takes formal action to release resources for incurring expenditures.

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Net Position

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

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

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

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

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

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

Fair Value

The fair value measurement and disclosure framework provides for a three-tier fair value hierarchy that gives the 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.

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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 include:

- Quoted prices for similar assets or 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.

Budgetary Accounting

The Board of Trustees adopts a legal annual appropriated budget for the general fund revenues and expenditures on the modified accrual basis of accounting which is consistent with accounting principles generally accepted in the United States of America each fiscal year. The budget is prepared, controlled, and amended at the revenue and expenditure object level. The Superintendent and/or Chief Financial Officer may authorize line item transfers in the general fund budget that are subject to final review by the Board. Revisions to the budget were made throughout the year at the legal level of budgetary control.

During the fiscal year, no additional appropriations to the general fund budget were adopted. Unexpended appropriations lapse at fiscal year-end. Expenditures may not legally exceed budgeted appropriations at the fund level unless, in a supplementary action, the Board approves an increase or decrease to the fund or the School District's "per pupil" state allotment changes whereby management can increase or decrease expenditures to match the change in state appropriations. Supplemental budget appropriations are made by the Board for expenditures exceeding total appropriations within the legal level of control.

The following procedures are followed in establishing the General Fund budgetary data reflected in the financial statements:

1. The initial step in the budget development process is the adoption of budget priorities by the Board of Trustees.
2. The Financial Services Office develops revenue projections based on enrollment projections and data received from the State Department of Education.
3. Input is obtained from District stakeholders and compiled by Administration.
4. The Superintendent submits a budget to the Board for approval.
5. The Board recommends a budget to County Council around April.
6. The County Council has three readings on the budget and a public hearing.
7. After approval by County Council, the Board approves a final budget.

Special Revenue Fund budgets are developed and controlled in conformance with the specific requirements of each grant or funding agency. These budgets are not legally adopted by the School Board. Both General and Special Revenue Fund budgets are used as a management control device during the year.

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

Encumbrances

The appropriations of the general fund of the School District lapse at June 30 each year and the outstanding purchase orders, contracts, and other commitments must be renewed. Therefore, there are no restrictions or assignments of the fund balances at year-end for encumbrances.

Issued and Adopted Accounting Pronouncements

The District implemented GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" ("GASB #75") for the year ended June 30, 2018. The primary objective of GASB #75 was to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions ("OPEB"). In addition, state and local governments who participate in a cost-sharing multiple employer plan are now required to recognize a liability for their proportionate share of the net OPEB liability of that plan. It is GASB's intention that this Statement will provide citizens and other users of the financial statements with a clearer picture of the size and nature of the District's financial obligations to current and former employees for past services rendered. In particular, this Statement requires the District to recognize a net OPEB liability and related deferred outflows of resources and deferred inflows of resources for its participation in the South Carolina Retiree Health Insurance Trust Fund and the South Carolina Long-term Disability Insurance Trust Fund ("OPEB Trusts"), cost-sharing multiple employer defined benefit plans, on financial statements prepared on the economic resources measurement focus and accrual basis of accounting (i.e. the Statement of Net Position) and present more extensive note disclosures.

The adoption of GASB #75 required the District to record PEBA nonemployer contributions of \$1,711,965 as revenues from state sources and intergovernmental expenditures in the special revenue funds. Adoption of GASB #75 also resulted in the restatement of the District's net position as of July 1, 2017 for its government-wide financial statements to reflect the reporting of net OPEB liabilities and deferred outflows of resources for each of the OPEB Trusts. Net position of the District's government-wide financial statements as of July 1, 2017 was decreased by \$301,375,989, reflecting the cumulative change in accounting principles related to the adoption of this statement. See Note 10 for more information regarding the District's other postemployment benefits.

2. CASH AND INVESTMENTS

At June 30, 2018 the carrying amount of the School District's deposits and investments was \$122,432,037 and the bank balance was \$129,931,548.

Custodial Credit Risk for Deposits: Custodial credit risk for deposits is the risk that, in the event of a bank failure, the School District's deposits might not be recovered. The School District does not have a deposit policy for custodial credit risk but follows the investment policy statues of the State of South Carolina. As of June 30, 2018, none of the School District's bank balances of \$61,657,425, which had a carrying value of \$54,157,913, were exposed to custodial credit risk.

RICHLAND SCHOOL DISTRICT TWO
NOTES TO FINANCIAL STATEMENTS
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As of June 30, 2018, the School District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u> <u>Level</u>	<u>Maturities</u>	<u>Credit Rating</u>	<u>Fair Value</u>
First Citizens Investment Portfolio	Level 1	Various	Unrated	\$ 5,199,793
SC Local Government Investment Pool	N/A	Various	Unrated	47,081,389
Certificates of Deposit	Level 1	Various	Unrated	786,344
US Bank – Morgan Stanley GIC	Level 1	9/1/2027	Unrated	<u>15,206,598</u>
Total Investments				<u>\$ 68,274,124</u>

Interest Rate Risk: The School District's Interest Rate Risk policy states that to address interest rate risk (i.e., fair value losses arising from increasing interest rates), the district will not invest in maturities exceeding 24 months.

Custodial Credit Risk for Investments: In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. Custodial credit risk for investments is the risk that, in the event of a failure, the government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The School District's investment policy operates in conformance with federal, state and other legal requirements, as outlined in the Code of Laws, State of South Carolina, Section 59-69-215. To address the risk that the School District's deposits will not be returned, the School District will only use instruments that are collateralized by third parties or insured by the Federal Deposit Insurance Corporation. As of June 30, 2018, all of the District's deposits were collateralized with securities held by the pledging financial institution's trust department or its agent, and in the School District's name or insured by the Federal Deposit Insurance Corporation. Information was not available regarding the custodial credit risk of deposits with the Richland County Treasurer of \$23,776,747.

South Carolina statutes authorize investments in certificates of deposits, savings accounts, repurchase agreements, the State Treasurer's Local Government Investment Pool, obligations of the U.S. Government and government agencies unconditionally guaranteed by the U.S. Government. The School District has no policy that would further restrict these investment choices.

The SC Local Government Investment Pools is not rated. Further information may be obtained from the Investment Pool by writing to the Office of the State Treasurer, Local Government Investment Pool, Post Office Box 11778, Columbia, South Carolina, 29211.

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

RICHLAND SCHOOL DISTRICT TWO
NOTES TO FINANCIAL STATEMENTS
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The following table reconciles the carrying amount of deposits and investments to the amounts listed in the financial statements for all fund types:

Basic Financial Statements		Notes to Financials	
Cash and Investments:		Carrying Amount of	
Governmental Funds	\$ 113,358,386	Deposits:	\$ 54,157,913
Internal Service Fund	1,733,883		
Enterprise Fund	1,187,739		
Agency Fund	<u>6,152,029</u>	Fair Value of Investments:	<u>68,274,124</u>
	<u>\$ 122,432,037</u>		<u>\$ 122,432,037</u>

3. PROPERTY TAXES AND OTHER RECEIVABLES

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

Penalties are added to taxes when paid after January 15 depending on the period of time the tax is delinquent. Property taxes are levied and billed on an assessed value of a little over \$545 million at tax rates of 319.0 mills for the general fund and 108.0 mills for the debt service fund.

Current year real and personal property taxes become delinquent on April 1. The levy date for motor vehicle taxes is the first day of the month in which the motor vehicle license expires. These taxes are due by the last day of the same month. Taxes levied for the 2017-2018 fiscal year totaled over \$148.4 million, for the General Fund and Debt Service Fund. Of this total amount levied, approximately \$141.1 million was collected during the fiscal year, representing 95.08% collection of the total levied for the year ending June 30, 2018. Collections for delinquent taxes for both funds totaled close to \$5.0 million. In addition, fees in lieu of taxes collected totaled \$4.2 million for both funds.

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

Taxes receivable in the government funds, including general fund and debt service fund, are \$1,064,821 net of allowances for uncollectible at June 30, 2018.

