

This Preliminary Official Statement and the information contained herein are subject to completion or amendment in a Final Official Statement. The Notes may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Notes in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to the registration or qualification under the applicable securities laws of any such jurisdiction. Final written confirmation of the sale shall not be conclusive unless the Final Official Statement is delivered to the purchaser.

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 14, 2020

**NEW ISSUE
FULL BOOK-ENTRY ONLY**

**RATING: Moody's: MIG-1
(See "MISCELLANEOUS – Rating" herein)**

In the opinion of Bond Counsel, assuming continuing compliance by the School District with certain covenants, interest on the Notes is excludable from gross income for federal income tax purposes under existing statutes, regulations and judicial decisions. Interest on the Notes is not an item of tax preference for purposes of the federal alternative minimum tax. See "TAX EXEMPTION" for a brief description of certain federal income tax consequences to certain recipients of interest on the Notes. The Notes and the interest thereon will also be exempt from all State, county, municipal and school district and other taxes or assessments imposed within the State of South Carolina, except estate, transfer and certain franchise taxes.

\$25,000,000*
CHARLESTON COUNTY SCHOOL DISTRICT, SOUTH CAROLINA
TAX ANTICIPATION NOTES OF 2020

The \$25,000,000* Charleston County School District, South Carolina, Tax Anticipation Notes of 2020 (the "Notes") are secured by an irrevocable pledge of the full faith, credit, resources and taxing power of Charleston County School District, South Carolina (the "School District") and are payable from the proceeds of the ad valorem tax levy within the School District for ordinary operating purposes of the School District for the fiscal year ending June 30, 2021, together with reimbursements from the State of South Carolina in lieu of certain property taxes. See "THE NOTES – Security" herein.

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

The Notes will be dated as of the date of delivery and payment therefor, which is expected to be October 28, 2020, and will mature as to principal and interest on March 31, 2021. The Notes will bear interest from their date at the rate per annum specified below. The Notes are not subject to redemption prior to maturity.

TAX ANTICIPATION NOTES OF 2020

<u>Maturity</u>	<u>CUSIP</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
March 31, 2021		\$25,000,000*	%	%

Sealed bids in accordance with the Official Notice of Sale will be received until 11:00 a.m. (prevailing local time), Wednesday, October 21, 2020 at 3999 Bridge View Drive, North Charleston, South Carolina.

The Notes are offered when, as and if issued and subject to the approving opinion as to legality of Haynsworth Sinkler Boyd, P.A., Bond Counsel, Charleston, South Carolina. PFM Financial Advisors LLC, Orlando, Florida, is acting 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 October 28, 2020.

This cover page contains certain information for quick reference only. It is not a summary of the issue. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision. This Preliminary Official Statement has been deemed "final" by the School District for purposes of S.E.C. Rule 15c2-12 except for information which may be omitted pursuant to Rule 15c2-12.

This Official Statement is dated _____, 2020

*Preliminary, subject to change.

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

This Official Statement has been deemed final by the School District for purposes of paragraph (b)(1) of Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), but is subject to revision, amendment and completion in a final Official Statement as provided in the Rule.

**CHARLESTON COUNTY SCHOOL DISTRICT,
SOUTH CAROLINA**

BOARD OF TRUSTEES

Eric Mack, Chair
Kate Darby, Vice Chair
Cindy Bohn Coats
Chris Collins
Chris Fraser
Todd Garrett
Joyce Green
Kevin Hollinshead

SCHOOL DISTRICT ADMINISTRATION

Dr. Gerrita Postlewait, Superintendent of Schools
Donald R. Kennedy, Chief Financial and Administrative Officer
Jacquelyn N. Carlen, Executive Director of Finance

BOND COUNSEL

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

FINANCIAL ADVISOR

PFM Financial Advisors LLC
Orlando, Florida

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OFFICIAL NOTICE OF SALE

\$25,000,000*

**CHARLESTON COUNTY SCHOOL DISTRICT, SOUTH CAROLINA
TAX ANTICIPATION NOTES OF 2020**

NOTICE IS HEREBY GIVEN that proposals addressed to the undersigned will be received by the Board of Trustees (the "Board") of Charleston County School District, South Carolina (the "School District") at 3999 Bridge View Drive, North Charleston, South Carolina 29405, until 11:00 a.m., South Carolina time, on Wednesday, October 21, 2020, at which time such proposals will be opened for the purchase of \$25,000,000* Tax Anticipation Notes of 2020 of the School District (the "Notes"). The School District reserves the right to increase or decrease the principal amount of the Notes following the sale provided that the total purchase price of the Notes, including premium, does not exceed \$28,000,000. In the event the School District decreases the principal amount of the Notes, the amount of the premium will be reduced proportionately.

Details of the Notes. The Notes will be issued initially under the DTC Book-Entry Only System registered in the name of Cede & Co. as the registered owner and nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Notes. The Notes will be issued in the denomination of \$5,000 each or any integral multiple thereof provided that the total amount of Notes shall not exceed the aggregate principal thereof; will be without coupons; and will mature as to principal and interest on March 31, 2021. Interest on the Notes shall be computed on a 30-day month, 360-day year basis.

Redemption. The Notes will not be subject to redemption prior to maturity.

Bid Form. Proposals may be delivered by mail, by facsimile transmission or through the *PARITY* electronic bidding system, but no proposal shall be considered which is not actually received by the School District at the place, date and time appointed, and the School District shall not be responsible for any delay, failure, misdirection or error in the means of transmission selected by any bidder. No agent or employee of the School District will undertake to receive proposals by means of oral communication. No good faith deposit is required. The School District is not liable for any costs incurred in the preparation, delivery, acceptance or rejection of any bid.

It is requested, but not required, that written bids be submitted on the bid form attached to the Preliminary Official Statement. Each proposal should be marked "Proposal for \$25,000,000 Tax Anticipation Notes of 2020, Charleston County School District, South Carolina," and should be directed to the School District at the address in the first paragraph hereof. Bids by facsimile should be transmitted to the attention of Donald R. Kennedy at 843-566-1973. Please be advised that there is only one fax machine connected to this number. Please verify receipt of facsimile bids by calling 843-566-8198.

Electronic bids must be submitted to the Parity Electronic Bid Submission System ("*PARITY*"). No other provider of electronic bidding services will be accepted. Both written bids and electronic bids must be unconditional and received by the School District and/or *PARITY*, respectively, before the time stated above. Such bids are to be publicly opened and read at such time and place on said day. For the purposes of both the written sealed bid process and the electronic bidding process, the time as maintained by *PARITY* shall constitute the official time with respect to all bids submitted.

If any provisions of this Official Notice of Sale conflict with information provided by *PARITY* as the approved provider of electronic bidding services, this Official Notice of Sale shall control. Further information about *PARITY* may be obtained from *PARITY*, 1359 Broadway, 2nd Floor, New York, New York 10018, telephone (212) 849-5021.

*Preliminary, subject to change.

Bids; Award. Bidders shall specify a single fixed rate of interest per annum which the Notes are to bear, to be expressed as a percentage interest rate of one-hundredth (1/100th) of a percent. Any sum named by way of premium shall be paid in cash as part of the purchase price. For purposes of calculating the premium, if any, it will be assumed that the Notes will be dated October 28, 2020. No bid for less than 100% of par will be accepted.

The Notes will be awarded to the bidder offering to purchase the Notes in conformity with the terms hereof at the lowest net interest cost to the School District. Such interest cost will be determined by computing the total dollar interest cost from the date of the Notes to the maturity date and deducting therefrom the amount of the premium offered, if any, over and above the principal amount. In the event two or more bids have the same lowest net interest cost, the Notes will be awarded on the basis of a coin flip. The Board reserves the right to reject any and all bids or to waive irregularities in any bid. Bids will be accepted or rejected not later than 4:00 p.m., South Carolina time, on the date of the sale.

Tax Exemption. In the opinion of Bond Counsel, assuming continuing compliance by the School District with certain covenants, interest on the Notes is excludable from gross income for federal income tax purposes under existing statutes, regulations and judicial decisions. Interest on the Notes is not an item of tax preference in computing the alternative minimum taxable income of individuals. The Notes and the interest thereon will also be exempt from all State, county, municipal and school district and other taxes or assessments imposed within the State of South Carolina, except estate, transfer and certain franchise taxes.

Purpose. The proceeds of the Notes will be used to fund the operational expenditures of the School District during the fiscal year beginning July 1, 2020 and ending June 30, 2021 (the "2020-21 Fiscal Year") pending the collection of ad valorem taxes to be levied for such purposes and the receipt of certain State aid.

Security for the Notes. The Notes are issued in anticipation of the collection of ad valorem taxes levied within the School District for the School District's operational purposes for the 2020-21 Fiscal Year and the receipt of State aid received in substitution therefor pursuant to Section 11-11-156 of the Code of Laws of South Carolina 1976, as amended, and are payable, both as to principal and interest, from the proceeds thereof. The Notes are general obligations of the School District and there is also pledged to the payment of the principal of and interest on the Notes, the full faith, credit and taxing power of the School District. The School District has not issued any other notes in anticipation of the collection of the ad valorem taxes or the State aid pledged to the payment of the Notes, but may issue additional notes secured by a similar pledge in an amount that, when added to the amount of the Notes, will not exceed the maximum amount allowed by law. The School District also reserves the right to issue additional obligations secured by the proceeds of the 2020-21 Fiscal Year tax levy and State aid which are junior and subordinate to the Notes.

Official Statement. The Preliminary Official Statement dated October 14, 2020, has been deemed final by the School District for purposes of paragraph (b)(1) of Rule 15c2-12 of the Securities and Exchange Commission (the "Rule") but is subject to revision, amendment and completion in a final Official Statement as provided in the Rule. The Preliminary Official Statement is available at www.i-dealprospectus.com. The School District will furnish the successful bidder with a sufficient number of copies of the final Official Statement in order to allow the bidder to comply with the Rule, without charge, within seven business days of the acceptance of a bid for the Notes.

Continuing Disclosure. In order to assist bidders in complying with the Rule, the School District will undertake, pursuant to a continuing disclosure certificate, to provide notices of certain events. The form of this undertaking is included in the Preliminary Official Statement as Appendix B thereto and will also be so included in the final Official Statement.

Legal Opinion. The School District shall furnish upon the delivery of the Notes the final approving opinion of Haynsworth Sinkler Boyd, P.A., Bond Counsel, Charleston, South Carolina, together with the usual closing documents, including a certificate that no litigation is pending affecting the Notes.

Certificates as to Issue Price and Yield. (a) The winning bidder shall assist the School District in establishing the issue price of the Notes and shall execute and deliver to the School District at closing an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the Public or the sales price or prices of the Notes, together with the supporting pricing wires or equivalent communications, substantially in the

form attached to this Official Notice of Sale, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the School District and Bond Counsel.

(b) The School District intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Notes) will apply to the initial sale of the Notes (the "competitive sale requirements") because:

- (1) the School District shall disseminate this Official Notice of Sale to potential Underwriters in a manner that is reasonably designed to reach potential Underwriters;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the School District may receive bids from at least three Underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the School District anticipates awarding the sale of the Notes to the bidder who submits a firm offer to purchase the Notes at the highest price (or lowest interest cost), as set forth in this Official Notice of Sale.

Any bid submitted pursuant to this Official Notice of Sale shall be considered a firm offer for the purchase of the Notes, as specified in the bid.

(c) In the event that the School District does not receive bids from at least three Underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds, the School District shall so advise the winning bidder. The School District may determine to treat (i) the first price at which 10% of the Notes (the "10% test") is sold to the Public as the issue price of the Notes and/or (ii) the initial offering price to the Public as of the sale date of the Notes as the issue price (the "hold-the-offering-price rule"). The winning bidder shall advise the School District if the Notes satisfy the 10% test as of the date and time of the award of the Notes. The School District shall promptly advise the winning bidder, at or before the time of award of the Notes, whether the Notes shall be subject to the 10% test or shall be subject to the hold-the-offering-price rule. Bids will not be subject to cancellation in the event that the School District determines to apply the hold-the-offering-price rule to the Notes. Bidders should prepare their bids on the assumption that the Notes will be subject to the hold-the-offering-price rule in order to establish the issue price of the Notes.

If the competitive sale requirements are not satisfied, then until the 10% test has been satisfied as to the Notes, the winning bidder agrees promptly to report to the School District the price at which the unsold Notes have been sold to the Public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% test has been satisfied as to the Notes or until all Notes have been sold to the Public.

(d) By submitting a bid, the winning bidder shall (i) confirm that the Underwriters have offered or will offer the Notes to the Public on or before the date of the award at the offering price (the "initial offering price"), or at the corresponding yield, set forth in the bid submitted by the winning bidder, and (ii) agree, on behalf of the Underwriters participating in the purchase of the Notes, that the Underwriters will neither offer nor sell unsold Notes to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the Public during the period starting on the sale date and ending on the earlier of the following:

- (1) The close of the fifth (5th) business day after the sale date; or
- (2) The date on which the Underwriters have sold at least 10% of the Notes to the Public at a price that is no higher than the initial offering price to the Public.

The winning bidder shall promptly advise the School District when the Underwriters have sold 10% of the Notes to the Public at prices that are no higher than the initial offering price to the Public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

(e) The School District acknowledges that, in making the representation set for the above, the winning bidder will rely on (i) the agreement of each Underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among Underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Notes to the Public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an Underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Notes to the Public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The School District further acknowledges that each Underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no Underwriter shall be liable for the failure of any other Underwriter, or of any dealer who is a member of a selling group, or any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Notes.

By submitting a bid, each bidder confirms that: (i) any agreement among Underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Notes to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the Public the unsold Notes allotted to it until it is notified by the winning bidder that either the 10% test has been satisfied as to the Notes or all Notes have been sold to the Public, and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among Underwriters relating to the initial sale of the Notes to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Notes to the Public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the Public the unsold Notes allotted to it until it is notified by the winning bidder or such Underwriter that either the 10% test has been satisfied as to the Notes or all Notes have been sold to the Public, and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder or such Underwriter and as set forth in the related pricing wires.

Sales of any Notes to any person that is a related party to an Underwriter shall not constitute sales to the Public for purposes of this Official Notice of Sale. Further, for purposes of this Official Notice of Sale:

- (i) "Public" means any person other than an Underwriter or a related party,
- (ii) "Underwriter" means (A) any person that agrees pursuant to a written contract with the School District (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the Public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Notes to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Notes to the Public),
- (iii) a purchaser of any of the Notes is a "related party" to an Underwriter if the Underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

- (iv) "sale date" means the date that the Notes are awarded by the School District to the winning bidder.

Delivery. The Notes shall be delivered on or about October 28, 2020, or as soon thereafter as possible, through the facilities of The Depository Trust Company in New York, New York, at the expense of the School District, and are expected to be available through DTC's Book-Entry Only System on such date. The purchase price then due must be paid in Federal Funds. The cost of preparing the Notes will be borne by the School District.

CUSIP Numbers. It is anticipated that CUSIP identification numbers will be printed on the Notes, but neither the failure to print such numbers on any Note nor any error with respect thereto shall constitute cause for failure or refusal by the purchaser thereof to accept delivery of and pay for the Notes in accordance with the terms of its proposal. All expenses in relation to the printing of CUSIP identification numbers on the Notes shall be paid for by the School District; provided, however, that the CUSIP Service Bureau charge for the assignment of said numbers shall be the responsibility of and shall be paid for by the successful bidder.

Additional Information. Persons seeking additional information should communicate with Jacquelyn N. Carlen, Executive Director of Finance, Charleston County School District, 3999 Bridge View Drive, North Charleston, South Carolina 29405, telephone (843) 743-2552; Carol L. Clark, Esq., Haynsworth Sinkler Boyd, P.A., 134 Meeting Street, Charleston, South Carolina 29401, telephone (843) 724-1123, Bond Counsel to the School District; or David Moore or Robert Wilson, PFM Financial Advisors LLC, 300 South Orange Avenue, Suite 1170, Orlando, Florida, 32801, telephone (407) 648-2208, Financial Advisor to the School District.

This Notice is given to evidence the School District's intent to receive bids for and award the Notes on the date stated above. Such sale may be postponed prior to the time bids are to be received through Thomson Municipal Market Monitor, Bloomberg, or other electronic information service. If canceled, the sale may be thereafter rescheduled within 60 days of the date of the publication of this Official Notice of Sale, and notice of such rescheduled date of sale will be posted at least 48 hours prior to the time for receipt of bids through Thomson Municipal Market Monitor, Bloomberg, i-dealprospectus.com or other electronic information service.

Superintendent of Schools
Charleston County School District,
South Carolina

FORM OF CERTIFICATE AS TO ISSUE PRICE

The undersigned, on behalf of _____, hereby certifies as set forth below with respect to the sale of the \$_____ Tax Anticipation Notes of 2020 (the "Notes") of Charleston County School District, South Carolina (the "School District").

[ALTERNATIVE 1 - IF THREE QUALIFYING BIDS ARE RECEIVED:

Reasonably Expected Initial Offering Prices. As of the Sale Date, the reasonably expected initial offering prices of the Notes to the Public by _____ are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Notes used by _____ in formulating its bid to purchase the Notes. Attached as Schedule B is a true and correct copy of the bid provided by _____ to purchase the Notes.

_____ was not given the opportunity to review other bids prior to submitting its bid.

The bid submitted by _____ constituted a firm offer to purchase the Notes.]

[ALTERNATIVE 2 - IF THREE QUALIFYING BIDS ARE NOT RECEIVED AND 10% OF NOTES ARE SOLD:

Sale of the Notes. As of the date of this certificate, the first price at which at least 10% of the Notes was sold to the Public is the respective price listed in Schedule A.]

[ALTERNATIVE 3 – IF THREE QUALIFYING BIDS ARE NOT RECEIVED AND 10% OF NOTES ARE NOT SOLD:

Initial Offering Price of the Notes. _____ offered the Notes to the Public for purchase at the initial offering price of \$_____ (the "Initial Offering Price") on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Notes is attached to this certificate as Schedule B.

As set forth in the Official Notice of Sale and bid award, _____ has agreed in writing that (i) it would neither offer nor sell any of the Notes to any person at a price that is higher than the Initial Offering Price during the Holding Period (the "hold-the-offering-price rule"), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold the Notes at a price that is higher than the respective Initial Offering Price for the Notes during the Holding Period.]

Defined Terms.

"Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

"Sale Date" means the first day on which there is a binding contract in writing for the sale of the Notes. The Sale Date of the Notes is October 21, 2020.

"Underwriter" means (i) any person that agrees pursuant to a written contract with the School District (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Notes to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Notes to the Public).

[Use with Alternative 3

"Holding Period" means the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (October 21, 2020), or (ii) the date on which _____ has sold at least 10% of the Notes to the Public at prices that are no higher than the Initial Offering Price.]

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents _____'s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the School District with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Notes, and by Bond Counsel in connection with rendering its opinion that the interest on the Notes is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G and other federal income tax advice that it may give to the School District from time to time relating to the Notes.

By: _____
Name: _____

Dated: October __, 2020

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\$25,000,000*
CHARLESTON COUNTY SCHOOL DISTRICT, SOUTH CAROLINA
TAX ANTICIPATION NOTES OF 2020

INTRODUCTION

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

The Issuer

The \$25,000,000* Tax Anticipation Notes of 2020 (the "Notes") are being issued by Charleston County School District, South Carolina (the "School District"), a body politic and corporate and a political subdivision of the State of South Carolina (the "State").

Purpose of the Notes

The Notes are being issued for the purposes of providing funds to pay the operational expenditures of the School District during the fiscal year beginning July 1, 2020, and ending June 30, 2021 (the "2020-21 Fiscal Year"), pending the collection of ad valorem taxes levied therefor and the receipt of certain State funds. See "THE NOTES - Authorization" herein.

Security for the Notes

The Notes are secured by an irrevocable pledge of the full faith, credit, and taxing power of the School District, and are payable from the proceeds of the ad valorem tax levy within the School District for ordinary operating purposes of the School District for the 2020-21 Fiscal Year, together with reimbursements received by the School District from the State pursuant to Section 11-11-156 of the Code of Laws of South Carolina 1976, as amended, in lieu of certain property taxes. See "THE NOTES - Security" herein for a description of additional tax anticipation notes that may be issued on a parity with the Notes.

Details of the Notes

The Notes will be issuable in fully-registered form in denominations of \$5,000 each or any whole multiple thereof and, when issued, will be registered to Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). The Notes will be dated as of the date of their delivery (which is expected to be October 28, 2020) and will bear interest from their date at the rate shown on the cover hereof and will mature as to principal and interest on March 31, 2021. The School District is serving as registrar/paying agent (the "Registrar/Paying Agent") for the Notes. The Notes are not subject to redemption prior to their stated maturity. See "THE NOTES" for further information.

Tax Status of Interest on the Notes

In the opinion of Bond Counsel, assuming continuing compliance by the School District with certain covenants, interest on the Notes is excludable from gross income for federal income tax purposes under existing statutes, regulations and judicial decisions. Interest on the Notes is not an item of tax preference for purposes of the federal alternative minimum tax. See "TAX EXEMPTION" for a brief description of certain federal income tax consequences to certain recipients of interest on the Notes. The Notes and the interest thereon will also be exempt from all State, county, municipal and school district and other taxes or assessments imposed within the State of South Carolina, except estate, transfer and certain franchise taxes.

*Preliminary, subject to change.

Professionals Involved in the Offering

Haynsworth Sinkler Boyd, P.A., Charleston, South Carolina, is acting as Bond Counsel in connection with the issuance of the Notes. PFM Financial Advisors LLC, Orlando, Florida, is acting as financial advisor to the School District. CliftonLarsonAllen LLP, Certified Public Accountants, Columbia, South Carolina, audited the financial statements of the School District for the year ended June 30, 2019, included as Appendix A.

Authorization

The Notes are being issued pursuant to the Constitution and laws of the State of South Carolina, including Article X, Section 15 of the Constitution of the State of South Carolina 1895, as amended; Section 11-27-50 and Section 59-69-270 of the Code of Laws of South Carolina 1976, as amended; and a resolution (the "Resolution") adopted by the Board of Trustees of the School District (the "Board") on August 24, 2020.

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 October 28, 2020, and will be available for credit to the accounts of the DTC Participants and, through them, the Beneficial Owners on such date. Information on limitations on transfer of ownership is set forth in "THE NOTES - Book-Entry-Only System" and "THE NOTES - Discontinuance of Book-Entry-Only System."

COVID-19

As of the date of this Official Statement, the United States, including the State of South Carolina and the School District, are in the midst of a pandemic caused by a novel coronavirus and resulting disease known as COVID-19. The pandemic led to a declaration of emergency by the Governor of South Carolina and the issuance of various stringent executive orders placing occupancy limitations on retail, dining and other non-essential businesses, and otherwise promoting social distancing. The Declaration of Emergency was most recently extended on October 9, 2020; however, occupancy restrictions on restaurants have been completely lifted. COVID 19 and resulting social and business disruptions (collectively herein, "COVID") are expected to have a material impact on (i) current School District operations, (ii) its financial performance in the future, and (iii) the sources of revenues utilized by the School District, but the extent of those impacts cannot be predicted. This Official Statement identifies certain potential impacts of COVID on the School District. Owing to the dynamic nature of COVID, there may be other impacts on the School District not identified herein. Data presented in this Official Statement regarding revenues received by the School District in prior fiscal years should not be relied upon as a projection of revenues to be received by the School District in the present and future fiscal years.

As of October 2020, the School District expects to incur approximately \$18.7 million in expenses as a result of COVID. The School District purchased video conferencing services, a virtual learning platform and curriculum materials, and hired 12 additional teachers for the virtual school program, as well as adding several staff to Nursing Services to ensure a full time nurse in every school. Facilities Maintenance purchased classroom partitions for schools to include fabrication, delivery and installation, and disinfecting and air quality equipment and supplies. Foggers for each school and the chemicals for the foggers were also purchased. These costs have been funded from the General Fund (\$3.1 million reserve in Fiscal Year 2020-21 budget), Federal Coronavirus Aid, Relief and Economic Security (CARES) Act funding (\$13.4 million allocated to the School District), and funds allocated to fixed costs of ownership.

The State Legislature has delayed adoption of the State budget for Fiscal Year 2020-21 until January 2021. School districts and state government will continue to operate according to the continuing budget resolution adopted by the State Legislature in May 2020 which continues funding at the level of appropriations provided in the State budget for Fiscal Year 2019-20. The School District is currently analyzing expenditures in the event that State appropriations are reduced.

The School District's 2020-2021 school year started on September 8, 2020. The School District is simultaneously offering in-person learning five days per week with a limited number of students in virtual learning.

The Board approved the return of all elementary and middle school students who were on a waiting list on August 28 to return to in-person instruction on September 21. High school students who were on the August 28 waiting list returned to in-person classes on October 1.

General

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of the Official Statement will be filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") system. Copies of the Preliminary Official Statement, the Official Statement, the Resolution and related documents and information are available by contacting Jacquelyn N. Carlen, Executive Director of Finance, Charleston County School District, 3999 Bridge View Drive, North Charleston, South Carolina 29405 (843-743-2552).

THE NOTES

Description

The Notes will be tax anticipation notes of the School District; will be issuable initially as a single fully registered note in book-entry only form and when issued will be registered to Cede & Co., as nominee for DTC. Purchases of beneficial interests in the Notes will be made in book-entry form only, in the principal amounts of \$5,000 or any whole multiple thereof. The Notes will be dated as of the date of delivery thereof, which is expected to be October 28, 2020; will bear interest from their date at the rate shown on the front cover hereof (based on a 360-day year consisting of twelve 30-day months) and will mature as to principal and interest on March 31, 2021.

Book-Entry-Only System

DTC will initially act as securities depository for the Notes. The Notes will be issued as fully registered securities in the name of Cede & Co. (DTC's partnership nominee). Upon issuance of the Notes, one fully registered Note for each Series of Notes will be issued in the aggregate principal amount of the Notes of that Series and will be deposited with DTC. So long as Cede & Co., as nominee of DTC, is the registered owner of the Notes references herein to the holders or registered owners of the Notes shall mean Cede & Co. and shall not mean the Beneficial Owners (hereinafter defined) of the Notes.

The information under this caption concerning DTC and DTC's book-entry system has been obtained from sources believed to be reliable, but the School District does not take any responsibility for the accuracy or completeness thereof.

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

Purchases of the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of the actual purchaser of the Notes ("Beneficial Owner") is in turn to be recorded on the DTC 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 Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other names may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts 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.

The School District and the Registrar/Paying Agent will recognize DTC or its nominee, Cede & Co., as the registered owner of the Notes for all purposes. 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.

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

Principal and interest payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit DTC Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the School District or the 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 nor its nominee, the School District or the Registrar/Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the School District acting through the Registrar/Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

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

Discontinuance of Book-Entry-Only System

In the event that Notes are no longer in book-entry only form, the following provisions shall apply with respect to such Notes: The School District will appoint another securities depository for the Notes or the Notes held by DTC will be cancelled and the School District will execute and deliver the Notes in fully certificated form to the

DTC Participants shown on the records of DTC. If no other securities depository is named, principal and interest on the Notes shall be payable to the Registered Owner at maturity upon presentation and surrender thereof to a paying agent appointed by the School District at its principal corporate trust office. The School District would then maintain through the paying agent books of registry for the purpose of registering ownership and transfer of the Notes. The Notes would be transferable by the registered owner in person or by his duly authorized attorney upon surrender of the Note to be transferred together with a written instrument of transfer duly executed by the registered owner or his duly authorized attorney. The paying agent will, upon receipt thereof, authenticate and deliver a new Note or Notes in like principal amount as the Note so presented. The School District and the paying agent will deem and treat the person in whose name each Note is registered as the absolute owner thereof for all purposes.

Redemption

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

Authorization

The Notes will be issued pursuant to and in accordance with the Constitution and statutes of the State of South Carolina, including Article X, Section 15 of the Constitution of the State of South Carolina 1895, as amended; Section 11-27-50 and Section 59-69-270 of the Code of Laws of South Carolina 1976, as amended; and the Resolution.

Purpose

The Notes are being issued for the purpose of providing funds to pay the operational expenditures of the School District during the 2020-21 Fiscal Year, pending the collection of ad valorem taxes levied therefor and the receipt of certain State funds.

Projected Cash Flow

The following table sets forth the anticipated cash flow of the School District through June 2021. The table does not reflect the receipt of proceeds of the Notes. Numbers have been rounded to the nearest dollar.

<u>FY 2021</u>	<u>Anticipated Receipts</u>	<u>Anticipated Expenditures</u>	<u>Cumulative Surplus (Deficit) as of End of Month⁽²⁾</u>
July ⁽¹⁾	\$ 25,355,914	\$67,019,438	\$149,684,658
August	35,677,222	65,835,664	119,526,215
September	12,675,851	57,328,288	74,873,779
October	20,446,136	82,350,379	12,969,536
November	42,728,686	56,700,758	(1,002,537)
December	87,449,880	49,200,758	37,246,585
January	120,740,707	57,600,758	100,386,534
February	196,556,515	56,100,758	240,842,291
March	23,235,625	62,100,758	201,977,158
April	23,856,099	55,100,758	170,732,498
May	25,753,682	52,651,137	143,835,043
June	41,773,302	58,020,691	127,587,655

⁽¹⁾ Starting with a balance of \$191,348,182; exclusive of interest earnings.

⁽²⁾ The highest anticipated cash flow deficit is \$16,689,639 occurring on November 19, 2020.

Security

The Notes are issued in anticipation of the collection of ad valorem taxes levied within the School District for the School District's operational purposes for the 2020-21 Fiscal Year and the receipt of reimbursements from the State in lieu of certain property taxes pursuant to Section 11-11-156 of the Code of Laws of South Carolina

1976, as amended, and are payable, both as to principal and interest, from the proceeds thereof. The full faith, credit, and taxing power of the School District are pledged to the payment of the principal of and interest on the Notes. The School District has not issued any other notes in anticipation of the collection of the ad valorem taxes or the State aid pledged to the payment of the Notes except the Notes authorized by the Resolution; provided, however, the School District may issue other tax anticipation notes on a parity with the Notes to the extent necessary to provide sufficient operating funds in anticipation of the collection of such taxes and State aid in an amount that, when added to the principal amount of the Notes, will not exceed the maximum amount allowed by law. The School District may issue notes or other certificates of indebtedness junior, inferior and subordinate in all respects to the pledge securing the Notes.