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

RICHLAND SCHOOL DISTRICT TWO
NOTES TO FINANCIAL STATEMENTS
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At June 30, 2018, the various components of unavailable revenue and unearned revenue reported in the governmental funds were as follows:

	<u>General Fund</u>	<u>Special Revenue Special Projects Fund</u>	<u>Special Revenue- EIA Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Unavailable Revenue -					
Property Taxes	\$ 386,178	\$	\$	\$ 129,848	\$ 516,026
Unearned Revenue		4,368,721	5,117,965		9,486,686
Total	<u>\$ 386,178</u>	<u>\$ 4,368,721</u>	<u>\$ 5,117,965</u>	<u>\$ 129,848</u>	<u>\$ 10,002,712</u>

4. DUE FROM STATE DEPARTMENT OF EDUCATION AND FEDERAL AGENCIES

The Due from State Department of Education and Federal Agencies represents amounts due for state and federal revenues that had been earned as of June 30, 2018, but had not been received as of June 30, 2018. The total amount Due to the State Department as of June 30, 2018 was \$31,329.

5. CAPITAL ASSETS

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

Governmental Activities

	<u>Balance as of July 1, 2017</u>	<u>Additions</u>	<u>Disposals/ Transfers</u>	<u>Balance as of June 30, 2018</u>
Non-depreciable Assets:				
Land	\$ 27,397,176	\$	\$	\$ 27,397,176
Construction in Progress	29,651,824	1,772,945	(31,379,052)	45,717
Total Non-depreciable	<u>57,049,000</u>	<u>1,772,945</u>	<u>(31,379,052)</u>	<u>27,442,893</u>
Depreciable Assets:				
Buildings and Improvements	717,291,593	31,961,340		749,252,933
Vehicles	5,466,939	233,909	(238,122)	5,462,726
Furniture & Equipment	21,872,547	418,154	(9,883)	22,280,818
Total Depreciable Assets	<u>744,631,079</u>	<u>32,613,403</u>	<u>(248,005)</u>	<u>776,996,477</u>
Total All Assets	<u>801,680,079</u>	<u>34,386,348</u>	<u>(31,627,057)</u>	<u>804,439,370</u>
Less: Accumulated Depreciation				
Buildings and Improvements	(204,817,655)	(18,363,835)		(223,181,490)
Vehicles	(4,608,760)	(358,378)	238,122	(4,729,016)
Furniture & Equipment	(19,323,560)	(821,382)	9,883	(20,135,059)
Total Accumulated Depreciation	<u>(228,749,975)</u>	<u>(19,543,595)</u>	<u>248,005</u>	<u>(248,045,565)</u>
Governmental Activities Capital Assets, Net	<u>\$ 572,930,104</u>	<u>\$ 14,842,753</u>	<u>\$ (31,379,052)</u>	<u>\$ 556,393,805</u>

Business-Type Activities

	<u>Balance as of July 1, 2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance as of June 30, 2018</u>
Equipment	\$ 4,964,290	\$ 25,898	\$	\$ 4,990,188
Less: Accumulated Depreciation	<u>(3,101,394)</u>	<u>(371,107)</u>		<u>(3,472,501)</u>
Business-type Activities Capital Assets, Net	<u>\$ 1,862,896</u>	<u>\$ (345,209)</u>	<u>\$ -</u>	<u>\$ 1,517,687</u>

RICHLAND SCHOOL DISTRICT TWO
NOTES TO FINANCIAL STATEMENTS
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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
Instruction	\$ 12,898,773
Supporting Services	<u>6,644,822</u>
Total Depreciation Expense – governmental activities	<u>19,543,595</u>
Business-type Activities:	
Food Service	<u>371,108</u>
Total Depreciation Expense – Business type activities	<u>\$ 371,108</u>

6. INTER-FUND RECEIVABLES AND PAYABLES

Inter-fund balances at June 30, 2018 consisted of the following individual fund receivables and payables:

Fund	Receivables	Payables
General Fund:		
Due to Special Revenue – Special Projects	\$	\$ 328,782
Due to Special Revenue - EIA		4,979,394
Due to Debt Service		190,030
Due to Capital Projects Fund		7,039,712
Due to Enterprise Fund – Food Service		2,295,356
Due to Internal Service Fund		<u>293,503</u>
Total		15,126,777
Special Revenue – Special Projects		
Due from General Fund	328,782	
Special Revenue – EIA		
Due from General Fund	4,979,394	
Debt Service		
Due from General Fund	190,030	
Capital Projects		
Due from General Fund	7,039,712	
Enterprise Fund – Food Service		
Due from General Fund	2,295,356	
Internal Service Fund		
Due from General Fund	<u>293,503</u>	
Totals	<u>\$ 15,126,777</u>	<u>\$ 15,126,777</u>

All cash activities, excluding Food Service, are recorded in the General Fund, and as a result, receivables and payables exist at year end that are either due to or due from the General Fund to/from other funds. Other inter-fund balances include Special Revenue payments not received from the State Department of Education until after the fiscal year end, fringe amounts paid by the General Fund for Food Service, indirect cost transfers adjustments made at year end and adjustments made at year end for Taxes receivable for Debt Service, and building project costs.

RICHLAND SCHOOL DISTRICT TWO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

7. TRANSFERS IN AND OUT

Transfers between the various funds of the School District are as follows:

Fund	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Special Revenue – Special Projects	\$	\$ 440,400
Special Revenue – Special Projects Indirect Cost	533,458	
Special Revenue – EIA	6,682,312	
Debt Service Fund		229,533
Internal Service Fund		2,262,287
Enterprise – Food Service Fund		358,471
Enterprise – Food Service Fund Indirect Cost	403,061	
Total	<u>7,618,831</u>	<u>3,290,691</u>
Special Revenue – EIA		
General Fund		6,682,312
Special Revenue – Special Projects		
General Fund	440,400	
General Fund – Indirect Cost		533,458
Debt Service Fund		
Capital Projects Fund	97,848	
General Fund	229,533	
Capital Projects Fund		
Debt Service Fund		97,848
Internal Service Fund		
General Fund	2,262,287	
Enterprise – Food Service Fund		
General Fund	358,471	
General Fund – Indirect Cost		403,061
Total All Funds	<u>\$ 11,007,370</u>	<u>\$ 11,007,370</u>

During the 2017-2018 fiscal year transfers were made from Special Revenue-Special Project Funds to the general fund to offset costs. Transfers from the General Fund into Special Revenue – Special Projects reflect amounts allocated as discretionary funds for student activities and athletic programs. Annual transfers are done from the Special Revenue – EIA fund into the General fund for State revenues provided for teacher salary increases and employer fringe contributions. Amounts were transferred from the Food Service fund for indirect costs paid to the General fund and a transfer was made from the General Fund into the Food Service Fund to allocate state fringe benefits reimbursement funds applicable to the Food Service Program.

In addition, funds were transferred from the General Fund to the Internal Service Fund in the amount of \$2.26 million in order to cover the cost associated with the Self-insured Workers' Compensation program and the required reserves at June 30, 2018. Funds were also transferred from the General Fund and Capital Project Fund to the Debt Service fund for costs associated with closing costs and to cover the annual payment on the equipment acquisition purchase for solar panels.