Additional Security for the Notes

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

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

The following table shows the amount of State General Fund appropriations subject to being so withheld, including sales tax distributed to the School District as described under "FINANCIAL AND TAX INFORMATION – New Homestead Exemption" herein, which were received by the School District for the fiscal years shown:

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Amounts Received</u>
2015	\$159,943,958
2016	166,881,443
2017	170,050,220
2018	176,828,911
2019	188,986,083
2020*	197,946,545

*Unaudited

Miscellaneous

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

THE SCHOOL DISTRICT

General Description

The School District was created in July, 1968, through the merger of eight former school districts (which became "Constituent Districts") to form a single countywide district. The Constituent Districts continue to function administratively to administer discipline, handle expulsion hearings, and develop attendance lines. The Constituent Districts are governed by separate boards elected from the residents of each Constituent District. Each of the Constituent Districts is governed by trustees who are, in most cases, elected by the voters of their individual Constituent District and possess limited powers over discipline and operations in their respective Constituent Districts. The nine-member Board of Trustees of the School District (the "Board") is responsible for the operation of School District affairs and has general supervisory authority over the boards of the Constituent Districts.

Board of Trustees and Principal Administrative Officials

The members of the Board are elected for staggered four-year terms in a general election. The members of the Board are elected from and represent the original eight Constituent Districts of the County, but they are voted on at large by all registered voters in the County. Pursuant to recent legislation, members of the Board will be elected only by the registered voters in the Constituent District they represent beginning at the General Election in 2022. The Board is given broad duties, powers, and responsibilities, including those provided by law for county boards of education and for school district trustees. The current members of the Board, the area they represent, and the expiration of their current term are as follows:

<u>Name</u>	<u>Area Represented</u>	<u>Term Expires</u>
Eric Mack, <i>Chair</i>	West Ashley	11/2022
Kate Darby, <i>Vice Chair</i>	East Cooper	11/2022
Cindy Bohn Coats	North Charleston	11/2022
Chris Collins	North Charleston	11/2020
Chris Fraser	West Ashley	11/2020
Todd Garrett	Peninsula City	11/2020
Joyce Green	East Cooper	11/2022
Kevin Hollinshead	North Charleston	11/2020

There is currently one vacancy on the Board of Trustees due to a Board member moving out of the School District.

The Superintendent of Schools, Dr. Gerrita Postlewait, serves as the chief executive officer of the School District. Dr. Postlewait joined the School District on July 8, 2015. Prior to joining the School District, she served as Assistant Vice President of ACT in Iowa City, Iowa and as Chief K-12 Officer for The Stupski Foundation in San Francisco, California, both non-profit organizations aimed at promoting student achievement. Dr. Postlewait previously served as Chief Academic Officer and Superintendent of Horry County School District, South Carolina and Superintendent of Wetzel County Schools, West Virginia. Dr. Postlewait received her Bachelor of Science degree, Master of Arts in Education Leadership and her Doctorate in Education Administration from West Virginia University.

The Chief Financial and Administrative Officer of the School District is Donald R. Kennedy, Sr. Mr. Kennedy has served as the School District's CFO on two separate occasions, first from July 2004 to September 2007, and then upon rejoining the School District in January 2018. He has previously served as CFO for Baltimore City Public Schools, CFO for Boston Public Schools, Chief Operations Officer for the Bridgeport, Connecticut School District, and Chief Financial and Operations Officer for Seattle Public Schools. He serves as a volunteer peer review consultant for the Council of the Great City Schools. Mr. Kennedy has a B.S. degree in Accounting from Newberry College, an M.A. in Organizational Systems Design from Seattle University, and a Certified Public Accountant certificate. Prior to public service he held corporate financial positions with Boeing and Science Applications International Corporation, and also served as a commissioned officer in the U.S. Air Force.

The Executive Director of Finance is Jacquelyn N. Carlen. Mrs. Carlen earned a Bachelor of Science in Management and an MBA from Charleston Southern University and the School Business Officer Certification from the South Carolina Association of School Business Officials. Mrs. Carlen joined the School District in 2006 and has worked in all areas of finance operations, including all processes and procedures pertaining to payroll, accounting, budgeting, treasury, and procurement. She left the School District in 2011 to work for Berkeley County School District and returned in 2017.

Educational Programs and Services

The School District provides primary and secondary education, as well as a number of special programs, to its residents. All schools in the School District are fully accredited by the State and the Southern Association of Colleges and Schools. The School District offers a number of choices for students and parents, including neighborhood schools, specialized programs ranging from pre-kindergarten to alternative and special needs, district-wide and constituent magnet schools, Montessori programs and charter schools. The instructional programs of the

School District are described below. Funding for the programs of the School District is provided from the State and Federal Government as well as local property taxes. See "FINANCIAL AND TAX INFORMATION" herein.

Special Programs. The School District has a number of offerings and special programs including the following:

Neighborhood Schools: The School District has 48 neighborhood schools which serve an assigned geographic attendance zone. Some of these schools have themes which are integrated into instruction and school activities.

County-Wide Magnet Schools: The School District has nine county-wide magnet schools which, unlike neighborhood schools, typically do not have an assigned attendance zone. In addition to teaching according to the School District's core curriculum and the State's standards, county-wide magnet schools have a theme or focus area which is integrated into instruction and school activities. Any student residing in Charleston County who is interested in the school's focus may apply, but acceptance may depend on how well the student meets admission criteria and the availability of seats. Some county-wide magnet schools hold lotteries to determine enrollment for the following year. Transportation is provided for all students.

Constituent Magnet Schools: The School District has 11 constituent magnet schools which are neighborhood schools that, in addition to serving students in their assigned attendance zone, also have a specific number of seats allocated to students who live outside the attendance zone but within the constituent district. In addition to teaching according to the School District's core curriculum and the State's standards, each constituent magnet school has a theme or focus area which is integrated into instruction and school activities. Students living outside the assigned attendance zone must apply to the school in order to be considered for admission, and acceptance may depend on the availability of seats. Some constituent magnet schools hold lotteries to determine enrollment for the following year.

Charter Schools: Charter schools are public schools that operate with freedom from many of the local regulations that apply to traditional public schools. A charter school does not have an assigned neighborhood or attendance zone. In addition to teaching according to the State's standards, a charter school generally has a theme or focus area which is integrated into instruction and school activities. Any student residing in Charleston County who is interested in the school's focus may contact a charter school about registering but enrollment may depend on the availability of seats. The School District sponsors nine charter schools. See "THE SCHOOL DISTRICT – Charter Schools" herein.

Montessori Schools: The School District has six Montessori schools of which five are partial magnet schools which are neighborhood schools that, in addition to serving students in their assigned attendance zone, also have a specific number of seats allocated to students who live outside the attendance zone and one is a charter school. In addition to teaching according to the State's standards, a Montessori school takes a child-centered education approach in which students work with specially designed materials, manipulating and investigating until they master a particular lesson. Students living outside the assigned attendance zone must apply to the school in order to be considered for admission, and acceptance may depend on the availability of seats. Some Montessori schools hold lotteries to determine enrollment for the following year.

Specialized Programs: The School District has five specialized programs that serve students with particular needs. Similar to the School District's schools, each specialized program has its own facility, faculty, and instructional leadership. Because each specialized program is unique, each program has its own referral or application process.

Other Programs. The School District offers Early Learning programs that include 4-year-old Child Development, 3-year-old Head Start, and 0-36 months Early Head Start programs. The School District's Child Development program is designed to serve academically at-risk 4-year-olds while the Head Start and Early Head Start programs are designed to serve under-resourced families below the poverty guidelines.

Students with Special Needs. There are more than 5,000 students with a variety of special needs. Various programs operate for students who require additional resources in order to function in the regular school. Programs are available for students with special needs including hearing, visual or speech limitations as well as autism, emotional or learning disabilities. Additionally, there are special projects with other groups and agencies to ensure that all students are receiving the services they need.

Business Education Partnerships. The School District helps pair local businesses and schools together to foster a better understanding of the public school system. Many schools have more than one partner, and several School District programs are now paired in the Business in Education Partnership. The number of partnerships now totals more than 200.

School Volunteers. Volunteers help improve academic achievement and extend educational services to students as well as provide resources from the community to enrich the school program. More than 20,000 volunteers provide services worth more than \$4 million to educators and students during the school year.

Expanded Learning. Expanded learning programs effectively deliver a variety of recreational, cultural and enrichment activities through the utilization of local school facilities.

School Facilities and Capital Plans

In 1999, the School District developed its first comprehensive, five-year capital improvement program (the "2000-04 CIP"). Projects in the 2000-04 CIP were financed in part with proceeds of general obligation bonds of the School District. On September 2, 2004, Charleston Educational Excellence Financing Corporation ("CEEFC"), a South Carolina nonprofit corporation, issued its Installment Purchase Revenue Bonds (Charleston County School District, South Carolina Project) Series 2004 in the original aggregate principal amount of \$135,620,000 on behalf of the School District (the "Series 2004 Installment Purchase Bonds") pursuant to a Trust Agreement between CEEFC and Wells Fargo Bank, National Association, as trustee (the "Trustee"), for funding the last projects slated for the 2000-04 CIP. On January 14, 2013, CEEFC issued its Installment Purchase Revenue Refunding Bonds (Charleston County School District, South Carolina Project) Series 2013A in the original aggregate principal amount of \$76,000,000 (the "Series 2013A Installment Purchase Bonds") to refund a portion of the Series 2004 Installment Purchase Bonds. The School District successfully completed the projects in the 2000-04 CIP under budget and within schedule and next moved forward with a subsequent five-year Capital Improvement Program (the "2005-09 CIP").

In connection with the 2005-09 CIP, the School District performed a comprehensive Condition Assessment of all its schools. A condition code was established for each of the schools. Staff identified the schools with the most urgent needs with the code "C-4". The Board approved as part of the 2005-09 CIP the funding of the majority of projects needed to replace or renovate and expand all C-4 schools. The Board also approved the purchase of sites for future schools and funding for the advance design of schools for the 2005-09 CIP. CEEFC issued its Installment Purchase Revenue Bonds (Charleston County School District, South Carolina Project) Series 2005 in the original aggregate principal amount of \$406,675,000 (the "Series 2005 Installment Purchase Bonds") for funding projects slated for the School District's 2005-09 CIP. On June 27, 2006, CEEFC issued its Installment Purchase Revenue Bonds (Charleston County School District, South Carolina Project) Series 2006 in the original aggregate principal amount of \$132,995,000 (the "Series 2006 Installment Purchase Bonds") for funding additional projects in the School District's 2005-09 CIP. On May 9, 2013, CEEFC issued its Installment Purchase Revenue Refunding Bonds (Charleston County School District, South Carolina Project) Series 2013B, in the original aggregate principal amount of \$343,420,000 (the "Series 2013B Installment Purchase Bonds") to refund all of the outstanding Series 2005 Installment Purchase Bonds. On September 9, 2014, CEEFC issued its Installment Purchase Revenue Refunding Bonds (Charleston County School District, South Carolina Project) Series 2014 in the original aggregate principal amount of \$111,565,000 (the "Series 2014 Installment Purchase Bonds") to refund all of the outstanding Series 2006 Installment Purchase Bonds. On October 22, 2020, CEEFC will issue its Installment Purchase Revenue Refunding Bonds (Charleston County School District, South Carolina Project) Taxable Series 2020, in the original aggregate principal amount of \$156,835,000 (the "Series 2020 Installment Purchase Bonds") to refund a portion of the outstanding Series 2013B Installment Purchase Bonds.

The 2010-2016 Capital Improvement Program (the "2010-16 CIP") addressed certain remaining needs across the School District and impacted 18 school sites. The School District used local condition assessments, enrollment data and nationally recognized K-12 metrics to identify the School District's current facility needs and to focus on three specific areas: life safety, growth and programmatic support. The same condition assessment codes were used in identifying the needs of the School District as were used in the 2005-09 CIP. These assessments were crucial in determining the "renovate or rebuild" decision for several schools. Enrollment assessments were used to determine where new schools were needed in the School District and where schools needed additional building space. Program needs and School District priorities were used in determining the design and addition of neighborhood schools, career and technology centers as well as renovating existing space for improved technology and support facilities. The previous two phases of the building program have transformed the School District's schools and have enabled communities to use school campuses after hours for a wide range of activities. The third phase of this program will further enable the School District to build on these community partnerships and will continue to protect and expand investment in the schools by working collaboratively with all of the communities where schools are located.

To fund the 2010-16 CIP, the School District considered several options including pay-as-you-go, general obligation bonds and a local Education Capital Improvements Sales and Use Tax (the "Sales and Use Tax"). The Sales and Use Tax option was determined to be the most cost-effective method. On November 2, 2010, voters in Charleston County approved a referendum (the "2010 Referendum") authorizing the imposition of a one percent Sales and Use Tax within the County (the "Sales and Use Tax – Phase III") for a period of six years to fund the Sales Tax Projects – Phase III set forth in the referendum. Collection of the Sales and Use Tax – Phase III commenced on March 1, 2011 and continued until December 31, 2016. The six-year revenue from the Sales and Use Tax – Phase III totaled \$488,119,945. The Sales and Use Tax – Phase III allowed the School District to continue the third phase of the capital building program without passing a property tax increase to the citizens of the County.

On August 14, 2014, the Board voted to extend the Sales and Use Tax for a period of six years upon the termination of the Sales and Use Tax – Phase III to fund the fourth phase of the capital building program (the "2017-22 CIP"). On November 4, 2014, voters approved a referendum (the "2014 Referendum") extending the Sales and Use Tax (the "Sales and Use Tax – Phase IV") which commenced on January 1, 2017 and will continue until December 31, 2022. The School District projects that the Sales and Use Tax – Phase IV will generate approximately \$660 million which will be used to replace or renovate eight entire schools, renovate portions of or construct additions or expansions to 15 schools, and fund capital maintenance and technology replacements and upgrades throughout the School District.

See "FINANCIAL AND TAX INFORMATION – Revenues – *Revenues from Sales and Use Tax*" herein.

Public School Enrollment in the School District

Public school enrollment in the School District for the last six school years is shown in the following table. These figures are based on 135-day average daily membership and include Special Education and Charter School students. These figures do not include enrollment for Early Head Start, Head Start and Child Development.

<u>Year</u>	<u>Kindergarten</u>	<u>Grades 1-8</u>	<u>Grades 9-12</u>	<u>Total</u>	<u>Percent Change</u>
2014-2015	4,025	28,706	12,165	44,896	2.50%
2015-2016	3,896	29,621	12,632	46,149	2.79
2016-2017	3,826	30,064	12,578	46,468	0.69
2017-2018	3,796	29,814	12,530	46,140	(0.71)
2018-2019	3,818	30,154	12,513	46,485	0.75
2019-2020	3,682	31,245	12,683	47,610	2.42
2020-2021*	3,313	30,593	12,853	46,759	(1.79)

*12-day actual enrollment which includes in-person, temporary remote and virtual learning. The School District expects the decrease in enrollment to be temporary and a result of public response to COVID.

The Education Accountability Act of 1998

At its 1998 legislative session, the General Assembly of the State of South Carolina, the State's legislative body (the "General Assembly"), adopted the "Education Accountability Act of 1998" (the "Accountability Act"). The purpose of the Accountability Act was to establish a "performance based accountability system" which focuses on improving teaching and learning in order to equip students with a strong academic foundation.

The Accountability Act requires all school districts, among other things, to establish local accountability systems to stimulate quality teaching and learning practices and target assistance to low performing schools. The linchpin for the Accountability Act is the annual report card which is provided to each school and school district. These report cards provide clear and specific information about school and district academic performance and other performance to parents and the public.

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

If a school receives an annual report card rating of below average or at-risk, that school must review and revise its improvement plan (required of every school under the EFA (as defined herein)). Once the revised plan is developed, a school district's superintendent and board of trustees must review and approve the plan. In addition, schools which receive at-risk ratings (or those receiving a below average rating which so request) will be assigned an external review team. If the recommendations of the review team are not implemented satisfactorily or within the period expected, or if student academic performance has not met expected progress, the State Board of Education may declare a state of emergency in the school.

Charter Schools

The General Assembly has provided for the establishment of "charter schools" in the State pursuant to Section 59-40-10 *et seq.* of the Code of Laws of South Carolina 1976, as amended (the "Charter School Act"). A 2006 amendment to the Charter School Act created a State Charter School District (the "State Charter District"). The State Charter District is an alternative source of sponsorship for charter schools, the other sources being the local school district and institutions of higher education, including private institutions. Pursuant to the Charter School Act, a charter school sponsored by a school district is considered a school of the school district; a charter school sponsored by the State Charter District is a school of the State Charter District, but, in either case, is governed according to a charter approved in accordance with the Charter School Act and by a "charter committee," rather than by the governing body of the school district or the State Charter District. A charter school sponsored by an institution of higher learning is not included within any local school district or the State Charter District, but is governed pursuant to arrangements between the charter school and its sponsor, and by its charter. An existing public school facility may be "converted" to a charter school of the local school district upon the vote of two-thirds of the parents of present students and school staff.

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

Legislation adopted by the General Assembly in 2012, Act No. 164 of 2012 ("Act No. 164") affords greater flexibility in the organization and operation of a charter school. Act No. 164 provides for single-gender charter schools, authorizes public and independent colleges and universities to sponsor charter schools, and establishes a State Charter School Revolving Loan Program to provide loans for capital needs of charter schools. Act No. 164

also provides charter schools access to interscholastic athletic and other competitions, and provides that a student who attends a charter school which does not sponsor a particular extracurricular activity may participate in that activity at the public school which he or she would otherwise attend.

See "THE SCHOOL DISTRICT – Educational Programs and Services – *Special Programs*" above for a discussion of charter schools within the School District.

Recent Legislation

The General Assembly, beginning in its 2013 Session, authorized tax credits for persons making donations to qualifying non-profit organizations which make grants to qualified "exceptional needs" students to offset tuition, transportation costs and textbook expenses incurred to attend private schools. For Fiscal Year 2017-18, the General Assembly continued from prior years the Educational Credit for "Exceptional Needs Children Fund" to provide tuition assistance, with a limit of \$11 million in authorized tax credits. A bill enacted by the General Assembly in the 2018 legislative session, designated Act 247 of 2018, incorporates the foregoing matters into permanent law.

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

FINANCIAL AND TAX 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, 2016 through June 30, 2020.

Five-Year Analysis of General Fund Revenues and Expenditures

	<u>6/30/16</u>	<u>6/30/17</u>	<u>6/30/18</u>	<u>6/30/19</u>	<u>6/30/20*</u>
<u>Revenues</u>					
Local Sources	\$227,896,424	\$269,200,344	\$295,561,908	\$319,351,335	\$339,638,515
State Sources	166,881,444	170,050,220	176,828,911	188,986,083	197,946,545
Federal Sources	107,428	117,034	388,489	166,630	232,600
Intergovernmental	<u>64,154</u>	<u>152,445</u>	<u>175,808</u>	<u>370,636</u>	<u>244,049</u>
Total Revenues	\$394,949,450	\$439,520,043	\$472,955,116	\$508,874,684	\$538,061,709
<u>Expenditures</u>					
Instructional	\$225,679,875	\$212,049,872	\$227,624,303	\$245,800,763	\$254,193,926
Support Services	164,057,022	166,080,844	181,245,122	188,675,167	200,531,031
Community Service	342,597	402,246	745,947	793,294	730,844
Intergovernmental	2,271,207	3,564,021	1,060,000	7,852,757	1,060,000
Debt Service	127,720	0	0	0	0
Capital Outlay	<u>0</u>	<u>907,026</u>	<u>427,566</u>	<u>983,587</u>	<u>160,800</u>
Total Expenditures	\$392,478,421	\$383,004,009	\$411,102,938	\$444,105,568	\$456,676,601
<u>Excess Revenues Over (Under)Expenditures</u>	\$ 2,471,029	\$ 56,516,034	\$ 61,852,178	\$ 64,769,116	\$ 81,385,108
Sale of Fixed Assets	\$ 0	\$ 0	\$ 0	\$ 15,815	\$ 8,775
Transfers In	12,652,719	12,836,349	13,311,447	16,245,942	16,095,885
Transfers Out/ Payments to Component Units	<u>(33,922,157)</u>	<u>(39,541,922)</u>	<u>(47,071,976)</u>	<u>(46,316,022)</u>	<u>(59,242,395)</u>
Total Other Financing Sources (Uses)	\$ (21,269,438)	\$ (26,705,573)	\$ (33,760,529)	\$ (30,054,265)	\$ (43,137,735)
Excess (Deficiency) of Revenues over Expenditures	(18,798,409)	29,810,461	28,091,649	34,714,851	38,247,373
Fund Balance—July 1 of Fiscal Year	31,047,093	12,248,684	42,059,145	70,150,794	104,865,644
<u>Fund Balance – June 30 of Fiscal Year</u>	<u>\$ 12,248,684</u>	<u>\$ 42,059,145</u>	<u>\$ 70,150,794</u>	<u>\$104,865,644</u>	<u>\$143,113,017</u>

*Unaudited.

Source: Audited Financial Statements of the School District for the Fiscal Years ended June 30, 2016 through June 30, 2019. Unaudited financial information for Fiscal Year ended June 30, 2020 provided by the School District.

Financial Statements

The financial statements of the School District for the years ended June 30, 2016 through June 30, 2019 were audited by CliftonLarsonAllen LLP. A copy of the general purpose financial statements of the School District for the year ended June 30, 2019 is attached to this Official Statement as Appendix A. Copies of complete audited

financial statements for the year ended June 30, 2019, and prior years are available for inspection at the School District offices.

For a discussion of the School District's undesignated fund balance, see the heading "Fund Balance Policy" herein.

Fund Balance Policy

On May 12, 2003, the School District adopted a Fund Balance Policy which provides that the operating budget for the School District will be increased by not less than 1 percent each year to be applied exclusively to undesignated fund balance until such time as the total undesignated fund balance equals not less than 8.3% of the total operating budget. Thereafter, not less than 50 percent of any general fund moneys remaining unspent at the end of each fiscal year will be placed in the undesignated fund balance and will not be available for expenditures except as provided in the Fund Balance Policy. No part of the undesignated fund balance may be spent for any purpose without an affirmative vote of a majority of the Board of Trustees at a meeting held in accordance with Board policy.

<u>Fiscal Year</u>	<u>Beginning Fund Balance</u>	<u>Budgeted Use of Fund Balance</u>	<u>Actual Change in Fund Balance</u>	<u>Actual Ending Fund Balance</u>	<u>Undesignated Fund Balance</u>
2014	\$69,244,825	\$(10,000,000)	\$(12,282,297)	\$56,962,528	\$39,217,371
2015	56,962,528	(7,424,722)	(25,915,435)	31,047,093	16,132,962
2016	31,047,093	(7,767,183)	(18,798,409)	12,248,684	8,069,284
2017	12,248,684	5,000,000	29,810,461	42,059,145	38,100,587
2018	42,059,145	7,500,000	28,091,649	70,150,794	19,679,553
2019	70,150,794	(2,761,442)	34,714,851	104,865,645	47,928,905

<u>Fiscal Year</u>	<u>Beginning Fund Balance</u>	<u>Budgeted Use of Fund Balance</u>	<u>Projected Change in Fund Balance</u>	<u>Projected Ending Fund Balance</u>
2020*	\$104,865,645	(\$10,485,548)	\$38,247,372	\$143,113,017

*Unaudited

During budget development in the 2010-11 Fiscal Year, the Board adopted a practice of budgeting the use of fund balance to balance each year's budget. For the next three fiscal years, the actual revenue over expenditures was higher and increased the fund balance even though the School District passed a deficit budget. For the 2013-14 Fiscal Year, the School District set aside \$10 million of undesignated fund balance to fund some one-time expenditures and provide funding for a mid-year expansion of the four-year-old program. For the next two budget cycles the School District also passed a deficit budget. In Fiscal Years 2013-14, 2014-15 and 2015-16, the School District budgeted the use of fund balance totaling \$25 million. Actual reduction in fund balance in those years totaled \$57 million, leaving the unreserved fund balance at 1.9% at the end of the 2015-16 Fiscal Year.

During budget development for the 2016-17 Fiscal Year, the Board adopted a budget to replenish fund balance by \$5 million and implemented budgetary changes across the School District. In addition to the \$5 million budgeted, the School District added \$24.8 million to the fund balance, replenishing the fund balance by a total of \$29.8 million for the 2016-17 Fiscal Year. The 2017-18 Fiscal Year budget was adopted to replenish \$7.5 million to fund balance. In addition to the \$7.5 million budgeted, the School District added \$20.5 million to the fund balance, replenishing the fund balance by a total of \$28 million for the 2017-18 Fiscal Year.

In May 2018, the Board adopted a new fund balance policy which defined the Board's authority to utilize fund balance categories in accordance with Governmental Accounting Standards Board Statement No. 54 and to comply with Act No. 23 adopted by the South Carolina General Assembly in 2017 ("Act 23") which requires school districts to maintain a general fund reserve fund of at least one month of general fund operating expenditures of the two previously completed fiscal years. For the Fiscal Year 2018-19 budget adopted under the new policy, the Board committed funds to be reserved for the Act 23 general fund reserve, adopted a budget with a \$2.8 million use of fund

balance, and designated \$6.7 million to fund initiatives for the 2019-20 Fiscal Year that began in the 2018-19 Fiscal Year and are expected to span multiple years. For the 2019-20 Fiscal Year budget, the Board committed an increase of \$2.6 million for the Act 23 general fund reserve, adopted a budget with a \$2.8 million use of fund balance, and designated \$9.7 million of assigned fund balance to fund academic initiatives. For the 2020-21 Fiscal Year budget, the School District has budgeted to use fund balance as follows: \$9,231,107 in planned use of fund balance; \$10,711,675 in funds available from Fiscal Year 2019-20 savings; \$11,150,880 for other expenditures; and \$13,408,012 in Cares Act funding transferred from Special Revenue.

Budget Procedure and Accounting Policies

General. The South Carolina Constitution provides that each school district shall prepare and maintain annual budgets which provide for sufficient income to meet the estimated expenses for each year. Whenever ordinary expenses of a school district for any year exceed the income, the governing body of the school district is required to provide for levying a tax in the ensuing year sufficient, with all other sources of income, to pay the deficiency in the preceding year, together with the estimated expenses for the ensuing year.

State law provides that the fiscal year for school districts begins on July 1 of each year and ends on June 30 of the following year. A school district board of trustees is required to adopt an operating budget for the operation of the school district annually, prior to the beginning of each fiscal year. A public hearing, following notice thereof published in a newspaper of general circulation in the school district, must be conducted prior to the adoption of the budget. The budget must identify the sources of anticipated revenue including taxes necessary to meet the financial requirements of the budget adopted. The school district is required to provide for the levy and collection of taxes necessary to meet all budget requirements except as provided for by other revenue sources. The School District for many years enjoyed unlimited taxing authority. This authority was limited, however, effective for Fiscal Year 2007-08 and thereafter, by Act No. 388 adopted by the General Assembly in 2006 ("Act 388"). See "CERTAIN FISCAL MATTERS – Property Taxation and Assessment" and " – Millage Levy Authority" herein.

Upon adoption of the school district budget by a board of trustees, the county auditor is notified of the millage required for operation of the schools for the ensuing school year. A school district may make supplemental appropriations, which shall specify the source of funds for such appropriations. A supplemental appropriation is defined as an appropriation of additional funds which have come available during the fiscal year and which have not been previously obligated by the current operating or capital budget.

The School District. Budgets are prepared and adopted on a fiscal year basis beginning July 1 and ending June 30 (the "Fiscal Year") of each year for the General, Special Revenue, and Education Improvement Act Funds of the School District. Student enrollments are projected for the next year and these projections are used to determine teacher allocations and per pupil supply allocations. Input is obtained from the individual school principals and department heads on additional or extraordinary requests. The data is summarized and compiled by the School District's Office of Financial Services. An administrative team comprised of the Superintendent and key School District personnel reviews the budget information. Priorities for funding are established to equitably distribute available funds to meet the needs of all the students in the School District. The administrative team, along with appropriate support personnel, meets with the entire Board in work sessions to review the proposed budget in detail. The full Board then meets in formal session to amend the proposed budget and ultimately approve a final budget.

The following budget summary for the 2019-20 Fiscal Year is based upon the final reading of the School District's operating budget for that year. Also shown is a summary of the revised budget as approved on September 23, 2019. Final action and approval of the School District's 2020-21 Fiscal Year budget as summarized below occurred on June 22, 2020.

2019-20 Fiscal Year Approved and Revised Budgets; 2020-21 Fiscal Year Budget Summary

	<u>Approved Budget 2019-2020</u>	<u>Revised Budget 2019-2020</u>	<u>Approved Budget 2020-2021</u>
Revenues:			
Local Sources	\$325,446,460	\$325,446,460	\$336,908,852
State Sources	191,909,617	192,016,940	185,162,246
Federal Sources	95,536	95,536	95,536
Transfers/Other	<u>16,802,610</u>	<u>16,802,610</u>	<u>16,497,412</u>
TOTAL	\$534,254,223	\$534,361,546	\$538,664,046
Expenditures:			
Current			
Instruction	\$261,468,036	\$264,744,436	\$279,880,956
Support Services	213,430,624	214,239,281	233,330,245
Community Services	974,582	972,781	1,058,536
Intergovernmental/Transfers	60,959,446	60,352,123	64,957,424
Reserves	6,745,163	4,438,473	6,600,000
Debt Service/Capital Outlay	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
TOTAL	\$543,677,851	\$544,847,094	\$585,927,161

NOTE: For Fiscal Year 2020-21, the School District has budgeted to use fund balance as follows: \$9,231,107 in planned use of fund balance; \$10,711,675 in funds available from Fiscal Year 2019-20 savings; \$11,150,880 for other expenditures; and \$13,408,012 in Cares Act funding transferred from Special Revenue.

Totals may not add due to rounding.

State Budget Reductions

Reductions in funding provided to the School District may be adjusted by two methods to reflect actual and expected reductions in State revenues. First, reductions in funding may be incorporated into the State budget when adopted. Amounts appropriated to school districts may be reduced from year to year. Second, reductions in funding may be made during a fiscal year.

Appropriations made by the State are monitored against income throughout the fiscal year by the State's Board of Economic Advisors, which meets quarterly and reports its findings to the State Fiscal Accountability Authority. If at the end of the first, second or third quarter of any fiscal year, the Board of Economic Advisors reduces the revenue forecast for the fiscal year by 3% or less, within three days of that determination the Director of the State Executive Budget Office must reduce general fund appropriations by the requisite amount as prescribed by law and further must immediately notify the State Treasurer and Comptroller General of the reduction. Upon that notification, the appropriations are considered reduced; however, no agencies, departments, institutions, activity, program, item, special appropriation, or allocation for which the General Assembly has provided funding may be discontinued, deleted, or deferred by the Director of the Executive Budget Office. The Director of the Executive Budget Office is required to apply any reduction to the rate of expenditure as uniformly as practicable, except that no reduction may be applied to funds encumbered by a written contract with any agency, department, or institution not connected with State government.