RICHLAND SCHOOL DISTRICT TWO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

8. LONG TERM OBLIGATIONS

The following summarizes the changes in long-term debt obligations for the year ended June 30, 2018:

General Obligation Bonds:

February 14, 2008	\$	3,000,000	(3,000,000)	-	\$	
February 18, 2009		6,570,000	(1,360,000)	5,210,000		5,210,000
June 11, 2009		7,495,000	(1,970,000)	5,525,000		1,940,000
May 25, 2010 (A)		10,750,000	(1,075,000)	9,675,000		1,075,000
September 8, 2010		48,805,000	(9,060,000)	39,745,000		11,020,000
September 8, 2010		42,620,000		42,620,000		
November 9, 2010		48,570,000	(5,000,000)	43,570,000		5,000,000
October 5, 2011		57,300,000	(45,750,000)	11,550,000		3,000,000
December 5, 2012		22,270,000	(8,825,000)	13,445,000		5,725,000
April 24, 2013		4,060,000	(4,060,000)	-		
April 25, 2013		55,120,000	(5,000)	55,115,000		5,000
May 21, 2014		9,430,000		9,430,000		1,700,000
March 10, 2015		58,745,000		58,745,000		-
March 10, 2015		10,000,000	(3,215,000)	6,785,000		3,345,000
May 31, 2016		10,000,000		10,000,000		3,150,000
July 26, 2016		1,814,000	(268,000)	1,546,000		302,000
May 30, 2017		10,000,000	(2,340,000)	7,660,000		1,765,000
November 30, 2017			40,880,000	(855,000)	40,025,000	535,000
June 12, 2018			10,000,000		10,000,000	2,075,000
Total General Obligation Bonds		<u>406,549,000</u>	<u>50,880,000</u>	<u>(86,783,000)</u>	<u>370,646,000</u>	<u>45,847,000</u>
Unamortized Bond Premiums		34,163,324	6,846,795	(9,802,483)	31,207,636	5,429,181
Accrued Compensated Absences		4,585,154	553,671	(1,026,183)	4,112,642	1,038,736
Total	\$	<u>445,297,478</u>	<u>58,280,466</u>	<u>(97,611,666)</u>	<u>405,966,278</u>	<u>\$ 52,314,917</u>

Business-Type Activities:

Accrued Compensated Absences	\$	<u>60,797</u>	<u>10,725</u>	<u>(29,609)</u>	<u>41,913</u>	\$ <u>6,868</u>
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During the 2017-2018 fiscal year, the School District issued \$10,000,000 in Series 2017 general obligation bonds for the annual capital funds program. These funds are used for significant capital repairs of facilities and for maintaining the equipment needed for the 1 to 1 computing program and technology infrastructure throughout the district.

In addition, the district issued 2017B in the amount of \$40,880,000 in Series 2017B general obligation advance refunding bonds for the purpose of partially refunding the Series 2011B general obligation bonds. The difference between the refunded debt and the new bond payments resulted in a savings of \$4,084,653.

RICHLAND SCHOOL DISTRICT TWO
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General Obligations

General obligations primarily consist of obligations related to general obligation bonds as of June 30, 2018. The following table outlines the debt outstanding at June 30, 2018:

Issue	Date of Issue	Interest Rates	Payment Dates	Maturity	Original Issue	Outstanding at June 30, 2018
2009A ₁	February 14, 2008	5.00%	Nov./May	2023	\$ 70,000,000	\$ 5,210,000
2009C ₁	June 11, 2009	3.00%-5.00%	Sept./Mar.	2021	18,500,000	5,525,000
2010A/QSCB ₁	May 25, 2010	.75%-5.20%	May/Nov	2027	18,235,000	9,675,000
2010C ₁	September 8, 2010	5.00%	May/Nov	2024	83,260,000	39,745,000
2010D/QSCB ₁	September 8, 2010	1.00%-5.00%	Sept./Mar.	2028	42,625,000	42,620,000
2010E/QSCB ₁	November 9, 2010	.50%-5.25%	May/Nov	2028	60,000,000	43,570,000
2011B ₁	October 5, 2011	3%-5%	May/Nov	2031	60,000,000	11,550,000
2012B (Refunding) ₃	December 5, 2012	3%-5%	Oct./Apr.	2021	28,215,000	13,445,000
2013B ₁	April 25, 2013	2.9%-5%	Nov./May	2033	55,140,000	55,115,000
2014A ₂	April 25, 2013	5.00%	Nov./May	2023	9,430,000	9,430,000
2015A (Refunding) ₃	March 10, 2015	2.000% - 5.000%	Feb./Aug.	2023	60,010,000	58,745,000
2015B ₂	March 10, 2015	1.750% - 4.000%	Feb./Aug.	2020	10,000,000	6,785,000
2016 ₂	May 31, 2015	5.00%	Sept./Mar.	2021	10,000,000	10,000,000
2016 ACQ ₄	July 26, 2016	1.118%	Dec	2022	2,100,000	1,546,000
2017A ₂	May 30, 2017	2.000% - 5.000%	Sept./Mar.	2022	10,000,000	7,660,000
2017B (Refunding) ₃	November 30, 2017	2.000% - 5.000%	Sept./Mar.	2031	40,880,000	40,025,000
2018A ₂	June 12, 2018	2.000% - 5.000%	Sept./Mar.	2023	10,000,000	10,000,000
					<u>\$ 588,395,000</u>	<u>\$ 370,646,000</u>

General obligations at June 30, 2018 consist of primarily general obligation bonds payable, issued under the approved 2008 referendum and several obligations issued under the legal 8% debt limit for technology equipment and recurring facility capital needs. Of these, the Series 2010A, 2010D and 2010E were issued as Taxable Qualified School Construction Bonds under the provisions of the State of South Carolina Federal Education Tax-Credit Bond Implementation Act of 2009. A refundable tax credit must be applied for each time an interest payment is due for these bonds. These issues provided federal subsidy for future interest payments due each year for the life of the bonds; however, following federal sequestration the District projects a 7-9% reduction to the subsidy for future years.

1 Issues relate to the November 2008 bond referendum of \$306 million. The referendum and the related issues funded construction of four new elementary schools, a new middle school, a new high school, as well as renovations to existing facilities.

2 Annual issues relate to recurring technology equipment needs and recurring facility capital needs. These issues are allowed under the State of SC constitution, allowing school districts to issue up to 8% of the assessed value in General Obligation Bonds without voter approval.

3 Issues relate to Refunded debt. The 2012A Refunding relates to a partial refunding of 2006A and 2007B original issues. The 2015A Refunding relates to a partial refunding of 2008A and 2009A original issues. The 2017B Refunding relates to a partial refunding of 2011B.

4 Issues relate to an equipment acquisition to purchase solar panels for the new R2i2 facility.

The remaining outstanding debt issued (2012A, 2013A, 2014A, 2015A, 2016, 2017A and the 2018A issues) were issued under the legal 8% debt limit for technology equipment and facilities recurring capital needs.

RICHLAND SCHOOL DISTRICT TWO
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The annual requirements to amortize the General Obligation Bonds outstanding at June 30, 2018, including interest payments of \$89,533,469 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2019	\$ 45,847,000	\$ 16,798,786	\$ 62,645,786
2020	46,245,000	14,832,255	61,077,255
2021	46,719,000	12,698,907	59,417,907
2022	46,518,000	10,562,667	57,080,667
2023	44,167,000	8,322,591	52,489,591
2024-2028	108,240,000	23,407,013	131,647,013
2029-2034	32,910,000	2,911,250	35,821,250
Total	\$ <u>370,646,000</u>	\$ <u>89,533,469</u>	\$ <u>460,179,469</u>

The School District has satisfied all sinking fund requirements. There is an annual tax millage, currently 108.0 mills, to repay this General Obligation debt. Details on the Bonds Payable are presented as schedules.

Compensated Absences

The School District estimates that the compensated absences amount to be considered as the current portion due within one year to be \$1,038,736 for the General Fund and \$6,868 for the Food Service - Enterprise Fund.

9. EMPLOYEE RETIREMENT

The South Carolina Public Employee Benefit Authority ("PEBA"), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the State Fiscal Accountability Authority, which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the Systems and serves as a co-trustee of the Systems in conducting that review. Effective July 1, 2017, the Retirement System Funding and Administration Act of 2017 assigned the PEBA Board of Directors as the Custodian of the Retirement Trust Funds and assigned PEBA and the Retirement Systems Investment Commission (RSIC) as co-trustees of the Retirement Trust Funds. PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available on the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC, 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Description

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.

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.

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

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 in this section.

For 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.

For PORS, to be eligible for 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.

For State ORP, as an alternative to membership in the SCRS, newly hired state, public school, and higher education employees have the option to participate in the State Optional Retirement Program (State ORP). PEBA assumes no liability for the State ORP benefits. Rather, the benefits are the liability of the investment providers. For this reason, State ORP programs are not part of the retirement system for financial statement purposes. Employee and Employer contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employers to the member's account with investment providers for the employee contribution (8 percent) and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the death benefit contribution (.15 percent), if applicable, which is retained by SCRS.