If at the end of the first, second, or third quarter of any fiscal year the Board of Economic Advisors reduces the revenue forecast for the fiscal year by more than 3%, the President Pro Tempore of the Senate and the Speaker of the House of Representatives may call each respective house into session to take action to avoid a year-end deficit. If the General Assembly does not to take action within 20 days of the determination of the Board of Economic Advisors, the Director of the Executive Budget Office is required to reduce general fund appropriations by the requisite amount in the manner prescribed by law and in accordance with the provisions that apply to a reduction of 3% or less, as described above.

Mid-year reductions in State appropriations to the School District last occurred during Fiscal Years 2008-09, 2009-10 and 2010-11, in which, under prior applicable law, reductions in State-appropriated funding for the EFA Foundation Program (which program is described below under "Revenues – *Education Finance Act*") were imposed. School districts in South Carolina, including the School District, accordingly had their funding affected by these cuts. The School District expects to experience COVID-related mid-year budget reductions in Fiscal Year 2020-21 as discussed under "INTRODUCTION – COVID-19" above.

Revenues

The audited financial statements of the School District for the Fiscal Year ended June 30, 2019 indicate that 37% of general fund revenues came from the State and 63% came from local sources.

Revenues from the State. The second largest source of operating revenues is the State of South Carolina. These revenues 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. The amounts the School District has received as general fund and special revenues from the State, including sales tax distributed to the School District as described under "New Homestead Exemption" herein, for the Fiscal Years shown are listed in the following table:

<u>Fiscal Year</u>	<u>General Fund</u>	<u>Special Revenue</u>	<u>Total</u>
2013-14	\$152,515,947	\$34,332,936	\$186,848,883
2014-15	159,943,958	34,350,967	194,294,925
2015-16	166,881,443	32,159,163	199,040,606
2016-17	170,050,220	30,982,949	201,033,169
2017-18	176,828,911	37,178,190	214,007,101
2018-19	188,986,083	38,100,455	227,086,538
2019-20*	197,946,545	37,512,133	235,458,678

*Unaudited

Education Finance Act. Most of the general fund revenues received from the State are paid to the School District under the Education Finance Act of 1977 (the "EFA"). The EFA was enacted in order to implement a basic education program, known as the Foundation Program. The State funds an average of 70% of the cost of the Foundation Program on a statewide basis, using an "index of taxpaying ability" to adjust required local contribution and State contribution toward the cost of the Foundation Program. The State's share and the School District's share of funding of the Foundation Program is shown below.

<u>Fiscal Year</u>	<u>Contributions to EFA Foundation Program</u>			
	<u>State Contributions</u>	<u>State Percentage</u>	<u>School District Contributions</u>	<u>School District Percentage</u>
2013-14	\$35,665,888	32%	\$ 77,292,367	68%
2014-15	39,396,142	32	83,847,019	68
2015-16	44,331,208	34	87,397,396	66
2016-17	46,783,043	32	101,327,760	68
2017-18	47,186,211	32	101,829,481	68
2018-19	47,786,642	31	105,461,238	69
2019-20*	49,395,385	32	105,640,293	68

*Unaudited

Appropriations made by the State are monitored against income throughout the fiscal year by the State's Board of Economic Advisors. If State revenues are below budget estimates, the Director of the Executive Budget Office has the authority to reduce appropriations by amounts sufficient to maintain a balanced budget for the State. See "State Budget Reductions" above.

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 to improve the quality of public education in the State through special programs and incentives. The EIA program is funded 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. Amounts appropriated to the School District under the EIA are dependent on forecasted sales tax collections which the School District expects to be adversely affected by COVID.

<u>Fiscal Year</u>	<u>Amount</u>
2013-14	\$29,250,624
2014-15	26,364,560
2015-16	24,371,693
2016-17	25,903,158
2017-18	30,808,525
2018-19	32,308,353
2019-20*	32,711,796

*Unaudited

As stated above under "*Education Finance Act*" above, appropriations made by the State are monitored against income throughout the fiscal year by the State's Board of Economic Advisors. If State revenues are below budget estimates, the Director of the Executive Budget Office has the authority to reduce appropriations by amounts sufficient to maintain a balanced budget for the State. See "State Budget Reductions" above.

Revenues from Ad Valorem Taxes. The largest source of School District general operating revenues comes 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 is presented under the headings "CERTAIN FISCAL MATTERS - Property Taxation and Assessment", "- Assessed Value", "- Tax Collection Procedure", "- Tax Collections", "- Ten Largest Taxpayers", and "- Millage History" below. All the revenues from ad valorem taxes are either general fund revenues, and, therefore, may 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. The School District cannot predict the impact of COVID on property tax collections in future periods. Listed below are the amounts the School District received as general fund revenues from ad valorem taxes for the Fiscal Years shown:

<u>Fiscal Year</u>	<u>General Fund*</u>
2013-14	\$297,379,931
2014-15	301,349,087
2015-16	316,348,120
2016-17	357,584,611
2017-18	384,644,655
2018-19	408,203,968
2019-20**	431,243,376

*Includes amounts received as Homestead Exemption and Property Tax Relief Exemption as such terms are defined in "—Homestead Exemption - Property Tax Relief" herein.

**Unaudited

Revenues from Federal Sources. The School District receives a portion of its revenues from the Federal Government, including federal grants which are tied to specific uses, such as the school lunch program and aid for the handicapped, vocational education and adult education, and Subchapter I of the Elementary and Secondary Education Block Grant program (PL 97-35), which funds are used to pay operational costs (including teachers' salaries). These revenues are restricted and must be used for specific programs. The School District cannot predict the impact of COVID on receipt of federal revenues in future periods.

The amounts received by the School District as special revenues and food services from Federal sources for the Fiscal Years shown are set forth below:

<u>Fiscal Year</u>	<u>Food Services</u>	<u>Special Revenues</u>
2013-14	\$17,524,204	\$57,904,305
2014-15	19,402,686	52,442,214
2015-16	21,246,529	49,982,940
2016-17	21,306,437	44,140,788
2017-18	22,358,727	45,749,617
2018-19	23,260,219	44,681,246
2019-20*	20,919,720	46,566,184

*Unaudited

Revenues from Sales and Use Tax. On November 2, 2010, voters in Charleston County approved the 2010 Referendum authorizing the imposition of the one percent Sales and Use Tax – Phase III within the County for a period of six years to fund the Sales Tax Projects – Phase III set forth in the 2010 Referendum. Collection of the Sales and Use Tax – Phase III commenced on March 1, 2011 and continued until December 31, 2016.

As provided in the Sales and Use Tax Act, the Sales and Use Tax is administered and collected by the South Carolina Department of Revenue in the same manner as other sales and use taxes. The revenues of the Sales and Use Tax are remitted to the State Treasurer and credited to a fund separate and distinct from the general fund of the State. After deducting the amount of any refunds made and costs to the Department of Revenue of administering the tax (not to exceed one percent of the revenues), the State Treasurer will distribute the revenues monthly to the County Treasurer for the benefit of the School District. Revenues received by the County Treasurer must be deposited in an account for the School District, separate from accounts established for any other purpose, and investment earnings derived from amounts held in such account must be credited to the account. Withdrawals by the School District of proceeds of the Sales and Use Tax must be made in the same manner as funds appropriated to the School District by the State. The School District must maintain records which demonstrate that proceeds of the Sales and Use Tax are only used to pay the costs of the Sales Tax Projects or to pay debt service on general obligation debt incurred by the School District to pay the costs of the Sales Tax Projects.

The School District has received Sales and Use Tax – Phase III collections as follows:

<u>Fiscal Year</u>	<u>Collections</u>
2010-11*	\$ 22,321,034
2011-12	71,241,431
2012-13	75,929,160
2013-14	84,130,252
2014-15	89,429,173
2015-16	95,650,032
2016-17**	49,418,883

*Collections from March 1, 2011 (when imposition of tax began) through June 30, 2011.

**Collections from July 1, 2016 through December 31, 2016 (when imposition of tax terminated).

On November 4, 2014, voters in Charleston County approved the 2014 Referendum authorizing the imposition of the one percent Sales and Use Tax – Phase IV within the County for a period of six years to fund the Sales Tax Projects – Phase IV. Collection of the Sales and Use Tax – Phase IV commenced on January 1, 2017 and will continue until December 31, 2022. To date, the School District has received Sales and Use Tax – Phase IV collections as follows:

<u>Fiscal Year</u>	<u>Collections</u>
2016-17*	\$ 51,374,381
2017-18	105,567,815
2018-19	111,631,500
2019-20**	109,095,829

*Collections from January 1, 2017 (when imposition of the tax began) through June 30, 2017.

**Unaudited

Investment Policies

The School District holds and invests all operating funds directly. General obligation bond proceeds and tax collections used to pay debt service on bonds are held and invested by the County Treasurer. In both cases, the funds may only be invested in investments specified under Section 6-5-10 of the Code of Laws of South Carolina 1976, as amended, or the South Carolina Pooled Investment Fund. The South Carolina Pooled Investment Fund is managed by the South Carolina State Treasurer.

Fringe Benefits, Retirement, and Health Insurance

The School District contributes to the South Carolina Retirement System (the "System"), a cost-sharing, multiple-employer, defined-benefit pension plan. The System provides both retirement and death benefits on an employee and employer contribution basis. Member employees currently contribute 9% of their annual compensation. For Fiscal Year 2020-21, employer contribution is 21.81% of the total membership's annual compensation and the entire cost of group life insurance for covered employees is included. Total employer retirement contributions to the System paid on behalf of the School District are set forth in the table below.

The School District provides comprehensive group health and dental insurance through the State Employees Group Plan administered by Public Employee Benefit Authority ("PEBA"). The School District also offers a health maintenance organization, a cancer policy, a term basic, optional and dependent life insurance policy, an accidental death and dismemberment policy and a supplemental hospital cash plan. Employer's contributions are made on behalf of the employees at fixed rates. Health and dental insurance contributions to the System paid on behalf of the employees are shown in the following table.

<u>Fiscal Year</u>	<u>Retirement</u>	<u>Health Insurance</u>
2014	\$40,567,214	\$25,051,878
2015	43,482,608	28,796,759
2016	45,429,993	30,246,036
2017	43,695,000	29,345,746
2018	53,204,427	30,807,516
2019	62,747,493	33,746,029
2020*	67,209,144	35,282,633

*Unaudited

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

Other Post-Employment Benefits

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

CERTAIN FISCAL MATTERS

Property Taxation and Assessment

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

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

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

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

DOR has been charged with the responsibility of taking steps necessary to ensure equalization of assessments statewide in order that all property is assessed uniformly and equitably throughout the State, and may require reassessment of any part or all of the property within the School District. Under law enacted by the South Carolina General Assembly in 1995, every fourth year the County and the State are required by law to effect an appraisal of all property within the County and to implement that appraisal as a new assessment in the following year. Regulations of DOR effectively require that a reappraisal program must be instituted by a county if the

median appraisal for all property in such county (as a whole or for any class of property) is higher than 105% or lower than 80% of fair market value. The County implemented reassessment in Fiscal Year 2015-16, and is implementing the next reassessment in the current 2020-21 Fiscal Year.

In addition to limits on growth in operating millage rates, Act 388 provides that the growth in valuation of real property attributable to reassessment may not exceed 15% for each five year reassessment cycle. Growth in valuation resulting from improvements to real property is exempt from this restriction. Moreover, upon the sale of any parcel of real property or other "assessable transfer of interest," including long-term leases, conveyances out of trusts, and other defined events, but excluding transfers between spouses, such parcel will be reassessed to its then-current market value.

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

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

Millage Levy Authority

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

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

Legislation amending Act 388, adopted in 2011, allows a local government such as the School District to apply in any year millage rate increases which were permitted under Act 388, but not implemented, in any of the three most recent prior fiscal years under the inflation and population growth limitations imposed by Act 388 as described in (a) and (b) in the preceding paragraph. For example, if a local government was allowed a three mill increase in Fiscal Year 2018-19 and a five mill increase in Fiscal Year 2019-20 but implemented neither, it could implement an eight mill increase in Fiscal Year 2020-21 (along with any increase arising that year) under Act 388.

Homestead Exemption - Property Tax Relief

South Carolina provides, among other tax exemptions, several exemptions for homesteads. The first is a general exemption from all ad valorem property taxes and applies to the first \$50,000 of 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 "Homestead Exemption"). The revenues that would have been received by various taxing entities but for the Homestead Exemption are replaced by funds from the State. The State pays each taxing entity the amount to which it is entitled by April 15 of each year from the State's general fund. The School District has received \$3,557,262 (under the Homestead Exemption every year since the 2007-08 Fiscal Year, and expects to receive the same amount in the 2019-20 Fiscal Year.

Beginning in Fiscal Year 1994-95, the first \$100,000 of appraised value of homesteads was granted an exemption from school operating taxes; amounts which the school districts of the State would have otherwise received were replaced by State revenues (the "Property Tax Relief Exemption"). Beginning in Fiscal Year 1998-99, the replacement revenues appropriated to the school districts of the State pursuant to the Property Tax Relief Exemption have been capped, and do not reflect changes in millage rates or changes in the number of exempt homesteads within a particular taxing jurisdiction. Since 1999, the School District has received \$16,955,781 annually by way of the Property Relief Tax Exemption and expects to receive the same amount in the 2020-21 Fiscal Year.

Beginning with Fiscal Year 2007-08, the Property Tax Relief Exemption has been amended pursuant to Act 388 such that 100% of the value of owner-occupied real property will be exempt from all taxes levied for school district operating purposes (the "New Homestead Exemption"). A portion of the amounts which the school districts of the State would receive but for the New Homestead Exemption will be replaced with the proceeds of an additional one percent sales tax imposed State-wide.

Act No. 388 Sales Tax

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

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

The aggregate annual reimbursement to the school districts of the State from the Homestead Exemption Fund will increase by an amount equal to the percentage increase in the previous year of the Consumer Price Index, Southeast Region, as published by the United States Department of Labor, Bureau of Labor Statistics plus the percentage increase in the previous year in the population of the State as determined by the State Revenue and Fiscal Affairs Office. If the total increase calculated pursuant to the preceding sentence 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 reimbursement increase in any year will be distributed among the school districts of the State proportionately based on each school district's weighted pupil units as a percentage of statewide weighted pupil units as determined annually pursuant to the Education Finance Act.

During its 2007 session, the General Assembly enacted Act No. 57 ("Act No. 57"), which amended Section 11-11-156 of the Code of Laws of South Carolina, 1976 as amended, to provide for the schedule for disbursement of funds to school districts from the Homestead Exemption Fund. The disbursements are divided into three tiers. The Tier One disbursement includes the amount of the Property Tax Relief established in 1995, and, as noted above, is capped at \$16,955,781 annually. Tier Two is the amount of the Homestead Exemption for all property taxes applied to the first \$50,000 of fair market value of owner-occupied residential property of persons who are 65 years of age, permanently disabled or legally blind. The amount reimbursed to the School District under Tier Two is capped by Act No. 57 at \$3,557,262 annually. Tier Three is the amount of the New Homestead Exemption to be reimbursed from the 1% sales tax to replace revenue that would have been collected from the appropriation of school operating millage on owner-occupied residential property.

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

(i) ninety percent of the Tier One reimbursement must be paid in the last quarter of the calendar year no later than December 1. The balance of the Tier One reimbursement must be paid in the last quarter of the Fiscal Year that ends June 30 following the first Tier One reimbursement date;

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

(iii) Tier Three reimbursements must be paid in nine equal monthly installments based on one-tenth of the State estimate, beginning not later than October 15. A final adjustment balance payment must be made before the closing of the State's books for the Fiscal Year.

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

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

<u>Fiscal Year</u>	<u>Amount Received</u>
2014	\$66,882,062
2015	67,956,670
2016	69,214,624
2017	69,741,738
2018	70,825,778
2019	72,316,044
2020*	73,962,642

*Unaudited

To the extent revenues in the Homestead Exemption Fund are insufficient to pay all reimbursements due to the school districts of the State as described above, Section 11-11-156(A)(6) provides that the difference "must be paid from the State's general fund." Enforcement of the requirement described in the preceding sentence may not be self-executing, however, and may in each applicable year be subject to the appropriation of the necessary amounts by the General Assembly. South Carolina courts have not considered whether this provision is self-executing.

The ability and willingness of the General Assembly to respond to a COVID-related shortfall in the Homestead Exemption Fund in Fiscal Year 2020-21 and thereafter from other revenues available to the State cannot be accurately predicted as of the date of this Official Statement. A shortfall in the Homestead Exemption Fund is likely to correspond to a shortfall in other State revenues owing to COVID.

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

The School District cannot predict whether in any year the sales tax reimbursement will be insufficient to meet growth in operating expenses. The School District's ability to compensate for insufficiencies in sales tax reimbursements through an increase in its millage rate is limited, as discussed under the heading "CERTAIN FISCAL MATTERS - Millage Levy Authority" above.

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 negotiate for payments in lieu of taxes for a period of up to 30 years (with the possibility of an additional 10 year extension at the option of the county) based on assessment ratios of as little as 6% and using millage rates that are either fixed for up to 30 years (with the possibility of an additional 10 year extension at the option of the county) or adjusted every fifth year. Certain of those projects may also design a payment schedule so long as the present value of the payments under the schedule are equal to the present value of the payments that would have been made without the schedule. The State also provides a more generous inducement for projects creating at least 125 new jobs and which provide new investment of not less than \$150 million or for projects which have total investment of not less than \$400 million within the State. These projects may negotiate for payments based on assessment ratios of as low as 4% and for a term of up to 40 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 park 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 a multicounty park, however, is distributed in accordance with the agreement creating the park; the amount of the distribution to each taxing entity is, for all practical purposes, controlled by the County. Property may be included in a multicounty park under terms of agreements between two or more counties with individual sites being determined primarily by the county in which they are located. Payments in lieu of taxes may be diverted from taxing entities in the sole discretion of the County to fund projects which support economic development activities, including projects that are used solely by a single enterprise, and such other uses as directed by the County.

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

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

Assessed Value

The assessed value and estimated true value of taxable real and personal property in the School District for each of the last seven tax years are set forth in the following table.

Tax Year	<u>Real Property</u>		<u>Charleston County⁽¹⁾</u> <u>Personal Property</u>		<u>Total</u>	
	<u>Assessed Value</u>	<u>Estimated True Value</u>	<u>Assessed Value</u>	<u>Estimated True Value</u>	<u>Assessed Value</u>	<u>Estimated True Value</u>
2014	\$2,778,409,299	\$55,246,387,650	\$483,824,638	\$6,118,113,526	\$3,262,233,937	\$61,364,501,176
2015 ⁽²⁾	2,967,367,731	59,148,667,700	571,572,903	7,810,580,757	3,538,940,634	66,959,248,457
2016	3,072,562,547	61,040,549,067	627,673,813	8,397,442,168	3,700,236,360	69,437,991,235
2017	3,195,127,871	63,910,091,267	668,317,748	8,833,409,203	3,863,445,619	72,743,500,470
2018	3,342,964,602	66,946,654,867	635,994,183	8,294,585,809	3,978,958,785	75,241,240,676
2019	3,529,773,633	70,629,197,383	670,357,002	8,853,121,331	4,200,130,635	79,482,318,714
2020 ⁽²⁾	4,024,888,379	80,366,115,650	687,577,228	8,929,478,834	4,712,465,607	89,295,594,484

⁽¹⁾These values do not include merchants inventory figures at the 1987 level of \$21,657,390.

⁽²⁾Reassessment year.

Source: Charleston County Auditor

Exempt Manufacturing Property

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

Tax Increment Financing Districts

A portion of the increase in the assessed value of real property located within tax increment financing ("TIF") districts may not be available for taxation by governmental entities other than the municipality creating the TIF district during the period that TIF obligation is outstanding. The assessed value of TIF properties not subject to School District millage for the last seven tax years, for which information is available, is set forth below:

<u>Tax Year</u>	<u>Assessed Values</u>	<u>Appraised Values</u>
2014	\$141,710,760	\$2,450,777,416
2015	113,453,860	2,015,669,333
2016	173,794,273	2,995,672,490
2017	29,258,950	519,546,250
2018	39,382,700	698,727,333
2019	54,624,410	965,356,916

Source: Auditor's Office

Estimated True Value of all Taxable Property

The 2020 tax year (2020-21 Fiscal Year) estimated true and assessed value of all taxable property located within the School District is set forth below:

	<u>Estimated Assessed Value*</u>	<u>Estimated True Value*</u>
1. Real Property (Non-Manufacturing) and Mobile Homes	\$4,024,888,379	\$80,366,115,650
2. Motor Vehicles	239,363,725	3,478,323,885
3. Public Utilities	124,984,310	1,190,326,762
4. Manufacturing Property		
Full Levy	14,333,582	136,510,305
Special Levy	5,276,390	50,251,333
5. Watercraft	48,845,930	494,301,881
6. Business Personal – County	26,992,710	279,695,924
7. Business Personal – State	90,797,090	864,734,190
8. Aircraft	10,040,360	95,622,476
9. Railroads	5,594,896	58,893,642
10. Rental Residential	2,600,890	24,770,381
11. Fee in Lieu/MCP	<u>118,747,345</u>	<u>2,256,048,054</u>
TOTAL	<u>\$4,712,465,607</u>	<u>\$89,295,594,484</u>

*Some variance from the Table of Assessed Value may be the result of daily fluctuations in various categories including Motor Vehicles. Figures do not include merchants inventory.

Source: Charleston County Auditor

Tax Collection Procedure

In the School District, taxes are levied for County and School District purposes by the County Auditor as a single tax bill, which must be paid in full by the individual taxpayer.

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

Tax Collections

The following table shows taxes levied for operational and debt service purposes (adjusted to include additions, abatements, and nulla bonae) for the School District, taxes collected as of June 30 of the year following the year in which the levy was made, and the amount of delinquent taxes collected. Delinquent taxes include taxes levied in prior years but collected in the year shown. The table reflects only the levy and collections in connection with real and personal property other than motor vehicle taxes.

<u>Fiscal Year</u>	<u>Adjusted Tax Levy</u>	<u>Current Taxes Collected</u>	<u>Current Percentage Collected</u>	<u>Delinquent Taxes Collected</u>	<u>Total Taxes Collected</u>
2013-14	\$372,453,701	\$357,163,153	96%	\$13,666,002	\$370,829,155
2014-15	381,930,044	362,065,477	95	11,778,232	373,843,709
2015-16	408,396,751	394,853,103	97	12,125,784	406,978,887
2016-17	472,170,513	435,176,431	92	10,095,658	445,272,089
2017-18	505,274,984	488,318,535	97	10,828,128	499,146,663
2018-19	549,711,788	523,064,793	95	12,948,346	536,013,139
2019-20	593,129,066	573,673,128	97	10,392,108	584,065,236

Source: Charleston County Treasurer

Ten Largest Taxpayers

The ten largest taxpayers in the County, the 2019 Tax Year assessed value for the taxable property of each located within the County, and the amount of 2019-20 Fiscal Year School District taxes paid for each are shown below.

<u>Name</u>	<u>Estimated Assessed Valuation</u>	<u>Total Taxes Paid</u>
South Carolina Electric & Gas Co.	\$ 76,381,740	\$11,816,255
The Boeing Company	70,941,146	10,974,595
Mercedes Benz Vans LLC	19,500,831	3,016,779
Kapstone Charleston Kraft LLC	17,445,325	2,698,792
Trident Medical Center LLC	9,720,440	1,503,752
Mid-America Apartments LP	9,497,100	1,469,201
Kiawah Real Estate Company	9,058,050	1,401,280
Bellsouth Telecommunications	7,681,000	1,188,251
Berkeley Electric Co-Op	7,248,090	1,121,280
Northwoods Mall Cmbs LLC	<u>5,915,360</u>	<u>915,106</u>
TOTAL	\$233,389,082	\$36,105,291

Source: Charleston County Auditor

Millage History

All residents of the School District pay property taxes for the debt service of the School District. Property taxes for the operations of the School District are paid with respect to all real property except owner-occupied residential real property. Presented below is the millage history for School District taxes broken down into Operations and Debt Service for the past five Fiscal Years.

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Operations	116.30	119.20	123.16	126.70	126.70
Debt Service	<u>20.00</u>	<u>26.00</u>	<u>28.00</u>	<u>28.00</u>	<u>28.00</u>
School District Total	136.30	145.20	151.16	154.70	154.70

Source: School District

Liability Insurance

Subject to specific immunity set forth in the South Carolina Tort Claims Act (the "Act"), local governments, including the School District, may be liable for damages not to exceed \$300,000 per incident/person and \$600,000 per occurrence/aggregate. No punitive or exemplary damages are permitted under the Act. Insurance protection to units of local government is provided from either the South Carolina Insurance Reserve Fund established by the State Fiscal Accountability Authority, private carriers, self-insurance or pooled self-insurance funds. The School District currently maintains liability insurance coverage with the South Carolina School Boards Insurance Trust, with a self-insured retention per incident of \$100,000. In the opinion of the Superintendent the amount of liability coverage maintained by the School District is sufficient to provide protection against any loss arising under the Act. In the opinion of legal counsel for the School District, there is no litigation pending or threatened against the School District, which is not adequately insured by such coverage.

Property Insurance

Because of the geographic location of the School District on the South Carolina coast and the risk of hurricanes due to its location, property insurance coverage demands a higher premium than at many other locations; however, the School District is of the opinion that it is adequately covered with respect to property damage.

DEBT STRUCTURE

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

Legal Debt Limit of the School District

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

The School District's estimated general obligation bonded debt limitation as of the date hereof is computed below:

Assessed Value*	\$4,734,122,997
Constitutional Debt Limit	<u> x 8%</u>
	\$ 378,729,839
General Obligation Debt Subject to Debt Limit**	<u>266,985,000</u>
General Obligation Debt Available Without Referendum	\$ 111,744,839

*Based on Tax Year 2020 assessed value; includes merchants inventory in the amount of \$21,657,390.

**Includes the School District's outstanding 2009 QSCBs, 2010 QSCBs, 2018 Bonds, 2020A Notes, 2020B Notes and a portion of 2012A Bonds.

Source: Charleston County Auditor

The Notes offered hereby will not count against the School District's debt limit.

Outstanding Indebtedness

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

<u>Date of Issue</u>	<u>Date of Final Maturity</u>	<u>Amount Issued</u>	<u>Amount Outstanding As of the Date Hereof</u>
12-8-09 ⁽¹⁾	9-15-26	\$ 13,517,000	\$ 6,765,000
10-14-10 ⁽²⁾	8-1-27	15,075,000	14,510,000
10-6-11 ⁽³⁾	2-1-23	64,200,000	42,455,000
3-20-12 ⁽⁴⁾	2-1-24	44,965,000	17,280,000
11-5-18 ⁽⁵⁾	3-1-23	95,165,000	17,000,000
11-14-19 ⁽⁶⁾	2-1-25	20,725,000	20,725,000
5-13-20 ⁽⁷⁾	11-16-20	66,240,000	66,240,000
5-13-20 ⁽⁸⁾	5-12-21	<u>161,805,000</u>	<u>161,805,000</u>
Total		\$481,692,000	\$346,780,000

⁽¹⁾ The 2009 QSCBs are included in the amount of bonded indebtedness applicable to the debt limit.

⁽²⁾ The 2010 QSCBs are included in the amount of bonded indebtedness applicable to the debt limit.

⁽³⁾ All of the 2011A Bonds refunded referendum-approved bonds.

⁽⁴⁾ A portion of the 2012A Bonds in the principal amount of \$665,000 is applicable to the debt limit; the remainder of the 2012A Bonds refunded referendum-approved bonds.

⁽⁵⁾ The 2018 Bonds are included in the amount of bonded indebtedness applicable to the debt limit.

⁽⁶⁾ All of the 2019B Bonds refunded referendum-approved bonds.

⁽⁷⁾ The 2020A Notes are included in the amount of bonded indebtedness applicable to the debt limit.

⁽⁸⁾ The 2020B Notes are included in the amount of bonded indebtedness applicable to the debt limit.

Installment Purchase Obligations

On May 9, 2013, CEEFC issued the Series 2013B Installment Purchase Bonds in the original principal amount of \$343,420,000 to refund all of the Series 2005 Installment Purchase Bonds. The Series 2005 Installment Purchase Bonds were issued for the purpose of funding certain projects for the School District's 2005-09 CIP. In connection with the issuance of the Series 2013B Installment Purchase Bonds, the School District entered into an Amended and Restated School Facilities Purchase and Occupancy Agreement dated as of May 1, 2013 (as amended, the "2013B Facilities Agreement") with CEEFC pursuant to which the School District agreed to pay to CEEFC installment payments of purchase price for the facilities refinanced by CEEFC in such amounts and at such times as would be sufficient to make payments on the Series 2013B Installment Purchase Bonds, subject to the School District's right to elect not to appropriate funds to make such installment payments. In order to maintain occupancy of such facilities, the School District must appropriate funds to make such installment payments annually. The School District may elect not to appropriate such amounts, in which case it will forfeit the right to occupy a portion of such facilities, but will not be in default. The obligations of the School District under the 2013B Facilities Agreement do not represent or constitute a legal obligation of, or a pledge of the faith and credit or taxing power of, the School District, but are subject to and dependent upon lawful appropriations being made by the School District. CEEFC plans to issue its Series 2020 Installment Purchase Bonds on October 22, 2020 and use the proceeds thereof to advance refund a portion of the Series 2013B Installment Purchase Bonds. Below are the installment payments which will be due under the 2013B Facilities Agreement, as supplemented with respect to the Series 2020 Installment Purchase Bonds, following the issuance of the Series 2020 Installment Purchase Bonds and the defeasance of portions of the Series 2013B Installment Purchase Bonds.

Fiscal Year <u>Ending June 30</u>	Series 2013B Installment <u>Purchase Bonds</u>	Series 2020 Installment <u>Purchase Bonds</u>
2021	\$ 20,815,175	\$ 1,569,867
2022	20,594,550	5,374,624
2023	20,379,550	5,371,242
2024	19,189,050	5,369,600
2025	36,479,425	5,367,930
2026	40,747,925	5,365,085
2027	40,468,925	5,360,475
2028	1,759,800	45,641,486
2029	44,874,900	3,338,162
2030	0	48,409,900
2031	<u>0</u>	<u>48,147,586</u>
Total	\$245,309,300	\$179,315,956

On September 9, 2014, CEEFC issued its Series 2014 Installment Purchase Bonds in the original principal amount of \$111,565,000 to refund all of the Series 2006 Installment Purchase Bonds. The Series 2006 Installment Purchase Bonds were issued for the purpose of funding certain additional projects for the School District's 2005-09 CIP. In connection with the issuance of the Series 2014 Installment Purchase Bonds, the School District entered into an Amended and Restated School Facilities Purchase and Occupancy Agreement dated as of September 1, 2014 (the "2014 Facilities Agreement") with CEEFC pursuant to which the School District agreed to pay to CEEFC installment payments of purchase price for the facilities refinanced by CEEFC in such amounts and at such times as will be sufficient to make payments on the Series 2014 Installment Purchase Bonds, subject to the School District's right to elect not to appropriate funds to make such installment payments. In order to maintain occupancy of such facilities, the School District must appropriate funds to make such installment payments annually. The School District may elect not to appropriate such amounts, in which case it will forfeit the right to occupy a portion of such facilities, but will not be in default. The obligations of the School District under the 2014 Facilities Agreement do not represent or constitute a legal obligation of, or a pledge of the faith and credit or taxing power of, the School District, but are subject to and dependent upon lawful appropriations being made by the School District. Below are the installment payments which will become due under the 2014 Facilities Agreement.