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 in this section.

For 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 requirements that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

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

RICHLAND SCHOOL DISTRICT TWO
NOTES TO FINANCIAL STATEMENTS
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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.

For 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 of five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

Contributions

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

If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than ninety percent, then the board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than ninety percent. Any decrease in contribution rates must maintain the 2.9 and 5 percent differentials between the SCRS and PORS employer and employee contribution rates respectively. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than ninety percent, then effective on the following July first, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 90 percent.

The Retirement System Funding and Administration Act increases employer contribution rates to 13.56 percent for SCRS and 16.24 percent for PORS, effective July 1, 2017. It also removes the 2.9 percent and 5 percent differential and increases and establishes a ceiling on employee contribution rates at 9 percent and 9.75 percent for SCRS and PORS respectively. The employer contribution rates will continue to increase annually by 1 percent through July 1, 2022. The legislation's ultimate scheduled employer rate is 18.56 percent for SCRS and 21.24 percent for PORS. The amortization period is scheduled to be reduced one year for each of the next 10 years to a twenty year amortization schedule. The recent pension reform legislation also changes the long term funded ratio requirement from ninety to eighty-five.

RICHLAND SCHOOL DISTRICT TWO
NOTES TO FINANCIAL STATEMENTS
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Required employer and employee contribution rates for the past three years are as follows:

	SCRS and State ORP Rates			PORS Rates		
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Employer Contribution Rate: ¹						
Retirement ²	10.91%	11.41%	13.41%	13.34%	13.84%	15.84%
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%
	<u>11.06%</u>	<u>11.56%</u>	<u>13.56%</u>	<u>13.74%</u>	<u>14.24%</u>	<u>16.24%</u>
Employee Contribution Rate	<u>8.16%</u>	<u>8.66%</u>	<u>9.00%</u>	<u>8.74%</u>	<u>9.24%</u>	<u>9.75%</u>

¹ Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

² Of this employer contribution, 5% of earnable compensation must be remitted by the employer directly to the ORP Vendor to be allocated to the member's account with the remainder of the employer contribution remitted to the SCRS.

Year Ended June 30,	SCRS Contributions		State PORS Contributions		State ORP Contributions	
	<u>Required</u>	<u>% Contributed</u>	<u>Required</u>	<u>% Contributed</u>	<u>Required</u>	<u>% Contributed</u>
2016	\$ 16,618,723	100%	\$ 68,544	100%	\$ 1,494,608	100%
2017	17,941,197	100%	77,814	100%	1,690,341	100%
2018	21,202,441	100%	88,736	100%	2,281,965	100%

Net Pension Liability and Pension Expense

At June 30, 2018, the School District reported liabilities of \$378,725,617 and \$1,128,261 for its proportionate share of the SCRS and PORS net pension liability, respectively. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 projected forward to June 30, 2017. The School District's proportionate share of the net pension liability was calculated on the basis of historical employer contributions to the pension plan for the fiscal year ended June 30, 2016 relative to historical contributions of all participating employers. As of the June 30, 2017 measurement date, the School District's proportionate share of the SCRS plan was 1.682357%, which was a decrease of 0.009372% from its proportion measured as of June 30, 2016. As of the June 30, 2017 measurement date, the School District's proportionate share of the PORS plan was 0.04118%, which was an increase of 0.00463% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School District recognized pension expense of \$38,348,514 and \$135,565 for SCRS and PORS, respectively.

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Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

South Carolina Retirement System

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions subsequent to the measurement date	\$ 23,484,406	\$
Changes in assumptions	22,170,320	
Differences between expected and actual experience	1,688,358	209,915
Net difference between projected and actual earnings on pension plan investments	10,572,241	
Deferred amounts from changes in proportionate share	1,046,193	2,437,250
	<u>\$ 58,961,518</u>	<u>\$ 2,647,165</u>

Police Officers Retirement System

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions subsequent to the measurement date	\$ 88,736	\$
Changes in assumptions	107,082	
Differences between expected and actual experience	10,061	
Net difference between projected and actual earnings on pension plan investments	40,205	
Deferred amounts from changes in proportionate share	79,800	63,208
	<u>\$ 325,884</u>	<u>\$ 63,208</u>

The \$23,484,406 and \$88,736 reported as deferred outflows of resources related to the SCRS pension and PORS pension, respectively, resulting from the School District's contributions paid subsequent to the measurement date for the SCRS plan during the year ended June 30, 2017 will be recognized as a reduction of the net pension liability in the year ending June 30, 2019.

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

<u>Year Ending June 30,</u>	<u>SCRS</u>	<u>PORS</u>
2019	\$ 10,310,002	\$ 42,429
2020	15,222,698	62,008
2021	10,256,560	53,951
2022	(2,959,313)	15,552
Thereafter	-	-

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

RICHLAND SCHOOL DISTRICT TWO
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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 that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued as of July 1, 2015.

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2017, valuations for SCRS and PORS.

	SCRS	PORS
Actuarial assumptions:		
Actuarial cost method	Entry age normal	Entry age normal
Investment rate of return	7.25%	7.25%
Projected salary increases	3.0%-12.5% (varies by service)	3.5%-9.5% (varies by service)
Includes inflation at	2.25%	2.25%
Benefit adjustments	lesser of 1% or \$500	lesser of 1% or \$500

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 2016.

Assumptions used in the July 1, 2017, valuations for SCRS and PORS are as follows:

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

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

The expected returns, along with the expected inflation rate, form the basis for the revised target asset allocation adopted at the beginning of the 2017 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the following table. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

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Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Global Equity	45.0%		
Global Public Equity	31.0%	6.72%	2.08%
Private Equity	9.0%	9.60%	0.86%
Equity Options Strategies	5.0%	5.91%	0.30%
Real Assets	8.0%		
Real Estate (Private)	5.0%	4.32%	0.22%
Real Estate (REIT's)	2.0%	6.33%	0.13%
Infrastructure	1.0%	6.26%	0.06%
Opportunistic	17.0%		
GTAA/Risk Parity	10.0%	4.16%	0.42%
HF (Non-PA)	4.0%	3.82%	0.15%
Other Opportunistic Strategies	3.0%	4.16%	0.12%
Diversified Credit	18.0%		
Mixed Credit	6.0%	3.92%	0.24%
Emerging Market Debt	5.0%	5.01%	0.25%
Private Debt	7.0%	4.37%	0.31%
Conservative Fixed Income	12.0%		
Core Fixed Income	10.0%	1.60%	0.16%
Cash and Short Duration (Net)	2.0%	0.92%	0.02%
Total Expected Real Return	100.0%		5.31%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.56%

Discount Rate

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

Sensitivity Analysis

The following table presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25 percent) or 1 percentage point higher (8.25 percent) than the current rate:

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
System	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
SCRS	\$ 488,125,296	\$ 378,725,617	\$ 312,345,718
PORS	\$ 1,523,367	\$ 1,128,261	\$ 817,041

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Pension Plan Fiduciary Net Position

The net pension liability 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. As of June 30, 2017, net pension liability amounts for SCRS and PORS are as follows:

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 48,244,437,494	\$ 25,732,829,268	\$ 22,511,608,226	53.3%
PORS	7,013,684,001	4,274,123,178	2,739,560,823	60.9%

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement 67 in the System's notes to the financial statements and required supplementary information.

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for SCRS. The CAFR of the Pension Trust Funds is publicly available on PEBA's Retirement Benefits' website at www.retirement.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960.

10. OTHER POSTEMPLOYMENT BENEFITS

As previously discussed, PEBA is a state agency responsible for the administration and management of the State of South Carolina's employee insurance programs, other post-employment benefit trusts and retirement systems and is part of the State of South Carolina primary government. By law, the State Fiscal Accountability Authority ("SFAA"), which consists of five elected officials, also reviews certain PEBA Board decisions in administering the State Health Plan and OPEB.

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

Plan Descriptions

The Other Post-Employment Benefits Trust Funds (OPEB Trusts), collectively refers to the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF), were established by the State of South Carolina as Act 195, which became effective on May 2008. The SCRHITF was created to fund and account for the employer costs of the State's retiree health and dental plans. The SCLTDITF was created to fund and account for the employer costs of the State's Basic Long-Term Disability Income Benefit Plan.

In accordance with Act 195, the OPEB Trusts are administered by the PEBA, Insurance Benefits and the State Treasurer is the custodian of the funds held in trust. The Board of Directors of PEBA has been designated as the Trustee.

RICHLAND SCHOOL DISTRICT TWO
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JUNE 30, 2018

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

Plan Benefits

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

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

Plan Contributions and Funding Policies

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment and long-term disability benefits to be funded through annual appropriations by the General Assembly for active employees to the PEBA, Insurance Benefits and participating retirees to PEBA, except for the portion funded through the pension surcharge and provided from the other applicable sources of the PEBA, Insurance Benefits. For active employees who are not funded by State General Fund appropriations, participating employers are mandated by State statute to contribute at a rate assessed each year by the Department of Administration Executive Budget Office. The covered payroll surcharge for the years ended June 30, 2018 and 2017 were 5.50 percent and 5.33 percent, respectively.

The South Carolina Retirement System collects the monthly surcharge for all participating employers and remits it directly to the SCRHITF. Other sources of funding for the SCRHITF include mandatory transfers of accumulated PEBA, Insurance Benefits' reserves and income generated from investments. Employer contributions also include the implicit subsidy, or age-related subsidy inherent in the healthcare premiums structure. The implicit subsidy represents a portion of the health care expenditures paid on behalf of the employer's active employees. For purposes of GASB Statement No. 75, this expenditure on behalf of the active employee is reclassified as a retiree health care expenditure so that the employer's contributions towards the plan reflect the underlying age-adjusted, retiree benefit costs.

BLTD benefits are funded through a person's premium charged to State agencies, public school districts and other participating local governments. The monthly premium per active employee was \$3.22 for the fiscal year ended June 30, 2017. The SCLTDITF premium is billed monthly by PEBA, Insurance Benefits and transferred monthly to the SCLTDITF. It is also funded through investment income.

Net OPEB Liability, OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

At June 30, 2018, the District reported liabilities of \$291,281,567 and \$29,342 for its proportionate share of the net OPEB liabilities for the SCRHITF and SCLTDITF, respectively. The net OPEB liabilities were measured as of June 30, 2017, and the total OPEB liabilities for the OPEB Trusts used to calculate the net OPEB liabilities were determined based on the most recent actuarial valuation report as of July 1, 2016 that was projected forward to the measurement date. The District's proportion of the net OPEB liabilities were based on an allocation of the District's share of payroll-related contributions to the OPEB Trusts relative to the projected contributions of all participating South Carolina state and local

RICHLAND SCHOOL DISTRICT TWO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

governmental employers, actuarially determined. At the June 30, 2017 measurement date, the District's SCRHITF proportion was 2.150499 percent, which was equal to its proportion measured as of June 30, 2016. At the June 30, 2017 measurement date, the District's SCLTDITF proportion was 1.618414 percent, which was equal to its proportion measured as of June 30, 2016.

In accordance with part (b) of paragraph 69 of GASB Statement No. 75, participating employers should recognize revenue in an amount equal to the employer's proportionate share of the change in the collective net OPEB liability arising from contributions to the OPEB plan during the measurement period from non-employer contributing entities for purposes other than the separate financing of specific liabilities to the OPEB plan. For the year ended June 30, 2018, the District recognized \$1,705,491 and \$6,474 for the SCRHITF and SCLTDITF, respectively, for a total of \$1,711,965 of revenues from state sources and intergovernmental expenditures in the District's special revenue funds.

For the year ended June 30, 2018, the District recognized OPEB expense of \$16,831,511 and \$130,984 for the SCRHITF and SCLTDITF, respectively, for a total OPEB expense of \$16,962,495. At June 30, 2018, the District reported deferred outflows of resources (deferred OPEB charges) and deferred inflows of resources (deferred OPEB credits) related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
SCRHITF		
Differences Between Expected and Actual Experience	\$ -	\$ 126,419
Changes in Assumptions	-	27,408,240
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	500,504	-
Changes in Proportionate Share and Differences Between Employer Contributions and Proportionate Share of Total Plan Employer Contributions	-	4,167
The School District's Contributions Subsequent to the Measurement Date	10,094,472	-
Total SCRHITF	<u>10,594,976</u>	<u>27,538,826</u>
SCLTDITF		
Differences Between Expected and Actual Experience	-	-
Changes in Assumptions	-	2,662
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	14,137	-
Changes in Proportionate Share and Differences Between Employer Contributions and Proportionate Share of Total Plan Employer Contributions	-	728
The School District's Contributions Subsequent to the Measurement Date	126,955	-
Total SCLTDITF	<u>141,092</u>	<u>3,390</u>
Total SCRHITF and SCLTDITF	<u>\$ 10,736,068</u>	<u>\$ 27,542,216</u>

\$10,094,472 and \$126,955 that were reported as deferred outflows of resources related to the District's contributions subsequent to the measurement date to the SCRHITF and SCLTDITF, respectively, will be recognized as a reduction of the net OPEB liabilities in the year ended June 30, 2019.

RICHLAND SCHOOL DISTRICT TWO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the SCRHITF and SCLTDITF will increase (decrease) OPEB expense as follows:

Year Ended June 30,	SCRHITF	SCLTDITF	Total
2019	\$ 4,283,908	\$ (3,156)	\$ 4,280,752
2020	4,283,908	(3,156)	4,280,752
2021	4,283,908	(3,156)	4,280,752
2022	4,283,908	(3,156)	4,280,752
2023	4,409,034	378	4,409,412
Thereafter	5,493,656	1,499	5,495,155
Total	<u>\$ 27,038,322</u>	<u>\$ (10,747)</u>	<u>\$ 27,027,575</u>

Actuarial Assumptions and Methods

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

Additional information as of the latest actuarial valuation for SCRHITF:

Valuation Date: June 30, 2016

Actuarial Cost Method: Entry Age Normal

Inflation: 2.25%

Investment Rate of Return: 4.00%, net of OPEB Plan investment expense; including inflation

Single Discount Rate: 3.56% as of June 30, 2017

Demographic Assumptions: Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2015

Mortality: For healthy retirees, the 2016 Public Retirees of South Carolina Mortality Table for Males and the 2016 Public Retirees of South Carolina Mortality Table for Females are used with fully generational mortality projections based on Scale AA from the year 2016. Multipliers are applied to the base tables based on gender and employment type.

Health Care Trend Rate: Initial trend starting at 7.00% and gradually decreasing to an ultimate trend rate of 4.15% over a period of 15 years

Aging Factors: Based on plan specific experience

RICHLAND SCHOOL DISTRICT TWO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Retiree Participation: 79% for retirees who are eligible for funded premiums

Notes: There were no benefit changes during the year. The discount rate changed from 2.92% as of June 30, 2016 to 3.56% as of June 30, 2017.

Additional information as of the latest actuarial valuation for SCLTDITF:

Valuation Date: June 30, 2016

Actuarial Cost Method: Entry Age Normal

Inflation: 2.25%

Investment Rate of Return: 4.00%, net of Plan investment expense; including inflation

Single Discount Rate: 3.87% as of June 30, 2017

Salary, Termination and Retirement Rates: Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2015

Disability Incidence: The rates used in the valuation are based on the rates developed for the South Carolina Retirement Systems pension plans

Disability Recovery: For participants in payment, 1987 CGDT Group Disability; for active employees, 60% were assumed to recover after the first year and 92% were assumed to recover after the first two years

Offsets: 40% are assumed to be eligible for Social Security benefits; assumed percentage who will be eligible for a pension plan offset varies based on employee group

Notes: There were no benefit changes during the year. The discount rate changed from 3.74% as of June 30, 2016 to 3.87% as of June 30, 2017.