Fiscal Year <u>Ending June 30</u>	<u>Amount</u>
2021	\$ 11,580,750
2022	11,583,250
2023	11,583,375
2024	11,585,250
2025	11,583,000
2026	11,585,625
2027	11,591,875
2028	11,590,750
2029	11,621,750
2030	11,600,500
2031	11,605,250
2032	<u>11,603,000</u>
Total	\$139,114,375

Composite General Obligation Debt Service

The following table sets forth the debt service requirements for all outstanding general obligation indebtedness of the School District. Numbers have been rounded to the nearest dollar.

Fiscal Year Ending June 30	Outstanding Debt		Total
	Principal	Interest	
2021	\$252,640,000	\$15,224,996	\$267,864,996
2022	25,470,000	4,288,306	29,758,306
2023	25,390,000	3,059,244	28,449,244
2024	22,350,000	1,834,181	24,184,181
2025	5,280,000	933,919	6,213,919
2026	1,125,000	714,356	1,839,356
2027	1,140,000	702,465	1,842,465
2028	<u>14,510,000</u>	<u>348,240</u>	<u>14,858,240</u>
	\$347,905,000	\$27,105,707	\$375,010,707

The following table sets forth the total amount of outstanding indebtedness of the School District as of the last five Fiscal Years:

Fiscal Year Ended June 30	General Obligation Indebtedness	School District Debt Per Capita*	% of Assessed Value
2016	\$290,215,000	\$ 828.69	8.20%
2017	275,515,000	786.72	7.45
2018	301,875,000	861.99	7.81
2019	373,635,000	1,066.89	9.39
2020	347,905,000	993.42	8.28

*Debt per capita based on the 2010 population of 350,209.

Source: School District and County Officials

Legal Debt Limit of Overlapping Taxing Entities

Under the provisions of Article X, Section 14 of the South Carolina Constitution, each county, incorporated municipality, and special purpose district may, in such manner and upon such terms and conditions as the General Assembly shall prescribe by general law, incur general obligation debt authorized by a majority vote of the qualified electors thereof voting in a referendum, without limitation as to amount, and incur, without an election, general obligation debt (in addition to bonded indebtedness existing on November 30, 1977, and bonded indebtedness authorized by a majority vote of qualified electors) in an amount not exceeding 8% of the assessed value of all taxable property therein. Pursuant to referenda held in 2004 and 2006, voters in Charleston County approved the issuance of general obligation transportation sales tax bonds in the principal amount of not exceeding \$413,000,000, the proceeds of which will be used for various transportation, mass transit and greenspace projects. Based on this authorization, the County issued bonds in the aggregate principal amount of \$382,000,000 pursuant to the referendum. Except as otherwise discussed herein, as of the date hereof the School District is not aware of any general obligation debt of such political subdivisions which has been authorized by a referendum and not yet issued.

Miscellaneous Debt Information

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

ECONOMIC CHARACTERISTICS

Commerce and Industry

The County is located on South Carolina's southeastern coast. The County covers an area of 1,357 square miles and has a 100-mile coastline along the Atlantic Ocean. The County seat, the City of Charleston, is a major deep-water port as well as a nationally renowned tourist and convention destination. The County is also the largest business and financial center for the Southeastern section of South Carolina.

Port of Charleston

The South Carolina Ports Authority ("SCPA") owns and operates the Port of Charleston, which includes five public seaport facilities and one terminal under construction in Charleston County. In addition, the SCPA operates the Port of Georgetown, Inland Port Greer and Inland Port Dillon. In total, the SCPA directly employs approximately 500 people. With facilities that handle containerized, breakbulk, project cargo and cruise vessels, the SCPA annually handles goods valued at more than \$53 billion in statewide economic activity and helps facilitate the employment of an estimated 187,200 residents of the State of South Carolina.

Tourism

The historic character, architecture, moderate climate, and coastal location of the City of Charleston all make the area a major national tourist attraction. The Chamber of Commerce estimates that 5 million tourists visit Charleston annually and 35,000 direct and indirect jobs are generated by this industry.

Population Growth

The U.S. Bureau of the Census reports that the 2010 population of the County was 350,209. This figure represents a 13% increase in population over the 2000 census figure of 309,969. According to the 2010 Census, the County was the third most populous county in the State and was projected to be the second most populous county in the State in 2018 with an estimated population of 405,905. The Charleston Metropolitan Statistical Area (comprising Charleston, Berkeley, and Dorchester Counties) (the "Charleston MSA") is the fastest growing metropolitan statistical area in the State with a 2010 population of 664,607 and estimated population of 802,122 in 2019.

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

<u>Year</u>	<u>Charleston County</u>	<u>Percent Increase Prior Census</u>
1980	276,974	11.84%
1990	295,039	6.52
2000	309,969	5.06
2010	350,209	12.98

Source: U.S. Bureau of the Census

Per Capita Income

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

<u>Year</u>	<u>County</u>	<u>State</u>	<u>United States</u>
2014	\$50,970	\$37,624	\$47,071
2015	53,946	39,496	48,994
2016	55,573	40,406	49,890
2017	58,588	42,081	51,910
2018	61,477	43,702	54,526
2019	N/A	45,314	56,663

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

Construction

The following table shows the approximate number of all construction building permits issued in the County and the approximate cost of construction represented by those permits in each of the last seven years.

<u>Year</u>	<u>Single Family Residential</u>		<u>Multi Family Residential</u>		<u>Commercial</u>	
	<u>Number of Permits</u>	<u>Estimated Construction Costs</u>	<u>Number of Permits</u>	<u>Estimated Construction Costs</u>	<u>Number of Permits</u>	<u>Estimated Construction Costs</u>
2013	2,058	\$ 529,833,715	300	\$194,226,602	591	\$509,771,296
2014	2,205	576,388,108	230	201,788,163	817	679,228,981
2015	2,265	663,886,313	260	236,008,296	563	615,184,108
2016	2,486	686,332,314	64	171,528,841	703	642,341,963
2017	2,440	837,440,710	137*	417,257,507*	474*	846,006,558*
2018	2,416	1,007,086,855	102**	258,626,331**	474**	517,864,204**
2019	2,010	795,088,146	90***	169,142,409***	478***	803,054,164***

Source: BCD Council of Governments

*These numbers do not include "mixed-use" permits which are often, but not always, a combination of multi-family residential and commercial. The mixed use values are : 6 permits for \$93,124,617.

**These numbers do not include "mixed-use" permits which are often, but not always, a combination of multi-family residential and commercial. The mixed use values are : 4 permits for \$158,253,150.

***These numbers do not include "mixed-use" permits which are often, but not always, a combination of multi-family residential and commercial. The mixed use values are : 6 permits for \$67,821,083.

Retail Sales

The State imposes a 6% sales tax on all retail sales and the County has adopted a 1% local option sales tax. The following table shows the level of gross retail sales over the last seven years for businesses located in the County and the percentage increase (decrease) over the previous year:

<u>Year Ended December 31</u>	<u>Total Retail Sales</u>	<u>Increase Over Previous Year</u>
2013	\$14,312,337,605	1.1%
2014	14,233,035,529	(1.0)
2015	15,111,033,636	6.2
2016	16,184,895,302	7.1
2017	16,314,188,955	7.9
2018	16,251,430,828	(0.4)
2019	17,011,034,769	4.7

Source: South Carolina Department of Revenue, Administrative Division

Sales and Use Tax/Referenda

On November 2, 2004, voters in Charleston County approved a county-wide one-half percent sales and use tax to be used to finance certain projects, including building, repairing and maintaining highways, streets and bridges, supporting mass transit systems operated within the County and providing greenspace. The one-half percent sales tax went into effect on May 1, 2005. Voters also approved in 2004 the issuance of not exceeding \$113,000,000 of general obligation bonds of Charleston County payable from the sales and use tax to fund the projects described above.

On November 2, 2010, voters in Charleston County approved the county-wide one percent Sales and Use Tax – Phase III to fund certain education capital improvements for the School District as set forth in the referendum as described under "THE SCHOOL DISTRICT – School Facilities and Capital Plans" and "FINANCIAL AND TAX INFORMATION – Revenues – *Revenues from Sales and Use Tax*" herein. Collection of the sales and use tax commenced on March 1, 2011 and continued until December 31, 2016. On November 4, 2014, voters approved an extension of the sales and use tax program through the imposition of the Sales and Use Tax – Phase IV for an additional six-year period commencing on January 1, 2017 and ending on December 31, 2022.

Commercial and Savings Bank Deposits

As of June 30, 2019, Charleston County was served by 126 offices of FDIC-insured institutions with total deposits of \$11,742,338 according to the Federal Deposit Insurance Corporation. The continuing reorganization of the banking system in the United States, with its attendant mergers and consolidations, is likely to affect the total number of branch offices in the County. (Source: Commission of Banking)

Capital Investment

The County has experienced growth in industrial operations through additions and expansions to manufacturing plants. Listed below are the total capital investment and additional employment for new and expanded industry in the County for the last six years.

<u>Year</u>	<u>Total Capital Investment</u>	<u>Additional Employment</u>
2014	\$217,921,010	856
2015	545,150,000	2,203
2016	34,993,250	814
2017	120,515,000	1,150
2018	154,055,000	1,101
2019	18,550,000	456

Source: South Carolina Department of Commerce

Major Employers

The largest employers, including the School District, located within the Charleston Metropolitan Statistical Area ("MSA") and the approximate number of employees are listed below.

<u>Company</u>	<u>Product or Service</u>	<u>Employees</u>
Joint Base Charleston	Area U.S. military commands	36,000
Medical University of South Carolina (MUSC)	Hospital, post-secondary education, research	13,000
Boeing Company	Commercial jetliner manufacturer	7,300
<u>5,000-6,999</u>		
Berkeley County School District	Education/public schools	
Charleston County School District	Education/public schools	
Roper St. Francis Healthcare	Roper and Bon Secours St. Francis hospitals	
<u>3,000-4,999</u>		
Dorchester County School District II	Education/public schools	
<u>2,000-2,999</u>		
Charleston County	Local government	
Trident Health System	Hospital system	
Walmart Inc.	Retail merchandise	
Robert Bosch Corporation	Antilock brake systems, fuel injection	
U.S. Postal Service	Postal service	
College of Charleston	Post-secondary education	
<u>1,000-1,999</u>		
Volvo Car USA LLC	Manufacture Volvo S60 sedans	
City of Charleston	Local government	
Mercedes-Benz Vans, LLC	Assembly of Sprinter vans	
Kiawah Island Golf Resort/The Sanctuary	Resort	
Blackbaud, Inc.	Specialty computer software development	
Santee Cooper	Electric and water utility	
Trident Technical College	Post-secondary & continuing education	
City of North Charleston	Local government	
Berkeley County	Local government	
IQor	Inbound/outbound customer service call center	

Publix Supermarkets	Retail grocery stores
Nucor Steel	Manufacture of carbon and alloy steel
KapStone Charleston Kraft LLC	Paper, packaging manufacturing
BenefitFocus	Cloud-based benefits management software and support
JEM Restaurant Group	More than 100 Taco Bell and Pizza Hut franchises
Harris Teeter	Retail groceries

Source: Center for Business Research, Charleston Metro Chamber of Commerce, 2019.

Unemployment

The average annual unemployment rates in the County, the State, and the United States for the last six years are shown below.

<u>Year</u>	<u>County</u>	<u>State</u>	<u>United States</u>
2013	6.2%	7.6%	7.4%
2014	5.0	6.4	6.2
2015	4.8	6.0	5.3
2016	4.1	5.2	4.9
2017	3.5	4.3	4.4
2018	2.9	2.8	3.9
2019	2.3	2.8	3.5

Source: South Carolina Employment Security Commission, Labor Market Information

Transportation

Interstate I-26 links Charleston directly with Columbia, the State capital, and interchanges with Interstate I-95, a major interstate running from Boston to Miami, a few miles west of the County. Four U.S. highways and seven major state roads serve Charleston. The easy accessibility provided by these highways and roads has helped in the continued growth of the County's tourism and shipping industries.

CSX Railroad and the Norfolk Southern Railroad are the freight railroads servicing the Charleston area. Passenger service is provided by four Amtrak trains daily. Charleston's Port is served by train service to more major markets than any other southern port with daily container trains providing large, well-equipped intermodal yards with rail and highway access. Over 100 motor freight lines serve the Charleston area with expected overnight service to cities within a 300 to 450-mile radius.

The Charleston International Airport serves the City and surrounding region. The airport, located in the City of North Charleston, is currently being served by nine commercial airlines and is classified as a "small hub" by the Federal Aviation Administration. Scheduled airline carriers enplaned approximately 2,435,565 passengers and deplaned over 2,435,497 passengers during the airport's calendar year 2019.

Hospital Facilities

One of the largest medical centers in the southeast is located on an eight-block area in downtown Charleston. The medical center, with over 1,279 beds, comprises Roper Hospital, the Veterans Administration Medical Center and the Medical University of South Carolina Medical Campus. Four additional hospitals serve the area. They are Trident Regional Medical Center with approximately 296 beds, Bon Secours St. Francis Hospital with 204 beds, East Cooper Community Hospital with 140 beds and Roper Hospital located in Mount Pleasant with 85 beds.

Education

Four major institutions of higher learning are located in the Charleston area. Three (the College of Charleston, the Medical University of South Carolina and The Citadel) are located within the corporate limits of the City of Charleston. Charleston Southern University is located on a 300-acre campus approximately 17 miles north of the City. Trident Technical College (serving Charleston, Berkeley, and Dorchester Counties) is also located in the County and provides courses designed to meet the technical workforce needs of the area.

CERTAIN LEGAL MATTERS

Litigation

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

A certificate to the effect that there is no litigation threatened or pending to restrain the issuance and sale of the Notes will be delivered at closing.

Legal Opinion

The form of the opinion of Bond Counsel, Haynsworth Sinkler Boyd, P.A., Charleston, South Carolina, prepared in connection with the issuance of the Notes is attached to this Official Statement as Appendix C.

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

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

United States Bankruptcy Code

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

TAX EXEMPTION

Federal Income Tax Generally

On the date of issuance of the Notes, Haynsworth Sinkler Boyd, P.A., Charleston, South Carolina ("Bond Counsel"), will render an opinion that, assuming continuing compliance by the School District with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and the applicable regulations promulgated thereunder (the "Regulations") and further subject to certain considerations described in "Collateral Federal Tax Considerations" below, under existing statutes, regulations and judicial decisions, interest on the Notes is excludable from the gross income of the registered owners thereof for federal income tax purposes. The amount treated as interest on the Notes and excluded from gross income may depend upon the taxpayer's election under Internal Revenue Service Notice 94-84. Interest on the Notes will not be treated as an item of tax preference for purposes of the federal alternative minimum tax. The Code contains other provisions that could result in tax consequences, upon which no opinion will be rendered by Bond Counsel, as a result of (i) ownership of the Notes or (ii) the inclusion in certain computations of interest that is excluded from gross income.

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

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

Collateral Federal Tax Considerations

Prospective purchasers of the Notes should be aware that ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, life insurance companies, certain foreign corporations, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. The Notes have not been designated "bank qualified tax exempt obligations" under Section 265(b)(3) of the Code. Bond Counsel expresses no opinion concerning such collateral income tax consequences and prospective purchasers of the Notes should consult their tax advisors as to the applicability thereof.

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

The IRS has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations is includable in gross income for federal income tax purposes. Bond Counsel cannot predict whether the IRS will commence an audit of the Notes. Bond Counsel's engagement with respect to the Notes ends with the issuance of the Notes, and, unless separately engaged, Bond Counsel is not obligated to defend the School District or the Owners regarding the tax-exempt status of the Notes in the event of an audit examination by the IRS. Under current procedures, parties other than the Issuer and their appointed counsel, including the Owners, would

have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the 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 Owners to incur significant expense, regardless of the ultimate outcome. Under certain circumstances, the School District may be obligated to disclose the commencement of an audit under the Continuing Disclosure Agreement. See "MISCELLANEOUS - Continuing Disclosure," herein.

Original Issue Premium

The Notes have been sold at initial public offering prices which are greater than the amounts payable at maturity. An amount equal to the excess of the purchase price of the Notes over their stated redemption prices at maturity constitutes premium on such Notes. A purchaser of the Notes must amortize any premium over such Note's term using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the purchaser's basis in such Notes 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 Note prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of any Notes at a premium, whether at the time of initial issuance or subsequent thereto, should consult with their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such Notes.

State Tax Exemption

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

MISCELLANEOUS

Closing Certifications

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

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

Continuing Disclosure

In order to provide certain continuing disclosure with respect to the Notes in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time ("Rule 15c2-12"), the School District will enter into a Disclosure Dissemination Agent Agreement dated the date of the issuance of the Notes ("Disclosure Dissemination Agreement") for the benefit of the beneficial owners of the Notes with Digital Assurance Certification, L.L.C. ("DAC") under which the School District will designate DAC as Disclosure Dissemination Agent. The form of Disclosure Dissemination Agreement is attached as Appendix B.

To the knowledge of the School District, it has complied with all of the requirements of its continuing disclosure undertakings and no default has occurred under any of these continuing disclosure undertakings.

Rating

Moody's Investors Service, Inc. ("Moody's") has assigned a rating of MIG-1 to the Notes. Such rating reflects only the views of Moody's and an explanation of the significance of such rating may be obtained from Moody's. The School District has furnished to Moody's certain information and materials respecting the School District and the Notes. Generally, Moody's bases its rating on such information and materials and on investigations, studies and assumptions furnished to and obtained and made by it. There is no assurance that such rating will remain unchanged for any period of time or that they may not be lowered or withdrawn entirely by Moody's, if in their judgment circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Notes.

Sale and Award

The Notes were purchased at competitive sale for resale by _____ (the "Purchaser") at a purchase price of \$_____ (representing par [plus original issue premium of \$_____] [less underwriter's discount of \$_____]). The initial public offering price of the Notes is stated on the cover hereof. The Purchaser may offer and sell the Notes to certain dealers (including dealers depositing Notes into investment trusts) and others at prices lower than the stated initial public offering price. In addition, the initial public offering price may be changed from time to time by the Purchaser without prior notice.

Independent Auditor

CliftonLarsonAllen LLP, independent auditor to the School District, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. CliftonLarsonAllen LLP also has not performed any procedures relating to this Official Statement.

Conclusion

Further inquiries should be addressed to the School District's Financial Advisors, David Moore or Robert Wilson, PFM Financial Advisors LLC, 300 South Orange Avenue, Suite 1170, Orlando, Florida 32801-3470, (407) 648-2208 or Jacquelyn N. Carlen, Executive Director of Finance, Charleston County School District, 3999 Bridge View Drive, North Charleston, South Carolina 29405, (843) 743-2552. Requests for additional copies of this Official Statement may be addressed to the Financial Advisor, or may be addressed to Carol L. Clark, Esquire, Haynsworth Sinkler Boyd, P.A., 134 Meeting Street, Third Floor, Charleston, South Carolina 29401 (843) 724-1123.

CHARLESTON COUNTY SCHOOL DISTRICT,
SOUTH CAROLINA

/s/ Dr. Gerrita Postlewait
Superintendent of Schools

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APPENDIX A

Audited Financial Statements
Fiscal Year Ended June 30, 2019

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CHARLESTON COUNTY SCHOOL DISTRICT
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2019



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**CHARLESTON COUNTY SCHOOL DISTRICT
PRINCIPAL OFFICIALS
YEAR ENDED JUNE 30, 2019**

Board of Trustees

Eric Mack, Chair

Kate Darby, Vice Chair

Cindy Bohn Coats

Chris Collins

Chris Fraser

Todd Garrett

Joyce Green

Kevin Hollinshead

Priscilla Jeffery

Superintendent

Dr. Gerrita Postlewait



INDEPENDENT AUDITORS' REPORT

Board of Trustees
Charleston County School District
Charleston, South Carolina

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of James Island Charter High School, Charleston Development Academy, Inc., East Cooper Montessori Charter School, Orange Grove Elementary Charter School, Charleston Charter School for Math and Science, Pattison's Academy of Comprehensive Education, Carolina Voyager Charter School, Greg Mathis Charter High School, Allegro Music School, Meeting Street Elementary at Burns, and Meeting Street Elementary at Brentwood, which represent 100% of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the other amounts included for the aggregate discretely presented component units, is based solely on the reports of the other auditors. 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 auditors' 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 opinion.

Opinions

In our opinions, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the School District as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, and pension and 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 supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates 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 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2019, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the School District's 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.



CliftonLarsonAllen LLP

Columbia, South Carolina
November 21, 2019

**CHARLESTON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

The Management's Discussion and Analysis (MD&A) provides an objective analysis of the Charleston County School District's (the School District or CCSD) financial condition based on facts known as of the date of the auditors' report. While the accompanying financial statements are for the year ended June 30, 2019, the MD&A presents both a short-term and long-term analysis of the School District's financial status.

FINANCIAL HIGHLIGHTS

- The General Operating Fund ("GOF") total fund balance at June 30, 2019 was \$104.9 million, an increase of \$34.7 million from the balance at June 30, 2018. This was primarily due to revenues exceeding budget by \$19.8 million and expenditures below budget by \$17.3 million. The excess revenue is mainly due to \$8.6 million received over budget in personal property taxes, \$2.5 million over budget in Fee in Lieu of Taxes and \$2 million over budget in interest income. Revenue received for state EFA funding exceeded budget by \$1.7 million and revenue received for state fringe and retirement funding exceeded budget by \$3 million. Expenditures below budget are primarily due to \$12.5 million in salaries and benefits in unfilled vacant positions and lapsed salaries, \$2.5 million below budget due to energy savings and \$2.1 million below budget for allocations to charter schools and school partnerships.
- Non-spendable GOF fund balance was \$4.9 million or 1% of total General Fund expenditures for the year ended June 30, 2019. This includes inventory and prepaid items. Committed GOF fund balance was \$39.5 million or 8.1% of total General Fund expenditures for the year ended June 30, 2019. This meets the one month operating expenditures requirement using fiscal year 2019 total operating budget of \$490.4 million and fiscal year 2018 total operating budget of \$458.2 million. Assigned GOF fund balance was \$12.5 million or 2.5% of total General Fund expenditures for the year ended June 30, 2019. This includes \$1,214,628 for Early College Program, \$2,516,497 to increase starting teacher salaries, \$1 million for 7-day allocation reserve, \$5 million in Board approved mission critical actions and \$2.8 million for use of fund balance. Unassigned GOF fund balance was \$47.9 million or 9.8% can be used for any purpose at the District's discretion.
- The School District's revenues for governmental funds increased \$59.7 million or 7.4% to \$862.2 million in fiscal year 2019. The major changes were a \$34.7 million increase in local property taxes, a \$13.3 million increase in state revenues, a \$5.9 million increase in other local taxes, a \$6.1 million increase in local one cent sales tax revenues, and a \$386,000 decrease in federal revenues.
- Property taxes and other local revenues (including the Local One Cent Sales Tax revenues) accounted for 65.4% of the School District's governmental funds' revenue. The State revenue contribution was 26.6%; the Federal was 8% and other sources were less than one percent.
- The amount of Education Finance Act ("EFA") revenues sent to the School District increased \$5.3 million in fiscal year 2019 primarily due to changes in student categories and index of taxpaying ability. The School District remains the wealthiest in the State with regards to property value; however, Act 388 of 2008 revamped how school districts receive their funding for operating expenses which has severely limited growth in local tax millage.

**CHARLESTON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

FINANCIAL HIGHLIGHTS (CONTINUED)

- The State formula starts with a target of 70% State funding and 30% local funding. The School District receives a much lower percentage from the State than most other districts. The table below outlines the last five years' state support percentages for the School District.

FY2015	32 percent
FY2016	34 percent
FY2017	31 percent
FY2018	32 percent
FY2019	34 percent

- This discussion and analysis focuses on the primary government; however, the District sponsored nine charter schools in fiscal year 2019, which are reflected as discretely presented component units.
- The 7-day enrollment increased by 92 from 49,676 in fiscal year 2018 to 49,768 in fiscal year 2019. These figures include all students in classes for child development through grade 12 as well as charter school students. The increase in 7-day enrollment represents a 0.19% increase.
- The Average Daily Membership (ADM) of students in the School District as of the 135th day increased from 46,140 in fiscal year 2018 to 46,485 in fiscal year 2019, a 0.75% increase in the 135th day ADM. The 135th day ADM does not include child development enrollment, only students in kindergarten through grade 12. The 7-day enrollment and the 135th day average daily membership continue to fluctuate each year. The District did not maintain the number of students from the beginning of the year to the end of the year in FY19.
- Total expenditures and other financing uses for all governmental funds exceeded revenues and other financing sources by \$10.5 million. This net change was due to changes in several funds as follows:
 - \$34.7 million increase in the General Fund as explained above
 - \$1.7 million increase in the Special Revenue Fund due to a reduction in federal revenues which resulted in reductions in expenditures
 - \$2.2 million decrease in the Food Service Fund due to a reduction in revenue for student meal sales and increase in expenditures for salaries and benefits
 - \$8.9 million increase in Debt Service-District due to debt issuance in advance of capital projects.
 - \$53.6 million decrease in the Capital Projects – District Fund due to planned capital expenditures on ongoing construction projects

**CHARLESTON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

FINANCIAL HIGHLIGHTS (CONTINUED)

- Many capital projects were underway during the current fiscal year. The projects are indicated below.
 - Completed construction on several sites including:
 - District 4 Bus Lot
 - Continued work on building sites including:
 - Lowcountry Tech @ Burke High School
 - District 3 Bus Lot
 - Stono Park Elementary School
 - Mary Ford Elementary School
 - Northwoods Middle School
 - C E Williams Academic Magnet
 - West Ashley Middle School
 - Dunston Elementary School
 - Garrett Academy
 - St Andrews Middle School
 - Burns Elementary School
 - C E Williams Middle School
 - Center for Advanced Studies @ West Ashley High School
 - NEW Lucy G Beckham High School
 - NEW Camp Road Middle School (Ft Johnson)
 - District 4 Stadium
 - Dunston Elementary School
 - Mitchell Elementary School
 - Haut Gap Middle School
 - Baptist Hill High School
 - Center for Advanced Studies @ North Charleston
 - James Island Charter High School
 - Lincoln High School
 - Moultrie Middle School
 - Stoney Field
 - Hursey Elementary School
 - Continued Modernization projects that included:
 - Student devices, wireless network upgrades and support equipment
 - Computer replacement program (administration, general lab and CTE lab)
 - Classroom sound enhancement
 - Technology software

**CHARLESTON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

FINANCIAL HIGHLIGHTS (CONTINUED)

- Continued Fixed Cost of Ownership projects that included:
 - Mobile classroom renovation and relocation
 - Roof replacement, repairs and restoration
 - HVAC replacement and chill water piping system
 - Playgrounds
 - Security (Surveillance and access control)
 - Emergency communication
 - Furniture
 - Media Center upgrades
 - Arts
 - Athletics
 - Career and Technology equipment furnishings
 - Operational Planning
 - Transportation

OVERVIEW OF THE FINANCIAL STATEMENTS

The School District's financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information designed to enhance the readers' understanding of the financial statements.

The School District's government-wide financial statements, which can be found as listed in the table of contents, include the statement of net position and the statement of activities. These two statements do not focus on the financial activities of the District's individual subprograms, but rather report information about the overall financial condition of the District's operation.

As described in the notes to the financial statements, other entities' activities are included in this report because of the relationship of these legally separate entities to the School District. Financial information of the Charleston Development Academy, Inc., James Island Charter High School, East Cooper Montessori Charter School, Orange Grove Charter Elementary, Charleston School for Math and Science Charter School, Gregg Mathis Charter High School, Pattison's Academy for Comprehensive Education, Carolina Voyager Charter School, and Allegro Music School, is included in the District's financial statements. In addition to the traditional charter schools, the District maintains a public/private partnership with the Meeting Street Elementary Group, MSEG. The District funds the partnership at the same per pupil expenditure of three similar schools in the District. All schools are collectively referred to in the financial statements as those of the discretely-presented component units.

The School District's fund financial statements can be found as listed in the table of contents. Unlike the government-wide financial statements, which consolidate financial data, the purpose of the School District's fund financial statements is to present detailed financial information about the District's operations. Included in these statements are the District's general operating fund, special revenue funds, education improvement act funds, debt service fund, capital projects fund, and the nonmajor permanent fund.

**CHARLESTON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The notes to the financial statements provide additional information that may be necessary for understanding the data contained in both the government-wide and the fund financial statements. The notes to the financial statements can be found as listed in the table of contents of this report.

ANALYSIS OF THE DISTRICT'S GOVERNMENT-WIDE STATEMENTS

Government-wide financial statements report transactions that are considered governmental type activities. Such activities are funded primarily through local property taxes and state and federal revenues. Governmental activities account for the School District's basic services such as regular and special education, school bus transportation, school building maintenance, and administration.

An important question that should be asked about the School District's finances is, "Is the School District, as a whole, better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Activities present consolidated financial information about the School District as a whole and that helps answer the question. These statements report the District's financial data using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. The Statement of Net Position includes all of the School District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (equity). All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the School District's net position and how it has changed from one year to the next. Net position – which is the School District's assets and deferred outflows of resources less the School District's liabilities and deferred inflows of resource – are one way to measure the School District's financial health or position. Over time, increases or decreases in the School District's net position indicate whether its financial position is improving or deteriorating. To assess the School District's overall health, additional economic factors, such as changes in the School District's property tax base, the condition of school buildings and other facilities, and changes in state and federal revenue should be considered. These factors are addressed in this report.

Our analysis below focuses on total net position (Figure A-1) and changes in net position (Figure A-2) of the School District's governmental activities.

**CHARLESTON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

ANALYSIS OF THE DISTRICT'S GOVERNMENT-WIDE STATEMENTS (CONTINUED)

**Figure A - 1
Condensed Statement of Net Position
(in Millions of Dollars)**

	Governmental Activities		
	2018	2019	Difference
Assets			
Current and Other Assets	\$ 413.4	\$ 511.5	\$ 98.1
Capital Assets, Net	1,390.1	1,504.0	113.9
Total Assets	<u>1,803.5</u>	<u>2,015.5</u>	<u>212.0</u>
Deferred Outflows of Resources			
Deferred Pension Charges	93.0	96.2	3.2
Deferred OPEB Charges	15.8	44.7	28.9
Advance Refunding Charges	43.0	38.5	(4.5)
Total Deferred Outflows of Resources	<u>151.8</u>	<u>179.4</u>	<u>27.6</u>
Liabilities			
Long-Term Liabilities	1,633.0	1,674.9	41.9
Other Liabilities	248.6	355.9	107.3
Total Liabilities	<u>1,881.6</u>	<u>2,030.8</u>	<u>149.2</u>
Deferred Inflows of Resources			
Deferred Pension Credits	49.9	35.6	(14.3)
Deferred OPEB Credits	39.0	37.0	(2.0)
Total Deferred Inflows of Resources	<u>88.9</u>	<u>72.6</u>	<u>(16.3)</u>
Net Position			
Net Investment in Capital Assets	763.6	898.0	134.4
Restricted	36.0	16.4	(19.6)
Unrestricted	(814.7)	(822.9)	(8.2)
Total Net Position	<u>\$ (15.1)</u>	<u>\$ 91.5</u>	<u>\$ 106.6</u>

The School District's assets increased by \$212.0 million, deferred outflows of resources increased by \$27.6 million, liabilities increased by \$149.2 million, and total deferred inflows of resources decreased \$16.3 million resulting in a \$106.6 million increase in net position. The overall increase in assets is due to a \$113.9 million increase in capital assets and a \$98.1 million increase in current and other assets. Net capital assets increased by \$154.5 million and decreased by \$40.6 million for depreciation expense and disposals. Current and other assets increased primarily due to a \$93.4 million increase in cash and investments. Cash and investments increased due to proceeds of short-term bonds issued during the year partially offset by capital asset acquisitions. The primary reason for the increase in liabilities is due to a \$78.4 million increase in bond anticipation notes payable.

**CHARLESTON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

ANALYSIS OF THE SCHOOL DISTRICT'S GOVERNMENT-WIDE STATEMENTS (CONTINUED)

**Figure A - 2
Changes in Net Position from Operating Results
(in Millions of Dollars)**

	Governmental Activities	
	2018	2019
Revenues		
Program Revenues:		
Charges for Services	\$ 5.0	\$ 5.4
Operating Grants	201.4	214.0
General Revenue:		
Property Taxes	391.3	425.7
Local One Cent Sales Tax	105.6	111.6
Revenue in Lieu of Taxes	96.0	97.9
Other	4.6	8.7
Total Revenues	803.9	863.3
Program Expenses		
Instruction	282.8	304.1
Support Services	299.1	321.9
Community Services	10.1	9.8
Payments to Component Units	44.7	49.9
Interest and Fiscal Charges	26.7	28.6
Depreciation Unallocated	39.2	42.4
Total Program Expenses	702.6	756.7
Change in Net Position	101.3	106.6
Net Position - Beginning of Year	(116.4)	(15.1)
Net Position - End of Year	\$ (15.1)	\$ 91.5

Expense categories:

Instruction – face-to-face direct classroom expenditures

Support Services – those expenditures that support the classroom including media center, guidance, health services, professional development, food service, student transportation, maintenance, and administrative costs.

Community Services – those expenditures that are an extension of the regular school day to include Adult Education, Community Education, and After-School child care.

Payment to Component Units – those expenditures that reflect payments to the charter schools and alternative schools that the School District sponsors.

Interest and Fiscal Charges – those expenditures that reflect the interest due on short- and long-term borrowing to include debt service interest payments due under alternative financing.

Depreciation Unallocated – the depreciation on buildings and property not included in the instruction, support services or community services categories.

**CHARLESTON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

ANALYSIS OF THE SCHOOL DISTRICT'S GOVERNMENT-WIDE STATEMENTS (CONTINUED)

Revenues increased 7.4 percent, or \$59.4 million primarily due to a \$34.4 million increase in property taxes as a result of increased assessed values and an operating millage increase of 3.96 mills, a \$16.6 million increase in grants and other contributions, a \$6 million increase in local one cent sales tax revenues partially due to continued economic growth in the area, and a \$1.9 million increase in revenue in lieu of taxes.

Expenses increased approximately 7.7 percent, or \$54.1 million. Instruction expenses increased 7.5 percent, or \$21.3 million, support expenses increased 7.6 percent, or \$22.8 million, interest and fiscal charges increased 7.1 percent, or \$1.9 million, and unallocated depreciation expense increased 8.2 percent, or \$3.2 million. The increase in instructional and support expenses is primarily due to an increase in salaries and fringe which included a step increase and an average 3.7% adjustment for teachers with first year implementation of a new teacher salary schedule and 2% cost of living adjustment for all other employers as well as increases in employer contribution rates for health insurance and retirement contributions.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

The fund financial statements, which can be found as listed in the table of contents, provide more detailed information about the School District's funds, focusing on its significant funds – not the School District as a whole. Funds are accounting devices that the School District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The School District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The School District has two kinds of funds:

- **Governmental Funds:** The School District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information follows the governmental funds statements, in the form of a reconciliation, to explain the relationship (or differences) between them.
- **Fiduciary Funds:** The School District is the trustee, or fiduciary, for assets that belong to others, such as the scholarships and the student activities funds. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from district-wide financial statements because it cannot use these assets to finance its operations.

**CHARLESTON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS (CONTINUED)

Governmental Funds

For the year ended June 30, 2019, the School District's governmental funds reported a *combined* fund balance of \$148 million, as compared to \$158.4 million for the prior year. This decrease of \$10.4 million was primarily due to changes in several funds as follows: \$34.7 million increase in the General Fund, \$1.7 million increase in the Special Revenue Fund, a \$2.2 million decrease in the Food Service Fund, a \$53.6 million decrease in the Capital Projects – District Fund, and a \$8.8 million increase in the Debt Service-District Fund.

At June 30, 2019, the School District's non-spendable fund balance for all governmental funds was \$5.4 million, which includes \$4.7 million related to prepaid items, \$0.3 million related to inventories in the General Fund, \$0.3 million related to inventories in the Food Service Fund, and less than \$0.1 million related to principal on endowments. The total restricted fund balance (all funds) was \$82.2 million including restrictions for debt service of \$.4 million, capital projects of \$71 million, food services of \$5.8 million, special revenue of \$4.8 million and endowments and scholarships of \$0.2 million. The total committed fund balance (all funds) was \$39.5 million in the General Fund to meet the District's policy and state statutes requiring one month operating expenditures using an average of the last two fiscal years' total expenditures. The total assigned fund balance (all funds) was \$12.5 million in the General Fund related to \$2.7 million for future years' expenditures, \$4.7 million for instruction and \$5 million for critical action needs approved by the Board. The total unassigned fund balance (all funds) was \$8.3 million, which includes \$48 million reported in the General Fund as well as a deficit of \$40 million reported in the Debt Service – District Fund. This deficit was due to the timing of tax receipts for the Debt Service Fund.

The General Fund is the chief operating fund of the School District. At the end of the current fiscal year, total fund balance of the General Fund was \$104.9 million. The total non-spendable fund balance was \$4.9 million for inventory and prepaid items. The total assigned fund balance was \$12.5 million which includes \$4.7 million for instructional purposes to support Early College Program at \$1.2 million, increase starting teacher salaries at \$2.5 million and 7-Day allocation reserve at \$ 1 million, \$5 million to support future critical action items approved by the Board and \$2.8 million for future years' expenditures. The total unassigned fund balance was \$48 million.

The School District's Governmental Funds include the General Fund, as described above, Special Revenue, Special Revenue – EIA, Food Service, Debt Service – District, Debt Service – CEEF, Capital Projects – District, Capital Projects – CEEF, and Medals and Awards Permanent Fund.

**CHARLESTON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS (CONTINUED)

Governmental Funds (Continued)

The School District's Special Revenue Funds and EIA are used to account for revenues derived from the State of South Carolina and the Federal Government and various other special revenue programs. The Special Revenue Fund reported an ending fund balance of \$5 million, an increase of \$1.7 million, as the revenues and other financing sources uses of \$64.4 million exceeded expenditures and other financing sources of \$62.7 million. The EIA fund reports no fund balance as any unspent allocations received from the State Department of Education as of year-end are considered to be unearned revenues. As a result, revenues and other financing sources of \$32.3 million equaled expenditures and other financing uses of \$32.3 million.

The School District accounts for its United States Department of Agriculture's approved school breakfast and lunch programs in a separate Food Service (special revenue) fund. The fund balance at the end of the fiscal year was \$6.2 million, a decrease of \$2.2 million from the prior year, due to expenditures exceeding revenues by this amount.

The School District Debt Service Fund is used to account for the accumulation of funds for debt retirement. The fund balance at the end of the current fiscal year was a deficit of \$39.7 million, an increase of \$8.8 million from the prior year deficit fund balance of \$48.5 million. The change in fund balance is primarily due to the District issuing short-term debt that is outstanding as of June 30, 2019, which is recorded as a liability as opposed to other financing source if it were long-term debt. This short term debt is issued in the spring of each year to fund fixed cost of ownership projects and is retired in the fall.

**CHARLESTON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS (CONTINUED)

General Fund Budgetary Highlights

The School District's budgeted expenditures for the General Fund including other financing uses were approximately \$490.4 million and the budget anticipated that expenditures would exceed revenues by \$2.8 million. Revenues exceed expenditures by \$34.7 million. This increase was \$37.5 million more than the budgeted decrease of \$2.8 million. This was due to several areas as indicated below:

- Local taxes were \$13.3 million higher than expected with \$8 million in personal property taxes, \$2.5 million in Fee in Lieu of Taxes, \$2 million increase in interest income and \$700,000 increase in other local revenues.
- State retirement reimbursements were \$5.3 million higher than expected with \$1.6 million in State EFA funding based upon final 135 day average daily membership and \$3.5 million in State Fringe and Retiree Insurance.
- Expenditures were below budget primarily due to \$11.7 million in unexpended salaries and benefits associated with vacant positions. Purchased services expenditures were over budget by \$1.2 million due to increased costs in substitute teachers. Supplies expenditures were under budget by \$1.4 million due to energy savings. Other objects expenditures were under budget by \$476,000 due to the interest savings for the TAN payoff.
- Payments to component units were under budget by \$1.2 million. Charter school payments are based on the previous year's audited revenue and student counts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The School District has invested \$1.999 billion in a broad range of capital assets including land, school buildings, athletic facilities, equipment, and administrative offices. Accumulated depreciation on these assets as of June 30, 2019, was \$494.6 million.

Total depreciation expense for the year was \$42.4 million while additions to capital assets amounted to \$157.9 million.

**Figure A - 3
Capital Assets at Year-End
(Net of Depreciation, in Millions of Dollars)**

	Governmental Activities	
	2018	2019
Land	\$ 55.4	\$ 58.4
Construction in Progress	44.2	183.2
Building and Improvements	1,629.8	1,630.6
Improvements Other than Buildings	74.1	83.4
Furniture and Fixtures	38.2	40.6
Food Service Equipment	2.5	2.4
Less: Accumulated Depreciation	(454.1)	(494.6)
Totals	\$ 1,390.1	\$ 1,504.0

Major additions primarily included construction projects, which were discussed in detail above.

**CHARLESTON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Debt

As of June 30, 2019, the School District had \$599.5 million in general obligation bonds and other long-term obligations, a decrease of \$19.5 million or 3.2% from June 30, 2018, as shown in Figure A-4. The District's bond rating as of October 2019 was Aa1 (Enhanced)/Aa2 (Underlying) by Moody's.

**Figure A - 4
Outstanding Debt at Year-End
(in Millions of Dollars)**

	Governmental Activities	
	2018	2019
General Obligation Bonds	\$ 153.2	\$ 146.5
Installment Revenue Bonds	465.8	453.0
Totals	\$ 619.0	\$ 599.5

In addition, the School District had \$227.2 million in outstanding General Obligation Bond Anticipation Notes ("BAN") at June 30, 2019. Subsequent to year end in August 2019, the School District issued a short-term Tax Anticipation Note ("TAN") in the amount of \$22.5 million to defray the operations and maintenance of the School District pending the collection of ad valorem taxes and State aid collections. Principal and interest on the TAN are due in full on March 30, 2020. The School District issued a General Obligation Bond ("GOB") in November 2019 in the amounts of \$96.4 million to fund the installments of purchase price coming due under Facilities Agreements entered into with CEEF, to repay the outstanding Series 2019A BAN, to fund capital projects and to provide for the costs of issuance of the bonds. The principal is due March 1, 2020.

More detailed information on capital assets and long-term debt is provided in the accompanying notes to the financial statements.

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE

At the time these financial statements were prepared, the School District was aware of existing circumstances that could significantly affect its financial health in the future:

- The Office of Revenue and Fiscal Affairs is working on a new education funding model for SC school districts. The premise of the model is that students drive the need for services, and different students may require different services. This model attempts to quantify the full base student cost in a single number and could impact our funding in the future.
- The fiscal year 2020 budget was approved by the School Board in May 2019 with a 3.48 millage increase to the operating budget. A Board approved revision to the fiscal year budget was made in September 2019 to reflect updated State EFA projections and updated budget reductions in payroll taxes, energy costs, charter school payments as well as increases due to post budget staff allocation changes and staffing changes.

**CHARLESTON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Financial Services Office, Charleston County School District, 3999 Bridge View Drive, Charleston, South Carolina 29406.

**CHARLESTON COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019**

ASSETS	<u>Primary Government Governmental Activities</u>	<u>Charter Schools Component Units</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 161,771,964	\$ 17,237,926
Investments	-	5,878,312
Restricted Cash and Cash Equivalents	238,772,662	-
Restricted Investments	6,511,443	-
Accounts Receivable, Net	1,547,834	23,560
Property Taxes Receivable, Net	16,386,797	-
Local Sales Tax Receivable, Net	30,850,874	-
Due from Governmental Agencies	46,401,735	282,097
Due from Component Units	3,005,769	-
Due from Agency Fund	249,025	-
Due from Others	606,524	-
Other assets	-	11,228
Inventory	667,835	-
Prepaid Expenses	4,731,514	406,361
Total Current Assets	511,503,976	23,839,484
NONCURRENT ASSETS		
Capital Assets:		
Capital Assets - Not Being Depreciated	241,645,575	3,707,743
Capital Assets - Net of Accumulated Depreciation	1,262,318,101	9,741,205
Total Noncurrent Assets	1,503,963,676	13,448,948
Total Assets	2,015,467,652	37,288,432
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Pension Charges	96,154,183	11,610,938
Deferred OPEB Charges	44,750,661	5,531,255
Advance Refunding Charges	38,525,917	-
Total Deferred Outflows of Resources	\$ 179,430,761	\$ 17,142,193

See accompanying Notes to Financial Statements.

**CHARLESTON COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2019**

	Primary Government Governmental Activities	Charter Schools Component Units
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	\$ 48,974,530	\$ 1,122,089
Contracts Payable - Retainage	6,936,296	-
Unearned Revenue	5,755,889	354,664
Due to Governmental Agencies	198,737	-
Due to Others	-	275
Due to Related Parties	-	39,487
Due to Primary Government	-	3,005,769
Accrued Compensation and Related Benefits, Current	53,610,601	48,935
Accrued Interest Payable	5,238,936	-
Other Accrued Expenses	8,052,211	1,034,597
Bond Anticipation Notes	227,160,000	-
Total Current Liabilities	355,927,200	5,605,816
NONCURRENT LIABILITIES		
Net Pension Liability	553,059,168	40,773,336
Net OPEB Liability	452,515,894	33,371,358
Accrued Compensation and Related Benefits, Long-Term	-	46,566
Long-Term Obligations, Due Within One Year	46,210,727	73,175
Long-Term Obligations, Due in More Than One Year	623,060,413	2,137,545
Total Noncurrent Liabilities	1,674,846,202	76,401,980
Total Liabilities	2,030,773,402	82,007,796
DEFERRED INFLOWS OF RESOURCES		
Deferred Pension Credits	35,585,491	3,301,952
Deferred OPEB Credits	37,011,068	2,729,397
Total Deferred Inflows of Resources	\$ 72,596,559	\$ 6,031,349
NET POSITION (DEFICIT)		
Net Investment in Capital Assets	897,959,543	11,297,747
Restricted for:		
Capital Projects	10,406,030	1,413,384
Food Service	5,847,501	-
Endowments and Scholarships - Nonexpendable	27,947	-
Endowments and Scholarships - Expendable	156,033	-
Unrestricted	(822,868,602)	(46,319,651)
Total Net Position (Deficit)	\$ 91,528,452	\$ (33,608,520)

See accompanying Notes to Financial Statements.

**CHARLESTON COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

Functions/Programs	Program Revenues			Net Revenue (Expense) and Change in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government Governmental Activities	Component Units (As Restated)
PRIMARY GOVERNMENT					
Governmental Activities:					
Instruction	\$ 304,065,605	\$ -	\$ 113,632,511	\$ (190,433,094)	\$ -
Support Services	321,858,103	5,443,177	38,804,011	(277,610,915)	-
Community Services	9,819,843	-	11,733,895	1,914,052	-
Payments to Component Units	49,870,214	-	49,870,214	-	-
Interest and Other Charges	28,585,800	-	-	(28,585,800)	-
Depreciation - Unallocated	42,446,831	-	-	(42,446,831)	-
Total Primary Government	<u>\$ 756,646,396</u>	<u>\$ 5,443,177</u>	<u>\$ 214,040,631</u>	<u>\$ (537,162,588)</u>	<u>\$ -</u>
COMPONENT UNITS					
Alternative Schools	\$ 13,874,971	\$ -	\$ 9,420,345	\$ -	\$ (4,454,626)
Charter Schools	50,253,904	18,465,587	31,025,337	-	(762,980)
Total Component Units	<u>\$ 64,128,875</u>	<u>\$ 18,465,587</u>	<u>\$ 40,445,682</u>	<u>\$ -</u>	<u>\$ (5,217,606)</u>
GENERAL REVENUES					
Property Taxes Levied for:					
General Purposes				\$ 316,730,532	\$ -
Debt Service				108,899,255	-
Revenue in Lieu of Taxes				97,896,600	-
Local One Cent Sales Tax				111,631,500	-
Miscellaneous Revenue				615,583	1,188,234
Grants and Contributions Not Restricted to Specific Programs				857,630	5,481,893
Payments from Other Governmental Units				370,636	-
Gain (Loss) on Disposal of Capital Assets				(808,768)	-
Investment Income				7,634,205	138,634
Total General Revenue				<u>643,827,173</u>	<u>6,808,761</u>
CHANGE IN NET POSITION				106,664,585	1,591,155
Net Position, Beginning of Year - As Previously Reported				(15,136,133)	(35,133,219)
Correction of an Error - See Note 1				-	(66,456)
Net Position, Beginning of Year - As Restated				<u>(15,136,133)</u>	<u>(35,199,675)</u>
NET POSITION - END OF YEAR				<u>\$ 91,528,452</u>	<u>\$ (33,608,520)</u>

**CHARLESTON COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019**

	General	Special Revenue	EIA	Food Service	Debt Service- District
ASSETS					
Cash and Cash Equivalents	\$ 161,731,087	\$ -	\$ -	\$ 40,877	\$ -
Restricted Cash and Cash Equivalents	-	2,531,239	-	-	546
Restricted Investments	-	-	-	-	6,511,443
Accounts Receivable, Net	4,553,603	-	-	-	-
Property Taxes Receivable, Net	12,351,658	-	-	-	4,035,139
Local Sales Tax Receivable, Net	-	-	-	-	-
Due from Other Funds	7,089,193	-	6,981,693	7,198,672	80,973
Due from Agency Fund	245,223	3,802	-	-	-
Due from County Treasurer	4,001,108	-	-	-	18,851,413
Due from State Department of Education	70,443	-	334,625	-	-
Due from Other Agencies	7,388,928	106,228	-	-	-
Due from Federal Agencies	-	15,190,347	-	458,643	-
Due from Fiscal Agent	323,047	283,477	-	-	-
Inventory	332,807	-	-	335,028	-
Prepaid Items	4,586,514	145,000	-	-	-
	<u>\$ 202,673,611</u>	<u>\$ 18,260,093</u>	<u>\$ 7,316,318</u>	<u>\$ 8,033,220</u>	<u>\$ 29,479,514</u>
LIABILITIES					
Accounts Payable	\$ 16,888,697	\$ 1,481,510	\$ 474,004	\$ 175,948	\$ 799
Contracts Payable - Retainage	2,052,605	-	-	-	-
Unearned Revenue	-	187,926	5,318,076	249,787	-
Due to Other Funds	15,325,258	7,089,193	114	-	-
Due to State Department of Education	-	45,433	12,100	-	-
Due to Other Governments	-	141,204	-	-	-
Accrued Compensation and Related Benefits	46,429,552	4,326,830	1,406,545	1,424,956	-
Other Accrued Expenditures	5,841,682	25,169	105,479	-	-
Bond Anticipation Notes	-	-	-	-	65,460,000
Total Liabilities	<u>86,537,794</u>	<u>13,297,265</u>	<u>7,316,318</u>	<u>1,850,691</u>	<u>65,460,799</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Property Taxes	11,270,173	-	-	-	3,673,401
Total Liabilities and Deferred Inflows of Resources	<u>97,807,967</u>	<u>13,297,265</u>	<u>7,316,318</u>	<u>1,850,691</u>	<u>69,134,200</u>
FUND BALANCES (DEFICIT)					
Nonspendable:					
Inventory	332,807	-	-	335,028	-
Prepaid Items	4,586,514	145,000	-	-	-
Principal on Endowments	-	-	-	-	-
Restricted for:					
Food Service	-	-	-	5,847,501	-
Debt Service	-	-	-	-	-
Special Revenue Programs	-	4,817,828	-	-	-
Capital Projects	-	-	-	-	-
Endowments and Scholarships	-	-	-	-	-
Committed	39,524,851	-	-	-	-
Assigned for:					
Instruction Purposes	4,731,125	-	-	-	-
Mission Critical Initiatives	5,000,000	-	-	-	-
Use of Fund Balance	2,761,442	-	-	-	-
Unassigned	47,928,905	-	-	-	(39,654,686)
Total Fund Balances (Deficit)	<u>104,865,644</u>	<u>4,962,828</u>	<u>-</u>	<u>6,182,529</u>	<u>(39,654,686)</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficit)	<u>\$ 202,673,611</u>	<u>\$ 18,260,093</u>	<u>\$ 7,316,318</u>	<u>\$ 8,033,220</u>	<u>\$ 29,479,514</u>

See accompanying Notes to Financial Statements.

**CHARLESTON COUNTY SCHOOL DISTRICT
BALANCE SHEET (CONTINUED)
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019**

	Debt Service-CEEF	Capital Projects- District	Nonmajor Medals and Awards Permanent Fund	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ 161,771,964
Restricted Cash and Cash Equivalents	-	236,100,105	140,772	238,772,662
Restricted Investments	-	-	-	6,511,443
Accounts Receivable, Net	-	-	-	4,553,603
Property Taxes Receivable, Net	-	-	-	16,386,797
Local Sales Tax Receivable, Net	-	30,850,874	-	30,850,874
Due from Other Funds	412,198	608,528	43,308	22,414,565
Due from Agency Fund	-	-	-	249,025
Due from County Treasurer	-	-	-	22,852,521
Due from State Department of Education	-	-	-	405,068
Due from Other Agencies	-	-	-	7,495,156
Due from Federal Agencies	-	-	-	15,648,990
Due from Fiscal Agent	-	-	-	606,524
Inventory	-	-	-	667,835
Prepaid Items	-	-	-	4,731,514
	<u>\$ 412,198</u>	<u>\$ 267,559,507</u>	<u>\$ 184,080</u>	<u>\$ 533,918,541</u>
LIABILITIES				
Accounts Payable	\$ -	\$ 29,953,572	\$ -	\$ 48,974,530
Contracts Payable - Retainage	-	4,883,691	-	6,936,296
Unearned Revenue	-	-	100	5,755,889
Due to Other Funds	-	-	-	22,414,565
Due to State Department of Education	-	-	-	57,533
Due to Other Governments	-	-	-	141,204
Accrued Compensation and Related Benefits	-	22,718	-	53,610,601
Other Accrued Expenditures	-	-	-	5,972,330
Bond Anticipation Notes	-	161,700,000	-	227,160,000
Total Liabilities	-	196,559,981	100	371,022,948
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	-	-	-	14,943,574
Total Liabilities and Deferred Inflows of Resources	-	196,559,981	100	385,966,522
FUND BALANCES (DEFICIT)				
Nonspendable:				
Inventory	-	-	-	667,835
Prepaid Items	-	-	-	4,731,514
Principal on Endowments	-	-	27,947	27,947
Restricted for:				
Food Service	-	-	-	5,847,501
Debt Service	412,198	-	-	412,198
Special Revenue Programs	-	-	-	4,817,828
Capital Projects	-	70,999,526	-	70,999,526
Endowments and Scholarships	-	-	156,033	156,033
Committed	-	-	-	39,524,851
Assigned for:				
Instruction Purposes	-	-	-	4,731,125
Mission Critical Initiatives	-	-	-	5,000,000
Use of Fund Balance	-	-	-	2,761,442
Unassigned	-	-	-	8,274,219
Total Fund Balances (Deficit)	<u>412,198</u>	<u>70,999,526</u>	<u>183,980</u>	<u>147,952,019</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficit)	<u>\$ 412,198</u>	<u>\$ 267,559,507</u>	<u>\$ 184,080</u>	<u>\$ 533,918,541</u>

See accompanying Notes to Financial Statements.

**CHARLESTON COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2019**

Total Fund Balances - Governmental Funds		\$ 147,952,019
<p>Amounts reported for the governmental activities in the Statement of Net Position are different because:</p>		
<p>Property taxes receivable will be collected but are not available soon enough to pay for the current period's expenditures and therefore are considered unavailable revenues in the funds.</p>		14,943,574
<p>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 was \$1,998,580,409 and the accumulated depreciation was \$494,622,293</p>		1,503,963,676
<p>The School District's proportionate shares of the net pension liability, 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.</p>		(492,490,476)
<p>The School District's proportionate shares of the net OPEB liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State OPEB plans are not recorded in the governmental funds but are recorded in the statement of net position.</p>		(444,776,301)
<p>Advance refunding charges are amortized over the lives of the bonds; however, in governmental accounting, advance refunding charges are expenditures or other financing uses the year they are incurred. The advance refunding charges of \$69,465,114 have been shown net of accumulated amortization expense of \$30,939,197.</p>		38,525,917
<p>Accrued interest on outstanding long-term obligations in governmental accounting is not due and payable in the current period and therefore has not been reported as a liability in the funds.</p>		(5,238,936)
<p>The long-term portion of workers compensation claims payable in governmental accounting is not due and payable in the current period and therefore has not been reported as a liability in the funds.</p>		(2,079,881)
<p>Long-term obligations, including debt premiums and discounts, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term obligations consisted of:</p>		
Long-Term Debt	\$ (599,460,000)	
Premiums, Net of Accumulated Amortization	(64,443,324)	
Compensated Absences	(5,367,816)	(669,271,140)
Total Net Deficit - Governmental Activities		\$ 91,528,452

See accompanying Notes to Financial Statements.

**CHARLESTON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019**

	General	Special Revenue	EIA	Food Service	Debt Service- District
REVENUES					
Local Property Taxes	\$ 315,375,107	\$ -	\$ -	\$ -	\$ 108,304,435
Local One Cent Sales Tax	-	-	-	-	-
Other Local	3,976,228	13,640,210	-	5,443,177	618,479
Total Local	<u>319,351,335</u>	<u>13,640,210</u>	<u>-</u>	<u>5,443,177</u>	<u>108,922,914</u>
State	188,986,083	5,792,102	32,308,353	-	2,130,373
Federal	166,630	44,681,246	-	23,260,219	651,905
Intergovernmental	370,636	-	-	-	-
Total Revenue All Sources	<u>508,874,684</u>	<u>64,113,558</u>	<u>32,308,353</u>	<u>28,703,396</u>	<u>111,705,192</u>
EXPENDITURES					
Current:					
Instruction	245,800,763	28,273,768	9,411,983	-	-
Support Services	188,675,168	20,867,418	7,219,461	29,785,455	-
Community Services	793,294	8,615,082	-	-	-
Intergovernmental	7,852,757	911,812	-	-	-
Payments to Component Units	45,221,022	1,785,843	2,863,349	-	-
Capital Outlay	337,092	128,984	17,714	450,706	-
Debt Service:					
Principal	-	-	-	-	101,845,000
Interest and Other Charges	646,495	-	-	-	8,799,568
Total Expenditures	<u>489,326,591</u>	<u>60,582,907</u>	<u>19,512,507</u>	<u>30,236,161</u>	<u>110,644,568</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	19,548,093	3,530,651	12,795,846	(1,532,765)	1,060,624
OTHER FINANCING SOURCES (USES)					
Sale of Capital Assets	15,815	61,293	-	-	-
Premium on Bonds Sold	-	-	-	-	2,398,169
Proceeds from Bonds Sold	-	-	-	-	95,165,000
Payment to Refunded Debt Escrow Agent	-	-	-	-	-
Transfers In	16,245,942	270,000	-	825,000	-
Transfers Out	(1,095,000)	(2,153,268)	(12,795,846)	(1,503,321)	(89,747,387)
Total Other Financing Sources (Uses)	<u>15,166,757</u>	<u>(1,821,975)</u>	<u>(12,795,846)</u>	<u>(678,321)</u>	<u>7,815,782</u>
NET CHANGE IN FUND BALANCES	34,714,850	1,708,676	-	(2,211,086)	8,876,406
Fund Balances - Beginning of Year	<u>70,150,794</u>	<u>3,254,152</u>	<u>-</u>	<u>8,393,615</u>	<u>(48,531,092)</u>
FUND BALANCES - END OF YEAR	<u>\$ 104,865,644</u>	<u>\$ 4,962,828</u>	<u>\$ -</u>	<u>\$ 6,182,529</u>	<u>\$ (39,654,686)</u>

See accompanying Notes to Financial Statements.