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

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

RICHLAND SCHOOL DISTRICT TWO
NOTES TO FINANCIAL STATEMENTS
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Discount Rate

A Single Discount Rate of 3.56% was used to measure the total OPEB liability for the SCRHITF. The accounting policy for this plan is to set the Single Discount Rate equal to the prevailing municipal bond rate. Due to the plan's investment and funding policies, the difference between a blended discount rate and the municipal bond rate would be less than several basis points (several hundredths of one percent).

A Single Discount Rate of 3.87% was used to measure the total OPEB liability for the SCLTDITF. This Single Discount Rate was based on an expected rate of return on plan investments of 4.00% and a municipal bond rate of 3.56%. The projection of cash flows to determine this Single Discount Rate assumed that employer contributions will remain \$38.64 per year for each covered active employee. Based on these assumptions, the plan's Fiduciary Net Position and future contributions were sufficient to finance the benefit payments through the year 2037. As a result, the long-term expected rate of return on plan investments was applied to project benefit payments through the year 2037, and the municipal bond rate was applied to all benefit payments after that date.

Sensitivity Analysis

The following table presents the District's proportionate share of the net OPEB liability of the SCRHITF calculated using a Single Discount Rate of 3.56 percent, as well as what the District's proportionate share of the net OPEB liability of the SCRHITF would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

Sensitivity of the SCRHITF Net OPEB Liability to Changes in the Discount Rate		
1.00% Decrease (2.56%)	Current Discount Rate (3.56%)	1.00% Increase (4.56%)
\$ 343,047,356	\$ 291,281,567	\$ 249,545,670

Regarding the sensitivity of the District's proportionate share of the net OPEB liability of the SCRHITF to changes in the healthcare cost trend rates, the following table presents the District's proportionate share of the net OPEB liability of the SCRHITF, calculated using the assumed trend rates as well as what the District's proportionate share of the net OPEB liability of the SCRHITF would be using a trend rate that is one percent lower or one percent higher:

Sensitivity of the SCRHITF Net OPEB Liability to Changes in the Healthcare Cost Trend Rates		
1.00% Decrease	Current Healthcare Cost Trend Rate	1.00% Increase
\$ 238,862,956	\$ 291,281,567	\$ 359,151,070

The following table presents the District's proportionate share of the net OPEB liability of the SCLTDITF calculated using a Single Discount Rate of 3.87 percent, as well as what the District's proportionate share of the net OPEB liability of the SCLTDITF would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

Sensitivity of the SCLTDITF Net OPEB Liability to Changes in the Discount Rate		
1.00% Decrease (2.87%)	Current Discount Rate (3.87%)	1.00% Increase (4.87%)
\$ 52,198	\$ 39,342	\$ 6,906

RICHLAND SCHOOL DISTRICT TWO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

OPEB Plan Fiduciary Net Position

The Net OPEB Liability is calculated separately for each OPEB Trust Fund and represents that particular Trust's total OPEB liability determined in accordance with GASB No. 74 less that Trust's fiduciary net position. Net OPEB liability totals, as of June 30, 2017 measurement date, for the SCRS and PORS are presented in the following table:

System	Total OPEB Liability	Plan Fiduciary Net Position	Employer's Net OPEB Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
SCRHITF	\$ 14,659,610,970	\$ 1,114,774,760	\$ 13,544,836,210	7.6%
SCLTDITF	\$ 38,510,568	\$ 36,697,589	\$ 1,812,979	95.3%

The total OPEB liability is calculated by the Trusts' actuary, and each Trust's fiduciary net position is reported in the Trust's financial statements. The net OPEB liability is disclosed in accordance with the requirements of GASB No. 74 in the Trusts' notes to the financial statements and required supplementary information.

11. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the 2017-2018 fiscal year, the School District obtained its general liability and property insurance through Surry of NC.

The School District has operated a self-insured Workers Compensation program since July 1, 2008. Activity related to the Workers Compensation program is reported in an Internal Service Fund. The School District has also hired a third party administrator to handle claim processing related to the program. The School District has purchased excess workers compensation insurance that covers losses exceeding \$600k per occurrence, with no aggregate requirement. At June 30, 2018, the School District has recognized a liability for claims payable in the Internal Service fund for \$2,007,249 related to estimated future claim payments.

The School District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There were no significant reductions in coverage during the year ended June 30, 2018.

12. FUND BALANCE CLASSIFICATIONS

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

Restricted Fund Balance:	
<i>Restricted for Special Revenue</i>	\$ 17,316
<i>Restricted for Debt Service</i>	26,645,639
<i>Restricted for Capital Projects</i>	26,410,580
Unassigned Fund Balance	<u>52,973,547</u>
Total Governmental Fund Balance	<u>\$ 106,047,082</u>

13. CONTINGENT LIABILITIES

Litigation

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

**RICHLAND SCHOOL DISTRICT TWO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Grants

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

14. TAX ABATEMENTS

Richland County, South Carolina ("County") has two tax abatement programs which abate Richland School District Two's ("School District") property tax revenues from certain taxpayers. Those programs are the "Fee-in-Lieu of Ad Valorem Property Tax" ("FILOT") program and the "Special Source Revenue Credit" ("SSRC") Program. The purpose of the FILOT program is to reduce the disparately higher property tax rates applied to manufacturing and certain commercial properties in South Carolina, which have previously impeded new and expanding business from locating in South Carolina. The purpose of the SSRC program is to enhance economic development by reducing property taxes for taxpayers that use the credit provided under the SSRC program to pay the cost of designing, acquiring, constructing, improving, or expanding (a) infrastructure serving the local government or the taxpayer's property, or (b) improved or unimproved real estate and personal property, including machinery and equipment used in the operation of a manufacturing or commercial enterprise.

Additionally, the County uses multicounty industrial or business parks ("MCIP") in connection with the FILOT and SSRC programs which further abate the School District's property tax revenues from certain taxpayers.

For tax year 2017, the gross dollar amount by which the School District's property tax revenues were abated pursuant to tax abatement agreements entered into by the County under each of the programs described above is as follows:

FILOT Program:	\$9,306,252
SSRC Program:	\$142,859 ¹
MCIP:	\$516,588

For tax year 2017, the gross dollar amount of property tax revenues the School District received pursuant to the tax abatement agreements entered into by the County under each of the programs described above is as follows:

FILOT Program:	\$3,693,842
SSRC Program:	\$136,043 ¹
MCIP:	\$3,747,730

¹The County may combine the FILOT and the SSRC program into one tax abatement agreement. The property tax revenues abated or received under the SSRC program are revenues that are abated or received by the School District through tax abatement agreements utilizing only the SSRC program. Abatements incurred or revenues received by the School District through tax abatement programs utilizing a combination of the FILOT and the SSRC programs are noted in the FILOT program abatements and revenues.

15. COMMITMENTS

The School District had capital projects still in process as of June 30, 2018, primarily related to Elementary #20, Richland Two Institute of Innovation and other smaller projects. The School District has entered into contracts for these projects totaling over \$73.2 million, of which approximately \$3.4 million had not been expended as of June 30, 2018.

The School District has entered into operating leases, generally for office machines, which are cancelable within one year. Payments under such leases typically do not exceed \$550k annually. The School

RICHLAND SCHOOL DISTRICT TWO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

District anticipates annual payments to approximate this amount on an on-going basis.