**CHARLESTON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES (CONTINUED)
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019**

	Debt Service-CEEF	Capital Projects- District	Nonmajor Medals and Awards Permanent Fund	Governmental Funds
REVENUES				
Local Property Taxes	\$ -	\$ -	\$ -	\$ 423,679,542
Local One Cent Sales Tax	-	111,631,500	-	111,631,500
Other Local	-	4,808,309	24,512	28,510,915
Total Local	-	116,439,809	24,512	563,821,957
State	-	-	-	229,216,911
Federal	-	-	-	68,760,000
Intergovernmental	-	-	-	370,636
Total Revenue All Sources	-	116,439,809	24,512	862,169,504
EXPENDITURES				
Current:				
Instruction	-	-	-	283,486,514
Support Services	-	68,609,149	-	315,156,651
Community Services	-	-	18,154	9,426,530
Intergovernmental	-	-	-	8,764,569
Payments to Component Units	-	-	-	49,870,214
Capital Outlay	-	156,943,456	-	157,877,952
Debt Service:				
Principal	12,850,000	-	-	114,695,000
Interest and Other Charges	22,192,230	38,275	-	31,676,568
Total Expenditures	35,042,230	225,590,880	18,154	970,953,998
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(35,042,230)	(109,151,071)	6,358	(108,784,494)
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	-	660,010	-	737,118
Premium on Bonds Sold	-	-	-	2,398,169
Proceeds from Bonds Sold	-	-	-	95,165,000
Payment to Refunded Debt Escrow Agent	-	-	-	-
Transfers In	35,042,230	54,911,650	-	107,294,822
Transfers Out	-	-	-	(107,294,822)
Total Other Financing Sources	35,042,230	55,571,660	-	98,300,287
NET CHANGE IN FUND BALANCES	-	(53,579,411)	6,358	(10,484,207)
Fund Balances - Beginning of Year	412,198	124,578,937	177,622	158,436,226
FUND BALANCES - END OF YEAR	<u>\$ 412,198</u>	<u>\$ 70,999,526</u>	<u>\$ 183,980</u>	<u>\$ 147,952,019</u>

See accompanying Notes to Financial Statements.

**CHARLESTON COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

Total Net Change in Fund Balances - Governmental Funds	\$ (10,484,207)
Amounts reported for governmental activities in the statement of activities are different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents the change in unavailable revenues for the year.	1,950,246
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	114,695,000
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This amount represents the net change in accrued interest for the year.	(186,955)
Advance refunding charges are expenditures or other financing uses the year they are incurred in governmental funds, but are amortized over the lives of the bonds in the statement of activities. This amount represents the current year amortization expense for advance refunding charges.	(4,431,311)
Bond premiums are revenues the year they are received in governmental funds but are amortized over the lives of the bonds in the statement of activities. This amount represents the current year amortization expense on premiums, net of premiums received in the current year.	5,310,865
Changes in the School District's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources for the current year are not reported in the governmental funds but are reported in the statement of activities.	(8,764,960)
Changes in the School District's proportionate share of the net OPEB liability, deferred outflows of resources, and deferred inflows of resources for the current year are not reported in the governmental funds but are reported in the statement of activities.	(8,847,554)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This amount represents the change in compensated absences for the year.	(766,167)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This amount represents the change in long term claims liabilities for the year.	(530,607)
In the statement of activities the loss on the sale of capital assets is reported, whereas in the governmental funds, proceeds from the disposal of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the assets disposed.	(1,545,884)
Governmental funds report asset additions as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital asset additions of \$157,877,953 exceeded depreciation expense of \$42,446,834 in the current year.	115,431,119
Change in Net Position of Governmental Activities	<u>\$ 106,664,585</u>

See accompanying Notes to Financial Statements.

**CHARLESTON COUNTY SCHOOL DISTRICT
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2019**

	<u>Private - Purpose Trusts</u>	<u>Agency Funds</u>
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 4,400,653
Restricted Cash and Cash Equivalents	265,654	-
	<u>265,654</u>	<u>-</u>
Total Assets	<u>\$ 265,654</u>	<u>\$ 4,400,653</u>
LIABILITIES		
Accounts Payable	\$ -	\$ 123,323
Accrued Compensation and Related Benefits	-	35,699
Due to Other Funds	-	249,025
Due to Student Organizations	-	3,992,606
	<u>-</u>	<u>3,992,606</u>
Total Liabilities	-	<u>\$ 4,400,653</u>
NET POSITION		
Held in Trust for Other Purposes	<u>\$ 265,654</u>	
Total Net Position	<u>\$ 265,654</u>	

See accompanying Notes to Financial Statements.

**CHARLESTON COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2019**

	<u>Private - Purpose Trust</u>
ADDITIONS	
Interest	\$ 6,408
Total Additions	<u>6,408</u>
 CHANGES IN NET POSITION	 6,408
Net Position - Beginning of Year	<u>259,246</u>
 NET POSITION - END OF YEAR	 <u><u>\$ 265,654</u></u>

See accompanying Notes to Financial Statements.

**CHARLESTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity

Charleston County School District (the School District) was created in July, 1968 through the merger of eight former school districts (which became constituent districts) to form a single county-wide district. The School District operates 48 elementary schools (grades K-5), 13 middle schools (grades 6-8), 11 high schools (grades 9-12), 4 Montessori schools, 7 multi-level combination schools, 8 special programs, 9 charter schools, and 2 public/private partnership schools.

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

The School District is the government which has responsibility for and control over all activities related to public school education in Charleston County, South Carolina. The School District receives funding from local, state, and federal government sources and must comply with the related requirements of these funding source entities. The School District is governed by a nine member Board of Trustees (the Board). The Board determines the operating policies of the School District and such policies are implemented by the School District Superintendent.

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

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

**CHARLESTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Reporting Entity (Continued)

Blended component units, although legally separate entities, are in substance, part of the government's operations and data from these units are combined with data of the primary government in the fund financial statements. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the School District. Based on the criteria above, the School District has two blended component units and several discretely presented component units as discussed below.

Blended Component Units. The Charleston County School District Development Corporation (the Corporation) and the Charleston Educational Excellence Financing Corporation (CEEF), nonprofit organizations, were formed to acquire, construct, and lease facilities to be used by the School District. A voting majority of the Corporation's and CEEF's Board of Directors are appointed by the School District, and the School District has the ability to modify or approve the Corporation's and CEEF's budgets. The Corporation is reported as a nonmajor governmental fund, but has been inactive for the last several years. The School District has a financial burden to the CEEF in that it is obligated for lease payments equaling the amount of debt to be relieved and associated interest payments. Activities of CEEF are reported as major capital projects and debt service funds. The CEEF's capital project fund met all obligations in 2016 was not active during 2019 and reported no assets, liabilities or fund balance at June 30, 2019. As such, no activity is reported in the financial statements. Separate financial statements for CEEF are not issued.

Discretely Presented Component Units. A charter school is considered a public school, and these schools are a part of the School District for the purposes of state law and state constitution. Because the charter schools are fiscally dependent on the School District and because the nature and significance of the relationship between the School District and the charter schools is such that exclusion of the charter schools would cause the School District's financial statements to be incomplete, the financial statements of the charter schools are included in those of the School District.

**CHARLESTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Reporting Entity (Continued)

The following charter schools were established under the South Carolina Charter Schools Act by a charter granted by the School District:

Charleston Development Academy, Inc. (CDA) 233 Line Street, P. O. Box 20518 Charleston, South Carolina 29413	East Cooper Montessori Charter School (ECMCS) 188 Civitas Street Mt. Pleasant, South Carolina 29464
James Island Charter High School (JICHS) 1000 Fort Johnson Road Charleston, South Carolina 29412	Orange Grove Elementary Charter (OGEC) 1225 Orange Branch Road Charleston, South Carolina 29407
Greg Mathis Charter High School (GMCHS) 7555 N. Spartan Boulevard North Charleston, South Carolina 29420	Pattison's Academy for Comprehensive Education (PACE) 2383 Highway 41 Mt. Pleasant, South Carolina 29466
Charleston Charter School for Math and Science (CCSMS) 1002 King Street Charleston, South Carolina 29403	Carolina Voyager Charter School (CVCS) 30 Race Street Charleston, South Carolina 29403
Allegro Charter School of Music (ACSM) 120 Broad Street Charleston, South Carolina 29401	

Meeting Street Elementary at Brentwood (MSEB) and Meeting Street Elementary at Burns (MSEBs) are alternative school choices for the residents of the School District. Because MSEB and MSEBs are fiscally dependent on the School District and because the nature and significance of the relationship between the School District and both entities is such that exclusion of the schools would cause the School District's financial statements to be incomplete, the financial statements of MSEB and MSEBs are included in those of the School District. MSEB and MSEBs are located at 2685 Leeds Avenue, North Charleston, South Carolina 29405.

Complete financial statements for each of the discretely presented component units may be obtained at the respective school's administrative offices. The School District paid a total of \$50,179,680 to the component units during the year ended June 30, 2019. These expenditures are included in payments to component units in the statement of revenues, expenditures, and changes in fund balances.

Combining schedules for the discretely presented component units have been provided in the supplementary information to assist in providing information to the South Carolina Department of Education (SDE). The information in these schedules was provided to the School District by the individual schools. The beginning net position of the discretely presented component units has been adjusted from the prior year's ending balance of \$(35,133,219) to account for an error in accounting related to Pattison's Academy for Comprehensive Education in the amount of \$(66,456).

CHARLESTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the School District (the primary government) and its component units. The effect of interfund activity has been removed from these statements.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The School District does not have any business-type activities. Likewise, the *primary government* (the School District) is reported separately from certain legally separate *component units* which are fiscally dependent on the School District.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

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

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

**CHARLESTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues with the exception of grants to be available if they are collected within 60 days of the end of the current fiscal period. Grant related revenues are considered to be available if they are collected within one year 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.

Property taxes, federal and state grant programs, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other 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 focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary funds are reported by fund type.

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

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

The following major funds and fund types are used by the School District:

Governmental fund types are those through which most governmental functions of the School District are financed. The School District's expendable financial resources and related assets and liabilities are accounted for through governmental funds. Governmental funds are accounted for using a current financial resources measurement focus and the modified accrual basis of accounting. The following are the School District's major and nonmajor governmental fund types:

**CHARLESTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

1. **The Special Revenue Fund, a major fund** and a budgeted fund, is used to account for and report the financial resources provided by federal, state, and local projects and grants that are restricted, committed, or assigned for specific educational programs.
2. **The Education Improvement Act (EIA) Fund, a major fund** and a budgeted fund, is used to account for and report 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), which are restricted for specific programs authorized or mandated by EIA.
3. **The Food Service Fund, a major fund** and a budgeted fund, is used to account for and report the financial resources received that are restricted for the operation and improvement of the food service program. These revenues primarily consist of resources received (a) from breakfast, lunch, and other food sales and (b) from the United States Department of Agriculture's (USDA) approved school breakfast and lunch programs.

The Debt Service Fund-District, a major fund and a budgeted fund, is used to account for and report the accumulation of financial resources that are restricted, committed, or assigned for the payment of all long-term debt principal, interest, and related costs for the School District except those accounted for in the CEEF Debt Service Fund.

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

**CHARLESTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Capital Projects Fund-District, a major fund and a budgeted fund, is used to account for and report financial resources that are restricted, committed, or assigned for expenditures of capital outlay related to equipment, site acquisitions, construction, renovation of capital facilities, and other capital assets of the School District except for those accounted for by the CEEF Capital Projects Fund.

The Permanent Fund, a nonmajor fund and an unbudgeted fund, is used to account for financial resources endowed to the School District in trust, for which only the interest earnings may be used by the School District for various restricted purposes as specified by the private donors. The School District reports the following permanent fund:

- The *Medals and Awards Fund* accounts for amounts contributed to the School District for the purpose of providing monies from which medals and awards may be purchased. Initial contributions to this fund are recorded as principal and may not be expended. Earnings from investments are recorded as income and are available for the stated fund purposes. Since it is the only nonmajor governmental fund, it is shown in a separate column in the fund financial statements.

Fiduciary Fund types are used to account for expendable assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds and include agency funds and private-purpose trust funds. Fiduciary Fund types include the following funds:

- The *Agency Funds* account for the receipt and disbursement of monies to and from student activity organizations. These funds have no equity (assets are equal to liabilities) and do not include revenues and expenditures for general operation of the School District. This accounting reflects the agency relationship of the School District with the student activity organizations. Agency funds do not have a measurement focus.

The Private Purpose Trust Funds are used to account for assets held in trust for other purposes. The School District reports the following private-purpose trust funds:

- The William C. Bradley Fund accounts for monies given to the School District to fund engineering scholarships to students graduating from Wando High School. The fund principal balance may not be expended. Earnings from investments are recorded as income and are available for the stated fund purpose.
- The Heidel L. Lentz Memorial Trust provides awards to the James Island Charter High School science fair winners. Both the principal and interest may be spent.

**CHARLESTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Cash and Cash Equivalents

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 to be cash equivalents. Securities with an initial maturity of more than three months (when initially purchased) that are not purchased from the South Carolina Pooled Investment Fund are reported as investments.

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

Investments

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

1. Obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States.
2. Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
3. (i) General obligations of the state of South Carolina or any of its political units; or (ii) revenue obligations of the state of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
4. Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.
5. Certificates of deposit where the certificates are collaterally secured by securities of the type described in (a) and (b) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest; provided however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.
6. Repurchase agreements when collateralized by securities as set forth in this section.

CHARLESTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (a), (b), (c), and (f) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of \$1 a share and to that end, value its assets by the amortized cost method.

The School District's investment objectives are preservation of capital, liquidity, and yield. The School District reports its investments at fair value.

The School District has used the following investments in the past year:

- Open-end mutual funds, primarily money market funds which invest in short-term obligations of the United States and related agencies.
- Obligations of the United States and its agencies as described in (a) above.
- Obligations of agencies described in (b) above.
- South Carolina Pooled Investment Fund (SC Pool) investments are invested with the South Carolina State Treasurer's Office, which established the South Carolina Pool pursuant to Section 6-6-10 of the South Carolina Code. The Pool is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any city treasurer or any governing body of a political subdivision of the State, may be deposited. The Pool 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.
- Overnight repurchase agreements primarily investing in obligations of agencies described in (b) above.

Receivables and Payables

Transactions between funds that are representative of reimbursement arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." These amounts are eliminated in the governmental activities column of the statement of net position.

All trade and property taxes receivable are shown net of an allowance for uncollectible amounts, if any, based on historical collection data.

CHARLESTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Receivables and Payables (Continued)

Under the system of accounting for inventories, materials and supplies are carried in an inventory account at cost, determined using the first-in, first-out method, and are subsequently charged to expenditures/expenses when consumed rather than when purchased. Inventories in the General Fund include operating and instructional supplies. The Food Service Special Revenue Fund inventory includes an amount for commodities/fresh fruits and vegetables received from the USDA that are recorded at fair market value at the time of receipt but have not been consumed as of the end of the fiscal year.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Restricted Assets

The School District established certain accounts for assets restricted for specific purposes, typically by outside parties or legal agreements. Certain bond indentures and related agreements require the establishment of (i) maximum annual principal and interest payments, unless a surety bond was provided; (ii) the next succeeding principal and accrued interest payment; (iii) bond proceeds to be used for construction purposes as required in the bond agreement; and (iv) sinking fund accounts for the accumulation of funds for future debt service payments. Also, the accumulated appreciation on assets of the Permanent and Private-Purpose Trust funds are classified as restricted assets because their use is restricted by donors.

Capital Assets

General capital assets, which include land, buildings, furniture, equipment and improvements to land and buildings, 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.

All capital assets are recorded at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$5,000. The School District's infrastructure assets are immaterial and have been reported with the buildings and improvements. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets is not capitalized.

All reported capital assets except land and construction in progress are depreciated.

**CHARLESTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Capital Assets (Continued)

Construction projects are 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>Assets</u>	<u>Years</u>
Buildings	40
Furniture and Fixtures	5 to 17
Print Shop Equipment	15
Food Service Equipment	12
Improvement Other than Buildings	10 to 20
Leasehold Improvements	Over the Term of the Lease

Compensated Absences

School District employees are granted vacation and sick leave in varying amounts. Upon termination of employment, an employee is reimbursed for accumulated vacation days; unused sick leave is not reimbursed. The entire compensated absences liability and expense is reported on the governmental-wide financial statements.

The School District's policy on compensated absences is as follows: Employees are entitled to vacation if employed on a 12-month basis. Vacation allowance shall not be cumulative. Vacation days are earned during the fiscal year and shall be used by the end of the succeeding year. A 60-day grace period is automatically allowed. Employees are allowed to accumulate up to 45 days of vacation in the last five years prior to retirement.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within 60 days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

**CHARLESTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Accrued Liabilities and Long-Term Obligations (Continued)

Salaries and employee benefits of teachers and certain other instructional employees are based on elections by those employees, paid over a 12-month period from August to July, but are earned by those employees over the school year of August through May. Salaries and certain related employee benefits earned but not paid because of such employee elections have been accrued and recorded in the financial statements as Accrued Compensation and Related Benefits.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. If material, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Amortization of premiums, discounts, and advance refunding charges are included in interest expense. Bonds payable are reported net of the applicable bond premiums and discounts. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenses in the period incurred. If applicable, estimated arbitrage payable is also reflected in long-term obligations.

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

Deferred Outflows and Inflows of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure) until the future period. The School District recognized two types of deferred outflows of resources: (1) The School District reports advance refunding charges in its government-wide statement of net position. Advance refunding charges, which are the differences between the reacquisition prices and the net carrying amount of the defeased debt, are deferred and amortized over the life of the old debt or the new debt, whichever is shorter. Amortization of advanced refunding charges is included in interest expense in the statement of activities. (2) The School District also reports deferred pension charges in its statement of net position in connection with its participation in the South Carolina Retirement System and the South Carolina Police Officers Retirement System. These deferred pension charges are either (a) recognized in the subsequent period as a reduction of the net pension liability (which includes pension contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension expense in future periods in accordance with GAAP. (3) The School District also reports deferred OPEB charges in its statement of net position in connection with its participation in the South Carolina Retiree Health Insurance Trust Fund. These deferred OPEB charges are either (a) recognized in the subsequent period as a reduction of the net OPEB liability (which includes OPEB contributions made after the measurement date) or (b) amortized in a systematic and rational method as OPEB expense in future periods in accordance with GAAP.

**CHARLESTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Deferred Outflows and Inflows of Resources (Continued)

A deferred inflows of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until the future period. The School District recognized two types of deferred inflows of resources: (1) The School District reports unavailable revenue – property taxes only in the governmental funds balance sheet; it is deferred and recognized as an inflow of resources (property tax revenues) in the period the amounts become available. (2) The School District also reports deferred pension credits in its statement of net position in connection with its participation in the South Carolina Retirement System and the South Carolina Police Officers Retirement System. These deferred pension credits are amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with GAAP. (3) The School District also reports deferred OPEB credits in its statement of net position in connection with its participation in the South Carolina Retiree Health Insurance Trust Fund. These deferred OPEB credits are amortized in a systematic and rational method and recognized as a reduction of OPEB expense in future periods in accordance with GAAP.

Fund Balance

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54), which established new fund balance classifications for governmental fund types and clarifies the definitions of the governmental fund types the School District classifies governmental fund balances as follows:

Nonspendable – Includes amounts that inherently cannot be spent either because they are not in spendable form (i.e. prepaids, inventories, etc.) or because of legal or contractual requirements (i.e. principal on an endowment, etc.).

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

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

Assigned – Includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed and that such assignments are made before the report issuance date. The Board of Trustees allows the Superintendent and the Chief Financial Officer the right to make assignments of fund balance for the School District.

**CHARLESTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Net Position

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

Net Investment in Capital Assets – This category groups all capital assets including infrastructure into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributed to the acquisition, construction, or improvement of these assets reduce the balance in this category.

Restricted Net Position – This category presents net position with external restrictions imposed by creditors, grantors, or laws and regulations of other governments.

Unrestricted Net Position – This category presents the net position of the School District, not restricted for any purpose.

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

**CHARLESTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Accounting Estimates

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

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Budgetary Practices – Budgets are presented as required supplementary information for the General Fund, Special Revenue Fund, Education Improvement Act Fund, and the Food Service Fund.

Each budget is presented on the modified accrual basis of accounting, which is consistent with GAAP.

The School District's policies allow funds to be transferred between functions. The legal level of control is at the fund level. During the year, the School District revised the budget.

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

1. In the fall of the preceding year, the School District begins its budget process for the next succeeding fiscal year beginning on July 1.
2. After the School District's budget committee reviews all requests and allocation requirements and related revenue, it presents a tentative proposed budget to the Superintendent for her review and adjustment.
3. The Superintendent then presents a proposed budget to the Board of Trustees, which reviews the proposed budget, in a series of workshops, and makes any additions or deletions as deemed necessary.
4. Prior to July 1, the Board legally enacts the budget through passage of a resolution.

The administration has discretionary authority to make transfers between appropriation accounts. The revised budget amounts are as amended by the administration. All annual appropriations lapse at fiscal year-end.

Encumbrance accounting is employed in governmental funds. Encumbrances outstanding at year-end do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

**CHARLESTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3 DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk for Deposits – Custodial credit risk for deposits is the risk that, in the event of a bank failure, the 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 statutes of the state of South Carolina. As of June 30, 2019, none of the School District’s bank balances of \$58,520,362, which had a carrying amount of \$45,837,674, were exposed to custodial credit risk.

Investments

As of June 30, 2019, the School District had the following investments:

Investment Type	Fair Value	Credit Ratings		Weighted
		S&P	Moody's	Average Maturity
SC Local Government Investment Pool Resolution Funding Corporation Coupon Strips	\$ 359,373,259	Unrated	Unrated	<1 Year
United States Treasury Note	2,021,308	Unrated	Unrated	>5 Years
	4,490,135	Unrated	Unrated	>5 Years
Total	\$ 365,884,701			

At June 30, 2019, the School District had investments totaling \$359,373,259 in the South Carolina Local Government Investment Pool, which is under the administration of the State Treasurer. The South Carolina Local Government Investment Pool is a 2a7 like pool, which is not registered with the Securities and Exchange Commission, but generally operates in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940 (Rule 2a7). Unit value is computed using the amortized cost method and maintains a \$1 per share value.

The School District’s investments are reported at fair value. The School District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America, as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the School District has the ability to access.

Level 2 – Inputs to the valuation methodology 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 prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation of other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

**CHARLESTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

The School District has the following recurring fair value measurements as of June 30, 2019:

<u>Investment Type</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Resolution Funding Corporation Coupon Strips	\$ -	\$ 2,021,308	\$ -	\$ 2,021,308
United States Treasury Note	-	4,490,135	-	4,490,135
Total	<u>\$ -</u>	<u>\$ 6,511,443</u>	<u>\$ -</u>	<u>\$ 6,511,443</u>

Debt securities and repurchase agreements classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Interest Rate Risk – Fair value fluctuates with interest rates, and increasing rates could cause fair value to decline below original cost. The School District does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

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

Custodial Credit Risk for Investments – Custodial credit risk for investments is the risk that, in the event of a bank failure, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District does not have an investment policy for custodial credit risk but follows the investment policy statutes of the state of South Carolina. At June 30, 2019, none of the School District's investments were exposed to custodial credit risk.

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 are excluded from this disclosure requirement.

**CHARLESTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

A reconciliation of cash and investments as shown in the financial statements for all fund types follows:

<u>Financial Statement Totals</u>		<u>Footnotes</u>	
Balance Sheet - Governmental Funds:			
Cash and Cash Equivalents	\$ 161,771,964	Carrying Amount	
Restricted Cash and Cash Equivalents	238,772,662	of Deposits	\$ 45,837,674
Restricted Investments	6,511,443		
Total Balance Sheet - Governmental Funds	407,056,069	Fair Value of	
		Investments	365,884,701
Statement of Assets and Liabilities - Fiduciary Funds:			
Cash and Cash Equivalents	4,400,653		
Restricted Cash and Cash Equivalents	265,654		
Total Statement of Assets and Liabilities -			
Fiduciary Funds	4,666,307		
Total	\$ 411,722,376	Total	\$ 411,722,376

NOTE 4 PROPERTY TAXES AND OTHER RECEIVABLES

Charleston County, South Carolina (the County) is responsible for levying and collecting sufficient property taxes to meet funding obligations for the School District. The property taxes are considered both measurable and available for purposes of recognizing revenue and a receivable from the County at the time they are collected by the County.

Property taxes are levied and billed by the County on real and personal properties (excluding vehicles, merchants inventory and TIF District properties) on October 1 based on an assessed value of approximately \$3,673,000,000 at rates of 123.2 mills and 28.0 mills for the General Fund and Debt Service Fund, respectively. These taxes are due without penalty through January 15. Penalties are added to taxes depending on the date paid as follows:

January 16 Through February 1	3% of Tax
February 2 Through March 16	10% of Tax
After March 17	15% of Tax

Current year real and personal property taxes become delinquent on March 18. The levy date for motor vehicles 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 receivable include an allowance for uncollectible amounts of \$6,365,701 for the General Fund and \$489,679 for the Debt Service – District Fund and at June 30, 2019. Significant allowances for uncollectible amounts were not necessary for the other receivable accounts, which are expected to be collected within the availability period.

**CHARLESTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 4 PROPERTY TAXES AND OTHER RECEIVABLES (CONTINUED)

Unearned Revenues and Deferred Inflows of Resources

Governmental funds report deferred inflows of resources and unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Also, both the government-wide financial statements and governmental funds do not recognize revenue in connection with resources that have been received, but not yet earned. At June 30, 2019, the various components of deferred inflows and unearned revenue were as follows:

Deferred Inflows:

Delinquent Property Taxes Receivable (General Fund)	\$ 11,270,173
Delinquent Property Taxes Receivable (Debt Service - District Fund)	3,673,401
Total Deferred Inflows for Governmental Funds	<u>\$ 14,943,574</u>

Unearned Revenues:

Revenue Collected, but Unearned (Special Revenue Fund)	\$ 187,926
Revenue Collected, but Unearned (Special Revenue - EIA Fund)	5,318,076
Revenue Collected, but Unearned (Special Revenue - Food Service Fund)	249,787
Revenue Collected, but Unearned (Medals and Awards Permanent Fund)	100
Total Unearned Revenues for Both Government-Wide Financial Statements and Governmental Funds	<u>\$ 5,755,889</u>

**CHARLESTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 5 CAPITAL ASSETS

Capital asset activity for the School District's Primary Government for the year ended June 30, 2019 is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities					
Capital Assets, Not Being Depreciated:					
Land	\$ 55,421,545	\$ 3,642,312	\$ (660,000)	\$ -	\$ 58,403,857
Construction in Progress	44,163,742	149,543,467	-	(10,465,491)	183,241,718
Total Capital Asset, Not Being Depreciated	99,585,287	153,185,779	(660,000)	(10,465,491)	241,645,575
Capital Assets, Being Depreciated:					
Buildings and Improvements	1,629,813,808	-	(1,018,766)	1,750,551	1,630,545,593
Improvements Other than Buildings	74,106,153	1,027,983	(456,493)	8,714,940	83,392,583
Furniture and Fixtures	38,141,040	3,664,191	(1,238,295)	-	40,566,936
Food Service Equipment	2,485,161	-	(49,879)	-	2,435,282
Total Capital Assets Being Depreciated	1,744,546,162	4,692,174	(2,763,433)	10,465,491	1,756,940,394
Less: Accumulated Depreciation for:					
Buildings	(382,811,873)	(37,671,768)	201,450	-	(420,282,191)
Improvements Other than Buildings	(40,074,634)	(2,595,985)	414,565	-	(42,256,054)
Furniture and Fixtures	(28,920,983)	(2,177,871)	1,211,655	-	(29,887,199)
Food Service Equipment	(2,245,518)	(1,210)	49,879	-	(2,196,849)
Total Accumulated Depreciation	(454,053,008)	(42,446,834)	1,877,549	-	(494,622,293)
Total Capital Assets, Being Depreciated, Net	1,290,493,154	(37,754,660)	(885,884)	10,465,491	1,262,318,101
Total Governmental Activities Capital Assets, Net	<u>\$ 1,390,078,441</u>	<u>\$ 115,431,119</u>	<u>\$ (1,545,884)</u>	<u>\$ -</u>	<u>\$ 1,503,963,676</u>

One Percent Educational Capital Improvement Sales and Use Tax

In August 2010, the School District's Board approved a motion to place a 1% Educational Capital Improvement Sales and Use Tax on the November 2, 2010 Ballot for Consideration, with the proceeds to be used for rebuilding and renovating a number of schools. In November 2010, the voters of Charleston County approved this referendum, and the new tax became effective March 1, 2011. A six-year extension of this program was approved by the voters of Charleston County on November 4, 2014. A list of the projects was included on the ballot and a Citizen's Advisory Committee was established to work with the School District on prioritization, design and community engagement into the program. The South Carolina Department of Revenue collects the tax and disburses it to Charleston County, who disburses it to the School District. The School District recognized \$111,631,500 in revenues from this funding source in the year ended June 30, 2019.

**CHARLESTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 6 INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2019 (all of which are expected to be paid or received within one year), consisted of the following individual fund receivables and payables for the primary government:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 7,089,193	\$ 15,325,258
Special Revenue Funds:		
Special Revenue	-	7,089,193
EIA	6,981,693	114
Food Service	7,198,672	-
Debt Service Fund - District	80,973	-
Debt Service Fund - CEEF	412,198	-
Capital Projects Fund - District	608,528	-
Nonmajor Medals and Awards Permanent Fund	43,308	-
Totals	<u>\$ 22,414,565</u>	<u>\$ 22,414,565</u>

The General Fund receivable is the result of amounts due from the Special Revenue Fund. The General Fund pays the expenditures of other funds throughout the year and is reimbursed when claims or other deposits are received. The General Fund payable is the result of amounts due to the Special Revenue – EIA Fund, the Special Revenue – Food Service Fund, the Debt Service Fund – District, and the Debt Service Fund – CEEF, Capital Projects Fund – District, and Non-Major Fund. Deposits are generally made into the General Fund central depository account, which reflects the amounts as due to other funds. These due to balances are reduced as expenditures are processed for the other funds.

The net payables in the Special Revenue Fund are a result of expenditures paid by the General Fund, with the cash transferred to the General Fund subsequent to year-end when claims or other deposits were received.

The Special Revenue – EIA Fund, Special Revenue – Food Service Fund, Debt Service Fund – District, and Debt Service Fund – CEEF, Capital Projects Fund – District, and Non-Major Fund net receivables are primarily a result of revenues received and recorded as cash in the General Fund.

**CHARLESTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 6 INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

Transfers From and To Other Funds

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

Transfers From	General Fund	Transfers To
Special Revenue	\$ 1,946,775	Special Revenue \$ 270,000
EIA	12,795,846	Food Service 825,000
Food Service - Indirect Costs	1,503,321	
Total	\$ 16,245,942	Total \$ 1,095,000
	Special Revenue Fund	
General Fund	\$ 270,000	General Fund - Indirect Costs \$ 1,946,775
Capital Projects - District	206,493	206,493
Total	\$ 270,000	Total \$ 2,153,268
	EIA Fund	
None	\$ -	General Fund \$ 12,795,846
Total	\$ -	Total \$ 12,795,846
	Food Service	
General Fund	\$ 825,000	General Fund - Indirect Costs \$ 1,503,321
	Capital Projects - District	
Special Revenue Fund	206,493	
Debt Service - District	54,705,157	None -
Total	\$ 54,911,650	
	Debt Service - District	
None	\$ -	Debt Service - CEEF \$ 35,042,230
	-	Capital Projects - District 54,705,157
Total	\$ -	Total \$ 89,747,387
	Debt Service - CEEF	
Debt Service - District	\$ 35,042,230	None \$ -
Total	\$ 107,294,822	Total \$ 107,294,822

General Fund

Transfers from:

Funds were transferred to the General Fund from other funds to cover EIA raises for teachers and the corresponding fringe benefits increase related to the EIA raise for teachers, transfers of e-rate funding from the Special Revenue Funds, and indirect costs for federal programs and food services.

Transfers to:

Funds were transferred from the General Fund into other funds to cover funding shortfalls in Special Revenue programs and for the Food Service benefit shortfall.

**CHARLESTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 6 INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

Transfers From and To Other Funds (Continued)

Special Revenue/EIA Funds

Transfers from:

Funds were transferred from the General Fund to cover funding shortfalls.

Transfers to:

Funds were transferred from Special Revenue and EIA funds to other funds to cover indirect costs on federal programs, the EIA raise for teachers, EIA school employer contributions, and to provide e-rate funding for use in the General Fund as budgeted.

Food Service Fund

Transfer from:

Funds were transferred from the General Fund for the fringe benefit shortfall.

Transfer to:

Funds were transferred to the General Fund for indirect costs.

Capital Projects Funds

Transfers from:

Funds were transferred from the Debt Service – District Fund to the Capital Projects – District Fund to partially fund the capital projects program.

Debt Service Funds

Transfers from:

Funds were transferred from the Debt Service – District Fund to the Debt Service – CEEF Fund to make the base lease payments as defined in the acquisition agreement. Funds were transferred from Debt Service – District Fund to the Debt Service – CEEF Fund to fund the principal and interest payment on the long-term debt.

Transfers to:

Funds were transferred from the Debt Service – District Fund to the Capital Projects – District Fund to partially fund the capital projects program and to the Debt Service – CEEF Fund to make the base lease payments as defined in the acquisition agreement.

**CHARLESTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 SHORT-TERM OBLIGATIONS

The School District's short-term debt activity is as follows:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
General Obligation Bond:				
Anticipation Note, Series 2018A, Issued May 2018, with Interest at 2.50%, Matures May 2019	\$ 72,520,000	\$ -	\$ (72,520,000)	\$ -
Anticipation Note, Series 2018B, Issued May 2018, with Interest at 5.00%, Matures November 2018	76,200,000	-	(76,200,000)	-
Anticipation Note, Series 2019A Issued May 2019, with Interest at 2.5%, Matures November 2019	-	65,460,000	-	65,460,000
Anticipation Note, Series 2019B Issued May 2019, with Interest at 4.00%, Matures May 2020	-	161,700,000	-	161,700,000
Tax Anticipation Note, Issued August 2018, with Interest at 5.00%, Matures March 2019	-	65,350,000	(65,350,000)	-
Total	<u>\$ 148,720,000</u>	<u>\$ 292,510,000</u>	<u>\$ (214,070,000)</u>	<u>\$ 227,160,000</u>

All of the outstanding short-term debt is backed by the full faith and credit of the School District and matures within one year. The General Obligation Bond Anticipation Notes – Series 2019A were issued for the purposes of providing funds to pay a portion of the purchase price coming due under the 2013B Facilities Agreement and 2014 Facilities Agreement entered into with CEEF, provide funding for costs of improvements to the facilities of the School District, and pay the costs of issuance of the notes.

The General Obligation Bond Anticipation Notes – Series 2019B were issued for the purposes of providing funds to pay the principal and interest due on the outstanding 2018B General Obligation Bond Anticipation Notes, pay a portion of the cost of construction, renovation, and equipping of the Sales Tax Projects – Phase IV, and pay the costs of issuance of the notes.

The Tax Anticipation Notes were issued for the purpose of providing funds to pay the operational expenses of the District pending the collection of ad valorem taxes and the receipt of certain State funds.

The General Obligation Bond Anticipation Notes – Series 2019A and 2019B are due in November 2019 and May 2020, respectively, and were outstanding as of June 30, 2019. The Tax Anticipation Notes were issued and due within the fiscal year, and thus none were outstanding as of June 30, 2019. The balance of short-term obligations outstanding has appropriately been reflected as a liability on the governmental funds balance sheet.

**CHARLESTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8 LONG-TERM OBLIGATIONS

The following is a summary of changes in School District long-term obligations for the year ended June 30, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds:					
Series 2009B QSCB - Subject to 8%	\$ 10,140,000	\$ -	\$ (1,125,000)	\$ 9,015,000	\$ 1,125,000
Series 2010A Refunding GO Bonds - (Voter Referendum)	33,475,000	-	(5,305,000)	28,170,000	5,520,000
Series 2010B QSCB - Subject to 8%	14,510,000	-	-	14,510,000	-
Series 2011A Refunding GO Bonds - (Voter Referendum)	64,025,000	-	(9,970,000)	54,055,000	11,600,000
Series 2012A Refunding GO Bonds - (Voter Referendum)	23,305,000	-	(6,025,000)	17,280,000	-
Series 2016 GO Bonds - Subject to 8%	7,700,000	-	(3,755,000)	3,945,000	3,945,000
Series 2018 GO Bonds - Subject to 8%	-	95,165,000	(75,665,000)	19,500,000	2,500,000
Total General Obligation Bonds	153,155,000	95,165,000	(101,845,000)	146,475,000	24,690,000
Installment Revenue Bonds:					
Series 2013A Refunding Bonds	10,850,000	-	(10,850,000)	-	-
Series 2013B Refunding Bonds	343,420,000	-	(2,000,000)	341,420,000	11,355,000
Series 2014C Refunding Bonds	111,565,000	-	-	111,565,000	6,260,000
Total Installment Sale Revenue Bonds	465,835,000	-	(12,850,000)	452,985,000	17,615,000
Total Premiums, Net	69,754,189	2,398,169	(7,709,034)	64,443,324	-
Compensated Absences	4,601,649	4,005,159	(3,238,992)	5,367,816	3,905,727
Total Long-Term Obligations	<u>\$ 693,345,838</u>	<u>\$ 101,568,328</u>	<u>\$ (125,643,026)</u>	<u>\$ 669,271,140</u>	<u>\$ 46,210,727</u>

General Fund resources typically have been used in prior years to liquidate compensated absences payable. The Debt Service Funds have been used to liquidate all other long-term obligations.

Interest paid on the debt issued by the School District is exempt from federal income tax. The School District sometimes temporarily reinvests the proceeds of such tax-exempt debt in materially higher-yielding taxable securities, especially during construction projects. The federal tax code refers to this practice as arbitrage. Excess earnings (the difference between the interest on the debt and the investment earnings received) resulting from arbitrage must be rebated to the federal government on the fifth anniversary of the issuance of the tax-exempt debt and every five years thereafter until the debt has been repaid, in accordance with the arbitrage regulations.

The School District does not have positive arbitrage on any of its indebtedness as of June 30, 2019.

CHARLESTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 8 LONG-TERM OBLIGATIONS (CONTINUED)

The CEEF bonds were issued pursuant to a School Facilities Purchase and Occupancy Agreement (the Facilities Agreement) and evidence proportionate interests of the owners in certain rental payments to be made by the School District under the terms of a Base Lease Agreement between the School District and CEEF dated March 15, 2002. The School District will purchase the Capital Projects from CEEF pursuant to the Facilities Agreement, which will obligate the School District to make semiannual installment payments to CEEF in amounts calculated to be sufficient to enable CEEF to pay the principal and interest on the outstanding bonds. The School District's obligations under the Facilities Agreement are from year to year only and do not constitute a mandatory payment obligation of the School District in any fiscal year in which funds are not appropriated by the School District to pay the installment payments of purchase price due in such fiscal year. However, the School District would forfeit possession of the Facilities for the remainder of the term of the Lease. It is anticipated that the payments will be funded by the School District by the future issuance of short-term general obligation bonds. Upon the termination/completion of the School Facilities Purchase and Occupancy Agreements, the School District will own all of the capital assets financed by the Installment Sale Revenue Bonds.

The CEEF bonds are not a debt of the School District; however, as CEEF is blended with the operations of the School District, the debt of CEEF is included with the School District's other obligations as required by GAAP.

In November 2018, the School District issued its Series 2018 General Obligation Bonds with a par amount of \$95,165,000 at a coupon rate of 5.0% and received a premium of \$2,398,169. Principal is due on the bonds annually on March 1, 2019 through March 1, 2023 with interest due semi-annually beginning on March 1, 2019. The bonds were issued for the purposes of providing funds to pay (i) a portion of the purchase price payable by the School District to CEEF under the 2004 Facilities Agreement, as amended and supplemented by the 2013A Supplemental Facilities Agreement, the 2013B Facilities Agreement, and the 2014 Facilities Agreement; (ii) the principal and interest due on the School District's outstanding \$72,520,000 General Obligation Bond Anticipation Note, Series 2018A; and (iii) the costs of issuance of the bonds.

**CHARLESTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8 LONG-TERM OBLIGATIONS (CONTINUED)

Details for each debt issue outstanding as of June 30, 2019 are as follows:

General Obligation Bonds

\$13,515,000 Series 2009B (QSCB), with Interest at 1.05%, Maturing through September 2026	\$ 9,015,000
\$62,655,000 Series 2010A Refunding, with Interest from 2.0% to 5.0%, Maturing through February 2025.	28,170,000
\$15,075,000 Series 2010B (QSCB), with Interest at 4.8%, Maturing through August 2027	14,510,000
\$64,200,000 Series 2011A Refunding, with Interest from 2.0% to 5.0%, Maturing through February 1, 2023	54,055,000
\$44,965,000 Series 2012A Refunding, with Interest of 4.0%, Maturing through February 2024	17,280,000
\$73,960,000 Series 2016, with Interest of 5.0% to 2.0%, Maturing through March 2020	3,945,000
\$95,165,000 Series 2018, with Interest of 5.0%, Maturing through March 2023	<u>19,500,000</u>
Total General Obligation Bonds	<u>\$ 146,475,000</u>

Installment Revenue Bonds

\$343,420,000 Series 2013B Refunding, with Interest from 2.0% to 5.0%, Maturing through December 2030	\$ 341,420,000
\$111,565,000 Series 2014C Refunding, with Interest at 5.0%, Maturing through December 2031.	<u>111,565,000</u>
Total Installment Revenue Bonds	<u>\$ 452,985,000</u>

2010 Qualified School Construction Bonds

In October 2010, the School District issued its Series 2010B General Obligation Bonds (Taxable Qualified School Construction Bonds) with a par amount of \$15,075,000 to provide funds to pay for improvements to School District facilities and to pay for the costs of issuance of the bonds. Interest payments are due semi-annually beginning on February 1, 2011 at a coupon rate of approximately 4.80% with \$5,000 in principal due on August 1, 2015 and the remaining \$15,070,000 due on August 1, 2027. The Federal Government is subsidizing 100% of the interest payments. The School District entered into a Paying Agent and Registrar Agreement with Wells Fargo Bank in October 2010 for the purpose of establishing a sinking fund to accumulate assets to be used for the retirement of this debt at maturity. In accordance with the terms of this agreement, the District directed and will direct the U. S. Department of the Treasury to send the interest subsidy to Wells Fargo Bank to be held by them in a sinking fund until maturity. The District anticipates that amounts on deposit plus the expected yield (investment earnings) of these funds on deposit will produce an amount equal to the required principal payment due in August 2027 of \$15,070,000. The balance in the escrow sinking fund account at June 30, 2019 was approximately \$6,512,000 and is included in the restricted investments in the financial statements.

**CHARLESTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8 LONG-TERM OBLIGATIONS (CONTINUED)

Annual Debt Service Requirements

Annual debt service requirements to maturity for all long-term debt as of June 30, 2019 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2020	\$ 42,305,000	\$ 26,996,664	\$ 69,301,664
2021	43,405,000	25,230,852	68,635,852
2022	44,905,000	23,424,365	68,329,365
2023	45,530,000	21,574,416	67,104,416
2024	24,985,000	19,816,679	44,801,679
2025-2029	272,970,000	62,373,585	335,343,585
2030-2032	125,360,000	7,181,000	132,541,000
Total	<u>\$ 599,460,000</u>	<u>\$ 186,597,561</u>	<u>\$ 786,057,561</u>

The School District is subject to a statutory millage limit on the amount of ad valorem taxes it may annually levy to fund operations and does not presently have sufficient unused capacity under its operating millage limit to levy additional ad valorem taxes to fund the installment payments of purchase price due under the Facilities Agreement. The School District is, however, authorized to levy an unlimited ad valorem tax to pay its general obligation debt and has covenanted and agreed in the Facilities Agreement to exercise its best efforts to issue its general obligation debt from time to time to provide funds to make installment payments of purchase price due under the Facilities Agreement as well as base payments to CEEF.

The School District has continuous authority to issue general obligation bonds each calendar year, subject to a constitutional debt limit equal to 8% of the assessed valuation of property subject to levy by the School District, applicable to debt issued subsequent to November 30, 1982. As of November 30, 1982, the constitutional debt limit was decreased from 20% to 8% of the assessed valuation under the provisions of Section 15, Article X of the South Carolina Constitution. Of the outstanding general obligation debt at June 30, 2019, \$99,505,000 was approved through voter referendum. Therefore, \$274,130,000 including the \$227,160,000 in short-term General Obligation Bond Anticipation Notes outstanding at June 30, 2019, is subject to the 8% limitation. Based on an assessed value of approximately \$3,673,000,000 at June 30, 2019 (which includes merchant's inventory and TIF District amounts), the School District had available capacity to issue approximately \$19,710,000 of additional general obligation debt.

**CHARLESTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 9 DEFICIT NET POSITION AND FUND BALANCE

As of June 30, 2019, the Debt Service-District Fund had a deficit fund balance of \$39,654,686. The deficit in the Debt Service-District Fund is a result of the District's short-term debt issuances, the related payment of outstanding debt, payment on the CEEF financing, and transfers to fund capital projects being in excess of the proceeds from new bond issuances and the levy of local property taxes by the fund. This short-term debt is issued in the spring of each year to fund fixed cost of ownership projects and make payments on the CEEF financing and is retired in the fall using proceeds of additional debt.

NOTE 10 RETIREMENT PLANS

State Retirement Plans

The School District participates in the state of South Carolina's retirement plans, which are administered by the South Carolina Public Employee Benefit Authority (PEBA), which was created on July 1, 2012 and administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the Budget and Control Board, 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. PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the South Carolina Retirement 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, PO Box 11960, Columbia, South Carolina 29211-1960. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the State.

Plan Description

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

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

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

**CHARLESTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10 RETIREMENT PLANS (CONTINUED)

Plan Membership

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

- SCRS – Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012 is a Class Three member.
- State ORP – As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State ORP, which is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers. For this reason, State ORP programs are not considered part of the retirement systems for financial statement purposes. A direct remittance is required from the employers to the member's account with investment providers for the employee contribution (9.0%) and a portion of the employer contribution (5%). A direct remittance is also required to SCRS for the remaining portion of the employer contribution (5.41%) and an incidental death benefit contribution (.15%), if applicable, which is retained by SCRS.
- PORS – To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012 is a Class Three member.

**CHARLESTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10 RETIREMENT PLANS (CONTINUED)

Plan Benefits

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

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

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of 1% or \$500 every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

- PORS – A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.
- The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of 1% or \$500 every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

**CHARLESTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10 RETIREMENT PLANS (CONTINUED)

Plan Contributions

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

The Retirement System Funding and Administration Act increases employer contribution rates to 14.56% for SCRS and 17.24% for PORS, effective July 1, 2018. It also removes the 2.9% and 5% differential and increases and establishes a ceiling on employee contribution rates at 9% and 9.75% for SCRS and PORS respectively. The employer contribution rates will continue 20-year amortization schedule. The recent pension reform legislation also changes the long-term funded ratio requirement from 90 to 85.

As noted above, both employees and the School District are required to contribute to the Plans at rates established and as amended by the PEBA. The School District's contributions are actuarially determined but are communicated to and paid by the School District as a percentage of the employees' annual eligible compensation as follows for the past three years:

	SCRS and State ORP Rates			PORS Rates		
	2017	2018	2019	2017	2018	2019
Employer Rate:						
Retirement*	11.41 %	13.41 %	14.41 %	13.84 %	15.84 %	16.84 %
Incidental Death Benefit	0.15	0.15	0.15	0.20	0.20	0.20
Accidental Death						
Contributions	-	-	-	0.20	0.20	0.20
Total	<u>11.56 %</u>	<u>13.56 %</u>	<u>14.56 %</u>	<u>14.24 %</u>	<u>16.24 %</u>	<u>17.24 %</u>
Employee Rate	<u>8.66 %</u>	<u>9.00 %</u>	<u>9.00 %</u>	<u>9.24 %</u>	<u>9.75 %</u>	<u>9.75 %</u>

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

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

Year Ended June 30,	SCRS Contributions		State ORP Contributions		PORS Contributions	
	Required	Contributed	Required	Contributed	Required	Contributed
2019	\$ 34,507,796	100 %	\$ 5,894,776	100 %	\$ 24,881	100 %
2018	31,012,284	100	4,723,282	100	22,653	100
2017	24,581,408	100	3,170,095	100	16,884	100

**CHARLESTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10 RETIREMENT PLANS (CONTINUED)

Plan Contributions (Continued)

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

<u>Year Ended June 30,</u>	<u>SCRS Payroll</u>	<u>State ORP Payroll</u>	<u>PORS Payroll</u>	<u>Total Payroll</u>
2019	\$ 237,004,091	\$ 61,660,836	\$ 144,324	\$ 298,809,251
2018	228,704,166	55,808,529	139,489	284,652,184
2017	215,437,406	49,455,451	121,989	265,014,846

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

The most recent annual actuarial valuation reports adopted by the PEBA Board and Budget and Control Board are as of July 1, 2017. The net pension liability of each defined benefit pension plan was therefore determined based on the July 1, 2017 actuarial valuations, using membership data as of July 1, 2017, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2018, using generally accepted actuarial procedures. Information included in the following schedules is based on the certification provided by PEBA's consulting actuary, Gabriel, Roeder, Smith and Company.

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 fiduciary net position of the SCRS and PORS and additions to/deductions from the SCRS's and PORS's fiduciary net position have been determined on the same basis as they are reported by SCRS and PORS.

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67 less that System's fiduciary net position. For the year ended June 30, 2018, NPL amounts and the change in NPL amounts for SCRS and PORS are as follows:

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

**CHARLESTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10 RETIREMENT PLANS (CONTINUED)

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

At June 30, 2019, the School District reported liabilities of approximately \$552,774,000 and \$286,000 for its proportionate shares of the net pension liabilities for the SCRS and PORS (Plans), respectively. The net pension liabilities were measured as of June 30, 2018, and the total pension liabilities for the Plans used to calculate the net pension liabilities were determined based on the most recent actuarial valuation report as of July 1, 2017 that was projected forward to the measurement date. The School District's proportion of the net pension liabilities were based on a projection of the School District's long-term share of contributions to the Plans relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At June 30, 2018, the School District's SCRS proportion was 2.467%, representing a decrease of .128% from the School District's proportion of 2.339% at June 30, 2017. At June 30, 2018, the School District's PORS proportion was .010%, representing an increase of .001% from the School District's proportion of .009% at June 30, 2017.

For the year ended June 30, 2019, the School District recognized pension expense of approximately \$54,094,000 and \$37,300 for the SCRS and PORS, respectively. At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
SCRS		
Differences Between Expected and Actual Experience	\$ 997,824	\$ 3,252,919
Differences Between Actual and Proportionate Share of Employer Contributions	25,190,658	32,208,953
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	8,780,820	-
Assumption Changes	21,930,965	-
School District's Contributions Subsequent to the Measurement Date	39,173,874	-
Total SCRS	96,074,141	35,461,872
PORS		
Differences Between Expected and Actual Experience	8,798	-
Differences Between Actual and Proportionate Share of Employer Contributions	21,825	123,619
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	5,710	-
Assumption Changes	18,828	-
School District's Contributions Subsequent to the Measurement Date	24,881	-
Total PORS	80,042	123,619
Total SCRS and PORS	\$ 96,154,183	\$ 35,585,491

**CHARLESTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10 RETIREMENT PLANS (CONTINUED)

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

Approximately \$39,174,000 and \$25,000 that were reported as deferred outflows of resources related to the School District's contributions subsequent to the measurement date to the SCRS and PORS, respectively, will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the SCRS and PORS will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>SCRS</u>	<u>PORS</u>	<u>Totals</u>
2020	\$ 17,203,710	\$ (30,965)	\$ 17,172,745
2021	5,505,413	(30,586)	5,474,827
2022	(868,970)	(9,195)	(878,165)
2023	(401,758)	2,288	(399,470)
Total	<u>\$ 21,438,395</u>	<u>\$ (68,458)</u>	<u>\$ 21,369,937</u>

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed as of July 1, 2015.

The following table provides a summary of the actuarial cost method and assumptions used in the July 1, 2015, valuations for SCRS and PORS.

<u>Description</u>	<u>SCRS</u>	<u>PORS</u>
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:		
Investment Rate of Return	7.25%	7.25%
Salary Increases	3.5% to 12.5%	3.5% to 9.5%
Includes Inflation at	2.25%	2.25%
Benefit Adjustments	Lesser of 1% or \$500	Lesser of 1% or \$500

The postretiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000.

**CHARLESTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10 RETIREMENT PLANS (CONTINUED)

Actuarial Assumptions and Methods (Continued)

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

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

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2018 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7.25% assumed annual investment rate of return used in the calculation of the TPL includes a 5.00% real rate of return and a 2% inflation component.

**CHARLESTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10 RETIREMENT PLANS (CONTINUED)

Actuarial Assumptions and Methods (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Global Equity			
Global Private Equity	33.0 %	6.99%	2.31 %
Private Equity	9.0	8.73%	0.79
Equity Options Strategies	5.0	5.52%	0.28
Real Assets			
Real Estate (Private)	6.0	3.54%	0.21
Real Estate (REITs)	2.0	5.46%	0.11
Infrastructure	2.0	5.09%	0.10
Opportunistic			
GTAA/Risk Parity	8.0	3.75%	0.30
Hedge Funds (non-PA)	2.0	3.45%	0.07
Other Opportunistic Strategies	3.0	3.75%	0.11
Diversified Credit			
Mixed Credit	6.0	3.05%	0.18
Emerging Markets Debt	5.0	3.94%	0.20
Private Debt	7.0	3.89%	0.27
Conservative Fixed Income			
Core Fixed Income	10.0	94.00%	0.09
Cash and Short Duration (Net)	2.0	34.00%	0.01
Total Expected Real			<hr/>
Return	<hr/> <hr/>		5.03
Inflation for Actuarial Purposes			<hr/>
Total Expected Nominal			2.25
Return			<hr/> <hr/>
			7.28 %

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. 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.

**CHARLESTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10 RETIREMENT PLANS (CONTINUED)

Discount Rate (Continued)

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

<u>System</u>	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
The School District's proportionate share of the net pension liability of the SCRS	\$ 706,342,029	\$ 552,773,615	\$ 442,986,908
The School District's proportionate share of the net pension liability of the PORS	384,961	285,553	204,129

Plans' Fiduciary Net Position

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 the SCRS and PORS. The CAFR of the Pension Trust Funds is publicly available on PEBA's website at <http://www.peba.sc.gov>.

NOTE 11 CONTINGENT LIABILITIES

Litigation

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

Grants

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

**CHARLESTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 12 RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The School District continues to carry commercial insurance for employee health and dental coverage and is partially self-insured for workers' compensation and general liability, auto, and property and casualty. Because of the high cost of insurance, the School District has partnered with the South Carolina School Boards Insurance Trust (SCSBIT) in order to obtain property and casualty insurance at the best rate. The School District is insured through SCSBIT for property and casualty insurance and has a service agreement with SCBIT for risk management services; however, the School District does not participate in SCSBIT's property and casualty insurance pool but contracts independently with Willis, the same broker for SCSBIT, for brokerage services. As a result, the School District is not liable for any shortages related to SCSBIT's property and casualty pool. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years and there has been no significant reduction in insurance coverage.

As noted above, the School District is self-insured related to risks associated with workers' compensation. The School District has a \$750,000 per claim deductible with the insurance provider paying claims that are in excess of \$750,000 per claim. The School District has recorded an estimated liability of \$3,945,912 for incurred but unpaid claims at June 30, 2019, which is based on GASB Statement No. 10 which requires that a liability for claims be recorded if information prior to the issuance of the financial statements indicate that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. This amount is included in Other Accrued Expenses in the statement of net position.

Changes in the balances of estimated unpaid claims for workers' compensation during the two years ended June 30 are as follows:

<u>Year Ending June 30,</u>	Unpaid Claims at Beginning of Fiscal Year	Current-Year Claims and Changes in Estimates	Claim Payments	Unpaid Claims at End of Fiscal Year
2018	\$ 4,267,696	\$ 3,599,353	\$ (2,684,545)	\$ 5,182,504
2019	5,182,504	3,112,956	(2,269,667)	6,025,793

The School District is also self-insured related to risks associated with general liability, auto, and property and casualty. For general liability and auto coverage, the School District has a \$75,000 per claim deductible with the insurance provider paying claims that are in excess of \$75,000 per claim; for property and casualty coverage, the School District has a \$100,000 per claim deductible with the insurance provider paying claims that are in excess of \$100,000 per claim. In the event of a windstorm (hurricane), the District will incur the greater of a deductible of 2% of the total loss or \$100,000. The School District has recorded an estimated liability of \$1,895,770 for incurred but not reported claims at June 30, 2019, which is based on GASB Statement No. 10 which requires that a liability for claims be recorded if information prior to the issuance of the basic financial statements indicate that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. This amount is included in Other Accrued Expenses in the statement of net position.

**CHARLESTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 12 RISK MANAGEMENT (CONTINUED)

Changes in the balances of estimated unpaid claims for property damage, auto, and general liability claims during the two years ended June 30, 2019 are as follows:

<u>Year Ending June 30,</u>	<u>Unpaid Claims at Beginning of Fiscal Year</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Unpaid Claims at End of Fiscal Year</u>
2018	\$ 1,732,197	\$ 2,109,158	\$ (1,732,197)	\$ 2,109,158
2019	2,109,158	1,895,770	(2,109,158)	1,895,770

NOTE 13 SERVICE CONTRACTS AND OPERATING LEASES

The School District is party to the following contracts for services which are funded by the General, Special Revenue, EIA Funds, and Capital Projects Funds.

In June 2008, the School District contracted for student transportation services with Durham Services. The original contract period was from July 2008 through June 2012. The School District extended the contract with Durham Services during fiscal year 2012 for an additional two-year period with the second year based on Durham meeting certain goals to get the extension. In fiscal year 2014, the School District extended the contract with Durham Services for one year through the end of fiscal year 2015. In July 2015, the School District extended the contract through June 2020. The School District pays a base payment which is calculated per bus per day based on bus routes.

In April 2017, the School District contracted with Cummings/SMG for Program Management Services for the 2017-2022 Capital Program. The contract period runs through August 2022 and the total fee associated with this contract is \$28,588,741. This Capital Program is funded by the penny sales tax approved in November 2010.

In July 2016, the School District entered into a five-year contract with Ricoh USA, Inc. (Ricoh) for managed document services, equipment repair and maintenance, supplies, and software support related to copiers and printers throughout the School District.

Future required annual payments under the contracts for services are as follows:

<u>Fiscal Year</u>	<u>Cummings/ SMG</u>	<u>Durham</u>	<u>Ricoh</u>	<u>Total</u>
2020	\$ 5,891,252	\$ 14,066,451	\$ 788,136	\$ 20,745,839
2021	4,750,608	-	788,136	5,538,744
2022	3,560,668	-	-	3,560,668
2023	1,281,792	-	-	1,281,792
Total	<u>\$ 15,484,320</u>	<u>\$ 14,066,451</u>	<u>\$ 1,576,272</u>	<u>\$ 31,127,043</u>

**CHARLESTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 14 OTHER POSTEMPLOYMENT BENEFITS

Plan Description

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the state of South Carolina (State) provides health and dental benefits to retired State and school district employees and their covered dependents through the South Carolina Retiree Health Insurance Trust Fund (SCRHITF), referred to as the OPEB plan. The OPEB plan has been determined to be a cost-sharing multiple-employer defined benefit plans and is administered by the South Carolina Public Employee Benefit Authority (PEBA). Article 5 of the State Code of Laws defines the plan and authorizes PEBA to at any time adjust the plan, including its benefits and contributions, as necessary to ensure the fiscal stability of the plans. 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 on May 2, 2008 and after, retirees are eligible for benefits if they have established twenty-five years of service for 100% employer funding and fifteen through twenty-four years of service for 50% employer funding. Benefits become effective when the former employee retires under a State retirement system.

Funding Policy

Sections 1-11-705 through 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment healthcare benefits be funded through annual appropriations by the General Assembly for active employees and participating retirees except the portion funded through the pension surcharge and provided from other applicable sources for active employees who are not funded by State appropriations.

Employers participating in the healthcare plan are mandated by State statute to contribute at a rate assessed each year by the Office of the Executive Budget, 6.05% of annual covered payroll for fiscal year 2019. PEBA sets the employer contribution rate based on a pay-as-you-go basis. The School District paid \$18,077,960 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal year ended June 30, 2019.

OPEB Liability, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2019, the School District reported a liability of \$452,515,894 for its proportionate share of the net SCRHITF OPEB. The net OPEB liabilities were determined using a valuation date of June 30, 2017 and projected forward to a measurement date of June 30, 2018. At June 30, 2018, the School District's proportion of the SCRHITF net OPEB liability was 3.193%.

**CHARLESTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 14 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

OPEB Liability, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

For the year ended June 30, 2019, the School District recognized OPEB expense of approximately \$27,280,000. At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 157,669
Differences Between Actual and Proportionate Share of Employer Contributions	-	4,956
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,735,121	-
Assumption Changes		36,848,443
Liability Experience	6,778,892	-
Changes in Proportion and Differences Between School Contributions and Proportionate Share of Contributions	18,658,243	-
School District's Contributions Subsequent to the Measurement Date	17,578,405	-
Total	<u>\$ 44,750,661</u>	<u>\$ 37,011,068</u>

\$17,578,405 that is reported as deferred outflows of resources related to the School District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension OPEB in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the SCRS and PORS will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2020	\$ (1,326,718)
2021	(1,401,857)
2022	(1,396,030)
2023	(1,386,796)
Thereafter	<u>(4,327,411)</u>
Total	<u>\$ (9,838,812)</u>

Actuarial Assumptions and Methods

The total OPEB liability in the June 30, 2017 valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method: Entry Age Normal.

Inflation: 2.25%.

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

**CHARLESTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 14 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions and Methods (Continued)

Single Discount Rate: 3.62% as of June 30, 2018.

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

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

Health Care Trend Rate: Initial trend starting at 6.75% and gradually decreasing to an ultimate trend rate of 4.15% over a period of 14 years.

Ageing Factors: Based on plan specific experience.

Retiree Participation: 79% for retirees who are eligible for funded premiums, 59% participation for retirees who are eligible for Partial Funded Premiums, and 20% participation for retirees who are eligible for Non-Funded Premiums.

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:

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

Discount Rate

The Single Discount Rate of 3.62% was used to measure the total OPEB liability for the SCRHITF. The SCRHITF's accounting policy for this plan is to set the Single Discount Rate equal to the prevailing municipal bond rate. The Fidelity "20-Year Municipal GO AA Index" for fixed-income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds was used for reporting as of June 30, 2018. 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).

**CHARLESTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 14 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity Analysis

The following table presents the School District's proportionate share of SCRHITF's net OPEB liability calculated using a Single Discount Rate of 3.62%, as well as what the plan's net OPEB liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

	1% Decrease (2.62%)	Current Discount Rate (3.62%)	1% Increase (4.62%)
The School District's Proportionate Share of the Net OPEB Liability of the SCRHITF	\$ 533,107,194	\$ 452,515,894	\$ 387,552,925

In addition, the following table presents the School District's proportionate share of SCRHITF's net OPEB liability calculated using the assumed healthcare cost trend rates, as well as what the plan's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1% lower or one percent higher:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
The School District's Proportionate Share of the Net OPEB Liability of the SCRHITF	\$ 372,347,521	\$ 452,515,894	\$ 556,158,752

Plans' Fiduciary Net Position

Detailed information regarding the fiduciary net position of the SCRHITF administered by PEBA is available in the separately issued financial statements and required supplementary information for the SCRS and PORS. The CAFR of the Pension Trust Funds is publicly available on PEBA's website at <http://www.peba.sc.gov>.

NOTE 15 TAX ABATEMENTS

As of June 30, 2019, the School District is impacted by tax abatements provided by Charleston County through Fee In Lieu of Taxes (FILOT) Programs and Special Source Revenue Credits (SSRC).

The County has entered into negotiated FILOT agreements pursuant to the authority granted by Title 12/Chapter 44, Title 4/Chapter 29, and/or Title 4/Chapter 12 of the Code of Laws of South Carolina, 1976, as amended. Property subject to a FILOT agreement is exempt from ad valorem property tax and is instead subject to an amount equal to the product of the appraised value of the property times the assessment ratio (generally no lower than 6%, but may be as low as 4% for extraordinary projects that satisfy the statutory definition of an "enhanced investment"), times the millage rate. The millage rate is either fixed for the life of the agreement or is adjusted every five years based on the trailing five-year average.

**CHARLESTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 15 TAX ABATEMENTS (CONTINUED)

The County provides special source revenue credits (SSRC), generally in conjunction with FILOT agreements, pursuant to the authority granted by Sections 4-29-68 and 4-1-170 of the Code of Laws of South Carolina, 1976, as amended. SSRC, often referred to as "Infrastructure Credits," are reductions to a taxpayer's payments in lieu of taxes. Property that receives SSRC is added to the "Multi-County-Industrial-Park" (MCIP) pursuant to Sections 4-1-170 through 4-1-175 of the Code of Laws of South Carolina, 1976, as amended. Most MCIP agreements allocate a set percentage of property tax (or fee in lieu of tax) revenue to a partner county.

As a result of the County programs having a direct effect on the total tax levy of the School District, the School District incurred tax abatements under the FILOT and SSRC programs in the amount of \$32,250,847

NOTE 16 SUBSEQUENT EVENTS

In October 2019, the School District issued a short-term Tax Anticipation Note (TAN) with a par amount of \$22,500,000 at a coupon rate of 3.00% and received a premium of \$172,575. Principal and interest are due in full on March 31, 2020 and will be paid using operating tax collections. The TAN was issued for the purpose of providing funds to pay the operational expenditures of the School District during fiscal year 2020 until tax revenues are received.

In November 2019, the School District issued Series 2019A and 2019B General Obligation Bonds with a par amount of \$96,390,000 and \$20,725,000 at a coupon rate of 3% and 5% and received a premium of \$522,434 and \$2,380,880, respectively. Principal and interest are due March 1, 2020 and through February 1, 2025, respectively, and will be paid using debt service tax collections. The bonds were issued for the purpose of paying the installments coming due under the lease agreements with CEEF, repaying the outstanding Series 2010A GO Bonds, and paying the cost of issuance of the bonds.

**CHARLESTON COUNTY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETS AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Local Property Taxes	\$ 304,175,922	\$ 304,175,922	\$ 315,375,108	\$ 11,199,186
Other Local	1,301,000	1,301,000	3,976,227	2,675,227
Total Local	<u>305,476,922</u>	<u>305,476,922</u>	<u>319,351,335</u>	<u>13,874,413</u>
State	183,405,886	183,405,886	188,986,083	5,580,197
Federal	95,536	95,536	166,630	71,094
Intergovernmental	135,000	135,000	370,636	235,636
Total Revenues	<u>489,113,344</u>	<u>489,113,344</u>	<u>508,874,684</u>	<u>19,761,340</u>
EXPENDITURES				
Current:				
Instruction	248,192,153	248,079,658	245,800,763	2,278,895
Support Services	201,619,787	201,872,059	188,675,167	13,196,892
Community Services	1,249,102	933,677	793,294	140,383
Intergovernmental	7,854,129	7,920,999	7,852,757	68,242
Payments to Component Units	47,355,665	47,355,665	45,221,022	2,134,643
Capital Outlay	109,500	336,844	337,092	(248)
Debt Service:				
Interest and Other Fiscal Charges	100,000	100,000	646,495	(546,495)
Total Expenditures	<u>506,480,336</u>	<u>506,598,902</u>	<u>489,326,591</u>	<u>17,272,311</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(17,366,992)	(17,485,558)	19,548,093	37,033,651
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	-	-	15,815	15,815
Transfers In	15,817,950	15,817,950	16,245,942	427,992
Transfers Out	(1,060,000)	(1,095,000)	(1,095,000)	-
Total Other Financing Sources	<u>14,757,950</u>	<u>14,722,950</u>	<u>15,166,757</u>	<u>443,807</u>
NET CHANGES IN FUND BALANCES	(2,609,042)	(2,762,608)	34,714,850	37,477,458
Fund Balance - Beginning of Year	<u>70,150,794</u>	<u>70,150,794</u>	<u>70,150,794</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 67,541,752</u>	<u>\$ 67,388,186</u>	<u>\$ 104,865,644</u>	<u>\$ 37,477,458</u>

**CHARLESTON COUNTY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETS AND ACTUAL
SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Other Local	\$ 12,026,185	\$ 15,368,162	\$ 13,640,210	\$ (1,727,952)
State	3,710,717	5,841,097	5,792,102	(48,995)
Federal	37,162,038	56,858,866	44,681,246	(12,177,620)
Total Revenues	<u>52,898,940</u>	<u>78,068,125</u>	<u>64,113,558</u>	<u>(13,954,567)</u>
EXPENDITURES				
Current:				
Instruction	23,433,817	35,575,803	28,273,768	7,302,035
Support Services	15,700,275	27,777,229	20,867,418	6,909,811
Community Services	10,718,970	10,945,312	8,615,082	2,330,230
Intergovernmental	719,147	787,594	911,812	(124,218)
Payments to Component Units	1,137,253	1,607,753	1,785,843	(178,090)
Capital Outlay	-	224,131	128,984	95,148
Total Expenditures	<u>51,709,462</u>	<u>76,917,822</u>	<u>60,582,907</u>	<u>16,334,916</u>
EXCESS OF REVENUES OVER EXPENDITURES	1,189,478	1,150,303	3,530,651	2,380,348
OTHER FINANCING SOURCES (USES)				
Use of Fund Balance	-	1,012,574	-	(1,012,574)
Sale of Capital Assets	-	61,293	61,293	-
Transfers In	235,000	270,000	270,000	-
Transfers Out	(1,424,478)	(2,494,170)	(2,153,268)	340,902
Total Other Financing Sources (Uses)	<u>(1,189,478)</u>	<u>(1,150,303)</u>	<u>(1,821,975)</u>	<u>340,902</u>
NET CHANGES IN FUND BALANCES	-	-	1,708,676	2,721,250
Fund Balance - Beginning of Year	<u>3,254,152</u>	<u>3,254,152</u>	<u>3,254,152</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 3,254,152</u></u>	<u><u>\$ 3,254,152</u></u>	<u><u>\$ 4,962,828</u></u>	<u><u>\$ 2,721,250</u></u>

**CHARLESTON COUNTY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETS AND ACTUAL
EDUCATION IMPROVEMENT ACT FUND
YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
State	\$ 31,760,966	\$ 37,268,898	\$ 32,308,353	\$ (4,960,545)
EXPENDITURES				
Current:				
Instruction	9,605,753	12,695,372	9,411,983	3,283,389
Support Services	7,321,441	9,082,425	7,219,461	1,862,964
Payments to Component Units	1,892,703	2,647,167	2,863,349	(216,182)
Capital Outlay	204,005	48,088	17,714	30,374
Total Expenditures	<u>19,023,902</u>	<u>24,473,052</u>	<u>19,512,507</u>	<u>4,960,545</u>
EXCESS OF REVENUES OVER EXPENDITURES	12,737,064	12,795,846	12,795,846	-
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(12,737,064)</u>	<u>(12,795,846)</u>	<u>(12,795,846)</u>	-
NET CHANGES IN FUND BALANCES	-	-	-	-
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**CHARLESTON COUNTY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETS AND ACTUAL
FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Other Local	\$ 6,503,190	\$ 6,503,190	\$ 5,443,177	\$ (1,060,013)
State	-	-	-	-
Federal	22,803,780	22,803,780	23,260,219	456,439
Total Revenues	<u>29,306,970</u>	<u>29,306,970</u>	<u>28,703,396</u>	<u>(603,574)</u>
EXPENDITURES				
Current:				
Support Services	28,367,042	28,365,318	29,785,455	(1,420,137)
Capital Outlay	241,500	243,224	450,706	(207,482)
Total Expenditures	<u>28,608,542</u>	<u>28,608,542</u>	<u>30,236,161</u>	<u>(1,627,619)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	698,428	698,428	(1,532,765)	2,231,193
OTHER FINANCING SOURCES (USES)				
Transfers In	825,000	825,000	825,000	-
Transfers Out	(1,523,428)	(1,523,428)	(1,503,321)	20,107
Total Other Financing Sources (Uses)	<u>(698,428)</u>	<u>(698,428)</u>	<u>(678,321)</u>	<u>20,107</u>
NET CHANGES IN FUND BALANCES	-	-	(2,211,086)	(2,211,086)
Fund Balance - Beginning of Year	<u>8,393,615</u>	<u>8,393,615</u>	<u>8,393,615</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 8,393,615</u>	<u>\$ 8,393,615</u>	<u>\$ 6,182,529</u>	<u>\$ (2,211,086)</u>

**CHARLESTON COUNTY SCHOOL DISTRICT
SCHEDULE OF CHARLESTON COUNTY SCHOOL DISTRICT'S PROPORTIONATE
SHARE OF NET PENSION LIABILITY
SOUTH CAROLINA RETIREMENT SYSTEM**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Proportion of the Net Pension Liability	2.467 %	2.339 %	2.661 %	2.540 %	2.595 %	2.595 %
Proportionate Share of the Net Pension Liability	\$ 552,773,615	\$ 526,608,423	\$ 568,364,147	\$ 481,685,824	\$ 446,724,975	\$ 465,400,428
Covered Payroll	\$ 275,901,891	\$ 256,142,644	\$ 282,173,194	\$ 235,603,367	\$ 212,227,347	\$ 209,505,956
Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	200.35 %	205.59 %	201.42 %	204.45 %	210.49 %	222.14 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	54.1%	53.3%	52.9%	57.0%	59.9%	56.4%

Note to Schedule:

The amounts for each fiscal year were determined as of June 30th of the preceding year. Only six years of data were available; thus, only six years were presented.

**CHARLESTON COUNTY SCHOOL DISTRICT
SCHEDULE OF CHARLESTON COUNTY SCHOOL DISTRICT'S CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM
LAST TEN FISCAL YEARS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 39,173,874	\$ 34,795,356	\$ 26,779,711	\$ 28,008,902	\$ 26,048,720	\$ 24,964,996
Contributions in Relation to the Contractually Required Contributions	<u>39,173,874</u>	<u>34,795,356</u>	<u>26,779,711</u>	<u>28,008,902</u>	<u>26,048,720</u>	<u>24,964,996</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Charleston County School District's Covered Payroll	\$ 289,577,721	\$ 275,901,891	\$ 256,142,644	\$ 282,173,194	\$ 211,165,412	\$ 212,227,347
Contributions as a Percentage of Covered Payroll	13.53 %	12.61 %	10.45 %	9.93 %	12.34 %	11.76 %

Note to Schedule:

Only six years of data were available; thus, only six years were presented.

**CHARLESTON COUNTY SCHOOL DISTRICT
SCHEDULE OF CHARLESTON COUNTY SCHOOL DISTRICT'S PROPORTIONATE
SHARE OF NET PENSION LIABILITY
POLICE OFFICERS' RETIREMENT SYSTEM**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Proportion of the Net Pension Liability	0.010 %	0.010 %	0.016 %	0.021 %	0.020 %	0.020 %
Proportionate Share of the Net Pension Liability	\$ 285,553	\$ 248,177	\$ 394,168	\$ 463,731	\$ 388,763	\$ 420,959
Covered Payroll	\$ 139,489	\$ 121,989	\$ 198,086	\$ 263,586	\$ 244,244	\$ 257,357
Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	204.71 %	203.44 %	198.99 %	175.93 %	159.17 %	163.57 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	61.7 %	60.9 %	60.4 %	64.6 %	67.6 %	63.0 %

Note to Schedule:

The amounts for each fiscal year were determined as of June 30th of the preceding year. Only six years of data were available; thus, only six years were presented.

**CHARLESTON COUNTY SCHOOL DISTRICT
SCHEDULE OF CHARLESTON COUNTY SCHOOL DISTRICT'S CONTRIBUTIONS
POLICE OFFICERS' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 24,881	\$ 22,653	\$ 16,884	\$ 26,425	\$ 35,347	\$ 31,361
Contributions in Relation to the Contractually Required Contributions	<u>24,881</u>	<u>22,653</u>	<u>16,884</u>	<u>26,425</u>	<u>35,347</u>	<u>31,361</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Charleston County School District's Covered Payroll	\$ 144,324	\$ 139,489	\$ 121,989	\$ 198,086	\$ 263,586	\$ 244,244
Contributions as a Percentage of Covered Payroll	17.24%	16.24%	13.84%	13.34%	13.41%	12.84%

Note to Schedule:

Only six years of data were available; thus, only six years were presented.

**CHARLESTON COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SOUTH CAROLINA RETIREMENT SYSTEM AND POLICE OFFICERS' RETIREMENT SYSTEM
JUNE 30, 2018**

NOTE 1 CHANGES IN BENEFIT TERMS

There were no benefit changes during the year.

NOTE 2 CHANGES IN ASSUMPTIONS

There were no changes in the discount rate of 7.25% from June 30, 2017 to June 30, 2018.

**CHARLESTON COUNTY SCHOOL DISTRICT
SCHEDULE OF CHARLESTON COUNTY SCHOOL DISTRICT'S PROPORTIONATE
SHARE OF NET OPEB LIABILITY
SOUTH CAROLINA RETIREE HEALTH INSURANCE TRUST FUND**

	<u>2019</u>	<u>2018</u>
Proportion of the Net OPEB Liability	3.193 %	3.047 %
Proportionate Share of the Net OPEB Liability	\$ 452,515,894	\$ 412,761,832
Covered Payroll	\$ 284,652,184	\$ 265,014,846
Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	158.97 %	155.75 %
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	7.91 %	7.60 %

Note to Schedule:

The amounts for each fiscal year were determined as of June 30th of the preceding year. Only two years of data were available; thus, only two years were presented.

**CHARLESTON COUNTY SCHOOL DISTRICT
SCHEDULE OF CHARLESTON COUNTY SCHOOL DISTRICT'S CONTRIBUTIONS
SOUTH CAROLINA RETIREE HEALTH INSURANCE TRUST FUND
LAST TEN FISCAL YEARS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually Required Contribution	\$ 17,578,405	\$ 15,147,858	\$ 14,125,292
Contributions in Relation to the Contractually Required Contributions	<u>17,578,405</u>	<u>15,147,858</u>	<u>14,125,292</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Charleston County School District's Covered Payroll	\$ 298,809,251	\$ 284,652,184	\$ 265,014,846
Contributions as a Percentage of Covered Payroll	5.88%	5.32%	5.33%

Note to Schedule:

Only three years of data were available; thus, only three years were presented.

**CHARLESTON COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SOUTH CAROLINA RETIREE HEALTH INSURANCE TRUST FUND
JUNE 30, 2018**

NOTE 1 CHANGES IN BENEFIT TERMS

There were no benefit changes during the year.

NOTE 2 CHANGES IN ASSUMPTIONS

The discount rate changed from 3.56% as of June 30, 2017 to 3.62% as of June 30, 2018.

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APPENDIX B

Form of Disclosure Dissemination Agent Agreement

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FORM OF DISCLOSURE DISSEMINATION AGENT AGREEMENT

This Disclosure Dissemination Agent Agreement (the "Disclosure Agreement"), dated as of _____, 2020, is executed and delivered by Charleston County School District, South Carolina (the "School District") and Digital Assurance Certification, L.L.C., as exclusive Disclosure Dissemination Agent (the "Disclosure Dissemination Agent" or "DAC"), for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) in order to assist the School District in processing certain continuing disclosure with respect to the Bonds in accordance in complying with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the "Rule"). Inasmuch as the Bonds 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 Bonds, and the School District'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 School District 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 School District or anyone on the School District'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. DAC is not a "Municipal Advisor" as such term is defined in Section 15B of the Securities Exchange Act of 1934, as amended, and related rules.

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:

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

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

"Disclosure Dissemination Agent" means Digital Assurance Certification, L.L.C, acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the School District pursuant to Section 8 hereof.

"Disclosure Representative" means the Chief Financial and Administrative Officer of the School District or his or her designee, or such other person as the School District 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.

"Financial Obligation" as used in this Disclosure Agreement is defined in the Rule, as may be amended, as (i) a debt obligation; (ii) derivative instrument entered into in connection with, or pledged as a security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term "Financial Obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

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

in which the Disclosure Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Disclosure Dissemination Agent from performance of its obligations under this Disclosure Agreement.

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

"Information" means, collectively, the Notice Event notices or the Voluntary Event Disclosures.

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

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

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

"Official Statement" means that Official Statement prepared by the School District in connection with the Bonds, as listed in Exhibit A.

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

"Voluntary Event Disclosure" means information of the category specified in any of subsections (a)(ii)(1) through (a)(ii)(10) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 6(a) of this Disclosure Agreement.

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) hereof with the MSRB, identifying the Notice Event as instructed by the School District pursuant to Section 3(a) or 3(b)(ii) hereof (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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;"
7. "Modifications to rights of securities holders, if material;"

8. "Bond calls, if material, and tender offers;"
9. "Defeasances;"
10. "Release, substitution, or sale of property securing repayment of the securities, if material;"
11. "Rating changes;"
12. "Bankruptcy, insolvency, receivership or similar event 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 the Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the 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 the Obligated Person, any of which reflect financial difficulties.

(ii) upon receipt, promptly file the text of each Voluntary Event Disclosure received under Section 6(a) hereof with the MSRB, identifying the Voluntary Event Disclosure as instructed by the School District pursuant to Section 6(a) (being any of the categories set forth below) when filing pursuant to Section 6(a) of this Disclosure Agreement:

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

- (iii) provide the School District 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) Anything in this Disclosure Agreement to the contrary notwithstanding, any Information received by the Disclosure Dissemination Agent before 10:00 a.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Disclosure Agreement and that is accompanied by a Certification and all other information required by the terms of this Disclosure Agreement will be filed by the Disclosure Dissemination Agent with the MSRB no later than 11:59 p.m. Eastern time on the same business day; provided, however, the Disclosure Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event provided that the Disclosure Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

SECTION 3. Reporting of Notice Events.

- (a) The occurrence of any of the following events with respect to the Bonds constitutes a Notice Event:
 - 1. Principal and interest payment delinquencies;
 - 2. Non-payment related defaults, if material;
 - 3. Unscheduled draws on debt service reserves reflecting financial difficulties;
 - 4. Unscheduled draws on credit enhancements reflecting financial difficulties;
 - 5. Substitution of credit or liquidity providers, or their failure to perform;
 - 6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
 - 7. Modifications to rights of Bond holders, if material;
 - 8. Bond calls, if material, and tender offers;
 - 9. Defeasances;
 - 10. Release, substitution, or sale of property securing repayment of the Bonds, if material;
 - 11. Rating changes;
 - 12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;

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

13. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
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 School District shall, in a timely manner not later than nine (9) business days after its occurrence, notify the Disclosure Dissemination Agent in writing of the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c) and shall be accompanied by a Certification. Such notice or Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(a)(i) of this Disclosure Agreement), include the text of the disclosure that the School District desires to make, contain the written authorization of the School District for the Disclosure Dissemination Agent to disseminate such information, and identify the date the School District 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 School District 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 School District determines that a Notice Event has occurred), instruct the Disclosure Dissemination Agent that either (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, together with a Certification. Such Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(a)(i) of this Disclosure Agreement), include the text of the disclosure that the School District desires to make, contain the written authorization of the School District for the Disclosure Dissemination Agent to disseminate such information, and identify the date the School District 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 School District 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) of this Disclosure Agreement. This notice may be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit B-1.

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

SECTION 5. Additional Disclosure Obligations. The School District 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 School District, 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 School District 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. Voluntary Filing.

(a) The School District may instruct the Disclosure Dissemination Agent to file a Voluntary Event Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Event Disclosure (which shall be any of the categories set forth in Section 2(a)(ii) of this Disclosure Agreement), include the text of the disclosure that the School District desires to make, contain the written authorization of the School District for the Disclosure Dissemination Agent to disseminate such information, and identify the date the School District desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the School District as prescribed in this Section 6(a) to file a Voluntary Event Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Event Disclosure with the MSRB in accordance with Section 2(a)(ii) hereof. This notice may be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit B-2.

(b) The parties hereto acknowledge that the School District is not obligated pursuant to the terms of this Disclosure Agreement to file any Voluntary Event Disclosure pursuant to Section 6(a) hereof.

(c) Nothing in this Disclosure Agreement shall be deemed to prevent the School District from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Notice Event notice or Voluntary Event Disclosure, in addition to that required by this Disclosure Agreement. If the School District chooses to include any information in any Notice Event notice or Voluntary Event Disclosure in addition to that which is specifically required by this Disclosure Agreement, the School District shall have no obligation under this Disclosure Agreement to update such information or include it in any future Notice Event notice or Voluntary Event Disclosure.

SECTION 7. Termination of Reporting Obligation. The obligations of the School District and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the School District is no longer an Obligated Person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of counsel expert in federal securities laws to the effect that continuing disclosure is no longer required.

SECTION 8. Disclosure Dissemination Agent. The School District has appointed Digital Assurance Certification, L.L.C. as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The School District 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 School District or DAC, the School District agrees to appoint a successor Disclosure Dissemination Agent or, alternately, agrees to assume all responsibilities of Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the School District shall remain liable to the Disclosure Dissemination Agent 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 School District.

SECTION 9. Remedies in Event of Default. In the event of a failure of the School District 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 Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 10. 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 School District 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 School District and shall not be deemed to be acting in any fiduciary capacity for the School District, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the School District'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 School District has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon Certifications of the School District at all times.

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

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

(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 11. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the School District 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 School District and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither the School District or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Disclosure Dissemination Agent shall have the right to adopt amendments to this Disclosure Agreement necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time by giving not less than 20 days prior written notice of the intent to do so together with a copy of the proposed amendment to the School District. No such amendment shall become effective if the School District 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 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the School District, the Trustee, if any, of the Bonds, the Disclosure Dissemination Agent, the underwriter, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of Florida (other than with respect to conflicts of laws).

SECTION 14. 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 School District 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: _____

CHARLESTON COUNTY SCHOOL DISTRICT,
SOUTH CAROLINA, as Issuer

By: _____
Name: Donald R. Kennedy
Title: Chief Financial and Administrative Officer

EXHIBIT A

NAME AND CUSIP NUMBERS OF BONDS

Name of Issuer: Charleston County School District, South Carolina
Obligated Person(s): Charleston County School District, South Carolina
Name of Issue: \$_____ Tax Anticipation Notes of 2020
Date of Issuance: _____, 2020
Date of Official Statement: _____, 2020

CUSIP Number: 160075__

EXHIBIT B-1
EVENT NOTICE COVER SHEET

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

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

Issuer's Six-Digit CUSIP Number:

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

Number of pages attached: _____

____ Description of Notice Events (Check One):

1. _____ "Principal and interest payment delinquencies;"
2. _____ "Non-Payment related defaults, if material;"
3. _____ "Unscheduled draws on debt service reserves reflecting financial difficulties;"
4. _____ "Unscheduled draws on credit enhancements reflecting financial difficulties;"
5. _____ "Substitution of credit or liquidity providers, or their failure to perform;"
6. _____ "Adverse tax opinions, IRS notices or events affecting the tax status of the security;"
7. _____ "Modifications to rights of securities holders, if material;"
8. _____ "Bond calls, if material, and tender offers;"
9. _____ "Defeasances;"
10. _____ "Release, substitution, or sale of property securing repayment of the securities, if material;"
11. _____ "Rating changes;"
13. _____ "Bankruptcy, insolvency, receivership or similar event of the obligated person;"
14. _____ "Merger, consolidation, or acquisition of the obligated person, if material;"
15. _____ "Appointment of a successor or additional trustee, or the change of name of a trustee, if material;"
16. _____ "Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material;" and
17. _____ "Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties."

____ Failure to provide annual financial information as required.

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

Signature:

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
315 E. Robinson Street, Suite 300
Orlando, FL 32801
407-515-1100

Date:

EXHIBIT B-2
VOLUNTARY EVENT DISCLOSURE COVER SHEET

This cover sheet and accompanying "voluntary event disclosure" may be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated as of _____, 2020 between the Issuer and DAC.

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

Issuer's Six-Digit CUSIP Number:

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

Number of pages attached: _____

____ Description of Voluntary Event Disclosure (Check One):

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

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

Signature:

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
315 E. Robinson Street
Suite 300
Orlando, FL 32801
407-515-1100

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APPENDIX C

Form of Opinion of Bond Counsel

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

[Purchaser]

Re: \$_____ Charleston County School District, South Carolina, Tax Anticipation Notes of 2020

Sirs:

We have examined the record of proceedings and other proofs submitted to us, including the Constitution and Statutes of the State of South Carolina, in relation to the issuance of the \$_____ Charleston County School District, South Carolina, Tax Anticipation Notes of 2020 (the "Notes").

The Notes are issued pursuant to the provisions of Article X, Section 15 of the Constitution of the State of South Carolina and Section 11-27-50 and Section 59-69-270 of the Code of Laws of South Carolina 1976, as amended, and a resolution (the "Resolution") duly adopted by the Board of Trustees of Charleston County School District, South Carolina (the "Board"), the governing body of Charleston County School District, South Carolina (the "School District"), on August 24, 2020.

The Notes bear interest from the date of delivery and mature as to both principal and interest on March 31, 2021, without privilege of prepayment.

In our opinion, the proceedings are regular and in due form of law, and the Notes constitute valid and binding obligations of the School District, and are payable, both principal and interest, from the proceeds of the ad valorem taxes levied within the School District for the School District's operational purposes for the fiscal year beginning July 1, 2020, together with reimbursements received by the School District from the State of South Carolina pursuant to Section 11-11-156 of the Code of Laws of South Carolina 1976, as amended, in lieu of certain property taxes.

Interest on the Notes is excludable from gross income of the registered owners thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinion set forth in the preceding sentence is subject to the condition that the School District complies with all requirements of the Code that must be satisfied subsequent to the issuance of the Notes in order that interest thereon be (or continue to be) excludable from gross income for federal income tax purposes. Failure to comply with certain of such requirements may cause interest on the Notes to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Notes. The Board has covenanted to comply with all such requirements. We express no opinion regarding other federal tax consequences arising with respect to the Notes.

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

We express no opinion herein regarding the accuracy, adequacy or completeness of the Official Statement dated October __, 2020 relating to the Notes. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

It is to be understood that the obligations of the School District under the Notes and the Resolution, and the enforceability thereof, may be subject to judicial discretion, the valid exercise of the sovereign police powers of the

State of South Carolina and of the constitutional powers of the United States of America, and applicable bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors rights.

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

Very truly yours,

APPENDIX D

Official Bid Form

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**PROPOSAL FOR THE PURCHASE OF
 CHARLESTON COUNTY SCHOOL DISTRICT, SOUTH CAROLINA
 APPROXIMATELY \$25,000,000 TAX ANTICIPATION NOTES OF 2020**

October 21, 2020

Dr. Gerrita Postlewait
 Superintendent of Schools
 Charleston County School District
 3999 Bridge View Drive
 North Charleston, South Carolina 29405

FAX (843) 566-1973
 Telephone: (843) 566-8198

Dear Dr. Postlewait:

We offer to pay \$_____ for approximately \$25,000,000 Charleston County School District, South Carolina, Tax Anticipation Notes of 2020, dated October 28, 2020, which mature, without privilege of prepayment, on March 31, 2021. The Notes will bear interest at the rate shown below in accordance with the Official Notice of Sale herein.

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
3/31/2021	\$25,000,000	____%

Very truly yours,

For your information only, we have calculated the interest cost on this proposal as follows:

Aggregate of Interest...\$ _____
 Less Premium.....\$ _____
 Total Interest Dollars..\$ _____
 Net Interest Cost..... _____ %

 (Name of Bidder)

Submitted by: _____
 (Title)

 (Address)

 (Telephone)

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