16. SUBSEQUENT EVENTS

On November 6, 2018, the citizens of Richland County passed a bond referendum approving an amount not to exceed \$468,406,000 for district capital needs. Of the \$468,406,000 approved, \$381,952,000 will be issued for the following purposes:

- Constructing, equipping and furnishing safety and security improvements at all existing School District facilities
- Acquiring new school buses and acquiring and installing safety and security improvements in all new and existing buses
- Constructing, equipping and furnishing replacement schools for Bethel-Hanberry Elementary, Forest Lake Elementary and Center for Knowledge North
- Constructing, equipping and furnishing a replacement school for E.L. Wright Middle, except the three-story existing building that will be improved and renovated
- Constructing, equipping and furnishing renovations, additions and other improvements to academic learning spaces at schools and facilities all across the School District
- Constructing, equipping and furnishing renovations, additions and other improvements to other facilities across the School District
- Acquisition and installation of technology infrastructure improvements
- Costs related to the foregoing, including architectural and engineering fees, costs of removal of existing facilities, cost of land acquisition, if necessary, legal fees, and costs of issuance of the bonds

The other \$86,454,000 will be issued for the purposes of:

- Constructing, equipping and furnishing renovations and additions to athletic facilities at Richland Northeast High and Ridge View High including additions, major renovations, and expansions of football stadiums
- Constructing, equipping and furnishing renovations and additions to other athletic facilities across the School District
- Constructing, equipping and furnishing a new School District Fine Arts Center
- Costs related to the foregoing, including architectural and engineering fees, costs of removal of existing facilities, cost of land acquisition, if necessary, legal fees and costs of issuance of the bonds

The School District has considered subsequent events through the date of the auditors' report, in preparing the financial statements and notes hereto.

REQUIRED SUPPLEMENTARY INFORMATION

RICHLAND COUNTY SCHOOL DISTRICT TWO
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance to Final Budget</u>
REVENUES:				
Local Property Tax	\$ 97,869,013	\$ 97,869,013	\$ 96,013,376	\$ (1,855,637)
Other Local Revenue	1,603,158	1,603,158	2,303,248	700,090
Total Revenue from Local Sources	99,472,171	99,472,171	98,316,624	(1,155,547)
Intergovernmental Sources	150,000	150,000	181,149	31,149
State Sources	166,751,895	166,751,895	168,210,278	1,458,383
Federal Sources	250,000	250,000	298,988	48,988
Total Revenues - All Sources	<u>266,624,066</u>	<u>266,624,066</u>	<u>267,007,039</u>	<u>382,973</u>
EXPENDITURES:				
Current:				
Instruction	161,834,526	159,622,100	155,554,691	4,067,409
Support Services	112,078,064	109,892,265	107,571,811	2,320,454
Community Services		47,973	206,519	(158,546)
Other Charges	-	1,233,301	1,233,301	-
Total Expenditures	<u>273,912,590</u>	<u>270,795,639</u>	<u>264,566,322</u>	<u>6,229,317</u>
Excess Revenues Over (Under) Expenditures	<u>(7,288,524)</u>	<u>(4,171,573)</u>	<u>2,440,717</u>	<u>6,612,290</u>
OTHER FINANCING SOURCES (USES):				
Sale of Capital Assets			2,139	2,139
Transfers In	7,288,524	7,288,524	7,618,831	330,307
Transfers Out	-	(3,116,951)	(3,290,691)	(173,740)
Total Other Financing Sources (Uses)	<u>7,288,524</u>	<u>4,171,573</u>	<u>4,330,279</u>	<u>158,706</u>
Excess / (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>6,770,996</u>	<u>\$ 6,770,996</u>
Fund Balance, Beginning of Year			<u>46,202,551</u>	
Fund Balance, End of Year			<u>\$ 52,973,547</u>	

Note: The budgets are presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

RICHLAND COUNTY SCHOOL DISTRICT TWO
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
YEAR ENDED JUNE 30, 2018

	2018	2017	2016	2015	2014
South Carolina Retirement System (SCRS)					
Proportionate Share of Net Liability as a Percentage	1.682357%	1.691729%	1.702456%	1.681826%	1.681826%
Proportionate Share of Net Liability as an Amount	378,725,617	361,350,817	322,878,988	289,562,351	289,562,351
Covered Employee Payroll During the Measurement Period	180,793,991	150,233,153	146,596,583	140,953,599	140,953,599
Proportionate Share of the Net Liability as a Percentage of its Covered Employee Payroll	209.48%	240.53%	220.25%	205.43%	205.43%
System Plan Fiduciary Net Position as a Percentage of the Total System Pension Liability	53.34%	52.91%	56.99%	59.92%	56.39%
Police Officers Retirement System (PORS)					
Proportionate Share of Net Liability as a Percentage	0.041180%	0.036550%	0.040650%	0.042410%	0.042410%
Proportionate Share of Net Liability as an Amount	1,128,261	927,208	886,031	812,351	812,351
Covered Employee Payroll During the Measurement Period	554,188	506,235	510,602	477,238	477,238
Proportionate Share of the Net Liability as a Percentage of its Covered Employee Payroll	203.59%	183.16%	173.53%	170.22%	170.22%
System Plan Fiduciary Net Position as a Percentage of the Total System Pension Liability	60.94%	60.44%	64.57%	67.55%	62.98%

Source: Information obtained from the South Carolina Public Employee Benefit Authority (PEBA) and the district's financial records.

Note: The amounts presented for each fiscal year were determined as of June 30th of the preceding year. As of June 30, 2018, only five years of data were available. Additional years' information will be included as it becomes available.

**RICHLAND COUNTY SCHOOL DISTRICT TWO
SCHEDULE OF CONTRIBUTIONS TO SCRS AND PORS
YEAR ENDED JUNE 30, 2018**

SOUTH CAROLINA RETIREMENT SYSTEM (SCRS)

	Statutorily Required Contributions	Contributions Recognized by the Plan	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a % of Covered Payroll
2018	\$ 23,484,406	\$ 23,484,406	\$ -	\$ 182,982,634	12.83%
2017	\$ 19,631,538	\$ 19,631,538	\$ -	\$ 180,793,991	10.86%
2016	\$ 18,113,331	\$ 18,113,331	\$ -	\$ 150,233,153	12.06%
2015	\$ 17,378,471	\$ 17,378,471	\$ -	\$ 146,596,583	11.85%
2014	\$ 16,173,481	\$ 16,173,481	\$ -	\$ 140,953,599	11.47%

POLICE OFFICER RETIREMENT SYSTEM (PORS)

	Statutorily Required Contributions	Contributions Recognized by the Plan	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a % of Covered Payroll
2018	\$ 88,736	\$ 88,736	\$ -	\$ 553,219	16.04%
2017	\$ 77,814	\$ 77,814	\$ -	\$ 554,188	14.04%
2016	\$ 68,544	\$ 68,544	\$ -	\$ 506,235	13.54%
2015	\$ 67,450	\$ 67,450	\$ -	\$ 510,602	13.21%
2014	\$ 60,322	\$ 60,322	\$ -	\$ 477,238	12.64%

Source: Information obtained from the South Carolina Public Employee Benefit Authority (PEBA) and the district's financial records.

Note: The amounts presented for each fiscal year were determined as of June 30th of the preceding year. As of June 30, 2018, only five years of data were available. Additional years' information will be included as it becomes available.

RICHLAND COUNTY SCHOOL DISTRICT TWO
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
YEAR ENDED JUNE 30, 2018

	<u>2018</u>	<u>2017</u>
South Carolina Retiree Health Insurance Trust Fund (SCRHITF)		
Proportionate Share of Net Liability as a Percentage	2.150499%	2.150499%
Proportionate Share of Net Liability as an Amount	291,281,567	311,147,763
Covered Employee Payroll During the Measurement Period	181,348,179	181,348,179
Proportionate Share of the Net Liability as a Percentage of its Covered Employee Payroll	160.62%	171.57%
System Plan Fiduciary Net Position as a Percentage of the Total System Pension Liability	7.60%	7.60%
	<u>2018</u>	<u>2017</u>
South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF)		
Proportionate Share of Net Liability as a Percentage	0.411800%	0.036550%
Proportionate Share of Net Liability as an Amount	1,128,261	927,208
Covered Employee Payroll During the Measurement Period	181,348,179	181,348,179
Proportionate Share of the Net Liability as a Percentage of its Covered Employee Payroll	0.62%	0.51%
System Plan Fiduciary Net Position as a Percentage of the Total System Pension Liability	95.29%	95.29%

Source: Information obtained from the South Carolina Public Employee Benefit Authority (PEBA) and the district's financial records.

Note: The amounts presented for each fiscal year were determined as of June 30th of the preceding year. As of June 30, 2018, only two years of data were available. Additional years' information will be included as it becomes available.

RICHLAND COUNTY SCHOOL DISTRICT TWO
SCHEDULE OF CONTRIBUTIONS TO SCRHITF AND SCLTDITF
YEAR ENDED JUNE 30, 2018

SOUTH CAROLINA RETIREE HEALTH INSURANCE TRUST FUND (SCRHITF)

	Statutorily Required Contributions	Contributions Recognized by the Plan	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a % of Covered Payroll
2018	\$ 10,094,472	\$ 10,094,472	\$ -	\$ 183,535,853	5.50%
2017	\$ 9,665,858	\$ 9,665,858	\$ -	\$ 181,348,179	5.33%

SOUTH CAROLINA LONG-TERM DISABILITY INSURANCE TRUST FUND (SCLTDITF)

	Statutorily Required Contributions	Contributions Recognized by the Plan	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a % of Covered Payroll
2018	\$ 126,955	\$ 126,955	\$ -	\$ 183,535,853	0.07%
2017	\$ 117,150	\$ 117,150	\$ -	\$ 181,348,179	0.06%

Source: Information obtained from the South Carolina Public Employee Benefit Authority (PEBA) and the district's financial records.

Note: The amounts presented for each fiscal year were determined as of June 30th of the preceding year. As of June 30, 2018, only two years of data were available. Additional years' information will be included as it becomes available.

APPENDIX B

FORM OF BOND COUNSEL OPINION

[Date of Delivery]

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

SCHOOL DISTRICT NO. 2 OF RICHLAND COUNTY, SOUTH CAROLINA
GENERAL OBLIGATION BOND ANTICIPATION NOTES, SERIES 2019, \$ _____

We have served as bond counsel for School District No. 2 of Richland County, South Carolina (the "School District") in connection with the issuance of \$ _____ General Obligation Bond Anticipation Notes, Series 2019 dated _____, 2019 (the "Notes"). In such capacity, we have examined such law and certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion.

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

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

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

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

1. The Notes have been authorized and executed by the School District and are valid and binding general obligations of the School District.
2. The Notes are payable from the receipt of the proceeds of general obligation bonds to be issued by the School District, and in addition, the full faith, credit and taxing power of the School District

is pledged to the payment of the principal of and interest on the Notes. For payment on the general obligation bonds, the School District has the power and is obligated to levy and collect annually a tax, without limit, on all taxable property in the School District sufficient to pay the principal of and interest on the general obligation bonds as they respectively mature and to create such sinking fund as may be necessary therefor.

3. Interest on the Notes is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. The opinion set forth in the preceding sentence is subject to the condition that the School District comply with all requirements of the Internal Revenue Code of 1986 (the "Code"), that must be satisfied subsequent to the issuance of the Notes in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The School District has covenanted to comply with such requirements. Failure to comply with certain of such requirements may cause interest on the Notes to be included in gross income for federal income tax purposes to be retroactive to the date of issuance of the Notes.

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

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

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

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Very truly yours,

BURR & FORMAN LLP

FORM OF DISCLOSURE DISSEMINATION AGENT AGREEMENT

This Disclosure Dissemination Agent Agreement (the "Disclosure Agreement"), dated as of _____, 2019, is executed and delivered by School District No. 2 of Richland County, South Carolina (the "Issuer") and Digital Assurance Certification, L.L.C., as exclusive Disclosure Dissemination Agent (the "Disclosure Dissemination Agent" or "DAC"), for the benefit of the Holders (hereinafter defined) of the Notes (hereinafter defined) in order to assist the Participating Underwriters in complying with Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the "Rule"). Inasmuch as the Notes have a stated maturity of less than 18 months, the limited exemption provided by S.E.C. Rule 15c2-12(d)(3) applies to the Notes, and the Issuer's obligations are limited to compliance with S.E.C. Rule 15c2-12(b)(5)(i)(C).

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:

"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 7 hereof.

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

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

"Information" means the Notice Event notices.

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

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

"Notice Event" means any of the events enumerated in paragraph (b)(5)(i)(C) of the Rule and listed in Section 2(a) of this Disclosure Agreement.

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

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

"Trustee" means the institution identified as such or identified as Paying Agent/Registrar in the document under which the Notes were issued.

SECTION 2. Filing of Notice Events.

(a) The Disclosure Dissemination Agent shall:

(i) upon receipt, promptly file the text of each Notice Event received under Sections 3(a) and 3(b)(ii) with the MSRB, identifying the Notice Event as instructed by the Issuer pursuant to Section 3(a) or 3(b)(ii) (being any of the categories set forth below) when filing pursuant to Section 3(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 Bondholders, if material;"
8. "Bond calls, if material, and tender offers;"
9. "Defeasances;"

10. "Release, substitution, or sale of property securing repayment of the Notes, if material;"
11. "Rating changes;"
12. "Bankruptcy, insolvency, receivership or similar event of the Obligated Person;"
13. "Merger, consolidation, or acquisition of the Obligated Person, if material;"
14. "Appointment of a successor or additional trustee, or the change of name of a trustee, if material;"
15. "Incurrence of a financial obligation of an Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of an Obligated Person, any of which affect security holders, if material;" and
16. "Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of an Obligated Person, any of which reflect financial difficulties;" and

- (ii) 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.

(b) 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 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. Reporting of Notice Events.

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

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes;
7. Modifications to rights of Bondholders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Notes, if material;

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

Note to subsection (a)(12) of this Section 3: For the purposes of the event described in subsection (a)(12) of this Section 3, 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;
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. Incurrence of a financial obligation of an Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of an Obligated Person, any of which affect security holders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of an Obligated Person, any of which reflect financial difficulties.

The Issuer shall notify the Disclosure Dissemination Agent in writing of the occurrence of a Notice Event in a timely manner to allow the Disclosure Dissemination Agent to file the Notice Event notice with the MSRB not in excess of ten business days after its occurrence. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c). Such notice shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(a)(i) 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 3. Such notice shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(a)(i) 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 3 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with the MSRB in accordance with Section 2(a)(i) hereof.

SECTION 4. CUSIP Numbers. The Obligated Person will provide the Disclosure Dissemination Agent with the CUSIP numbers for (i) new notes at such time as they are issued or become subject to the Rule and (ii) any Notes to which new CUSIP numbers are assigned in substitution for the CUSIP numbers previously assigned to such Notes.

SECTION 5. 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 6. Termination of Reporting Obligation. The obligations of the Issuer and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Notes upon the legal defeasance, prior redemption or payment in full of all of the Notes, when the Issuer is no longer an Obligated Person, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required.

SECTION 7. Disclosure Dissemination Agent. The Issuer has appointed Digital Assurance Certification, L.L.C. as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The Issuer may, upon thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the Issuer or DAC, the Issuer agrees to appoint a successor Disclosure Dissemination Agent or, alternately, agrees to assume all responsibilities of Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Notes. Notwithstanding any replacement or appointment of a successor, the Issuer shall remain liable, until payment in full, for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the Issuer.

SECTION 8. 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 Disclosure Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation

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

SECTION 9. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

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

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

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

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

SECTION 10. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the Issuer and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Notes and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither the Issuer nor 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 prior 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 11. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Trustee of the Notes, the Disclosure Dissemination Agent, the underwriter, and the Holders from time to time of the Notes, and shall create no rights in any other person or entity.

SECTION 12. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of New York (other than with respect to conflicts of laws), except that the capacity of the Issuer to enter into this Disclosure Agreement and its enforceability against the Issuer shall be governed by and construed in accordance with the laws of the State of South Carolina.

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

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

[Remainder of Page Intentionally Left Blank]

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

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

By: _____
Name: _____
Title: _____

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

By: _____
Name: _____
Title: _____

EXHIBIT A

NAME AND CUSIP NUMBERS OF NOTES

Name of Issuer	School District No. 2 of Richland County, South Carolina
Obligated Person(s)	School District No. 2 of Richland County, South Carolina
Name of Note Issue:	General Obligation Bond Anticipation Notes, Series 2019
Date of Issuance:	[DATE]
Date of Official Statement:	[DATE]

CUSIP Number: _____